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SEVENTY-FIFTH CONGRESS, THIRD SESSION

SENATE

THURSDAY, FEBRUARY 24, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, February 23, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Colo.	Pope
Andrews	Davis	King	Radcliffe
Ashurst	Donahey	La Follette	Reames
Austin	Duffy	Lee	Reynolds
Bailey	Ellender	Lodge	Russell
Bankhead	Frazier	Logan	Schwartz
Barkley	George	Lonergan	Schwellenbach
Berry	Gerry	Lundeen	Sheppard
Bilbo	Gibson	McAdoo	Shipstead
Bone	Gillette	McCarran	Smathers
Borah	Glass	McKellar	Thomas, Okla.
Brown, Mich.	Green	McNary	Thomas, Utah
Brown, N. H.	Guffey	Maloney	Townsend
Bulkley	Hale	Miller	Truman
Bulow	Harrison	Milton	Tydings
Burke	Hatch	Minton	Vandenberg
Byrd	Hayden	Murray	Van Nuys
Byrnes	Herring	Neely	Wagner
Capper	Hill	Norris	Walsh
Caraway	Hitchcock	Nye	Wheeler
Chavez	Holt	O'Mahoney	
Clark	Hughes	Overton	
Connally	Johnson, Calif.	Pittman	

Mr. BARKLEY. I announce that the Senators from Illinois [Mr. DIETERICH and Mr. LEWIS], the Senator from Kansas [Mr. MCGILL], the Senator from Florida [Mr. PEPPER], and the Senator from South Carolina [Mr. SMITH] are detained from the Senate on important public business.

Mr. AUSTIN. I am requested to announce the necessary absence of the Senator from New Hampshire [Mr. BRIDGES], caused by illness.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

ANNOUNCEMENT OF SENATOR PEPPER'S POSITION ON RELIEF APPROPRIATION ACT

Mr. BARKLEY. Mr. President, I observe from the CONGRESSIONAL RECORD that inadvertently the name of the Senator from Florida [Mr. PEPPER] was omitted from the list of absentees as announced by me on yesterday when the vote was had on the passage of the emergency relief appropriation joint resolution. The Senator from Florida is detained in his State on important public business. I am advised that if he had been present and voting, he would have voted for the passage of the bill.

REPORT ON WAR FINANCE CORPORATION (IN LIQUIDATION)

The VICE PRESIDENT laid before the Senate a letter from the Acting Secretary of the Treasury, transmitting, pursuant to law, the report of the Secretary of the Treasury on the War Finance Corporation (in liquidation), covering the period from January 1, 1937, to December 31, 1937, which, with the accompanying papers, was referred to the Committee on Finance.

ORDINANCES OF MUNICIPAL COUNCILS, VIRGIN ISLANDS

The VICE PRESIDENT laid before the Senate two letters from the Secretary of the Interior, transmitting, pursuant to law, copies of ordinances, etc., adopted by the Municipal Councils of St. Croix, and St. Thomas and St. John, and approved by the Governor of the Virgin Islands, which, with the accompanying papers, were referred to the Committee on Territories and Insular Affairs.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a letter in the nature of a petition from Local No. 45, State, County, and Municipal Workers of America, New York City, praying for the enactment of the so-called Schwellenbach-Allen resolution providing increased appropriations for the W. P. A., which was ordered to lie on the table.

He also laid before the Senate a letter in the nature of a petition from Local No. 45, State, County, and Municipal Workers of America, New York City, praying for the prompt enactment of the bill (H. R. 1507) to assure to persons within the jurisdiction of every State the equal protection of the laws and to punish the crime of lynching, which was ordered to lie on the table.

Mr. TYDINGS presented a resolution adopted by the council of the Society of Colonial Wars in the State of Maryland, Baltimore, Md., favoring the preservation and restoration of the United States frigate *Constellation* and the stationing of the frigate at Fort McHenry, Md., which was referred to the Committee on Naval Affairs.

Mr. COPELAND presented a resolution adopted by the New York Board of Trade, New York City, favoring the prompt enactment of legislation to correct alleged adverse conditions in the merchant marine, which was referred to the Committee on Commerce.

He also presented a resolution adopted by the Common Council of the City of North Tonawanda, N. Y., protesting against the enactment of the so-called Parsons bill, permitting 5,000 cubic feet of water per second to be diverted from Lake Michigan at Chicago, Ill., which was referred to the Committee on Commerce.

He also presented a resolution adopted by the Petroleum Industries Committee of Madison County, N. Y., favoring the repeal of Federal taxes on gasoline and lubricating oils, which was referred to the Committee on Finance.

REPORTS OF COMMITTEES

Mr. LOGAN, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 4018. A bill for the relief of Orville Ferguson (Rept. No. 1401);

H. R. 6370. A bill for the relief of John Calareso, a minor (Rept. No. 1402); and

H. R. 6993. A bill for the relief of L. H. Dicke (Rept. No. 1403).

Mr. BROWN of Michigan, from the Committee on Claims, to which was referred the bill (S. 2655) for the relief of Lt. T. L. Bartlett, reported it with amendments and submitted a report (No. 1404) thereon.

Mr. TOWNSEND, from the Committee on Claims, to which was referred the bill (H. R. 3657) for the relief of

Albert Pina Afonso, a minor, reported it without amendment and submitted a report (No. 1405) thereon.

He also, from the same committee, to which was referred the bill (S. 1878) for the relief of Mary Way, reported it with an amendment and submitted a report (No. 1406) thereon.

Mr. MILTON, from the Committee on Claims, to which was referred the bill (S. 3147) for the relief of Mr. and Mrs. S. A. Felsenthal, Mr. and Mrs. Sam Friedlander, and Mrs. Gus Levy, reported it without amendment and submitted a report (No. 1407) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

S. 2799. A bill for the relief of George Marsh (Rept. No. 1408); and

S. 3057. A bill for the relief of John Fanning (Rept. No. 1409).

Mr. BAILEY, from the Committee on Claims, to which was referred the bill (S. 2876) for the relief of Mark H. Doty, reported it with an amendment and submitted a report (No. 1410) thereon.

He also, from the same committee, to which was referred the bill (S. 3379) for the relief of Arthur T. Miller, reported it without amendment and submitted a report (No. 1411) thereon.

Mr. McNARY, from the Committee on Commerce, to which was referred the bill (S. 3213) to amend the act entitled "An act authorizing the Oregon-Washington Board of Trustees to construct, maintain, and operate a toll bridge across the Columbia River at Astoria, Clatsop County, Oreg.," approved June 13, 1934, as amended, reported it without amendment and submitted a report (No. 1412) thereon.

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (S. 3384) authorizing the State Highway Departments of North Dakota and Minnesota and the Boards of County Commissioners of Traill County, N. Dak., and Norman County, Minn., to construct, maintain, and operate a free highway bridge across the Red River of the North between Caledonia, N. Dak., and Shelly, Minn., reported it without amendment and submitted a report (No. 1413) thereon.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

Mr. SHEPPARD, from the Committee on Military Affairs, reported favorably the nominations of sundry general and other officers for appointment, or appointment by transfer, in the Regular Army.

Mr. HARRISON, from the Committee on Finance, reported favorably the following nominations:

John H. Dooley, of Portland, Maine, to be collector of customs for customs collection district No. 1, with headquarters at Portland, Maine (reappointment);

Henry V. Schwalbach, of Milwaukee, Wis., to be collector of customs for customs collection district No. 37, with headquarters at Milwaukee, Wis. (reappointment); and

Samuel T. Ladd, of Portsmouth, N. H., to be comptroller of customs in customs collection district No. 4, with headquarters at Boston, Mass. (reappointment).

The VICE PRESIDENT. The reports will be placed on the Executive Calendar.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BAILEY:

A bill (S. 3526) to provide for reimbursing certain railroads for sums paid into the Treasury of the United States under an unconstitutional act of Congress; to the Committee on Claims.

A bill (S. 3527) relative to the disability retirement of Joseph Inniss and William E. Murtagh, former employees of the Panama Canal (with accompanying papers); to the Committee on Civil Service.

By Mr. DAVIS:

A bill (S. 3528) granting an increase in pension to Eugene Promie; to the Committee on Pensions.

By Mr. SCHWELLENBACH:

A bill (S. 3529) to provide for assistance to the several States in the development of public-school building facilities; to the Committee on Education and Labor.

By Mr. SHEPPARD:

A bill (S. 3530) to amend the National Defense Act of June 3, 1916, as amended, by reestablishing the Regular Army Reserve, and for other purposes; to the Committee on Military Affairs.

By Mr. WHEELER:

A bill (S. 3531) for the relief of Frank Casey; to the Committee on Military Affairs.

By Mr. CLARK:

A bill (S. 3532) to extend the times for commencing and completing the construction of a bridge across the Missouri River at or near Randolph, Mo.; to the Committee on Commerce.

By Mr. GREEN:

A bill (S. 3533) for the relief of Richard Stockman; to the Committee on Claims.

By Mr. MURRAY:

A bill (S. 3534) for the relief of Christ Rieber; to the Committee on Claims.

(Mr. LODGE introduced Senate bill 3535, which was referred to the Committee on Finance and appears under a separate heading.)

By Mr. ASHURST:

A bill (S. 3536) granting an increase of pension to Fannie Ross; to the Committee on Pensions.

By Mr. McCARRAN and Mr. CHAVEZ:

A joint resolution (S. J. Res. 269) to authorize the Postmaster General to withhold the awarding of contracts for a period of 60 days; to the Committee on Post Offices and Post Roads.

AMENDMENT OF SOCIAL SECURITY ACT—SAFEGUARDING OF OLD-AGE TRUST FUNDS

Mr. LODGE. Mr. President, I should like to take a few minutes of the time of the Senate to introduce a bill and then to speak briefly in explanation of it. The title of the bill is: "A bill to reduce the taxes of workers and employers and honestly to safeguard old-age trust funds."

The VICE PRESIDENT. Without objection, the bill of the Senator from Massachusetts will be received and referred to the Committee on Finance.

The bill (S. 3535) to reduce the taxes of workers and employers and honestly to safeguard old-age trust funds was read twice by its title and referred to the Committee on Finance.

Mr. LODGE. I now ask unanimous consent that I may make an explanatory statement of the bill.

The VICE PRESIDENT. Without objection, the Senator from Massachusetts will proceed.

Mr. LODGE. I will read the statement, which is as follows:

STATEMENT OF SENATOR HENRY CABOT LODGE, JR., IN REGARD TO HIS BILL TO REDUCE THE TAXES OF WORKERS AND EMPLOYERS AND HONESTLY TO SAFEGUARD OLD-AGE TRUST FUNDS

We must leave no stone unturned to safeguard the aged against the hazards of an uncertain future. We all believe in the aims of social-security legislation. Authorities, however, agree that the present Social Security Act, which was hastily conceived, contains weaknesses which prevent it from being an effective old-age security law, and should be corrected.

The amendments I am submitting will: (1) Decrease pay-roll taxes; (2) establish a pay-as-you-go policy with a moderate contingent reserve; (3) decentralize the administration of this reserve; and (4) "nail down" the money so that it will be used for old-age pensions and not for current costs of the Government.

(1) My proposal calls for an immediate reduction in the excessive taxes imposed upon the worker and upon the employer. It does not reduce benefit payments. Under the existing schedules we are paying far too much for the security we are to receive. An unwarranted tax burden has been placed upon wages and upon business. My plan contemplates an initial rate of 1 percent, increasing to a maximum of 5 percent in 20 years, in contrast to the initial rate of 2 percent, rising to 6 percent in 12 years, under the present plan.

(2) Too large a reserve of idle funds is economically unsound in government or in business. The plan I offer replaces the unwieldy $47,000,000,000 reserve—a sum four times greater than the world's accumulated gold supply—with a pay-as-you-go policy and a moderate contingent fund.

(3) My amendments will effectively decentralize the administration of this reserve by providing for a greater spread in investment. One billion dollars of the old-age account is to be invested in Government bonds and the balance of the above said sum is to be returned to the various States, in proportion to their contributions, for investment in a safe and broader field under the laws of the various States as they apply to their own fiduciary institutions and practices. To my mind it is only fair that a substantial portion of the funds of a State should be returned for investment to that State. It is unbelievable that the creation of a reserve fund was intended to finance the Government.

(4) The money which is set aside for old age should be "nailed down" for old-age benefits, and for that purpose only. It should not be used for any other governmental expense. This reserve represents a sacred trust fund, and my proposal recognizes this fact.

Many of the ideas embodied in this program have received the full endorsement of authorities in the field of social insurance. Executives of America's leading insurance companies have urged similar proposals.

Mr. W. R. Williamson, the chief actuary of the Social Security Board, has said that such a program of taxing provisions "would meet apparent benefits for a long time to come."

Secretary Frances Perkins has declared: "We came to the conclusion that it was better, from the point of view of maintaining and building up the national income, not to build up the reserve, but to pay as you go."

It is a matter of record that the Committee on Economic Security, originally appointed by the President to formulate a program of social security, after mature deliberation, recommended to Congress a similar schedule of tax rates. The Secretary of the Treasury, at the request of the Executive, appeared before the House Ways and Means Committee in 1935 and apparently reversed his own stand by proposing the creation of a $47,000,000,000 reserve as the one method of placing the system on a "sound financial basis." The incorporation into the Social Security Act of his recommendations clearly repudiated the report of the President's Committee on Economic Security and the best opinion of the recognized social insurance experts.

The defects which my amendments seek to remedy are serious ones. The wage earner has been misled. His tax payments do not become a reserve but are converted into an I. O. U. by the Government of $47,000,000,000, representing a permanent debt owed to the people. In addition, the present national debt of the United States is $38,000,000,000. In spite of the excessive taxation required to build this reserve, the taxpayer will again be asked to pay when the major payments fall due. This is a striking example of Peter robbing Peter to pay Peter.

Social security is of momentous consequence to Americans of every generation. Failure now might cost us the Nation's faith in the ideal of social security. I submit my amendments with the hope that they will contribute to the establishment of a sound and liberal program of old-age insurance.

AMENDMENT OF AGRICULTURAL ADJUSTMENT ACT—AMENDMENT

Mr. McNARY submitted an amendment intended to be proposed by him to the bill (H. R. 7836) to amend the Agricultural Adjustment Act, as amended, by including hops as a commodity to which orders under such act are applicable, which was ordered to lie on the table and to be printed.

REORGANIZATION OF GOVERNMENT AGENCIES—AMENDMENTS

Mr. BYRD submitted sundry amendments, and Mr. BYRD, Mr. BAILEY, and Mr. BURKE jointly submitted amendments intended to be proposed by them to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which were severally ordered to lie on the table and to be printed.

Mr. WHEELER submitted amendments, and Mr. WALSH, Mr. CLARK, and Mr. BULOW jointly submitted amendments intended to be proposed by them to Senate bill 3331, the so-called reorganization bill, which were severally ordered to lie on the table and to be printed.

AMENDMENT TO STATE, JUSTICE, ETC., APPROPRIATION BILL

Mr. WHEELER submitted an amendment intended to be proposed by him to the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed as follows:

At the proper place, under the heading "Bureau of Fisheries," to insert the following:

"Construction of fish screens: For construction, operation, and maintenance, in cooperation with the Bureau of Reclamation, of fish screens and ladders on Federal irrigation projects, $20,000, of which not to exceed $6,400 may be expended for the pay of permanent employees engaged in the conduct of investigations and surveys, the preparation of designs, and the supervision of construction, in connection with such screens and ladders."

AMENDMENTS TO INDEPENDENT OFFICES APPROPRIATION BILL

Mr. McKELLAR submitted an amendment intended to be proposed by him to the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1939, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 67, after line 12, to insert the following:

"No part of any appropriation contained in this act or authorized hereby to be expended shall be used to pay the compensation of any experts or attorneys under any independent establishment of the Government of the United States (except persons now in the employ of the Government or appointed under civil-service rules), the rate of which is $5,000 or more per annum, who shall not have been appointed by the President, by and with the advice and consent of the Senate."

Mr. REYNOLDS submitted an amendment intended to be proposed by him to House bill 8837, the independent offices appropriation bill, 1939, which was ordered to lie on the table and to be printed, as follows:

At the proper place to insert the following new section:

"SEC. —. The sums appropriated by this act shall be so expended that any employment which may result from, and any other benefits which may accrue to individuals as a direct or indirect result of, carrying out the provisions of this act shall be received by the following classes of individuals in the following order of preference: First, citizens of the United States; second, aliens who, prior to the enactment of this act, have declared their intention to become citizens of the United States; third, aliens not included in the second class above mentioned but whose residence in the United States is lawful. No part of such sums shall be so expended as to result in any employment or any other benefits being received by aliens not lawfully in the United States."

FREE ENTERPRISE AND RESTRICTIVE TAXATION—ADDRESS BY SENATOR DAVIS

[Mr. TOWNSEND asked and obtained leave to have printed in the RECORD an address delivered by Senator DAVIS on February 23, 1938, at the annual banquet of the Glenside Board of Trade, Glenside, Pa., on the subject Free Enterprise Versus Restrictive Taxation, which appears in the Appendix.]

LOYAL ORDER OF MOOSE—ADDRESSES BY SENATOR DAVIS

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a radio address by Senator DAVIS at the conference of the Loyal Order of Moose at Jacksonville, Fla., February 19, 1938, and also an address by Senator DAVIS at the dedication of a hospital at the Home for the Aged of the Loyal Order of Moose at Moosehaven, Orange Park, Fla., on February 20, which appear in the Appendix.]

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes.

The VICE PRESIDENT. The clerk will state the committee amendments.

The first amendment of the Committee on Appropriations was, under the heading "Central Statistical Board," on page 6, line 14, after the word "Board" and the comma, to strike out "$175,000" and insert "$100,000," so as to read:

For every expenditure requisite for and incident to the work of the Central Statistical Board as authorized by law, including personal services in the District of Columbia; traveling expenses; materials; supplies; office equipment; mimeographing, special messenger, contract stenographic reporting, and other services; newspapers; periodicals and press clippings; repairs and alterations; and not to exceed $200 for expenses of attendance at meetings which in the discretion of the chairman are necessary for the efficient discharge of the responsibilities of the Board, $100,000.

The amendment was agreed to.

The next amendment was, on page 6, line 18, after the word "Board" and the comma, to strike out "$176,000" and insert "$101,000: *Provided*, That no other money appropriated in this or any other act shall be available for the Central Statistical Board after the passage of this act", so as to read:

Total, Central Statistical Board, $101,000: *Provided*, That no other money appropriated in this or any other act shall be available for the Central Statistical Board after the passage of this act.

Mr. GLASS. With reference to the amendment on page 6, I am authorized by the committee to present an amendment to it. After the word "act", in line 20, I move to insert the words "except the Independent Offices Appropriation Act for the fiscal year 1938."

Under the bill as reported the Statistical Board cannot use the appropriation now to its credit, and those words are necessary in order to enable it to do so.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Virginia to the amendment reported by the committee.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The VICE PRESIDENT. The clerk will state the next amendment reported by the committee.

The next amendment was, under the heading "Civil Service Commission," on page 7, line 24, after the words "provided for" and the comma, to strike out "$2,492,500" and insert "$2,350,000", so as to read:

For three Commissioners and other personal services in the District of Columbia, including personal services required for examination of Presidential postmasters, and including not to exceed $2,500 for employment of expert examiners not in the Federal service on special subjects for which examiners within the service are not available, and for personal services in the field; for medical examinations; for necessary traveling expenses, including those of examiners acting under the direction of the Commission, and for expenses of examinations and investigations held elsewhere than at Washington, including not to exceed $1,000 for expenses incident to attendance at meetings concerned with problems of public officials, educational groups, Government employees as such, and other similar organizations, which are peculiar to the interests and business of the Commission, when specifically directed by the Commission; for furniture and other equipment and repairs thereto; rental of equipment; supplies; advertising; telegraph, telephone, and laundry service; freight and express charges; streetcar fares not to exceed $300; stationery; purchase and exchange of lawbooks, books of reference, directories, subscriptions to newspapers and periodicals, not to exceed $1,000; charts; purchase, exchange, maintenance, and repair of motortrucks, motorcycles, and bicycles; garage rent; postage stamps to prepay postage on matter addressed to Postal Union countries; special-delivery stamps; and other like miscellaneous necessary expenses not hereinbefore provided for, $2,350,000.

The amendment was agreed to.

The next amendment was, on page 8, line 20, after the word "elsewhere" and the comma, to strike out "$92,500" and insert "$85,000", so as to read:

For all printing and binding for the Civil Service Commission, including all of its bureaus, offices, institutions, and services located in Washington and elsewhere, $85,000.

The amendment was agreed to.

The next amendment was, on page 9, line 23, after the word "Commission", to strike out "$77,504,000" and insert "$77,354,000", so as to read:

Total, Civil Service Commission, $77,354,000.

The amendment was agreed to.

The next amendment was, under the heading "Civilian Conservation Corps," on page 10, line 22, after the word "enrollees", to insert "and not to exceed $200,000 may be expended for salaries and expenses of the office of the Director", so as to read:

For all authorized and necessary expenses to carry into effect the provisions of the act entitled "An act to establish a Civilian Conservation Corps, and for other purposes", approved June 28, 1937, including personal services in the District of Columbia and elsewhere; the purchase and exchange of lawbooks, books of reference, periodicals, and newspapers; rents in the District of Columbia and elsewhere; the purchase (including exchange), operation, maintenance, and repair of motor-propelled and horse-drawn passenger-carrying vehicles to be used only for official purposes; hire, with or without personal services, of work animals, animal-drawn and motor-propelled vehicles, and watercraft; printing and binding; travel expenses, including not to exceed $2,000 for expenses of attendance at meetings concerned with the work of the corps when specifically authorized by the Director; construction, improvement, repair, and maintenance of buildings, but the cost of any building erected hereunder shall not exceed $25,000; and all other necessary expenses, $226,331,000, of which $133,467,000 shall be available only for pay, subsistence, clothing (and repair thereof), transportation, and hospitalization of enrollees and not to exceed $200,000 may be expended for salaries and expenses of the office of the Director.

The amendment was agreed to.

The next amendment was, under the heading "Employees' Compensation Commission," on page 12, line 4, after the word "items" and the semicolon, to strike out "$490,000" and insert $466,450", so as to read:

For three Commissioners and other personal services in the District of Columbia, including not to exceed $1,000 for temporary experts and assistants in the District of Columbia and elsewhere, to be paid at a rate not exceeding $8 per day, and for personal services in the field; for furniture and other equipment and repairs thereto; lawbooks, books of reference, periodicals; stationery and supplies; traveling expenses; fees and mileage of witnesses; contract stenographic reporting services; rent at the seat of government and elsewhere; and miscellaneous items; $466,450.

The amendment was agreed to.

The next amendment was, on page 12, at the end of line 6, to reduce the appropriation for all printing and binding for the Employees' Compensation Commission from $8,500 to $8,000.

The amendment was agreed to.

The next amendment was, on page 14, line 19, to reduce the total appropriation for the Employees' Compensation Commission from $5,273,500 to $5,249,450.

The amendment was agreed to.

The next amendment was, under the heading "Interstate Commerce Commission," on page 25, line 4, after the word "work" and the semicolon, to strike out "purchase (not to exceed 2,000) of evidence of violations of said act" and insert "the securing of information and evidence of violations of said act not to exceed $2,000"; and in line 7, before the words "of which", to strike out "$3,500,000" and insert "$3,000,000", so as to read:

Motor-transport regulation: For all authorized expenditures necessary to enable the Interstate Commerce Commission to carry out the provisions of the Motor Carrier Act, approved August 9, 1935 (49 U. S. C. 301–327), including one director at $10,000 per annum and other personal services in the District of Columbia and elsewhere; traveling expenses; supplies; services and equipment; not to exceed $1,000 for purchase and exchange of books, reports, and periodicals; contract stenographic reporting services; purchase (not to exceed $25,000), exchange, maintenance, repair, and operation of motor-propelled passenger-carrying vehicles when necessary for official use in field work; the securing of information and evidence or violations of said act not to exceed $2,000, $3,000,000; of which amount not exceeding $75,000 may be expended for rent in the District of Columbia if Government-owned facilities are not available.

The amendment was agreed to.

The next amendment was, on page 25, line 18, after the word "Commission" and the comma to strike out "$8,801,000" and insert "$8,301,000"; so as to read:

In all, salaries and expenses, Interstate Commerce Commission, $8,301,000.

The amendment was agreed to.

The next amendment was, on page 26, line 6, to reduce the total appropriation for the Interstate Commerce Commission from $8,976,000 to $8,476,000.

The amendment was agreed to.

The next amendment was, under the heading "National Advisory Committee for Aeronautics," on page 27, line 1, after the words "in all", to strike out "$1,679,000" and insert "$1,579,000"; and on the same page, line 15, to reduce the total appropriation for the National Advisory Committee for Aeronautics from $1,700,000 to $1,600,000; so as to read:

For scientific research, technical investigations, and special reports in the field of aeronautics, including the necessary laboratory and technical assistants; contracts for personal services in the making of special investigations and in the preparation of special reports; traveling expenses of members and employees, including not to exceed $1,000 for expenses, except membership

fees, of attendance upon meetings of technical and professional societies; office supplies and other miscellaneous expenses, including technical periodicals and books of reference; equipment, maintenance, and operation of the Langley Memorial Aeronautical Laboratory; purchase, maintenance, operation, and exchange of motor-propelled passenger-carrying vehicles, including not more than one for general administrative use in the District of Columbia; personal services in the field and not to exceed $115,000 for personal services in the District of Columbia; in all $1,579,000, of which amount not to exceed $2,000 may be expended for allowances for living quarters, including heat, fuel, and light, as authorized by the act approved June 26, 1930 (46 Stat. 818), but not to exceed $1,700 for any one person and not to exceed $200,000 may be expended for beginning the construction and equipment of a wind tunnel under a contract or contracts for the construction and equipment thereof at a total cost of not to exceed $540,000.

For all printing and binding for the National Advisory Committee for Aeronautics, including all of its offices, laboratories, and services located in Washington, D. C., and elsewhere, $21,000.

Total, National Advisory Committee for Aeronautics, $1,600,000.

Mr. COPELAND. Mr. President, I desire to inquire about the two amendments on page 27 relating to the National Advisory Committee for Aeronautics. I am a member of the Appropriations Committee, but I regret to say that I was occupied in another committee at the time this matter was considered and was not present. Was there some testimony on this particular matter?

Mr. GLASS. Yes, Mr. President. The Senator from California [Mr. McADOO] was intensely interested in it. He inquired into the matter, and thought the Board should be content with the appropriation it had last year, and it was on his motion that the amount was reduced.

Mr. COPELAND. Of course, I recognize that the Senator from California is tremendously interested in the subject. I have such high regard for the work being done by the National Advisory Committee for Aeronautics that that was my reason for inquiring about it.

Mr. GLASS. The Senator from California has, too, and so has the committee.

Mr. COPELAND. As I understand, then, the amount recommended by the Appropriations Committee is the same as last year.

Mr. GLASS. It is.

The VICE PRESIDENT. The question is on agreeing to the amendments reported by the committee.

The amendments were agreed to.

The VICE PRESIDENT. The clerk will state the next amendment of the committee.

The next amendment was, under the heading "National archives," on page 28, line 15, after the word "expenses" and the comma, to strike out "$775,000" and insert "$700,000", so as to read:

Salaries and expenses: For the Archivist and for all other authorized expenditures of The National Archives in carrying out the provisions of the act of June 19, 1934 (48 Stat. 1122–1124; 40 U. S. C. ch. 2A), as amended; the act of July 26, 1935 (49 Stat. 500–503; U. S. C., Supp. II, title 44, ch. 8A), as amended; including personal services in the District of Columbia; supplies and equipment, including scientific, technical, first-aid, protective, and other apparatus and materials for the arrangement, titling, scoring, repair, processing, editing, duplication, reproduction, and authentication of photographic records (including motion-picture films) and sound recordings in the custody of the Archivist; purchase and exchange of books, including lawbooks, books of reference, maps, and charts; contract stenographic reporting services; purchase of newspapers, periodicals, and press clippings; not to exceed $100 for payment in advance when authorized by the Archivist for library membership in societies whose publications are available to members only or to members at a price lower than to the general public; travel expenses, including not to exceed $1,000 for the expenses of attendance at meetings concerned with the work of The National Archives; repairs to equipment; maintenance and operation of motor vehicles; and all other necessary expenses, $700,000.

Mr. SHEPPARD. Mr. President, I move to strike out "$700,000" and insert the original figures "$775,000." In other words, I desire to have the committee amendment rejected; and I wish to address the Senate on the subject for a few minutes.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Texas to the amendment reported by the committee.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

The next amendment was, on page 29, line 19, to reduce the total appropriation for The National Archives from $789,000 to $714,000.

The VICE PRESIDENT. Because of the action of the Senate on the preceding amendment, without objection, this amendment to the total will be rejected.

The clerk will state the next amendment of the committee.

The next amendment was, under the heading "National Labor Relations Board," on page 31, line 3, after the word "automobile" and the semicolon, to strike out "$2,830,000" and insert "$2,485,000," so as to read:

Salaries and expenses: For three Board members, and for all other authorized and necessary expenditures of the National Labor Relations Board in performing the duties imposed by law or in pursuance of law, including rent and personal services in the District of Columbia and elsewhere; repairs and alterations; communications; contract stenographic reporting services, and not to exceed $300 for lawbooks; books of reference; newspapers; periodicals; operation, maintenance, and repair of one automobile; $2,485,000.

Mr. THOMAS of Utah. Mr. President, this is the item which has to do with the National Labor Relations Board, is it not?

The VICE PRESIDENT. It is.

Mr. THOMAS of Utah. I move that the Senate reject the committee amendments to this part of the bill and accept the figures adopted by the House.

Mr. BARKLEY. Mr. President, I suggest that it is not necessary to make a motion of that sort. The question is on agreeing to the committee amendment, which strikes out the House figure and substitutes a new figure. The result the Senator desires can be accomplished by voting down the committee amendment.

Mr. THOMAS of Utah. I made that motion because the motion of the Senator from Texas [Mr. SHEPPARD] was so successful.

Mr. BARKLEY. The same parliamentary situation applied in that instance.

The VICE PRESIDENT. Let the Chair say to the Senator from Utah that a mere negative vote on the committee amendment will accomplish the purpose he has in view.

Mr. THOMAS of Utah. I understand. Therefore, Mr. President, I move that the Senate reject the committee amendment.

The VICE PRESIDENT. That is a negative motion. The question is on agreeing to the committee amendment. If the Senate votes it down, that will accomplish the same thing.

The question is on agreeing to the amendment reported by the committee.

Mr. THOMAS of Utah. Mr. President, I should like to know the reasons, if the committee have any, for making the changes they have made in the appropriation for the National Labor Relations Board.

Mr. GLASS. Mr. President, the action of the committee was taken upon the basis of testimony that we had, and upon the conviction of the committee that the Labor Board should be content with the same appropriation it had last year. That we have given. Among other things, we find that the Labor Board has employed 162 lawyers, and it wants to employ many more. The committee thought that until the Labor Board established its usefulness or its viciousness, as the case may be, we should not increase its appropriation this year by nearly $400,000 above the amount the Labor Board had last year. In other words, some of us did not want the Labor Board to extend its tentacles into every community in the United States. Some of us believe the Board ought to be abolished; but we gave it the same amount of money it had last year, and we think the Board ought to be content with that amount.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

Mr. THOMAS of Utah. Mr. President, it seems to me the statement of a member of the Appropriations Committee that the committee itself wants to reduce an appropriation for the simple reason that it thinks the Board ought to be abolished is hardly a valid reason to present to the Senate of the United States.

The National Labor Relations Board is functioning under a national law. It is functioning in accordance with the will of the policy-forming body of the United States, the Congress of the United States; and in carrying out its work it has been eminently successful. Those of us who are interested in the ultimate success of the funcitioning of the Board, and a realization of the aims of the Government in the accomplishment of that success, are very much opposed to an amendment which at the present time, as is amply shown in the record made before the House Committee on Appropriations, would cripple, and probably injure, the work which is being done.

That is the point I should like to make, and that is the reason why I should like to see these amendments voted down. If it is necessary to go into details, if it is necessary to discuss the history of the Board and what it has accomplished, if it is necessary to repeat all the testimony lately offered before a subcommittee of the Judiciary Committee of this body to defend the action which the Board has been taking and the record it has made, of course, we are capable of doing that, and are perfectly willing to do that, but I do not think it is necessary. I assume that no one in the Senate of the United States is anxious to cripple or hinder a work which is justifying itself, and which is accomplishing so much good for the country, and for labor, and for bringing about stabilization of labor conditions.

Mr. President, I am wondering if the Senate is actually interested, and if it is necessary for me to say more upon this point.

Mr. BURKE, Mr. COPELAND, and other Senators addressed the Chair.

The VICE PRESIDENT. Does the Senator from Utah yield; and if so, to whom?

Mr. THOMAS of Utah. I yield to the Senator from Nebraska.

Mr. BURKE. Mr. President, does the Senator from Utah consider that his statement that the National Labor Relations Board has been successfully functioning was demonstrated by the hearings to which he referred, before a subcommittee of the Senate Committee on the Judiciary?

Mr. THOMAS of Utah. I surely do.

Mr. BURKE. Let me say, then, that in that respect I entirely disagree with the Senator; that I think the functioning of the National Labor Relations Board has been a national disgrace; that it is being carried on at an enormous expense and that it is not really carrying out the purpose of the National Labor Relations Act in a fair, impartial manner.

While I am not inclined to vote to cripple the Board and in an indirect way try to bring its actions within reason, I should not want to have go unchallenged the Senator's statement that the Board in its operation has been a success, and has brought benefits either to labor or to the general public. I think quite the contrary is true.

Mr. NEELY and Mr. COPELAND addressed the Chair.

The VICE PRESIDENT. Does the Senator from Utah yield; and if so, to whom?

Mr. THOMAS of Utah. I yield to the Senator from West Virginia.

Mr. NEELY. Mr. President, as chairman of the subcommittee which recently completed hearings on the resolution of the Senator from Nebraska [Mr. BURKE] to investigate the National Labor Relations Board, I venture to believe that a majority of the subcommittee would not concur in the opinion which the author of the resolution has just expressed, to the effect that the achievements of the Board are a disgrace to the country.

This is an amazing charge for the Senator from Nebraska to make, in the light of the record of the hearings on his resolution. After the completion of the hearings the Senator himself joined in the unanimous vote of the subcommittee to postpone indefinitely his resolution which charged the Board with continuous and flagrant violation of the law.

Mr. BURKE. Mr. President, will the Senator yield at that point?

Mr. NEELY. When I complete my statement I shall gladly yield.

The VICE PRESIDENT. The Senator from Utah has the floor.

Mr. NEELY. Mr. President, although the Senator from Nebraska introduced the resolution which called for the investigation of the Labor Relations Board because of its alleged lawlessness, he later voted to postpone it indefinitely. This vote was the equivalent of one for the burial of the resolution forever.

Mr. BURKE. Mr. President, will the Senator from Utah yield at that point so that I may ask the Senator from West Virginia a question?

Mr. THOMAS of Utah. I have yielded to the Senator from West Virginia. If it would be proper for me to interfere with his remarks, I will yield to the Senator from Nebraska.

Mr. BURKE. At that point, since the Senator from West Virginia is making the kind of statement he is making, I think he ought to yield for a question.

Mr. NEELY. Mr. President, I yield to the Senator from Nebraska.

Mr. THOMAS of Utah. Mr. President, I trust I shall not lose the floor.

The VICE PRESIDENT. There is free discussion now. Technical rules are no longer in vogue. [Laughter.]

Mr. BURKE. Mr. President, many weeks ago—in fact, several months ago—I submitted a resolution asking that the Committee on the Judiciary of the United States Senate investigate the administration of the National Labor Relations Act by the National Labor Relations Board. That resolution was referred to the Committee on the Judiciary, and in due time a subcommittee was appointed, of which my distinguished friend the senior Senator from West Virginia [Mr. NEELY] was chairman. The meeting of the subcommittee was called to order, and at two morning sessions I presented the reasons why I thought an investigation should be made.

Mr. Madden, chairman of the Board, then appeared to present his reasons why there should not be an investigation. From the very start the members of the committee indicated that they doubted whether the Committee on the Judiciary ought to make the investigation, that the Labor Relations Act came from the Committee on Education and Labor. To wind up the hearing before the subcommittee, the distinguished Senator from Utah [Mr. THOMAS] came before the committee and stated his view, that this was a matter which ought not to be before the Committee on the Judiciary at all, but ought to be before the Committee on Education and Labor, and recognizing some merit in that position, I joined with the other members of the subcommittee in recommending indefinite postponement of my resolution, not at all because I had changed my mind in any particular with reference to the necessity of a thoroughgoing investigation of the Board. I think a very considerable number of Senators on the floor at this time have heard from their constituents in reference to what the Board has been doing in their own States.

Through its horde of examiners, investigators, and others they have brought exactly the opposite of what was intended by Congress in passing the National Labor Relations Act. Instead of diminishing the causes of labor disputes, they have poured oil on the flames and have caused a tremendous disturbance all over this country. If the Senate Committee on the Judiciary did not see fit to investigate the matter, my theory being——

Mr. NEELY. Mr. President, is the Senator asking a question?

Mr. BURKE. It is leading up to the question.

The PRESIDING OFFICER (Mr. CLARK in the chair). The Chair understood the Senator from Utah to yield to the Senator from Nebraska.

Mr. THOMAS of Utah. I yielded to the Senator from West Virginia.

Mr. BURKE. Mr. President——

Mr. NEELY. That being the situation, the Senator from West Virginia yielded to the Senator from Nebraska to ask a question. He has now spoken for almost 10 minutes but his question is still unpropounded.

Mr. BURKE. Mr. President, if the Senator will yield to me to make just one statement, the occupant of the chair just before the present occupant took the chair stated that under the parliamentary situation the matter had developed into a free discussion, and I was therefore participating in a free discussion. I realize that this is not in the nature of a question, and if the Senator desires to proceed with his discussion I will take my seat.

Mr. NEELY. Mr. President, the Senator from Nebraska, regardless of his motives, did vote, not only in the subcommittee but also in the full Committee on the Judiciary, for the indefinite postponement of his resolution which accused the National Labor Relations Board of having intimidated public officials, of having ordered the cancelation of valid contracts, of having violated the right of freedom of speech, and of having committed many other offenses. But notwithstanding his abandonment of his proposed investigation he now charges that the administration of the Board's affairs is a disgrace to the Nation.

The subcommittee's brief hearing disclosed the fact that 97 suits had been instituted against the Board in Federal district courts. The charges or complaints in these cases were equivalent to those set forth in the Senator's resolution. At the time the hearings were concluded by the subcommittee 96 of the 97 suits that had been brought against the Board in various Federal district courts had been decided unconditionally in the Board's favor or had been dismissed.

Mr. BURKE. Mr. President, will the Senator from Utah yield in order that I might suggest a correction at that point?

Mr. NEELY. Since the conclusion of the subcommittee's hearings the ninety-seventh case has also been decided in favor of the Labor Relations Board.

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Nebraska?

Mr. THOMAS of Utah. I yield.

Mr. BURKE. Just to submit a question to the Senator on that point.

Mr. THOMAS of Utah. If the Senator from West Virginia does not object.

Mr. BURKE. Does not the Senator from West Virginia——

The PRESIDING OFFICER. The Chair understands that only one Senator can have the floor at a time; and if the Senator from Utah is yielding, it seems to the Chair that he can yield to only one Senator at a time.

Mr. THOMAS of Utah. I yield to the Senator from West Virginia.

Mr. NEELY. Mr. President——

Mr. CONNALLY. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. When the Chair states that the Senator can yield to only one at a time, of course that is true, but does not the Senator having the floor retain control, and can he not refuse to yield further, and then again yield to the Senator from Nebraska if he desires?

The PRESIDING OFFICER. The Senator from Utah has the floor. Under the rules and practice of the Senate, except by unanimous consent, the Senator cannot parcel out the time to other Senators. The Senator can yield to the Senator from West Virginia for so long as he pleases, then he can yield to the Senator from Nebraska for so long as he pleases, but the Chair is of the opinion, and is advised by the Parliamentarian, that no Senator can take the floor and yield to another Senator and allow that Senator to yield to a third Senator. The Senator from Utah can yield to any Senator he pleases, or to no Senator.

Mr. CONNALLY. Mr. President——

Mr. NEELY. Mr. President, I shall save both the Senator from Nebraska [Mr. BURKE] and the Senator from Texas [Mr. CONNALLY] further trouble at the moment by surrendering the floor and later speaking in my own time, when there will be no question concerning my right to proceed without interruption.

Mr. LOGAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Kentucky?

Mr. THOMAS of Utah. I yield.

Mr. LOGAN. I desire to ask the Senator from Utah if it is not true that the National Labor Relations Board has been functioning for less than a year, that it started in without a trained or experienced group of men as assistants, that the law has not been modified or changed in any way, and if it would not be manifestly very unfair to try to interfere with the operations of the Board by denying it such funds as it is entitled to in order to train its men and carry on the work in which it is now engaged? After it has had a fair trial, if what the Senator from Nebraska says about it is true, then the Senate can change or repeal the law. But is it not unfair to reduce the appropriation, and cripple it in any way?

Mr. THOMAS of Utah. I answer that, of course, by merely saying "yes." I may also, in fairness to the Senator from Nebraska, say that at the time of the hearing he was in complete agreement with the sentiments expressed by the Senator from Kentucky. The Senator from Nebraska did not wish to cripple the Board in its functions, and therefore I am sure he would agree with us in the point we are trying to discuss, which point is whether it is right on the part of the Committee on Appropriations of the Senate to reduce an appropriation which the House of Representatives has granted after a hearing, after a statement of facts, and after considering and weighing the very questions which have been brought up in the Senate today.

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Kentucky?

Mr. THOMAS of Utah. I am glad to yield.

Mr. BARKLEY. I presume that the House committee and the House itself felt they were justified in the appropriation they made. Was that the amount requested by the Budget, or was the Budget amount exceeded, or was it reduced?

Mr. THOMAS of Utah. In conformity with the Budget scheme, the amount was reached. The statement of the Senator from Virginia that the Senate Appropriations Committee granted the same amount which had been granted and which the Board asked for hardly applies in just exactly that way, because there is involved an actual reduction of $91,000 from the amount under which the Board is functioning. That, however, is not the entire point which we are making at this time.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. THOMAS of Utah. I yield.

Mr. GLASS. The Senator from Utah is mistaken if he thinks the Senator from Virginia stated that the Senate Committee on Appropriations granted the entire amount for which the Board asked. The Board asked for $350,000 more than it had last year. The Senate should not get the impression that there is any attempt here to cripple the Board, because the Senate committee has reported an appropriation of $2,570,000 for the Board. The Senate committee did not think that the Board should be granted $350,000 more than it had for its operations last year.

Mr. BARKLEY. Mr. President, will the Senator from Utah yield to me to ask the Senator from Virginia a question?

Mr. THOMAS of Utah. I yield.

Mr. BARKLEY. I asked the Senator from Utah whether the House figure was in conformity with the recommendation of the Budget, and he answered that it was. I have since been informed that the House itself reduced the Budget estimate. Does the Senator know whether that is accurate or not?

Mr. GLASS. I think it is accurate, and the Senate Committee on Appropriations undertook to reduce the estimate of the Budget. The Budget is not supreme; Congress has the final say about such matters.

Mr. BARKLEY. I realize that, but by what amount did the House reduce the Budget estimate?

Mr. GLASS. One hundred thousand dollars.

Mr. BARKLEY. So that the Senate committee reduced it further, making a total reduction below the Budget estimate of $400,000?

Mr. GLASS. Giving the Board the same amount of money they had last year.

Mr. WAGNER. Mr. President, will the Senator from Utah permit me to ask a question of the Senator from Virginia?

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from New York?

Mr. THOMAS of Utah. I yield.

Mr. WAGNER. Was the Board invited by the committee to be heard upon this appropriation before the action was taken by the committee?

Mr. GLASS. Yes; every Federal agency concerned in this appropriation bill was formally invited before the committee to make any statement it might desire to make, and the committee had full access to the hearings in the House and the very elaborate justification undertaken by the Board in its application for a larger amount than the Senate Committee on Appropriations granted.

Mr. WAGNER. Was I misinformed when I was told that no member of the Board was heard before the Committee on Appropriations?

Mr. GLASS. If no member of the Board was heard, it was because they did not care to be heard. They were formally invited in a letter over the signature of the Chairman of the Senate Appropriations Committee.

Mr. COPELAND. Mr. President, hopeful it may prove a great success, I have never had any enthusiasm for the National Labor Relations Act. I know that there have been many disputes between the two branches of union labor, namely, the A. F. of L. and the C. I. O., each contending that the decisions rendered against it are unfair. In the Senate Commerce Committee, in connection with maritime affairs, we have heard of many such disputes.

But, whether or not we agree with the philosophy of the Labor Relations Act—and personally I think it needs revision to make it a perfect law—yet the fact remains that it is here. We passed it. Action has been taken within that law and many cases are pending. So long as it is the law we ought to give the National Labor Relations Board sufficient money to enable it to function properly.

It is a remarkable thing that the A. F. of L. is urging us to restore the funds, even though that particular union is not friendly to the National Labor Relations Board. It feels that it has been discriminated against in many ways by that Board, but believes the fault is in the administration of the act and not in the law itself. My own conviction is that, regardless of our own sentiments concerning the philosophy of the law, so long as it is the law the Board should have the funds with which to operate.

I personally join with the Senator from Utah in expressing the hope that the Senate will restore these funds. He and I have had an unusual opportunity in the last 2 weeks to come into contact with the officials, who have explained operations of this law as it affects maritime labor. Some of the ill-feeling which I had toward the Board has been dissipated by that contact.

Some of the things I thought were in the law were not there at all; it appears that the rules and regulations of the Board have been responsible for certain criticism. I believe there is a distinct intent on the part of the Board to revise those regulations. If that shall be done there will be less irritation in the country, there will be better feeling. Certainly the Board's progress in carrying out the provisions of the act and its possible usefulness will not be promoted by denying to it the funds which apparently are needed.

I hope the Senator from Utah will persist in his efforts to restore the amount appropriated by the House.

Mr. THOMAS of Utah. Mr. President, the question seems to me to be an extremely simple one, and not to be complex at all. I believe everyone realizes that the National Labor Relations Board is on trial. It is trying to do something new in the history of labor and industrial relations in the United States. That it is accomplishing its purposes is the testimony of practically everyone who has studied the subject. In connection with several cases some persons are not satisfied concerning certain things. No one would dare to dispute that statement for a moment. However, in the history of the courts of the United States there have sometimes been some dissatisfied litigants.

We must take into consideration the fact that in the various cases brought before the National Labor Relations Board there has been opportunity for every kind of judicial review usually offered in ordinary cases, from the lowest court to the highest court, and in that procedure not a single judicial criticism has been made of the actions of the Labor Relations Board. We must realize that the Labor Relations Board has gone into court with 97 cases, and every one of those 97 cases has been decided in favor of the contention made by the National Labor Relations Board. When we have knowledge of all that we, of course, must realize that the Board has established a record which is not equaled by any other governmental institution.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. THOMAS of Utah. I yield.

Mr. BURKE. With respect to the 97 cases to which the Senator from Utah and also the Senator from West Virginia have referred, is it not true that all 97 of them were injunction suits brought in the United States district court in which the applicants were seeking to enjoin the Board from holding an election or doing certain other things, and that the decision of the Supreme Court was that under the act of Congress no litigant has the right to go into the United States district court at all; that he must proceed to seek his relief through the Labor Board, and then go from that Board to the circuit court of appeals? Some of these injunction suits were brought on the theory that the industry was engaged strictly in intrastate commerce, and therefore the National Labor Relations Act did not apply to them at all; but the Supreme Court said even on that point: "You must go ahead before the examiner, up through the Board, and if you are not satisfied with its decision go to the circuit court of appeals."

Is it not a fact that those 97 cases were injunction suits in the district courts, and that there is really no particular measure of credit due to the Board for having had them sustained?

There is another field of cases in the circuit court of appeals, some 20 or 21 cases, in which in 18 out of 21 cases the Board has been sustained. However, I call the Senate's attention in this connection to the fact that the act provides that if the finding of the Board is sustained by evidence—not by the weight of the evidence, or the preponderance of the evidence, or the evidence—but if it is sustained by evidence then the court has no right to overturn it.

I think the Board is entitled to quite a measure of credit for its success in the circuit court of appeals in the 20 or 21 cases which it has had there, but I think it is not entitled to anything like the encomiums placed upon it because it won 97 injunction suits, all, as I understand, involving the same point.

Mr. THOMAS of Utah. I am glad the Senator has gone into the other field and given the review of the other cases besides the injunction cases. My point, Mr. President, is that there has been an opportunity in over 120 cases for the actions of the National Labor Relations Board to be reviewed in various ways by the courts of the country, and not a single rebuke, not a single criticism, has come from a single judge in regard to the judicial actions of this Board.

I do not know about the fine points concerning the law, and I am not interested in them. However, I think no Sen-

ator is simple enough to imagine that judges, even in our best courts, would fail sometimes to speak in a rather critical way of some of the things which are done by governmental agencies, especially in the course of litigation which has been as complex as that handled by the Labor Board.

I should like to call attention to the fact that the Board has had to handle 8,000 cases since the Supreme Court decision of April 12, 1937. The Supreme Court decision was handed down in April 1937. A full year has not yet gone by since that decision. Only since that time have we had judicial certainty with regard to the actions of the National Labor Relations Board. The Board was hampered in every way that it could be hampered in the performance of its duties before April of last year. Numerous attorneys representing various industrialists who were objecting to the operations of the Board, advised their clients that the law was unconstitutional, that undoubtedly it would be stricken down, and therefore it ought not to be obeyed. I do not mention that fact in criticism, except to say that when groups of lawyers in our country come to the conclusion that a law does not have to be obeyed until the Supreme Court passes upon it we are very close to justifying that criticism which is unfortunately often made by those who are not thinking of our form of government, who say, "Yes, it is true Congress passed the act, and it is true the President has signed the act, but it has not yet been passed upon by the Supreme Court of the United States." That is a popular attitude and idea in regard to such things. If that popular idea is to become generally followed—and it might become generally followed if we keep on thinking in terms of that kind—and if attorneys seriously advise their clients in conformity with that idea, it will of course result in utterly destroying the theory of separation of the functions of the different branches of our Government, and the courts will become a part of the legislative branch, which of course no one desires to have occur.

Mr. WAGNER. Mr. President will the Senator yield?

Mr. THOMAS of Utah. I shall be glad to yield.

Mr. WAGNER. I know that the Senator is acquainted with the history of our jurisprudence. I wish to ask him whether he knows of any other case in which a law was established as the law of the land, and, of course, presumed to be constitutional until declared otherwise, and in which those affected have deliberately taken the position, merely upon the advice of 58 lawyers, that the law was unconstitutional, and, therefore, that they were not obligated to obey the law at all? I wonder if the Senator knows of another instance of an act being passed and becoming the law of the land and the attitude I have described being taken by those affected by it.

Mr. THOMAS of Utah. Probably there is another instance. In the case of the Agricultural Adjustment Act some 1,632 separate cases were instituted in the different district courts of the United States on the score that the act was unconsitutional. That procedure is, of course, regular and in accordance with our governmental scheme.

Mr. WAGNER. Will the Senator yield further?

Mr. THOMAS of Utah. I yield.

Mr. WAGNER. I was not referring to cases in which the employer who protested went into court. Of course, the employer has a perfect right to do so, and any decision by any court has to be obeyed by all the parties. I am talking about cases in which, without resort to any legal proceedings whatever, but merely upon the advice of attorneys, particular individuals decided that the law was unconstitutional, and, therefore, that they were not obligated to obey it, and did not obey it. I have a reasonable knowledge of the jurisprudence of our country, but I do not know of another instance of that kind of an attitude being taken by individuals affected by legislation.

Mr. THOMAS of Utah. I do not know either, Mr. President.

There is one more point which will illustrate what we are talking about. Testimony was given before the Civil Liberties Committee by the secretary of a great trade organization which had about 700 members. The secretary informed the committee that he had advised all the members of his organization, numbering over 700 big industrialists, that they did not have to pay any attention to the Labor Relations Act, because, on the advice of their attorneys, it was unconstitutional. That, of course, merely emphasizes what was said previously—that the real start of our labor relations work came last April, and not when the law went into effect.

Mr. POPE. Mr. President, will the Senator yield?

Mr. THOMAS of Utah. I shall be glad to yield.

Mr. POPE. I was interested in the statement of the Senator from New York with respect to the 58 lawyers who gave it as their opinion that the law was unconstitutional. May I ask, were those 58 individual lawyers, or did they constitute a group repres...ting the American Bar Association, or what?

Mr. WAGNER. It was a group representing the so-called Liberty League. It was a group of lawyers which was organized by the Liberty League, about which we have heard something. This group of lawyers issued a pamphlet, which I think was put into the CONGRESSIONAL RECORD at the time, in which it advised the industries of the country that the law was clearly unconstitutional. Based upon that advice, many of the employers, without resort to any court proceedings whatever, decided to disobey the law. Evidence of that was afterward developed by the Civil Liberties Committee, and it was also openly stated at the time by those particular industries.

Mr. POPE. And this was a part of the work of the Liberty League?

Mr. WAGNER. Yes.

Mr. GLASS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Virginia?

Mr. THOMAS of Utah. I shall be glad to yield.

Mr. GLASS. May I suggest that the Senate Appropriations Committee has reported nothing in the bill affecting the constitutionality of the law creating the Labor Relations Board? We did not discuss that at all. The simple question is whether we shall increase by $350,000 this year the appropriation made for the work of the Board. The committee thought the Board ought to get along with the amount which was appropriated last year, and that it should reduce expenses instead of increasing them. We have no idea of crippling the ordinary functions of the Board. The debate here seems to indicate that we are about to abolish the Labor Relations Board, in spite of the fact that we are proposing to appropriate $2,570,000 for it. The committee, with a view to economy did not think that the appropriation to the Board should be increased by $350,000. The question of the constitutionality of the act was not discussed at all.

Mr. THOMAS of Utah. There would have been no deviation from the discussion in regard to the cutting of this appropriation if it had not been for the fact that, in answer to a question which I asked, the Senator from Virginia, who is chairman of the Appropriations Committee, announced that he thought the Board ought to be abolished. If that is not throwing the subject into discussion, I do not know the meaning of the Senator's idea. If we have to defend, against the Appropriations Committee, the worthwhileness of the establishment of an institution set up by Congress, we, of course, have to go out of the way in discussing questions in regard to the appropriation.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. THOMAS of Utah. I yield to the Senator from New Mexico.

Mr. HATCH. The point I was about to make, in view of the observations which have just been made, probably should await the time when the National Labor Relations Act itself is under discussion. Therefore I shall not take the time of the Senate now to read into the RECORD some of the decisions and opinions of the courts, reference to which was made a moment ago by the Senator from Nebraska. I do wish to make one observation in reply to what he said about

the rule of evidence in connection with the National Labor Relations Act. The Senator from Nebraska indicated that perhaps if the Board based its findings upon any evidence whatsoever it could arbitrarily take any action it saw fit. I emphatically disagree with the interpretation placed upon the act by the Senator from Nebraska. I do not believe the act can be so construed. On the contrary, the Supreme Court of the United States itself, speaking through Mr. Justice Hughes, has placed exactly the opposite construction on the act, and has said that the terms of the act itself are sufficient and ample in every way to protect against arbitrary action by the Board.

Mr. BYRNES. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from South Carolina?

Mr. THOMAS of Utah. I yield.

Mr. BYRNES. The Senator from Utah [Mr. THOMAS] says that he should not be obliged to convince the Appropriations Committee of the constitutionality of the act, but that it is necessary to do so because of statements by the Senator from Virginia as to the attitude of the committee.

I think there is a misunderstanding. The Senator from Virginia was not stating that the committee had discussed the wisdom or the lack of wisdom in the enactment of the law. What the Senator from Virginia has stated within the last few minutes is a fact. The subject was not discussed in the committee. The committee, as is its custom, studied the hearings before the House committee. Those hearings disclose that today the Board has 200 lawyers, and that it is asking for 31 additional lawyers. The hearings also disclose that this year the Board's fund for traveling expenses is $175,000, and that the Board asks for $325,000 for traveling expenses. After considering the testimony of the members of the Board before the House committee, the subcommittee, I know, was of the opinion that last year was certainly a most abnormal year in the history of this country insofar as labor disputes were concerned, and that we would be justified in not expecting a continuance of the unfortunate conditions existing throughout the country in the past year, which necessitated such a large amount of traveling expenses, and so many attorneys throughout the United States conducting the work of the Board.

Based upon that hope, the subcommittee felt that, inasmuch as the amount suggested by the subcommittee would give to the Board the same amount which it has for this year plus approximately $59,000, as I recall it, the amount suggested by the subcommittee would be a fair appropriation for the next fiscal year. The subcommittee felt that if we were right, and so many labor controversies did not arise, the Board would not need even the amount suggested, because there would not be so many hearings. If we are wrong, and it develops that labor controversies arise which require more hearings, then the Board can come before the Congress with knowledge based upon experience, and its request will be given serious consideration.

Last year the appropriation was $1,735,000. The Board came before the Congress and requested a deficiency appropriation, showing the increased number of controversies, and the Appropriations Committee recommended $750,000 additional in order to enable the Board to carry on its work. That is how the figure of $2,450,000 was reached. Just because we appropriate $2,450,000 in an unusual year, it does not follow that we should continue such an appropriation every year thereafter. We granted the Board a deficiency appropriation.

Considering all the facts, we believed that the Board might try to get along with an increase of about $50,000, knowing full well that if the Board is unable to get along with the amount suggested it can come to the Congress and present a request for a deficiency appropriation.

I want the Senate to know that the committee never did enter upon a discussion of what has been done by the National Labor Relations Board.

I do not share the attitude of some Members of the Senate who say they are for the increased appropriation while they criticize the Board. I think some amendments should be made to the National Labor Relations Act, but I recognize that in a new organization it has been necessary to employ many men who may not have pleased everybody. Other organizations have had the same trouble. The National Labor Relations Board is in a stage of development, and I believe, while in a stage of development, the question for us to determine is solely how much money it is wise to give the Board to carry on its work in the proper way for the next 12 months. That is the only object that actuated me in my vote in the committee and in reporting the bill, and I think that is in accord with the statement of the Senator from Virginia.

Mr. THOMAS of Utah. Mr. President, one reason why I am so interested in not having a reduction made in this appropriation is that I disagree with the Senator from South Carolina as to the coming year probably involving less work on the part of the National Labor Relations Board than the year through which we have just passed. While it is true that the labor situation has been abnormal during the past year, we must remember that there is a constructive side to the National Labor Relations Act which is quite as important as settling immediate difficulties which result in labor struggles. Another fundamental aim is to bring about correct labor practices.

We all know that with the success the Board has had so far, and with the demands that are put upon it so far as the year covered by the appropriation in the pending bill is concerned, the Board will probably have more cases to consider than it has had in the past. There are at the present time 442 cases awaiting decision.

Mr. President, all that has been said merely emphasizes the fact that the House of Representatives, after hearing the statements of the Labor Relations Board, in coming to the decision which it did come to, acted with wisdom and foresight, and that the Senate committee in cutting the appropriation probably failed to realize that they were making a cut which would actually interfere with the functioning and the working of the Board as it is now organized. I think there is one point with which no one can take issue. For example, the House of Representatives decided that the Board would need for printing $125,000. The Senate Appropriations Committee reduced that to $85,000. If there is one thing that is needed it is the proper recording, of course, of the cases before the Board.

Mr. President, I think the important points have been made in connection with this matter, and I should like to have a record vote on the committee amendment. Therefore, I ask for such a vote.

Mr. WAGNER. Mr. President, the distinguished Senator from Utah has so clearly stated the only issue involved that any further statement seems unnecessary. But, as the author of the National Labor Relations Act, and being deeply interested in its administration, I merely wish, for the sake of emphasis, to repeat some of the things he has stated.

To begin with, the Senator from Nebraska [Mr. BURKE] in criticizing the National Labor Relations Board omitted to say that in every one of the eight cases which has gone to the United States Supreme Court, involving questions under the act, the National Labor Relations Board has been sustained 100 percent.

Mr. BURKE. Mr. President, will the Senator yield there for a question?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Nebraska?

Mr. WAGNER. I yield.

Mr. BURKE. It is my understanding that in the cases before the Supreme Court there was involved only the question of the constitutionality of the National Labor Relations Act. I have not today or at any other time questioned the constitutionality of the act, and with nothing else did the Supreme Court of the United States have anything to do.

Mr. WAGNER. The entire record in every case was before the United States Supreme Court; and the act was pretty fully discussed by Chief Justice Hughes and by other Justices

who wrote opinions. As the Senator from New Mexico [Mr. HATCH] has stated, the Court found nothing arbitrary in the act, but, on the contrary, stated that every provision possible was made to safeguard the interests of all those who are in any way affected by the terms of the act and by its administration.

Mr. LA FOLLETTE. Mr. President, will the Senator yield there for a moment in order that I may read an extract from the opinion of Chief Justice Hughes?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Wisconsin?

Mr. WAGNER. I yield.

Mr. LA FOLLETTE. In the Jones & Laughlin case the Chief Justice said:

> We construe the procedural provisions as affording adequate opportunity to secure judicial protection against arbitrary action in accordance with the well-settled rules applicable to administrative agencies set up by Congress to aid in the enforcement of valid legislation.

May I add that recently Mr. Justice Brandeis, in another case, speaking for the entire Court, quoted with approval, the expression of Chief Justice Hughes?

Mr. WAGNER. There is no doubt that the United States Supreme Court has very definitely approved the act, and, as I have said, they had before them not only the legal question involved but they had the record of the testimony taken in every case. Out of it all came a complete vindication of the act and of the National Labor Relations Board in every one of the cases.

I have absolute confidence in the Board. But for those who question its capacity to administer the law, let me remind the Senate that under the law the aggrieved party has a right to appeal to the circuit court of appeals, in the first instance, and finally to the United States Supreme Court. No final order of the Board is enforceable until it is approved by the courts. Of the 24 cases in which the Board's orders have been reviewed by the courts to date, the Board was fully or substantially upheld in 21 instances.

These reviewing courts had before them the record of the hearings—the testimony taken. If they had discovered any misconstruction of the law, any arbitrary acts of administration, any error in the admission of testimony, or any refusal by an examiner or the Board to accept testimony that should have been admitted, that would have been a ground for reversal.

The Senator says that the National Labor Relations Board's findings of fact are binding upon the court. The United States Supreme Court said that every one of the orders of the Board must be supported, not, as the Senator said, by any evidence, but "by substantial evidence." As a former judge of an appeals court, I may say that in all such cases the court goes pretty thoroughly into the question whether there is substantial support for the conclusions of a particular board in regard to the facts.

Every law which Congress has enacted creating a board with judicial and quasi-judicial power has contained exactly the same provision. I copied it from the Federal Trade Commission Act, and it will be found also in the acts creating State administrative bodies, such as public-utilities commissions. In every case of which I am aware, the same provision is made regarding finding of facts as is provided in the National Labor Relations Act.

Bearing on the question of the impartiality of the Board, I recognize, Mr. President—as, I am sure, does the distinguished Senator who is now presiding [Mr. GEORGE in the chair], because he is a former judge—that in rendering a decision it is very difficult for the judge to satisfy both sides in every litigated case.

Moreover, it may be that in some cases the Board has been mistaken. But, as I have said, the aggrieved party in all instances may have a review all the way to the United States Supreme Court. I am not aware of any board exercising judicial functions under the United States Government or even under any State government which has such a fine record, so far as judicial approval is concerned, as has the National Labor Relations Board, in spite of the fact that it was admiinstering a new law and safeguarding a new freedom for the workers of the country under most trying and difficult circumstances.

As to the appropriation, both the American Federation of Labor and the Committee for Industrial Organization are opposing a reduction in the appropriations. They regard such a reduction as having the effect of paralyzing to some extent the effectiveness of the law and its administration by the Labor Board. I do not say that that is the motive involved here at all——

Mr. BORAH. Mr. President——

Mr. WAGNER. I yield to the Senator from Idaho.

Mr. BORAH. Notwithstanding the view of the American Federation of Labor and the C. I. O. that a reduction in the appropriation might embarrass the administration of the act, in what respect does the Senator from New York conceive that a reduction would embarrass it?

Mr. WAGNER. Because the work has been increasing right along. I shall give some statistics in a minute. As the work increases, the decisions are delayed. The Senator from Idaho, as a great lawyer, knows that delay in rendering decisions practically amounts to a denial of justice. All of our effort, in our States and here, in the way of providing an increased number of judges, is for the purpose of preventing denial of justice by too great delay in the trial and decision of cases.

I happened to be chairman of the board of judges in New York State when we were 2 years behind in our calendar; and we recognized the fact that by the time cases came to trial the witnesses had died, and other things had occurred, so that in effect the delay meant a denial of justice. So, in this instance, when a case is delayed 2 or 3 or 4 months, it causes also a continuance of possible disturbances that ought to be adjusted by a definite decision. That has been the experience of the Board; and, as I understand, one of the important reasons why they want to increase their administrative facilities is to be able to make more prompt decisions.

Mr. POPE. Mr. President, will the Senator yield?

Mr. WAGNER. Yes.

Mr. POPE. The one question in my mind is whether the Board needs these additional attorneys. As I read the House hearings, in the statement of Mr. Madden, the Chairman of the Board, he says:

> We also have need now particularly for an additional attorney at Denver, St. Louis, Seattle, Fort Worth, one or two, perhaps, to work in Hawaii, and one in Los Angeles.

Then he goes on to say that—

> There are cases which should have been heard weeks ago, but which we have not had the legal staff to hear. As a matter of fact, we have not had the trial examiners to send out to preside over the hearings.

I am wondering if the Senate Committee on Appropriations made any investigation to determine whether or not the statement was true that the Board actually needed the additional attorneys, or whether they simply thought the Board should have the same number of attorneys they had last year. That is a question which I wish the Senator from Virginia [Mr. GLASS] or the Senator from South Carolina [Mr. BYRNES] would answer—whether they made any investigation to determine whether the Board needed additional attorneys.

Mr. GLASS. Mr. President, all I can say in answer to the question of the Senator from Idaho is that the members of the Appropriations Committee were amazed to learn that any board is now employing nearly 200 lawyers.

Mr. BYRNES. Mr. President, will the Senator from New York yield to me?

Mr. WAGNER. I yield.

Mr. BYRNES. I will say that I do not know what other members of the Appropriations Committee did. I did not make any other investigation; but I desire to be entirely frank with the Senator and say, as the Senate should know,

that there is not an appropriation in this bill which was reduced, for any one of the independent establishments, which was not reduced for the very same reason. At a time when the revenues of the Government are decreasing, the question was whether or not we should increase the appropriations for all these organizations; and every one of them can make a good case for an increased appropriation. If the Senator wants to go through the bill and give all of the organizations everything they have asked, he will not only vote to increase this appropriation but we shall have to go back and reconsider two or three appropriations which were reduced for the same reason, to restore them to the amount of the appropriation for this year.

I will say to the Senator that there are only two or three items which I can recall in the entire bill in which there is an increase over the appropriations for the present fiscal year, and the committee did go carefully into the arguments presented in behalf of this proposed increase. The committee did consider the fact that we had an abnormal year, as I stated to the Senator from Utah. We had hoped that conditions would improve, insofar as labor controversies in the country are concerned, and that the gentlemen who presented the estimates were mistaken in their view that during the next 12 months they will have such an increase in labor controversies as will necessitate this increase in lawyers. If their guess was right, they will need them. If it should turn out that they need them, we knew they could present an estimate, and the Congress would give them a deficiency appropriation. There can be no justification for regarding the committee's refusal to increase the present appropriation as any action directed against the Board when the same action was taken as to 12 or 15 other organizations in the same bill.

Mr. LA FOLLETTE. Mr. President, will the Senator from New York yield to me?

Mr. WAGNER. Yes; I yield.

Mr. LA FOLLETTE. Mr. President, I do not understand the situation to be exactly as stated by the Senator from South Carolina. If I am in error, I should like to be corrected; but it is my understanding that in fixing the appropriation for the present fiscal year, two items, one of $34,401 and one for $56,881, were deducted because the Board was in the process of increasing its staff, and it was judged that that much money would not be used in the present fiscal year, because the staff was being gradually built up so far as the departmental and field positions were concerned.

There is no such allowance in the amount fixed by the Senate committee; and therefore it is perfectly clear that in the next fiscal year, for which this appropriation is being made, $91,000 less will be provided, considering the size of the Board's field and departmental staff, than was provided last year. So, if the Senate committee's amendment should go into effect, it not only would mean that the Board would have been reduced first over $80,000 under the Budget estimate by the House committee, and, second, $385,000 under the Budget estimate by the Senate committee, which would make $465,000 that the Congress would cut the Budget estimate for this period, but, in appropriating the same funds that were allowed for last year, it would mean a cut in the Board's manpower to the tune of $91,000 and would aggravate an already difficult situation because of delays in handling these cases.

If the Senator from New York will yield for just a moment longer, it is said that it is amazing to anyone that so many lawyers could be required by any agency.

In the first place, Mr. President, the procedural techniques which were incorporated in the National Labor Relations Act, and for which the Board has no responsibility but for which Congress must assume it, are such that a large volume of testimony is taken in each one of these cases. Lawyers are required to be present at those hearings. Lawyers are required to review those hearings when they come to the Board for decision. Also it is clear to anyone who has studied the situation that this Board has been subjected to, or has had to defend itself against, unprecedented legal attacks. Therefore, the Board cannot be criticized for utilizing lawyers. The procedural techniques set up in the act by Congress absolutely require a large number of lawyers, and in addition there are segments of industry which are still attempting to resist the Board, not only by resorting to the courts but also by resorting to delay in the hearings themselves. The very number of pages of testimony which the Board has been required to take in these cases is some indication of the growing practice upon the part of employers who do not approve of collective bargaining to secure delay by stringing out the hearings before the trial examiners.

If the Senator from New York will bear with me, I should like to point out that in July the Board had to take 57,000 pages of testimony; in August, 59,000 pages; in September, 66,000 pages; in October, 67,000 pages; in November, 77,000 pages; in December, 75,000 pages; and last month it had to take 99,000 pages of testimony.

Senators, especially those who are lawyers, can get some appreciation of the labor involved in weighing that testimony and going through the evidence. I should like to point out that the Board last year took four times as much testimony as the Interstate Commerce Commission takes in an average year of its operation. So I do not believe that it is a just criticism or any reason for not granting the appropriation to say that a board which is confronted with such a task is in need of some lawyers.

In conclusion—and I thank the Senator from New York for yielding to me—I will say that the Board has been up against the best legal talent that money can buy, and I think its record is one which should stand as a monument to the efficiency of Government service, and as proof of the fact that the Government can go out and employ men of ability, men capable of meeting these high-priced lawyers, at the reasonable salaries which the Federal Government pays for this type of service under the Classification Act.

Mr. WAGNER. Mr. President, I wish to thank the Senator. I had intended to develop the appropriation feature, but the Senator has discussed it much better than I could.

Mr. BYRNES. Mr. President, will the Senator yield to me?

Mr. WAGNER. I yield.

Mr. BYRNES. The Senator says he has the figures before him. Will he not develop that point?

Mr. WAGNER. If the Senator has any question as to the figures, I suggest that he ask the Senator from Wisconsin.

Mr. BYRNES. If the Senator from New York will yield, the Committee on Appropriations was informed that the amount appropriated was $1,735,000, and later a deficiency of $750,000, making a total of $2,485,000. The appropriation carried for the same purpose in the bill for this year is that exact figure. If the figures presented to the committee were not correct, I should like to have the information about that. I must say the committee was relying upon the information presented to the committee, based upon the actual facts. I did not understand exactly how the Senator from Wisconsin came to the conclusion that the figure was less. I would like to know the basis of his assertion.

Mr. LA FOLLETTE. Mr. President, will the Senator from New York yield?

Mr. WAGNER. I yield.

Mr. LA FOLLETTE. It is not that I am contending that the Senate committee amount is not the same amount in dollars that was provided last year, but I contend that when that amount was arrived at for last year, there were estimates that $91,000 would be saved because the Board was building up its field and departmental staff.

Mr. BYRNES. The Senator means that in the presentation of the estimates for a deficiency the Board did not estimate the lapse of time? Is that it?

Mr. LA FOLLETTE. I mean that the Board in arriving at the figures as to what would be spent in this fiscal year took into account that the positions would not all be filled at the beginning of the year, would not all run through the

year, and that, therefore, the amount necessary for salaries for this fiscal year would not run the full amount which would be required once the staff had been filled up to the authorized number, both in the field and in the Department; that at least $91,000 additional would be required to carry that staff at the level which the committee authorized when it made the appropriations, both regular and deficiency.

Mr. BYRNES. Then would it mean that for the balance of this fiscal year there would be a deficiency?

Mr. LA FOLLETTE. No; there would not be a deficiency, because, for example, when the Board was building up its staff in the field all of the people would not be appointed at the same time in this fiscal year; therefore, they would not begin to draw their salaries at the same time. However, once having built up to the required level in the field and in the Department, it would then require in the coming fiscal year the full load, which would amount to $91,000, in addition to the amount which they had for last year.

Mr. WAGNER. Mr. President, on the question of the attorneys, what the Senator from Wisconsin has said ought to be reiterated. The lawyers connected with the National Labor Relations Board have been contesting with the ablest lawyers in the country, because many of the large industries were interested in having the law vitiated, and also in challenging the Board in the conduct of its hearings. In spite of that opposition, to show the efficiency of the staff, in every case which went to the United States Supreme Court, as I have said, the Board has been victorious. Furthermore, 97 out of 97 injunction cases have been decided in favor of the Board, and in 21 out of 24 cases involving the review of final orders the courts have sustained the Board. This splendid record has no equal in the history of our administrative law.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. McKELLAR. As the Senator knows, I voted for the National Labor Relations Act.

Mr. WAGNER. Yes.

Mr. McKELLAR. And I have no desire to cramp the Board; but I ask the Senator how many lawyers has the Board, and what salaries are paid? Has he that information?

Mr. WAGNER. No. I am sure the Committee on Appropriations knows all of that.

Mr. McKELLAR. I happen to be on the committee, and I do not know it.

Mr. BYRNES. Mr. President, will the Senator from New York yield?

Mr. WAGNER. I yield.

Mr. BYRNES. The testimony was that the Board has 200 lawyers. There is no testimony as to the salaries. I may say to the Senator from Tennessee that I have no objection with the salaries paid. If some additional funds were available, I would be willing to have the Board pay the attorneys more so that it could get better lawyers. We cannot get competent lawyers, as the Senator from New York has said, to represent this Board, or any other governmental agency, of the class of the highly paid lawyers on the other side. I am not objecting to the salaries.

Mr. McKELLAR. I think there should be some supervision of the matter, and I think the nominations of the higher paid lawyers should come before the Senate for confirmation. That is my judgment.

Mr. WAGNER. That is another question.

Mr. GEORGE. Mr. President, I ask the Senator from New York if a large number of examiners are not necessarily required for the hearings which arise in labor disputes throughout the country?

Mr. WAGNER. All over the country.

Mr. GEORGE. Those hearings are or should be held by lawyers, and therefore the lawyers are really serving as examiners, although they are lawyers.

Mr. WAGNER. Yes.

Mr. GEORGE. Taking testimony wherever disputes arise, on the ground, so to speak.

Mr. WAGNER. There are two lawyers; one is the examiner, and, of course, there is the attorney who presents the case.

Mr. GEORGE. I call the Senator's attention to the fact that it is highly important that a labor dispute be settled as quickly as possible, not only from the standpoint of preventing the disruption of business but because it is difficult for a laborer to be able to present his case if there is any unusual delay in the hearing of a complaint which arises; and in a vast organization, where individuals or a group of laborers are attempting to assert some rights, or to make some complaint at some action taken, unless they can get a rather quick and expeditious hearing and make up the record so as to preserve the facts, they have scant opportunity of ever making effective the provisions of the Labor Relations Act.

Mr. WAGNER. Mr. President, I am delighted the Senator brought out that point. The distinction between cases before the Labor Relations Board and ordinary litigation is that expedition is everything in these cases. The longer a decision is delayed, even if there is not an actual strike, there is mounting uncertainty as to the proper relations between the employer and employees on questions of elections, representation, and so on. The quicker a decision is secured the more likely the possibility of reducing actual or incipient strife.

Mr. THOMAS of Utah. Mr. President, will the Senator yield to me to make a statement in that connection?

Mr. WAGNER. I yield.

Mr. THOMAS of Utah. Of course, what is now proposed is in connection with the aim to secure expedition, to save time. I am sure the Senator from New York will agree with me, however, that delay at the present time is inevitable, and that it is essential that there should be more expedition in the handling of these cases than in other cases. The industrialists have been given every opportunity to delay action in these cases. We want to conform to the law's worthwhileness and remove from the law most of the elements of coercion which might be in other types of law.

We want to settle disputes in ways that will be satisfactory to both sides without using coercive methods while we want expedition, yet at the same time delay and occasion for delay are constantly present, which multiply the work of the Board.

Mr. WAGNER. I may say to the Senate that the fact that there were only 24 cases in which the aggrieved party sought a reversal of the decision of the Labor Board shows that in a large number of cases, after the Labor Board has reached a decision, not only the workers but also the employers have accepted its rulings without any resort to the courts. Therefore, in many of these cases the Labor Board did not have to go to court to make its order effective.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER (Mr. BILBO in the chair). Does the Senator from New York yield to the Senator from Idaho?

Mr. WAGNER. I yield.

Mr. BORAH. I should like to ask a few questions of the Senator from New York. Does the $300,000 about which the dispute arises involve the question of the employment of more lawyers?

Mr. WAGNER. I understand some of them are to be lawyers, and they are necessary by reason of the delays and the increased business.

Mr. BORAH. The constitutionality of the act having been settled, and many of the other controversies, legal in import, having been settled, it seems to me that there would not be demand for additional lawyers.

Mr. WAGNER. I agree with the Senator that it should be so, but it is not so. I shall give statistics in that connection in a moment. The Board's business increases for two reasons. Many employers are still resisting the application of the act. The Senator would be surprised to know how many are still doing so. Of course, they are in the minority, but many employers, particularly among the large employers,

still resist every effort of the workers to organize and also the efforts of the Labor Board to protect the workers as the law requires. Therefore a certain number of cases arise simply from that type of resistance.

The Senator from Nebraska [Mr. BURKE] said a moment ago that the action of the Board caused added strife. The mere fact that these cases are before the Board does not necessarily mean that there is industrial strife. The employers may be entirely willing to abide by the results of an election among the employees. As many as 3,500 petitions for elections have been filed by employees with the Board. In many instances the Board must go through all the formal steps of hearing, direction of election, and certification, although there may be no strife between the employer and his employees.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. TAYLOR of Colorado, Mr. WOODRUM, Mr. BOYLAN, Mr. CANNON of Missouri, Mr. LUDLOW, Mr. TABER, and Mr. BACON were appointed managers on the part of the House at the conference.

The message also announced that the House had agreed to the amendment of the Senate to the joint resolution (H. J. Res. 591) making appropriations for the control of outbreaks of insect pests, with an amendment, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 2215. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States, approved July 1, 1898, and acts amendatory thereof and supplementary thereto; and

S. 2381. An act to amend the Criminal Code by providing punishment for impersonation of officers and employees of Government-owned and Government-controlled corporations.

ADDITIONAL RELIEF APPROPRIATION

The PRESIDING OFFICER (Mr. GEORGE in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ADAMS. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ADAMS, Mr. GLASS, Mr. MCKELLAR, Mr. HAYDEN, Mr. BYRNES, Mr. HALE, and Mr. TOWNSEND conferees on the part of the Senate.

APPROPRIATIONS FOR CONTROL OF INSECT PESTS

Mr. NORRIS. Mr. President, I should like to ask the Senator from Colorado why he does not ask that the action of the House of Representatives on the grasshopper appropriation joint resolution be laid before the Senate. That is now on the Vice President's desk.

Mr. ADAMS. The reason is that the amendment involved is one which has interested the Senator from Alabama [Mr. BANKHEAD], and I have been trying to get the Senator from Alabama in order to find out what the facts are.

Mr. NORRIS. The amendment of the House does not change anything in the measure as it passed.

Mr. ADAMS. My information was that the Senator from Alabama had offered an amendment to what we might speak of as the grasshopper appropriation, which went to the House, and the House has suggested an amendment.

Mr. NORRIS. Yes. Has the Senator examined the House amendment?

Mr. ADAMS. I have not. I have been waiting to get the information from the Senator from Alabama.

Mr. NORRIS. I wish the Senator would examine the amendment. I do not think it is necessary to wait. It is an emergent matter.

Mr. ADAMS. I am informed the Senator from Alabama will be in the Chamber in 5 minutes.

Mr. BANKHEAD subsequently said: Mr. President, will the Senator from New York yield to me, so that I may have action upon another matter?

Mr. WAGNER. I yield.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the amendment of the Senate to the joint resolution (H. J. Res. 591) making appropriations for the control of outbreaks of insect pests, which was read, as follows:

In the last line of the matter inserted by said Senate engrossed amendment, after "amended", insert "not to exceed"; and in the same line, after "$5,000,000", to insert a comma and "as authorized by subsection (b) of section 391 of such Agricultural Adjustment Act of 1938."

Mr. BANKHEAD. This is an amendment of the House to the Senate amendment to the joint resolution.

Mr. McNARY. What is this matter about?

Mr. BANKHEAD. It is about an amendment made yesterday by the Senate to the so-called grasshopper joint resolution, which authorizes appropriations, and the House has made an amendment to the Senate amendment to insert the words "not to exceed" the amount, and also another change in the language.

I move that the Senate concur in the amendment of the House to the Senate amendment to the joint resolution.

The motion was agreed to.

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. WAGNER. I had not quite finished my explanation, but I am willing to yield at this point.

Mr. McKELLAR. On page 738 of the hearings before the subcommittee of the Committee on Appropriations of the House of Representatives on the independent offices appropriation bill for 1939 under the item "Professional service" appears the following:

(2) Professional service: (a) Litigation staff: An increase of seven attorneys in the various grades is estimated for this staff as follows: One in grade P-6; four in grade P-5; and two in grade P-3.

The volume of work estimated for the current fiscal year will require the services of more litigation attorneys than had been provided in the 1938 Budget, and it will probably be necessary to effect savings in some other class of work if it is possible to do so to supply this need. There are numerous questions on the scope of applicability of the act which have yet to be decided and which will involve a great deal of litigation work in the future. The above estimate is conservative under the circumstances.

(b) The Legal Review Division: Estimate for 1938 provided for 37 attorneys. Without any further detailed discussion, the volume of cases carried over from 1936, 1937, and 1938, as shown on the table on page 11, is sufficient to justify the employment of additional attorneys. The need for prompt disposition of the Board's cases has been emphasized at length on many occasions. Increases are requested in the following qualifications for this section:

Principal attorney, P-6: Addition of three is estimated for 1938. These will be used as administrators of the review staff directly under the assistant general counsel.

Senior office attorney, P-5: The addition of three to handle the more difficult and complex cases.

Attorney, P-4: The addition of two to handle the more difficult cases.

Attorney, P-3: The addition of one. It will be noted that the number of attorneys in P-2 has been decreased from 30 to 20, and

this largely offsets the net increases requested above in the legal staff.

Grade P–6 trial examiners: An addition of four, bringing the total number to 10, is provided for. The justification for this increase is to be found in the increased volume of hearings. It will be recalled that at the present rate of hearings (see p. 13), 112 cases have been heard each month of the current fiscal year.

Grade P–5 trial examiners: An addition of 5, bringing the total number to 25, for the reasons given above.

It will be seen, as I very hastily estimated, that there are some 30 lawyers more asked for this year.

Mr. BORAH. I venture this opinion, that if the Board were a private enterprise it would get rid of 30 instead of employing more.

Mr. WAGNER. The work cannot be done that way. I am sorry to say it cannot be done that way.

I may add, Mr. President, that the appropriation, as it was passed by the House, was substantially that recommended in the President's Budget message. Of course, we know how thoroughly the President and the Budget Director go into all these appropriations in an effort to keep them down to an absolute minimum. The President in his message says with respect to the amount provided by the Bureau of the Budget, which is $80,000 or $100,000 higher even than the House appropriation:

It is the proper amount under which the functions required by law can be carried out with reasonable efficiency.

That is the conclusion of both the President and the Budget Director, and, of course, of the House of Representatives.

Mr. POPE. I think that the matter of the number of attorneys should be cleared up. On page 756 of the House hearings appears a statement by Mr. Fahy that the 1938 Budget allows for 162 attorneys, and the Board has employed 153. There are nine vacancies, which they are filling from time to time. The average salary paid the attorneys is $3,000, but there are about 26 special trial examiners who receive on the average $4,800 a year.

Mr. WAGNER. Of course, as this work expands more attorneys are required. The point I make is that this is no time to paralyze the administration of the Labor Board. All the labor organizations and the workers that are primarily interested are very much concerned, and consider this effort to reduce the Board's funds as a very unfortunate interference with the administration of a law which they regard as their Magna Carta.

In addition, I have received letters from employers concerning this matter. I shall not take the time to read the letters; but, as I have said, I have letters from employers in which they praise the impartiality of the Board. They regard it as a very unfortunate thing, from the standpoint of the employers, to have the administration of this Board crippled in any form, and consider it a very important part of our economic life today.

Regarding the alleged partiality of the Board, I will say that I know nothing about its decisions except as the courts have considered and approved them. I do not undertake to say that they were right or wrong, except as I look upon the record before the courts of the country. We certainly should have confidence in the courts on these matters. Personally I have absolute confidence in the integrity of the Board, and if it should err in any particular decision the courts will correct it.

I have here an extract from an address delivered by Justice Stanley Reed only a week or so before he was nominated for the Supreme Court Bench. In his address he said:

Criticism of the proceedings and conclusions of the National Labor Relations Board has been freely publicized. Legitimate criticism will enable the Labor Board to attain better administration, but the public should be slow to give credence to any charge of unfairness or bias made against the Board.

The Justice is still speaking—

It was my privilege to argue the industrial relations cases in the Supreme Court, and I would like to bear witness that in these difficult situations the record of the Board bore unmistakable evidence of careful and impartial hearings, with every protection to the rights of all contestants.

I should like to have the RECORD show definitely some of the statistics with reference to the activities of the National Labor Relations Board, and then I shall conclude.

During the first 19 months of the Board's existence, through April 1, 1937, 2,300 cases were filed with the Board, involving about 740,000 workers. In the 8 months from April to December 1937 more than 8,200 additional cases were filed, involving a total of almost 2,000,000 workers. What a tremendous increase! In other words, three and a half times as many cases were filed during the 8 months following the Supreme Court decisions as were filed during the preceding 19 months.

In the fiscal years 1936 and 1937, the Board's staff conducted 181 and 436 hearings, respectively. But in the first 6 months of the fiscal year 1938—July 1937 to December 1937—a total of 754 hearings have already been held, more than for the preceding 2 years.

The Board is now 442 cases behind in the issuance of decisions and certifications, of which 281 are under consideration and 161 have not yet been reached.

That shows the need for additional help.

The number of pages of transcripts in hearings held has increased quite steadily from 57,301 pages in July 1937 to 99,270 pages in January 1938. This is about four times the volume of testimony before the Interstate Commerce Commission.

Think of the tremendousness of the Board's task!

Whereas prior to the Supreme Court decisions, most employers made no defense on the merits at all, merely standing on their constitutional objections, today hearings are becoming progressively more extensive. The result is a present need for more trial attorneys, examiners, and review attorneys. In an instance like the Remington-Rand case, apart from the time expended by the field staff in investigation and trial, one review attorney in Washington consumed 10 weeks in analysis and preparation for Board consideration and decision. By the way, the final order of the National Labor Relations Board in that case was recently approved substantially by the Circuit Court of Appeals in New York.

Delays in hearings and decisions are unfair to both sides, are destructive of rights of employees, and tend to provoke strife. On all sides complaints of such delays are heard. I have heard them. Every Senator here has heard about the delays in deciding these cases. No remedy is possible without increased facilities and personnel.

There is one further factor to be considered. Prior to the Supreme Court decisions only about eight test cases were filed by the Board in the Circuit Courts of Appeals. At present the Board has pending about 50 cases in the Circuit Courts throughout the country and several in the Supreme Court. To date 162 cease-and-desist orders have been issued. In about 53 cases practical or full compliance has been achieved, about 50 cases are pending in the courts, and the remainder are awaiting compliance. It may well be that many additional cases will have to be litigated in order to achieve compliance.

I am sorry to see that there is so much litigation, but the law continues to be challenged and disobeyed, notwithstanding the court decisions already rendered.

The Senate Appropriations Committee, I contend, really has the burden of showing the reason for a reduction, and I do not think the reason has been convincingly established. I think it would be a most unfortunate occurrence if at this time the Board were not permitted to go ahead and do its work, not in the interest of industrial strife, but in the interest of industrial peace. More and more the law is being accepted. Elections are being held, giving the workers the right to select their representatives. Because of this protective law, membership in labor organizations has greatly increased. Millions of employees are enjoying peaceful and sound relations with their employers under trade agreements worked out by collective bargaining.

Mr. COPELAND. Mr. President, earlier today I spoke of the fact that both the American Federation of Labor and the

C. I. O. have urged the House provision as regards the appropriation under consideration. I spoke earlier in the day of the fact that the American Federation of Labor has been very critical of the administration of the law. But President Green has stated that it is the administration of the law which he criticizes, not the law itself.

I have before me two rather brief letters which I ask that the clerk be permitted to read. The first is a letter from William Green, president of the American Federation of Labor. The second is a letter from Labor's Non-Partisan League, of which John L. Lewis is chairman, Sidney Hillman is treasurer, and E. L. Oliver is executive vice resident.

I think the two letters will show harmony on the part of labor, which, in these strenuous times, is really something remarkable.

The PRESIDING OFFICER. Without objection, the clerk will read the letters.

The legislative clerk read as follows:

LABOR'S NON-PARTISAN LEAGUE,
Washington, D. C., January 18, 1938.

Hon. ROYAL S. COPELAND,
United States Senate, Washington, D. C.

MY DEAR SENATOR COPELAND: Labor's Non-Partisan League wishes to direct your attention to what we regard as a serious threat to the effective operation of the National Labor Relations Board.

Appropriations for the National Labor Relations Board for the fiscal year 1939 have been slashed by a total of $465,000 from the amount recommended to Congress by President Roosevelt in his annual message transmitting the Budget.

The House Appropriations Committee reduced the Budget estimate by $80,000, and this passed the House, although further efforts to curtail the Board's funds were defeated.

Now the Senate Appropriations Committee has cut the National Labor Relations Board appropriation by a further $385,000, making the total below the Budget of $465,000.

This severe reduction in the appropriation imposes a severe handicap on the National Labor Relations Board, which is already far behind schedule with hearing of important cases affecting hundreds of thousands of workers who have sought to avail themselves of the Wagner Act's protection in collective bargaining.

Labor's Non-Partisan League regards it as of the utmost importance that the President's recommendations be approved and expresses its earnest hope that the Senate will at least restore the fund to the House figure, which was $2,955,000.

Respectfully yours,

E. L. OLIVER,
Executive Vice President.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., January 24, 1938.

Hon. ROYAL S. COPELAND,
Senate Office Building, Washington, D. C.

DEAR SIR: I am taking the liberty of writing you briefly upon a legislative matter in which the officers and members of the American Federation of Labor are deeply interested. I refer to the reduction in the appropriation for administrative expenses of the National Labor Relations Board as provided for in the Independent Offices appropriation bill from $2,955,000 to $2,570,000 as recommended by the Senate Committee on Appropriations. This represents a reduction of $385,000 as recommended by the House of Representatives. In my opinion, this item ought to be restored.

The great increase in the amount of work which the National Labor Relations Board is called upon to do calls for the allowance for its administration expenses of the amount recommended by the House of Representatives. My judgment in this matter is based upon my knowledge of the increasing number of cases which are being brought to the Board for consideration and determination. Labor will suffer most if this reduction in the appropriation is finally adopted by the Congress of the United States.

Many officers and members of the American Federation of Labor have been disappointed in decisions rendered by the Board. Our disappointment in this respect is not based upon opposition to the Labor Relations Act. We hold and maintain the act is sound and practical. Our criticism when offered is based on the administration of the act and decisions rendered which we have felt and believe do not square with the facts submitted or with the spirit and letter of the act.

But even though we have experienced disappointment in the administration of the act, the officers and members of the American Federation of Labor believe in the National Labor Relations Board and the important part which it plays in the economic, industrial, and social life of the Nation. We hope the Board will not be hampered or restricted in its work through a lack of funds appropriated by the Congress of the United States.

In behalf of the officers and members of the American Federation of Labor, I sincerely request that you vote to restore the $385,000 which was stricken from the Independent Offices appropriation bill by the Senate Committee on Appropriations. We ask you to do this for labor and in behalf of the working men and women of the United States.

Very sincerely yours,

WM. GREEN,
President American Federation of Labor.

Mr. GLASS. Mr. President, I still take some measure of satisfaction in knowing that I have none of the aptitude or facilities of legal rhetoricians and that I have plagued the Senate with perhaps as few remarks, particularly useless remarks, as has any other Senator who is a Member of this body or has been since I have been a Member of it. Therefore, I have been not a little irritated at having to sit here for nearly 2 hours to hear a discussion of matters that are not pertinent to the report of the Committee on Appropriations of the Senate.

The committee did not discuss the constitutionality of the National Labor Relations Act; it did not discuss many of the matters that have been discussed on the floor of the Senate today. It merely undertook to keep appropriations, if possible, within the bounds of revenue receipts. The members of the committee were not unaware of the fact that we would be pounded with propaganda outside the Senate and that it would be very difficult to attain any measure of economy in the Senate.

The Committee on Appropriations has been severely chided because of the fact that it does not take action to reduce appropriations; but inevitably whenever that has been undertaken the Senate has overridden the committee; and we shall not be surprised, or greatly disappointed, if the committee is overridden in this instance. I shall waste none of the time of the Senate with speech making, and I am prepared for a vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee, on line 3, page 31.

Mr. THOMAS of Utah. I suggest the absence of a quorum, as I desire a yea-and-nay vote on the amendment.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Colo.	Pope
Andrews	Davis	King	Radcliffe
Ashurst	Donahey	La Follette	Reames
Austin	Duffy	Lee	Reynolds
Bailey	Ellender	Lodge	Russell
Bankhead	Frazier	Logan	Schwartz
Barkley	George	Lonergan	Schwellenbach
Berry	Gerry	Lundeen	Sheppard
Bilbo	Gibson	McAdoo	Shipstead
Bone	Gillette	McCarran	Smathers
Borah	Glass	McKellar	Thomas, Okla.
Brown, Mich.	Green	McNary	Thomas, Utah
Brown, N. H.	Guffey	Maloney	Townsend
Bulkley	Hale	Miller	Truman
Bulow	Harrison	Milton	Tydings
Burke	Hatch	Minton	Vandenberg
Byrd	Hayden	Murray	Van Nuys
Byrnes	Herring	Neely	Wagner
Capper	Hill	Norris	Walsh
Caraway	Hitchcock	Nye	Wheeler
Chavez	Holt	O'Mahoney	
Clark	Hughes	Overton	
Connally	Johnson, Calif.	Pittman	

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present. The question is on the amendment reported by the committee on page 31, line 3.

Mr. NEELY. Mr. President, earlier in the day my efforts to speak to the pending amendment, in time borrowed from the Senator from Utah, were frustrated by the Senator from Nebraska [Mr. BURKE], aided and abetted by the junior Senator from Texas [Mr. CONNALLY]. Now I shall proceed in my own right and without interruption from either of the Senators just named, who in other circumstances could not, in vain, request me to yield.

The VICE PRESIDENT. The Senator from West Virginia asks that he be not interrupted until he concludes his remarks.

Mr. NEELY. Mr. President, my statement was not intended to discourage reasonable interruptions. Its purpose was to notify those present that I should object to parliamentary wrangling such as occurred this morning when I attempted to speak in time yielded to me by the able Senator from Utah [Mr. THOMAS].

Mr. President, the Senator from Nebraska [Mr. BURKE] has observed that he considers the National Labor Relations

Board or its conduct a disgrace to the country. In my opinion this observation constitutes a gratuitous insult to the Board and an unjustifiable slander against one of the greatest and best agencies that the Congress has ever created. The hearings that were held on the investigating resolution which the Senator from Nebraska introduced proves that the Labor Board has rendered service to the country—the value of which it would be difficult if not impossible to exaggerate.

The conduct of no other important Federal agency has ever received such a full measure of judicial approval as the courts have almost unanimously bestowed upon the Labor Board. As I previously endeavored to show, 97 suits have been prosecuted in district courts against the Board, on charges similar to those made by the junior Senator from Nebraska. Precisely a hundred percent of these 97 cases have been decided in favor of the National Labor Relations Board.

Twenty-three suits have been prosecuted against the Board in circuit courts of appeals. Twenty-one of these twenty-three cases have been decided in favor of the Labor Relations Board.

The Supreme Court of the United States, in which even the Liberty League lawyers pretend to have some confidence and for which they profess to retain some respect, has in a stirring decision, and in unmeasured terms, unqualifiedly placed its stamp of approval upon the conduct of that Board which the junior Senator from Nebraska considers a disgrace to the Nation.

The distinguished members of this unmercifully slandered, but nevertheless praiseworthy agency should be comforted by the fact that the scathing decision which the Senator from Nebraska has rendered against the Board has been overruled 97 times by Federal district courts, 21 times by Federal circuit courts of appeals, and finally by the Supreme Court of the United States.

The Senator from Nebraska will surely respect the decision of the Supreme Court because he has been one of its most courageous and vigorous champions. No one else has ever more frequently or earnestly proclaimed its virtues or denied its alleged imperfections.

Therefore, I implore the Senator from Nebraska to reconcile himself to the decision of the Supreme Court, which says, in substance, that the Senator is entirely mistaken in believing that the National Labor Relations Board is a menace to the Republic or a disgrace to the country.

In view of the recorded facts and figures which conclusively prove the outstanding accomplishments of the Board; in view of the fact that in multitudes of cases it has saved untold thousands of laboring men and women from the loss of their jobs and has established their rights to organize for mutual protection under the law; in view of the fact that it has amicably prevented strikes that would have cost capital untold hundreds of millions of dollars, and would have made the wives and children of hundreds of thousands of toilers ragged and hungry, there should be no penny pinching in the matter of appropriating money for this outstanding humanitarian department of the Government.

The pending amendment which reduces the Board's appropriation ought to be defeated by a unanimous vote.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

The amendment was rejected.

The next amendment was, on page 31, line 10, after the word "elsewhere", to strike out "$125,000" and insert "$85,000"; so as to read:

Printing and binding: For all printing and binding for the National Labor Relations Board in Washington and elsewhere, $85,000.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. LA FOLLETTE. No, Mr. President; let us have a vote on the amendment. It involves the same matter we have just acted on.

The VICE PRESIDENT. What is the Senator's point?

Mr. LA FOLLETTE. The amendment which the Vice President just stated was agreed to, without objection, relates to the same matter. It is with regard to the National Labor Relations Board. I refer both to the amendment in line 10 and to the amendment in line 12. Therefore I ask that the Senate may register its opinion upon those two amendments.

The VICE PRESIDENT. No Senator asked for the yeas and nays.

Mr. LA FOLLETTE. I did not ask for the yeas and nays; but the first committee amendment with relation to the Labor Board was in line 4. That amendment was rejected. Then the clerk read the amendment in line 10, and the Vice President said that without objection it was agreed to. I desire to have both of the following amendments—namely, the one in line 10 and the one in lines 11 and 12—submitted to the Senate.

Mr. GLASS. Mr. President, the amendment in line 11 is simply the total, which will be adjusted by the clerks after the consideration of the bill shall have been concluded. The amendment in line 10 is a reduction in the appropriation for printing and binding. I may say to the Senate that the Senate committee, after careful consideration, came to the conclusion that an immense amount of money was being wasted by the printing and binding, not only of this Board but of all other boards, which are sending out literature which promptly finds its way into wastebaskets; and we ought to make some saving there.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee on page 31, line 10. [Putting the question.] By the sound the ayes seem to have it.

Mr. LA FOLLETTE. I ask for a division.

On a division, the amendment was rejected.

The VICE PRESIDENT. The clerk will state the next amendment of the committee.

The next amendment was, on page 31, line 11, to reduce the total appropriation for the National Labor Relations Board from $2,955,000 to $2,570,000.

The amendment was rejected.

The next amendment was, under the heading "Rural Electrification Administration," on page 36, at the end of line 25, to reduce the appropriation for printing and binding for the Rural Electrification Administration from $65,000 to $52,000.

The amendment was agreed to.

The next amendment was, on page 37, at the end of line 6, to reduce the total appropriation for the Rural Electrification Administration from $31,652,000 to $31,639,000.

The amendment was agreed to.

The next amendment was, under the heading "Smithsonian Institution", on page 39, line 14, after the word "Association", to strike out "(31 U. S. C. 588; 44 U. S. C. 289; 50 Stat. 343)", so as to read:

Printing and binding: For all printing and binding for the Smithsonian Institution, including all of its bureaus, offices, institutions, and services located in Washington, D. C., and elsewhere, $68,000, of which not to exceed $8,000 shall be available for printing the report of the American Historical Association.

The amendment was agreed to.

The next amendment was, under the heading "Social Security Board," on page 42, line 1, after the word "paragraph", to insert a colon and the following further proviso:

Provided further, That none of the funds herein appropriated under the heading "Social Security Board" shall be used to pay the salary of any expert or attorney receiving compensation of $5,000 or more per annum unless and until such expert or attorney shall be appointed by the President, by and with the advice and consent of the Senate.

The amendment was agreed to.

The next amendment was, under the heading "Tennessee Valley Authority", on page 46, line 5, after the name "Hiwassee Dam" and the comma, to insert "and for construction of a dam at or near Gilbertsville, Ky.", and in line 20, after

the figures "1939" and the comma, to strike out "$37,237,000" and insert "$40,000,000", so as to read:

For the purpose of carrying out the provisions of the act entitled "The Tennessee Valley Authority Act of 1933", approved May 18, 1933 (16 U. S. C. ch. 12a), as amended by the act approved August 31, 1935 (49 Stat. 1075–1081), including the continued construction of Pickwick Landing Dam, Guntersville Dam, Chickamauga Dam, and Hiwassee Dam, and for construction of a dam at or near Gilbertsville, Ky., and for preliminary investigations of sites for dams at or near Watts Bar and at or near Coulter Shoals on the Tennessee River, Tenn., and the acquisition of necessary land, the clearing of such land, relocation of highways, and the construction or purchase of transmission lines and other facilities, and all other necessary works authorized by such acts, and for printing and binding, law books, books of reference, newspapers, periodicals, purchase, maintenance, and operation of passenger-carrying vehicles, rents in the District of Columbia and elsewhere, and all necessary salaries and expenses connected with the organization, operation, and investigations of the Tennessee Valley Authority, and for examination of estimates of appropriations and activities in the field, fiscal year 1939, $40,000,000.

Mr. VANDENBERG. Mr. President, this amendment involves the appropriation of about $2,500,000 for the Gilbertsville Dam in connection with the T. V. A. development. The item may seem to be of no serious moment on the surface of things; but actually it initiates another $112,000,000 development, another T. V. A. dam which will be six times larger than any of the seven main river dams, and which will have a volume approximately 60 percent of the total volume of all the dams on the Tennessee River.

In other words, this is not such a modest item as it appears upon the surface of the bill to be, because the commitment to this enterprise with the present appropriation of $2,500,000 inevitably involves a subsequent expenditure well in excess of $112,000,000.

Mr. President, I realize that this project was subjected to long debate 1 year ago. At that time it got into the bill by a very close squeeze. It went through the subcommittee of the Appropriations Committee by a margin of a single vote. It went through the full Appropriations Committee by a margin of a single vote. It finally went through the Senate by a vote of 46 to 29.

I concede that a fairly persuasive argument may be made that the decision of the Congress last year at least tentatively settled the question whether this new and tremendously expensive institution should be created. I concede that there is something to be said for the proposition that we are already committed to it.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Tennessee.

Mr. McKELLAR. The Senator spoke of the votes in the subcommittee and in the full committee, and in the Senate last year, and in all three of those statements he was correct; but I call his attention to the fact that this year, as I recall, there was no opposition to the project either in the subcommittee or in the full committee.

Mr. VANDENBERG. Mr. President, I am coming to that. I repeat, I concede that there is much to be said for the proposition that we did commit ourselves last year. However, there is still one final opportunity for review. It is true that some preliminary expenditures have been made and some preliminary work has been done, but no actual work upon the project itself has yet been undertaken, and as in the case of "Quoddy", where some expenditures had been made, and as in the case of the Florida Canal, where some original preliminary expenditures had been made, nevertheless Congress concluded that it was better to abandon the comparatively trivial expenditures rather than to proceed to the final ones, if the final ones were in error.

The question before the Senate, therefore, as I conceive it, in connection with this particular amendment, is whether by the narrow margin I have indicated the Senate was justified in its decision of 1 year ago, or whether upon this final opportunity for review the Senate should change its position in respect to this project.

I would not have the temerity to raise the point if the House of Representatives had not decided it in precisely the fashion that I assert should be our decision. The House declined to make this appropriation. It insisted that there is still an element of doubt involved upon many different scores in connection with this enormous investment. Instead of making an appropriation to proceed with the $112,000,000 construction, it included an appropriation of $100,000,000 more to continue the final and conclusive studies. Therefore, as represented by the bill as it comes to the Senate, the position of the House, as I interpret it, is that there is still too much doubt related to the Gilbertsville Dam project to justify a final commitment on the part of Congress to a minimum of $112,000,000, and that therefore the study should continue for 1 year more to a conclusive finality, amply financed by the money provided by the bill itself.

Mr. President, that is the position which I am undertaking to present to the Senate today, and which I take on my own account in respect to this proposal.

Let us see if there are any doubts involved. The first and fundamental doubt that is involved relates to the extent of the expenditure. This particular dam started as a $60,000,000 project at Aurora. It finally became a $95,000,000 project at or near Gilbertsville. It is now presumably a $112,000,000 project. But is it? That is the question I wish to ask, Is it?

On December 13 last the T. V. A. directorate told the House committee that the Gilbertsville Dam would have a reservoir volume of 4,850,000 acre-feet and controlled volume of 3,700,000 acre-feet, and would cost $112,000,000. Mind you, this is the T. V. A. directorate testifying officially on December 13 before a committee of the House of Representatives in respect to this precise bill, and asserting that the Gilbertsville Dam, with a reservoir volume of 4,850,000 acre-feet, would cost $112,000,000. A few days later, unfortunately or otherwise, depending upon the point of view, the T. V. A. head project engineer swore in a court proceeding in Kentucky that the T. V. A. plans at Gilbertsville called for 6,150,000 acre-feet, or 1,300,000 acre-feet more than T. V. A. told the Congress on December 13 was involved. T. V. A. thereupon revised its testimony to conform with the evidence given in court in Kentucky, and conceded that the dam project involved a 24 percent greater capacity than had been testified upon December 13; but it did not change the $112,000,000 estimate. In other words, we confront this situation. The T. V. A. directorate itself said on December 13 that the Gilbertsville Dam, on the basis of 4,850,000 acre-feet, would cost $112,000,000, and a few days later it asserted that the project would involve 6,150,000 acre-feet, but that it would still cost only $112,000,000.

Either the estimate was too high on December 13 or it is too low in February. Manifestly it was not too high in December. Manifestly it is too low in February. At least, manifestly, on the face of the record written into the testimony before the House Appropriations Committee within the last 90 days it is indicated that there is a profound doubt as to what it will cost.

If it costs 24 percent more, it is not a $112,000,000 project; it is a $130,000,000 or a $140,000,000 project. These estimates were made upon a price index which every 24 hours is becoming more intricate. It is probably infinitely nearer a $150,000,000 project, to be entirely modest about it.

Mr. President, to begin with, I submit that in the face of the condition which we confront respecting the Treasury of the United States, and the fiscal condition which we know faces us upon all hands, we are not entitled to proceed definitely upon a project of any such magnitude, involving any such investment, on the basis of any doubts whatsoever.

Neither the position taken by the House nor the position which I am asking the Senate to take asks that the Gilbertsville Dam be abandoned. It merely asks that another final year of consideration be given to it, with the resources provided for the investment, so that we will know conclusively what we are doing when we dedicate something like $150,000,000 of public money to another project in this area.

Mr. President, the Senator from Tennessee interrupted me a moment ago to remind me that there was no such division

in the Senate Appropriations Committee this year as there was the previous year. He is entirely correct; not 3 minutes of hearing were given in the Senate Committee on Appropriations to this project this year. It just went through pro forma; and if I want any information on the subject brought down to date I must revert to the information available through the House of Representatives.

Mr. McKELLAR. Mr. President——

The PRESIDING OFFICER (Mr. RUSSELL in the chair). Does the Senator from Michigan yield to the Senator from Tennessee?

Mr. VANDENBERG. I yield.

Mr. McKELLAR. If the Senator will permit me to interrupt him, let me say that if he will look at pages 44, 45, 46, and 47 of the Senate hearings he will find the reasons given in full.

Mr. VANDENBERG. Yes; presented by the Senator from Tennessee no doubt.

Mr. McKELLAR. No; they were presented by the T. V. A. They meet the approval of the Senator from Tennessee.

Mr. VANDENBERG. There was no such hearing given this year as was given last year.

Mr. McKELLAR. No; because we considered the matter closed by the vote of the Senate last year.

Mr. VANDENBERG. Exactly; and I have conceded that there is something to be said for that point of view.

Mr. BARKLEY. Of course, and the additional statement ought to be made that in view of the history of this project up to date, the Budget Bureau estimated and requested an appropriation, which we are seeking here by the amendment contained in the bill. It was not necessary for the T. V. A. or anybody else to make an extended statement or have a hearing, when the proposal had been accepted as having been authorized, and the Budget Bureau estimated the amount that should be spent during the next year.

Mr. VANDENBERG. That may satisfy the Senator from Kentucky completely, but when the House of Representatives has flatly refused to have anything to do with it I submit that it created a challenge which should not have been passed over quite so simply and so easily.

I find myself challenged, therefore, and I am frank to say that my first interest in the matter was invited by a letter, addressed, I think, individually to each Member of the Senate, from certainly a responsible source, namely, the chairman of the Committee on Military Affairs of the House of Representatives. He ought to know a little something of what he is talking about in respect to the geographic area where he lives, and he happens to come from Kentucky. I am referring to Representative ANDREW J. MAY.

Regardless of any controversy dealing with T. V. A. in its power aspects or in its Government-operation aspects, or any other aspect—and so far as I am concerned, those factors are not involved in what I am saying today—regardless of those considerations, I submit that when the chairman of the House Committee on Military Affairs submits a letter of this nature, it at least is calculated to give us pause. I read:

> After protracted hearings of the T. V. A. directorate and eight T. V. A. department heads, and a thorough study of its statistical justification, the House Subcommittee on Independent Offices Appropriations decided by a vote of 5 to 2 to reduce the 1939 T. V. A. appropriation to $37,085,000 from $40,000,000. The subcommittee was supported by the full committee.
>
> The reduction touched on but one item, some $2,800,000 to start construction of the Gilbertsville Dam. Since this dam will cost more than 20 percent of the total estimated cost of the T. V. A. project, is of questionable value, and involves serious engineering difficulties, the committee felt that further study should be made before the Congress commits itself to this huge expenditure. Therefore, it eliminated appropriation for construction, but added $100,000 for further study to the $185,000 previously allocated for that purpose. The House approved this proposal, specifically accepting an amendment to clarify the language still further.
>
> I am calling these facts to your attention in view of the action by the Senate Appropriations Committee, which, without hearings—

Apparently Representative MAY is at least partially in error at that point—

> without hearings, in a single morning session—
>
> He is correct about that—
>
> overruled the painstaking work of the House body and reinstated the Gilbertsville appropriation and the total appropriation of T. V. A. in original form. It is my personal opinion that Gilbertsville Dam should never be built; that it is a wasteful and unnecessary project, for which the expenditure of $10,000,000 for four low navigation dams should suffice.
>
> It is with the thought that prompt action by the Senate to rectify this discrepancy in the independent offices appropriation bill may well avoid a useless expenditure of more than $112,000,000 that I attach for your information this private memorandum and appended reproduction of statistical data about T. V. A. and the Gilbertsville Dam as it appears in the January 7 CONGRESSIONAL RECORD.

The letter is signed by Representative MAY.

Mr. President, very briefly, and without attempting to be encyclopedic about it at all, let me indicate the various points at which I think the House has been justified in asserting that a doubt exists—that is all—that a doubt exists whether the particular project at Gilbertsville should be undertaken at this moment.

The first doubt relates to the cost. I have already considered that sufficiently. The record seems to stand clear that there is serious discrepancy in respect to the cost prospectus. There are three things that this dam, as I understand, are supposed to serve—power, navigation, and flood control—and probably in the inverse order.

As to the question of power, I am very much interested in the data submitted in the memorandum to which I have referred, which indicate that the cost per kilowatt of installation at Gilbertsville will be $581.84, compared with the cost of $95.27 at the Wilson Dam, and compared with an average cost of but $227.21 for all other T. V. A. dams, excluding Gilbertsville.

I am attracted also, by the statement in a chapter devoted to power in a study entitled "Technological Trends and National Policy," sponsored and published last summer by the National Resources Committee, of which Secretary Ickes is chairman, which is as follows:

> Ordinarily hydroelectric power plants will involve a cost in excess of $150 per kilowatt capacity as compared with $75 to $125 for steam electric plants.

I am not interested in the relative comparison between the cost of steam installation and hydroelectric installation, except to say that if Secretary Ickes' National Resources Committee found that hydroelectric installation at $150 per kilowatt invites a doubtful comparison in respect to steam installation costs, certainly there is a definite doubt created by a project which will cost $581.84 per kilowatt of construction.

Mr. NORRIS. Mr. President, will the Senator give us the author of that memorandum?

Mr. VANDENBERG. Yes. I told the Senate I was reading from the memorandum submitted by Representative MAY.

Mr. NORRIS. Is that his computation, or is it the memorandum of some engineer?

Mr. VANDENBERG. The memorandum is from the chairman of the House Committee on Military Affairs.

Mr. NORRIS. And that is Mr. MAY.

Mr. VANDENBERG. Yes. That is the extent of my information, and if it is wrong, I am sorry. I am relying entirely upon this memorandum, and presenting it for whatever it is worth.

The second purpose, as I understand, that might be served by the Gilbertsville Dam, is navigation. It is asserted that all the navigation objectives could be reached with four low navigation dams costing not in excess of $10,000,000. At any rate, regardless of cost, the testimony before the House Rivers and Harbors Committee last fall by Capt. Donald T. Wright, of St. Louis, a veteran river steamboat pilot on the Tennessee, Ohio, and Mississippi Rivers, seriously raises the question—and I am not going to take the time to go into it in detail—as to whether this particular contribution to navigation is practically worth while in its net result.

The third objective, as I understand, is flood control. Whether or not the memorandum from which I read is correct, it at least makes the statement on the responsibility of the chairman of the House Committee on Military Affairs

that the Gilbertsville Dam will drown out the natural flood storage of the river, and create a permanent flood in its place, and that the effective value for flood-control purposes is another of the things which is not yet conclusively liquidated. At any rate, this method of treating flood control obviously runs counter to the theory upon which both the distinguished Senator from Nebraska [Mr. NORRIS] and myself have always agreed entirely, that the way to control floods is at the source and not at the mouth of the river.

I repeat, in summary, that the House in declining this initial appropriation, which in its time would probably grow to one of $150,000,000, did not take the position that Gilbertsville should be abandoned. It took the position only that the Gilbertsville project is as yet still in doubt, first as to cost, second as to its power value, third as to its navigation value, and fourth as to its flood-control value. It is in that attitude that I present my objections to the amendment submitted by the Senate committee. The Senate committee resolves all these doubts in favor of the project and in favor of the expenditure of this particular $150,000,000. I must resolve those doubts in favor of the Government and the Treasury, and I am hopeful that the committee amendment will be rejected.

Mr. NORRIS. Mr. President, the Tennessee Valley Act, passed in 1933, provided, among a great many other things, that it should be the duty of the T. V. A. to provide navigation on the Tennessee River to a depth of 9 feet from the mouth of the river to Knoxville, something over 600 miles.

The T. V. A. has either constructed or has under construction dams which, when completed, will make the 9-foot channel available to a point a little beyond Chattanooga, Tenn., except for the part of the river near its mouth, where a 9-foot channel will be provided by the Gilberstville Dam, dealt with in the committee amendment. In other words, before the dam provided for at Gilbertsville shall have been completed there will be navigation to a depth of 9 feet from the other side of Pickwick Dam—the next dam on the Tennessee River—to a point a little beyond Chattanooga. That distance includes a great portion of the Tennessee River. But the part which the Gilbertsville Dam will take care of extends the 9-foot channel out into the Ohio River; so Gilbertsville really stands at the neck of the bottle. Except for some portions of the year, navigation will not be possible to a depth of 9 feet on the Tennessee River, although the dams constructed make it that deep with the exception of one portion near its mouth, which the Gilbertsville Dam will take care of. Even if we start now on the construction of the dam at Gilbertsville, its completion will be about 2 years behind the completion of the other dams now being erected. So right now we are really a year or 2 years behind in making the Tennessee River navigable even as far as Chattanooga.

I hope I make myself clear to the Senate. In other words, if the Gilbertsville Dam shall not be constructed the Tennessee River will not have a navigable depth of 9 feet, and the place where it will lack that depth will be near the mouth of the river, so that vessels cannot get into the river. If they could get beyond the point where it is proposed to construct the Gilbertsville Dam they would be able to go all the way to Chattanooga with a 9-foot depth.

From a navigation standpoint that situation calls attention to the importance of the Gilbertsville Dam being constructed and being provided for now without any delay. If we lay aside navigation and power, the great importance of the Gilbertsville Dam is in the control of floods. Those who are opposed to the Gilbertsville Dam are opposed to any development of power. I appeal to them. Even though the Gilbertsville Dam involves no power, it still is the most important piece of construction ever undertaken by the T. V. A.; and it ought to be constructed now, not a year hence or 3 or 4 years hence. Four or five years will be necessary for its construction. It will have a storage capacity of 6,150,000 acre-feet. Of course, all that storage capacity is not usable, because the flow of the river must be permitted to go on. However, 4,600,000 acre-feet are usable.

The proposed dam represents the largest storage of water on the Tennessee River. Heretofore the greatest storage of water on that river was at Norris Dam, which has a capacity of 3,500,000 acre-feet. The proposed project is the largest storage reservoir that I know of. It is larger than any that God has made in the mountains or anywhere else east of the Mississippi River.

We have been talking about floods for 2 or 3 years. Some tremendous floods have visited various parts of the country. I think one thing upon which the country is unanimous is that we must try to control the flood waters of our streams. We have before us, in the committee amendment, the greatest single opportunity to accomplish this end. There is nothing like it anywhere else that we know of.

There has been talk of making the river navigable by building low dams. It is true that it is possible to do that; but such dams would not have any value whatever as a storage proposition. Low dams would have an advantage over high dams, according to those who are opposed to the T. V. A., in that no power could be developed. The power would all go to waste. That is, and always has been, a great asset in the minds of those who are opposed to the T. V. A. But navigation with low dams is not so good or so satisfactory as with a dam of the type proposed. In place of one dam we would have four navigation dams. Every time a vessel approaches a navigation dam the water gets shallow, and the possibility of handling the vessel is much more limited. The time consumed in going through the lock adds to the time necessary to navigate the river.

I would throw aside navigation if I could do so legally, for the sake of argument. Put aside navigation and power, and say we will have none. Write into the law a provision that this dam, although it will produce practically 190,000 kilowatts, shall never be used for power. Let the water go to waste to satisfy the power companies. Write that into the law if it is desirable. If we are going to be controlled by a Power Trust, let us put it on the statute books. Yet we are justified in building this dam and in spending every cent it will cost—no matter what it costs—to control floods.

Senators, we are going to control floods regardless of cost. We have to control them in order to preserve life and property, in order almost to save our country from absolute destruction from the rushing waters that come down from the mountain sides and destroy property and kill human beings. The cost, so far as flood control is concerned, is never going to be given any consideration. It is worth anything that it may cost to save our country from floods, and we have got to prevent floods by dams such as this.

Tennessee is not as much interested in the flood control which this dam will provide as is Missouri or as is Illinois or as is Indiana or as is New Orleans. Tennessee is less interested than is any other section from the mouth of the Ohio River to the mouth of the Mississippi River.

Mr. McKELLAR. Mr. President, may I call the Senator's attention to the fact that in all the States lower down it will make a difference of at least 2 feet in the flood tide of the Mississippi River?

Mr. NORRIS. The testimony taken in a trial shows that there is dispute as to the exact difference it will make in feet, but the testimony of an Army engineer, as I remember his testimony, revealed that the Gilbertsville Dam, if constructed, would reduce the level of the Ohio at Cario 2 feet. That is the lowest estimate I have seen. Some other engineers put it at 2½ feet. I think those are the two extremes. Both of them, of course, are estimates. No engineer can tell within an inch what the reduction in the level would be.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. BARKLEY. Even the partial completion of the Tennessee project protected the Ohio River in the flood a year ago to such an extent that it probably protected the city of Cairo from inundation for the water in the Ohio at that point reached within less than a foot of the top of the levee.

Mr. NORRIS. Indeed, it did. I am glad the Senator called my attention to that. The Gilbertsville Dam has not as yet been constructed. The main portion of the water that was held back to protect the city of Cairo at that time in the flood a year ago was 600 miles away. It was behind Norris Dam in the Norris Reservoir. When the storms commenced up in the mountains, where the tributaries of the Tennessee River have their sources, T. V. A. closed the gates at Norris Dam and did not allow even the flow of the stream to go on down; all the water was shut off. There was a flood that has never been exceeded except once in history, as I remember; yet Norris Dam was not full when the flood had subsided. The reservoir at Norris Dam held the floodwaters below it.

What was the situation with respect to the Ohio River, whose tributaries rise in the same mountains? Here are two streams, the Tennessee and the Ohio, rising in the Alleghenies. They are well illustrated by my two hands. Here [indicating] is the Tennessee River in the south and the Ohio just north of it. In the Tennessee River the one great dam, the Norris Dam, has been constructed. There are some other storage facilities on the Tennessee, such as the Wheeler Dam lower down, but their capacity is not nearly so great. The Ohio River has none. Here came the storms, and here start the streams down through Tennessee and up around through Kentucky, and here flows the Ohio down, and finally the Tennessee joins the Ohio. The waters, partly coming down the Ohio and partly down the Tennessee River, finally get together at Paducah, Ky., and enter the Mississippi.

Yet even the storage capacity which was made available by the Norris Dam, beyond any shadow of doubt, saved Cairo from probable destruction by floods. The Ohio River has more dams in it than has the Tennessee, but not one of them is any good for flood control; they are navigation dams. Perhaps the Senator from Michigan would like to have such dams in the Tennessee instead of the Gilbertsville Dam. The water comes right down over them, as has been demonstrated. The Tennessee is controlled partially only by the Norris Dam, with some assistance from the Wheeler Dam; but Cairo was saved thereby.

The Ohio River has a dozen more dams, but they are navigation dams making the Ohio River navigable. They cost much less, it is true, but they are not worth a cent for flood control. The flood came. In one river it was stopped way up here; in the other it kept on. If it had not been stopped in the Tennessee, the waters of that river would have reached the waters that came down from the Ohio; they would have joined, and would have destroyed the city of Cairo, and if they had gone on to the Mississippi River and then met the flood that was coming down from the Missouri, from the Arkansas and other rivers that flow into the Mississippi from the West, there would have been a flood equal in proportions to any of the great floods of history, a flood that probably would have wiped New Orleans off the map. So from New Orleans all the way up to the mouth of the Ohio, from there up to the mouth of the Tennessee, and from there up to the tributaries, all the people living along the rivers were getting protection from floods because the Norris Dam had been constructed.

All the floods did not fall on the other side of the Norris Dam; some fell on this side, between the Norris Dam and the site of the Gilbertsville Dam. There were very heavy rains all up and down the Tennessee Valley. Gilbertsville Dam would have taken care of all of those. With those two dams completed in the Tennessee Valley, the Tennessee River will, to a great extent, be made normal the year around.

The two dams, however, are not all that the plan involves. There are a great many other dams, some on the main stream and some on the tributaries, depending on where there is a reservoir. Water cannot be stored everywhere; it is necessary to go where Nature has provided a reservoir; and the size of the reservoir will, to a very great extent, determine the real benefit and the amount of benefit that will come from flood control.

I wish to ask Senators who believe in flood control, as I think every Senator does—and I believe the people of the United States are practically united in favor of it—not to vote against Gilbertsville Dam because of the fear that some power will be developed there. Power is a very small secondary consideration at this dam. The Senator from Michigan told us about the cost of power there. One reason why this dam is not so valuable for power is its great value for flood control. In other words, when floods come, the water is going to be shut off so that it cannot go over the top of the dam to a very great extent. That means power is gone. Power is secondary, as it ought to be, to flood control. It is very important but not nearly so important as is flood control. In periods of high water the Ohio River, being uncontrolled by any flood-control dam, will rush down and back up into the Tennessee River and interfere with the wheels, interfere with the output of power at the Gilbertsville Dam. That is the reason why the Gilbertsville Dam is not so important from the standpoint of power.

I myself do not know whether it is even contemplated to put in any power facilities there to begin with. Perhaps later on it will be found necessary to do so, but as a pure power project it would not be built. As a flood-control project, however, it is absolutely essential, and there is no escape from it; I do not care what it costs. Eventually, I think, there will be built on the Ohio River high dams instead of low-navigation dams.

Mr. President, I was a Member of the other House when a great statesman from Ohio, one of the greatest men who ever sat in that House or in this Chamber, Mr. Burton, of Ohio, was chairman of the Committee on Rivers and Harbors. He lived in Ohio; he had a pride in the Ohio River. At that time we had not reached the stage when there was much hydroelectric power developed; we had not reached the stage when scientific men were willing to concede that the way to control floods was to build dams in the mountains wherever a reservoir could be found that would hold much water. Mr. Burton conceived the idea of making the Ohio River navigable from Pittsburgh to its mouth, and he did it. The project he advocated was of no value for power, it was of no value for flood control, but it made the Ohio River navigable. Even for that one purpose alone, I think the money expended was justifiably expended. But how much better it would have been if that great statesman could have known then, as we know now, that the way to control floods is to build high dams. Thus we make the streams navigable, we make it possible to develop power, and we reach a higher state of efficiency for flood control. We do what we must do if we are to save these valleys of ours, on all of our streams, from damage by flood.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. I understand from the remarks of the Senator from Michigan that he is objecting to the construction of this dam.

Mr. NORRIS. Oh, yes. Was not the Senator from Minnesota in the Chamber when the eloquent speech of the Senator from Michigan was made? He quoted a very able and very great argument made by the chairman of the Military Affairs Committee of the House against this very proposal.

Mr. SHIPSTEAD. Would it cost very much more to make this a power dam in addition to a flood-control dam?

Mr. NORRIS. Yes. I should not want to state the matter in that way, however. I do not know that I would favor high dams just to make power; but when they are combined with flood control and the power really is a byproduct, when we take into consideration all the expense, it is cheaper to build the high dam if we are going to control the floods. In fact, the two things cannot be compared on the basis of financial considerations, because there is no other way that I know of to control floods.

Mr. SHIPSTEAD. Then the dam automatically becomes a power dam, too.

Mr. NORRIS. Yes.

Mr. SHIPSTEAD. Is the cost of acquiring flooded land at the site of this dam very much higher than it would be in the case of a low dam?

Mr. NORRIS. Oh, yes. It will cost more to buy the flooded area because there is much more of it. If we should build a low dam, merely a navigation dam, it would not be necessary to condemn or purchase much land. Not much land is overflowed by such a dam, but if a dam 150 feet high is built it is necessary to buy the land for miles around.

Mr. SHIPSTEAD. But that is necessary for flood control.

Mr. NORRIS. For flood control there is no escape from it.

Mr. SHIPSTEAD. If we want a flood-control dam, if that is necessary, then at the same time we can have a power dam with very little extra cost?

Mr. NORRIS. Absolutely so; yes; and at the same time we make navigation possible; and better navigation than low dams can possibly provide. Instead of the Gilbertsville Dam, if we were going to build low dams—which would do no good except for navigation—four of them instead of one would be necessary. It is true that all four could be built for less than this one would cost, because not all of the items entering into a high dam, to which the Senator has called attention, enter into a low dam; but the low dam is no good except for navigation. It will not control floods to the extent of one gallon. It will not develop any power. While in my judgment this particular dam is less valuable for power than for either flood control or navigation, if we should build the dam I think it would be silly not to put in a wheel and run the water through a wheel and develop some power, even though it is not the best kind of power, even though a great deal of it is secondary power, for the reasons I stated just a few moments ago.

Mr. SHIPSTEAD. Mr. President, will the Senator yield for another question?

Mr. NORRIS. I yield.

Mr. SHIPSTEAD. I am, and always have been, very sympathetic to the Senator's ideas. How much secondary power or primary power will this dam yield?

Mr. NORRIS. The estimate is that it will yield about 190,000 kilowatts. That is a vast amount of power. That is more than twice the amount of power which we originally thought we should get from Wilson Dam when we built that dam during the war; but these dams help each other out on power.

If floodwaters are held back, the stream is made constant, or that is the tendency, so that there is more water in the stream in time of low water and less water in the stream in time of high water. That helps to provide navigation and it helps to develop power. The water which goes over the Norris Dam, 600 miles away, goes over five or six dams until it gets to the one of which we are now speaking, and then it goes over that one; and the water makes power every time it goes over a dam. If we had no high dams, no flood-control dams, that would not be possible.

The Senator from Michigan says that if we defeat the amendment of the committee it only means delay. Probably that is true. We know it would mean 1 year's delay; but just a moment ago I called the attention of the Senate to the fact that the other dams intermediate between Gilbertsville and Chattanooga will all be completed. They are all in process of construction, and some of them have already been finished. All of them will be completed and they will provide a navigation channel of 9 feet. The only place where there is not 9 feet is near the mouth of the Tennessee River, where outside ships cannot get in. This dam remedies that situation; so, if we provide for it now, we shall have 1 year's advantage over what we shall have if we wait until next year to provide for it.

Again, as I said, the great thing to be considered is floods. Suppose it would take 4 years to build this dam. I think probably it would take 5 years; but, for argument's sake, let us say it would take 4 years. If we provide for the construction now, at the end of 4 years we will have the dam, let us say, completed. Suppose at that time we have another flood, greater than any we have ever had—and we may have such a flood during that year. What will happen? We shall not have saved the situation. We shall not have protected the country from devastation below the Tennessee River, all the way to the mouth of the Mississippi River. We cannot estimate that devastation in dollars and cents. We cannot tell how much human lives are worth. We cannot now tell exactly what amount of damage a rainstorm of a certain severity would do to that part of the country right through the middle of the great productive area of the United States. If we postpone this construction for 1 year, we run the risk of having the kind of thing happen that I have just mentioned; and why should we run such a risk?

It is said that we are short of funds. That is true. For the past 3 years, however, we have been trying to provide work relief. Here is an opportunity to do so, in connection with this dam.

Mr. SHIPSTEAD. Mr. President——

Mr. NORRIS. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. I assume that the plan for control of floodwaters by these dams will have to be worked out so as to be effective.

Mr. NORRIS. Certainly.

Mr. SHIPSTEAD. On the other hand, if it is not carried out, if we do not do it, there will be some cost in the way of damages for flood control.

Mr. NORRIS. Yes; I am coming to that.

Mr. SHIPSTEAD. It may be cheaper to prevent it than to take the consequences of permitting it.

Mr. NORRIS. It will be much cheaper to prevent it. One great flood will do more damage than the improvement of the entire Tennessee River will cost; and, Senators, we are going all over the United States with this program at some time.

Mr. SHIPSTEAD. We shall have to do so.

Mr. NORRIS. I do not see any escape from it. I shall not be here at that time. The great opposition to it is because of the development of power—just a subsidiary thing, a secondary thing. If we should blot power out of the project, we should not have any opposition to it, but the most powerful combination on earth in its influence over everything, from the President down to the road overseer, is the Power Trust. They want this construction delayed now, and next year they will want it delayed again, and so on until they have a Congress or a President that will bring about its absolute defeat. That is what they want.

That is not all. The Senator from Michigan [Mr. VANDENBERG]—perhaps I had better take up this phase of the matter now—gave us some reasons for delaying the construction of this dam. He has called to the witness stand a very important witness. The witness he called is not an engineer. He is a lawyer—a good lawyer, I suppose. So far as my acquaintance with him goes, he is a very fine gentleman. I refer to Mr. MAY. He occupies a very powerful position in the House of Representatives. He is chairman of the Committee on Military Affairs. He was there when T. V. A. was born, and he has been on the job ever since. He has never missed an opportunity to strike T. V. A. a blow if he could do so. I do not have to apologize for this statement. If Mr. MAY were here and speaking, he would say the same thing to you. He does it perfectly honorably. I am not finding fault with him. He has a right to do it. He appeared before the Senate committee. Now he has sent a letter to the Senator from Michigan, and it is used here as an argument to block the construction of this dam.

If the Senator from Michigan wanted to be fair about the matter, why did he not go to a friend of the T. V. A. to get his information? Why did he go out and hunt for the one man in all the world who hates the T. V. A. more than anybody else does?

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER (Mr. MINTON in the chair). Does the Senator from Nebraska yield to the Senator from Michigan?

Mr. NORRIS. I yield.

Mr. VANDENBERG. I did not go out and hunt for anybody; I received an official communication from the chairman of the House Committee on Military Affairs, and if that is not honorable testimony, then I am sorry.

Mr. NORRIS. I admit it is honorable testimony, and I concede the Senator had a perfect right to use it. I am not questioning the honor or the honesty either of the Senator from Michigan or of Mr. MAY. I have a very high regard for Mr. MAY, as I have for the Senator from Michigan; but from the time this baby was born until it was grown to strong manhood down in the Tennessee Valley there was one man standing on the corner fighting it at every step, and it was the very man the Senator has been quoting.

Mr. MAY undoubtedly has a right to his opinion. He may be right in everything he says, but when a lawsuit is being tried and a witness testifies the judge says to the jury, "The weight of the evidence is for you to decide. You have a right to take into consideration, and you ought to take into consideration, the interest of the witness, if any appears, his bias, if any appears; his prejudice, if any appears." If we follow that course when we get through with Mr. MAY'S testimony we will say, "We want to hear the testimony of someone else. We will not decide this on his testimony alone." There are other sources to which we can go and get evidence, and I shall produce some of them. I will call them to the attention of the Senate, and I think it is very proper for the Senate to consider them.

The Senator from Michigan stated that he believed in the storage of floodwaters at the source, which is a proper statement. Floodwaters ought to be stored just as near the source as possible. We ought to store them, and we have to store them, however, wherever we can get a basin to hold them; and if at the source there is no such basin, we cannot store them there; and if there is no basin along the whole length of the stream, we cannot have any storage.

On the Tennessee River we have a great dam at Norris, storing 3,500,000 acre-feet of water. On the Hiwassee River, a branch of the Tennessee, we are constructing the Hiwassee Dam, which will store between a third and a half as much as the Norris Dam. At some time we will probably construct one on the Little Tennessee at Fontana, which will store a larger amount of water than is stored at the Hiwassee Dam. We will probably construct one on the White River sometime in the future. There are probably a dozen other places on tributaries where we will store a vast amount of water. When we get through with it all, so far as the Tennessee River is concerned, we will have protected every town in the Tennessee Valley and every town from the mouth of the Tennessee to the mouth of the Mississippi.

When we do the same thing with some of the rivers which come in from the west, from Arkansas, Nebraska, and Missouri, we will have made the Tennessee River a navigable stream completely. It is navigable now to an extent, but the navigation will be perfection so far as human ingenuity can make it so. We will save all that region from flood damage. Men will rest in peace, with the knowledge that their lives are not in danger, that the lives of their wives and children are not in danger, that their property is safe, because of dams which have been constructed a thousand miles away.

The great dam the Government is now constructing in Montana, the Fort Peck Dam, will store 17,000,000 acre-feet of water. Think what that means. It is probably the largest storage dam now under construction. When that water is held back what effect will it have on the Mississippi and on the Missouri, all the way down through North Dakota, South Dakota, and Nebraska? Then there is the Gilbertsville Dam, a necessary part in the chain; yet men are crying out, "Do not construct it now."

I was speaking of the benefits that would come from the employment of labor when the Senator from Minnesota interrupted me. If we had started at the beginning of the great depression to do on all the rivers in different parts of the United States what we have done on the Tennessee River, I think we would have gone further in solving the unemployment problem than we did, although in what we did we acted with a perfectly honest intention.

At one time during the depression the T. V. A. had on the pay roll more than 20,000 men. That meant that in the factories in the East more than 20,000 other men were given employment in making the steel and the other things which went into that great development. It meant employment to railroad men, it meant income to railroads which hauled the cement and the other materials across the continent to be used in this great improvement.

Gilbertsville Dam is another in the chain, the most important of all, although it will not produce as cheap power as is produced at some of the other dams.

Mr. President, I now wish to read a few comments which I think should go into the RECORD. I call attention to the fact that the T. V. A. has a great deal of machinery employed, much of which will have to be laid aside if this project is postponed. The Senator from Michigan offered some evidence in an effort to show that there was some doubt about the wisdom of constructing the dam. As I see it, there is no doubt. He referred to some testimony which was afterward corrected, and a different amount was inserted. That is a common occurrence. It happens in the case of statements before committees. It happens with Senators when they make a speech and correct the RECORD. If they are mistaken about figures, they afterward get the correct figures and put them into their remarks. That is probably what this witness did. I do not know anything about it personally. I never heard of it before today. But the T. V. A. engineers—and I submit their testimony is more competent than the evidence which the Senator from Michigan has offered—are unanimous in the view that the Gilbertsville Dam ought to be constructed now. They tell us why it would be dangerous to postpone its construction for another year.

I have here a statement from the Board which I think was made in connection with the 1939 Budget, and I shall read some of it:

> The Gilbertsville Reservoir as presently planned will have a total reservoir volume of approximately 6,150,000 acre-feet and flood-control storage of approximately 4,500,000 acre-feet, and, being located only about 22 miles above the mouth of the Tennessee, its effect on the Ohio River can be estimated very closely, the time of flood-crest travel from dam site to the Ohio River being less than a day. For these reasons the Gilbertsville Reservoir will reduce the peak flow of major floods in the lower Ohio and Mississippi Rivers, and especially at Cairo, by about 200,000 cubic feet per second.

That is a lot of water. That water if turned loose in a big flood at the mouth of the Tennessee and added to a flood coming down the Ohio would cause millions of dollars of damage at Cairo alone. Besides, it always means the destruction of human life, which cannot be measured in dollars and cents.

> The United States Army engineers estimate that a flow of 2,600,000 cubic feet per second at and below Cairo is probable, while the levee system is designed to carry only 2,250,000 cubic feet per second.

That testimony on its face shows that the levee system is unable to cope with the situation. The Army engineers say that in time of flood the flow would be 2,600,000 cubic feet, while the levee system, if carried out to perfection, would carry only 2,250,000 cubic feet. That would leave 350,000 cubic feet unprovided for. This dam would take care of all of that.

> The Army engineers have recommended a comprehensive flood-control plan, including a total of 45 reservoirs, at an estimated cost of $246,000,000, which they say would reduce the flow at Cairo about 2 feet.

They recommend 45 reservoirs at a cost of $246,000,000. As the Senator from Michigan said about the other estimates, they would probably cost more than that, but the only way I know of to figure it is to take the estimates, and I take the estimates of the Army engineers as well as of the

T. V. A. engineers. They say it would reduce the flow at Cairo 2 feet.

It is evident that the Gilbertsville Reservoir will reduce this flow by a greater amount for a much less expenditure.

It would be less than half.

Although the 45 reservoirs recommended by the Army engineers would provide local benefits as well as a reduction at Cairo, no site as valuable, effective, and cheap as Gilbertsville for flood control on the Mississippi has been found and proven anywhere in the Mississippi Valley.

Let us not forget that. This is the only one. Why run the risk for a year of a big flood, doing much more damage than the dam would cost? It probably will not cost any more now than it would next year. We cannot tell whether the prices of materials used in the dam will go up or down, but I think it is fair to say that the cost now would be just as low and probably lower than it would be if construction were put off for another year.

There is no doubt with reference to the matter of location. We provided in the bill last year for a further study with respect to the exact location of the dam. Money was provided for that purpose in the bill. The T. V. A. had studied it for a year and had reached a conclusion. They ended their study and were ready to act. All they need is the word to go ahead, which must come from Congress.

I read further from the statement:

To eliminate the funds needed for Gilbertsville in 1939 will delay the construction of this reservoir by at least a year. This would mean that the benefits from flood control would be postponed that length of time, and also that the 9-foot navigable channel would not be available until a year later. All other work necessary to provide this channel from the Ohio River to Chattanooga will be finished by the fiscal year 1942. Even under present plans the Gilbertsville Dam will not be finished so as to extend this channel from the Pickwick Dam to the Ohio River until 1945.

The longer we delay it, the longer it will be impossible to navigate the Tennessee River for all that distance.

Any delay in the Gilbertsville Dam construction postpones just that much longer the benefits that will accrue from the construction of a 9-foot channel for this entire distance.

In addition, the cessation of work at Gilbertsville will disrupt the orderly procedure of dam planning, design, and construction, introduce inefficiency and waste, and not only necessitate the expenditure of a considerably greater amount of money later on, but will also make impossible the benefits which are dependent upon a well-planned and evenly running program.

To illustrate how serious will be the effect on the organization if the appropriation for Gilbertsville is eliminated, it is estimated that it will be necessary to lay off a total of approximately 375 highly trained men. This reduction in personnel consists of the following groups:

1. Seventy-five survey men and map makers especially trained in the special methods of land surveys used by the Authority.
2. Thirty-six hydraulicians, hydraulic engineers, and geologists, all of them versed in the Authority's methods and familiar with the Gilbertsville project.
3. Sixty technical men specially trained in highway and railroad work.
4. Sixty-five designing engineers—structural, electrical, and mechanical—experienced in dam design.
5. Fifty construction men trained by the Authority in dam and camp construction, many of them specialists in construction-plant design.
6. A group of at least 90 other employees—regional planners, land appraisers, and others—familiar with the work of the Authority and difficult to replace.

In addition to the above terminations of highly trained employees, the elimination of funds for the Gilbertsville project would prevent the employment of approximately 510 hourly rated workers.

Thus the elimination of funds for Gilbertsville will mean the loss of men in whom the Authority may be said to have an investment by reason of their training in its work. Many highly technical and efficiently running organizations, such as surveys, planning, design, and construction organizations will in consequence need to be broken up and scattered.

Only a moment of consideration is needed for us to realize how much that will increase the cost of this dam. Those organizations will be dissipated, disorganized, and scattered over the United States. It will be impossible to get the same men back, trained and efficient as they are. The Authority will have to start at the bottom and organize a new body of men. That means not only delay and inefficiency but it means additional money; it means that the expense will be increased.

They cannot be replaced later on except at great effort and increased expense, and it may be impossible to build up again as smooth-running organizations as now exist. The probable effect on morale is intangible but very real, and is to be deplored in view of the very excellent record made by the Authority in its construction operations to date.

Mr. President, there is much more along the same line that I could read, but I believe that is enough to show the necessity for action and that we ought to provide for this dam now.

I do not want to take up the time of the Senate unnecessarily. I feel very deeply about this matter. I know many people think I am simply a crank with respect to the matter of power, and that I do not care about anything else, that I do not know a thing about anything else, and but very little about power. But I appeal to the Senate with respect to the question of flood control. The question of power sinks into insignificance beside the question of flood control. I have always contended, and I contend now, that while power is very important, the greatest object of all is flood control. That is far ahead of navigation and far ahead of power. When we control the flood we must necessarily, however, make the power and provide for navigation. Those things follow. That is what Gilbertsville Dam will do.

I would not be advocating the building of this dam if there were nothing in it but power. I would not be advocating it if there were nothing in it but navigation. If I thought there was any other way to get flood control with the expenditure of less money, and get it efficiently, and to the same extent, I would advocate such a method.

Who has a different plan? What do those who want to build navigation dams instead of this high dam want to do about flood control? Are they against it? They are not, of course, and they would not say so. Why are they against the Gilbertsville Dam? The dam which will be more effective than any other dam already begun is the proposed Gilbertsville Dam. Senators have an erroneous idea when they believe that Tennessee and Kentucky alone are interested in Gilbertsville Dam. The people of those States are interested in navigation, but so are the people of Ohio, Louisiana, and Missouri. Anyone living on the Mississippi River or on its tributaries who wants to go by river to eastern Tennessee can go up the Tennessee River to the point where Gilbertsville Dam will be constructed. He cannot reach that point if we do not build that dam.

Mr. McKELLAR. Mr. President, several years ago, I think it was in 1933, in a hearing before a House committee it was testified that if this dam were turned over to the power companies there would not be a particle of doubt about the sale of all the power generated at that point and that the concern selling the power would be prosperous. I think the power which will be generated there, which, I believe, it is estimated will be about 195,000 kilowatts, will be sufficient to pay the cost of this dam.

Mr. NORRIS. Yes, it would; but it would be unfair to make the people who use the power pay for all of it. If the Government of the United States is to get the benefit, we cannot pick out the people who are to be benefited. It is an impossibility. We cannot pick out the property and say just how much each part is benefited. From New Orleans up the Mississippi River on both sides, and up the Ohio from its mouth to the mouth of the Tennessee River, all classes of people and all classes of property will be benefited.

From a navigation standpoint, it may be that the navigator will come from Indiana, Ohio, or Missouri. He may come out of some part of the United States entirely separate and apart from any of these great valleys. He will be benefited. This project will make the Tennessee River navigable for 600 miles, and it will not be navigable until the dam is constructed. So that all reason, all wisdom, all logic and judgment, it seems to me, point to the fact that it would be an economic sin to cut this dam out of the appropriation bill and wait for at least another year, when we know that the same arguments will then be made against it. The real

reason is that the power people do not want it. That is really the only reason. It seems to me that flood control is the most important thing of all in this connection. It is a subject upon which all of us are agreed and upon which the country is united. Those who are interested in flood control must realize that we have before us at this moment the most important flood-control proposition anywhere in the country. The project needs our approval, and it will fail if it does not receive that approval.

Mr. MILLER obtained the floor.

Mr. VANDENBERG. Mr. President, will the Senator yield for a quorum call?

Mr. MILLER. I yield.

Mr. VANDENBERG. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Colo.	Pope
Andrews	Davis	King	Radcliffe
Ashurst	Donahey	La Follette	Reames
Austin	Duffy	Lee	Reynolds
Bailey	Ellender	Lodge	Russell
Bankhead	Frazier	Logan	Schwartz
Barkley	George	Lonergan	Schwellenbach
Berry	Gerry	Lundeen	Sheppard
Bilbo	Gibson	McAdoo	Shipstead
Bone	Gillette	McCarran	Smathers
Borah	Glass	McKellar	Smith
Brown, Mich.	Green	McNary	Thomas, Okla.
Brown, N. H.	Guffey	Maloney	Thomas, Utah
Bulkley	Hale	Miller	Townsend
Bulow	Harrison	Milton	Truman
Burke	Hatch	Minton	Tydings
Byrd	Hayden	Murray	Vandenberg
Byrnes	Herring	Neely	Van Nuys
Capper	Hill	Norris	Wagner
Caraway	Hitchcock	Nye	Walsh
Chavez	Holt	O'Mahoney	Wheeler
Clark	Hughes	Overton	
Connally	Johnson, Calif.	Pittman	

The PRESIDING OFFICER. Ninety Senators have answered to their names. A quorum is present.

Mr. MILLER. Mr. President, I agree with the words spoken by the distinguished Senator from Nebraska [Mr. NORRIS], but I find that I am unable to agree with the conclusions expressed by the Senator. I should like to invite the attention of the Senate for a little while—and I shall try not unduly to detain the Senate—to some facts of which I know Senators are cognizant.

Sometimes I think we pay more lip service to flood control than to any other kind of project which may be suggested. The building of the dam at Gilbertsville may be an essential link in the ultimate development of the Tennessee Valley; as to that I do not know; but I do know that we have committed $505,000,000 of Government funds to the Tennessee Valley. While I was a Member of the House of Representatives no Member of that body was a stronger advocate than I of the work which was being done or the work which was being undertaken in the Tennessee Valley. I am still in favor of it; but I am not in favor of putting all our eggs in one basket. There are other communities in this Nation than the Tennessee Valley; and if one will analyze the speech of the able Senator from Nebraska, I believe he will be driven to the conclusion that to spend money at this time on the Gilbertsville Dam would be to do so at the expense of other communities which are in dire need.

The construction of the Gilbertsville Dam cannot be justified from the standpoint of power production, for there is already a superabundance of power in the Tennessee Valley. The T. V. A. has even resorted to the sale of power to private power companies, contrary to the spirit of the act. No one can deny that an abundance of power exists in the Tennessee Valley today, and the building of the Gilbertsville Dam cannot be justified on that ground alone.

Next it is said that it is needed for navigation. The hearings disclose a remarkable condition with respect to navigation. The river in the reach of 184 miles above this dam has a fall of approximately 2.7 feet per mile, requiring a lift of 68 or 70 feet in the dam. If, then, the dam is to be constructed for flood-control purposes, it is not worth anything for navigation, because if the dam is emptied for flood-control purposes it is not an aid to navigation.

But, aside from that, the burden of the argument has been that we are justified in spending money at this dam for flood control. Let us see if we are. The able Senator from Nebraska said that if there were any other plans for the control of floods in this country, he wanted to hear about them. I am not at all an authority on flood control, but I have been interested in the subject, and I wish to state to the Senate that there are many plans for the control of floods which have the approval of the Army engineers. There are today pending before the Senate bills which, if carried into execution, would control the floods, and control them at a less cost than has already been expended.

The Senator from Nebraska argued long and eloquently as to the effect that the dams on the river have already had on flood control. I agree with him 100 percent in that respect. They have been of great value. It is argued that last spring they were a contributing factor to the saving of Cairo, Ill., and other towns along the Mississippi by reason of holding back floodwaters. That is true. But what have we done in the Tennessee Valley? Let us look at the record. The record discloses what we have already done there and what we are doing for the purposes of flood control about which the able Senator speaks.

The Senator said the Norris Dam had saved Cairo, Ill., and other towns along the Mississippi River.

I will give a list of the dam projects now pending or in progress according to the schedule filed December 13, 1937. There is the Pickwick Landing Dam, which is 85 percent completed; the Guntersville Dam, which is 45 percent completed; the Chickamauga Dam, which is 30 percent completed; the Hiwassee Dam, which is 20 percent completed. The Pickwick Landing Dam will be completed in 1939, the Guntersville Dam in 1940, the Chickamauga Dam in 1941, and the Hiwassee Dam in 1941. If the Norris Dam has served the purpose that we know it has served for flood-control purposes, then, with the completion of the dams referred to, the flood-control problem will necessarily be solved along the Tennessee River and in the Tennessee Valley.

Everyone knows that to control floodwaters it is necessary to stop them at their source. The question was asked in the hearings which I hold in my hand, "Who ever heard tell of a project for flood control being placed at the mouth of the stream?" The engineer very truthfully replied he had never heard of such a project. Mind you, that was said by a man who was advocating the building of the Gilbertsville Dam. The dam, which will be nearly 9,000 feet long, is to be placed 22 miles from the mouth of the Tennessee River; a lake 184.2 miles long is to be created, with a shore line more than 2,000 miles in length, longer, by 300 miles, than is the Pacific coast of our country; and the total cost, it is said, will be $112,000,000. That is the first estimate. But I wish to call attention to the idea of a reservoir being built at the mouth of a river to control the floods of the river. I am not unmindful that it is said, "Oh, no; we are not trying to control the floods of the Tennessee; we are trying to control the floods on the Mississippi."

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. BARKLEY. The Senator would not build a dam at the source of a river in order to control floods on it, would he?

Mr. MILLER. I am considering the argument of the distinguished Senator from Nebraska.

Mr. BARKLEY. Of course, if we are going to build a dam to control the waters in a river, we have got to build it low enough down so that there will be some water above the dam; otherwise the dam would not control anything.

Mr. MILLER. I am talking now about the ideas of the engineers and about the argument which has been presented. I wish to refer the distinguished leader to the Army engineers and to their reports and ask him to point out to me a single report or a single recommendation as to a reservoir

on any river which does not involve placing the dam near the headwaters of the river, in the watershed, where the water is first accumulated.

The reservoir back of this dam will flood five towns; it will cover 400,000 acres of land, which must be purchased at an average cost of $38.50 per acre for reservoir purposes alone, or a total cost of $15,300,000 for land alone. It is said it is to be built for the purpose of flood control, because, perchance, it will hold back from the Mississippi River 200,000 cubic feet of water per second, and that it is the only one in the Mississippi Valley that will accomplish that end.

Let us consider that for just a moment. I think the record shows, and I think every Senator knows, that the Gilbertsville Dam is not necessary for the control of the floodwaters of the Tennessee Valley. It would be a contributing factor. We might as well be fair about it—it would be of great help in controlling the floodwaters for the Mississippi River, because every cubic foot that is held out of the Mississippi River makes it that much easier to provide flood control on the lower Mississippi. However, I do not want the Congress to commit itself to an expenditure of $112,000,000 or $125,000,000 for this dam at the expense of the other sections of the Nation. If the Congress is ready to commit itself to a flood-control program which will give recognition to every section of the country that suffers from floods caused by tributary streams, then well and good. I am one of those who believe in internal improvements; I do not think any government ever failed by wisely spending on internal improvements; but I am against further pouring money into this dam until some provision is made for the other sections of this Nation.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. BARKLEY. Congress has already committed itself to a flood-control program which only needs the appropriation by Congress to carry out the authorizations already made; but in that program the Tennessee River is excluded, because it is under the control of the Tennessee Valley Authority and not included in the general flood-control program either of the Overton Act or the Omnibus Flood Control Act that passed a year or two ago.

Mr. MILLER. I thank the Senator. I think I am familiar with the provisions of the law.

Mr. LOGAN. Mr. President, will the Senator from Arkansas yield to me?

Mr. MILLER. I yield.

Mr. LOGAN. Do I understand the Senator correctly to take the position that, instead of going to one river and completing the job there, it would be better to start with a given river and spend considerable money there, then leave it and go to another, and leave that before it is finished and go to another, so that at some distant date, if ever, the Government would return to the river where it commenced? The Senator does not believe, as I understand, that the job ought to be completed on a river when it is once started before going somewhere else? Is that the Senator's position?

Mr. MILLER. My position is that I do not believe the Gilbertsville Dam ought to be completed or ought to be begun at this time, because there are already dams on the river above it; there are four dams now under construction, which are sufficient to supply all the power that can be used by the communities within a radius of 300 miles; and, according to the word of the Senator from Nebraska, those dams are now operating for flood-control purposes. I think the money that would be spent on the Gilbertsville Dam ought to be diverted to some other sections. That is exactly my position.

Mr. LOGAN. I understand the Senator's position, but still he is, in effect, so far as navigation is concerned, willing to throw away all the money that has been expended on dams above the Gilbertsville site, for it is not possible to get out to the Ohio River until this dam is completed.

Mr. MILLER. If the distinguished Senator wants to put it on the ground of navigation, then I say this high dam should be abandoned, because the engineers say that navigation can be effected by building four dams at a cost of $75,000,000 as against $112,000,000 or more for the Gilbertsville Dam.

Mr. LOGAN. I may say to the Senator that my understanding is that a dam for flood control and for navigation combined can be built at a cost of $112,000,000. This dam is to serve in lieu of two dams originally contemplated; so the cost is not increased, but, rather, is reduced under the authorization previously made.

Mr. MILLER. Four dams; not two dams.

Mr. BARKLEY. Mr. President, in that connection let me say that the four dams are dams which were originally projected or contemplated by the Army engineers prior to the establishment of the Tennessee Valley Authority. Those four dams were for navigation purposes. After the Tennessee Valley Authority was created and took over the improvement of the Tennessee Valley, it was still contemplated to build two of the dams in the lower Tennessee Valley; but this one dam was located at Gilbertsville because it would obviate the necessity of building another dam, and a dam at that point would serve equally well the purposes of two dams originally contemplated by the T. V. A.

Mr. MILLER. That is true.

Mr. President, I do not think there is any room for argument about the facts in this case. I do not blame the able Senators from Kentucky and the adjoining area for wanting this dam. My home is close to theirs; in fact, only the Mississippi River separates us. I do not blame them for wanting this dam; but they do not need it at this time, and other sections of the country do need dams. That is the point I am trying to make.

Now I should like to have the attention of some of the Senators from the Ohio Valley, Indiana, Illinois, Pennsylvania, and other States. As you know, Mr. President, everybody becomes very flood-minded when a flood is raging. Of course some may say, "Yes; that is the reason why the junior Senator from Arkansas is talking now, because there is a flood in Arkansas." Floods occur down there about every 30 days, and we are going to continue to have floods until proper reservoirs are constructed. But last spring when the flood was raging in the Ohio Valley, one uninitiated who stood around the Capitol would have thought the flood-control problem would be solved in 30 days. When the waters receded, however, the enthusiasm abated; and pretty soon, when the weather became dry and the river returned to its banks, nothing could be heard about flood control except in the low breath of a whisper.

Some kept urging the matter, however, and finally the Army engineers sent to the Flood Control Committee of the House of Representatives a document in which they outlined a plan for the control of floodwaters in the Ohio Valley, the Missouri Valley, and the valleys of the Arkansas and the White, by building 69 reservoirs, 45 of them in the Ohio Valley, 10 in the valley of the Missouri and its tributaries, 13 in the valleys of the Arkansas and the White, and 1 in the Red River Valley, at a total cost of approximately $480,000,000.

I desire to read to the Senate what the President said about that proposal when he put his foot down upon it. I am neither a prophet nor the son of a prophet; but I say to the Senate that if the committee should bring in a flood-control bill calling for the expenditure of $100,000,000 or $250,000,000, or authorizing that amount, we would hear the old cry of "Balance the Budget! It cannot be done." Such a bill would be a delusion. The people of this country have suffered under such delusion long enough, while we have been pouring money into the Tennessee Valley in carrying out that experiment.

Mr. LOGAN. Mr. President, will the Senator yield?

Mr. MILLER. Yes; I yield.

Mr. LOGAN. The flood-control program referred to by the Senator is not under the Tennessee Valley Authority.

Our territory is under the Tennessee Valley Authority. We are trying to do what the Senator is advocating should be done in other parts of the country.

It seems to me the Senator is inconsistent. I will say to the Senator that if the project he suggests—the building of these reservoirs—comes up, I expect to vote for it; and I shall vote for it whether the Gilbertsville Dam is built or whether it is not built. I know that the Gilbertsville Dam ought to be built; but, if it is not built, still I know the importance of the plan suggested by the Senator from Arkansas, and I shall vote for it; and I shall not oppose the completion of flood control on any river in Arkansas, Texas, Missouri, or elsewhere.

Mr. MILLER. I heartily agree with the Senator that the Gilbertsville Dam ought to be built; but the question is one of time.

Now let me further comment on this matter, and try to disabuse the minds of the two distinguished Senators of the idea that the flood-control program and the Tennessee Valley program are not interlocked. Let us see if they are not interlocked.

I know what the statute provides. I know who has authority over these problems in the Tennessee Valley. I know that under the statute it is the Tennessee Valley Authority; but let me quote what the President says. In connection with the report in which the 69 reservoirs were recommended by the Army engineers in the Ohio Valley and the valleys of the Arkansas and the White and the Missouri and the Red, and in explaining why he wanted the projects delayed, the President said what I am about to read in a letter dated April 28, 1937:

> The report of the Chief of Engineers considers, of course, only one phase of the very large interlocking problem. For this reason it may be considered neither truly comprehensive nor effectively integrated. No opportunity has been possible, in this short space of time, to consider the report in relation to other Federal agencies, such as the Soil Conservation Service, the Forestry Service, the Tennessee Valley Authority, the United States Public Health Service, the Federal Power Commission, and others.
>
> For example, the report apparently does not consider the flood-regulation work now under construction or planned by the Tennessee Valley Authority, which system is expected to reduce crest flood flows at Paducah and Cairo by 200,000 second-feet.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. MILLER. Yes.

Mr. McKELLAR. The President, in his Budget recommendations, requested the very amount that is sought in this amendment.

Mr. MILLER. I do not doubt that at all.

Mr. ADAMS. Mr. President——

Mr. MILLER. I yield to the Senator from Colorado.

Mr. ADAMS. I desire to make an inquiry of the Senator from Arkansas by reason of a conference held in my office this morning, attended by the junior Senator from Colorado [Mr. JOHNSON] and others, in the interest of a dam on the Arkansas River in our State. Our people have found that it is one of the projects included in the report, but our people are blocked because Congress has said that we may not have the benefit of the appropriation unless the local interests pay the cost of the site; and in this particular case that requirement apparently bars the construction. I ask the Senator, if he is going to take up that subject, why in one valley a different rule should apply from that which applies in the valley in which I live.

Mr. BARKLEY. Mr. President, will the Senator yield at that point?

Mr. MILLER. I yield.

Mr. BARKLEY. I desire to state to the Senator that I opposed the inclusion of that provision in the Flood Control Act when it was enacted a year or two ago, because I did not then believe and do not now believe that waters which descend upon any community from a great distance and which flow in all sorts of streams ought to be impossible of improvement and protection unless the community is able to put up a certain amount of money. I opposed the provision then and I oppose it now, and I would vote to repeal that provision of the law because I believe the flood-control problem is a national one, and I do not believe the local community ought to be required to put up a sum of money which frequently penalizes those who are most in need of protection, and, as a result, there is not a completed, coordinated system of flood control.

Mr. MILLER. I thank the Senator for his contribution; and in that respect his views are absolutely sound.

Mr. President, I now desire to read further from the President's letter of April 28, 1937, when we were trying to get some consideration for these other valleys. He said:

> No serious delay can come if the present session of the Congress appropriates funds to undertake and continue some of the projects already authorized by previous Congresses for the Mississippi and Ohio Rivers. The amount of these appropriations should, of course, be viewed in the light of the budgetary necessities of the Government.
>
> In the light of all the circumstances attaching to this report, I am requesting that a further and complete study be made by all of the Government agencies involved, sitting together—

What agencies sitting together? The Tennessee Valley Authority is one of those which are named—

> sitting together as a group to make recommendations for a complete picture.

We have heard nothing for 5 years except "We want a complete picture of flood control."

> This report should be available to the Congress by next January.

That is this January. The report is not yet available.

I desire to call attention to something else we are doing which was mentioned by the distinguished Senator from Colorado [Mr. ADAMS]. Under the present law—the Copeland Act, or the act of June 22, 1936—it is utterly impossible to build reservoirs and to obtain flood control by the construction of reservoirs, because the local communities are required to furnish rights-of-way and to operate the reservoirs after they are completed, and further to hold the Government harmless against all claims for damages, whereas in the Tennessee Valley we are building reservoirs, and we already have three dams completed and four more in course of construction, at the sole expense of the Government. If it is all right and proper to control floodwaters in the Tennessee Valley—and I say it is; they ought to be controlled there, and they ought to be controlled at the expense of the Government—and if we are going to do that in the Tennessee Valley, we ought to do it in our other valleys.

The report to which I have referred contains a recommendation by the Army engineers for a modification of the Copeland Act in the manner mentioned by our leader, the Senator from Kentucky [Mr. BARKLEY]; and the President says further consideration ought to be given to the question whether or not the local communities shall be relieved of that responsibility.

I repeat, when the question of flood control on the streams in the Ohio Valley, in the Missouri Valley, in the valleys of the Arkansas and the White Rivers arises, we will encounter another such letter as this asking further study and coordination.

The proposed dam at Gilbertsville is justified for flood-control purposes alone, not so much for flood control in the Tennessee Valley as for its effect in reducing the height of the flow of the Mississippi River. It is said that the flood stage represents 200,000 cubic feet per second, and that is true. That is a considerable amount of water, and it ought to be held back if possible. The distinguished Senator from Nebraska said this was the only reservoir he knew of that could hold the water back. Let us see about that. The Army engineers say:

> The control works on the Mississippi are designed to pass a flood of 2,250,000 cubic feet per second from Cairo to the confluence of the White and Arkansas Rivers, the flood capacity being increased below these rivers. The recent flood out of the Ohio was a little less than 2,000,000 cubic feet per second. This discharge combined with that of the Mississippi above Cairo produced a discharge below Cairo of about 2,100,000 cubic feet per second. The reservoirs authorized and herein recommended in the Ohio Basin would have reduced the flow below Cairo by about 200,000 cubic feet per second.

That is what the Army engineers say. What would have been accomplished? On the chart I hold in my hand there appears the territory which would have been protected by those reservoirs, by which the flood height would have been reduced at a cost of $209,000,000.

If, for the protection of those who live in the States of Ohio, Indiana, Kentucky, West Virginia, Pennsylvania, and southern New York, there is a willingness that the Government shall continue to pour money into the improvement of one river, then when the bill comes up—and it will come up at this session, I hope—providing for the authorization of the reservoirs to which I have referred, I do not think Senators ought to complain when they are met with the statement that the money is not available for the purpose.

I now call attention to something else. In speaking further of the series of reservoirs in the Missouri Basin, which could be constructed at approximately the same cost this one reservoir alone would cost, to say nothing of the great local protection they would give to that territory, it is stated:

> The operation of these reservoirs, added to those proposed on the Ohio, would reduce an unrestrained flood of 2,600,000 cubic feet per second to that for which the levee system from Cairo to the Arkansas is designed, viz, 2,250,000 cubic feet.

The next paragraph takes up the effect of the building of 13 reservoirs on the Arkansas and the White Rivers at a total cost of $81,600,000, reducing the flood height at the mouth of the Arkansas River on the Mississippi to 4½ feet.

I am just as much interested as anyone can possibly be in the control of floodwaters on the Mississippi River, because that river flows past my State, on its eastern shore, a distance of more than 300 miles. Certainly I want to see it controlled, but at the same time I want the men and the women on the tributaries to have the advantage of some of the Government money which we are pouring out. I want to see the law amended so as to give them the same rights in the matter of flood control that we have been so generously granting to the people in the Tennessee Valley.

No one will go further than I will along that line.

If I could be assured that the Senate was willing to see to it that a sensible flood-control program was carried out, and that Colorado, Oklahoma, Arkansas, Missouri, Illinois, Indiana, and every other State, would have protection on an equal footing, I would never raise my voice, but I did not want to sit by and see this sum of money appropriated without comment.

Let me show what will be the cost if we adopt the committee amendment. We will add $185,000 for project investigation. Last year we appropriated $180,000, or about that amount, $160,000 or $180,000, for project investigation. The balance is broken down between land acquisition, reservoir clearance, highway relocation, railroad relocation, and other relocations, dam construction in the sum of $1,450,000, and, in addition to that, $593,000 for housing facilities for the army of men who would be employed in the construction of the dam.

I know every Senator on this floor is just as much interested in the development of the resources of this Nation as I am, and many much more so, but I want the record to be kept straight. If the Senate adopts this committee amendment I want it to be understood that it is ready and willing to give to the other valleys in this country the same flood protection it is giving to the Tennessee Valley, and upon the same terms. If I could have that assurance I should be entirely satisfied.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. NORRIS. In the first place, I should like to say to the Senator that, as I think will be conceded, when we undertake to develop a river for flood control and navigation, we ought to take the river as a whole, and do the job scientifically. We started on the Tennessee River because the Government had constructed there a great dam, the Wilson Dam, and we started to develop the Tennessee River with that. The dam now proposed is just another step in completing that development.

I realize that in the Senator's State there are two streams which ought to be developed just as we have developed the Tennessee River. There is no prejudice on my part against the development of those streams, and I will go along with the Senator, I will go as far as he will, to bring about that development. But I would not want to have development start on a stream, stop when halfway through, and then have the Government start work on another stream. I think that when we start on a stream we ought to develop the largest reservoir possible to control the floodwaters, and gradually go on down, until we develop the whole stream.

I do not see any reason why the streams to which the Senator refers should not be developed. They are very important, and it is necessary that they be developed in order to control the floodwaters of the Mississippi. But so far as I know, there is not a dam on any of those streams which will bring as much flood protection as will the proposed dam.

Mr. MILLER. Not a single dam; that is absolutely true.

Mr. NORRIS. I do not know what assurance anyone could give the Senator. I want him to know that, so far as I am concerned, so long as I remain in the Senate I will give him just as much and just as enthusiastic support to secure the development of the streams he mentions as I have given in the development of the Tennessee River.

Mr. MILLER. I thank the Senator, and I know he is sincere. But let me call the attention of the Senate again to the views of the President on this important question. I stated a while ago that the Government was paying for the right-of-way and the reservoir and everything else in connection with the dam at Gilbertsville. There is no other single dam in the United States that I know of which would have as much effect upon the flood height of the Mississippi River as will this particular dam, but a series of dams can be erected for approximately the same cost which would have the same effect and at the same time give to the people living along the rivers on which they were constructed the protection to which they are entitled. Let me read what the President said, and it is what he is going to say again just as surely as that we are in the Senate of the United States. Whenever we undertake to provide for the building of a reservoir in Arkansas or in Ohio or in Indiana, or any place else, so far as I know, except in the Tennessee Valley, this is what the President of the United States is going to say:

> One other subject remains—the participation of State and local authorities in the cost of any of these projects. It is my belief that, for many reasons, the Federal Government should not be charged with the cost of the land necessary for levees, dams, and reservoirs. This policy was adopted by the Congress last year in connection with the projects in the Connecticut River Valley.

Yes, it was adopted in the Copeland Act of 1936.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. LODGE. Will the Senator say for the RECORD from what document he is quoting?

Mr. MILLER. I am quoting from the pamphlet entitled "Comprehensive Flood-Control Plan for Ohio and Lower Mississippi Rivers," issued by the Committee on Flood Control, House of Representatives, Seventy-fifth Congress, first session, Committee Document No. 1.

Mr. LODGE. I thank the Senator, because there have been stories of late that the policy of requiring local contributions was going to be dropped.

Mr. MILLER. That is true; and it ought to be dropped. There is no argument about it. The only time when local contribution is ever justified is that levee districts can well afford to furnish the materials for building the levees, because there is local protection from a levee which does not exist in the case of a reservoir. I can see no reason why a community shall pay the expenses of the reservoir right-of-way.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. NORRIS. I agree with the Senator 100 percent. I can conceive how in connection with some projects a local benefit will accrue, and that it can easily be ascertained. In such a

case probably there ought to be a local contribution, particularly in the building of levees, as the Senator suggests. It may be impossible to protect a community without the building of levees, and inasmuch as the levees are built particularly to protect the community's property, the community ought to make a contribution. However, that does not apply to Gilbertsville Dam. The people in the vicinity of Gilbertsville Dam are not so much interested in flood control as are the people along the Ohio and Mississippi Rivers. How are we going to ascertain what contributions ought to be made by a local community?

Mr. MILLER. It cannot be done at all.

Mr. NORRIS. I do not believe it is possible. I think that is illustrated by what the Government is doing in Montana in building an enormous dam on the Missouri River at Fort Peck. I approve of it; I think it is proper; it is the right thing to do; but it would be manifestly unfair to make the people of Montana pay for it. The people all the way along, clear to New Orleans, are getting the benefit of those expenditures. I get benefit from it in my State. The same thought applies to the building of some of the flood-control dams on the Tennessee River.

I have never talked to the President about this particular matter, but while under the law he must see to it that the local communities contribute for the purchase of land which is going to be overflowed by the construction of a big flood-control dam, yet it must be clear that those people are not as much interested in it as are the people lower down on the stream who will get the benefit of it.

The people of Montana, at least those above the dam, are not getting any real benefit out of the construction of the great Fort Peck Dam. How are we going to estimate how much Nebraska, North Dakota, South Dakota, Louisiana, Arkansas, Mississippi, or Tennessee should pay? I have studied this matter as much as I am capable of studying it, but I must say that I cannot see how it is possible to make any allocation of the expense and make local communities pay it.

Mr. MILLER. Mr. President, I do not find myself in disagreement with the expressions I have heard since I have been speaking. In what I have said probably I was not justified in taking the time of the Senate, but to my mind I would have been derelict in my duty had I not called the attention of the Senate to the situation which is sure to confront us. I am now asking for the report on a bill authorizing the construction of 69 reservoirs, which are recommended by the Army engineers, which will afford protection to the valleys of the Ohio, the Missouri, the Arkansas, and the White Rivers and their tributaries. That report has not been made available. As I have said, it came out last year but was held up by the President of the United States for the reasons set forth in the letter from which I have read.

Mr. President, if money is so scarce in the United States—and I think I realize the importance of saving money for the Government—that we cannot start on a comprehensive program which it will take 10 years or more to complete; if we cannot get a few paltry million dollars to start on it, then I simply cannot see the advisability of appropriating two million eight hundred and some odd thousand dollars to build a dam at Gilbertsville.

No Member of the Senate admires the distinguished Senator from Nebraska more than I do. I have admired him for years. A while ago he said, rather dramatically, in describing the floodwaters of the Ohio and the Tennessee, that last spring the heavens opened up and the rains came but the floodwaters of the Tennessee were restrained by the Norris Dam and the other dams now built, but they came down the Ohio River helter-skelter, swishing everything before them. That is true. They are going right down now through Arkansas, down the White River, down the Arkansas River, and down the Little Red River. Today thousands of people in Arkansas are homeless, not by reason of water which fell in Arkansas but by reason of water which fell in Colorado, Kansas, and other States which has now come down the rivers to Arkansas.

Yet only 2 years ago, when at my request the House of Representatives authorized the building of 13 reservoirs on the Arkansas and White Rivers at a cost of $81,600,000 I was met with the argument from the Department that the work could not now be undertaken.

I believe in river development projects; and I believe that when we begin to develop a river we should complete its development. However, I say that sufficient work has been done in connection with the Tennessee River to take care of immediate needs until other sections of the country get some of the cake. That is the position I am taking.

The Senate can adopt the amendment if it cares to do so. It will not break the Government, and I know it will not prevent other projects from obtaining money; but I want the Senate to know what it means. I myself shall not vote for the amendment, because I do not think the expenditure is justified in view of the lack of development in other sections of the country. When I cast my vote against the amendment, however, I wish it understood that I am doing so simply as a matter of protest against a policy which has heretofore been followed with respect to other rivers and to the building of other dams.

RECESS

Mr. BARKLEY. Mr. President, it is almost time to take a recess. I understand one or two other speeches are to be made on the pending amendment. We cannot get a vote on it tonight, so we might as well suspend at this time. Therefore I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 46 minutes p. m.) the Senate took a recess until tomorrow, Friday, February 25, 1938, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

THURSDAY, FEBRUARY 24, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Eternal God, the Father of us all, we praise Thee that here, there, and always Thy love never faileth; be nearer to us than breathing, closer than hands and feet. Lead us in the paths of truth; be our wisdom in our ignorance and our comforter in trouble. We pray, our Father, that the cry of our souls may be for life, more life. We cannot go on in the ceaseless round of business or pleasure and call that life. May we hear Him who spake as never man spake, that He may bring forth hidden treasures of the soul. In this enduring realm may there be no wasting doubt and no withering defeat. Make all churches great with meaning and holy with spiritual visitations. Sweeter than all other success, richer than a crown, will be to hear it said of us: "They have made a happier, a better, and a more contented country." So may it be, Lord Jesus. In Thy name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed with amendments, in which the concurrence of the House is requested, joint resolutions of the House of the following titles:

H. J. Res. 591. Joint resolution making appropriations for the control of outbreaks of insect pests; and

H. J. Res. 596. Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

EXTENSION OF REMARKS

Mr. O'CONNELL of Rhode Island. Mr. Speaker, I ask unanimous consent to insert in the RECORD an answer by the Secretary of the Interior to some remarks I had placed in the RECORD and also had given to a Senate committee a few days ago.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

THE LATE ASHTON C. SHALLENBERGER

Mr. BINDERUP. Mr. Speaker, it is with deep regret that I announce to the House the sudden death of the Honorable Ashton C. Shallenberger, who served as a Member of this body for a period of 16 years, or eight terms. He also served as Governor of our State of Nebraska from 1908 to 1910. Mr. Shallenberger was born at Toulon, Ill., and attended the public schools of Toulon and also the University of Illinois. After leaving school he moved to Nebraska, locating in Harlan County and the city of Alma, which point has since been his home.

Complete details of his death are not available, but I understand he was addressing a group of farmers at Franklin, Nebr., and stricken during his speech, dying a few minutes later. He was 75 years of age.

Mr. Shallenberger became interested in politics at an early age. He was one of the earliest as well as one of the most active and most able supporters of the Honorable William Jennings Bryan in our section of the country. He continued his interest, taking active part in the Democratic Party in local, State, and National affairs, and was first elected to this Congress in 1901, some 37 years ago, and retired from this body in 1934.

Mr. Shallenberger was extensively engaged in agriculture and in the raising and feeding of livestock. He was a nationally known breeder of shorthorn cattle, and some of the cattle which he bred and raised and which he personally exhibited won highest prizes in the leading livestock shows of the country. He was also engaged in banking for a number of years.

His thorough understanding of the problems of agriculture caused him to be primarily interested in legislation affecting agriculture, and especially legislation that would give agriculture parity prices with industry and commerce. A follower of Thomas Jefferson, he opposed special privilege and monopoly and sought to further those things which would enable the toilers of the Nation to enjoy a greater share of the products of their toil.

He served in this House with distinction, having been a member of some of its most important committees, among which were the Committee on Military Affairs, Committee on Interstate Commerce, and at the time of his retirement he was a member of the Ways and Means Committee.

I am sure the other Members of this body, and especially those who had served with Mr. Shallenberger, some for many years, join with the Members of the Senate and House from Nebraska, and with the people of our State, in mourning the passing of this great Democrat and great American.

EXTENSION OF REMARKS

Mr. ROBINSON of Utah. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein a statement made on monopolies by Col. Charles H. March, former Chairman of the Federal Trade Commission.

The SPEAKER. Is there objection to the request of the gentleman from Utah?

There was no objection.

Mr. PLUMLEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include a brief table.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. SAUTHOFF. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address delivered by myself.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address given at Battle Creek, Mich., on the 18th day of February.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. TABER. Mr. Speaker, I ask unanimous consent that at the conclusion of the special orders heretofore entered for today I may be permitted to proceed for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

RELIEF APPROPRIATIONS

Mr. TAYLOR of Colorado. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938, with Senate amendments, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. The gentleman from Colorado asks unanimous consent to take from the Speaker's table House Joint Resolution 596, with Senate amendments, disagree to the Senate amendments, and ask for a conference. Is there objection? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. TAYLOR of Colorado, WOODRUM, BOYLAN of New York, CANNON of Missouri, LUDLOW, TABER, and BACON.

CONTROL OF OUTBREAKS OF INSECT PESTS

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent to take from the Speaker's table for present consideration the joint resolution (H. J. Res. 591) making appropriations for the control of outbreaks of insect pests, with a Senate amendment, and concur in the Senate amendment.

The Clerk read the Senate amendment, as follows:

Page 2, after line 17, insert:

"SEC. 2. For the administration of the Agricultural Adjustment Act of 1938 (including the provisions of title 5 thereof) during the fiscal year ending June 30, 1938, there is hereby appropriated out of the unexpended balance of the funds appropriated for such fiscal year for carrying out the purposes of the Soil Conservation and Domestic Allotment Act, as amended, the sum of $5,000,000."

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

Mr. TABER. Mr. Speaker, reserving the right to object, will it be the purpose of the gentleman to yield a few moments to discuss this situation?

Mr. CANNON of Missouri. I will be pleased to yield to the gentleman now if he desires.

Mr. TABER. I would rather wait until the amendment the gentleman proposes to offer is before us.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CANNON of Missouri. Mr. Speaker, I offer an amendment, which I have sent to the desk, to the Senate amendment.

The Clerk read as follows:

Amendment offered by Mr. CANNON of Missouri to the Senate amendment to House Joint Resolution 591: In the last line of the matter inserted by such amendment, after the word "amended", insert the following: "not to exceed", and after the sum "$5,000,000" insert the following: ", as authorized by subsection (b) of section 391 of such Agricultural Adjustment Act of 1938."

Mr. CANNON of Missouri. Mr. Speaker, the amendment of the Senate has no reference to the original joint resolution passed by the House. The pending resolution merely appropriated $2,000,000 for the control of insect pests. The Senate amendment to the resolution provides for a transfer of $5,000,000 from the funds of the Soil Conservation and Domestic Allotment Administration, to be used in initiating the work under the new Agricultural Adjustment Act. It is necessary to begin the work immediately in order to hold a plebiscite on cotton and tobacco in time to apply to this year's crop and to otherwise start administrative work. The Senate amendment to the resolution makes available

$5,000,000 of the soil-conservation funds, in accordance with the provisions of section 391 (b) of the new farm bill.

As a matter of fact, the amendment of the Senate is apparently unnecessary, as the Department, taking for granted they have authority to make this diversion without further authorization, has already transferred the $5,000,000, and the Comptroller General signed a warrant for that amount last night. However, in order to reach an agreement with the Senate on the pending bill, and because there is some room for doubt as to the validity of the transfer, in view of the fact that the Agricultural Adjustment Act merely "authorizes" the diversion, it was thought best to agree to the amendment of the Senate in such a way as to leave no question about it.

I yield to the gentleman from New York.

Mr. TABER. Mr. Speaker, the trouble with this proposition to my mind is that there are no hearings anywhere, no justification anywhere, as far as I can find, either before the Senate or before the Agricultural Committee of the House, and I have asked members of the Agricultural Committee, since the matter came on the floor, as to any reason why they need $5,000,000 for the 4 months that are to follow the present time in the remainder of this fiscal year, and while undoubtedly appropriations ought to be made to carry out the purposes of an act of that character, regardless of how we might feel about the act itself, the Department should come before some committee of Congress and show that it needs this amount of money before we appropriate it, or before we take any action in reference to it. To my mind this is the wrong way of getting at things, and the wrong way to proceed, both from the standpoint of the integrity of the Department, and the standpoint of the integrity of the appropriations of Congress. That is my position with reference to this entire Senate amendment. I do not see how I can vote for it without having a better basis to work from.

Mr. CANNON of Missouri. Mr. Speaker, full hearings were held by the Committee on Agriculture at the time that they reported the Agricultural Adjustment Act to the House, and the matter was fully considered both in the House and in the Senate. The bill which has just become a law provides that money for this purpose shall be transferred from the funds appropriated for carrying out the Soil Conservation and Domestic Allotment Act.

Mr. TABER. Mr. Speaker, will the gentleman yield for a question?

Mr. CANNON of Missouri. I yield.

Mr. TABER. I am advised by a member of the committee that insofar as he knows there is no justification before the Committee on Agriculture for this purpose. I do not know what happened in the Senate, but that is the story that I get from the House committee. There was no breakdown submitted as to how many employees they would need, or anything of that character. I may be wrong, but that is this gentleman's recollection.

Mr. CANNON of Missouri. The bill was reported out after voluminous hearings extending over a period of many months.

Mr. TABER. But not on this subject.

Mr. CANNON of Missouri. And this provision was in the conference report which was considered in the House last week. It was printed in advance in the CONGRESSIONAL RECORD, and I have no doubt gentlemen had opportunity to read and did read the conference report before it became a law. It is impossible to have more thorough consideration than has been given the bill. No bill has been passed in recent years which has had more exhaustive consideration either in the committee or in the House than the bill under which this diversion is authorized.

Mr. TABER. If the gentleman will yield, to my mind it is just giving them $5,000,000 in the dark, without having any idea of what it is to be spent for.

Mr. CANNON of Missouri. Congress directed in the law that money should be provided for this work.

Mr. TABER. Oh, yes.

Mr. CANNON of Missouri. The directions as to the exact manner in which this money should be transferred are set out in the bill, and we are transferring it in accordance with the explicit and express provisions of the law.

Mr. TABER. That is true, but there is absolutely no break-down indicating the need for a specific number of employees or a specific amount of activity, and that is entirely contrary to my idea of how we should appropriate money.

Mr. CANNON of Missouri. That is taken care of by the amendment to the Senate amendment I have just offered. In it we provide that they shall transfer up to but not to exceed $5,000,000, or just such amount as is necessary to start the work.

Mr. LEWIS of Colorado. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Missouri. I yield to the gentleman from Colorado.

Mr. LEWIS of Colorado. I wanted to inquire about the scope of this bill which we passed and which has been adopted by the Senate, as to whether the appropriation therein provided is limited to any class of insect pests or covers all. The reason for my inquiry is that several insect pests have been infesting the forests of Colorado, and I wanted to be advised whether this appropriation covers insect pests which are endangering our forests in the State of Colorado and other parts of the West.

Mr. CANNON of Missouri. It includes all insect pests. The gentleman has but to call the attention of the Secretary of Agriculture to any emergency situation of this kind, and it can be immediately cared for under this appropriation.

Mr. LEWIS of Colorado. I thank the gentleman.

Mr. CANNON of Missouri. Mr. Speaker, the pending amendment provides for the payment of the necessary expenses of beginning the work under the new Agricultural Adjustment Act. It is in the nature of an emergency as funds cannot be made available through the annual agricultural appropriation bill in time to affect this year's crops.

Mr. Speaker, I move the previous question.

The previous question was ordered.

The amendment to the Senate amendment was agreed to.

The Senate amendment was agreed to, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. BATES. Mr. Speaker, I ask unanimous consent to include in the extension of remarks in the RECORD the text of a brief I have filed with the Committee for Reciprocity Information protesting against the inclusion of certain articles in the proposed trade agreement with the United Kingdom and calling for an indefinite moratorium on all trade-agreement negotiations as a means of relieving our tremendous domestic unemployment problem.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts.

There was no objection.

The SPEAKER. Under previous order of the House, the gentleman from California [Mr. VOORHIS] is recognized for 30 minutes.

Mr. VOORHIS. Mr. Speaker, I have asked for this time in order to say one principal thing, which is that, as we view in our responsible positions the present world-wide struggle going on between the forces of democracy on the one hand and dictatorship on the other, we must not fail to recognize the fact that the first line of defense for democracy lies in the hope, opportunity, and security of their people. If we fail to recognize that fact, it matters little how many battleships we build, for that force within the world which is the dynamic force is the force which in every situation throughout all history has been the predominant one.

The world is troubled today as perhaps it has been at few times in its history. The reason is easy to understand, the reason is that a new age in the history of man is seeking to be born. The old age of geographical expansion, of capitalistic imperialism, is passing away, for a very simple

reason: The spread of the machine around the world and the industrialization of formerly backward nations. The lives of the people have come to depend not upon a direct relationship, between what they produce and what they consume as used to be the case, but, rather, upon a highly complex financial mechanism, far-distant controls of industry, and the policies of government. Hence the relations between nations become strained sometimes beyond the breaking point. Hence, also, our own Nation seeks a foreign policy. In this search it seems to me important that we should consider what America's foreign policy has been in the past.

I think it is understood by us all that our foreign policy has been based upon two primary bases: First, the Farewell Address of George Washington; and, second, the Monroe Doctrine, pronounced by President Monroe in his message to Congress on December 2, 1823. That message set forth the Monroe Doctrine, which is a doctrine to which abundant lip service is still paid but from which, it seems to me, we are in grave danger of seriously departing at this very hour. The first portion of that doctrine reads as follows:

> In the discussion to which this interest has given rise and in the arrangement by which they may terminate the occasion has been judged proper for asserting as a principle in which the rights and interests of the United States are involved, that the American continents, by the free and independent condition which they have assumed and maintained, are henceforth not to be considered as subjects for future colonization by any European power.

And further:

> We owe it, therefore, to candor and to the amicable relations existing between the United States and those powers to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety.

Concerning that portion of the Monroe Doctrine I am sure we all agree, that we should continue to stand by it, and that it has very great significance at the present time.

But that his doctrine might be properly balanced as between our rights and prerogatives on the one hand and our self-imposed limitations upon the other, President Monroe added the following:

> Our policy in regard to Europe, which was adopted at an early stage of the wars which have so long agitated that quarter of the globe, nevertheless remains the same, which is, not to interfere in the internal concerns of any of its powers; to consider the government de facto as the legitimate government for us; to cultivate friendly relations with it; and to preserve those relations by frank, firm, and manly policy, meeting in all instances the just claims of every power, submitting to injuries from none.

And again:

> In the wars of the European powers in matters relating to themselves we have never taken any part nor does it comport with our policy to do so. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparations for our defense. With the movements in this hemisphere we are of necessity more immediately concerned, and by causes which must be obvious to all enlightened and impartial observers.

OUR DEFINITE, CLEAR FOREIGN POLICY WORKED

Until the turn of the century—more exactly until the War with Spain—America adhered to the Farewell Address of Washington and to the Monroe Doctrine as cornerstones of policy. It is important to remember that those were the years of greatest growth of our Republic; that she possessed unbounded natural resources; that she lived in a world dominated by far more powerful nations than herself. Yet she was not attacked by any foreign power during the whole nineteenth century, save by England in the War of 1812, at which time England concluded peace with us in spite of the fact that her forces had won almost every land battle except only Jackson's brilliant victory at New Orleans, which was, in fact, fought after the conclusion of peace. America maintained as a matter of policy, during all that time comparatively very small armament, though what there was of it, as should always be the case, was of the best. Yet America lived out the nineteenth century without being afraid of yielding herself to panic over possible conquest by a foreign foe.

REASONS WHY AMERICA WAS NOT AFRAID

I believe there were two reasons for this: First, America had and held to a definite, clear, and understandable foreign policy; and, second and more important, there was economic opportunity and security for the American people here at home. Specifically, a man without a job or with a job, the conditions of which were unjust, could, by his own effort, obtain land and make his own job where he could at least produce what was needed by himself and his family. Today our people who own no means of production cannot possibly make their own jobs nor obtain the use of means of production nor fruitful natural resources. During these earlier years America's first line of national defense was the vigor, the hope, and the economic opportunity of her people. These are still America's first line of national defense, and we face today an imminent danger of neglecting them and turning our entire attention to the second line, which is armament for foreign war.

THE TURN OF THE CENTURY AND THE TURN OF AMERICA

About the time of the Spanish-American War our old way of doing things began to change. Our country ceased to have a frontier and expanding capitalism reached beyond the seas. James G. Blaine and others tried to twist the Monroe Doctrine so that it would include the economic domination, if not the political control, of Latin America by the United States. Franklin D. Roosevelt has corrected that, I am thankful to say. But, in addition, we went to war with Spain, and we got the Philippine Islands out of it. We became an imperial nation with possessions on the other side of the globe. From that day America began to be fearful. Furthermore, the economic opportunities of her people were beginning to be circumscribed more and more and to depend more and more on the opportunity for profit of a few people. Whereas formerly maladjustments between consumer buying power and production caused new waves of migration to the West, they now cause widespread unemployment. The difference is self-evident.

I pass over the World War and the other years between the Spanish War and today, and I present you with the contrast between the America of the nineteenth century and the America of today. America, though she is far more powerful now than then, though she is indeed the world's mightiest nation, has suddenly become afraid. Men beat their breasts and shout of danger. They would have us find spies under every bed and expect attacks on all our coasts simultaneously—and in the immediate future.

A BILL OF NEW GOODS

The real meaning of all this, however, is not so far to seek. A combination of forces is at present engaged in attempting to get the American people to look with favor on the ideas of increased armaments, a readiness to take a more active part in world affairs, and a foreign policy directed definitely at strengthening so-called democratic nations and at actively opposing efforts to change the present world status quo.

Every American is, of course, entitled to his own opinion, and I do not object to a sincere effort to get the American people to change their minds and adopt a brand new foreign policy. What I do object to is the attempt to create a panic state of mind, to increase entirely out of reason outright hatred of certain nations and to conjure up fantastic pictures of a future coalition of powers plotting to destroy America.

THE METHOD OF FEAR

Whatever the good and sufficient reasons may be for the armament program, they are not the reasons that have been generally advanced. For most of the arguments in favor of the big Navy bill, which have blanketed the Nation under a barrage such as we have not witnessed since the World War, are really just one argument. That argument is fear. One naval officer made a speech the other day in which he said America would be the Ethiopia of the Western Hemisphere. A week ago the Washington Post carried a screeching article on the front page of the editorial section in which we find these words—

• • • until that day when an envious world might gang up against the most coveted source of raw materials and markets.

The Congress itself at certain times is in a state bordering on panic. We are rushing about devising bills to establish a dictatorship in the country under the guise of a bill to take the profits out of war. This is a good illustration of the kind of thinking we often do when under pressure of fear. We propose to save democracy by making a dictatorship out of the greatest democracy in the world.

Of course, none will object to the exercise by the President of broad powers if we should become involved in war. On the contrary, all of us would desire that, but this attempt to tremendously extend these powers gratuitously is not understandable as far as I am concerned. Furthermore, are we willing to call this legislation a bill to take the profits out of war when, as a matter of actual fact, as at present drawn it constitutes a bill to guarantee profits in time of war!

The real reason for the United States to increase her armament, if there is one, is not because she is threatened by attack. It must rest on different grounds, such as protection of commercial interests abroad, the possibility of our playing a decisive role in power politics on a world stage, or on a new conception of what national defense means today.

Every one of us is willing to make any necessary sacrifice for providing the Nation with the defenses it needs. I may say I am open to conviction, and if convinced that any amount is necessary for that purpose will be glad to vote for it. However, many things are involved in this question. We have just appropriated $550,000,000 for the Navy. Official Navy figures show us only a little behind Great Britain and far ahead of all other nations. If we propose to forever convoy Standard Oil tankers up the Yangtze or to go so far beyond the bounds of the good-neighbor policy as to retain possessions and armed forces within the borders of other nations, then a larger Navy may be called for. More constructively, a big Navy would put the United States in a stronger bargaining position. Maybe it would be an argument to get Japan to be decent about China. Maybe, on the other hand, it would speed up a world-armament race already begun, the results of which none dares to predict.

All these things are to be considered, but I do not want to consider them in a spirit of panic and fear. I do not believe we should do so. Furthermore, I believe all of these reasons must be considered in the light of the fact that a very large number of our people in America are living on the verge of need and are most uncertain about what the future holds in store.

We ought to be mighty careful, moreover, that this whole war scare is not used as an escape from our plain duty. It has been used all the ages as a way out whenever the governments of nations lacked the courage to face the unpleasant task of solving by new and unpopular methods pressing domestic problems.

THE REAL REASON

And so, as I view the matter now, the primary reason for this increased armament is not for national defense. It is in order to put us in a position to play a dominant role in the world. Maybe that is a good reason. Naturally I believe we could do a much better job of it than any other nation. But it constitutes a very radical and complete departure from traditional American policy; and anyway, we ought to know what we are about and to realize that the business of dominating the world, even in conjunction with other nations, is a very risky business, especially when the world has a lot of sore places that neither war nor armament can cure.

Most important of all, justification for the arms bill must lie in the hope that our increased armament can implement a constructive policy.

Then it is important that we pursue a constructive policy. A discussion of what that constructive policy can and ought to be I shall come to in a few moments.

And so my appeal is for level heads and for understanding. Unless we actually desire war at once, which I cannot believe anyone does, it is indefensible to try to put over the big navy by misrepresenting the real situation and conjuring up unreasoning fear.

Probably because of this fear state of mind, which undoubtedly exists to a considerable extent at present, there is an almost complete confusion in most people's thinking.

CONFUSION OF THE PEOPLE

One group says, "Help the forces of democracy in the world."

The other group says, "Keep America out of war."

These are the two primary principles and aims, and all of us would like to serve them both. But some people will say, "We want peace, of course, but we also want to be respected and to protect not only our own Nation but our insular possessions, our interests, and our commerce and citizens abroad, and to take part in 'collective security' measures."

Other people will say: "We believe in doing all we properly can to assist friendly, democratic nations, but we believe democracy, like charity, begins at home, and that our first job is to keep America at peace so we can preserve democracy here."

Logically, the first group must go in for power politics on a world-wide scale, and the more vigorously the better.

The second group is likely to be driven, if it is not careful, into an extreme isolationist position, though I do not believe it has to go there. This second group can, moreover, logically advocate such measures as America's refusal to profit by way of war loans or the shipment of munitions to any belligerent whatsoever—measures which can be defended both on the ground of human decency and of national defense, if one is not concerned with power politics.

The first group wants to help the democracies. They believe in "collective security," but most of them say they do not want to go to war to enforce it, and some of them oppose the big Navy, which seems to me inconsistent, but the plain fact is that if you cooperate with other nations in applying economic sanctions or in some other policy you must be prepared for the possibility that your fellow cooperators will be attacked. What will you do then? Leave them to their fate? Clearly you cannot very well do that, and must on the other hand be willing to back up with force those nations with which you have been cooperating.

The second group wants to have America keep out of foreign entanglements, but only a few of them have thought through this policy to where they are willing to say that it necessarily implies that America will not make choices between belligerents, will not pick out "aggressor" nations, will not consider favoring one belligerent as against another one. Even fewer of them have learned to differentiate between the protection of mutually beneficial trade without the necessity of war and the protection of imperialistic possessions which ultimately is almost certain to produce it.

There is a third possibility that the United States all by itself could apply trade restrictions against nations which are believed to be aggressors. This could conceivably be done without resort to war, for we would have no obligations to any cooperating nations. But even this would be mighty difficult to do; for let us suppose, for example, that the United States imposes restrictions against the trade of Japan but not against China? What would be the result? Suppose Japan then blockades the coast of China against our trade, or at least as regards those commodities which we are denying Japan? What will we do under circumstances of that kind? Will we carry through and fight or will we convoy our ships to China, or will we back down? Certainly, we should think through our policy in regard to these matters and not enter upon any of them blindly.

The one thing upon which all Americans can unite is that they do not want war. We know that a world war fought with modern weapons is likely to so brutalize the world, so deplete the resources of the nations and require such a high degree of concentration of executive power that instead of saving democracy it will have the result of spelling its doom, whichever side wins. Any policy proposed for the United States which is worthy of the support of the people must,

therefore, be a policy which aims primarily at keeping the peace. This is not to say that we shall have no armament. It does not necessarily imply that we should not have comparatively large armament. But it does mean that armament alone, unless accompanied by an attempt to solve the basic difficulties of the world, is positively dangerous. The problem with which we grapple, therefore, is that of attempting to find those elements of American foreign policy which are calculated to bring a degree of order out of the present situation. It is about those constructive elements of foreign policy that I wish to speak for a few moments.

WORLD ECONOMIC ADJUSTMENT

The first is world economic adjustment.

Whatever program of armament Congress adopts should be accompanied by congressional insistence that the American Government make a strong and sincere thrust for economic adjustment in the world, which is the basic trouble, after all. An economic conference of the nations, to which America could go armed with the trade-agreements program as evidence of her good faith, is so far as I can see the only real ray of hope on the horizon so far as Europe and Asia are concerned.

All this conflict, after all, analyzed down to the last degree is fundamentally the result of the different reactions of different peoples, much alike to differing conditions, as these peoples seek alike bread and security. The present alliance of Fascist states might not last a month were it not for the fact that Germany, Japan, and Italy have a common interest in upsetting the present world status quo. If, of course, you counsel despair, then you will not be interested in this proposal, but it seems to me that a great deal more attention than has been given should be paid to the suggestions contained in the report of the Belgian Premier, Paul Van Zeeland, on the possibility of economic adjustment as a means of preventing war.

Among other things, Mr. Van Zeeland said in that report that invitations should be sent to the nations and that the answers to this invitation should include their statement of economic needs on their part, the satisfaction of which would be easier accomplished by collaboration and the assistance of other nations than could be the case by their own direct, national effort.

He suggests that a conference should be summoned to put into shape the necessary instruments for these economic agreements, and he concludes—

> The conclusion of such a pact would be a gesture of capital importance, for it is this pact which would give the initial impulse and would impart to the world the impetus which it is awaiting in order to recover its confidence in the pacific destiny of nations.

An effort on the part of the American Government to save this situation is, certainly, worth a trial before we go blindly into either complete isolation or a collective effort to perpetuate forever the Treaty of Versailles. If, instead, we were doing our part to perpetuate mutually advantageous economic arrangements we would be in a very different sort of enterprise.

CULTIVATE FRIENDLY RELATIONS

In the second place, I do not believe it a weak suggestion to say America should cultivate friendly relations with other nations.

Mankind is said to have an instinct for fighting, but I do not believe it has an instinct to commit suicide, and I believe it is at least possible that the people of even the most warlike nations may, at times, have moments of vision in which they see that the suicide of civilization is exactly what is being threatened.

I believe the United States should, above all things, make every effort to cultivate the friendship of the nations of Latin America. I think we have made a good start, but are in some danger of resting on the accomplishments so far made.

I believe, further, we should make an attempt at understanding the peoples within the dictatorship nations. Those peoples, after all, are like ourselves. Those peoples have the same needs as you and I, although of their rulers the less said the better in this speech.

Mr. THOM. Mr. Speaker, will the gentleman yield?

Mr. VOORHIS. I will.

Mr. THOM. What would the gentleman have to say about the resignation of Mr. Eden from the cabinet of England as being justified because of the desire to deal with Italy?

Mr. VOORHIS. That is a long story. I presume the question you have in mind——

Mr. THOM. Do you approve of it?

Mr. VOORHIS. Is whether the British Government was justified in accepting his resignation because it desires to deal with Italy; is that right?

Mr. THOM. Well, is his resignation justified by the reasons he gives, namely, that he opposed a conference between England and Italy on international problems?

Mr. VOORHIS. It is not for me to judge Mr. Eden or Mr. Chamberlain. I do believe that it is possible that an economic adjustment between the nations of the earth may be one of the means of preventing war, as I suggested.

Mr. THOM. Would the gentleman favor a recognition of Ethiopia by England in the forthcoming negotiations?

Mr. VOORHIS. I would rather not enter into a complex discussion of British policy, because I want to stick to the policy of my own country; and if I have time at the end of my remarks, I shall be very glad to discuss the other matter with the gentleman.

Mr. MASON. Mr. Speaker, will the gentleman yield?

Mr. VOORHIS. Yes.

Mr. MASON. Would the gentleman not say that we are not clearly enough informed about the causes for the resignation of Mr. Eden and the British foreign policy to inject that into our discussions of our own problems?

Mr. VOORHIS. I certainly agree; and I think, furthermore, that an understanding of British foreign policy is a difficult thing to arrive at.

Mr. BARRY. Mr. Speaker, will the gentleman yield?

Mr. VOORHIS. Not now. I strongly believe, however—and in view of my answer to that question I want to say this—that it is perfectly foolish for people who are believers generally in an American policy for America, sometimes termed "isolation," to go about badgering the British Empire, because it seems to me clear that we should be very glad to have friendship with a nation like Great Britain; and if it can be cultivated I see no reason for us to be dismayed at the fact that the British Empire and the United States might under certain circumstances be traveling along parallel lines of policy. On the contrary, I think we should be glad to find that is the case. I yield now to the gentleman from New York.

Mr. BARRY. If the resignation of Mr. Eden, after the endorsement of Neville Chamberlain by the British House of Commons, more or less explodes the united-front theory of world democracy——

Mr. VOORHIS. I will answer that briefly by saying that I do not believe it necessarily changes the friendship the United States should have for Great Britain. However, I do think that it casts a good deal of doubt upon the whole idea of a collective security program.

Mr. BARRY rose.

Mr. VOORHIS. No, please. I have only a few minutes more, and my speech has a conclusion that I am more eager to put in the RECORD than anything else I have to say.

WITHDRAWAL FROM POSITIONS WHICH VIOLATE THE GOOD-NEIGHBOR POLICY

I am not for running under fire. But I am for the good-neighbor policy. As I understand that policy, it offers a guaranty to the world that the United States will not interfere in the internal affairs of any other nation. I further believe that there is implied in it a very vital distinction between our commerce, on the one hand, and concessions or actual armed control within the borders of other nations, on the other hand.

Moreover, if we are at some future time to be called upon to fight a war to save democracy and civilization, I am eager that we be sure that is all we are doing it for. I am determined that American blood should not again be spilled on foreign soil for the protection of loans or commercial interests. And so I believe we should carry the good-neighbor policy to its logical conclusion and be prepared to withdraw, as soon as we decently can, from every special concession, every armed position which we now hold in any foreign nation. And for these and other reasons I believe the Philippine Islands should be speedily accorded their independence on a fair economic basis.

It has been stated too many times to require my repetition that Japan's aggression in China amounts to no more than the most terrible chapter in a long history of similar aggressions against China by other nations. I believe it is not beyond the bounds of possibility that the Chinese problem could, in the course of time, be settled on the basis of a withdrawal of all the powers from China, leaving her for the first time in a hundred years free to work out her own destiny. At least I believe the United States should stand ready to get completely out of China if other powers, including Japan, will do likewise. In this, of course, I realize, as Japanese and Chinese alike must do, that the future economic cooperation of Japan and China is inevitable, no matter what else may happen. I also realize that the day of the white man's exploitation of China is over, no matter what the outcome of the conflict. And I can see how a strong Navy may be a useful instrument for America in attempting such a solution as this of the Chinese problem.

WAR LOANS

Even as I think we should take all profit from the munition makers by nationalizing that industry, so I believe we should take it from those who lend money for their manufacture by foreign countries. I have myself introduced a resolution to make it illegal for any American to lend money to any nation or national for the purpose of war or war preparation. I think this should be part of America's foreign policy.

The SPEAKER pro tempore. The time of the gentleman from California has expired.

Mr. MASON. Mr. Speaker, I ask unanimous consent that the gentleman may be permitted to proceed for 10 minutes more.

The SPEAKER pro tempore. Is there objection?

There was no objection.

PEACE IN THE WESTERN WORLD AND OUR STRONG STAND

Mr. VOORHIS. Mr. Speaker, I thank the gentleman from Illinois for his kindness. We want our Nation to take a strong, dignified stand in international affairs. The question is, Where should we take it? I believe we should take it in the waters surrounding the two Americas, not beyond them.

The Buenos Aires Conference laid the groundwork for a policy whereby the United States could, without offense to any fellow American nation, take a position as strong as anyone wanted to make it against intervention by any non-American nation in the affairs of any American nation. Let us determine to protect and develop an American peace and tell the world we propose to do so.

Let us take a strong stand, but let us not try to stand all over the world. It puts one in an awkward posture. I am, in this connection, concerned over the inconsistency of those who insist we must be prepared to defend ourselves on both our coasts at once and who also suggest that we send a portion of our Navy half way around the world to defend a coaling station some place.

THE CONTROL OF TRADE AND THE ULTIMATE DECISION

I have said we should have a policy of attempting to bring about economic adjustment, that we should cultivate friendly relations, that we should be ready to withdraw from all imperialistic positions we now hold, and that we should take our stand in the Western Hemisphere.

Does this mean that I want the United States to say to the Fascist powers, "Go ahead and take over the world?" No; it does not. It means that I want us to attempt with all our power to effect a peaceful solution to the problems of the world, and that I do not regard the effort as hopeless.

With the policy I have outlined the United States would be a free nation—free in the sense that we would not be pressed for immediate decision in any crisis. We could weigh every decision with care.

But, suppose these efforts should all fail. There is one more thing that we can do. It is dangerous and would be difficult. But it is far better than war. We can control our own trade. And it is a most important and valuable trade to certain nations, too. If we are willing to deny profits to a few Americans and to provide adequately against such unemployment as might result, we might be able to exert an influence for peace even upon unwilling nations. I can see that the time may come when the denial of munitions and war materials to a nation bent on ruthless conquest might become our evident duty. If so, it is my hope that we would act without bitterness and that we would retain complete freedom from any entangling alliances. But, if other nations were to deny, on their part, the same essential materials to a war-mad nation this action might be an effective one. But, along with such action must go all the other features of policy which I have suggested, so that a constant offer of constructive, fair settlement will go hand in hand with this type of economic coercion.

MAKE OUR DEMOCRACY A DYNAMIC FORCE

Important as is what I have said thus far about the foreign policy of the United States, it is only preliminary to the importance of that which I am about to say in this speech. Democracy will stand or fall in the world, not because it wins or loses in an international war, but because its true friends and believers succeed in their struggle to make it a vital, dynamic, and effective force for the people thereof. The very unreasoning fears which are now being voiced so loudly in the United States by those who profess a strong belief in democracy are unmistakable indication of the fact that those people have, for the moment at least, lost their fundamental faith in the effectiveness of democracy in solving our social and economic problems.

DEMOCRACY'S BATTLEGROUND

The battleground of democracy in this hour is here in this House of Representatives. Let the Congress of the United States expand our program of social security until it becomes a real program of security for all the people of this Nation who fall in those groups which do not form a part of the employable population—such as the aged and widowed mothers with small children. We could, if we would, make a system of general Federal old-age pensions. I believe it must be done. Let this Congress free the industry of America from its lack of certainty about its markets in future, which is born of the fact that no industry knows whether or not other industries will expand production when it does. To accomplish this the industrial-expansion bill has been introduced. Let this Congress inaugurate a Nation-wide program for the development and conservation of our natural resources and the elimination of the slum evil. Let us put all our unemployed people to work on this program of meeting great national needs, and let Congress recognize the constitutional and fundamental right of this Nation to be the sole source of new money in this country. Let us recognize what Government credit really means and the great extent of the credit that is available if we would expand upon our stock of now idle gold. Let us do these things, and you will see such a rebirth of faith in democracy as should dispel these fears that now grip our country, and offer a challenge to the forces of dictatorship in the world which no amount of armament on earth will give.

During all the years of our history America has not been afraid. Four years ago, in the flush of her new-found faith in a great President and his New Deal, America was not

afraid, though her armament was nowhere near as adequate as it is now. For a nation situated like the United States is situated, fear is born not primarily out of sincere concern lest others should attack us, but out of a feeling of frustration and confusion which comes to us when we feel that we are not effectively doing our duty with regard to domestic problems. Our present national state of mind seems to me like the state of mind of an unemployed nation. So we propose to give ourselves a gun and march fearfully away in defense of a democracy which will have been lost, if it is lost, through our own lack of courage in meeting domestic problems.

Men through all the ages have sought two things: Enough to eat and freedom of spirit. If democracy, therefore, which gives to people freedom can likewise so adjust itself that it can give people a basic security, the challenge of dictatorship, of fascism, which by its very nature and fundamental principle denies that freedom, can be met and met effectively. Suppose, on the one hand, that the forces of fascism look out across the seas at a nation here afraid and cowering behind a line of great battleships, its people not knowing whether tomorrow they will be able to have opportunity to work; and then suppose, on the other hand, that fascism spreads abroad but that when its people look across the seas they see a nation here not only free but dynamic in its new-found faith in the effectiveness of democracy, where a new patriotism has been born, a patriotism sufficient that people are glad to pay taxes for the purpose of supporting a broad general system of social security and employment, a nation which understands that the production of wealth is not a means of making the Nation poor but a means of making the Nation rich and acts accordingly, a nation which has had sense enough to establish a proper national accounting of the value of capital assets created by its public works and which has devised a method of expanding its people's buying power in pace with expanding production. Dictatorship cannot meet, before its own people, that kind of challenge. With a faith in American democracy as great as that, then, indeed, I have no fear and no worry. These times, as I said in the beginning of my speech, are difficult times indeed. They need not, however, be times in which many of us feel hopeless.

THE LONG VIEW

Human desire and human necessity have not changed. Tyrants have strutted across the stage of history and established empires only to see them crumble because the people were not free. At times when millions faced each succeeding tomorrow with utter uncertainty as to whether there would be a decent opportunity for their labor to yield them food, clothing, and shelter, they have taken refuge in the dictatorship of an individual or a caste because they believed that by this method they could better assure themselves the means of life. But never has a system of government which denied to people their basic liberties rested on firm foundations, and never have they lasted long.

The period of the expansion of the young American Republic offers, perhaps, the best example in all history of people possessing both freedom and the assurance of opportunity of obtaining, by their constructive labor, the means of life. What a sad commentary it would be if the second generation after the time of the passing of the free frontier should confess itself so devoid of confidence in the fundamental strength of the institutions of its country and the eternal nature of the basic urges of man that that generation should assume that there is something of a lasting menace in the challenge of freedom-denying dictatorship which can only be met by a gigantic armament. I pray God this will never be said of us.

If we spend billions on armament which constitutes a complete net economic waste and sacrifice for the people and fail to constructively, and by whatever measures may be necessary, solve the problems of our people at home we will have certainly and effectively doomed the democracy we profess to love.

I do not believe we will do this; I cannot believe that we shall fail.

But I have by no means lost hope that America can have peace over an indefinite period of time if we take as our cardinal principles, first, justice for every American at home, and second, fair dealing, the Monroe Doctrine, and the whole "good neighbor" policy in our relations with foreign nations. [Applause.]

The SPEAKER pro tempore (Mr. NELSON). Under a previous order of the House, the gentleman from Ohio [Mr. HARLAN] is recognized for 30 minutes.

Mr. MAGNUSON. Will the gentleman yield?

Mr. HARLAN. I yield to the gentleman from Washington.

Mr. MAGNUSON. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. HARLAN. Mr. Speaker, on numerous occasions in this House we have discussed the Government reciprocity program. Those of us who have been favorable to this program have emphasized the benefits of exports. Those who have opposed the program have emphasized the terrific damage done by imports. We have never gotten together. We have argued around a circle. It has therefore occurred to me as being possibly worth while this morning to get on a common ground and analyze our problems. For this reason I have had prepared a balance sheet setting forth an analysis as nearly as I could of the arguments of those who oppose reciprocity as injuries done by imports and those who advocate reciprocity as benefits of imports, being a credit and debit of imports.

Imports balance sheet

Dr.	Cr.
Displace domestic products.	Increase exports.
Keep down domestic prices.	Raise standards of living.
Displace domestic labor.	Raise level of real wages.
Create political agitation.	Preserve capitalism by—
	a. Encouraging domestic investment.
Take money abroad.	b. Enabling foreign investment.
Retard defense.	Promote peace.
Retard infant industries.	Foster merchant marine.
Create unfavorable trade balance.	Price safety valve.
	Save natural resources for defense.

First, I may say that if there are any arguments against imports I have left out I shall be very glad to insert them, because I want this to be a clear and fair discussion of our problem.

Mr. Speaker, we are told that imports displace domestic products and domestic labor. In every industrial district in the country that problem is going on. Imports are coming in threatening our domestic industry.

An industry in that situation will do one of two things. The first thing it will do is to come to Congress and ask for an increased tariff. If that industry does not get an increased tariff, it will then start to effect all the efficiencies and economies it can in order to meet foreign competition. It will reduce wages, it will install machinery, and then if the destructive quantities of imports continue to come in, of course it goes out of business.

The imports that come in under those circumstances, however, are not given to us by the foreign countries. They have to be paid for by something we produce, either agricultural products or manufactured products from an industry not affected by imports. Every dollar's worth of increased imports must be paid for by an exported service or commodity of equal value. These commodities come from agriculture or industry which gets no tariff benefits.

The Bureau of the Census, Department of Agriculture, has made an analysis of the wages paid in industries that are getting the benefit of protection and industries that get no protection. This has been going on for years in every one of the industries. In every survey it has been absolutely clear

that the industry getting no benefit from protection pays the highest wages in the country and the industry that gets protection pays the lowest. In 1929 that difference was between $1,600 and $1,000. In 1933 it was $1,000 and $760 per year. In 1935, $1,360 and $827. Those figures cannot be denied, and, of course, they are plain common sense, because obviously the industry that is being affected by imports has already reduced its labor charge to as low a point as possible. Consequently the principal effect of imports on our industrial make-up is to transfer labor from a low-wage more or less hand industry to a high-wage machine industry. We are told that transferring to machine industry throws men out of work, which is certainly an evil; and it does temporarily result in just that. It is an evil that every one of us has to meet in our districts. I will discuss that question a little bit later.

Mr. Speaker, it is utterly impossible to increase our total wage fund by any tariff. When by a tariff wall we shut out imports and create employment in some low-wage industry, the direct result of that act is to shut off the opportunity for export from some other industry that would ordinarily send its goods abroad to pay for the imports which we no longer permit to come in. A tariff wall shuts off exports to the exact value of imports. It neither adds to nor takes from the total amount of money that is paid for wages.

This impossibility of increasing the wage fund, or the demand for labor, by tariff manipulation is a complete answer to those who explain the high wages in the building trades, service industries, and export industries by claiming that the demand for labor in the protected industries reduces the supply, and therefore makes high wages in other industries a possibility. It is obvious that a tariff does not increase the demand for labor; it simply changes the demand from exporting industries to industries engaged in supplying the domestic market.

It is just as impossible to increase our total wage fund in this country by juggling the tariff tax as it is to juggle the Townsend tax. The only difference between the two is that the Townsend tax would go through the Treasury and the tariff tax goes directly from one group of individuals to another group. You cannot juggle yourselves through taxation into an increase in labor.

We are also told that imports have a tendency to keep down domestic prices, which is true to a certain extent. The only time imports come in great quantities is during periods of high prosperity when we have high prices. Imports to that extent, therefore, are a safety valve, and it is, as a matter of fact, the only protection the consumer has against monopoly in this country. It is an automatic adjusting device.

If you will note our imports in 1929 you will find they amounted to $4,400,000,000. We were in a period of prosperity. In 1932 they amounted to $1,300,000,000, about one-third of 1929. In 1937 they went back to $3,084,000,000. Whenever imports affect prices by keeping them down, this occurs in times when our domestic prices are getting above a healthy normal condition.

Mr. LORD. Will the gentleman yield for just a short question that applies right here?

Mr. HARLAN. I will put the gentleman's question in later. I want to finish this first.

Imports create political agitation throughout the country. They of course are visible, tangible, and the ordinary citizen finds it difficult to understand why American citizens could not properly manufacture those commodities which he sees coming from other countries. He does not realize that the presence of those imports made the commodities for export, from which he gains his livelihood, a possibility. If he does realize that, he is told that the imports were made by a great deal of hand labor, the wages of which feed families, but the exports were made by machine labor, which did not help support human beings.

Of course, if this argument is correct, our whole civilization in America, which for luxury and living standard exceeds that of any other country on the globe, is built on a false basis, because it is built entirely on an economy based on machine production. The answer is that the argument is not so, commodities made by machines, in creating a demand for tools, maintenance, increased raw materials, and increased transportation, create a greater demand for labor than do articles made by hand.

If a farmer is looking at the imported article, the problem is even more difficult to him because he has not any way of knowing that the pork or the grain which he sends to market ever goes abroad. In fact, a tremendous quantity of agricultural exports are completely hidden in manufactured articles.

The gentleman from Michigan [Mr. RABAUT] on February 16 called our attention to these hidden agricultural products in automobiles, and gave the tremendous consumption of cotton, wool, corn, tung oil, leather, lumber, molasses, soybeans, and beeswax.

When increased exports bring prosperity to our country and the farmer sells increased supplies of dairy products, grains, and meat to the workers employed in manufacturing for export, the farmer thinks that he is simply reaping the benefit of prosperity. He attributes none of it to improved world trade, and all that he sees is that perhaps foreign countries are selling 2 or 3 percent of agricultural products on our markets. He wants to supply 100 percent of the American market, and at the same time reap the full benefit of the prosperity which foreign imports bring. He begins to howl for a higher tariff on farm products, although no one has ever yet shown any connection whatsoever between a high tariff on farm products and farm prices. The reverse would be easier to prove.

From 1913 to 1922 feeder cattle bore no tariff; from '22 to '29 they carried a 2-cent duty. In 1930 the duty was raised to 3 cents, yet the prosperity of the cattle industry declined as the tariff rose. In 1926 the tariff on butter was 8 cents a pound, and the price was 47 cents a pound. In 1929, when the tariff was 12 cents a pound, the price of butter dropped to 45 cents. In 1930 the tariff was raised to 14 cents a pound, and the price of butter dropped to 15 cents a pound.

In a Department of Commerce survey entitled "The Outlook for the Dairy Industry," published in 1921, accurate tables are prepared showing that the price of butter is not affected by tariff but rises and falls with domestic pay rolls, and that milk consumption does the same. Nevertheless, the political agitation created in farming communities by the publication of reports showing importations of farm commodities does create a serious problem for elected lawmakers.

It is said that imports take money abroad. I have just received a letter to that effect from a man who advocates that we increase the sugar tariff. He says, "Raise our sugar here and buy it here, and then you keep the money here and keep the sugar also. Otherwise, the money goes abroad." Anybody who has really studied this question knows we do not pay for imports with money. There is not enough money in this world, even if we could bring it from a foreign planet, to take care of our imports. Imports and exports follow each other up and down because it is constantly a barter proposition. The answer to that argument is, "It just ain't so."

"Imports retard infant industry." "Retard defense." There is some truth to that, because it is possible that many of our industries are needed for national defense. If we allow imports to come in, undoubtedly we keep down our infant industries. However, how many Members of this House know of any infant industry in existence in this country now? I do not believe very many of us do. We went into the World War after about 130 years of a tariff policy, and, considering the very things we needed for national defense, chemicals, high-grade glass for optical instruments, nitrogen, through atmospheric fixation, and all such things, we were just as helpless as if we had never had any tariff. The difficulty is that we talk about the tariff for defense purposes, but it turns out to be a tariff for dividends. We get too much interested in the dividends and forget about the defense. They say that imports create an

unfavorable balance of trade. The answer is, of course, that a tariff has very little, if anything, to do with a favorable or an unfavorable balance of trade. A favorable balance of trade simply means we are selling more tangible goods than we are buying. All a tariff does is to decrease the total quantity of trade. A low tariff increases the total quantity of trade, and a high tariff reduces the quantity of trade.

Whether the balance is favorable or unfavorable depends upon the quantity of services we require abroad, the invisible things we buy, our foreign investments, our foreign remittances, and our tourist trade. When these items go up our tangible balance of trade becomes favorable. When they go down our tangible balance of trade becomes unfavorable. The fact of the matter is the most prosperous countries in the world, except the United States, have an unfavorable balance of trade because they sell more services than they buy. In that list we find the United Kingdom, Japan, France, prewar Germany, and Itily. Among the countries having a favorable balance of trade we find India, Cuba, Brazil, the Argentine, and present-day Germany. In other words, when Germany was prosperous and happy and going well it had an unfavorable balance of trade. Now, in its period of extreme nationalism, when the people have only the other day had their food rations cut again, it has a favorable balance of trade.

Both sides, the Democrats and the Republicans, those in favor of reciprocity and those against reciprocity, have paid too much attention to and played up improperly a favorable balance of trade in order to confuse the people.

Now, let us turn to the credit side of our balance sheet. There are evils to imports, of course, not to the extent there have been declared by tariff advocates. How about the credit side of the import column? If there is anyone who does not know or does not realize that an increase in imports means an increase in exports, there is no need of arguing further, because that condition is as obvious to a man of common sense as anything could be. Of course, if it were not true, when we received a large quantity of imports we would have to send abroad a large quantity of gold. The record of gold shipments disprove this condition. What we send out is exports. Imports and exports follow each other.

Imports always increase our standard of living. From the day of the savage up to the present time, the standard of living of humanity has been affected by just two things—the use of tools and the variety of commodities a man consumes. Imports have compelled the use of tools, at least, in the United States. They caused a change from hand industry to tool industry, and also increased the variety of goods we consume. Our whole civilization depends upon this action. Of course, a Chinese rug competes with an American carpet, and bananas compete with apples.

German and Swedish cutlery compete with ours, but they are entirely different things. The man who has one will not have the other. Getting food into this country, canned and otherwise, out of season does not really conflict with our own commodities. All of these things that increase the variety of our life, that take us out of hand industry into tool industry, are all increasing our standard of living.

Imports raise the level of real wages.

Of course there is not anyone here who does not understand the difference between real wages and money wages. Real wages are what you can buy with the money you are paid.

One hundred and fifty years ago, when Hamilton made his report on manufactures, we had such a high level of money wages in this country we could not get the men engaged in personal service to go into manufacturing. We could not take highly paid laborers out of the field or out of the forests or the shipyards, the whisky and rum distilleries—we could not get them to go into industry because they were making so much money we had to put a tariff on manufactures in order to induce them to come in; and from that time to this the only way we have been able to get new men to change from the work they are already performing is to put on a tariff. In other words, our wage scale is high. It was high before the tariff ever came. It is high due to our inventive genius, natural resources, and everything that goes with that in this country, including our ability to apply power to industry.

We had high wages even before we were a real nation, as was shown by a letter written by Benjamin Franklin in 1784—

> Several of the princes of Europe, having of late formed an opinion of advantages to arise by producing all commodities and manufactures within their own dominions so as to diminish or render useless their importations have endeavored to entice workmen from other countries by high salaries, privileges, etc., * * *. This, however, has rarely been done in America * * * labor being generally too dear here. And when the governments have been solicited to support such schemes by * * * imposing duties on importation of such goods, it has been generally refused. * * * Hence it is that artisans generally live better and more easily in America than in Europe.

It is an old adage that "a dollar saved is a dollar made." When we compel our carpenters, our service employees, and our laborers who manufacture for export to buy commodities manufactured in this country at prices higher than they could be sold if imported free of duty, we are just as effectively reducing those purchasers' wages as though we gave them an actual cut in their pay envelopes. To that extent every price boost created back of a tariff wall is a tax against our highest-paid laborer and a reduction of his real wages.

Imports also preserve capitalism. Every one of us knows that a few years ago capital was going out of this country, building factories abroad, and something like 1,000 of them went out during the twenties into Canada, Germany, England, and all over the world, employing labor abroad that could just as well be employed here, but it could not be employed here because when they stamped "Made in America" on the goods they were subject to world tariffs that they did not have if they were stamped "Made in England," "Made in Germany," or "Made in Spain." So a large number of investments went abroad that would not have gone abroad if we had accepted more imports at that time, because then we could have manufactured here and shipped abroad. However, a new development has now come in that industry. Those companies that went abroad can now, in a great many cases, no matter what profits they make, pay no dividends back to American investors because the nationalistic countries will not permit money to go out of their territory.

Such companies, no matter how much profit they make on their foreign manufacturing, are helpless to bring those dividends back to this country.

So there will be no more such foreign investments. If we could accept more imports we would encourage domestic industry to stay home, and at the same time it would enable American capital to go abroad and receive dividends because those dividends would come in in the form of imports.

Mr. TABER. Mr. Speaker, will the gentleman yield for a question there?

Mr. HARLAN. Yes; I will yield.

Mr. TABER. Would the gentleman suggest the same kind of investments that we made when we loaned the foreign countries about twelve or fourteen billion dollars which they will never pay back to us, principal or interest?

Mr. HARLAN. That was done under the administration which the gentleman supports.

Mr. TABER. Oh, no; that is not exactly correct.

Mr. SHORT. No. Will the gentleman yield at that point?

Mr. HARLAN. I am sorry; I cannot yield.

Mr. SHORT. For a correction?

Mr. HARLAN. As soon as I get through I will yield, but I must refuse to yield now.

IMPORTS PROMOTE PEACE

I wish I could say something more forceful on this. If we had had this reciprocity policy in the twenties, before this world toboggan toward a war debacle had started, we might have done something to promote peace, but our foreign-trade policy now is about like taking a dose of aspirin to cure pneumonia.

We are too late to have any real effect, and whatever effect we do have has been neutralized by that law which we call the neutrality law. In other words, when there is peace abroad we use our reciprocity treaties to build up foreign trade. We go to China, we go to Spain, we go to other agricultural countries and say, "Now, trade with us, and be our friend, lean on us." They do that, and we say that that will promote peace, because trade interdependence does that. Then we passed this crazy neutrality law that says to these countries that have been led to lean on us, "We do not care who attacks you, we do not care how just your cause is, we do not care anything about you, when you get into trouble, we can do nothing for you, and you are just out of luck."

I voted for that so-called neutrality law. From a military viewpoint it is anything else but neutral. It throws all of our influence into the balance in the favor of industrial countries against agricultural countries, in favor of countries with navies as against countries without navies. All of us know that the agricultural countries in the world are the least likely to become aggressor nations, and yet, by this neutrality act, we come to the aid of almost certain aggression against a people fighting in their own defense.

The only place where the term "neutrality" properly applies to this bill is that it has neutralized the otherwise beneficent, peaceful activity of our reciprocal agreements. Yet today we are flooded with letters urging us to do two things: First, force the President's hand on the administration of this so-called neutrality bill, and second, at the same time promote reciprocity agreements.

Mr. MASON. Mr. Speaker, will the gentleman yield?

Mr. HARLAN. No; I cannot now.

International trade fosters an American merchant marine, because it enables goods to be sent both ways. Foreign trade naturally stabilizes international finance. It is a safety valve on prices, and it is the only one that we have. It saves our natural resources for defense. Right now in this country we have a small amount of manganese, something absolutely necessary for war, if we ever should be blockaded, and yet there is a lobby before this House now advocating a tariff on manganese so as to force us to consume the only supply that we have, in the event of war. Gentlemen, we wave the flag in this tariff conflict to hide other motives. Most of it is simply selfishness, wanting to exploit the thing now. They do not care anything about our national defense as long as they can sell manganese and make profits. The same thing goes with our other resources, oil that we are wasting and squandering all over the world. We cannot defend ourselves unless we preserve and conserve our natural resources.

Shall we continue more of the old poison, and in order to get rid of the insignificant damage of imports, keep them out altogether? I submit that the disease is far less harmful than the medicine, and there are very, very few people, after our experience with the Smoot-Hawley tariff and with our opportunity to observe those highly nationalistic countries, such as Germany and Russia, who wish to see our foreign trade any more restricted than it is.

Shall we quickly and radically lower our tariffs? That would mean shutting down factories that have grown up back of tariff walls. It would mean throwing thousands out of employment. It would mean the destruction of savings. No one would willingly advocate that remedy.

The answer to the whole problem, it seems to me, is perfectly obvious. We want to do the thing which will minimize the evils and increase the good, and that is reciprocity, because it acts slowly. It can take into consideration in its hearings the political agitations back home; it allows the exporter to have a place for hearing which he never had under the old system. It is an effort to control the effect on domestic prices. It makes the shift of labor from one group to another slow.

Our reciprocity agreements have enabled us to do things that we never could do under our old tariff laws. By agreement we can freeze on to the free list in foreign countries commodities so that we will have an assurance that for a long time to come there will be no tariff placed on these commodities. Our reciprocity agreements yield to the need of change because there is a provision in all of them for cancelation, with very short notes. This gives us a very effective remedy against dumping, or any unfair bargaining abroad. By these agreements we have had a phenomenal increase in foreign trade. In 1937 our total foreign trade increased three times as fast as did our domestic trade; the foreign trade increased 30 percent and the domestic increase was but 10 percent.

During the first 11 months of 1937 the imports from reciprocity countries increased 43 percent, while to nonreciprocity countries the increase was but 32 percent. Our imports at the same time from reciprocity countries increased 22 percent, while from nonreciprocity countries they increased 39 percent. This latter statement would be a fine argument to those who still believe in the "favorable balance of trade" argument. It is actually due to the fact that nonreciprocity countries supply most of our raw materials which have gone into our local industrial life.

Nevertheless, since the adoption of reciprocity our total trade, exports and imports, has shown a tremendous increase from $4,800,000,000 in '36 to $6,400,000,000 in '37, and it is the total trade, imports and exports, that counts in national prosperity. Reciprocity has also increased our customs revenue in spite of the lowered duties. This revenue has grown from $251,000,000 in '33 to $486,000,000 in '37. But the greatest of all the benefits which reciprocity has given to us is that it has educated the people to the economics involved in foreign trade. They no longer think that they can buy nothing and sell everything. If they are intelligent, they ought not to believe that our level of wages and standard of living are in any way benefited by tariff. For the first time in our tariff history, the exporters are given an even break with the importers, and the consumer has a place to be heard.

The effect of all this has been practically to destroy opposition to the reciprocity policy of Secretary Hull. There just is not enough left to put up a good fight. The United States Chamber of Commerce has even seen the light and become a Christian organization so far as reciprocity is concerned. Colonel Knox, a Republican Vice-Presidential candidate, if his words mean anything at all, can only be interpreted as favoring reciprocity.

Even Mr. William L. Monroe, who is president of the American Tariff League, at least had this much to say on the subject:

> I will stress the fact that in the carrying out of the trade-agreement policy by Mr. Hull, great credit should be given to the fact that there has been no suspicion of political influence regarding the reduction of duties on any article placed in reciprocal trading lists. I believe that everyone who has had occasion to contact the staff that makes up the schedules must admit that regardless of whether he approves the policy or not, the agreements are prepared solely from the viewpoint of endeavoring to increase foreign trade with the least injury to domestic industry.

Mr. LORD. Mr. Speaker, will the gentleman yield?

Mr. HARLAN. Yes.

Mr. LORD. Do I understand the gentleman to say that he is opposed to the tariff or an increase in the tariff on goods from other countries? The reason I ask that question is that I have just received a letter from a glove-manufacturing concern in my district which says that they have been obliged to close their factories on account of competition from Japan. Japanese gloves are coming in here and taking over their business. I have often had letters from other glove factories outside of my district making this same complaint.

Mr. HARLAN. I certainly should oppose an increase in almost any tariff just now. Of course, if gloves or any other commodities are being dumped in this country, that is a different problem; but if goods are being produced in Japan or other countries which sell low enough to enter our domestic market, we have no right to shut those gloves out and tell some exporter that he shall be deprived of the opportunity to manufacture in the United States and sell in Japan.

The men who manufacture gloves are no more entitled to favoritism on the part of the United States Government than are the men who manufacture shoes or radios or sewing machines that go to Japan. If the gentleman can tell me what right any government has to pick out a glove industry, which is neither an industry necessary to defense nor is it an infant industry, and give it special protection to be paid for by agricultural and self-sustaining industry, I would be glad to hear such an argument. To my mind, if America is to advance industrially, the thing for us to do is to take advantage of our effective, efficient industries and let them grow as rapidly as possible, giving ever more high-paid employment to American labor. [Applause.]

I will close this discussion by including an editorial from one of the Washington Hearst papers. I have not been reading these editorials for the last few years, but as I recall the Hearst papers were one of the last organizations in this country to break down and repent of their high-tariff sins. The following editorial makes up for a lot of past errors:

BENEFITS OF FOREIGN TRADE

Whatever may be the outcome of the forthcoming negotiations with Great Britain, we ought not to underestimate the great bearing which our foreign trade has on the welfare of our workers.

During the past 6 months the export of manufactured goods has cushioned the decline in domestic production to a surprising extent. It has indeed prevented the rapid fall in factory employment from becoming completely disastrous.

Not only did we experience a great expansion of foreign business in 1937, but the growth was maintained right through the last quarter, at a time when domestic orders almost vanished.

One large manufacturer of heavy machinery reports that up to the middle of 1937 it was necessary to limit foreign orders to 25 percent of the total. When the slump came that proportion ran up until in December export orders were 90 percent of the business, and yet December sales ran well ahead of the average of the previous 6 months.

Steel makers, manufacturers of farm implements, typewriters, refrigerators, business machines, and pharmaceutical goods make similar reports. They show their export business running up to 25 percent or more of their total sales and increasing in many cases to 80 percent at the end of the last year.

One of the greatest manufacturers of automobiles states that this company's exports of trucks and cars in the last quarter of 1937 surpassed those of any previous quarter in the history of the corporation and kept thousands of men employed who otherwise would have been on the streets.

When farm implements, refrigerators, and motor cars are manufactured for export trade they give employment not only to the workers in those fields but to other workers in steel factories and other industries that supply the materials.

Never before, perhaps, have increased orders from abroad come at such an opportune moment. Not only do they create employment, but by expanding production they enable our factories to keep their unit costs down and maintain a reasonable price level.

Mr. McLAUGHLIN. Mr. Speaker, I ask unanimous consent to extend my remarks by inserting in the RECORD an address I delivered in Carnegie Hall, New York City, and broadcast over radio station WMCA on Washington's Birthday.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. MEAD. Mr. Speaker, I ask unanimous consent to extend my own remarks on recent economic changes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. COFFEE of Washington. Mr. Speaker, I ask unanimous consent to extend my own remarks and to include therein brief references to a bill which I introduced in the House.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Texas [Mr. MAVERICK] is recognized for 20 minutes.

THE WAR SCARE AND NATIONAL DEFENSE

Mr. MAVERICK. Mr. Speaker, my purpose today is to talk about the war scare that is going on in the United States of America, in the world, and in this Chamber today. In my opinion, if I have any judgment on previous war scares and hysterias, practically all of this war talk, big navy, and armament agitation is to provide a substitute for substantial thinking—to provide mental escape.

We are meddling in foreign affairs, or beginning to do it, and the reason for that is that we are muddled here at home.

THERE ARE NO MORE RABBITS

Now, we Democrats have got to admit that we are floundering.

The reason for all this battleship and war frenzy is coming out: We have pulled all the rabbits out of the hat, and there are no more rabbits.

The Republicans need not rejoice, because they never even had any rabbits—or even ideas.

The truth of the matter is that at the present time we are a confused, bewildered group of people, and we are not delivering the goods. The Democratic administration is getting down to the condition in which Mr. Hoover found himself; it looks as though we are beginning to feel that the way to bring prosperity is to stop spending altogether, and that in some way, magic or otherwise, prosperity is going to pop up around the corner sooner or later.

EVIL FORCE; THINGS JUST NATURAL—HITLER

There seems to be a very evil force going on in the world today in this war scare, but I do not attribute everything to evil. I think some of these things are just natural and just human, and that is what I was just talking about, the matter of mental escape.

I have heard in the last few days that on account of the fact that Mr. Hitler has made a trade with England we ought immediately to build up a big navy and a big army. I want to present to you the viewpoint that the probability is that with Hitler having more power and by virtue of the fact that the European nations are going to keep each other busy, the probability is that we need these extra battleships and all of this armament much less than we did before.

The argument was made that probably we needed these battleships in order to keep peace in the Orient; but if we are going to stay out of the Orient and stay out of Europe how can we need these things as much as we did before?

WAR-PROFITS BILL—IT IS A FAKE

I am going to try to diagnose this war-scare business. I have reason to believe, and do believe, that the committee of which I am a member, the Committee on Military Affairs, is going to report out the so-called war-profits bill.

Mr. Speaker, I make an absolutely nonpartisan statement when I say that this bill is an absolute fake and fraud on the American people.

DESCRIPTION OF BILL—DICTATORIAL POWERS; TAKES NO PROFITS

It does not do anything but stir up the war fever.

It does more harm than good.

Let me describe the bill. It contains nine sections. The first eight sections give unlimited, dictatorial, imperial power to the President of the United States; and everyone must know that there can be nothing personal in that, that it is purely a statement from the viewpoint of principle and nothing else. Such a surrender of its duty to represent the people should not be made by Congress.

The ninth section of this bill states the fervent hope that some day some future Congress will pass a tax law. I think this is one of the most presumptuous and brazen things I have ever heard. Imagine! This Congress doing nothing, but telling a futu e Congress what it ought to do. Think of the conceit!

Mr. Speaker, this bill does not do what the veterans hope it will do. People say it is a fine gesture. Are human lives saved on gestures, and will war profiteers stop gouging humanity on gestures?

It is said the bill is a warning to profiteers. It is nothing of the kind. It is simply a message to the profiteers that they can keep on profiteering.

In no way whatsoever does it take the profits out of war, and therefore the bill ought to be defeated.

HITLER OR THE KAISER; SAME OLD STUFF!

But someone comes back and tells us more about Hitler. It is the same old stuff. They talked about the Kaiser. They kept on talking about him, and finally we got into a war.

Let us take some of our own admirals and generals and look at them; let me make this statement in as calm a way as I know how. The other day one of our admirals said:

In this day when might makes right, the god of battle is with us strong.

That is the kind of statement that the German admirals, generals, and field marshals were making before the World War. That is the sort of statement that is usually made by a Hitler but not by an American admiral. An American admiral ought to say things that would tend toward peace and not be banging his mailed fist with statements of a warlike nature.

THE WAR SCARE AND FOREIGN POLICY

When we talk about this war scare, let us discuss just what is our foreign policy.

First, we have to admit that we have no foreign policy. There just is not any foreign policy with us, and yet here we are as representatives of the people going ahead and probably voting for battleships and greater armament without knowing the reason.

The other day, in private conversation, I spoke to one of my friends who ordinarily is against big armament and unnecessary expenditures for big battleships. He said, "I would never see the day when I would let my country down."

I said, "You do not have to demagog with me in private. That may be good stuff to hand out back home, but you don't have to demagog a Congressman. We know each other so that we can at least be frank."

ALLIANCE WITH ENGLAND? COMMON-LAW MARRIAGE?

Let us talk about foreign affairs sincerely.

It looked for awhile as if we had an alliance with England. Of course, that was denied, but then it was stated that we were going along in "parallel lines." The Secretary of State then said something about "informal conversations." So it looked as if we were sort of having a common-law marriage with England. We seemed were married, but not by any treaty or lawful marriage relation.

When we think about England we ought to frankly consider what England might do with its treaties. For instance, Sir Samuel Hoare went down to Rome about Ethiopia, and he was going to tell the Italians how bad it was to steal Ethiopia and there must be peace. When he came back it was found that England decided that the way to bring about peace was to split Abyssinia in two, giving England half and letting Italy take the other half.

Suppose we did make a trade with England.

How do we know she is not going to double-cross us? How do we know, if we have a treaty with England by which we will stop those Japanese over in China—and everybody knows it will take a bloody war—that we will not wake up some morning and find Sir Somebody has made a trade to split up a little pot between Japan and England. We had better think about these things before we do anything along that line.

QUARANTINE BAD NATIONS—WHICH ARE THEY, AND HOW?

The second thing in the way of foreign policy is the matter of the quarantining of these desperate, bad nations. I want to know how we are going to quarantine them. I want to know who the nations are that we are going to quarantine.

We have to know what we are talking about. We have to know whom we are going to quarantine. We have to know who is going to help us do that quarantining, how many people are going to be killed, how many billions of dollars it is going to cost, and how many millions of soldiers will be necessary.

COLLECTIVE SECURITY—NOW? LEAGUE OF NATIONS? NO!

The next thing we hear a great deal of talk about is collective security. That is something like the League of Nations. Everybody knows that at this particular time it is absolutely impossible for us to go into a league of nations, or any kind of compact of collective security.

NATIONAL DEFENSE—PEACE TO NEIGHBORS—ANOTHER POLICY

What do we get back to?

We get back to the question of national defense. Like everybody else, I am in favor of an adequate national defense. But I am not in favor of building too many battleships, having too much armament, or having too many soldiers.

WE CANNOT EVEN GET OUR EXTRA THREE BATTLESHIPS STARTED FOR SEVERAL MONTHS

I want to talk a little about this ship business, for it concerns the war scare and armament in general. It is admitted that we cannot even get these extra three battleships started within the next several months.

We have in effect authorized four already.

Two of these battleships are being built and two more will finally be authorized in the Senate.

So we will have four battleships.

With the merchant marine campaign and with the building of three extra battleships, it is against every principle of common sense when we take into consideration that we have to buy things at unreasonable prices. Prices have skyrocketed.

We can easily wait, so far as the building of these battleships is concerned, until the first part of next year. Let us remember also that the Naval Affairs Committee has the burden of proving to us the necessity for these extra battleships, and, as far as I am concerned, that committee has never proven that we absolutely have to have them.

There is not an emergency existing at this time.

If it takes 5 years to build a battleship, there is no reason to tumble all over ourselves building a large number of ships which cannot be started intelligently and in any sensible sort of way.

TYPES OF SHIPS—ARE WE BUILDING THE WRONG KIND?

The next thing is the matter of the type of ship. Of course, you are always met by the statement, "You are not an expert." God knows, experts have gotten us into enough trouble.

I have been told, and I think it is true, that the type of ships we are likely to build is the type of ship that England uses for long cruises. At the Battle of Jutland I think England lost the fight. I do not know, but I think probably the reason was because the German armor was anywhere from 3 to 5 inches thicker than England's armor. I studied that a long time. I do not know whether that is true or not. As I say, I am not an expert. But that is something else our Naval Affairs Committee had better tell us about. That is, the type of ship we are going to build, and why.

BATTLESHIPS CAN BE SUNK FROM THE AIR

I have some pictures here from the Army which concern bombing. These things go back to 1921. The effectiveness of bombing was shown at that time, and the increase in the effectiveness of bombing has been considerable.

You can drop bombs in such a way as to put a small amount of smoke over a battleship and the airplanes above can easily see the battleship and drop bombs on it. People talk about antiaircraft guns. The airplanes can drop smoke bombs on a battleship and still see enough portions of the battleship to be able to hit it. If you will look at the pictures I have here and see the size of the bombs and the efficiency of the bombs, you will realize the effectiveness of bombs has been increased to enormous proportions.

Mr. SCOTT. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. Yes; briefly.

Mr. SCOTT. I believe that where the gentleman said the airplanes drop smoke bombs and then can see the battleships, the gentleman meant to say that the airplanes drop smoke bombs and then drop the bombs on the smoke they put on the battleship.

Mr. MAVERICK. No!

I will show the gentleman a picture which indicates there will be enough smoke to cover a battleship, but the smokestacks, or whatever they are, come up through the smoke

far enough so the aeroplanes get a good target. But nobody on the ship can see the planes but the men in the planes can see the ship.

SECRECY—A LITTLE IS NECESSARY, BUT IT CAN GO TOO FAR

There is going on today in this country a very dangerous practice. You may read in some paper that Japan now is maintaining secrecy but we cannot stand for that—yet on the same page we read that we are doing something secretly. I admit we must have secrecy in certain things, but now the Navy is going to have maneuvers off the Pacific coast and they are to be absolutely secret. No newspaperman is to be allowed anywhere near; a picture can't even be taken at a distance.

The tendency regarding naval armament appropriations is going to be that we will appropriate, let us say, a billion dollars, and finally some admiral, expert, or high official will come in and whisper, "Well, you are just politicians. You don't know anything. You are not an expert. You appropriate a billion dollars or more to us, and we will keep its application secret and spend it to suit ourselves."

This is what was done in Japan, and it is a condition we are coming to now.

SECRET REPORTS; SUPPRESSION OF TRUE OPINION FOR OFFICIAL OPINION

I am informed and I believe that the United States Army has secret reports that show the vulnerability of battleships. Why do not the Army officers come out and say so?

The reason is that the official opinion is in favor of battleships, and every one must be in favor of battleships if that is the official opinion. After talking with Air Corps officers, my honest opinion is that the flying officers of the United States Army believe battleships are vulnerable and that we ought not to build them. It might be said these men are not Navy men, but even so, their opinion is worth listening to.

Furthermore, I believe there is a large number of younger officers in the Navy who believe battleships are absolutely worthless, and their opinions ought to be considered.

Mr. HARLAN. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Ohio.

Mr. HARLAN. Does the gentleman know that about one-fourth of the planes the Chinese lost in Shanghai were lost in an effort to bomb a Japanese battleship?

Mr. MAVERICK. There is absolutely no reason to compare the Chinese air force with the air force of the United States Army. I am not saying this in order to show what a wonderful outfit we have, but I say we have a big air force, and a good one, which has bombs weighing 4,000 pounds, and it has all types of the best airships.

If the gentleman will go into the matter he will find in the instance of the bombing of a German ship by Spanish airplanes an example of the effectiveness of bombers. The Spanish war right now is showing the effectiveness of bombers.

If the gentleman will study the testimony of the German admiral concerned, he will make some interesting discoveries along that line.

NEITHER MR. HITLER NOR THE MIKADO ARE COMING OVER

Mr. Speaker, I was just a kid, like most of the men in this Chamber today, when the World War broke out. I was 21 years old.

War did not mean much to me, just as it does not mean much now to my kid, who is 17 years old. Soon he will be old enough to go to war.

Without playing on any emotions, I know every man in this Chamber wants this country to stay out of war. We do not have to get excited about Mr. Hitler, because Mr. Hitler is not going to come over here any more than the Kaiser did. The Mikado of Japan is not going to come over here.

Oh, my colleagues, we have geographical isolation, and we have a reasonable national defense. If we do not go crazy about foreign affairs, let the war scare destroy our reasoning, and if we mind our own business, we can keep this country out of war. This is the appeal I make to the Congress of the United States. [Applause.]

Mr. KITCHENS. Mr. Speaker, will the gentleman yield for a question?

Mr. MAVERICK. I yield to the gentleman from Arkansas.

Mr. KITCHENS. Can the gentleman visualize any nation in the world that is likely to attack us or make any threat against us in any manner whatever?

Mr. MAVERICK. No; I cannot.

I can visualize no nation making an attack on us, but I believe that if any nation did make an attack on us we could defend ourselves, because we already have a good Navy, a good Army, and a good National Guard, and a good Reserve Corps.

There is no use of our scaring ourselves out of our seats. War will not be for us. We are too old. It will be our boys.

Mr. SCOTT. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from California.

Mr. SCOTT. Does the gentleman believe the success of Franco in Spain and the success of the Mikado in China would make any difference in the degree of national security we now have?

DICTATORS WILL NOT ATTACK US—BUT WE CAN DEFEND OURSELVES

Mr. MAVERICK. None whatever.

We would be just as well off as we were before, because when these dictators get more power they will have more business on their hands to handle. It is ridiculous to think that because Mr. Franco may get to be the dictator of a poor little poverty-stricken country like Spain some of these dictators are going to come over here and attack us.

Such viewpoints are in the face of history.

We have existed for 150 years, and it is said that today we have comparatively better armament and defense than we had at the time of the World War.

Mr. SCOTT. The gentleman just said that if they were successful there they would have to try some place else. That is exactly what the militaristic or imperialistic nations feed upon. The only thing that can keep them going is to find some further fields to conquer.

Mr. MAVERICK. I did not say they would have to go somewhere else. I said they would be too busy at home.

Mr. SCOTT. They are not too busy at home today.

Mr. MAVERICK. Yes; they are. All of these dictators are busy at home. I may say further that the exact statement the gentleman made is the statement that finally got us into the World War. We kept on talking about the fact that when the Kaiser got through conquering France he was going to come over here and conquer the United States. There was a picture of him in a spiked helmet, upturned mustache, all booted and spurred, ready to haul down Old Glory and put up the arms of the Hohenzollerns. The idea of this Nation being conquered is just ridiculous. They cannot do it, because we are in too good a position to defend ourselves.

Mr. ROBSION of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman.

Mr. ROBSION of Kentucky. I appreciate a number of the statements the gentleman has made, and I agree with the gentleman that there is no reason for the American people to become jittery, and that we should just keep our heads and remain neutral. As the gentleman has said, I believe that with these various countries of the world changing their friendship overnight, with folks that were our friends in 1918, perhaps not being our friends now, and with countries that were enemies in 1918 now coming together in various ways, this country, in my opinion, is not in danger from any of them because they are jittery and are changing their friendships and their relationships every year.

Mr. MAVERICK. I thank the gentleman. Let us stay out of war. [Applause.]

[Here the gavel fell.]

The SPEAKER pro tempore (Mr. NELSON). Under the previous order of the House, the gentleman from Massachusetts [Mr. GIFFORD] is recognized for 30 minutes.

Mr. GIFFORD. Mr. Speaker, I desire to express my great appreciation of and affection for the last speaker. He is the great hope of the Republican Party.

Mr. MAVERICK. Mr. Speaker, will not the gentleman yield?

Mr. GIFFORD. Yes.

Mr. MAVERICK. Will not the gentleman expunge that from the RECORD, please—my being the great hope of the Republican Party—that will break my heart.

Mr. GIFFORD. Having done the damage, I am perfectly willing to withdraw it.

The gentleman is not afraid to speak out. I was glad to read just a day or two ago a statement which I shall share with you. I wish I could recall the author, but probably many others of you noticed it.

Thirty liberals walked down to the White House and, as I read it, they were led by the gentleman from Texas, who does not today seem in full sympathy with some of the aims of the administration. This statement reads:

> Press conferences enable the President to demonstrate his unique ability to say nothing with so much good humor, emphasis, and adverbial embellishment that it sounds sensational; and because reporters are romancers 50,000,000 deluded newspaper readers get the impression that they know what is happening.
>
> It is understood that the 30 liberals who marched on the President so recently were so abrupt in their demands that no opportunity was given to the President to indulge in so-called silken language and the delightful amiability of which he is the greatest past master.

Therefore we have great hope, now that the time has arrived, for the previous speaker to throw bombs at this administration.

Another gloomy picture! On many occasions during the past 5 years I have indulged on this floor in many prophecies of gloom, but in a perusal of those addresses I find that the dangers prophesied have been brought to us in greater volume and with greater celerity than in any picture I have heretofore drawn.

Permanent annual expenses of the Government, the national debt, vast and futile expenditures, all have outrun those gloomy predictions of the past 5 years. With this huge debt, direct and contingent taxes doubled, our citizens taught to expect further and constantly increased largesses with the mistaken notion that the cost will be taken from others than themselves, it is small wonder that we find ourselves in such dissolution of moral fiber, business stagnation, unemployment, and with a confused administration that is fully demonstrating its utter incapacity to proceed, even after the enormous powers conferred and the vast expenditures made.

Why not at once return to the platform adhered to by our President in the first 6 months of his reign? What overpowering ambition led him to forsake those earnestly avowed principles of economy during his first campaign and carried through for a brief 6 months? The index of recovery during that period climbed miraculously. Contemplate the present state of business. During the recent 3 months business skyrocketed downward. The drop was temporarily checked, but in the last 3 weeks it skyrocketed downward in a new plunge. According to the present business index, the immediate future looks dismal, indeed. A long-range view under present political control is, to put it mildly, most alarming.

Our people are now forced to the realization that even with the vast powers granted, their great leaders are confused and confounded, with no definite plan of procedure. Meanwhile, in order to prevent utter stagnation, spending and more spending of billions of borrowed savings will be resorted to. Appropriation for direct and kindred forms of relief now amount to four billions this year. Further so-called reforms, further threats of punishment, further threats of regulation and restriction are presented. License business. Death sentence for chain stores. Wages and hours. Crippling of family corporate ownership. Continued regulatory restrictions of the dreaded Securities and Exchange Commission. Condemnation of all corporations as monopolies until they can prove themselves innocent. Subject them to investigation, the very suggestion of which places the value of their securities in jeopardy. Long hearings in court at great expense and in nearly all instances ending in the complete failure of the Government to prove its case. Contemplated trade agreements that strike actual terror to many localities whose very existence depends upon industries threatened with "extinction." Other disturbing suggestions for legislation might be enumerated, such as more processing taxes, political control of our Federal Reserve banks, and many proposals of violent change in monetary policies.

Our people no longer look for relief or cooperation from the White House. As I recently heard it expressed:

> It is a case not of helping business to mop up the floor, but of mopping up the floor with it.

Also:

> He who sits on a throne will hear,
> Only the voices of flatterers near.
> A ruler lives in a mansion barred,
> Where truth not often can pass the guard.
> Sweet and pleasing the speech will be,
> Whenever he asks, "What is thought of me?"
>
> —*Edgar A. Guest.*

It is difficult to see how the confidence could be supplied by Mr. Roosevelt, in the light of the impression of variableness he has made on the business world. Mr. Roosevelt's changeableness is described in the current Ladies' Home Journal by Gen. Hugh Johnson, who was for more than a year his No. 2 man: "He * * * is unpredictable. * * * He delights in surprises—clever, cunning, and quick. He has a touch of genius, but he is erratic and impulsive."

Mark Sullivan recently wrote, that trait of Mr. Roosevelt is now so widely understood that no one is going to expect his personality to undergo permanent change and become settled, stable. From the President confidence can hardly come.

Confidence could come from Congress. Something that Congress might do, or conspicuously refrain from doing, might give confidence to business and to the country generally. Congress might take some step which would show the country that it will not follow Mr. Roosevelt in the excursions of his variableness, that Congress itself is stable. Congress might develop initiative and leadership of its own, set a wholesome course of its own.

I take from other sources as follows:

"The President's public interviews undoubtedly lead the list of disturbances. He has on several recent occasions terrified business and knocked down the prices of stocks by informal utterances which can be explained as politics or examples of official irresponsibility."

"The President is a magnificent pleader and a gifted speaker, but the goods he delivers are not up to specifications."

I was this morning handed an article and asked to let you enjoy it with me, a story concerning Nellie, the beautiful cloak model, which is illustrative of the New Dealers. In the first chapter the villain tied Nellie to the railroad track. In the second chapter he beat her up. In the third chapter he threw her in front of a buzz saw, and in the climax of the last chapter he said, "Nellie, can't you trust me?"

Allegations of studied enmity seem to supply alibis for this depression. It may be said that this administration has indulged in denunciation of every agency that might stop or curb it from proceeding without any restraint.

It reminds me of the story of Rastus, who said to the fish when the fish did not bite, "Don't worry, Mr. Fish, I don't want nothing of you; all I want is to 'git you.'"

It is the Congress itself to whom the Nation is wistfully giving attention, and shall we not be willing to "attend their prayer"? Let us divest ourselves of the hypnotic influence that has dulled our senses and amend or repeal such laws and regulations as have hamstrung the activities of our people. Let employers again carry on with full confidence that they have a sympathetic and helpful ally in this body. We have laws sufficient and a Department of Justice to punish wrongdoers. Let us not keep all business paralyzed and in the prisoner's pen while these haters of successful men flounder for methods of search and seizure of a few so-called economic royalists.

After 5 long years of this constant scourge of words what actual proofs of crime have been presented, how many convictions of malefactors of wealth have been accomplished?

Mountainous exaggeration of facts! Complete paucity of results! This administration has maneuvered itself into a tight position. It goeth where it listeth.

Of what avail is any attempt to arouse our people to the present economic fallacies and the certain disaster that faces the Nation in this continual spending spree for the stated purpose of the more abundant life, but for the more certain result of controlling election? Can we expect people to think clearly when a political party lavishes plenteous bounties which cover such a wide range that the great majority of the citizens received hand-outs in various direct and indirect forms? The old adage that a government must be supported by the people must now be changed to read, "It is the duty of the Government to support the people." More than a billion dollars spread among farmers, whether poor or prosperous, will stifle, at least for the time being, any protest as to the source or methods of obtaining that vast sum. Bribery not to produce, actual payments for soil improvement not held out of use, guaranteed prices, crop loans, low interest rates, moratoriums on loans, extraordinary banking facilities such as procured from the Commodity Credit Corporation and other agencies, homes and equipment for tenant farmers, together with tons of information and advice concerning raising of crops, fighting of pests, with an army of paid Government employees at hand to assist in all these endeavors, will most certainly dull the conscience of even the most patriotic of these formerly most independent and reliable citizens of the Nation.

They are soothed by the amazing doctrine that they are now receiving only what is due them because of tariff protection furnished to industry. Tariffs were instituted for revenue to bring money into the Treasury. Later it was increased for the preservation of industry. Farmers were allotted their full share of this safety and protection. If the margin of safety was too much increased, it was simply an error that Congress proceeded to correct. Subsidies to the farmers, now glibly called the farmers' tariff, is the exact opposite, inasmuch as it simply is a process of taking money out of the Treasury. Yet our politicians have done a superb job in whetting the farmers' appetites for more and more, although after these many years of advice and hand-outs their plight seems to be pictured as worse than ever—and greater and greater grabs from our Treasury will be the settled custom. As Mr. Philips wrote on Wednesday last, "The farmer was a man behind the plow. Now, he is the man in front of a Federal Trade Bureau."

This administration has encouraged hatred toward employers and thereby courted and received the almost solid support of labor groups who in 1936 subscribed nearly a half billion dollars to the campaign chest of the Democratic Party. Violent attacks on industrialists upon whose brains and effort the country wholly depends to solve the problem of employment has been made from high places. They have been abused and taxed, to the huge delight of Socialists and Communists who also rallied to the election of Mr. Roosevelt in 1936. Relief funds prodigally bestowed have won almost the entire colored vote of the Nation from their former loyal attachment to the Republican Party. What a short memory this class of citizens has!

Regardless of the burden on future generations, this administration has indulged in costly and wasteful extravagances which will rightly bring upon our heads their deserved condemnation. The administration has placed the guaranty of government upon the shoulders of our grandchildren, guaranties for all sorts of doubtful purely experimental plunges in the realm of business properly belonging to private business and banking spheres of action.

The administration is taking huge sums, into the billions, from the workers and employers of the country with the assurance of old-age security, but is spending these same funds for current expenses in complete violation of common honesty expected and demanded of a trustee upon whom a sacred duty is imposed. Lessons from the world's history of nations mean nothing to this administration. Methods of government now adopted were know and tried 600 years B. C. Colossal failure and loss of human liberty must follow. Most earnestly it is hoped that the people of this Nation who long have tasted personal liberty may have an early awakening.

Your President loves power. The immediate seizure of the Supreme Court was so startling that for the moment he was not successful. Gradually he will succeed. He desires government to be a partner in all business, but the partner who will hold the full power of regulation. To go far upon that path, guided by leaders hungry for dictatorial power, leads directly to that dreaded Stalin country of state socialism. Can we not raise up some opposition leaders who will guide our people back to their traditional course? Are we so blind to the financial collapse that must follow unless we retrace the steps of Government deficits and huge borrowings of the thrift and savings of our own citizens? Those of us who will permit ourselves to recall the past—and there seem to be very few in this present set-up of our Government—will remember that with a debt of only $23,000,000,000 the securities of our Government, even in a prosperous period, fell some 20 points below par value. With the people's money invested by their bankers to the amount of probably one-third of their deposits and assets in Government debt, it is with much foreboding that we contemplate that psychological moment which has always arrived when from time immemorial such practices have been indulged in by all other governments. For some years past, because of the persistence of the proponents, we have been forced to give attention to and analyze a vast amount of economic "flapdoodle" brought before the committees of the Congress and eloquently and with great apparent sincerity argued even upon the floor of Congress itself. With great agility these reformers turn from first one theory to another. Shall we enumerate them? I would not desire to do so, as certainly I do not wish to wound the feelings of some who, no doubt, are intensely sincere and patriotic in advancing such doctrines. How easy, indeed, to formulate plans to spend other people's money. How easy to start the printing presses of the Government and flood the Nation with spurious and dishonest bank notes. Do not longer say we have money in the Treasury.

TEACHER. The sentence "My father had money" is in the past tense. Now, Mary, in what tense would you be speaking if you said "My father has money"?

MARY. Pretense.

We can only exclaim and beg of you to heed the experience of the past and hold fast to the eternal principles and the unchangeable verities, work in harmony with the Almighty and the voices of conscience, before placing this Nation of ours in further jeopardy by visionary and untried vagaries foisted upon a suffering people in the time of their discouragement. History will record but brief epitaph for many of these self-appointed so-called liberals. To illustrate: "He struck a match to see if there was any gas. There was. Age 65." Rather will history record and award those patient, although less dramatic leaders who have as their sincere objective the good of the Nation without placing in absolute jeopardy the very foundation and structure of the greatest, the most liberty endowed, the most humane government ever chronicled on the pages of history. [Applause.]

Mr. KITCHENS. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Arkansas.

Mr. KITCHENS. I am inclined to admire the remarks of the gentleman, but I would like to warn the gentleman that his remarks might be construed as being a bit critical or partisan and in violation of the injunction of that young Governor of Vermont who advised the other day that the less criticism the better.

Mr. GIFFORD. I was about to send a telegram to that young Governor, and my telegram would read: "Do not be ashamed of your party and do not be a shame to it." [Laughter and applause.]

Mr. HARLAN. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Ohio.

Mr. HARLAN. I noticed when the gentleman was setting forth different threats to industry he did not include the wage and hour bill. Does the gentleman consider that a threat to industry by this administration?

Mr. GIFFORD. It is a tremendous threat. I covered that in my previous statement. Would not the gentleman like to tell me that I voted for that bill?

Mr. HARLAN. No. I do not want to say anything. I just asked a question.

Mr. GIFFORD. Does not anybody want to ask me if I voted for that bill?

Mr. TAYLOR of Tennessee. I will ask the question.

Mr. GIFFORD. Yes, I voted for it, and my answer is as follows: She congratulated the bride, but she added, "You know, Jack was engaged to me last year." "Yes," was the reply, "Jack told me there was one thing in his life of which he was very much ashamed."

I am deeply appreciative of the equanimity and seeming approval with which the House has received these remarks.

The SPEAKER pro tempore. Under a previous special order the gentleman from Arizona [Mr. MURDOCK] is recognized for 20 minutes.

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD, and to include therein a letter from two of my constituents pertaining to the subject of my address today.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

MEN OF SPAIN FIRST CAME THIS WAY

Mr. MURDOCK of Arizona. Mr. Speaker, my use of the 20 minutes allotted me on the floor of this House today is apt to be taken up with a discussion of something pertaining to Arizona, as you might guess. Yesterday at the Mayflower, when I introduced two gentlemen from Arizona to one of my colleagues from Kentucky, the Congressman said: "This Representative of yours is always talking about Arizona. I never seem to be able to get him off the subject. When I want to talk about the situation in China, or the fisheries off the coast of Alaska, or the war in Spain, your Congressman always comes back to some reclamation project in Arizona." I took the statement from the Kentucky Congressman as a compliment, and have no apologies or explanations to make. Why should I not, as the sole Representative of the State of Arizona in this body, be ever alert to remind the membership of the outstanding features of that remarkable new community constituting the youngest State in the Union?

So rich is Arizona in the variety of her attractions that one, even only slightly informed concerning the marvelous country, has an inexhaustible list of topics for conversation or subjects for discourse. Whether we are interested in the natural features of that land or the thrilling stories of her pioneer developers, in either case the subject calls for the use of superlatives. Arizona's natural history, remarkable as it is, is no more remarkable than its human history. It is the earlier phases of her human story that I wish to call to your attention today.

Mr. Speaker and Members of the House, we in this national law-making body have a direct concern about the teaching of our country's history. We are interested in discerning all the elements of our national greatness, and also in the perpetuating of traditions and ideals which have become a composite part of our culture. No great nation is more composite in the elements of its culture than is our Nation. We are a versatile people probably because of the mixture of blood and of the elements of civilization which are joined to make our America. We are not broad-minded, if we neglect, if we ignore, or if we hold in contempt any of the important strains or racial contributions which form a part of our make-up as a people.

We do well to strike off commemorating coins, or Plymouth Rock postage stamps, or any other commemorative tokens which impress upon the public mind some essential phase of our Nation's history. I have this day taken the first step toward our participation in an appropriate celebration in 1939 of the four hundredth anniversary of the coming of the white man into our Southwest. This calls for the striking off of a commemorative emblem celebrating the entrance of Fray Marcos de Niza into Arizona, then a part of New Spain, in the year 1539.

SPANISH PHASE OF HISTORY NEGLECTED

In my study of American history, Mr. Speaker, I have been impressed with the great emphasis logically placed upon the doings of our Anglo-Saxon forefathers on the eastern shores of this country, and I have noticed the lack of emphasis placed on the doings of the Spanish-American pioneers in the southern part of our country. There is a general ignorance among our Americans of that portion of our history written by the men of Spain on this continent. That ignorance, I think, is due to the scanty emphasis placed upon the Spanish portion of our history taught in the schools.

Most of us in this legislative body are the product of the American school system and have been brought up on the Jamestown-Plymouth Rock variety of American history. Very likely we have the impression that our country was made solely by Anglo-Saxons, or Anglo-Americans, and that there are no elements of our civilization worth remembering and perpetuating other than those that came from our mother country, England, or from some other country in the north of Europe. If we have that idea, it is a very narrow and inaccurate conception of our cultural background.

I am today the Representative in this body of the youngest State in this American Union, but I want to remind you that Arizona is not the youngest commonwealth within our country. Perhaps so far as human occupancy goes, the region called Arizona is the oldest part of this country as the home of civilized man. The archaeologist will bear me out in this statement that a high type of civilization originated in the Gila Valley in southern Arizona and flourished there long before any comparable type of culture could be found in any other part of what is now the United States. Even if we do not consider prehistoric men, but take into consideration only white men, Arizona is one of the oldest portions of our continent to be touched by European civilization.

In a distinguished gathering in New England a few years ago, commemorating the founding of Massachusetts Bay, the Governor of Massachusetts was scheduled by the program committee to propose a toast from the oldest commonwealth to the youngest. A representative of Arizona was present and while the Governor of Massachusetts fumbled for his glasses to read his prepared speech, the gentleman from Arizona arose and began to speak. It was thought by the assembled guests that a mistake had been made, but the man from Arizona assured them that he was not out of order and that no mistake had been made. Coming from Arizona, the oldest Commonwealth in our country, he said he ought to propose such a toast, instead of replying to one in behalf of the youngest Commonwealth, as the program committee had intended for him to do.

Thus we see when we get the true prospective, that Arizona was old when Virginia and Massachusetts were young. The Spanish padres were taming that southwestern wilderness before John Smith explored the streams of Virginia or the coast of New England. Spaniards were laying the "mudsills" of western civilization about 100 years before our English fathers got on the job on this side of the Atlantic.

On the wall of my office near my desk I have had placed a painting of the beautiful San Xavier Mission which is located about 10 miles south of Tucson in Arizona. Of the score or more pictures of Arizona scenes decorating my office walls, this painting attracts the most attention. When I explain that it was founded by Father Kino about 1692 and is older than any mission in California, visitors evince great surprise. I usually attempt to counteract the Californians' "chamber of commerce" spirit by saying to such visitors, "If you really want to see some old missions, come from southern California into Arizona, and see some that were established, like San Xavier and Tumacocori, by the Jesuits years before the Franciscans established their chain of mission in Alta California." In fairness to the rival orders, I may say that Fray Marcos was the first Franciscan in Arizona, and that was long before Padre Kino.

SPAIN LEFT AN INDELIBLE IMPRINT

Mr. Speaker, this brief statement can do little more than remind you of a portion of our country's history which likely has been forgotten—that Spain exerted a tremendous influence over all the southern part of this land from Florida to California. The men of Spain have left their tracks everywhere. Those four American States in the far Southwest, Texas, New Mexico, Arizona, and California, were outposts on the northern frontier of New Spain. A great historian refers to them as "the northern borderlands" in his writings on New Spain. The imprint of the Spaniard may be seen all through this section.

It is recognized in the place names on our maps. It is to be seen in that low, adobe type of building which is Spanish architecture. It is evidenced by the dark complexion of our population and also in the soft speech of our people. There are many other phases of Spanish heritage which we have. Even our system of irrigation, our agricultural and horticultural production, our water law, and some of our customs and social institutions, such as our law of communal property—all of these are of Spanish origin.

Less than a half century after Columbus discovered the New World the Spaniard had found his way across this continent and had planted settlements in Mexico and explored the Pacific coast of North America. Mexico they called New Spain, and from Mexico City, as its center, they pushed north with explorations and settlements. That vast region beyond the Rio Grande was known to the Spaniards as the "northern mystery." Naturally, they had many wild ideas about what might be found in that unexplored country.

The year before Coronado was to make his great exploring expedition northeast across Arizona he sent out Fray Marcos de Niza, or San Marcos, and Estevan the Moor, to locate the possible legendary "cities of gold" and to mark the way for the following conquerors. It is not known definitely the exact route taken by Fray Marcos, nor, for that matter, the exact route taken by Coronado himself the following year; but we do know that both entered Arizona from Sonora and pursued a northeastwardly direction across the region. The conqueror crossed New Mexico and pushed on into Kansas. The Spaniards may have been sorely disappointed in their failure to find the Seven Cities of Gold, but they did find a region of great scenic beauty and natural marvels, such as the Grand Canyon of the Colorado. These men of Spain, accustomed as they were to the deserts and to the overcoming of natural obstacles, found out at that time what we know now—that within the present limits of the State of Arizona are located the most remarkable geographic and physical features to be found in any equal area on earth.

Not to prolong this narrative unduly, let me say that the Spaniards did a pretty thorough job of pushing their civilization from New Spain northward along the Pacific coast into Alta Calif., and northward in the interior along the upper Rio Grande River into New Mexico and northeastwardly across the Rio Grande into Texas. They did a fairly good job of establishing themselves in southern Arizona, pushing as far north as the Gila River. Their progress further north in Arizona was seriously impeded, if not prevented, by the hostile Apaches. Certain great captains of New Spain, especially the Anzas, father, son, and grandson, for three generations, fought the Apaches from their northern Spanish outpost at Tubac on the Santa Cruz River in Arizona.

It was Juan B. Anza who made the greatest impression on this wild country and who extended his efforts from Tubac eastwardly into New Mexico and also westwardly to the Pacific Ocean. It was Juan B. Anza who explored a route from Tubac, Ariz., to the Pacific coast in the year 1774, and who, the year before the signing of our Declaration of Independence, led an expedition of 240 souls from his presidio at Tubac, Ariz., across the most inhospitable road on the American Continent to found a settlement at the Golden Gate. This settlement was San Francisco. Thus Spanish California is a child of Spanish Arizona.

In the very year and at the very time our colonial fathers were signing the Declaration of Independence and establishing this country as one of the family of nations, such Spanish priests and explorers as Padre Garces and Father Escalante were tracing their dangerous trails over northern Arizona in their work of bringing light into the heart of that dark and forbidding region. Many of these Soldiers of the Cross lie in unmarked graves in this wild land. The martyred Father Garces has his tomb on the banks of the Colorado River at Yuma.

In view of all this overlooked or forgotten history, Mr. Speaker, of which I am merely hinting, I think it appropriate that the whole country join with the State of Arizona in a fitting celebration next year of the four-hundredth anniversary of the coming of the white man into our Southwest, and to this end I have submitted what seems to be appropriate measures for that purpose. [Applause.]

Mr. THOMASON of Texas. Mr. Speaker, will the gentleman yield?

Mr. MURDOCK of Arizona. I will be pleased to yield to the gentleman from Texas.

Mr. THOMASON of Texas. My friend from Arizona has made a very interesting and informative address which I am sure all the Members have enjoyed, but I wish the gentleman to understand that El Paso and Ysleta and San Elizario, Tex., in the district I have the honor to represent, also claim a share in this glorious history the gentleman has told us about.

Mr. MURDOCK of Arizona. And they deserve a share.

Mr. WHITE of Idaho. Mr. Speaker, will the gentleman yield?

Mr. MURDOCK of Arizona. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Is it not a fact that the town of Santa Fe is older than any town in the State of Texas?

Mr. MURDOCK of Arizona. That is historically correct. The letter I referred to is as follows:

THIRD ORDER OF ST. FRANCIS,
Phoenix, Ariz., February 1, 1938.

The Honorable JOHN R. MURDOCK,
United States Congressman, House Office Building,
Washington, D. C.

DEAR FELLOW ARIZONIAN: The year 1939 will mark the four-hundredth anniversary of the coming of the white man to this section of the United States. It will, in fact, be Arizona's four-hundredth birthday. Every resident of our State, we feel certain, will not only be anxious but will consider it an honor to be privileged to celebrate such an historical event as our very own, and proud to tell our sister States of Arizona's antiquity—the baby State, yet one of the oldest in our Nation.

The first white man, the first European, to trod on Arizona soil was a humble, barefoot, brown-robed Franciscan padre—Fray Marcos de Niza. Four centuries will soon have passed since that spring day in 1539 when the Spanish Franciscan, traveling on foot and armed only with breviary and cross, stepped across the southern boundary of what is now Arizona territory on his trip of exploration at the request of the Spanish Crown.

It is significant to note that this entrance into Arizona took place only 47 years after Columbus' discovery of the New World, 68 years before any English colony was founded on the Western Hemisphere, and 237 years before the Declaration of Independence. With this event began one of the most interesting, most astounding, most romantic, less known, least appreciated, and until very recent times almost completely ignored periods of Arizona's always colorful history, even from the days of discovery till now.

It is true the rule of Spain as a nation in the New World has passed, but in passing it has left us a heritage of which we can well be proud. The Southwest, particularly, is as Spanish in color and historical background as New England is Puritan, as New York is Dutch, or as New Orleans is French. The Spanish were the first to see and explore the Gulf of Mexico, largest in the world; to explore the two great western rivers; and to gaze in awe at the wonders of our Grand Canyon. They discovered the Pacific Ocean; were the first to sail around the world and to discover the fact that America is two continents.

California owes the origin of a major industry—citrus—to the mission fathers, who brought the first seedlings up from Mexico, and before that from Spain. From Sacramento to St. Augustine, Spain is stamped on the land surveys, nearly everybody holding his land by a title going back to Mexico City or Madrid.

How seldom we stop to realize it was from the Spanish that the American cowboy inherited his trade, his horse, his outfit, his vocabulary and his method. From the earliest Spanish days Arizona and New Mexico have been known as the horse country, the familiar mustang breed of western ponies being the descendants of the proud Arabian barbs brought to this country by the early Spanish.

Geographically the Southwest is Arizona, New Mexico, Texas, and California. Historically speaking, however, the old Spanish Southwest is Arizona and New Mexico, for both these States had been explored and settled many long years before either Texas or California. In a sense not at all true of Texas or California the history of the Southwest—old Southwest—was written in the life-blood of the padres, hundreds of them suffering martyrdom, their bodies resting today in unmarked graves in order that civilization might be brought to a savage people.

And the first to come was Fray Marcos de Niza—nearly 400 years ago. This organization—The Third Order of St. Francis—believes that official recognition of this historical event would be most fitting and proper, and would not only pay just homage to that intrepid explorer, but also bring honor and prestige to our State by acquainting others with our long, glorious, and romantic history.

In our effort to achieve this recognition we are asking your cooperation and assistance. It is our hope to secure the cooperation of the Arizona highway department to the extent of obtaining recognition of this historical event on the 1939 automobile license plates. We feel, too, that this would be one of the best means of advertising our State throughout the Nation, at the same time one of the least expensive from a monetary standpoint. Other States have employed this means of advertising, and calling attention to events of importance in their history, but few of them can claim the honor, as Arizona can, of celebrating a quadricentennial anniversary. Four hundred years—1539–1939!

We earnestly hope you will see fit to join your efforts with ours, and other interested groups and individuals, in bringing this matter to the attention of the Arizona highway commission. Should your reaction be favorable to this movement, as we hope it will be, we beg that immediate action be taken in the matter since contracts for the manufacture of these license plates are let, we understand, sometime during the early spring.

Again trusting you will join with us in this movement, we remain

Sincerely yours,

THE THIRD ORDER OF ST. FRANCIS,
MRS. CLYDA S. MARKHAM, *Prefect.*
FT. MARTIN KNAUFF, O. F. M.,
Director.

EXTENSION OF REMARKS

Mr. HARLAN. Mr. Speaker, I ask unanimous consent to extend my own remarks by including the quotations which I referred to in addressing the House.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. LUCKEY of Nebraska. Mr. Speaker, I ask unanimous consent that following the previous orders of the House heretofore entered I may be permitted to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

The SPEAKER pro tempore. Under the previous order of the House, the gentleman from Michigan [Mr. HOFFMAN] is recognized for 10 minutes.

NONE SHOULD GO HUNGRY, WITHOUT PROPER CLOTHING, OR SUITABLE SHELTER—THE PRESIDENT IS "PLAYING POLITICS WITH HUMAN MISERY"

Mr. HOFFMAN. Mr. Speaker, all will suffer, be fed and sheltered like cattle instead of living like Americans, if the President continues the application of his methods.

A few days ago, when the $250,000,000 relief appropriation bill was before the House, I was one of those who cast a vote against the measure—not because I have no sympathy for those who are in need, for those who are unfortunate; but because I knew, as you knew and as you know now, that a large percentage of every dollar appropriated for relief under that bill will be used to provide new jobs for political favorites; to purchase the votes of the hungry, of the cold, of the jobless, of the destitute.

In short, the President and his advisers are playing politics with human misery. It is matter of common knowledge. The system has been exposed many times on the floor of this House.

The President and his henchmen have used relief funds to advance his own political interests, to defeat Republicans. Under the corrupt practice, as inaugurated by him, this was to be expected.

He has, however, gone farther and now the patriotic, conscientious Democrats who think for themselves, who use their reasoning power and listen to their consciences, are the objects of his animosity.

All through the Nation those who have served democracy long and faithfully are now the objects of his wrath, decreed by him to be politically beheaded because they failed to surrender their minds, their judgments, to him in every particular.

Democrats now are placing millions in the hands of the man who will oppose some of them at the primaries. The day has not yet come when I will vote relief funds to any man who I know will use a large part of them for an improper purpose.

If we deny the President's recurring requests for money which is spent for political purposes, we will be permitted to vote money, all of which will be spent for relief.

The Washington Post of this morning carries the information that in Oklahoma social-security funds—money collected from the workers as well as from employers—are being paid to those who are using the names of men long dead. Oklahoma authorities admit that $685,000 of these funds have been paid out improperly.

Relief funds heretofore voted by Congress have been distributed, and are being distributed, to those who favor the New Deal, while other citizens equally worthy are denied relief.

In my own district there is printed evidence that those desiring employment on Government projects are required to disclose their political affiliations, the amount of their contributions to campaign committees.

Playing politics with human misery? That has been the method all too commonly used in the distribution of the funds which have been voted.

But you ask, "Would you let the worthy or even the unworthy starve, go hungry, cold, or without shelter?" My answer is an emphatic "no." Neither would I permit a drove of human blood-sucking weasles to sap the lifeblood of the taxpayers, to share in the funds appropriated for those who are suffering.

I would do away with that crowd of vultures which ever hovers around the distribution of relief funds.

I would turn thumbs down on these requests of the President for the appropriation of Federal funds to be spent by him and his political backers, only a portion of which reaches those for whom the money was voted.

Mr. WHITE of Idaho. Mr. Speaker, will the gentleman yield?

Mr. HOFFMAN. I yield.

Mr. WHITE of Idaho. Is not the Hoover depression the father of the child which we now find on our doorstep?

Mr. HOFFMAN. We may go away back and find that, maybe, Moses of the bullrushes had something to do with this depression; and I have no doubt, if we went back far enough, you would say that Pharaoh's daughter was to blame for the Roosevelt depression because she went down to the river bank.

Mr. WHITE of Idaho. Mr. Speaker——

Mr. HOFFMAN. I do not yield further. I thought the gentleman wanted to ask something sensible or make some constructive suggestion.

I am familiar with your threadbare assertion that President Hoover was to blame for the world-wide depression. I am familiar, too, with the fact that that depression was world-wide; that every country except this, which has endured the imposition of Roosevelt's policies, has recovered from that depression. I am familiar with the fact that Canada, our neighbor on the north, which had the same kind of a depression that we had in President Hoover's time, has since recovered, has balanced its budget; while under your beloved idol we have added some $18,000,000,000 to our national debt.

I know, and you do, too, that Franklin D. Roosevelt has had absolute power over the public purse strings for more than 5 years; that he has had opportunity to and has applied his quack remedies; that he has spent over $13,000,000,000 for relief, to end unemployment.

I remember that while in Hoover's time there were some 10,000,000 unemployed, since November last 3,000,000 have been added, according to Government reports, to the unemployment list, and that we now have a total of 11,000,000 unemployed.

Yes; I have watched the merry-go-round, listened to the blare of its band, seen its side-show freaks, and realize that our condition is worse than when you started.

Like a puppy chasing its tail, the New Deal has given us action and a headache—gotten us nowhere.

Turn down one of these so-called relief bills. Bring in a bill giving the funds appropriated by the Federal Government to State, county, or, better yet, to township officials who know the needs of those among whom they live, whose acts in distributing relief will be open to the view of all those in the community where all may know who is receiving help, who is denied aid, and the reasons therefor.

Then require the local authorities, the people of the community where the money is being distributed, to pay a fair proportion of the relief given.

The people of our country are kind of heart, they are sympathetic, they are generous to a fault. They will see to it that no one suffers, that all are cared for; but also will they make sure that neither the funds contributed by them nor those supplied by the Federal Government will be wasted, used for political purposes, or retained by politicians for their own personal benefit.

You all recall the words of Earl Browder, who said:

> We industrial unionists are going to take over the industries some day for three very good reasons:
> 1. Because we need them.
> 2. Because we want them.
> 3. Because we have the power to get them.

C. I. O., the U. A. W. A., took over the auto industry. What did it get the workers? Unemployment. They would give us "more of the same."

Listen to a somewhat similar statement of Homer Martin, president of the U. A. W. A., an affiliate of C. I. O., made in Grand Rapids during the week of February 19. Said Martin:

> I don't know where they are going to get the money for relief, and I don't care. All I say is that we want it now, and we are going to have it. They can worry about the money later.

The day may come, and come soon, when Homer Martin and the rest of us will grub in the soil to grow the things we eat and wear, if this indifference to the condition of those who now furnish the money for relief continues.

Take Martin at his word. He demands the money. He cares not from whence it must come. It matters not to him that those who labor, that those who toil on farm, in factory or mine, must, through taxation, give up a portion of their earnings—earnings which they need to furnish them with food, clothing, and shelter—in order that those who belong to his union may wreck factories, drive workers from their jobs, and then themselves live in idleness.

So long as you continue to grant the President funds which are used for that purpose, so long will you continue to have the wrecking of industrial plants, the ever-growing relief rolls, the ever-increasing unemployment.

In Michigan, on the relief commission, is another U. A. W. A. worker, Frankensteen, appointed by Governor Murphy to aid in the distribution of relief funds. In Detroit investigations of those who were to receive relief have been made by C. I. O. organizers, by the union officers. Out of 300 cases investigated, U. A. W. A. gave misleading information in 175. The natural result of this policy has been to give C. I. O. members a preference in the distribution of relief; to force men to join that organization in order to share in the distribution of the money which you appropriate here for relief.

Will you by your votes continue to sanction the spending of the people's money in such a manner, for such a purpose? Why not be sensible? We all know the system is wasteful, that it is wrong, that it is vicious, that it is enabling those who would destroy our form of government to entrench themselves in power, and yet we permit it to continue, to expand.

Under the guise of giving relief, we are enslaving the worker, and if we continue the day will come, if it has not already been reached, when those on relief will fare better than the honest toiler with an average job.

All should know that he who does not work, either because he will not or because he cannot, cannot enjoy a higher, a better standard of living than the man who provides the money for his own support and the support of him who is on relief.

Mr. VOORHIS. Mr. Speaker, will the gentleman yield?

Mr. HOFFMAN. I yield.

Mr. VOORHIS. Will not the gentleman agree, then, that we should have work relief instead of direct relief?

Mr. HOFFMAN. For the purpose of this argument it makes no difference whether the relief be direct or indirect; my proposition is that you cannot give to the man on relief a higher standard of living than that which can be afforded by the man who is working.

We vote relief funds to be spent in the manner indicated, not because we know no better, but because we lack the moral courage to disregard the demands of those who are using the taxpayers' money for their own political advancement; because we lack the moral courage to vote our convictions, to represent the people who sent us here.

Let us write our own legislation on relief. Let us make adequate appropriations, but let us insist that that money be spent for relief purposes, not for political propaganda, or the giving of jobs to those who live upon the earnings of the toiler. [Applause.]

[Here the gavel fell.]

The SPEAKER pro tempore. Under the previous order the gentleman from New York [Mr. TABER] is recognized for 10 minutes.

Mr. TABER. Mr. Speaker, from time immemorial it has been the custom of the Government of the United States to communicate with nations with which we were at peace through our foreign office and through their foreign offices. Perhaps the most astounding development that has come with the advent and the changes of the Roosevelt administration came last Tuesday night when Secretary Harold L. Ickes broadcast to the people of the British Isles and of Europe in an effort to communicate with them directly his ideas. I wonder if that broadcast had the approval of the administration?

I call upon the Secretary of State and the President to say whether or not they approve of that address and that method? I call upon them to say whether or not they are embarking upon such a program as Stalin embarked upon when he tried to propagandize and control the peoples of other lands with communism. I call upon them to say whether they are embarking upon a program such as Herr Hitler has embarked upon to establish and promote nazi-ism throughout the United States.

Mr. KELLER. Mr. Speaker, will the gentleman yield?

Mr. TABER. I cannot; I have but 10 minutes.

Mr. Ickes' broadcast was a direct violation, in my opinion, of section 5 of the Criminal Code of the United States. I quote:

> Every citizen of the United States, whether actually resident or abiding within the same, or in any place subject to the jurisdiction thereof, or in any foreign country, who without the permission or authority of the Government, directly or indirectly, commences or carries on any verbal or written correspondence or intercourse with any foreign government or any officer or agent thereof, with an intent to influence the measures or conduct of any foreign government or of any officer or agent thereof, in relation to any disputes or controversies with the United States, or to defeat the measures of the Government of the United States; and every person being a citizen of or resident within the United States, or any place subject to the jurisdiction thereof, and not duly authorized, who counsels, advises, or assists in any such correspondence with such intent, shall be fined not more than $5,000 and imprisoned not more than 3 years (U. S. C., title 18, par. 5).

Perhaps the most astounding feature of the gentleman's address was what he said. I am going to quote from what

he said so that we may have it fresh in our minds, and then I am going to call attention to the gentleman's history as Secretary of the Interior, as Administrator of P. W. A., that we may see how his own career and his own action check with the things he said to the people of the British Isles and of Europe. Let me read what he said:

Totalitarianism either to the right or to the left is alien to the spirit that dominates the English-speaking democracies of the world. Totalitarianism is subversive to the ideas upon which our democracies are founded.

What is the history of this gentleman, and what has he stood for? First, with moneys that were appropriated by this Congress for relief he established a detective agency, with Federal funds, to spy upon the actions of those who were opposing him politically. He used relief funds to allocate the money for building projects which this Congress had deliberately refused to appropriate money for. He used these lump-sum relief appropriations to allocate the money for the promotion of great projects which this Congress never in the world would have authorized. He has repeatedly attempted to promote legislation designed to destroy the liberties of the people. At the present time he is back of and supporting that bill to destroy the independence of the Comptroller General of the United States. What would that do? It would permit the executive branch of the Government to spend money by a subservient auditor and auditing system regardless of the limitations imposed in appropriation bills, tying the hands of Congress, and regardless of the act of Congress. He promoted the N. R. A. and those other measures designed to destroy small business. He has supported measures designed to give the Secretary of Agriculture total control over agriculture, to destroy the liberty of the agricultural worker; and yet this man goes out and broadcasts to foreign peoples that totalitarianism is foreign to the principles of democracy. Why, Mr. Speaker, this is the most stupendous, I might say, fraud upon the peoples of any land for a man with a record like that, a record of attempts to destroy the bulwark of American liberty, the power of the Congress elected by the people to control and prevent usurpations on the part of the Executive, for such a man to come out and pronounce against totalitarianism.

Is it not time to have a little bit of frankness and a little bit of real patriotism and stability back of our situation? Is it not time to deal with the people of foreign countries through their own governments, certainly when we are at peace with the particular countries and particularly when they have foreign officers with whom we can communicate? As an insignificant member of the minority, who has been opposed almost totally to the usurpation tactics of the present administration and its attempt to create in this country a totalitarian state, I would not for one moment think of endeavoring to communicate with a foreign people except through the State Department.

That is the only safeguard we have for peace. It is the most dangerous thing to international good relations that has come in a generation for this man to presume to speak directly by way of the radio to the people of foreign lands and totally misrepresent his own views and his own actions and the result of them to those people.

Mr. GIFFORD. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. The gentleman has spoken about parallel actions and the direct questioning of the State Department, in which it had to answer "No." Does it appeal to the gentleman this is even a more direct way of communicating our sympathy of thought and action, and was it not done with the knowledge and consent of the administration?

Mr. TABER. I think it is time for the administration and the State Department to say whether or not they countenanced, approved, and inspired this address.

Mrs. ROGERS of Massachusetts. Will the gentleman yield?

Mr. TABER. I yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. Is it not true that this is in line with the President's speech in Chicago, at which time he spoke of quarantining the nations that behaved badly? He has attacked nations with whom we have no quarrel at the present time.

Mr. TABER. It is exactly in accord with that speech and it is dangerous to the liberties, the freedom, and the peace of America. [Applause.]

[Here the gavel fell.]

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate agrees to the amendment of the House to the amendment of the Senate to the joint resolution (H. J. Res. 591) entitled "Joint resolution making appropriations for the control of outbreaks of insect pests."

The message also announced that the Senate insists upon its amendments to the joint resolution (H. J. Res. 596) entitled "Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ADAMS, Mr. GLASS, Mr. MCKELLAR, Mr. HAYDEN, Mr. BYRNES, Mr. HALE, and Mr. TOWNSEND to be the conferees on the part of the Senate.

EXTENSION OF REMARKS

Mr. SMITH of Connecticut. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and incude therein a speech made by myself on Washington's Birthday.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. POAGE. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD on the cotton problem.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. KOPPLEMANN. Mr. Speaker, I have the report of M. Paul Van Zeeland, of Belgium, who as Prime Minister made a report on economic conditions, the allocation of quotas, and the lowering of duties between countries, a very important report, in which there is a great deal of interest. I have received an estimate from the Public Printer, and I ask unanimous consent that this report may be inserted in the RECORD, without regard to its cost of printing.

Mr. MCFARLANE. What is the estimate?

Mr. KOPPLEMANN. Three hundred and fifty dollars.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

Mr. BACON. Mr. Speaker, for the moment I object.

PERMISSION TO ADDRESS THE HOUSE

Mr. MCFARLANE. Mr. Speaker, I ask unanimous consent to address the House today for 10 minutes following the disposition of the previous special orders.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BROOKS. Mr. Speaker, I ask unanimous consent that at the conclusion of the special orders today I may address the House for 2 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes following the last special order for today.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER. Under a previous special order of the House, the gentleman from Nebraska [Mr. LUCKEY] is recognized for 10 minutes.

Mr. LUCKEY of Nebraska. Mr. Speaker, I take this time to call attention to a letter hitherto unpublished written by

President Theodore Roosevelt to his successor in office, President William Howard Taft. The letter is arousing a great deal of interest throughout the Nation. It appears in a book entitled "Why Meddle In the Orient?" written by Boake Carter and Thomas H. Healy—a book that every American voter should read. The letter, dated December 22, 1910, is a striking revelation of America's real interest and policy in the Far East.

For months every citizen in this country has been discussing the Sino-Japanese conflict. For as many months our State Department has been engaged in carrying out a policy in the Far East that might aptly be called an attempt to maintain the open door in China. Our soldiers, sailors, and marines have been engaged in protecting American life and property in war-torn China. The efficiency of that protection is subject to question. The attempt to maintain the open door in China under present conditions is worthy of serious study and consideration.

President Roosevelt's letter has raised a great amount of interest, and I have had many requests for it. At this point I wish to include the full text of the letter, so that you may read a clear statement of the prophecy that appears today as a fact beyond challenge.

DECEMBER 22, 1910.

The Honorable WILLIAM H. TAFT,
President of the United States,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: In the first place, I wish a merry Christmas and a happy New Year to you and yours.

Now, as to your letter of December 20 * * *. Our vital interest is to keep the Japanese out of our country and at the same time to preserve the good will of Japan. The vital interest of the Japanese, on the other hand, is in Manchuria and Korea. It is, therefore, peculiarly our interest not to take any steps as regards Manchuria which will give the Japanese cause to feel, with or without reason, that we are hostile to them or a menace—in however slight a degree—to their interests. Alliance with China, in view of China's absolute military helplessness, means, of course, not an additional strength to us but an additional obligation which we assume; and as I utterly disbelieve in the policy of bluff, in national and international no less than in private affairs, or in any violation of the old frontier maxim, "Never draw unless you mean to shoot," I do not believe in our taking any position anywhere unless we can make good; and as regards Manchuria, if the Japanese choose to follow a course of conduct to which we are adverse, we cannot stop it unless we are prepared to go to war—and a successful war about Manchuria would require a fleet as good as that of England plus an army as good as that of Germany. The "open door" policy in China was an excellent thing, and will, I hope, be a good thing in the future, so far as it can be maintained by general diplomatic agreement; but as has been proved by the whole history of Manchuria, alike under Russia and under Japan, the "open door" policy, as a matter of fact, completely disappears as soon as a powerful nation determines to disregard it, and is willing to run the risk of war rather than forego its intention. How vital Manchuria is to Japan, and how impossible that she should submit to much outside interference therein, may be gathered from the fact—which I learned from Kitchener in England last year—that she is laying down triple lines of track from her coast bases to Mukden as an answer to the double tracking of the Siberian Railway by the Russians. However friendly the superficial relations of Russia and Japan may at any given time become, both nations are accustomed to measure their foreign policy in sections of centuries; and Japan knows perfectly well that sometime in the future, if a good occasion offers, Russia will wish to play a return game of bowls for the prize she lost in their last contest.

Now, on the other hand, whereas our interests in Manchuria are really unimportant, and not such that the American people would be content to run the slightest risk of collision about them, our interest in keeping the Japanese out of our country is vital * * *.

Again wishing a merry Christmas to Mrs. Taft and you and to all your family, I am,

Faithfully yours,

THEODORE ROOSEVELT.

The SPEAKER pro tempore (Mr. SHEPPARD). Under a previous order of the House, the gentleman from Texas [Mr. MCFARLANE] is recognized for 10 minutes.

THE NEW TAX BILL AND THE PEOPLE

Mr. MCFARLANE. Mr. Speaker, within the next few days the House expects to consider a new tax bill. This bill has been under consideration on the part of the Ways and Means Committee for some weeks.

The only reason ordinarily for drafting a new tax bill is either to add new taxes, eliminate the present loopholes which tax dodgers or tax avoiders have been shown to take advantage of to the detriment of the general public, or to decrease taxes in view of the fact that revenues are running in excess of the Government needs. The new tax bill cannot be justified on any of these grounds as it seriously reduces revenues in the face of increasing deficits. We all know that revenues are now far less than our expenditures.

BIG BUSINESS' CONTEMPT FOR THE PEOPLE

Today, it is my purpose to direct the attention of the House to the apparent contempt which big business holds for the Congress of the United States.

We all know that a Nation-wide, well-financed campaign seeking the repeal or emasculation of the capital-gains and undistributed-profits tax, has been on for the past 1½ years and it has succeeded in scaring some little fellows into believing that unless the undistributed-profits and capital-gains tax is modified or repealed the country would be in a very bad way. The undistributed-profits tax was knowingly levied by a Democratic administration in keeping with the Democratic platform with the purpose of forcing some of our financially large tax dodgers or tax avoiders into paying even a small share of the taxes they are justly expected to pay. The capital-gains tax was written into our tax laws about 15 years ago and has been weakened by amendment by several Republican administrations; however, it seems that we are going to be asked to finish the job.

We have hardly started to reap the benefits of this undistributed-profits tax when we find this unusual demand for its repeal.

TO BE REPEALED REGARDLESS OF GOVERNMENT RECORDS

Yet, despite the fact that there are no records available from the Treasury Department, no Government records available to the members of the Ways and Means Committee that justify the action taken by the committee, other than the effects of the subtle propaganda conducted by or in behalf of big business, we are told that these two taxes are to be almost completely emasculated.

It is common sense, unless we are to hand down to generations yet unborn a debt that will be hard to bear, that we should secure additional revenues in order to more adequately collect the moneys now necessarily being spent for relief.

One thing is certain, we ought to increase our revenues through taxation, rather than borrowing. We ought to collect these taxes from those best able to pay them.

NUISANCE TAXES

As the report of the Ways and Means Committee is not yet available, a proper analysis is not yet possible. I have read reports of the necessity of eliminating what are termed nuisance taxes. In view of the need of money by our Government I doubt the wisdom of decreasing any of our present taxes. In fact, it is my belief that we should add to the list, where possible, without injury to the general public.

Despite the fact that the tax bill has been before the Congress since last June and that we have been promised the bill for some time, it will be brought in here under whip and spur in the near future, when we will give it cursory examination and consideration before it is dashed to the Senate.

Mr. KELLER. What kind of an examination is that?

Mr. MCFARLANE. Just a cursory examination.

Mr. KELLER. I thank the gentleman.

Mr. MCFARLANE. I think the gentleman follows my idea. We are asked practically to repeal the undistributed-profits tax and to loosen up the capital-gains tax on those having incomes in excess of $62,000 annually, and we are being handed back a little sop for the masses of the people, in that we are going to repeal also some of the nuisance taxes.

For example, we are going to be asked to repeal the nuisance taxes on golf clubs, furs, toilet soaps, cameras, chewing gum, sporting goods, and phonograph records, and yet we are retaining nuisance taxes on many of the necessities of life, such as mechanical refrigerators, automobile casings and tubes, gasoline, oil; yet the tax bill they are bringing in repeals the tax on golf clubs and golf balls—yes; the complete uniform, the golf sweater and his short breeched pants,

and the ladies who wear the furs have their tax on furs repealed, while the folks trying to make a living off of their automobiles or trucks are taxed on everything that goes into the car by a tax committee that will study a bill for 6 months and then, without firing a shot, will come in and repeal the undistributed-profits tax that they told us less than 2 years ago that would lead us out of the wilderness, and then they come back and ask for an almost complete emasculation of the capital-gains tax for—the small-wage earners—those incomes are in excess of $62,000 per year.

Two years ago the Ways and Means Committee, upon the suggestion of the Treasury Department, proposed to the House the undistributed-profits tax data submitted at that time, apparently convincing the Ways and Means Committee that corporations had been unreasonably retaining income in order to avoid taxes upon the stockholders. This House supported the Ways and Means Committee's recommendations, and after much controversy with the Senate a compromise bill was written resulting in a maximum rate of only about three-fourths the maximum rates suggested by the House in the beginning.

THE WALL STREETERS OBJECT

Scarcely had the bill been enacted into law until the United States Chamber of Commerce, the Manufacturing Association, the Liberty League, and other reactionary organizations of this country began a campaign of propaganda to eliminate this tax. These are the same boys who in 1921 sat down at the feet of the President of the United States and succeeded in eliminating the excess-profits tax of the war. We all now know what a mistake it was for the repeal of the excess-profits tax at that time before our war debts had been paid.

Despite this experience, however, and despite the fact that everybody in the country able to read knows that the propaganda which sold the Treasury Department, the Ways and Means Committee, and this administration on repealing the undistributed-profits tax, is coming from these same sources, and not from the records of the Revenue Department, and not from a demand from the great masses of the people, the Ways and Means Committee now proposes practically the elimination of the tax, since the corporate income-tax rate in general is only 20 percent under the proposed bill, whereas the individual income-tax rates reach a maximum of 79 percent. From the same sources that instigated all the propaganda against the undistributed-profits tax comes the protest to the capital-gains tax. The demand for emasculation of the capital-gains tax has been materially increased by the stock gamblers of New York and other eastern cities who for years have fought to exempt capital gains from any form of tax.

MORE DISCRIMINATION FAVORING WEALTH

It seems that a portion of their dream is about to be realized since the Ways and Means Committee has been tricked into recommending a tax of only 16 percent on stock profits where the property has been held for more than 5 years. Everybody, including the Ways and Means Committee should know that a substantial portion of the big wealth of this country is obtained by acquisitions of property in times of distress by men of large means who hold until inflation or abnormal times return when their profits are taken and the property distributed to the masses at sucker prices. If this administration expects to make any progress in the redistribution of wealth, it might as well take stock of the effect which such a tax law is going to have upon the concentration of wealth into fewer hands rather than accomplishing the proposed change which has been advocated for the past 5 years.

We should not lose sight also of the fact that every dollar which the enormous wealthy people escaped from taxation must be recouped from the masses in other forms of taxation. If the Ways and Means Committee's recommendation is enacted into law I have little doubt but what the next Congress will be asked by this administration to provide for additional revenue for it is believed this bill will give the 3 percent who now own 90 percent of the wealth several hundred million in exemption. Obviously it will have to come from the masses who already have declining incomes and burdened with an undue amount of the tax.

The enormous expenditures under this administration, the records show have increased the income of the people generally during the past 5 years from about $41,000,000,000 to $68,000,000,000, while the income of the farmers during the past 5 years has been increased only from two and three-quarter billion dollars to five and one-half billion dollars.

While the property and income of the 3 percent who own over 90 percent of the wealth of the Nation is not available for comparison for the past few years a criterion of the tremendous increase in their property and incomes is clearly indicated by the increase in the value of stocks quoted on the New York Exchange. In 1932 these stocks were valued at $22,259,137,174, while in December 1937 they were valued at $40,716,032,190.

Even the Mellon administration only recommended a capital-gains tax of one-half the maximum tax on other forms of income. The Treasury recommends a maximum rate of 16 percent on capital gains held for 5 years when the maximum tax on other forms of income is 79 percent. What a loophole this gives the gamblers, speculators, and the wealth of the Nation. This amounts to approximately one-fifth of the tax that would be payable on other forms of income such as interest, dividends, and even salary. In another respect the Ways and Means Committee also exceeds the Mellon favoritism to the very wealthy. In taxing capital gains under the Mellon administration, profits from sales of capital gains held for less than 2 years was taxed at full rate; the Ways and Means Committee now proposes to give the speculators, the gamblers, and wealthy, who sell property held for 1 year but less than 2, a reduction in their tax as compared to other forms of income.

In another respect the Ways and Means Committee favored the wealthy more than the Mellon administration. The Mellon administration taxed gains from property held for 2 years at full rates. The proposal of the Ways and Means Committee would give substantial reductions in the case of sale in the second year. This may amount to approximately 20 percent of the income being free from tax.

THE NATIONAL LAWYERS' GUILD FAVORS UNDISTRIBUTED-PROFITS TAX

At the second annual convention of the National Lawyers' Guild held here in Washington this week, they endorsed the undistributed-profits tax contained in existing law with minor modifications. Other leading tax authorities favor the retention of this law. But, of course, the attorneys for the Wall Streeters and their lobbyists here in Washington favor its repeal and they seem to be having their way.

TAX RADIO LICENSES

However, I feel safe in asserting that the Ways and Means Committee will not recommend the collection of any substantial taxes from those beneficiaries of Government licenses who yearly derive over $140,000,000 without paying anything for the use of the Government property which makes their profits possible. I refer specifically to those holders of Government radio licenses issued by the Federal Communications Commission.

Continually, as the hearings show, during the past 2 or 3 years members of the House Appropriations Committee have been told by members of the Federal Communications Commission that they were studying, or they had under consideration, the recommending to the Congress of levying of a license fee to be paid by holders of radio licenses. However, we hear no more from the Commission until they again seek that appropriation which is necessary for them to continue in office.

CHAIRMAN M'NINCH FAVORS TAX ON RADIO LICENSES

I was rather pleased to read in Wednesday's issue of the New York Times, well displayed on the first page, a story to the effect that Chairman McNinch, of the Federal Communications Commission, is credited with stating that the broadcasting companies in time would have to pay a tax;

and he pointed out that their income was almost pure profit. Quoting Chairman McNinch:

I believe there should be some appropriate legislation for taxation of the authorized broadcasting stations, and I am favorable to some sort of a tax.

Further, Chairman McNinch said that he believed that the tax should be imposed not only to yield revenue but also to prevent the expenses of the Commission from being borne by the taxpayers. Insofar as I know, Chairman McNinch has now joined with Commissioner Henry Payne in advocating the levying of a tax on radio licensees. Chairman McNinch, many feared, had been taken in by the radio monopoly. I am glad to note that apparently he now realizes those conditions existing in the Federal Communications Commission and in radio broadcasting, which conditions many Congressmen have complained about, and he is now commencing to show that he will no longer be influenced by or subservient to those who in the past are credited with the running of the Commission for the sole benefit of the radio monopoly. I sincerely trust that Chairman McNinch and Commissioner Payne will be able to prevail upon at least two other members of this Commission to stand with them, and then the Congress may have reason to believe that the control of this Commission has been taken away from the radio monopoly—that at least a majority of the Commissioners are no longer subservient to the radio monopoly. However, it is my belief that members of the Federal Communications Commission will show their independence and their lack of subserviency only when the Congress indicates that it will support such an attitude.

While Chairman McNinch and Commissioner Payne have personally and individually recommended the levying of a licensee tax, they constitute but two of a Commission of seven, and up to the present time we have received no recommendation from the Commission for such.

Members of the House are familiar with the fact that there reposes in the Rules Committee several bills calling for a House investigation of the radio monopoly. The Senate Interstate Commerce Committee acted favorably on a similar resolution by Senator WHITE to investigate, but the author of that resolution, a Republican, was later selected to represent the Commission he wanted to investigate at a conference in Cairo, Egypt, which conference is expected to delay his return until after Congress has adjourned.

WHY NO INVESTIGATION?

We have heard the admission of the chairman of the Rules Committee on the House floor that he knew that there was a monopoly in radio. Yet nothing has been done. Several Members have indicated to me their inability to understand when we hear so much about the need of eliminating monopoly, and yet even when the chairman of the Rules Committee admits that he knows such a monopoly exists we are unable to prevail upon the Rules Committee to report favorably any of the many resolutions pending which provide for such an investigation.

LET US TAX THEM NOW

However, this matter of a congressional investigation of the radio monopoly can be taken up later, while the matter of levying a tax or license fee on the holders of these radio broadcasting licenses will have to be acted upon when the tax bill is before the House, if at all, this session.

THE BROADCASTERS WANT A CZAR?

Last week the newspapers printed in considerable detail the happenings at the convention of the National Association of Broadcasters. There were two outstanding features of this convention which should interest those Members of the House who cry aloud about our constantly rising national debt.

The first is that these holders of radio licenses, issued by our Government and for which the Government receives nothing in the way of a tax or license fee to those who are said to be collecting some $140,000,000 each year through their holding of these radio licenses, decided to levy a tax upon themselves of at least $250,000 to be spent in the interest of the radio licensees for proper representation in Washington.

The cry was, "We need a Will Hays." Why a Will Hays? Is it because they understand this former chairman of the Republican National Committee and former Postmaster General under President Harding, has a way with certain influential Members of this Congress?

ASCAP COLLECTS, WHY CANNOT THE GOVERNMENT?

It seems strange that a private association, the American Society of Composers, Authors, and Publishers, can levy and collect yearly a tax of some $5,000,000 or more on these holders of radio licenses, and yet these same radio licensees do not pay one dollar in tax or license fee for the right to operate these governmental grants from which they yearly derive $140,000,000 for advertising. Surely, when the Government is in such need of new fields to tax, here is one of the juiciest that can be found.

If the radio monopoly finds it necessary to pay to assignees of copyrighted music some five or more millions of dollars yearly, is there any good reason why the Government, which makes the operation of a radio station possible, should not collect at least twice that amount?

THE FINANCIAL SET-UP

Some Members of the House may ask, Can they pay? Let us examine the record.

In an address August 10, 1937, I directed the attention of the House to the possible unloading on an unsuspecting investing public of radio securities which represented nothing more than water and hopes.

The story of the Columbia Broadcasting System well illustrates the lack of real value behind radio securities.

The Securities and Exchange Commission, in a letter dated July 27, 1937, certified that the total investment in the Columbia Broadcasting Co. was $1,540,000; that this company had paid out in cash dividends some $8,000,000, and their outstanding securities on that date had a stock market value of $52,140,100. Can they afford to pay a tax?

The gross income of the Columbia Broadcasting Co. for the year 1937 was $28,722,118, out of which they are credited with having reported a net income of more than $4,000,000. When this end of the radio monopoly pays to the Government 10 percent tax on a gross income of $28,722,118, or $2,877,211, that will still retain a net profit of well over $1,000,000 with which to pay dividends on an investment of $1,500,000.

We should bear in mind that these public utilities—radio broadcasting companies—different from other public utilities in that they pay comparatively nothing in real property taxes, as they own but very little real estate.

SHOULD THE GOVERNMENT OWN RADIO?

Further, we should bear in mind that we are, I believe, the only outstanding nation in the world which is today absolutely dependent upon private parties for the right of our Government officials to broadcast over the air. Also, a recent poll by the National Institute of Public Opinion indicated that more than 40 percent of the people who were polled stated that all radio stations should be owned by the Government itself.

When, and if, as is highly probable, the Congress should decide to amend the present Communications Act and provide that all radio broadcasting, as is done in England and in most all other large nations, be handled by the Government itself what happens to the innocent investor who has purchased radio securities without the slightest knowledge of the risk which he has taken. Then, again, these radio licenses are very properly issued for periods of six months, and, once we find a Federal Communications Commission, the majority of which is not subservient to the radio monopolists, the value remaining in such radio securities is apt to be very small.

Can radio licensees afford to pay to the Government a tax or a license fee of 10 percent of their gross incomes of some $140,000,000 each year? The answer is "yes."

The figures shown in the case of Columbia Broadcasting System, that is the dividends of some $8,000,000 plus a stock

market value as of the date they were registered with the S. E. C. of $52,140,100 on an investment, as shown by the S. E. C., of $1,540,000, would so indicate, I believe.

MONOPOLY CONDONED?

In 1932 the Department of Justice entered into one of those infamous consent decrees with the radio monopoly—R. C. A.—and, as a part of the deal, as shown in the stipulations, R. C. A., through its wholly owned subsidiary, National Broadcasting Co., contracted to lease from the General Electric Co. for a period of 10 years three radio stations, and, as contracted to act as sole and operating agent for Westinghouse Electric Manufacturing Co., for a period of 10 years, four radio stations, which these two dominating parts of the Radio Corporation of America had been licensed to operate by the Government.

At the time this Government suit was entered, it was shown that General Electric and Westinghouse owned more than a majority of all securities issued by the Radio Corporation of America.

National Broadcasting Co. contracted, as shown in the stipulations, copy of which I hold in my hand, to pay net to the General Electric Co. each year for a period of 10 years the sum of $271,000 plus a 25-percent share of any increase in the radio broadcasting rates then in effect in these three stations. These rates have been substantially increased, and, considering only the sale of nighttime hours, the increased revenue accruing to the General Electric Co. each year amounts to at least another $100,000.

Incidentally this lease and virtual transfer of these radio licenses from General Electric to National Broadcasting Co. with a payment to a company, the only claim it had to these yearly incomes of some $350,000 or $400,000 being that it held these radio licenses for which they paid nothing, was approved by the Commission.

However, the canny gentlemen representing the Westinghouse Electric Manufacturing Co. drove a sharper bargain with themselves, acting principally for the benefit of the Westinghouse stockholders. The four radio stations at that time licensed to and operated by the Westinghouse Electric Manufacturing Co. were turned over to the National Broadcasting Co. as the sole and exclusive operating agent—without any responsibility on the part of Westinghouse—with the proviso that the National Broadcasting Co. pay to the Westinghouse Electric Manufacturing Co. each year for a period of 10 years $579,750 plus a contract wherein the National Broadcasting Co. agreed to furnish talent and radio facilities for Westinghouse programs upon the monthly payment of $6,083.33, or a yearly total of $73,000. This radio time alone, without considering the cost of talent, would cost any other radio advertiser almost $300,000 yearly. Thus we have the Westinghouse Electric & Manufacturing Co. receiving yearly a net income of $579,750 plus a contract, contrary to that offered to any other radio advertiser, which nets them an additional $324,000 plus 25 percent of the increase in radio broadcasting rates over those in effect in 1932, which happens to net the Westinghouse Co. an additional $100,000.

Can they afford to pay a tax of 10 percent of their gross income directly or in the form of a wattage tax in view of these known facts? Can they afford to pay a license fee in order to continue to pay these handsome net incomes to those who do not operate or bother about running radio stations?

Here we have two manufacturing companies, both of them credited with being influential parts of the Power Trust, holding radio licenses which they do not operate, and for which, simply because they hold or did hold these radio licenses, for which they pay the Government nothing, they receive a net yearly income of something more than $1,300,000.

Is there any longer any doubt in the minds of any Member of the House or any member of the Ways and Means Committee that these radio licensees can well afford to pay at least 10 percent of their gross income as a tax or license fee?

In conclusion let me say that it seems clear that we should maintain our undistributed-profits tax law, with slight amendment to take care of any legitimate complaints of small corporations; that we should tighten rather than loosen the capital-gains tax; that we should eliminate the nuisance taxes that affect most the masses and retain those nuisance taxes that affect principally those better able to pay; and we should enact a 10-percent gross-receipts tax on all holders of radio licenses at this session of Congress. [Applause.]

Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and include therein certain excerpts and a contract.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Louisiana [Mr. BROOKS] is recognized for 2 minutes.

Mr. BROOKS. Mr. Speaker, last Friday night at 9:42 disaster came into a section of northwest Louisiana. It came on the wings of a tornado. In 4 short minutes of time, it had swept through the town of Rodessa and left in its wake over 25 people dead, 100 seriously injured, and hundreds of thousands of dollars of damage to property. Within 1 hour after the tornado had passed, the American Red Cross was at the scene of the disaster with its aid and mercy. All State agencies which could be of service to the people in that disaster immediately responded. On the heels of that, the agencies of the Federal Government peculiarly fitted for aid in that emergency, were prompt to offer assistance and are today working at the scene of the disaster.

The people of Rodessa have been stunned, but they are not crushed. They are very grateful for the assistance rendered them and are also very grateful for the messages of sympathy and support sent them from all parts of the country. The heartthrob of these people is best portrayed in a short editorial of thanks which I hold in my hand.

Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a short editorial from one of the local newspapers in Louisiana, thanking the people of the United States for their assistance in the disaster at Rodessa.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The editorial is as follows:

[From the Shreveport (La.) Times]

THE TORNADO AT RODESSA

Once more disaster has left its mark upon a north Louisiana community, taking a cruel toll in lives and causing heavy property damage. Rodessa, scene of tornado havoc, has the sympathy of the Nation as rescue workers continue their aid to the injured.

Again in a time of sorrow human helpfulness has met every call.

All through the night of tragedy citizens of the oil-field community worked in the debris searching for the injured or dead. Often in a driving rain and without adequate lights, these rescuers rendered a noble service.

From the surrounding towns quick assistance came. Shreveport welcomed her opportunity to aid, and the medical profession here, well organized for such emergencies, responded with smooth efficiency. Doctors in the disaster zone itself shouldered their arduous tasks within a few moments after the thundering storm passed.

A leading role in the work of rescue and rehabilitation has, of course, been taken by the American Red Cross. Within an hour after the first report of the tragedy reached Shreveport, officers of the Caddo Chapter were in Rodessa conferring with Red Cross leaders there.

There was no time wasted. The Nation's great agency of mercy again showed its superlative qualities as a disaster-relief organization.

Meriting mention, too, were the prompt offers of assistance made by Governor Leche and the governing officials of Shreveport and Caddo Parish. Before 3 hours had elapsed, a helping hand had been extended by all of these governmental units. The National Guard and the Louisiana State police were at the scene early.

And as in every case of oil-field misfortune, the operating and supply companies moved quickly and effectively, adept in dealing with difficult situations, possessing men trained in meeting the varied problems which arise in such an emergency.

No life which has been lost can be restored. But in these many manifestations of sympathy and helpfulness there is proof of human affection which should bring comfort to those who are bereaved. They know that in their hour of trial they did not stand alone. A host of friends stood with them.

EXTENSION OF REMARKS

Mr. TABER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a certain section of the Criminal Code of the United States.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

By unanimous consent, Mr. SHANLEY was granted leave to extend his own remarks in the RECORD.

The SPEAKER pro tempore. Under previous order of the House the gentleman from New York [Mr. DICKSTEIN] is recognized for 5 minutes.

UN-AMERICAN ACTIVITIES

Mr. DICKSTEIN. Mr. Speaker, I was very much interested in the address made by my colleague the gentleman from New York [Mr. TABER]. I do not believe the criticism he made, in a way, of Mr. Ickes is justified to the extent he stated it. I do not know Mr. Ickes, I do not believe I have ever met him, and I have never asked him for any patronage at all, but what is right is right. Mr. Ickes made that statement as an individual citizen. It seems to me until such time as it can be established that he spoke for anybody but himself, such criticism is not deserved.

I agree with the gentleman from New York that we have a serious menace confronting our own people. In his speech before the German Reichstag on February 20, Hitler announced his program to control Germans all over the world. He would consider as subjects to his rule all Germans, irrespective of where they were born, as long as they are of racial German origin, almost demanding of the German people in this country that they register and carry out the orders of the German consuls in the United States. In this connection I desire to incorporate in the RECORD an article cabled to the New York World-Telegram from Berlin by Webb Miller, a well-known American correspondent, as follows:

BERLIN, February 23.—Adolf Hitler is pressing ahead with a world-wide propaganda campaign to build "little homelands" among the 25,000,000 Germans or persons of German descent living in North America, South America, Africa, and Asia.

He seeks to bind them to Germany by cultural and economic ties.

The Fuehrer's eyes may be on Austria and Czechoslovakia for the moment, but Nazi officialdom never for a moment forgets the "long view" and never abates its efforts to create sympathy on other continents for the swastika.

A special department in the foreign office began this work and now, with Hitler's announcement of a "protectorate" over Germans living in other European nations, the campaign has been intensified. It seeks to control the lives and thoughts of Germans abroad by:

Telling them what storekeepers they can patronize.

Forbidding them to retain Jewish lawyers or physicians.

Compelling German citizens to register with Nazi consulates and report any change in their address or personal status.

Appointing regional leaders, under direct supervision of Berlin, to inculcate Nazi principles in Germans living abroad.

Establishing clubs at which Germans meet.

Providing those clubs with films, newspapers, and books that reflect Nazi ideology.

Encouraging the club members to give the Nazi salute and observe Nazi holidays.

Discouraging Germans from marrying Jews or even mingling with Jews.

Any German citizen—there are about 2,000,000 of them in the 25,000,000 persons of German descent living abroad—who fails to keep in close touch with the local consul is subject to loss of citizenship.

It is expected here that this campaign will become wider and more intense now that Hitler definitely is embarked on his middle European adventure. It is definite that a list of eligible lawyers and doctors has been sent to Germans living in New York, and the presumption is that similar instructions went to other large centers of population.

One new phase of this campaign, according to semiofficial circles here, will be a stiffening of the Nazi attitude toward foreign newspaper correspondents. There may even be reprisals against correspondents—expulsion from Germany would be the most likely one—in cases where foreign newspapers publish unfounded reports. Such reports were sent out during the recent army "purge," most of the dispatches being based on reports originating outside of Germany.

In the 5 years of Nazi rule 20 correspondents of the foreign press have been expelled. Several others have left under pressure. The most recent instance of Nazi displeasure toward the foreign press occurred at the time of the correspondents' ball, to which some Government officials had accepted invitations. None appeared.

There appears to be a widespread misunderstanding abroad about censorship in Germany. There is no censorship in the sense that the Nazis seek to control the means of transmitting news. Any correspondent can telephone to London, Paris, or anywhere else whenever he cares to do so, and can transmit over the telephone any information or misinformation without interference from the authorities. Hundreds of press calls go through daily from Berlin to London and Paris.

There is, however, close restriction on sources of information in cases involving matters the Government wishes to keep secret. This makes it extremely difficult to obtain reliable information unless the Nazis see fit to make such information public.

The Government tries to "canalize" official information through the Ministry of Propaganda and the official news bureau—two places where strict control can be exercised. Nazis discourage persons in nonofficial capacities from furnishing information to foreign correspondents.

For instance, one German is now serving a life sentence in prison for giving to a French correspondent and a foreign embassy details of a press conference attended by German newspapermen. In certain cases furnishing information to foreigners is regarded as such a serious offense that it is placed in the category of treason.

The Government, of course, has a rigid censorship on German newspapers. In the case of foreign correspondents—in the light of the 20 expulsions—censorship in Germany appears to be something that is invoked after publication, not before.

I submit, Mr. Speaker, this is the very thing which I have been discussing on the floor of this House for a number of years, that the German Government is interfering with the well-being of our citizens, and is therefore violating treaties of peace we have with that country.

Every principle of decency among friendly nations is thrown to the winds. Paid propagandists are coming into this country with the full knowledge and consent of the Hitler government, carrying on day-by-day activities that are very distasteful to the American people. Practically only three democracies of any considerable size are left in the world—England, France, and the United States. I am fearful of what is happening to our great neighbor, Great Britain. I believe she has yielded to the threats of dictators and has abandoned her traditional policy of a determined defense of her liberties. By this act Great Britain has dealt the cause of democracy a severe blow from which the world will never recover.

What I am trying to bring to your attention is that while it is of no concern to us what is happening in England, France, or Europe, I am particularly concerned with the United States. I am concerned with what is going on here every day.

Mr. Speaker, I have just received a telegram from the Chicago Civil Liberties Union. This wire states:

Urgently request your subcommittee investigate Chicago newspaper charges that recent murder of Dr. Max Sammett, political refugee, was Nazi political assassination.

Mr. Speaker, instances such as these are going to happen more and more frequently. Only yesterday I called to your attention riot and bloodshed in Buffalo, Rochester, and Pennsylvania. Now we have such an occurrence in Chicago, and you will have one in almost every big city in this country.

I hope I will receive a report from the Department of Justice which will show that Nazi camps have spread into every section of this country. The report will also show, I am sure, that these camps, with their accompanying goosestepping and wearing of uniforms, ought to be cleaned out of this country. When this report is presented to this body I will call upon the Committee on Rules for a rule for the consideration of a resolution to investigate this situation in no uncertain terms. If the Committee on Rules does not report such a rule I am going to appeal to each Member of the House, and I know I have the sympathy of the House, to discharge the committee from the further consideration of that rule, because in my opinion and in the opinion of millions of Americans, judging from the communications I have received in the last 10 days, it is very

necessary that Congress do something to clean up this menace, which comes not only from the Nazis but from the Fascists and other groups which seek to undermine this Government in one form or another, and they are well financed by foreign governments.

[Here the gavel fell.]

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. FERNANDEZ, for 10 days, on account of official Government business.

EXTENSION OF REMARKS

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent in connection with my remarks just made to insert part of a statement regarding the matter that appears in the New York World-Telegram of this date.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 2215. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto; and

S. 2381. An act to amend the Criminal Code by providing punishment for impersonation of officers and employees of Government-owned and Government-controlled corporations.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 24 minutes p. m.) the House adjourned until tomorrow, Friday, February 25, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs, House of Representatives, will hold a meeting Friday, February 25, 1938, at 10 a. m., for the consideration of a building program for the Navy. Very important.

COMMITTEE ON RIVERS AND HARBORS

The Committee on Rivers and Harbors will meet Friday, February 25, 1938, at 10:30 a. m., to continue hearings on H. R. 8327, a bill to promote interstate and foreign commerce, to improve the navigability of the Lakes to the Gulf waterway, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 o'clock a. m. Tuesday, March 1, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON THE JUDICIARY

There will be a hearing before Subcommittee No. 2 of the Committee on the Judiciary at 10 a. m., on Tuesday, March 1, 1938, on the bill (H. R. 8892) to change and modify the rules of procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the act of June 19, 1934, chapter 651, by amending sections 412 and 724 of title 28 of the Code of Laws of the United States of America and by adding thereto sections 430B, 430C, and 430D, pertaining to pleading and practice in the district courts of the United States, who may sue and be sued, the selection of jurors, the appointment of court stenographers, and for other purposes. The hearing will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Washington, D. C., on Tuesday, March 8, 1938, at 10 a. m., on House Joint Resolution 463, permitting the transportation of passengers by Canadian passenger vessels between the port of Rochester, N. Y., and the port of Alexandria Bay, N. Y., on Lake Ontario and the St. Lawrence River.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 9, 1938, at 10 a. m., on the following bills: H. R. 9225, authorizing the appointment of 30 principal traveling inspectors by the Secretary of Commerce; H. R. 9368, authorizing the issuance of certain seamen's certificates by inspectors of hulls and boilers.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 16, 1938, at 10 a. m., on H. R. 8251, relative to radio operators on cargo vessels.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1096. A letter from the Secretary of the Interior, transmitting a proposed amendment to section 5 of an act to provide for the construction and maintenance of roads, the establishment and maintenance of schools, and the care and support of insane persons in the district of Alaska, and for other purposes; to the Committee on the Territories.

1097. A letter from the Secretary of the Interior, transmitting one copy of legislation passed by the Municipal Council of St. Thomas and St. John; to the Committee on Insular Affairs.

1098. A letter from the Secretary of the Interior, transmitting one copy of legislation passed by the Municipal Council of St. Croix; to the Committee on Insular Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. WITHROW: Committee on Interstate and Foreign Commerce. House Joint Resolution 594. Joint resolution directing the Federal Trade Commission to investigate the policies employed by manufacturers in distributing motor vehicles, accessories, and parts, and the policies of dealers in selling motor vehicles at retail, as these policies affect the public interest; without amendment (Rept. No. 1850). Referred to the Committee of the Whole House on the state of the Union.

Mr. DIMOND: Committee on Indian Affairs. H. R. 9358. A bill to authorize the withdrawal and reservation of small tracts of the public domain in Alaska for schools, hospitals, and other purposes; without amendment (Rept. No. 1851). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 7515. A bill to authorize the sale of certain lands of the Eastern Band of Cherokee Indians, North Carolina; with amendment (Rept. No. 1852). Referred to the Committee of the Whole House on the state of the Union.

Mr. PALMISANO: Committee on the District of Columbia. H. R. 9404. A bill to provide for the establishment of a commissary or vending stand in the Washington Asylum and Jail; without amendment (Rept. No. 1853). Referred to the Committee of the Whole House on the state of the Union.

Mr. McGEHEE: Committee on the District of Columbia. S. 1835. An act establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes; with amendment (Rept. No. 1854). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. RAMSPECK: Committee on Claims. H. R. 1250. A bill for the relief of Emilie Dew; with amendment (Rept. No. 1839). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 4033. A bill for the relief of Antonio Masci; with amendment (Rept. No. 1840). Referred to the Committee of the Whole House.

Mr. EBERHARTER: Committee on Claims. H. R. 5448. A bill for the relief of Joseph Sciortino; with amendment (Rept. No. 1841). Referred to the Committee of the Whole House.

Mr. CARLSON: Committee on Claims. H. R. 5904. A bill for the relief of L. P. McGown; with amendment (Rept. No. 1842). Referred to the Committee of the Whole House.

Mr. CARLSON: Committee on Claims. H. R. 6016. A bill for the relief of Lavina Karns; with amendment (Rept. No. 1843). Referred to the Committee of the Whole House.

Mr. ROCKEFELLER: Committee on Claims. H. R. 6669. A bill for the relief of Augusta L. Collins; with amendment (Rept. No. 1844). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 7040. A bill for the relief of Forest Lykins; with amendment (Rept. No. 1845). Referred to the Committee of the Whole House.

Mr. RYAN: Committee on Claims. H. R. 7043. A bill for the relief of International Grain Co., a Minnesota corporation, of Minneapolis, Minn.; with amendment (Rept. No. 1846). Referred to the Committee of the Whole House.

Mr. ROCKEFELLER: Committee on Claims. H. R. 8373. A bill for the relief of List & Clark Construction Co.; without amendment (Rept. No. 1847). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. S. 1700. An act for the relief of William A. Patterson, Albert E. Rust, Louis Pfeiffer, and John L. Nesbitt and Cora B. Geller, as executors under the will of James T. Bentley; with amendment (Rept. No. 1848). Referred to the Committee of the Whole House.

Mr. DREW of Pennsylvania: Committee on Claims. S. 2488. An act for the relief of Naomi Straley and Bonnie Straley; with amendment (Rept. No. 1849). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MAY: A bill (H. R. 9604) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace; to the Committee on Military Affairs.

Also, a bill (H. R. 9605) to provide for a commissioned strength of 14,659 for the Regular Army; to the Committee on Military Affairs.

By Mr. PEARSON: A bill (H. R. 9606) to amend section 903 of Revenue Act of 1936 and section 645 of title 7 of the Code of Laws of the United States and extending the time for filing claims for refund of amounts paid as tax under the Agricultural Adjustment Act; to the Committee on Ways and Means.

By Mr. KERR: A bill (H. R. 9607) to amend the provisions of the Agricultural Marketing Agreement Act of 1937; to the Committee on Agriculture.

By Mr. KEE: A bill (H. R. 9608) to amend the act entitled "An act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes," approved June 22, 1936, and amended by an act now known as Public Law No. 406, approved August 28, 1937; to the Committee on Flood Control.

By Mr. BARTON: A bill (H. R. 9609) to repeal sections 1 to 5 of chapter 5 of the laws of 1935 authorizing the issuance of Government bonds to the total value of $25,000,000,000; to the Committee on Ways and Means.

By Mr. LUECKE of Michigan: A bill (H. R. 9610) to amend the National Firearms Act; to the Committee on Ways and Means.

By Mr. BUCK: A bill (H. R. 9611) to permit sales of surplus scrap materials of the Navy to certain institutions of learning; to the Committee on Naval Affairs.

By Mr. CALDWELL: A bill (H. R. 9612) to authorize the coinage of 50-cent pieces in commemoration of the one hundredth anniversary of the signing of the Florida State Constitution; to the Committee on Coinage, Weights, and Measures.

By Mr. DINGELL: A bill (H. R. 9613) authorizing special-delivery messengers to be covered into the classified civil service as substitute clerks and carriers, and for other purposes; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 9614) to amend section 24 of the Immigration Act of 1917 to permit promotion of immigrant inspectors to grades 4 and 5 after required period of service; to the Committee on Immigration and Naturalization.

By Mr. McFARLANE: Resolution (H. Res. 423) creating a special committee to investigate the Library of Congress; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ARNOLD: A bill (H. R. 9615) for the relief of Columbus O. Perkins; to the Committee on Invalid Pensions.

By Mr. BULWINKLE: A bill (H. R. 9616) granting a pension to Sallie Wray Wells; to the Committee on Pensions.

By Mr. DOCKWEILER: A bill (H. R. 9617) to extend privileges of the United States Employees' Compensation Act to Sophie A. McGrath; to the Committee on Claims.

By Mr. MEAD: A bill (H. R. 9618) for the relief of Barney Cyganek; to the Committee on Naval Affairs.

By Mr. PEARSON: A bill (H. R. 9619) for the relief of Mrs. J. T. Simmons; to the Committee on Claims.

By Mr. SUTPHIN: A bill (H. R. 9620) granting a pension to Kenneth A. Cranmer; to the Committee on Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4213. By Mr. BATES: Petition of the General Court of Massachusetts, memorializing Congress to increase the tariff or duty on certain foreign-made products imported into the United States; and, attached to this petition, a copy of a brief that I, GEORGE J. BATES, Member of Congress, have filed with the Committee for Reciprocity Information, relating to the same subject; to the Committee on Ways and Means.

4214. By Mr. BEITER: Petition of the legislature of the State of New York, urging enactment of Wheeler-Johnson child-labor bill (S. 2226) which would prohibit the transportation of the products of child labor into any State where the sale of such products of child labor would be unlawful; to the Committee on Labor.

4215. By Mr. DEMUTH: Resolution of the Observatory Hill Church of Christ, Pittsburgh, Pa., that the motion-picture industry by its monopolistic trade practices of block booking and blind selling of motion-picture films not only handcuff and blindfold the independent exhibitors but paralyzes community influence in the control of the neighborhood screen; that the Neely-Pettengill bill, a consumers bill, designed to liberate independent exhibitors from these tyrannical trade practices and grant to communities freedom in the choice of films; that an early consideration be given the Neely-Pettengill bill (S. 153 and H. R. 1669); and that this Congress would do honor to itself and would protect our children and youth as well as our good name abroad by enacting the Culkin bill (H. R. 22); to the Committee on Interstate and Foreign Commerce.

4216. By Mr. DEROUEN: Petition of the New Orleans Association of Commerce, protesting against the enactment of House bill 3134, proposing a tax of 1 cent per gallon on fuel oil used for the generation of heat and power; to the Committee on Ways and Means.

4217. Also, petition of numerous committees, firms, corporations, officials, and businessmen, protesting against the enactment of House bill 3134, which would place a 1 cent per gallon tax on fuel oil used for heating and steam generating; to the Committee on Ways and Means.

4218. By Mr. FLAHERTY: Petition of citizens of Chelsea, Mass., urging enactment of antilynching legislation; to the Committee on the Judiciary.

4219. Also, memorial of the Legislature of Massachusetts, to increase the tariff or duty on certain foreign-made products imported into the United States; to the Committee on Ways and Means.

4220. Also, petition of the United Wall Paper Craftsmen and Workers of North America, Chelsea Workers Sublocal, Chelsea, Mass., protesting against the proposed reciprocal-trade treaty with Great Britain, Newfoundland, the British Colonial Empire, and Canada, as announced by the State Department of the United States; to the Committee on Ways and Means.

4221. Also, petition of Edward L. Shanney, president, Massachusetts Cuna Association, opposing House bill 7265, transferring jurisdiction over credit unions in the District of Columbia; to the Committee on the District of Columbia.

4222. Also, petition of the United Office and Professional Workers of America, Committee for Industrial Organization, Local No. 3, of Boston, Mass., opposing any changes whatsoever being made in the National Labor Relations Act; to the Committee on Labor.

4223. Also, petition of the Northampton Chamber of Commerce, Northampton, Mass., to exclude tooth and toilet brushes from the proposed reciprocal-trade agreement with Great Britain; to the Committee on Ways and Means.

4224. By Mr. HOPE: Petition of Laura Evans and 125 others, of Dodge City, Kans., protesting against the passage of the Patman bill, providing for a Federal excise tax on chain stores; to the Committee on Ways and Means.

4225. By Mr. LAMNECK: Petition of G. J. Mitchelson, president, and H. E. Williams, secretary, Westerville General Welfare Unit, No. 2, of Westerville, Ohio, urging the passage of the General Welfare Act; to the Committee on Appropriations.

4226. By Mr. LEAVY: Resolution of the Grand Coulee unit of the Washington Prospectors and Miners' Association, opposing any reduction in the tariff on lead and zinc on the basis that such reduction as might be consummated by trade agreement with Canada or any other foreign power would operate to curtail activity in this phase of mining in northwestern United States and consequently result in further unemployment, loss of capital, and distress among domestic producers; to the Committee on Ways and Means.

4227. By Mr. MARTIN of Massachusetts: Memorial of the General Court of Massachusetts, urging enactment of legislation increasing the tariff on boots and shoes, textiles, jewelry, gold, and silverware, and other products; to the Committee on Ways and Means.

4228. By Mr. TINKHAM: Memorial in the nature of a resolution of the General Court of Massachusetts, memorializing Congress to increase the tariff or duty on certain foreign-made products imported into the United States; to the Committee on Ways and Means.

4229. By Mr. TREADWAY: Memorial of the General Court of Massachusetts, memorializing Congress to increase the tariff on certain imports; to the Committee on Ways and Means.

4230. By the SPEAKER: Petition of the State, County, and Municipal Workers of America, Los Angeles, Calif., with reference to House bill 6704; to the Committee on Military Affairs.

SENATE

FRIDAY, FEBRUARY 25, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, February 24, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Clark	Hughes	O'Mahoney
Andrews	Connally	Johnson, Calif.	Overton
Ashurst	Copeland	Johnson, Colo.	Pittman
Austin	Davis	King	Pope
Bailey	Donahey	La Follette	Radcliffe
Bankhead	Duffy	Lee	Reames
Barkley	Ellender	Lodge	Reynolds
Berry	Frazier	Logan	Russell
Bilbo	George	Lonergan	Schwartz
Bone	Gibson	Lundeen	Schwellenbach
Borah	Gillette	McAdoo	Sheppard
Brown, Mich.	Glass	McCarran	Shipstead
Brown, N. H.	Green	McKellar	Smathers
Bulkley	Hale	McNary	Thomas, Okla.
Bulow	Harrison	Maloney	Thomas, Utah
Burke	Hatch	Miller	Townsend
Byrd	Hayden	Minton	Truman
Byrnes	Herring	Murray	Tydings
Capper	Hill	Neely	Vandenberg
Caraway	Hitchcock	Norris	Walsh
Chavez	Holt	Nye	Wheeler

Mr. BARKLEY. I announce that my colleague [Mr. VAN NUYS] is unavoidably detained from the Senate.

The Senators from Illinois [Mr. DIETERICH and Mr. LEWIS], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Kansas [Mr. MCGILL], the Senator from New Jersey [Mr. MILTON], the Senator from Florida [Mr. PEPPER], the Senator from South Carolina [Mr. SMITH], and the Senator from New York [Mr. WAGNER] are detained on important public business.

Mr. AUSTIN. I am requested to announce the necessary absence of the Senator from New Hampshire [Mr. BRIDGES], caused by illness.

The VICE PRESIDENT. Eighty-four Senators have answered to their names. A quorum is present.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries, who also announced that on February 24, 1938, the President had approved and signed the following acts:

S. 558. An act amending acts fixing the rate of payment of irrigation construction costs on the Wapato Indian irrigation project, Yakima, Wash., and for other purposes; and

S. 2383. An act to amend the act authorizing the Attorney General to compromise suits on certain contracts of insurance.

MEMORIALS

Mr. WALSH presented letters in the nature of memorials signed by 400 citizens, being principals, teachers, and employees of the department of schools of Lawrence, Mass., remonstrating against the lowering of the tariff duties on foreign-made goods, which were referred to the Committee on Finance.

Mr. LODGE presented a resolution adopted by the municipal council of the city of Gloucester, Mass., protesting against the proposed trade agreement between the United States and Great Britain, which was referred to the Committee on Finance.

REPORT OF COMMITTEE ON MILITARY AFFAIRS

Mr. MILLER. From the Committee on Military Affairs, I report back favorably without amendment the bill (S. 3530) to amend the National Defense Act of June 3, 1916, as amended, by reestablishing the Regular Army Reserve, and for other purposes, and I submit a report (No. 1414) thereon. I ask to have attached to the report a communication which is coming up from the War Department, but which has not yet arrived. We know what the communication is and I ask that it be attached to the report.

The VICE PRESIDENT. Without objection, the report will be received and the bill will be placed on the calendar.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. RUSSELL:

A bill (S. 3537) to amend the Judicial Code to create a new district in the State of Georgia, known as the northeastern district, and for other purposes; to the Committee on the Judiciary.

By Mr. SMATHERS:

A bill (S. 3538) to provide additional facilities for the training of personnel for the flying forces of the Army and Navy; to the Committee on Military Affairs.

By Mr. COPELAND:

A bill (S. 3539) to amend the act of May 27, 1908, authorizing settlement of accounts of deceased officers and enlisted men of the Navy and Marine Corps; and

A bill (S. 3540) for the relief of Esmerald Goodman, boatswain's mate, first class (life saving); Raymond H. Wilson, boatswain's mate, first class (life saving); Louis J. Burns, motor machinist's mate, first class (life saving); Silvie S. Langton, surfman; Eudorus J. Brown, surfman; Kenneth G. Sherwood, surfman; Alvin Combs, surfman; William E. Knight, surfman; Olaaf E. Starr, surfman; and Ejner E. Jensen, surfman; to the Committee on Commerce.

By Mr. LA FOLLETTE:

A bill (S. 3541) to amend the Social Security Act with respect to vocational rehabilitation; to the Committee on Finance.

By Mr. CHAVEZ:

A bill (S. 3542) authorizing the Secretary of Agriculture to convey a certain tract of land to Tranquilino Martinez; to the Committee on Agriculture and Forestry.

By Mr. BAILEY:

A bill (S. 3543) authorizing the Comptroller General of the United States to settle and adjust the claim of Earle Lindsey; to the Committee on Claims.

By Mr. NEELY:

A bill (S. 3544) granting a pension to Edward L. Pinney; to the Committee on Pensions.

By Mr. HAYDEN:

A bill (S. 3545) granting an increase of pension to William S. Bartlett; to the Committee on Pensions.

By Mr. POPE:

A bill (S. 3546) for the relief of Mrs. V. G. Havens; to the Committee on Claims.

By Mr. SHEPPARD:

A bill (S. 3547) for the relief of Robert Young Watkins; to the Committee on Finance.

A bill (S. 3548) to amend section 9 of the Civil Service Retirement Act, approved May 29, 1930, as amended; and

A bill (S. 3549) to prevent discrimination against graduates of certain schools in the making of appointments to Government positions to qualifications for which include legal training or legal experience; to the Committee on Civil Service.

By Mr. JOHNSON of Colorado:

A bill (S. 3550) to amend the Communications Act of 1934 to prohibit the advertising of alcoholic beverages by radio; to the Committee on Interstate Commerce.

WAR REFERENDUM—PROPOSED CONSTITUTIONAL AMENDMENT

Mr. LA FOLLETTE. Mr. President, on behalf of the Senator from Washington [Mr. BONE], the Senator from Kansas [Mr. CAPPER], the Senator from Missouri [Mr. CLARK], the Senator from Ohio [Mr. DONAHEY], the senior Senator from North Dakota [Mr. FRAZIER], the Senator from South Dakota [Mr. HITCHCOCK], the junior Senator from Minnesota [Mr. LUNDEEN], the junior Senator from Montana [Mr. MURRAY], the junior Senator from North Dakota [Mr. NYE], the senior Senator from Minnesota [Mr. SHIPSTEAD], and the senior Senator from Montana [Mr. WHEELER], and myself, I ask unanimous consent to introduce a joint resolution proposing an amendment to the Constitution of the United States. I ask that the joint resolution be referred to the Committee on the Judiciary and that a copy of it, together with a statement which we have signed in connection therewith, may be printed in the RECORD.

The VICE PRESIDENT. Without objection, the joint resolution will be received and referred as requested by the Senator from Wisconsin, and the resolution and statement will be printed in the RECORD.

The joint resolution (S. J. Res. 270) proposing an amendment to the Constitution of the United States for a referendum on war was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Senate Joint Resolution 270

Joint resolution proposing an amendment to the Constitution of the United States for a referendum on war

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as a part of the Constitution when ratified by the legislatures of three-fourths of the several States:

"ARTICLE —

"SECTION 1. Except in case of attack by armed forces, actual or immediately threatened, upon the United States or its territorial possessions, or by any non-American nation against any country in the Western Hemisphere, the people shall have the sole power by a national referendum to declare war or to engage in warfare overseas. Congress, when it deems a national crisis to exist in conformance with this article, shall by concurrent resolution refer the question to the people.

"SEC. 2. Congress shall by law provide for the enforcement of this section.

"SEC. 3. This article shall become operative when ratified as an amendment to the Constitution by conventions in the several States, as provided in the Constitution."

The statement above referred to by Mr. LA FOLLETTE is as follows:

IN RE WAR REFERENDUM PROPOSAL INTRODUCED JOINTLY BY THE UNDERSIGNED SENATORS

FEBRUARY 25, 1938.

This revised proposal, which has been worked out by supporters of the same measure in the House, meets most of the objections raised against the language of the Ludlow resolution. We believe there is no sound basis for a contention that this new bill in any way weakens our national defense. Certainly the contention could not be made that the Monroe Doctrine and our other interests in the Western Hemisphere are not completely covered by it.

It would appear equally clear that opposition to this proposal on the ground of interference with representative government is merely shadow-boxing with reality. Congress cannot, in fact, act as a check on any President who might elect to create a situation which could easily force a declaration of war. The constitutional provision that Congress alone can declare war would not check an Executive who might feel that aggressive actions which would inevitably lead to a declaration of war are necessary. No one can reasonably contend that Members of Congress are elected to represent their constituents on the war issue, since such issues invariably arise out of our relations with foreign powers which are shaped solely by the Chief Executive. The so-called neutrality law is not effective except by edict of the President, so that Members of Congress cannot even claim that their almost unanimous limitations on the activities of American citizens in war zones are respected by the Executive.

The measure we propose is not intended to replace representative government by "pure democracy," but to place a democratic check on a completely unlimited executive power. Attempts made to picture the war referendum as a "peace at any price" measure are without foundation in fact. A majority of World War veterans in the House of Representatives voted for it, which would seem conclusive evidence that such a charge was unwarranted. The American people have demonstrated their willingness to make all the sacrifices which war entails, but the disillusionment following the war to "make the world safe for democracy" has resulted in a firm determination on the part of millions of our citizens not to be catapulted into future foreign wars by the oversight, decisions, or mistakes of any one man. The people have demonstrated their capacity for self-government and we feel that they should have the right to pass upon a question which might involve the life of the Republic. We cannot bring ourselves to believe that there is anything in our American life to justify the charge that the people generally are so devoid of ethical judgment that moral decisions of the Nation should be made without consulting them.

The war referendum is an attempt to reestablish the intent of the framers of the Constitution that the power of the President to make war single-handed should be circumscribed by reasonable limitations. The proposed war-referendum resolution does not lessen the proper prestige of the United States in foreign affairs. The American people will never allow their rightful interests to be violated, and a President who is upholding national interests which the people believe worth fighting for can be confident that the people will support him in dealing strictly and justly with foreign nations. He has, however, no right to threaten to put the Nation into war or to do those things which will inevitably plunge the Nation into war over incidents arising from policies

which the people do not consider important enough to call for the terrible sacrifice of a modern war. Since Congress is apparently to have no effective power to prohibit the travel of American passengers on the munitions ships of belligerents or the convoying of munitions to belligerents or to have any check whatever on the extraterritorial activities of our citizens, it is imperative that there be some way of holding back an Executive from making a war issue which may lead to a declaration of war over a claimed right which a majority of citizens may not consider an adequate cause for war.

The proposal for a war referendum is not an isolationist measure, except in the sense of President Roosevelt's phrase, "Isolation against war," which he approved in 1936. It puts a check only on a cooperationist program of which war is an essential part. It does not, however, prevent such a program. What it does prevent is the unrestricted power of one individual to commit the Nation to war. Whenever the American people wish, for example, to unite with other nations to uphold the status quo in the world by force of arms, they will return to Congress Representatives and Senators pledged to it, and will support in a referendum any measures taken by a President to enforce the popular will after it has been expressed by such a Congress. This referendum measure means only that before the United States embarks in war in Europe, Asia, or Africa the understanding and approval of the people is required. It puts a check only on forms of international action undertaken by a President, regardless of Congress, which are not approved by the people, and which may be undertaken and carried to completion before the Nation understands either the purpose or the expected consequences of the proposed joint action.

The people have a right to be told the objectives of our prospective allies in any future war, because their objectives, whether expressed in secret treaties or remaining unspoken, are quite as important to a successful peace settlement as our own ideals and objectives. By forcing the aims of our prospective allies into the open this measure puts an end to our participating in wars for "fools' gold," in President Roosevelt's phrase. It puts an end to our cooperation in wars which are really for conquest or industrial supremacy by other nations. This measure, which prevents a repetition of such an experience, is not only a distinct move in the direction of open diplomacy, truth, and peace, but in the direction of real international cooperation. No successful international cooperation in peace will be undertaken by a people which has been disillusioned and embittered by misunderstanding of the purposes and actions of allies. It does not in any way put an end to wars which the American people desire to wage abroad for their ideals or real interests.

HOMER T. BONE.
ARTHUR CAPPER.
BENNETT CHAMP CLARK.
VIC DONAHEY.
LYNN J. FRAZIER.
HERBERT E. HITCHCOCK.
ROBERT M. LA FOLLETTE, JR.
ERNEST LUNDEEN.
JAMES E. MURRAY.
GERALD P. NYE.
HENRIK SHIPSTEAD.
BURTON K. WHEELER.

CHANGE OF REFERENCE

On motion by Mr. MCADOO, the Committee on Patents was discharged from the further consideration of the joint resolution (S. J. Res. 159) to preserve inviolate the integrity of patent rights, to insure patentees that even the Government cannot despoil them of their inventions, lawfully to acquire for national defense all patent rights to and proprietary interest in the patented Hubbell percussion device, and to authorize justice to be done the patentee as heretofore recommended by the Patent Committees of the United States Senate and House of Representatives, and it was referred to the Committee on Claims.

AMENDMENT TO STATE, JUSTICE, ETC., APPROPRIATION BILL

Mr. KING submitted an amendment intended to be proposed by him to the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

On page 67, line 12, after the words "United States", to insert "or a person owing allegiance to the United States or who is now in the service of the United States, or unless citizens with the requisite experience and qualifications are not available: *Provided*, That the provisions of this section shall not apply to any employment or other benefits provided in this act for alien employees of this Government in foreign countries."

PROPOSED CHILD LABOR CONSTITUTIONAL AMENDMENT

Mr. VANDENBERG. Mr. President, on February 16 the New York Assembly, for the third time, refused to ratify the pending child-labor amendment to the Constitution of the United States by a bipartisan vote of 107 to 40. This would seem to be the final proof that the old amendment is dead, and it puts added emphasis upon Senate Joint Resolution 144, being Calendar No. 808, which has the benefit of a unanimous report from the Senate Judiciary Committee in its favor. I ask unanimous consent to have printed in the RECORD three editorials which indicate, once more, the obvious fact that if the Senate is really interested in putting a child-labor amendment into the Constitution of the United States it has the opportunity, if it may be permitted to consider Senate Joint Resolution 144.

The VICE PRESIDENT. Is there objection?

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the New York Times of February 17, 1938]

THE CHILD-LABOR PROBLEM

Once more—for the third time in 4 years—the New York Assembly has defeated a resolution providing for ratification of the Federal child-labor amendment. The vote—40 for and 107 against—was actually more unfavorable by 2 votes than that in the 1937 session. The amendment was originally submitted to the States nearly 14 years ago. Ratification by 36 of them is required. So far approval has come from only 28.

The Times has favored ratification of the amendment. But the probability of continued long delay before that approval can be achieved is so great (it would require 4 years more if the rate so far were to continue), and the prospect even of eventual ratification so doubtful that we have favored the submission of the new Vandenberg amendment and the passage meanwhile of the Wheeler-Johnson bill.

The great advantage of the Vandenberg amendment is that it would be submitted direct to conventions in the several States. Thus a direct popular vote could be had on the question. The other changes from the older proposed amendment for which it provides, reducing the age of persons affected from those under 18 to those under 16, giving Congress the power to limit or prohibit, but not the more ambiguous power to regulate, child labor, and restricting the employment covered to that "for hire"; such changes are designed to gain substantially the same ends as the older proposal but to remove most of the objections that have blocked its ratification.

The Wheeler-Johnson bill has passed the Senate twice, once as an amendment incorporated in the wage-hour bill and once as a separate measure. It was passed unanimously. It is carefully drafted, though no doubt subject to improvement in some respects. Its amendment, for example, to make use of the work permit or work certificate system, to meet the criticism made by Grace Abbott in a letter published on this page on February 15, should be considered. Some of the strongest proponents of the older proposed child-labor amendment, however, have adopted an unfortunate all-or-nothing policy, which has led them into an otherwise incomprehensible opposition to the proposed Vandenberg amendment and the Wheeler-Johnson bill. Such an attitude merely threatens to defeat the real objectives of these persons. What is important is the adoption of measures that promise to rid us of child labor at the earliest practicable moment.

[From New York Sun of February 16, 1938]

DECISIVE REJECTION OF THE CHILD-LABOR AMENDMENT

The decisive defeat of the child-labor amendment in the assembly, the third refusal to ratify in 4 years, ought to mean the end of consideration of this wandering amendment so far as New York is concerned. There is no reason why the time of the legislature should again be wasted in discussion of the proposed amendment submitted in 1924 and to date ratified by only 28 States.

Debate in the assembly disclosed a considerable body of support for the amendments which Senator VANDENBERG, of Michigan, would submit to the States. Senator VANDENBERG's amendment would give Congress the power to limit or prohibit the employment for hire of persons under 16 years of age. There is an obvious and great difference between such a proposal and the proposal to give Congress the power to limit, prohibit, or regulate the labor of persons under 18 years of age.

The fact that the legislators of New York have had to consider this question three times in the space of the last 4 years, when the vote was always a foregone conclusion, suggests that the States and their legislatures may stand in need of protection against persistent minorities. This is particularly true in view of the fact that the child-labor amendment has been pushed on the theory that a rejection of it is not binding and a ratification of it binding. A provision in the State constitution that no proposed amendment to the Federal Constitution should be voted upon in the legislature more than three times might give needed protection against a theory under which no amendment could ever be defeated once and for all.

[From the Birmingham (Ala.) News]

The Vandenberg amendment would meet most of the objections that have been raised to the pending proposal. The News, which has opposed the amendment as it now stands, has previously suggested that if the regulation of child labor is to be taken out of the hands of the States and placed in the Federal Government, a new amendment containing an age limit of 16 and providing for a less sweeping grant of power to Congress should be submitted.

The Vandenberg proposal does this, and after it was introduced by the Senator from Michigan the News advocated its substitution for the 14-year-old amendment.

The Vandenberg amendment could be ratified, and probably in a comparatively short time. The pending amendment can never be ratified—and it should never be ratified. If the proponents of the pending amendment wish only to eliminate evils of child labor and end exploitation of child labor, they should be friendly to the Vandenberg proposal, which would accomplish that purpose. If they insist on the pending amendment and will not consider the Vandenberg proposal, they will lay themselves open to the suspicion that what they want is not so much the abolition of child labor as the placing of an indefensible control over the lives of young persons in the hands of Congress and a Federal bureau.

EQUALIZATION OF TARIFF FOR FARM PRODUCTS—ADDRESS BY SENATOR POPE

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an address on the subject Equalizing the Tariff, delivered by Senator POPE before the Farm Bureau Federation at Raleigh, N. C., on February 18, 1938, which appears in the Appendix.]

GEORGE WASHINGTON, THE EMPIRE BUILDER—ADDRESS BY COL. O. R. M'GUIRE

[Mr. LOGAN asked and obtained leave to have printed in the RECORD an address entitled "George Washington, the Empire Builder," delivered by Col. O. R. McGuire on February 23, 1938, at Minneapolis, Minn., which appears in the Appendix.]

GEORGIA'S SESQUICENTENNIAL OF RATIFICATION OF CONSTITUTION—ADDRESS BY JUDGE GORDON W. CHAMBERS

[Mr. RUSSELL asked and obtained leave to have printed in the RECORD an address delivered by Judge Gordon W. Chambers, of Augusta, Ga., on January 2, 1938, on the occasion of the celebration of Georgia's sesquicentennial of the ratification of the Constitution, which appears in the Appendix.]

FEDERAL COURT PROCEDURE IN WESTERN DISTRICT OF MISSOURI

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD an editorial from the Missouri Democrat of February 25, 1938, entitled "Three Strikes to Start," which appears in the Appendix.]

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee on page 46, which will be stated.

The CHIEF CLERK. Under the heading "Tennessee Valley Authority," on page 46, line 5, after the name "Hiwassee Dam" and the comma, it is proposed to insert "and for construction of a dam at or near Gilbertsville, Ky.", and in line 20, after the figures "1939" and the comma, to strike out "$37,237,000" and insert "$40,000,000", so as to read:

For the purpose of carrying out the provisions of the act entitled "The Tennessee Valley Authority Act of 1933," approved May 18, 1933 (16 U. S. C., ch. 12a), as amended by the act approved August 31, 1935 (49 Stat. 1075–1081), including the continued construction of Pickwick Landing Dam, Guntersville Dam, Chickamauga Dam, and Hiwassee Dam, and for construction of a dam at or near Gilbertsville, Ky., and for preliminary investigations of sites for dams at or near Watts Bar and at or near Coulter Shoals on the Tennessee River, Tenn., and the acquisition of necessary land, the clearing of such land, relocation of highways, and the construction or purchase of transmission lines and other facilities, and all other necessary works authorized by such acts, and for printing and binding, lawbooks, books of reference, newspapers, periodicals, purchase, maintenance, and operation of passenger-carrying vehicles, rents in the District of Columbia and elsewhere, and all necessary salaries and expenses connected with the organization, operation, and investigations of the Tennessee Valley Authority, and for examination of estimates of appropriations and activities in the field, fiscal year 1939, $40,000,000.

Mr. McKELLAR. Mr. President, I have only a few words to say regarding the pending amendment, which has to do with the Gilbertsville Dam. This same question was thoroughly discussed last year. In fact, this is the same fight that we had last year. Substantially the same arguments were then made; and the Senate, by a large majority, held that the Gilbertsville Dam should be built. Much money has already been spent, and to postpone the beginning of construction until next year would simply cost the Government more. While postponement is argued for, that is not the ultimate purpose. The purpose is to kill the project. The project ought to go on.

On yesterday the Senator from Nebraska [Mr. NORRIS] very thoroughly and cogently stated the reasons for the project, both from a navigation standpoint and from the standpoint of flood control. I shall not repeat the arguments made by the distinguished Senator from Nebraska. He showed conclusively that the dam was needed for flood control and for navigation, and there cannot be the slightest question about its being needed for power. The reasons could not be better stated than he stated them, and I am not going to discuss the first two phases of the question. However, I wish to say a word or two about the question of power.

In 1933, when the T. V. A. Act was before the Congress, there appeared certain witnesses who testified that in the Tennessee Valley there was ample demand for the power that could be there produced; in other words, that the power could be easily and economically transported to the city of Louisville, to the city of Cincinnati, to the city of Paducah, the home of our distinguished leader [Mr. BARKLEY], the city of Henderson, the city of Lexington, the cities of Memphis and Nashville, in my own State, and all the rural regions in that area.

There will be no trouble about the sale of the power. There will be a return to the Government, by the amortization plan, of every dollar of money which is spent on this dam. It is true that it will cost $112,000,000 when it is entirely completed; but it will pay for itself by amortization, and eventually it will cost the Government nothing. But what will it do in the way of reduction of power rates? It will reduce power rates to about one-third of the present rates in all that locality. The effect of building the dams has already been to reduce power rates in that entire region. In north Alabama, Tennessee, and even in Arkansas, power rates have been reduced by the use of T. V. A. power. The T. V. A. has recommended building this dam. It has fixed the site, and $2,600,000 will be required to begin the dam; and that is all that is provided for by the amendment to the pending bill.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield to the Senator from Nebraska.

Mr. NORRIS. Since the Senator is talking about power, I should like to call attention to a matter which I intended to mention yesterday but did not mention. I should like also to have the attention of the Senator from Michigan [Mr. VANDENBERG].

The Senator from Michigan submitted some figures given to him by Representative MAY, the chairman of the House Military Affairs Committee. Upon the basis of the figures he submitted, the Senator said that the cost of power at Gilbertsville Dam would be $581.84 per kilowatt.

I do not know how anyone can fix the exact cost of the power developed there until he knows what proportion of the cost of the dam at Gilbertsville is going to be allocated to power. Making a rough calculation, I presume that the figures submitted by the Senator from Michigan were arrived at by taking the entire cost of the dam at Gilbertsville and dividing it into the cost of the power and getting $581.84 as the cost per kilowatt. To arrive at those figures it is necessary to charge up to power the entire cost of the dam at Gilbertsville, which everybody knows never will be done and never ought to be done. No reasonable man could ask it. That calculation, therefore, apparently charges up the entire cost to power, and leaves navigation and flood control entirely out of the question.

I merely wanted to call attention to those figures. I think the Senator from Michigan will readily concede that he would not want to charge up the entire cost of the dam to power, but that is the only way he can reach the figures he has given.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield to the Senator from Michigan.

Mr. VANDENBERG. I have no information as to the method by which this calculation was made. If the calculation is to be made on the basis the Senator indicates, of course, I concede that it would not be a fair calculation.

Mr. McKELLAR. My understanding is that it is made upon the basis of charging to power the entire cost of building the dam, namely, $112,000,000; and, of course, allocations to flood control and to navigation would make the result a very different one.

Now, Mr. President, I desire to call attention to the exact amount that has been spent by the Tennessee Valley Authority. Three dams have been completed on this river and power is being sold from them. Those three dams are the Wilson Dam, the Norris Dam, and the Wheeler Dam. They have cost, exclusive of the nitrate plants, some $148,079,176.30 up to last June. The Wilson Dam was valued for power purposes at $31,361,000.93; the Norris Dam at $36,195,833.15; the Wheeler Dam at $30,816,513.72; in all, $94,488,020.28. Those three dams have been entirely completed and that is the cost for power purposes of the three dams.

What is the estimated return for this year on the power from those three dams which are now operating and furnishing power? As shown on page 1043 of the House hearings, it is $5,250,000. That is not a bad return; and the truth of the matter is that the return comes from not much over one-half—probably not as much as one-half—of the power possibilities of the three dams. In other words, while we are selling that quantity of power and getting that much return, the T. V. A. has contracts with the city of Memphis, the city of Knoxville, the city of Chattanooga, some smaller towns, and a great number of farm areas where mutual or cooperative associations are going to be established, which will use very, very much more power. As Senators know, the T. V. A. has been enjoined for a number of years; but these cities and towns will take power, these country areas will take power, and the result will be that this will be a paying proposition to the Government in the end, and it certainly will return all the money that is to be expended on it.

Reference has been made to the immense amount that has been appropriated for these dams.

Mr. BARKLEY. Mr. President——

Mr. McKELLAR. I yield to the Senator from Kentucky.

Mr. BARKLEY. Before the Senator takes up that subject, I think it ought to be stated that the Wilson Dam was not constructed at all under the Tennessee Valley Authority, but was built by the Government during the war, and that expenditure had already occurred before the T. V. A. was established.

Mr. McKELLAR. Yes; and I am including in the cost of the Wilson Dam the cost for power purposes, which is fixed by the Commission at $31,361,000.93.

Mr. BARKLEY. That expenditure had already been made, and would have been made if the T. V. A. had never been established.

Mr. McKELLAR. Yes.

Mr. CLARK. Mr. President——

Mr. McKELLAR. I yield to the Senator from Missouri.

Mr. CLARK. I should like to inquire of the Senator from Tennessee what difference it makes whether that dam was built under the T. V. A. Act or any other act. It is there. It contributes to flood control, it contributes to power, and it contributes to navigation. What difference does it make under what act it was constructed?

Mr. McKELLAR. For the purposes of this discussion it does not make any difference.

Mr. BARKLEY. Mr. President, I imagine that matter has been referred to only because of the criticism which has been made of the T. V. A.'s expenditures for dam purposes since it was created.

Mr. McKELLAR. The appropriation in the act of 1933 was $50,000,000. In 1934 there was appropriated $25,000,000. In 1935 the appropriation was $36,000,000. In 1936 the appropriation was $39,900,000. It is proposed to make an appropriation of $40,000,000 for the coming year. That is a total of $150,900,000 up to this time, on which we are getting a return from the dams already built of $5,250,000 this year, and we have not yet sold all the power.

In addition to that, the T. V. A. has expended $20,000,000—I am just giving the round figures—on the Pickwick Dam, which is nearing completion, and probably will be completed within 2 or 3 months. It has expended nearly $3,000,000 on the Hiwassee Dam. It has expended $11,119,000 on the Guntersville Dam in Alabama, which, as I understand, is fast approaching completion. On the Chickamauga Dam and Reservoir, which are over half completed, $9,241,000 has been expended. That is what has been done with this money.

When those dams are completed and the power is sold, as I believe it will be readily sold in that area, there will be ample return to amortize the debt to the United States for building the dams, and, in addition, the people of that whole area will be furnished power and light at about one-third of the cost to them heretofore. Taking into consideration the return to the Government on its investment and this great reduction of rates to the people, I doubt if there is a greater example in all the world of a government's use of its own property to better advantage, and, in addition to that, we have all-the-year-round navigation and flood control, which may save the Nation scores of millions of dollars in times of flood.

Mr. President, the value of this great undertaking should be apparent to all who study the question. I sincerely hope that our Government will take no backward step, and that this appropriation of $2,600,000 to make a modest beginning on this work will not be voted out of this bill. We ought to complete this project, not only for the reasons so well given yesterday by the Senator from Nebraska [Mr. NORRIS], to whom all of us look up in matters of power, but as a power project it will be a paying proposition.

Not only are cities coming in and contracting with the Tennessee Valley Authority for power almost continuously but rural electrification districts are being constantly established. Quite a number are already established in Alabama, Mississippi, and Tennessee, and one in Georgia, and just last week two more applications for rural electrification in Tennessee were filed here. All of these mean additional income to the Tennessee Valley Authority. Not only that, but these rural electrification districts mean electricity—cheap electricity—for the farmers of those districts. It will be one of the greatest benefactions to all country life and without eventual cost to the Government.

As I say, we should take no backward steps, but the Tennessee Valley Authority should be allowed to proceed. The President has approved this appropriation. The Tennessee Valley Authority is proceeding with the work. There is every reason why the appropriation should be made and there is no reason why it should not be made.

I hope the Senate will adopt the amendment.

Mr. OVERTON and Mr. HILL addressed the Chair.

The VICE PRESIDENT. Does the Senator from Tennessee yield; and if so, to whom?

Mr. McKELLAR. I yield first to the Senator from Louisiana. Then I will yield to the Senator from Alabama.

Mr. OVERTON. Mr. President, it is a fact, is it not, that when the projects of the Tennessee Valley Authority which have been authorized shall have been completed there will be an annual revenue of not less than $10,000,000 from them?

Mr. McKELLAR. Oh, it will be very much more than that. I will say to the Senator that we have had the most remarkable experience regarding the sale of power during the past 2 or 3 years. It has increased vastly, and the estimate is that for this year the figure will be $5,250,000. Not only that, but we have other power to sell, and at the present time in the State of Tennessee rural electrification areas have been established over probably half of the State, and applications are constantly coming from that State as well as from other States.

Mr. OVERTON. Mr. President, will the Senator yield further?

Mr. McKELLAR. I yield.

Mr. OVERTON. I am not talking about the years to come; but in the immediate future, as soon as these projects which have been authorized shall have been completed, there

will be an annual revenue of not less than $10,000,000 from power alone in the Tennessee Valley Authority?

Mr. McKELLAR. Indeed, there will be more than that. I think that is a very low estimate of the return that will come.

I now yield to the Senator from Alabama.

Mr. HILL. Mr. President, the Senator has in his able way presented briefly the picture with reference to the power situation in the Tennessee Valley, and, as the Senator stated, the distinguished Senator from Nebraska yesterday in a very masterly fashion presented the whole picture with reference to the proposed dam. But there are a number of Senators on the floor this morning who perhaps were not here yesterday afternoon, and, as the Senator from Nebraska spoke rather late in the afternoon, I think the fact should be emphasized that, aside from any question of power or navigation, as important as those two features may be, the Gilbertsville Dam is not only primarily a flood-control dam but it will play a tremendous part in the control of floods on the Mississippi River.

In that connection, if the Senator will yield further, I wish to call the particular attention of the Senate to the letter addressed to the Senate Committee on Appropriations by the Tennessee Valley Authority on the subject of the Gilbertsville Dam, in which the Tennessee Valley Authority made this statement:

> The great value of the Gilbertsville project is for flood control, and studies made by the Authority and consultants—

Incidentally, the record shows that the Tennessee Valley Authority had some eight expert consultants working with the Authority on the matter of this dam and its location, and what it would do—

> studies made by the Authority and consultants have disclosed the fact that this reservoir is the most valuable site available anywhere for control of floods on the lower Mississippi and lower Ohio Rivers. Natural reservoir sites with large storage capacity located so strategically near the point where control is badly needed are very rare—so rare that the Gilbertsville site in this respect is a unique natural resource.

The statement of the Authority then proceeds, and mark this:

> The United States Army engineers estimate that a future flood with a flow of 2,600,000 cubic feet per second at and below Cairo is probable, while the levee system is designed to carry only 2,250,000 cubic feet per second, so that 350,000 cubic feet per second are still unprovided for.

The people on the lower Ohio and the lower Mississippi today, even though their levee system may be complete, are in great danger of death and destruction from floods on the Mississippi system. The statement proceeds:

> The Army engineers have recommended a comprehensive flood-control plan, including a total of 45 reservoirs on the Ohio River system, in addition to projects already authorized, at an estimated cost of $246,000,000, which they say would reduce the flow at Cairo about 2 feet. It is evident that the Gilbertsville Reservoir will reduce this flow by a greater amount for a much less expenditure.

Instead of the Government expending $246,000,000, the expenditure of $112,000,000 on the Gilbertsville Dam will result in much greater benefit.

I call the particular attention of the distinguished Senators and of the Senate to the fact that, although the navigation feature is naturally important to those of us who live in Tennessee and Alabama, in the Tennessee Valley, the most important feature of the construction of this dam does not affect Tennessee or Alabama; it affects those who live in Ohio, Illinois, Indiana, Arkansas, Mississippi, and Louisiana, on the lower reaches of the Ohio and the Mississippi Rivers. Leaving out any question of power, or even the question of navigation, as important as those may be, the Gilbertsville Dam ought to be built, and ought to be built now, as a flood-control measure, for the protection of human lives and the preservation of property, including the precious soil of Mother Earth.

Mr. McKELLAR. Mr. President, I thank the Senator for his contribution, and I endorse what he says.

Mr. CLARK. Mr. President——

The PRESIDING OFFICER (Mr. MINTON in the chair). Does the Senator from Tennessee yield to the Senator from Missouri?

Mr. McKELLAR. I yield.

Mr. CLARK. Assuming the importance of the power situation in the Tennessee Valley, and assuming the importance of the navigation feature, but accepting the statement which was made yesterday by the Senator from Nebraska, and today again by the Senator from Alabama, that the primary object of the dam is for flood control, I should like to ask the Senator from Tennessee, or the Senator from Alabama, or the Senator from Nebraska if they know any justification, in law, or morals, or Government, for establishing one rule in the Tennessee Valley as to local contributions and as to priority appropriations and another for the rest of the country.

I have just this morning come, with the senior Senator from Arkansas and my colleague and a number of Representatives, from a long conference with the Secretary of War and the Chief of Engineers, where we were attempting to work out a situation involving one of the most acute flood situations in the United States, namely, in the St. Francis Basin, discussing a project which has been authorized by law, but under a statute which very rigorously requires local contributions which the local residents are not able to make. We were making an effort to see whether the War Department would be willing to accept the assurance of public agencies in the State of Missouri, but up to date we have not been able to accomplish what we desire.

I am in sympathy, as much as anyone can be, with the development of the Tennessee Valley. I think the dams already constructed and in progress did a great deal of good during the flood last year, and undoubtedly the fact that they have been constructed prevented a much greater disaster. I am interested in navigation on all inland waterways, and have always been. I am in favor, in erecting these dams, even where navigation or flood control are the primary purposes, of making them large enough so that they may be utilized for power purposes. I may say that I intend to vote for the amendment, although I opposed it a year ago——

Mr. McKELLAR. I thank the Senator.

Mr. CLARK. But it seems to me that it comes with very bad grace for many of the same Senators and the same Representatives and the same administrative officials who are the sponsors of and are favoring such amendments as that now pending as to the Tennessee Valley to insist that in every other flood-control area in the United States, many of which also have subsidiary navigation and power features, local contributions shall be made to a certain extent where frequently the people are unable to do it. It seems to me to be inconsistent and unfair for the same people to take one position with regard to the Tennessee Valley and another position with regard to other flood areas in the country.

I recall also that the Senator from Tennessee has pending at this time in the Committee on Commerce a proposal to put the whole Cumberland Valley under the T. V. A., so that regarding all the waters of the two great valleys of the Tennessee one rule will be applied, but as to every other flood area in the United States a different rule will be applied.

Mr. McKELLAR. Mr. President, in answer to the Senator from Missouri, I will say to him that I did not vote for the law requiring local contributions, to which he refers, when it was passed.

Mr. CLARK. I know the Senator from Tennessee did not, nor did the Senator from Kentucky.

Mr. BARKLEY. Mr. President, I not only did not vote for it but I secured the adoption of an amendment exempting communities from making such contributions, but when it went to conference all we could get was a possible exemption of one-half. I am opposed to it in principle.

Mr. CLARK. I am not referring to the Senator from Tennessee or the Senator from Kentucky, but there has been a general tendency, and I may say in some of the highest quarters in the Nation, to regard an appropriation for flood-

control projects in other sections of the country as a raid on the Treasury, but an appropriation for flood control in the Tennessee Valley as a great national project for the moral uplift of the people.

Mr. McKELLAR. The only difference between the Tennessee projects and the other projects of which the Senator speaks is that under the system which has been adopted under the Tennessee projects the improvements will pay for themselves and will eventually not cost the Government anything, but will do great good in reducing power rates and for navigation and flood control.

Mr. NORRIS rose.

Mr. McKELLAR. I will yield to the Senator from Nebraska in a moment.

So far as flood control is concerned, the engineers have declared that the improvements on the Tennessee will reduce the flood tide of the waters in the lower Ohio and on the entire Mississippi not less than 2 feet. I believe it will be more than that.

I wish to say a word or two further about this matter. Last year, it will be recalled, the city of Paducah was almost destroyed by flood. The city of Cairo was not so near destruction; the water reached the level of the levees, but by the use of sandbags the citizens kept the water out of the city. If it had not been for the storage water in the Norris Dam, it is very likely that the city of Cairo would have been flooded and possibly ruined. The situation is very different from that higher up.

Mr. CLARK. If the Senator will yield for a moment, although I do not want to preclude the Senator from Nebraska——

Mr. McKELLAR. I promised to yield to the Senator from Nebraska and will do so in a moment.

Mr. CLARK. I am thoroughly conversant with the facts as to the efficacy of the Norris Dam, and no one has questioned it; and I agree as to the value that comes from construction on the Tennessee River; but, Mr. President, in the State of Missouri and in the State of Arkansas right at this moment the White River is flooding, and the late Senator from Arkansas, Mr. Robinson, in his lifetime, the present senior Senator from Arkansas [Mrs. CARAWAY], and the junior Senator from Arkansas [Mr. MILLER], my colleague [Mr. TRUMAN], and I have been struggling for years to get some consideration of conditions along that river. While I believe there is no city on the White River as large as Paducah or Cairo, I insist that the people who live in the White River Valley are entitled to as much consideration as are the people who live in the Tennessee Valley or on the main stem of the Mississippi River.

Mr. McKELLAR. I agree with the Senator entirely.

Mr. CLARK. We have never been able to get an authorization with respect to the White River. One rule applies with respect to the Tennessee River, and a different rule applies with respect to the White River.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Tennessee yield to the Senator from Nebraska?

Mr. McKELLAR. I yield.

Mr. NORRIS. I wish to say that the question submitted by the Senator from Missouri to several Senators, and he included my name in submitting the question, was a proper one, and I have no hesitancy whatever in categorically answering "No" to the question he asked. I do not want one rule applied in one section and a different rule applied to another section. I discussed that point somewhat yesterday when the Senator from Missouri was not present.

Mr. CLARK. I read the remarks of the Senator from Nebraska in the RECORD. It was necessary for me to leave before the Senator spoke.

Mr. NORRIS. In my opinion, the idea of requiring local contributions in all cases is perfectly foolish. It is impossible to ascertain how much local property should contribute. Probably exceptional cases exist where local contributions should be made. As I understand, that would not apply to the St. Francis River or the rivers in Arkansas. I say there are probably exceptional cases which do not fall under the general rule, where local contributions ought to be made if the localities are particularly benefited. But the idea in connection with flood-control measures of requiring a locality, where a dam is built, to make contributions in any degree is foolish, as I see it. It cannot be done. If it were required to be done, it would mean that a dam would never be constructed.

For instance, the question arose in my own State, where it was proposed to build a reservoir to store water for the benefit of the people and property on the stream below. Such benefit always results in connection with flood-control measures.

Sometimes it has been argued that those who own land which is to be overflowed, and which must be bought, should contribute to the payment for that land. The construction of dams for flood control does not do such owners one cent of good. The good results to those on the stream below, perhaps 200 or 500 miles from where the dam is constructed. It is perfectly foolish to ask for local contribution at the point where the dam is constructed. If a law requiring such a thing exists we ought to repeal it. I wish to say to the Senator from Missouri that, in my judgment, it has no logic upon which to stand. It cannot be defended on any logical ground.

Take the particular dam about which we are now talking, the Gilbertsville Dam. Suppose the Senator owned some land in Kentucky, which is going to be overflowed when the dam is built, and it was necessary to buy it from him; would he get any benefit from that dam? He would not get one cent of benefit from it. Would the man who owned land adjoining, just outside of the reservoir area get any benefit? He would not get a cent of benefit. I can conceive how it might even result in damage to him. But go over to Cairo, Ill. All the people there are protected by the dam. Millions of dollars worth of property there is protected by the dam. All the other river States clear down to the mouth of the Mississippi get the benefit of that protection. But no one, unless he possessed the wisdom of God Almighty, could tell how much any individual property owner ought to pay.

Mr. President, the question is national in scope. When the work of flood control is spread out over the Nation it will equalize itself, and it ought to be paid for by the taxpayers of the Nation, because it is the Nation we are striving to support, and it is the Nation's life that we preserve when we build flood-control dams.

It is perfectly foolish to say that Missouri or Kentucky should contribute to a dam constructed within its borders for the benefit of millions of people living hundreds of miles outside the jurisdiction of those States.

Mr. McKELLAR. I thank the Senator. I will now yield to the Senator from Alabama.

Mr. HILL. The distinguished Senator from Missouri [Mr. CLARK] addressed a question to the Senator from Tennessee, the Senator from Nebraska, and to me. In answer to his question I wish to say that my feelings in the matter are the same as those voiced by the Senator from Tennessee and the Senator from Nebraska. I know of no way, either in good morals or good logic, of justifying any requirement for local contributions in the construction of flood-control reservoir dams.

I wish to say to the Senator, feeling as I do about the matter, that I believe it is fortunate that this question came up on the floor of the Senate, and that we have had this debate, because in the light of the debate and the discussions which have taken place we can certainly set a precedent showing that we favor the repeal of this policy now written into the law.

I wish to say to the Senator from Missouri that I hope the pending amendment will be overwhelmingly adopted as a declaration that we are going to repeal that provision of the law which sets this contrary policy.

Mr. CLARK. Mr. President, will the Senator from Tennessee yield to me for just one moment?

Mr. McKELLAR. I yield.

Mr. CLARK. I thank the Senator from Tennessee, the Senator from Kentucky, the Senator from Nebraska, and the Senator from Alabama for the expressions to which they have given utterance. The purpose of my question was to develop a position and a sentiment in the United States Senate for the repeal of that provision of the act which was passed last year. It is my purpose to introduce a bill for the repeal of that provision of the act. I have not done it before by reason of the short length of time which has elapsed since the question was last presented to the Senate.

I may say that another reason why I desire to develop this question arises out of the history of the insertion of that provision in the omnibus flood-control bill. That bill was reported from the Committee on Commerce originally, after most extensive hearings and extensive consideration in the committee, without this provision. After the bill had been reported and was on the calendar, another meeting of the committee was called, at which a distinguished Senator, not a member of the Commerce Committee but interested in the question of flood control, came before us with an amendment embodying the provision to which we have all been referring, and told us that if we did not insert that provision the bill would not be signed when it was passed. It was under that compulsion that the committee, over my protest and over my vote, inserted the provision, and it was under that compulsion that the bill was brought on the floor of the Senate and that amendment was put into it. It is for that reason that I feel this question ought to be brought up and discussed in connection with a very similar question involved in the deficiency bill.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. MILLER. I wish to say in connection with the remarks made by the Senator from Missouri that a bill is now pending before the Committee on Commerce to correct the situation that exists. The bill is known as Senate bill 3228. I introduced it some time ago in an effort to obtain some equality of treatment for all sections of the country.

In that connection, if the Senator from Tennessee will yield further, I should like to call the attention of the Senate to another fact. I said what I wanted to say yesterday about the Gilbertsville Dam. I know it is a factor in flood control. But the Bureau of the Budget has recommended for 1939 a total of $80,000,000 for flood control. Fifty million dollars of that, according to the Bureau of the Budget, is to be allocated for expenditure under the act of June 22, 1936. That is the Copeland Act, which requires local contributions in the manner pointed out by the Senator from Missouri. The remaining $30,000,000 is to be allocated for expenditure for flood control on the lower Mississippi River. There is not a single allocation or recommendation by the Bureau of the Budget in the Budget proper of anything for the building of a single reservoir except such reservoirs as may be built under the Copeland Act, which requires local contributions. I tried to point out to the Senate yesterday that, if progress is to be made, we must amend the law by repealing that provision. Otherwise, this injustice is going to continue, just as it has in the past, and we shall not have flood control, except the flood-control works now proceeding on the lower Mississippi River, which everybody wants to see go ahead.

Mr. McKELLAR. I will say to the Senator that, in my judgment, no flood-control dam could be built anywhere in his State or in any other State which would be half so important to the lowlands of Arkansas, and the towns which are built on those lowlands, as would be this flood-control project in the State of Tennessee. The State of Tennessee will get very little benefit from it. The benefit will accrue to Ohio, Missouri, Arkansas, and the States farther down the river.

Mr. President, I have said all I desire to say on this question, except that it seems to me it should be apparent to every thinking person that this project should be completed. It would never do to stop it. It ought to be continued, and it ought to be completed. The Budget Bureau has approved the appropriation of $2,600,000 for this purpose. The President has approved the estimate and sent it here; and I sincerely hope the Senate will approve it at this time.

Mr. HALE. Mr. President, in the course of his remarks yesterday the Senator from Michigan [Mr. VANDENBERG] made what might be construed as a criticism—although a very courteous criticism—of the Committee on Appropriations for not holding more extended hearings on the question of the Gilbertsville Dam.

I am a member of the Appropriations Committee. I am a member of the subcommittee which handles the independent offices bills. I take a very considerable pride in the work of the Appropriations Committee. With his customary fairness, the Senator from Michigan made the following statement:

> I concede that a fairly persuasive argument may be made that the decision of the Congress last year at least tentatively settled the question whether this new and tremendously expensive institution should be created. I concede that there is something to be said for the proposition that we are already committed to it.

I may say that the reasons given by the Senator from Michigan were the reasons which prompted the committee, or rather prompted me as a member of the committee—for I have no authority to speak for the committee—not to ask for full hearings on this question.

Last year the Senator from Tennessee [Mr. McKELLAR], without any Budget recommendation, succeeded in getting through the Congress—first through the subcommittee of the Committee on Appropriations handling the bill, next through the full committee, and then through the Senate—a provision authorizing the construction of the Gilbertsville Dam, and a provision for a small appropriation toward that construction. Both provisions were later accepted by the House.

I voted against the proposition in the subcommittee. I voted against it in the full committee. I voted against it in the Senate. I do not think I can be called a partisan of the Tennessee Valley Authority. In fact, I think on all occasions on which an issue has arisen affecting the Tennessee Valley Authority I have been classed with those who are opposed to the Authority.

This year the matter comes up in a different way. The Second Deficiency Act of 1937 authorized the construction of the dam, and provided a small amount of money toward its construction. It is not necessary to renew every year an authorization for construction. Until it is revoked the authorization is still in effect. There is nothing in the action taken by the House which revokes the authorization for construction. All the House has done is to omit from the bill any appropriation for the Gilbertsville Dam for the next fiscal year.

I believe that the action which was taken by the Congress last year definitely starts the project and makes it a going concern. The Budget has recommended a small appropriation for the next fiscal year, and I shall stand by the action of the committee in approving such an appropriation.

Mr. OVERTON. Mr. President, I shall detain the Senate only a few moments in the discussion of the appropriation for the Gilbertsville Dam. The matter was very thoroughly considered at the last session of the Congress, and the construction of the dam was authorized.

It has been said in the course of the debate today that one of the objections to the construction of the dam is that no local contribution is required, and that local contribution is required in reference to other projects in connection with flood control.

I realize that there are a great many inequalities in the existing law dealing with the flood-control program. We have large flood-control burdens to bear in the lower Mississippi Valley, and particularly in the State of Louisiana. We still have to make our local contribution. Notwithstanding the fact that in 1928 Congress declared that since the people in the lower Mississippi Valley had contributed $292,000,000 to flood control, they should not be required to

make any further contribution, we have contributed over $50,000,000 toward flood control since the enactment of the act of 1928. We have to provide rights-of-way for levees on the main stem of the Mississippi River. When the levees are set back and plantations which have been in cultivation for years and years are exposed to the ravages of the river the Federal Government makes absolutely no compensation to the property owners. There is no provision for paying for flowage easements or for the condemnation of property which is exposed to the ravages of the river by reason of the setting back and realinement of levees along the main stem of the Mississippi River.

We have another serious problem with which to deal. The trouble with flood control in the lower Mississippi Valley is that from Cairo on down the Mississippi River receives much more water than it can take care of. In order to meet the situation the Federal Government provided for certain floodways and spillways. There was a floodway constructed in Missouri known as the Birds Point-New Madrid floodway, for the protection of Cairo. The property belonging to the people in that floodway, whenever the emergency arises, is subjected to overflow to divert water from the Mississippi River at the Birds Point floodway. The Bonnet Carre floodway was built in Louisiana. That floodway diverts water over the soil of Louisiana. The West Atchafalaya floodway runs through the State of Louisiana, from near the Mississippi River on down in a southwesterly direction, approximately to the Gulf of Mexico. That floodway is 7 miles wide, on the average.

The construction of two other floodways has been proposed, one of which would be exclusively in Louisiana, and the major portion of the other would be in Louisiana. One is the Morganza floodway, which starts at the Mississippi River, southeast of the Atchafalaya, and runs on down, approximately to the Gulf of Mexico. It is about 7 miles wide. So that with the Morganza and the West Atchafalaya floodways combined, we have a floodway in the State of Louisiana running from the Mississippi River down to the Gulf of Mexico with a total width of 14 miles.

There is also proposed—and the act of Congress authorizes—the construction of what is known as the Eudora floodway, which starts in southeastern Arkansas and runs down through the heart of Louisiana, 10 miles in width and 100 miles in length. The Eudora floodway, when constructed, will debouch its muddy currents into the central portion of Louisiana, covering a vast area.

So, Mr. President, there are burdens to be borne when we come to consider the flood-control program, and there are serious problems with which Congress will have to deal in the future.

We in Louisiana are prepared to proceed with the construction of the Morganza floodway. The law enacted by the Congress declared that neither the Eudora nor the Morganza could be constructed until options covering 75 percent of the estimated value of the flowage easements of both these floodways had been obtained at prices satisfactory to the Chief of Engineers. The people residing in the Morganza floodway area have contributed the options covering more than 75 percent of the water easements of the floodway. The people residing in the area of the Eudora floodway have not done so. The overwhelming majority of the people of the Eudora floodway is opposed to the construction of the floodway. So, in order to solve that particular problem, I have introduced into the Senate a bill which authorizes the construction of the Morganza floodway upon the obtaining of options covering 75 percent of the estimated value of the flowage easements at prices satisfactory to the Chief of Engineers, regardless of whether a like percentage of options have been obtained in the proposed Eudora floodway. There is no engineering connection between the Morganza and the Eudora. There is no reason why the Morganza floodway should not be promptly constructed. The engineers favor it; the people of Louisiana are willing to bear this burden; the property owners have given the options.

Mr. President, I am mentioning these problems merely incidentally to lead up to my view as to the Gilbertsville Dam. I stated at the outset that the great trouble in the lower Mississippi Valley is that we are getting more water in the lower valley than we can take care of.

The leveed channel cannot hold it, and as a result various States—Missouri, Arkansas, and particularly Louisiana—are called upon to make the great sacrifice of having these spillways and mammoth floodways constructed right through some of their most fertile areas.

Mr. President, whenever it is proposed to construct a reservoir that will keep an appreciable amount of water out of the lower Mississippi Valley, when such a project has received the endorsement of competent engineers representing the Government, when the effect of such a project is that it will materially reduce the flood stages not only in the lower Ohio but in the Mississippi, when the result will be that it will keep during periods of great floods a substantial flow of water out of the lower valley of the Mississippi, it seems to me that Senators and Members of the other House representing States in the lower valley should take a sympathetic view of such a proposal. It seems to me that the entire Congress, dealing as it has been for years and years with the problem of flood control in the lower Mississippi Valley, should be willing to authorize an appropriation for the construction of a reservoir that will be of such substantial assistance in the solution of the great problem with which we are confronted down in the valley.

It is an undisputed fact, Mr. President, that the Gilbertsville Dam when constructed will, during periods of major flood, withhold from the lower Ohio and from the Mississippi where the Ohio empties into the Mississippi 200,000 cubic feet per second. That 200,000 cubic feet during major flood will be taken out of the lower Mississippi River and will be just that much less water with which we shall have to cope. It will have the effect of lowering the flood stage at Cairo some 2 feet and will have the effect of lowering the flood stage on down the Mississippi River.

I know that it will not have the effect of lowering the flood stage in the Mississippi as much as 2 feet all the way down to the Gulf, because the effect of it is gradually dissipated. It depends a good deal upon the velocity of the water, the swiftness of the current, and how rapidly the flood is passing down; but the fact remains that it will withhold from the lower Mississippi Valley the huge volume of 200,000 second-feet. Withholding 200,000 second-feet means a freeboard of approximately 2 or 3 feet on the Mississippi River along the west bank of the State of Missouri; it means a protection to the St. Francis River Valley bottom, concerning which the Senator from Missouri [Mr. CLARK] spoke this morning. It will be of great benefit all the way down the valley, and, as a representative of the State of Louisiana, it is my purpose, Mr. President, to support the pending amendment.

I realize that there are injustices. I wish that we could have a program that would provide a rule which would be of general application not only to the Mississippi Valley but throughout all our valleys where we have major flood problems to deal with; but those who are opposing this amendment upon the ground that no local contribution is here required, whereas local contribution is required on rivers in which they are particularly interested, it seems to me are arguing against their own theory.

In my judgment, Mr. President, it would be infinitely better for those who are interested in the St. Francis and in the Arkansas and in the White to go along with the appropriation that carries into effect the theory of no local contributions, of which they are advocates, rather than to say, "Though you are getting what we think you ought to get and are having done what ought to be done, we do not propose to vote for it until we get ours."

So far as I am concerned, Mr. President, I am perfectly willing to go along with this appropriation which carries no theory of local contributions, in the hope and in the expectation when we present to Congress our own flood-control

problems in our own vicinities that the Congress will take as sympathetic a view of the matter as I am taking in this instance.

Mr. BARKLEY. Mr. President, I do not wish to delay the vote on this amendment; but, inasmuch as the dam which is the subject of this controversy is in my State and is the only one of the dams to be constructed on the Tennessee River which is in Kentucky, I feel that I should not be doing justice either to my State or to the project itself if I did not say a few words about it.

I am in full sympathy with the attitude of the Senator from Arkansas [Mr. MILLER], the Senator from Missouri [Mr. CLARK], the Senator from Louisiana [Mr. OVERTON], and all other Senators with regard to the matter of local contributions on flood-control projects the effect of which and the cause of which reach beyond the local communities. I recall, when the Flood Control Act was passed a year or two ago, that it carried a provision for local contribution. It was not recommended by the committee when the bill was reported to the Senate. The bill came up here on the last day of the session, as I recall, and almost within the last hour of the session. During the confusion which always attends the last days or hours of a session, nearly every Member was on his feet talking and making known his position with respect to the bill. The amendment was offered, I think, on the floor after a hasty session of the committee, and was adopted in that confused situation. I opposed it at the time, and voted against it, because for a long time I have believed that the question of flood control on all these great rivers where the water comes rushing down from a number of other States is a national problem and not a local problem.

If there is any justification at all for a local contribution, it would be for a purely local project and local protection in the form of sea walls or levees in front of towns, or even of agricultural lands, as has been the case for many years in the Mississippi Valley; but it never was contemplated, and I do not believe it is now contemplated, that in the construction of a dam across any navigable river in the United States there should be local contribution; and, so far as I know, there never has been any local contribution toward the construction of a dam across any river in the United States. There has been none in the Ohio Valley. Years ago Congress committed itself to the canalization of the Ohio River by making it navigable with an all-year stage of 9 feet from Pittsburgh, Pa., to Cairo, Ill., and some fifty-odd dams were constructed, not one of which had any local contribution whatever.

Not one of the dams which have been constructed in the Tennessee River or in any other river, either for flood control or for navigation, has had one dime put into it by any local contribution.

So this dam really is not an exception to the rule which heretofore has prevailed with respect to local contribution; but I do not believe in the justice of requiring local contributions, even for building sea walls or levees in front of a city in order to protect it from waters which come down from a number of other States and other tributaries. Not only did I oppose that provision when the bill was originally enacted, but last year I secured the adoption on the floor of the Senate of an amendment authorizing the President to waive that requirement in the case of any community which he found was not financially able to make a local contribution. The Senate almost unanimously adopted the amendment. I do not think there was a single vote against it. The bill then went back to the other body, and went to conference, and a compromise was arrived at, authorizing the President to waive 50 percent of the local contribution for the purchase of rights-of-way, and so forth.

I am ready to vote to repeal the original provision, because I believe that when any river carries in its bed the waters of half a dozen or a dozen or 30 States, or 3 or 4 States, or any other number, and they converge as they do in the Ohio and the Mississippi and the St. Francis and the Arkansas and the White and the Connecticut and the Susquehanna and other rivers, the problem of flood control is a national problem which ought to be dealt with nationally, and that the construction of reservoirs and other flood-control devices ought to be undertaken by the National Government.

Would it not be ridiculous to require local contribution in the construction of a dam which would create a reservoir of 400,000 acres? These dams are not built in cities. They are built in the country. They are built way off, far from the centers of population. They are built in out-of-the-way places.

I have been to Norris Dam, down in Tennessee, near Knoxville, and I have watched with great admiration the efficiency with which that dam has been constructed. How much money could Uncle Sam raise by requiring the local community in which that dam was built to contribute anything, and who would enforce the contribution, or who could raise the money? It is perfectly ridiculous.

So I will say to my friend from Missouri [Mr. CLARK] and my friend from Arkansas [Mr. MILLER] that what we are doing here is not an exception. While the Tennessee Valley, by our law and by our committal to it, has been taken out from the ordinary rule of piecemeal appropriation for flood-control and power and navigation purposes on rivers generally, the dams that have been built in the Tennessee River, just like the dams built on all the rivers, have been built exclusively at national expense, and a contribution has never been required of any community to build any dam across a navigable river in the United States. So, really, we are not asking here anything which has not been the rule in the construction of all these dams. But I stand ready to join my colleagues here not only in declaring this a national obligation but in carrying out the declaration and the committal by having these flood-control or protective devices built by the National Government; and I have already established my record on that subject.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Missouri.

Mr. CLARK. I should like to ask the Senator what local authorities or local citizens or State authorities were required to make guaranties to the Government with regard to damages to highways, and matters of that sort, in connection with the Norris Dam or any other dam in the Tennessee Valley. That is required by law—not, to be sure, in the omnibus Flood Control Act—in the case of every other navigable stream that I know of in the United States in which dams are being built.

Mr. BARKLEY. I have not recently looked up that provision. I do not know how far it goes in requiring the local communities to guarantee themselves against damage to highways.

Mr. CLARK. The law refers to highways or appurtenances or other things of that sort. That is required under the terms of the Overton Act, for instance, under which the project comes to which I was referring this morning, in the St. Francis Basin; and, as I say, the War Department are soberly considering whether they can accept a guaranty from the Highway Department of the State of Missouri and the Planning Commission of the State of Missouri, public agencies, because there is no local agency which can make the guaranty.

Mr. BARKLEY. I appreciate that situation, and in all probability that is one of the injustices which ought to be corrected and must be corrected, in my judgment, in the application of the theory that flood control is a national obligation, and ought to be carried forward in that spirit.

I regret that every time this particular appropriation comes up Gilbertsville is singled out for attack by somebody in the Senate. All the other dams in the Tennessee Valley have been constructed or authorized, and there has never been any controversy about them. There has never been much of any debate here about the Norris Dam. There was a debate when the T. V. A. was first established and authorized; but the Norris Dam, and the Wheeler Dam, and the Hiwassee Dam, and the Pickwick Dam, and all the other dams, have

been constructed or have been started without any controversy. Now that we are trying to have the last one in the Tennessee Valley, and the largest one, constructed in order that the entire valley may be treated as a whole and the project may be completed, every time the name "Gilbertsville" arises here it seems to disturb the peace and quietude of the Senate to such an extent that we have every year to defend the construction of the Gilbertsville Dam. I hope this is the last time we shall have this controversy in regard to Gilbertsville.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Michigan.

Mr. VANDENBERG. "Dam" is a relative word. We can make it stronger or leave it as it is.

Mr. BARKLEY. "Damn" is a relative word as an adjective, but "dam" as a noun is not a relative word at all; and it is as a noun that I am undertaking to discuss it now.

Mr. McNARY (from his seat). I congratulate the Senator on being a great grammarian.

Mr. BARKLEY. I thank my friend from Oregon for privately admitting that I am a great grammarian. I suppose I might call myself a "damn" grammarian, using the word as an adjective and not as a noun at that particular juncture. But, regardless of that, and laying aside all levity, this dam having been authorized, a corps of men having been at work there for the past 2 or 3 years, the Corps of Engineers having made all the investigations that any corps of engineers would be required to make in order to locate the dam at the most available site, the appropriation having been asked for and having been approved by the Budget Bureau, by the T. V. A., and by the President, certainly there ought not to be any longer any controversy about the wisdom of beginning the construction of this dam.

I shall not go into the question of power, because that matter has been exhaustively discussed by the only real power expert in the United States Senate, the Senator from Nebraska [Mr. NORRIS]. I waive all that. I do not intend to discuss the question from the standpoint of navigation, because everybody admits that the dam is of value as an aid to navigation; but I do want to say just a word about it on the score of flood control.

The Tennessee River, at the point where this dam is to be constructed, is wider than the Mississippi River at St. Louis. In normal times the Tennessee River carries more water than the Mississippi River above Cairo. The Tennessee River rises in eastern Tennessee close to the border of North Carolina, gathering its waters from all the tributaries which flow down from all parts of the Allegheny Mountains. It flows down through Tennessee into Alabama, crosses almost the entire width of Alabama, then comes up again into Tennessee, crosses the entire State of Tennessee, then crosses the entire State of Kentucky, and empties into the Ohio River at Paducah, which is my home.

It has always been an important tributary to the Ohio River from the standpoint of navigation, steamboats plying from Memphis and St. Louis, coming up the Mississippi into the Ohio and into the Tennessee, and, until this project was inaugurated, being able to go no farther up the Tennessee River than Muscle Shoals. They stopped the steamboats in the neighborhood of Florence, Ala.

I can recall as a boy how I used not only to watch the steamers as they plied up and down these rivers but now and then I took trips on them myself. The Tennessee River flows through a fertile territory, it flows through a region capable of almost inexhaustible contribution to the wealth of the Nation from an agricultural standpoint as well as from a commercial standpoint.

There are only three dams on the Tennessee River which have been completed. There are two or three under construction. I suppose on the average they are about one-half completed. A year ago the most disastrous flood that ever occurred in the Ohio Valley occurred to our people. The city in which I live, a city of 40,000 people, for the first time in its history, was completely inundated, and the entire population had to be moved out in order that their lives might be saved. In that one city alone more than $25,000,000 worth of property was destroyed in 4 weeks, representing the lifetime savings of thousands of our people, and that was only an example of what happened in the entire Ohio Valley almost from Pittsburgh down to Cairo, Ill.

It has been stated, and it goes without contradiction, that the dams already completed on the Tennessee River and those which are partially completed prevented the overflow at the city of Cairo, Ill., which occupies the southern point of Illinois, in that sort of vise-shaped territorial contour right at the forks of the Ohio and the Mississippi Rivers. When the Ohio River flood came down, after the most stupendous rains which had ever occurred in the Ohio Valley, stretching from the crest of the Allegheny Mountains all the way west to Kansas City and Omaha, and even in the upper regions of all the tributaries to the Ohio River, it produced a situation which had never existed before on the lower Ohio River and on the Mississippi River below Cairo.

Fortunately, the upper Mississippi River had no water in it to speak of; it was not at flood stage. There had been no great rains and no snows to contribute to the flood waters of the Mississippi River above Cairo, Ill. If there had been the normal amount of rain or the normal amount of snowfall, or meltage, in the upper Mississippi Valley, which would have filled its banks under normal conditions, there would have been no way to save the city of Cairo, and there would have been no way to preserve the levees on the lower Mississippi, or to preserve the property in Arkansas, Tennessee, Mississippi, or Louisiana from overflow of the waters of the Ohio River and its tributaries. Because of the lack of any flood in the upper Mississippi River the levees at Cairo and the levees all up and down the Mississippi River, on the west and east sides were able to protect the contiguous property on either side from almost irreparable damage or destruction.

If these dams on the Tennessee River in their uncompleted condition kept the flow of water back to the height of 1 foot at Cairo or Paducah—if these dams on the Tennessee in their uncompleted condition kept the stage of the Ohio River down 1 foot, and the completed project on the entire Tennessee, including the Gilbertsville Dam, should keep the waters back two feet and a half, and there should ever be another flood on the Ohio and Mississippi Rivers, with the upper Mississippi making its contribution to the flood waters of the lower Mississippi, it is easy to understand how important the Gilbertsville Dam would be and how important the completion of this entire project would be to all the millions of people who live between the cities of Paducah, Ky., and Cairo, Ill., and New Orleans, La., on both sides of the Mississippi River in all the States through which the Mississippi flows from Cairo to New Orleans.

So the dam is important as a flood-control project. It has been thoroughly investigated. The dam has been subjected to more engineering scrutiny than any other dam on the Tennessee River, a statement which I am sure the Senator from Nebraska will confirm.

Before the Tennessee Valley Authority was established, private interests had contemplated for years the building of a dam at Aurora, Tenn., which is about 25 miles up the river from the site which has now been chosen at Gilbertsville. After the Tennessee Valley Authority was established, everyone recognized that the Tennessee Valley Authority could not be one-half publicly controlled and one-half privately controlled, and that any link in the Tennessee Valley projects, or any dam built by private industry and controlled by private industry, would to that extent interfere with the harmonious operation of the Tennessee Valley Authority, whether it is used as a yardstick or used for navigation, or for power, or for any other purpose. As a result, the Tennessee Valley Authority entered into negotiations and came to an adjustment between it and these private parties which had contemplated the building of a dam at Aurora, Tenn., just below the Kentucky and Tennessee borders.

After these things had gone on the Tennessee Valley Authority's engineers began to make surveys to determine not only the desirability of the dam but to fix its location. It was then contemplated that if a dam should be built at Aurora, Tenn., there would have to be another one built in the Tennessee between that point and the mouth of the Tennessee at the Ohio River. They began to consider the question whether they might not build one dam that would serve the same purpose. So, in making their surveys they found a better site at Gilbertsville, a site with more solid, firm, and satisfactory foundation. They found also that by changing the site 22 or 23 miles down the river and building the dam 22 or 23 miles above the mouth of the river they could make one dam serve the purpose of two dams and thereby save the amount that would be expended in the construction of the other dam.

They first estimated that they could build for $75,000,000 a dam of a certain type, but when they began to consider all three of the elements which enter into the desirability of the dam, they decided to build the type of dam which would be valuable for navigation and flood control, and, incidentally, as the Senator from Nebraska has already emphasized, for whatever power might be created or usable as a result of the construction of the dam for these primary purposes. So the estimate now is that it will cost $112,000,000.

All the Budget has recommended, all the T. V. A. has asked for, is $2,700,000 for work on the dam during the next fiscal year. As pointed out yesterday, this is not a dam which can be built in a year, or 2 years, or 3 years; it may take 5 years, it may take longer than that, because the Tennessee Valley Authority has estimated that about $15,000,000 a year is all they can economically expend in the construction of this largest dam on the Tennessee River.

At the rate of $15,000,000 annually it would take 7 years and even longer to complete the construction of the dam. I hope they may find they may use more money than that annually, and can construct the dam and finish it and have it ready for operation about the same time when they have all the other dams completed, so that the entire Tennessee Valley project may be completed at the same time, and become available for all purposes to the people not only of the Tennessee Valley, but of all the other valleys which are involved in the construction of the dam.

Mr. President, that is the story, and there is nothing more I need say about the matter at this time.

Mr. BONE. How high is the Gilbertsville Dam to be?

Mr. BARKLEY. I think it is to be about 68 feet high. I am not certain that I am accurate in that, but I think it is about that.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. HILL. The truth is that delay in construction at this time would mean inefficiency and waste, and would result in a considerable increase in the final cost of the dam.

Mr. BARKLEY. I am glad the Senator made that suggestion, because Dr. Arthur E. Morgan, in a communication which I thought I had here, but which I cannot lay my hand on at the moment, made the statement that failure to obtain this appropriation now would mean a lessening of the operations on the dam, which would result in loss of time and efficiency, and that the loss of efficiency and time in the construction of the dam by reason of the failure to get this appropriation might cost even more than the amount we are asking for now, if they have to cease operations and wait for another year in order to get an equal amount to begin the work which they are now ready to start. I thank the Senator from Alabama for calling my attention to that phase of the matter, which I had overlooked.

I sincerely trust the amendment will be agreed to, and I have every assurance that if it is agreed to the work will go forward and will be rapidly carried to a conclusion, and the dam will operate to the benefit of millions of people in the entire Mississippi Valley, the Ohio Valley, and the Tennessee Valley, where flood possibilities constitute a national problem.

Mr. COPELAND. Mr. President, I have no doubt at all as to what the vote will be on this particular matter. But in connection with the discussion a fundamental question has been raised, the question of local contributions to flood-control projects.

I wish I had been trained as a lawyer or as a banker, so that I would not have heart anguish produced by matters which I have to consider. I am always distressed when human problems are presented and human needs pictured. I know how burdensome many of these local contributions have been to many communities ill able and in some instances unable to pay the share assessed. This fact makes me unhappy.

I stood with the Senator from Nebraska [Mr. NORRIS] from the first in his noble efforts with reference to Muscle Shoals. I brought criticism upon my head in my own constituency because of my support of the Senator. But as a result of a war measure we had upon our hands that project, which was intended originally to develop chemicals for the making of munitions of war during the World War. We had spent an enormous sum of money there, and it appealed to my judgment that we had gone so far we might well afford to continue the project and complete it. It seemed to me it would be poor business to do otherwise.

But, Mr. President, we have before us now an entirely different matter from the old Muscle Shoals problem. We are not discussing power. We are not discussing navigation. The sole contention is that this project is a flood-control project. It must be that, because it is not possible to combine a flood-control project with a power project. If the dam is built, and the reservoir is provided for water intended to be used for power purposes, so far as may be the reservoir must be kept full, in order that the water may be used as needed to supply the power. That is not true of a flood-control project. A flood-control reservoir must be kept empty, so far as it may be, through the seasons when it is not needed, so that when flood comes there may be a place to catch the great surplus of water it is built to impound.

In reference to this particular project there is no contention that it has to do with navigation. If it were for navigation a much lower dam could be used or a series of low dams. Of course, then, this is a flood-control project.

Mr. President, the War Department engineers have a book called the Blue Book. In this Blue Book are listed all the flood-control projects which have been surveyed by the War Department. They reach into every State of the Union, and the aggregate cost of all those projects is the enormous sum of $9,000,000,000. Think of it—$9,000,000,000!

If we are to establish the precedent proposed here, what reason shall we have for declining in the future to require the National Government to assume the entire cost of construction? If we do this now, what will we say to the various States and localities and communities which have contributed to flood-control projects in the past; what will we say to them when they learn that we have established a new policy? They will be asking for a return of their contributions which were made in good faith.

This morning I heard the distinguished Senator from Kentucky, our honored leader, say that he is ready to move to amend the act of 1936 to wipe out the necessity for local contributions.

Mr. CLARK. Mr. President——

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Does the Senator from New York yield to the Senator from Missouri?

Mr. COPELAND. I yield.

Mr. CLARK. Does the Senator believe that the question of flood control is a national problem?

Mr. COPELAND. Yes; I do think it is a national problem.

Mr. CLARK. Certainly if it is not a national problem there is no justification for Congress making a large appropriation for flood-control aid, is there?

Mr. COPELAND. That is correct.

Mr. CLARK. And if it is a national problem, does not the Senator believe that the work should be done according to

need, according to the necessities for flood control as a whole, and more particularly with regard to the necessities of sufferers in local communities?

Mr. COPELAND. I will attempt in the course of my brief speech to reply fully to the Senator, because his question is entitled to an answer, and I think I have an answer. It will not convince the Senator.

Mr. CLARK. The Senator and I have previously discussed this question on frequent occasions.

Mr. COPELAND. Yes; we have; and we have done it peacefully and sweetly, as we shall in the future.

I wish to call attention first to my own State. Two years ago, when, because of the accident of my being chairman of the committee, I stood as the defender of the policy, I called attention to what the policy would impose upon my State. New York State in a general way is far beyond the burden and danger of flood. Yet 2 years ago we had a flood in what we call the Finger Lakes region of New York—the western part of New York—which did an amazing amount of damage in one of the most beautiful regions of America. Because of cloudbursts and torrential rains in western New York a great flood was carried down through the various tributaries until a great volume of water finally reached the Ohio.

In working out the general plan for the United States, which was done in that act of 1936, certain reservoirs were planned for New York State and certain dams were to be built in New York State. The War Department estimated as the amount of money which should be assessed against the State for the particular projects which I have mentioned, the sum of about $7,000,000.

I took the position—and it has not been criticized in my State so far as I know, and the last legislature voted this money—I took the position that certainly New York should do exactly what other communities and other States have done; it should supply the land and provide the easements, remove the roads, and do whatever was necessary.

I speak of that merely to show that I have not been sectional in my position. I was a party to imposing upon my State a contribution of $7,000,000, far in excess of any direct benefit to my State, because projects of lesser cost could have been built to take care of our local needs. But the War Department thought it was necessary to make certain that there should be impounded within the State of New York for as long a period of time as possible a quantity of water which otherwise would go down into the rivers below and contribute to disaster outside our State.

As we go down the Ohio River we come to Pittsburgh. In Pittsburgh there is an area known as the Golden Triangle, in the river bottom. The citizens of that city—without foresight, as I view it—erected great buildings, enormous business houses, printing plants, and other structures costing hundreds of millions of dollars, in an area which has been flooded time after time within my recollection, to the great damage of the community. The last flood in Pittsburgh, a few years ago, created damage to the Golden Triangle estimated at $25,000,000.

Will somebody tell me why a community as well able as is Pittsburgh and a State as well able as is the State of Pennsylvania should not provide a part of the cost of installing dams and building reservoirs which would mean a saving to Pittsburgh of $25,000,000 in a great flood, and many million dollars every year? Why should they not contribute? If the citizens of Pittsburgh were lacking in foresight and erected buildings where they knew they would be flooded, or would be likely to be flooded, why should they not contribute to projects which will give them protection?

As we go on down the river we come to Wheeling, W. Va., part of which is on an island in the river. I can recall floods covering that island annually for the past 50 years. They call it their "annual spring cleaning." Why should not the citizens of Wheeling contribute something, either to promote the floods in order that the cleaning may be more effective, or to stop them so that the cleaning would not be necessary?

We come to Cincinnati. Many Senators are familiar with the situation of Cincinnati, lying partly on the river bottom, and partly on the bluffs. Why have the citizens of Cincinnati continued to build in the river bottom, knowing that that area will be flooded every once in a while? When we have plans for the protection of Cincinnati against losses from floods, why should not that city contribute its share in order to save the losses which will otherwise occur?

The State of Ohio, in which Cincinnati is located, has had terrific floods through the interior of the State, from rivers which are wholly intrastate, running not an inch outside the boundaries of the State. The State of Ohio, through its conservation department, has spent millions to protect Ohio. Representatives of the State of Ohio came to Congress 2 years ago and begged us to take on a part of that work, done wholly within the State, on the theory that the waters from the State of Ohio contributed to the floods lower down on the Ohio River.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. MILLER. As I understand the distinguished Senator, his position is that the local interests ought at least to contribute in accordance with the formula expressed in the Copeland Act of June 22, 1936. Am I to understand further that the position of the Senator is that that formula should be applied to flood-control improvements of every kind and character? To make myself a little clearer——

Mr. COPELAND. I understand the Senator. I do not know whether the Senator heard my remarks in the beginning.

Mr. MILLER. No; I did not.

Mr. COPELAND. I expressed regret that I am not a lawyer or a banker, so that I could view these questions in a cold-blooded way.

Unfortunately my training is such as to give me some tenderness in the face of human necessity. I am perfectly willing, so far as I am concerned, to have the law amended so that somebody—perhaps the President—may determine whether or not there is ability on the part of a locality to make a contribution. But where that ability exists, as in my State, as I have said, I think the State or the local community should contribute. Because of the position we took here, there was a contribution of $7,000,000 imposed on my State, which the legislature has just voted. I should be ashamed of my State, with its great wealth, if it were not willing to do its share. I have said the same thing with respect to the city of Pittsburgh and the State of Pennsylvania. I have said the same thing with respect to the city of Cincinnati and the State of Ohio.

But I am perfectly willing, I may say to the Senator, that there should be some provision, in case of necessity, exempting certain areas from the operation of the law on account of lack of ability to contribute, or for any reason which the President, or someone else, might determine.

I know what the Senator has in his mind. I am not happy over the great floods that are occurring right now in the Senator's State. It is a terrible thing to me to think about them and about how the people are suffering. I know, too—and I do not say it disparagingly, as the Senator knows—the poverty of many of the families, involved in this disaster. I should think it was cruel, and that there was something wrong with Government if a way could not be found to provide for the people in the Senator's State and elsewhere, people who cannot make these contributions. In short, in cases like these we ought not to stop our work, or stay the progress of it merely because of the lack of local contributions.

Mr. MILLER. I thank the Senator. In that connection I should like to invite the attention of the Senate to the fact that I doubt whether anybody believes that the local community should not make some contribution.

That is particularly true with reference to levees, sea walls, and dikes because of the local protection which is afforded. Inasmuch as the Senator has kindly mentioned my State, I may say that the situation prevailing in my State is that heretofore we have undertaken to control floodwaters almost exclusively by levees, a method which experience has demonstrated to be fallacious. We have taxed ourselves for

years and years and years, but such a situation has developed that those levees are inadequate. We simply cannot build levees high enough to take care of the water. Therefore, the only remedy is to impound the floodwaters. It is necessary to impound them sometimes in Missouri, sometimes in Kansas, sometimes in Oklahoma, in Colorado, and in other States, as well as in my own State. I do not think it is equitable or reasonable for the people in the communities where such reservoirs are built to be compelled to pay the expense of the floodway or the right-of-way.

Mr. COPELAND. Yes; because they have already paid.

Mr. MILLER. They have already paid.

Mr. COPELAND. That is correct. I agree to that. I think it is rather presumptuous for me to say it, but I cannot understand what the engineering formula was when those dikes were built along many of the southern rivers. They were so close to the river that it would be necessary to build them as high as this building to make them of any value. The money expended in building those dikes some distance from the river would have made a channel such as those now proposed in Louisiana.

Mr. MILLER. There is no doubt about that.

Mr. COPELAND. Your people have contributed. They have done their share. They are not able to do more. Certainly I will join the Senator in his move.

Mr. MILLER. I thank the Senator. Let me make a further statement, if the Senator please.

Mr. COPELAND. Certainly.

Mr. MILLER. In reference to the dikes which were built, and to which the Senator referred, they were first started, as the Senator knows, in 1717. The history of the building of levees is rather interesting. A change in the grades has occurred from time to time since the creation of the Mississippi River Commission, until now the grade lines are more than 25 feet higher than they were in 1879, which demonstrates conclusively that we must approach the problem from some other angle.

Mr. COPELAND. I think the Senator is entirely correct in what he says.

Mr. DAVIS. Mr. President, as I understand, the Senator believes in controlling the waters at their source?

Mr. COPELAND. Absolutely.

Mr. DAVIS. We have demonstrated that in Pennsylvania. In the small county from which I come there has been constructed what is known as the Pymatuning Dam, which controls the waters of the stream at their source. Since that dam has been completed it has not only been possible to furnish water during the summer months to the people along the stream, but there has not been a flood in that section since the dam has been constructed. During my boyhood days there never was a spring or fall when there was not a flood, causing great damage to the people of the community. Since the dam has been constructed, however, I repeat, there have been no floods, and we really believe in our community that the dam has paid for itself in preventing damage to property.

Mr. MILLER. That is true; there can be no doubt about it.

Mr. COPELAND. Mr. President, I have kinfolk living in Texas near the Brazos River. Some years ago I visited that region and saw the futile attempt to control the floods on the Brazos by building dikes on the edges of the stream. A layman would know that such construction could not be of practical utility. Had they built the dikes back a half mile or a mile, so that when the water came down there would be a reservoir to retain it, they would have done some good, but, as it is, the whole thing has been a failure.

As suggested by the Senator from Arkansas and the Senator from Pennsylvania, the only effective method—and it is now so recognized by the War Department—is the building of reservoirs at the sources of the floods, at the headwaters of the various rivers, then hold back the water and let it flow down gradually, and in that way prevent tremendous floods all along the great rivers of the country.

I am familiar with the disaster that happened at Paducah where our honored leader [Mr. BARKLEY] lives. I remember attending a dinner at the time that flood was beginning. I sat at the same table with the charming wife of the Senator from Kentucky. She received half-hour reports about what was going on in her home city, fearful of what might happen to her kinfolk.

I know how terrible are floods. I want it understood that I will join with others in the modification of the law which will make it possible, by the word of the President or by some other arrangement, to grant concessions in certain localities. But I do not want the rich State of Pennsylvania nor the rich State of New York nor the rich State of Ohio to be relieved of the burden of doing their duty toward the rest of the country.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. CLARK. Would the Senator think that a contribution of one-half of 1 percent by the local authorities would be about right? That is the contribution that is being made by the rich city of New York to the relief situation at the present moment.

Mr. COPELAND. They used to think that was about the right percentage in the case of beer. But what has the Senator in mind?

Mr. CLARK. In view of the fact that the city of New York at the present time contributes only one-half of 1 percent to relief, and that the Federal Government contributes the remainder, I am asking whether or not, in considering the subject of local contribution, he would think that was about a correct percentage?

Mr. COPELAND. Does the Senator mean relief in flood work?

Mr. CLARK. No; I mean the relief situation.

Mr. COPELAND. Human relief?

Mr. CLARK. Yes; human relief; and flood relief is also human relief, I will say to the Senator.

Mr. COPELAND. I am glad the Senator has asked that question. I do not hesitate to answer it "No." One-half of 1 percent is not sufficient. I do not want the State or city of New York to pass the hat and take money from the Federal Government so long as it has the power and the possibility of raising its own money. That is my answer to the Senator. I know there are others in my State and city who do not take that view, but I do. I do not want one dollar that we can raise and contribute.

My State does its share when it pays 25 percent of the income of the United States. We do very well in that respect. Of course, if my old friend the former Senator from North Carolina, Mr. Simmons, were here, I know what he would say: "New York is the reservoir into which flows the wealth of the Nation." Of course, while New York contributes a great amount of its wealth, which has been brought in from the whole country—it matters not where it comes from—I want my people to pay their share; and when it comes to relief I want them to pay all they should pay. That is the feeling of my people. If the amount is now only half of 1 percent, I will say to the Senator from Missouri that it is not sufficient by a long sight.

Now, Mr. President, I will continue my argument—and I am almost through, I may say, to the relief of the Senate.

The Connecticut River is a notable example demonstrating the complications and the difficulties of the allocation of local contributions. The headwaters of the Connecticut River are in New Hampshire and Vermont; then the river flows through Massachusetts and Connecticut into Long Island Sound. The water that causes the floods in New Haven and Hartford in Connecticut and Springfield, Mass., and other cities in Massachusetts originates in New Hampshire and Vermont. New Hampshire and Vermont have no direct interest in the flood problem; they are not worried; they do not suffer from the rains that occur in their States; and there is no reason why they should be taxed, for they receive no benefit from the tax. So Connecticut and the other States have entered into a compact by which the contribution will be divided, Massachusetts paying the major portion and Connecticut a very considerable portion, in order

that the Government may go forward with projects and works in Vermont and New Hampshire which will protect the cities down the river. That is a just arrangement, and I think it is fair and proper.

Mr. President, in closing, it seems to me that for what is proposed for the Gilbertsville Dam and Reservoir the sum of money involved is tremendous.

Mr. DAVIS. Mr. President, will the Senator yield right there?

Mr. COPELAND. I yield.

Mr. DAVIS. What will be the ultimate cost of the dam?

Mr. COPELAND. It will be from $112,000,000 to $150,000,000. That is a lot of money.

Mr. BARKLEY. Mr. President——

Mr. COPELAND. I yield.

Mr. BARKLEY. The estimate of the engineers of the T. V. A. is $112,000,000. Anything above that is certainly an unengineering estimate, and I do not know what it is based upon, because they have estimated it at $112,000,000.

Mr. DAVIS. Mr. President——

Mr. COPELAND. If the Senator will pardon me just a moment, I inquire of the Senator from Kentucky where does the estimate come from? According to the original estimate, the area of the reservoir would be 400,000 acres, but the latest estimate of the Army engineers, not of the T. V. A., is that it will be 600,000 acres. Therefore, there will be an added cost to the $112,000,000. However, I do not think we need talk about that. Let us say the cost will be a hundred million dollars. A hundred million dollars is a lot of money.

Mr. DAVIS. A part of that is to be used to provide flood control.

Mr. COPELAND. It is all to be used for providing flood control.

Mr. President, I do not know what the proper contribution of the Federal Government should be to the Gilbertsville project, but I am satisfied that all projects, including those designed to protect Paducah and Arkansas and other points down the Mississippi River, should be put on the same foundation. If there is no other way, and it is necessary to appropriate a hundred million dollars in order to protect property, I might go along with it, but I think that it ought to be considered in connection with the whole system, the whole philosophy of flood control. Therefore, much as I regret to do so, I shall vote against the pending amendment, but in saying that I do not close the door to any proposal which may seek to modify the existing law and to take care of communities which are unable to make contributions.

Mr. KING. Mr. President, it had been my intention to address the Senate today in opposition to the pending amendment with relation to the Gilbertsville Dam. I have determined, however, not to impose upon the Senate at this late hour. I may on Monday present for the RECORD a statement containing my views. I am opposed to the amendment. It is the beginning of a plan which will cost the Government more than $150,000,000 and is part of a plan that will cost more than $600,000,000. It is chiefly concerned in power and has but little interest in flood control or navigation. Indeed, it will injure rather than aid navigation. I am unwilling to give my assent to a proposition of that character.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

Mr. COPELAND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Bone	Capper	Ellender
Andrews	Borah	Caraway	Frazier
Ashurst	Brown, Mich.	Chavez	George
Austin	Brown, N. H.	Clark	Gibson
Bailey	Bulkley	Connally	Gillette
Bankhead	Bulow	Copeland	Glass
Barkley	Burke	Davis	Green
Berry	Byrd	Donahey	Hale
Bilbo	Byrnes	Duffy	Harrison
Hatch	Lodge	Neely	Schwellenbach
Hayden	Logan	Norris	Sheppard
Herring	Lonergan	Nye	Shipstead
Hill	Lundeen	O'Mahoney	Smathers
Hitchcock	McAdoo	Overton	Thomas, Okla.
Holt	McCarran	Pittman	Thomas, Utah
Hughes	McKellar	Pope	Townsend
Johnson, Calif.	McNary	Radcliffe	Truman
Johnson, Colo.	Maloney	Reames	Tydings
King	Miller	Reynolds	Vandenberg
La Follette	Minton	Russell	Walsh
Lee	Murray	Schwartz	Wheeler

The PRESIDING OFFICER. Eighty-four Senators have answered to their names. A quorum is present.

Mr. VANDENBERG. I ask for the yeas and nays on the adoption of the committee amendment.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment of the committee.

The next amendment was, under the heading "Home Owners' Loan Corporation", on page 57, line 19, after the word "exceed", to strike out "$28,000,000" and insert "$25,000,000", so as to read:

Not to exceed $25,000,000 of the funds of the Home Owners' Loan Corporation, established by the Home Owners' Loan Act of 1933 (48 Stat. 128), shall be available during the fiscal year 1939 for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the act of June 3, 1926, as amended (5 U. S. C. 821–833); printing and binding; lawbooks, books of reference, and not to exceed $500 for periodicals and newspapers; procurement of supplies, equipment, and services; maintenance, repair, and operation of motor-propelled passenger-carrying vehicles, to be used only for official purposes; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; use of the services and facilities of the Federal Home Loan Bank Board, Federal home-loan banks, and Federal Reserve banks; and all other necessary administrative expenses.

The amendment was agreed to.

The next amendment was, under the heading "Reconstruction Finance Corporation", on page 64, line 10, after the word "That", to insert "notwithstanding the provisions of section 4 hereof", so as to read:

Not to exceed $9,250,000 of the funds of the Reconstruction Finance Corporation, established by the act of January 22, 1932 (47 Stat. 5), shall be available during the fiscal year 1939 for administrative expenses of the Corporation, and of The RFC Mortgage Co., including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the act of June 3, 1926, as amended (5 U. S. C. 821–833); printing and binding; law books, books of reference, and not to exceed $1,000 for periodicals and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange, rent in the District of Columbia and elsewhere; use of the services and facilities of the Federal Reserve banks; and all other necessary administrative expenses: *Provided*, That all necessary expenses in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or The R. F. C. Mortgage Co. or in which they have an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That notwithstanding the provisions of section 4 hereof except for the limitations in amounts hereinbefore specified, and the restrictions in respect to travel expenses, the administrative expenses and other obligations of the Corporation shall be incurred, allowed, and paid in accordance with the provisions of said act of January 22, 1932, as amended (15 U. S. C. 601–617).

The amendment was agreed to.

The next amendment was, on page 64, after line 16, to strike out:

SEC. 2. The President is authorized to eliminate or reduce by Executive order, in whole or in part, any appropriation or appropriations made by this act, or any act or joint resolution, whenever, after investigation, he shall find and declare that such action will aid in balancing the Budget or in reducing the public debt, and that the public interest will be served thereby: *Provided*, That whenever the President issues an Executive order under the provisions of this section, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless the Congress shall by law provide for an earlier effective

date of such Executive order: *Provided further*, That any appropriations or parts thereof eliminated under the authority of this section shall be impounded and returned to the Treasury, and that the same action shall be taken with respect to any amounts by which any appropriations or parts thereof may be reduced under the authority of this section: *Provided further*, That this section shall not apply to appropriations made for the Veterans' Administration.

The amendment was agreed to.

The CHIEF CLERK. It is also proposed to renumber the sections and to change the totals.

The PRESIDING OFFICER. Without objection, that order will be made.

The bill is before the Senate and open to amendment.

Mr. McKELLAR. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 67, after line 12, it is proposed to insert the following:

No part of any appropriation contained in this act or authorized hereby to be expended shall be used to pay the compensation of any experts or attorneys under any independent establishment of the Government of the United States (except persons now in the employ of the Government or appointed under civil-service rules), the rate of which is $5,000 or more per annum, who shall not have been appointed by the President, by and with the advice and consent of the Senate.

Mr. McKELLAR. Mr. President, all I desire to say in regard to that amendment is that it is similar to an amendment already in the this bill applying to the administration of the Social Security Act, and I think it ought to apply to all departments.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. GLASS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Virginia will state it.

Mr. GLASS. I think we are operating under an order made at my request that committee amendments should first be considered.

The PRESIDING OFFICER. That is true; but the Chair will state to the Senator that the committee amendments printed in the bill have been disposed of.

Mr. NORRIS. Mr. President, a parliamentary inquiry. What has become of the amendment offered by the Senator from Tennessee [Mr. McKELLAR]?

The PRESIDING OFFICER. It has been agreed to.

Mr. NORRIS. I do not think it has been agreed to. I was on my feet addressing the Chair, and I could not hear what the Chair said. I do not know now what the Chair said. I am opposed to the amendment and desire to be heard on it.

Mr. GLASS. Mr. President, I have some committee amendments which will take precedence of the amendment offered by the Senator from Tennessee.

Mr. BYRNES. Mr. President, I ask for the reconsideration of the vote by which the amendment of the Senator from Tennessee was adopted.

The PRESIDING OFFICER. Without objection, the vote by which the amendment was adopted will be reconsidered, and the Senator from Nebraska will be recognized.

Mr. NORRIS. Mr. President, I have no objection to proceeding in that way; but, if the Senator from Virginia [Mr. GLASS] is correct, we have not yet concluded the consideration of the committee amendments.

Mr. McKELLAR. I have no objection whatever to the reconsideration of the amendment offered by me and the disposition first of committee amendments.

Mr. GLASS. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 67, in line 12, after the word "States" where it appears the second time and before the period, it is proposed to insert:

Or a person owing allegiance to the United States, or who is now in the service of the United States.

Mr. HAYDEN. Mr. President, the Senator from Utah [Mr. KING], who is temporarily absent, asked me to suggest to the chairman of the committee the addition of these words to the amendment which he has offered:

Or unless citizens with the requisite experience and qualifications are not available.

The situation which the Senator from Utah brought to my attention, and which he intended to present to the Senate, was that there are cases where there is employed in this country, for example, in the Library of Congress, a Chinese translator, and it is impossible to get anybody else but a Chinese to act as translator; or, in the case of a foreign interpreter, where a consulate or an embassy located in some foreign country had to employ natives of the country.

This limitation appears not only upon this bill but upon two other appropriation acts which have already passed the House. The Senate should adopt a uniform provision applicable to all appropriations.

Mr. REYNOLDS. Mr. President, if the Senator from Virginia will yield, he has offered an amendment in which I am greatly interested. In pursuance of the suggestion made just a moment ago by the Senator from Arizona [Mr. HAYDEN], I should like to be privileged to make this suggestion in the form of a provision which came to me today by special messenger from the State Department:

Provided, however, That the provisions of this section shall not apply to any employment or other benefits provided in this act for alien employees of this Government in foreign countries.

Mr. GLASS. Mr. President, the amendment sent up by the Senator from Virginia distinctly provides that it shall not apply to anybody now in the service of the United States Government.

Mr. REYNOLDS. I did not hear the amendment read. That is the reason why I made the suggestion.

Mr. NORRIS. Mr. President, I should like to have the amendment read again. There was so much confusion in the Chamber that I could not hear it.

The PRESIDING OFFICER. The Senate will be in order, and the clerk will restate the amendment offered by the Senator from Virginia.

The CHIEF CLERK. On page 67, in line 12, after the word "States" where it appears the second time, and before the period, it is proposed to insert the following:

Or a person owing allegiance to the United States, or who is now in the service of the United States.

Mr. GLASS. Mr. President, the purpose of the amendment is to protect several thousand people in the United States who are now employed by the Government and who have not had an opportunity to take out citizenship papers.

Mr. NORRIS. In other words, it limits the section; it takes out of the class mentioned those who are included in the amendment?

Mr. GLASS. It exempts that class.

Mr. NORRIS. I have no objection.

Mr. McKELLAR. Mr. President, as I understand, those to whom it would apply are mostly Filipinos who have been in this country for a number of years.

Mr. GLASS. Yes.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia on behalf of the committee.

The amendment was agreed to.

Mr. GLASS. Mr. President, I send forward another committee amendment and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 19, line 2, it is proposed to strike out "$46,700", and to insert in lieu thereof the following:

Including such parts of the report on principal farm products of the agricultural income inquiry made pursuant to Public Resolutions Nos. 61 and 112, Seventy-fourth Congress, as the Federal Trade Commission may direct, $61,700, of which $15,000 shall be immediately available.

Mr. GLASS. Mr. President, the purpose of the amendment is to meet the application of the Federal Trade Com-

mission for the publication of certain valuable documents, the Commission having been publicly charged with deliberately suppressing the publication, which is not true.

Mr. GILLETTE. Mr. President, in connection with the proposed amendment, I think, in fairness to some of the agencies of Congress, as well as to the Federal Trade Commission, there should be a statement supplemental to that made by the distinguished Senator from Virginia, the chairman of the Committee on Appropriations.

Almost exactly a year ago the Federal Trade Commission, pursuant to an appropriation of $250,000, made an exhaustive study of the spread between the prices to consumers of agricultural products which had been processed and the prices received by the producers. It was an exhaustive study and the results comprised a voluminous report. There were only four copies of the report made. One went to the Committee on Agriculture and Forestry of the Senate, one to the Committee on Agriculture of the House of Representatives, one to the Federal Trade Commission, and one to the Department of Agriculture.

Immediately requests were received from all over the country for copies of the report. The Senate Committee on Agriculture and Forestry, taking cognizance of this condition, instructed me to take such steps as were necessary to secure the printing of the usual number of the reports. When the matter was presented to the Senate it authorized the publication.

The Committee on Printing, after investigating the situation and learning of the expense which would be entailed in printing the full report, which would have amounted to about $28,000, tried to find some means of having printed the material which the country desired, in which so many sections were especially interested, and not have the printing charged to the contingent fund of the Senate.

Many news reports went out to the country and some magazine articles were published suggesting that an attempt was being made to suppress the report. From my familiarity with the matter I am confident that there was no attempt on the part of any agency of the Congress to suppress the report. After some study and after various proposals and suggestions had been made, it was thought advisable to let the Federal Trade Commission publish the report and have the expense charged to their printing account.

The report was in two parts—one relating to general agricultural products and the other a supplemental report as to fruits and vegetables. It was found that the report on the general agricultural studies could be published at an expense of $15,000, and the Federal Trade Commission indicated their willingness to assume the responsibility. Through the courtesy and kindness and consideration of the Committee on Appropriations the amendment now pending was proposed, so as to make $15,000 available in order to enable the Federal Trade Commission to publish the first report, to be charged to their printing account.

Mr. HAYDEN. Mr. President, if the report were printed as a Senate document, it would be distributed through the folding rooms of the House of Representatives and the Senate, whether Representatives and Senators wanted the document or not. Our experience has been that many Senators and many Representatives have no use for such reports. They are filed away in the basement of the Capitol, or in some storeroom, and in a few years are sold for waste paper. If the report is published as is proposed by the Senator from Virginia, and distributed through the Federal Trade Commission, which made the investigation, it can go into the hands of those who need it, rather than be wasted, as many of the copies of the report would be if it were printed as a Senate document, and the cost charged to the contingent fund of the Senate.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia on behalf of the committee.

The amendment was agreed to.

Mr. GLASS. Mr. President, I have one more amendment from the committee to offer, which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed, on page 43, line 2, after the numerals "1935", to insert the words "including rentals in the District of Columbia and elsewhere."

The amendment was agreed to.

Mr. McKELLAR. Mr. President, I ask that my amendment be laid before the Senate.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Tennessee.

The CHIEF CLERK. It is proposed, on page 67, after line 12, to insert the following:

No part of any appropriation contained in this act or authorized hereby to be expended shall be used to pay the compensation of any experts or attorneys under any independent establishment of the Government of the United States (except persons now in the employ of the Government or appointed under civil-service rules), the rate of which is $5,000 or more per annum, who shall not have been appointed by the President, by and with the advice and consent of the Senate.

Mr. McKELLAR. Mr. President, as I stated before, this amendment applies only to experts and lawyers, and is the exact language used in the bill insofar as the Social Security Board is concerned, that being one of the agencies appropriated for in the bill.

Mr. NORRIS. Mr. President, from the reading of the amendment it seemed to me to go further than that.

Mr. McKELLAR. I do not think it goes any further. It was not intended to.

Mr. NORRIS. The amendment reads:

No part of any appropriation contained in this act or authorized hereby to be expended shall be used to pay the compensation of any experts or attorneys under any independent establishment of the Government of the United States (except persons now in the employ of the Government or appointed under civil-service rules), the rate of which is $5,000 or more per annum, who shall not have been appointed by the President, by and with the advice and consent of the Senate.

As I understand the language, it would apply to the T. V. A., as well as to all the other independent establishments appropriated for in the bill. Suppose they employ an engineer. Under the law itself the T. V. A. makes the appointment. The President has not anything to do with it. Under this amendment, in the utilization of any of the money hereby appropriated the President would have to make the appointment every time the Authority wanted an engineer or an expert.

Mr. McKELLAR. Not an engineer. An engineer would not come within the terms of the amendment, I am advised by the draftsman. I think there are seven attorneys in the T. V. A. to which it would apply, so far as future appointments are concerned. I think it ought to apply. When the salary of a position is greater than $5,000, I think it would be very wise to have such appointment come before the Senate. It would not do any harm. I have never known the Senate to turn down a good man.

Mr. NORRIS. As I understand, it would mean, even in such a case, that Senators or Members of the House could make recommendations, and it would put on the political pie counter all appointments to positions the salaries of which were over $5,000 a year.

In the T. V. A. there are quite a number of chemists, for instance. I think they are selected with a great deal of care, without reference to politics. The Board is prohibited by law from considering politics in making appointments. There are necessarily quite a number of attorneys employed. The Board has had an extremely large volume of litigation. A great deal of it I believe will disappear now, because the injunction suits have been falling off to a very large extent, but petitions for injunctions have been filed on every possible question in the State courts, and the cases have gone from the lower courts to the supreme courts of the different States, the same questions again being raised in the district courts of the United States, and going up to the Supreme Court of the United States. One of the cases is on its way to the Supreme Court now, and I hope it will be the last one.

In the case which is now on its way to the Supreme Court which was decided by the lower court a few weeks ago, the T. V. A. employed a special attorney. The case was an extremely important injunction matter. By that injunction the hands of the Board of the T. V. A. were tied. The members of the Board would have been under suspicion, at least, had they on the street even spoken to a member of the board of aldermen of Chattanooga, or of Knoxville, or of Memphis. The members of the Board were not allowed to talk with anyone about entering into a contract for the sale of electricity. In a municipality where they had already made a contract, they were prohibited from supplying any additional amount of electricity over the amount now being used. If the use of electricity in the city expanded, as it naturally would by reason of reduced rates, and consumption of electricity increased, the members of the Board were prohibited from increasing the amount of electricity furnished by T. V. A. to supply that additional demand.

I mention that merely as a sample of the way the Board was tied up. The injunction suit covered all the States in which power was furnished by the T. V. A. The attorneys for the utilities had raised every question that ingenious lawyers could possibly think of. Over 50 lawyers were on the side of the plaintiffs, headed by the late Mr. Baker, one of the greatest lawyers in the United States.

The Board had a regular attorney who did most of the work in connection with defending the case. I think he is a remarkably good man. I was especially interested in the legal work done for the Board, and had conferences with their attorney both before and since that case was tried. However, it was too much of a burden for any one man to take upon his shoulders. While the T. V. A. had several assistant attorneys, the Board thought it wise to employ a famous lawyer, a lawyer of national reputation, of large experience in the Supreme Court of the United States, and they retained Mr. O'Brian, of New York. I do not know what they paid him, but I understand they had to pay him a very large fee. He is still in the employ of the Board.

Mr. President, that could not have happened had this amendment been in force. The Board would then have been obliged to go to the President of the United States, busy as the President is, and the members of the Board would have had to say to him, "Mr. President, we have more work than our attorneys can do. We have a very important case in which a great deal is at stake. We must pay an attorney more than $5,000—a great deal more—and we should like to hire this man." If the President made the appointment immediately, without consulting any of his political advisers, he would get into trouble with the leaders of his party. That would be a fat job, and the President would probably have to obtain recommendations from Senators, otherwise he would have difficulty in having the appointee confirmed.

Mr. President, I believe the adoption of this amendment would be a very dangerous step. The law under which the Board of the T. V. A. acts precludes it from taking into consideration political partisan matters, and nothing of that kind was considered in the handling of the suit in question. I do not know that the Board knew the politics of the lawyer in question. He was employed because he was a great lawyer.

Mr. President, if the office of general attorney of the T. V. A. should be vacant—a position which pays more than $5,000 a year—the Board would have to go to the President to get an appointee. That is contrary to the very theory of the T. V. A. Act. I think it is contrary to every good business principle. The Board would have to go to the President and have the President appoint someone to that position. I do not suppose the President would want that additional burden placed upon him, but we would put it upon him by agreeing to the proposed amendment. Then we would immediately be putting the Authority into politics, and we would be violating the very act itself, which is the foundation of the Tennessee Valley Authority.

I am now referring simply to one particular governmental activity. I think the same thing would occur with respect to other governmental activities. I have mentioned the T. V. A. because I happen to know something about it.

We tried to avoid getting into the situation in which, as I see it, this amendment would place the T. V. A., that is, right in the lap of politicians, and the appointment of all officers receiving more than $5,000 would be put into the hands of the political job dispensers. If that were ever done, it would wreck or at least damage the agency almost beyond power of expression.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BARKLEY. Of course, it is easy to understand the definition of the word "attorneys." That covers a position which everyone understands; but is there any legal definition of the word "expert," so that we really know what this amendment comprehends in the way of what constitutes an expert, so that the President would have to send his name here and have him confirmed; or is there such flexibility about what is or what is not an expert that the appointing power could make up his own mind as to whether he was appointing an expert or a nonexpert?

Mr. NORRIS. I do not know that I would be competent to define an expert. I refer again to the T. V. A. Act. The Board employs a great many experts. The Board has a great deal to do, for instance, with forestry. The law provides that it shall have to do with forestry. As the Senator well knows the T. V. A. does a vast amount of work and spends millions of dollars with respect to fertilizers. In that connection the work is handled almost entirely by experts.

Mr. BARKLEY. I appreciate that, but if we provide that all experts drawing more than $5,000 shall be confirmed by the Senate, I wonder whether we have a sufficient legal definition of the word "experts" to know what we really are comprehending in requiring the appointments of experts to be sent to the Senate for confirmation. I am serious about that matter. It is not a facetious question. I do not recall that there is any legal definition of "experts."

Mr. NORRIS. I do not.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. CLARK. I call the Senator's attention to the fact that the term is used at least in the Securities Exchange Act, and also in the Social Security Act, and in the R. F. C. Act. I understand that definitions have at least been made by the Comptroller General.

Mr. BARKLEY. The term is used because in all those agencies experts are sometimes exempted from the civil service.

Mr. CLARK. That is entirely true, but the term is used, and there have been definitions of the term at least by the Comptroller General. Whether any other legal definitions have been made, I do not know.

Mr. BARKLEY. In the absence of any legal definition of the term "expert," of course it leaves it to the head of the department or the President to determine whether he is appointing an expert or nonexpert.

Mr. CLARK. As a matter of fact, in the cases I have mentioned, the determination has been made by the Comptroller General.

Mr. BARKLEY. That is, after the appointment is made.

Mr. CLARK. No; prior to the time the appointment is made.

Mr. BARKLEY. A question could not arise over the legality of a man's appointment until after he was appointed.

Mr. CLARK. That happened in the case of the Securities Exchange Commission, because I happen to be familiar with the instance.

Mr. BARKLEY. I do not know what implications or ramifications we are getting into by the mere use of the word "expert," which has no legal definition. It may be sufficiently flexible to include anyone who knows anything about anything.

Mr. NORRIS. I suppose a man could be considered as an expert when he claims to know something about something that no one else knows anything about, and hence no one can

dispute him and everyone regards him as a living miracle and an expert.

Mr. President, I cannot understand why the Senator from Tennessee offers this amendment. I think its adoption would be the worst blow the Tennessee Valley Authority has ever received. It would cause the Authority interminable difficulties. I think it would apply to other bureaus, but I can see a hundred ways in which it would tend to destroy the very fundamental principle underlying the appointment of all sorts of employees in the T. V. A.

Mr. McKELLAR. Mr. President, if that be the case, then our Constitution is entirely wrong, because our Constitution provides that all officers of the Government shall be appointed by the President, by and with the advice and consent of the Senate.

I wish to say a word about the T. V. A. I think the T. V. A. has excellent attorneys. It just happens to be one of the independent offices. A law such as I now propose applies to the Social Security Board, its experts and attorneys. It seems to me that manifestly it ought to apply to other agencies of the Government. I think we would go too far if we gave independent offices the unlimited right to employ experts and attorneys without regard to confirmation by the Senate of the appointments made. I am not talking about the T. V. A. now; but, if we do not make some such provision as I have suggested, I think it will lead to very great indiscretions, to say the least.

I do not believe the Senate would refuse to confirm the nomination of anybody who was honest, efficient, and capable. I think the proposal applies to only three, or possibly five attorneys in the T. V. A., and it would not affect those who are there now. It would merely affect future appointments. The purpose is not to create patronage of any kind or description. I have not the slightest doubt that the T. V. A. has made good selections. But the Senate ought to control to some extent the experts and attorneys who are so rapidly filling up the various departments and independent offices.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Virginia.

Mr. GLASS. It may be difficult to define the meaning of the term "expert," but it is not difficult to define the term "politician," unless the Senator from Nebraska would confine the meaning to United States Senators. I think there are at present vastly more politicians in the independent offices of the Federal Government than there are in the United States Senate. The politicians use their positions ruthlessly to appoint anybody whomsoever they please, and they use politics pretty promiscuously in making the appointments.

I do not know what the Senator from Tennessee has in mind, but I merely wish to give my experience with some of the bureaucrats. I do not care anything about political patronage. I despise it. But I think I am just as capable of determining the efficiency of a man recommended for a $5,000 position as is any bureaucrat in Washington, and I think other Senators are just as capable of doing so. Practically the whole Post Office Department has to come to the Senate for confirmation. The nomination of every little postmaster appointed by the President has to come before the Senate for confirmation, and there is no reason, in my judgment, why the appointees of these miserable bureaucrats should not be reviewed by the Senate of the United States.

Mr. NORRIS. Mr. President, I am not sufficiently familiar with all the independent offices of the United States to be able to say that there are not many abuses in the appointment of officials, experts, and attorneys. There may be. There would be some abuse in any organization composed of men, because no such organization can be perfect.

Let us take the Federal Trade Commission as an example. I am not now thinking about any particular appointment or any particular person. I am just using the Federal Trade Commission to illustrate the idea I wish to convey. Should the Federal Trade Commission go to the President every time it wishes to make an appointment of an expert or attorney, and have the President either turn it down to start with, or say, "I cannot appoint this man because he is not satisfactory to Senator So and So, and I have recommendations from the Senator, and from other prominent politicians. I will fill the position with somebody else"?

He might even get a better man. I will concede that. But the chances are a thousand to one that he would get worse man.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. NORRIS. I shall be glad to yield in a moment.

Then the President would send the nomination to the Senate. The nomination might be confirmed or it might be rejected merely because the man's politics did not suit the Senate. I think the same situation would apply to all departments and offices. I do not know about other organizations, but I do know about the Tennessee Valley Authority. The act provides, in so many words, that if a member of the Board shall use political influence to appoint anyone or to advance anyone having an appointment, or to demote anyone for political reasons, the Board member shall be removed from office. We tried to avoid mixing politics with the administration of the T. V. A., and we tried to put it on a business basis, so as to be fair to everybody.

We provided that the Tennessee Valley Authority could sue and be sued. That provision does not apply to many other independent offices. By express statute we tried to make the Corporation as independent as a private corporation and to put it on a basis of equality so that it could do business with private corporations. The Authority comes in contact with private corporations all over the country. We tried to put the Authority on the same basis as a private corporation, and we tried to make it a business proposition. Now it is proposed to say, "Before you can appoint anybody drawing a salary of more than $5,000 you must have an appointment by the President and a confirmation by the Senate." It seems to me that such a provision, if carried out over a term of years, would be almost a death blow to the T. V. A.

The general manager of the Tennessee Valley Authority was in my office some time ago. We were not thinking of anything of this kind, but he referred to that part of the law which provides that no appointment, promotion, or demotion shall be made on account of politics; and he said it was one of the most helpful provisions in the law toward the proper administration of the T. V. A. and that he would be unable to successfully administer his job if it were removed.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator.

Mr. McKELLAR. So far as the T. V. A. is concerned, to show the Senator that I am not attempting to get patronage of any kind, I will say to him that if he has any peculiar reason why the Tennessee Valley Authority should be excepted I am perfectly willing to exclude the T. V. A. If the Senator will offer such an amendment I will have no objection to its being adopted. But let me call the Senator's attention to a condition which existed not long ago. When the Public Works administrators were to be appointed in the various States there was the greatest trouble imaginable. Men were appointed who could not perform the job. I venture to say that almost every Senator received petitions from various people about appointments of P. W. A. administrators and some W. P. A. administrators. So we put a provision in the law requiring the appointments of State administrators of the P. W. A. to come before the Senate.

What has been the result? The result has been, I think uniformly, that every administrator who has been appointed has done a good job. Agreement has been made to consider the man's qualifications rather than anything else; and so far as I know the administration of the law has been a wonderful step in securing better, more efficient, and more competent men to do the work. For that reason the same provision is proposed here. I want to assure the Senator that so far as patronage is concerned I have no desire to interfere with the T. V. A. I am just as strong a supporter of the T. V. A. as is the Senator. If there are any peculiar reasons

why the T. V. A. should be excepted, I do not object to exempting the T. V. A. But I know it will help toward better, more efficient, and more honest government to have such appointments come under the scrutiny of the Senate. Inefficient and incompetent men will not be appointed if it is known that they have to run the gauntlet of the Senate.

Mr. NORRIS. I have given the reasons why I think the proposed amendment would be very hurtful, if not ruinous, to the T. V. A.; and, the Senator himself being just as ardent a supporter of the T. V. A. as I am, I know that he would not intentionally put a straw in the way of progress.

Mr. McKELLAR. Indeed, I would not.

Mr. NORRIS. I am not referring to the Senator from Tennessee or to anyone else as trying to do that, but I think such would be the effect of the amendment. The Senator knows from his experience with the T. V. A. that if there were any vulnerable point in the T. V. A. which the power companies could attack, or with respect to which they could work up propaganda, the power companies would turn heaven and earth to attack any weakness in the administration of the Tennessee Valley Authority.

Mr. McKELLAR. I realize that.

Mr. NORRIS. The power companies would send men all over the country to work up propaganda and stir up complaints because appointments were not made to suit their Senator or their Representative.

Mr. McKELLAR. Mr. President, I realize that. I know the troubles which have especially beset the attorneys of the T. V. A., and probably its officials. As I said to the Senator, if the T. V. A. is an exception to the general rule, I have no objection to placing in the proposed amendment the words "with the exception of the Tennessee Valley Authority."

Mr. NORRIS. I wish the Senator would.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. I ask the Senator to yield in order that I may address a question to the Senator from Tennessee. Am I to understand that it is the intention of the Senator from Tennessee to exclude from the operation of the amendment all persons heretofore or hereafter to be appointed under the civil-service laws?

Mr. McKELLAR. The amendment does so in terms.

Mr. O'MAHONEY. Mr. President, I am inclined to think that such language might be misinterpreted.

Mr. McKELLAR. If the Senator has better language to suggest, I am perfectly willing to accept his language.

Mr. O'MAHONEY. Mr. President, I move, then, to amend the amendment, or to perfect the amendment, by striking out, in line 6, the words "or appointed under civil-service rules" and inserting in lieu thereof "and persons heretofore or hereafter appointed under the civil-service law."

Mr. McKELLAR. I will accept that amendment.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Massachusetts.

Mr. LODGE. I should like to ask the Senator from Tennessee whether my understanding is correct, that this amendment would not in any way affect the merit system.

Mr. McKELLAR. Not at all; not in the slightest.

Mr. BONE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator.

Mr. BONE. How are the attorneys for the T. V. A. appointed at present?

Mr. NORRIS. They are appointed by the three members of the Board, who, as the Senator knows, are themselves appointed by the President and confirmed by the Senate.

Mr. BONE. They do not have a civil-service status, then?

Mr. NORRIS. I think they have better than a civil-service status.

Mr. BONE. Is there some provision in the law governing their status?

Mr. NORRIS. Yes. The law creating the T. V. A. provides that politics shall be excluded; that no appointment, promotion, demotion, or removal may be made on partisan political grounds; that when the head of any department violates that law he shall be removed by the Board, and if any member of the Board violates that law, he shall be removed by the President of the United States. As a matter of fact, they cooperate very closely with the Civil Service Commission. They have adhered very strictly to that law. It is their salvation. If the positions had been put on the political pie counter we would not have the T. V. A. that we have today.

Mr. BONE. I wonder if I understand the Senator correctly. He says that they adhere as closely as possible to the civil-service law; but if the men who are appointed as attorneys for the Tennessee Valley Authority were not required to take a civil-service examination, there would not be any adherence or conformance with the civil-service law, would there?

Mr. NORRIS. They have adopted rules and make their own investigations. Sometimes they are out hunting for a man for a peculiar duty for which they want someone with certain qualifications, and there is no one available. They search for the man. I did not get it from any member of the T. V. A. but I happen to know of a man who, I think, will be affected by the amendment of the Senator from Virginia [Mr. GLASS] offered a while ago. That is the reason why I favor the amendment. I had something similar to it—which I was going to offer—affecting cases where the services of experts are required, men who are able efficiently to carry out the provisions of the law. For instance, when a dam is going to be built the engineers will construct on a small scale that is carefully worked out a model dam of the big dam. It is put in use to ascertain whether there is anything wrong with the plans, specifications, and the details of the dam which is going to be constructed.

Mr. BONE. That is a case where they make a model basin and a miniature dam in order in advance to test the dam?

Mr. NORRIS. Yes. To make such a model requires a man of great experience. A chemist cannot do it; a lawyer cannot do it; and frequently an engineer cannot do it. It is a business all by itself. It is a very expert business. Some people may say it is not necessary. I am not sufficiently versed in such matters to say that it is not necessary, but men who are versed in it and who are expert engineers and who have built a large number of dams think that such a model is not only important but is absolutely necessary to avoid any possible mistake that might be made in the building of a great dam in the construction of which millions of dollars are invested.

Mr. O'MAHONEY. Mr. President, will the Senator yield again?

Mr. NORRIS. I yield.

Mr. O'MAHONEY. May I take the liberty of suggesting to the Senator from Nebraska that he offer an amendment to add a new sentence to the section reading somewhat like this:

This provision shall not apply to the Tennessee Valley Authority.

Mr. NORRIS. I understand the Senator from Tennessee is going to modify his amendment and will make such an exception.

Mr. McKELLAR. I will ask if this wording would be satisfactory?—

Except persons now in the employment of the Government or appointed under civil-service rules or appointed under the Tennessee Valley Authority.

I have no objection to making those exceptions.

Mr. ADAMS. Mr. President——

Mr. NORRIS. I should like to say a few more words before I sit down.

Mr. ADAMS. Very well.

Mr. NORRIS. I think fundamentally the amendment is wrong. It may be there are conditions which need correction, and it may be that such an amendment if applied to some organizations of the Government would correct them; I do not know as to that, but I am afraid of it. I thank the Senator for exempting the Tennessee Valley Authority, but I think a great deal of the argument in favor of exempting that organization applies to others. For instance, I think

now of the Rural Electrification Administration. The same provision of law is found in the act with reference to that organization as is found in the Tennessee Valley Act.

The conferees were in disagreement as to that provision and a conference report was held up by that provision and some others for many weeks, with the danger, I thought at the time, of not getting any act at all. But, as finally agreed upon, the House conferees yielded, and they wrote in the law the same provision, copied I think verbatim, from the Tennessee Valley Authority Act. They have been acting under that law, with that kind of a provision in it. I do not know that it would do any injury to them. I do not have sufficiently close connection with them to know whether it would or not.

Mr. McKELLAR. Mr. President, if the Senator will yield—neither do I know about the Rural Electrification Administration, but I should like to call the Senator's attention to the appointments made under the Resettlement Administration. I think that organization is now called by some other name; the name has been changed to the Farm Security Administration, I think; it has a better name; but the officers are the same, and some of them are, to my knowledge, utterly incompetent, utterly unworthy, and ought not to have been appointed. They would not have been appointed if their nominations had come before the Senate.

Mr. NORRIS. It is the same organization with a different and better name. There was an organization which used to be called the National Electric Light Association. Now it is called the National Edison Association or something of that kind. It is made up of the same men, with the exception of Insull, who got out of it.

Mr. BONE. Mr. President, may I make a further inquiry of the Senator before he takes his seat?

Mr. NORRIS. I yield.

Mr. BONE. I understand there is a provision in the Tennessee Valley Authority Act which makes it unlawful for anyone to attempt to exercise what we frequently call political influence in bringing about the appointment of employees and experts and what not?

Mr. NORRIS. No; I would not say that.

Mr. BONE. That was my understanding which I gathered from the discussion here.

Mr. NORRIS. No, the law does not go that far.

Mr. BONE. For instance, I am not now thinking of a Member of Congress, but if anyone should have in mind a person with qualifications that ought to make a strong appeal to the executives of the T. V. A., would there be anything in the set-up of that organization which would make it embarrassing for the Board to accept the suggestions or recommendations or the statement of qualifications as to the particular individual?

Mr. NORRIS. I do not think so, but since the Senator has asked the question, it indicates that he has some doubt about the wisdom of the law as it now exists.

Mr. BONE. No, the Senator misunderstands me. It has been a long time since we passed the act, and I have forgotten the details of that particular feature of it. I am merely curious to know.

Mr. NORRIS. I should like to say, in reply to the Senator, that after the act was passed I had, as I know other Senators had, a large number of applications for jobs, more than ordinarily would have been the case because it was at a time when jobs were very hard to get, and many good men, such as lawyers, chemists, and engineers, were out of employment. Those were the three classes that came to me oftener than any others. I remember a man who came to my office to talk over the subject. He was chairman of a Democratic State committee. He wanted some one appointed; he thought he probably could get a recommendation from me, and that, I presume, it might do some good. I declined to do it, and told him why, as I did thousands and thousands of other people. I said that the law itself prohibited such action, and, in order to be on the safe side, I had not recommended a soul and never would. "Oh," he said, "I know that is the law; I have read it; but that does not mean anything. Senators and other officials high up in the Government do not pay any attention to that law." I said, "Well, I pay attention to it, and I believe that other Senators do; I believe that everybody is taking it in good faith." "Oh, no," he said, "I do not think there is anything to that. I know how those things go. It is nice to have that kind of a law but it does not mean anything." He came from a State in which there were a great many applications, and he showed me the written correspondence with an individual who wanted a job. I think he was a chemist. He had written the gentleman who came to see me and told him his qualifications.

My visitor said, "I never heard of this man; I do not know him; he may be all he says he is; he may be just the man for the place for aught I know." He showed me a copy of his reply in which he said, "Get the endorsement of the chairman of the Democratic county central committee where you live, and I will recommend your appointment." Then he said to me, "That is what I am doing and I think everybody is going to do the same thing. The provision of the law which you have in mind is going to be of no effect whatever."

I do not think it worked out that way in the case of the T. V. A.; but the members of the Board had much difficulty; and if they had not been able to cite that law and say, "We are liable to be removed ourselves if we do not obey the law," they would have been unable to make any defense. There is a bureau in the organization of the T. V. A. which does nothing else but look after such applications. The applications go through the regular channels. Questionnaires are sent out. They may be sent to a Senator or a Governor, or anybody else. They are sent to men selected by the organization itself, and also, as I understand, to men who are selected by the applicants themselves, and send out questionnaires, and ask questions about the applicants. Sometimes, if the office is an important one, and is vacant, and they want to fill it with a good person, they send an individual hundreds of miles to the community or the business establishment where the record shows the applicant has been employed to find out in detail what his ability is, what his efficiency is, and what his character is.

Mr. BONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. HATCH in the chair). Does the Senator from Nebraska yield to the Senator from Washington?

Mr. NORRIS. I yield.

Mr. BONE. I do not know whether or not the Senator will recall the incident, but I remember discussing with one of the T. V. A. officials some of the experiences of my own city. I suggested to them that they consult some members of the engineering staff of Tacoma's great municipal system, and I think Mr. Lilienthal, or one of the members of the Board, did so, as a result of which two or three of our men went from the Tacoma system—the great Cushman project—over to the T. V. A., and I understand that two or three of them are now in high executive positions there.

Mr. NORRIS. They are. They have been very satisfactory, too.

Mr. BONE. They are very skillful and very able men.

Mr. NORRIS. That shows what the officials of the T. V. A. do. They need a technical man, a man who has had experience, who is honest and efficient, and they go where men have had experience in that line. In this case they went to Tacoma. I suppose they sent several representatives there to make an investigation about whoever was the subject of inquiry. Perhaps he had not been recommended, but they wanted him. Perhaps they had read about him, they knew him from reputation, and they said, "That is the kind of a man we want," and they proceeded to investigate him.

Mr. BONE. Of course, these men helped build what I think is one of the finest power systems in the world.

Mr. NORRIS. Yes; and the officials of the T. V. A. recognized that fact; but when they acted in that way they often received the severest kind of condemnation and criticism from Members of Congress, sometimes from Members of the Senate, because they went away out in the country and

selected somebody in the State of Washington when it was contended that they ought to have selected somebody from Alabama or Tennessee, and they have had to suffer from that criticism and condemnation. This law has saved them, however, and, in my judgment, it has saved the T. V. A., because if ever we make a political jackpot of the T. V. A. it is ruined, it is gone.

I thank the Senator from Tennessee for taking out of the amendment even the part that has been eliminated from it. Nevertheless I think the amendment ought to be rejected.

Mr. ADAMS. Mr. President, I have been a Member of the Senate for only 5 years; but I am very happy to say that during that period my observation as to Senators and as to their fidelity to their public duties has not been similar to that of the distinguished Senator from Nebraska.

The Senate of the United States, as one of the two branches of Congress, participates in the creation of various great instrumentalities of the Government—the Home Owners' Loan Corporation, the T. V. A., and all the other agencies of the Government. I never have been able to understand why it is thought by some persons that the only individuals in the United States who are interested in inefficient government, the only corrupting influences in American public life, are those who derive their powers by election from the people of the several States.

The Senate of the United States and the House of Representatives have a great dream. They create a great agency; and yet it is assumed that having created it, and being responsible to the people for its success, the Congress wishes to have it administered in such a way that it will be a failure! The opinion I have of Senators is different from that.

Every member of the Cabinet of the United States has to be confirmed by the Senate. Every officer of the United States Army is confirmed by the Senate. The Constitution of the United States specifically provides that officers of the United States shall be appointed by the President of the United States and confirmed by the Senate, except that Congress may vest in the President alone, or in the courts, or in the heads of departments, the appointment of inferior officers. In other words, when we challenge the right of confirmation by the Senate, we challenge the soundness of the fundamental instrument which created the very body in which we sit.

I am unwilling, as one of 96 Members of the Senate, to be accused of incompetency or of sordid politics because we ask that the constitutional provision be complied with which states that those who create the agencies of the Government have a right of supervision and inquiry as to whether or not the agents appointed are competent.

My experience with Members of the Senate has led me to have the highest regard for their integrity and their public spirit. I do not like patronage. I do not like to have it go across my desk. In many ways it is a curse; but I am unwilling to have it said to the Senate of the United States, "You, if given the right of confirmation, will insist upon the appointment of men solely because of their political qualifications and their politics." In the case of my State, in the few places and at the few times I have had a chance to make appointments, I challenge comparison of the efficiency and integrity of the appointees with the efficiency and integrity of the men who have been appointed by administrative boards and bodies.

I know that from my own standpoint, when I have had these few chances to make appointments, I have been anxious to select the best men and the most competent men, even from a selfish standpoint. I want the people in my State to think well of me. If I put in office, by my recommendation, dishonest men, corrupt men, men who are mere politicians, it reflects on me. The other Members of the Senate and I are responsible to our people. If we put in office or confirm persons who are incompetent or corrupt, who is it that bears the burden? Who is it that goes back to the people asking their verdict and their judgment?

As I gather the matter, we may appoint a politician, but if we put him on an administrative board he rises above his source. A man confirmed by the Senate—a politician, as he may be called—may be put on the Civil Service Commission and at once his acts become better than the acts of those who appointed him.

If the corrupting hand of politics is inevitable when there is confirmation by the Senate, that hand rests upon the Cabinet of the United States. It rests upon the Supreme Court of the United States. It rests upon every Federal judge. It rests upon the Army of the United States. It rests upon the heads of all the great agencies of our Government, because all of them are confirmed by this body.

So, as I have said, what I say is not directed to this amendment. I am not concerned about it. My remarks are in a measure by way of defense against the implication that the Members of this body are not good citizens.

Reference is made to experts. Of course a man appointed to an important office should be an expert; the Army enneers should be experts; but I venture to say that if an expert is to be appointed Members of the Senate will not be willing to have confirmed a man who does not meet the requirements of the office.

I repeat that I am not concerned with the amendment, except that as a Member of the Congress I resent the implication that those of us who have been sent here by the people of our States after the most severe scrutiny of our characters and our reputations—a scrutiny which is not given to the members of any of the administrative boards—and who have survived that scrutiny, are not faithful to those who sent us here, and that we do not wish the laws we pass to be honestly and efficiently administered. I cannot subscribe to that theory.

Mr. NORRIS. Mr. President, the Senator from Colorado has just made a speech that could be well made by the leader of any political machine in the United States—a machine held together and kept alive solely by patronage.

In the first place, I made no implication that the Senator from Colorado or any of the Senators were corrupt, or that they wanted to destroy the Government; but I did assert, I again assert, and I do not apologize for it, that when the Members of the Senate of the United States seek to pass on the qualifications of tens of thousands and hundreds of thousands of officials of the United States, they are undertaking a job which they never can properly finish. They cannot do it. It is impossible. When the Senator from Colorado or any other Senator says that he fixed up his appointments all right, and that the appointees were always good men when he got through with them, I desire to respond that if he should do that in all cases, and go to the extreme to which he ought to go in order to find out whether they were good men or bad men, he would not have any time to have charge of an appropriation bill in the Senate. He would not have any time to do anything in the Senate; he would be an office boy.

Mr. ADAMS. A number of appointments come across my desk which can be readily looked after without interfering with my other business.

Mr. NORRIS. The Senator would be a better Senator if he had fewer appointments coming across his desk; and that is saying a good deal, because he is a good Senator, of course.

If the Senator's theory is correct, we ought to repeal the civil-service law before we go home today and say, "Turn these jobs over to us, and when a man is to be appointed in the mail service to throw the mail, in order to see whether or not he should get into office, come to the Senate and the Senate will determine whether he is qualified." Senators could do it, but it would take all their time, and more, too; and they would be politicians instead of statesmen when they got through with it.

Mr. ADAMS. Mr. President, will the Senator yield for another interruption?

Mr. NORRIS. Yes.

Mr. ADAMS. I should very gladly have as much burden taken off Senators as can be taken off. My comment and

my objection were to what I thought was an implication that if a Senator did have the power of confirmation he would not exercise it in the public interest, not that I was seeking to give Senators this power.

Mr. NORRIS. Oh, Senators of course would try to do their best; but they cannot do 10,000 things at once. One cannot be a successful Senator and take care of the public interests which are confided to him if all his time is taken up in getting jobs for people, or seeing whether applicants are competent to fill positions. It is common knowledge that Members of Congress can do better if they have men who can search out and look up qualifications of applicants for positions.

Mr. President, not a week ago a Senator told me of another Senator, one who is a Member of the Senate at this time, who introduced a bill to correct some man's military record. He presented a written statement before the committee which had the case in charge, stating that the proposed beneficiary was an exemplary person, a fine man, good in every particular, perfectly entitled to this benefit. The case was referred to a subcommittee. The Senator who introduced the bill was satisfied. He was not dishonest, and I have not said he was. I do not mean to imply anything. When a man states that I cannot say what I have said, or entertain the opinion I entertain, without implying that every one here is a scoundrel but me, I reject that; I resent it; it is not true. I hope I have not the reputation among Senators that I have such little regard for my fellow Senators. If I have, for God's sake expel me from the Senate and send me out; I am unworthy to be here.

In the case to which I have referred, the subcommittee took the matter up with the War Department and investigated the man's record. It was found that he had been tried before a court martial, as I recall, 14 times. It seems to me he had six wives living, and that he had been in jails all over the United States. When the subcommittee confronted him with these statements and asked him whether they were true, he said, "Yes; I think that is true, but I did not think it made any difference."

Mr. President, this only illustrates that Senators may be mistaken, especially with the limited time they have to devote to business. I want to see the burden taken off the shoulders of Senators.

Suppose a chemist is to be selected. Can we find out whether he is a good chemist by inquiring whether he happens to be a good Republican or a good Democrat?

Does that make any difference? He may have a recommendation from the State committee, from the Governor of the State, from a Member of the Senate, or from a Member of the House of Representatives; and some of the recommendations are given with care, but some are not. There are a good many, just like the chairman of the Democratic committee of the State or county, who are going to abide by the recommendation of the county chairman and, if he said a man was all right, back him up. He was not dishonest in doing that. That is one way of filling places. We did not think it was the best way when we passed the Civil Service Act, and if it is the best way we ought to repeal that act.

Mr. GLASS. Mr. President, I had no part in framing this amendment, but I did and do object to the idea about politicians which the Senator from Nebraska presented. He seemed to think that Senators were mere politicians, and spoke in a very contemptuous tone of voice of United States Senators. He seems utterly oblivious of the fact that any politics whatsoever enters into the administrative bureaus which the Congress of the United States has created.

I voted for T. V. A.; I voted for it particularly because the Senator from Nebraska advocated it. Had he then made the speech which he delivered today, and made this contemptuous reference to United States Senators, I doubt whether I would have had so much confidence in his judgment, and I might not have voted for T. V. A. But I say now that I am just as much interested in the successful operation of the T. V. A. as is the Senator from Nebraska, and after his statement about the T. V. A. situation I was glad to note that the Senator from Tennessee agreed to exempt T. V. A. from the operation of his proposed amendment to the bill.

I repeat, there is more politics to the square inch in the administrative bureaus created in Washington in a month than there is in the United States Senate, so far as my observation goes, in a year, and, furthermore, they are utterly oblivious to the requirements of the civil-service law. They pick their favorites, and they play politics from one end of the game to the other, and I think that the Senate of the United States is quite as competent to review the records and to ascertain the qualifications of applicants for public office as are the administrative bureaus in Washington.

Mr. President, that is the only objection I have to the attitude of the Senator from Nebraska. I do not want to fill the T. V. A. with political appointments, but I resent the idea that every Senator who wants to have the Senate pass upon officials is bound for the "pie counter." The real "pie counter" is in these administrative bureaus, and their insolence is equal to their incapacity.

Mr. SHIPSTEAD. Mr. President, I wish to say just a word about the provisions of the amendment. As I understand, it exempts civil-service employees. Am I correct in that?

Mr. McKELLAR. The Senator is absolutely correct.

Mr. SHIPSTEAD. I am glad it exempts civil-service employees.

Two or three years ago, as I recall, an amendment of this character came before the Senate. I voted for it because I was told that in some of the departments there were boys then in their first year in law school who were drawing salaries of six and seven thousand dollars a year merely because they had political pull.

We passed a resolution at one time inquiring as to the number and the names of people working in the departments drawing over three or four thousand dollars a year, and I had what I considered reliable information that in one of the departments the appointing power had asked a great many of the employees to resign so that he could reappoint them at lower salaries, because he did not want the salaries and the names and the competency of these appointees to be made public.

Never in my political life have I wanted patronage. I consider it a form of bribery by the executive departments to buy votes of the legislative. Party patronage has made party politics a gangster's game, and it is corrupting the civil service from top to bottom.

I shall vote for the amendment, not because I want to pick any employee but because I feel that whenever anyone is appointed to a position carrying a salary of more than $5,000 I want his name made public, so that those who know him may disclose whether or not he is capable of filling a position demanding such a salary.

I am and always have been willing to vote for a strict civil-service law to apply from the very highest to the lowest, and to make all applicants pass an examination. I do not care how they have been covered in, as they have been covered in in some of the independent offices and in the various bureaus. I think that what is going on is not to the credit of the administration of public office. When a new administration comes in it cleans out the employees, and puts in a new gang. That system is getting to be more and more of a spoils system.

I shall vote for this amendment simply because it means that those who are to be appointed at a salary of more than $5,000 a year must have their names brought out in public.

Mr. AUSTIN. Mr. President, I shall detain the Senate but a moment, and I would not have anything to say about the amendment at this time were it not for the fact that about a year ago it became necessary for me to explain to a great many constituents, who evidently misinterpreted my vote on an amendment which required action by the Senate to confirm appointments made by the President to certain offices. That vote was evidently regarded as a vote for the spoils system and against the merit system. I never so regarded it, even before casting the vote or after the criticism.

I shall vote for this amendment for one reason, because I regard it a fundamental characteristic of our Government that there should be a limitation upon the powers of the States, so that great States, States of immense population and political power, shall not overtop and completely submerge other States with small population and little political power.

The fact that each State in the Union shall have the same representation in the Senate of the United States constitutes a limitation upon the power of the great States, and I regard it as a very wholesome and essential limitation. I would consider it most unfortunate to have adopted a practice which would permit the President of the United States to choose important administrative officers without any scrutiny and without the exercise of any limitation by the Senate upon his selections. Indeed, if such a practice should become common, I think it would have a tendency to accelerate the institution of the spoils system in our Government. In such a practice the small States would have little or no voice in the appointment of administrative officers.

I would not vote for this amendment if there had been any doubt left about the wording of the amendment, so far as it excepts the civil service from its scope. I believe the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] and accepted by the Senator from Tennessee clears the matter of any doubt whatever. I understand the amendment to the amendment to read as follows:

And persons heretofore or hereafter appointed under the civil-service law.

That is to say, all persons who are within the reach of the civil-service law are excepted from the scope of this amendment. I ask the Senator from Tennessee if that is a correct interpretation of it?

Mr. McKELLAR. That is correct.

Mr. AUSTIN. If I may ask the Senator from Tennessee one further question. Does he understand that the amendment also excepts promotions made within the civil-service law?

Mr. McKELLAR. Oh, yes.

Mr. AUSTIN. So that if the amendment should become law it would not interfere with the regular and normal promotions?

Mr. McKELLAR. It would not. It covers promotions. Promotions are simply appointments to other positions or higher positions.

Mr. AUSTIN. It is with that understanding that I support the amendment.

In passing, let me say that I think the Senator from Nebraska was correct in his interpretation of the scope of the word "experts." In my experience I have found that the law does not recognize degrees of expertness, but, on the other hand, in all courts where I have heard that term interpreted any person who had special knowledge, skill, or experience in the subject concerning which he was undertaking to act or speak was regarded as an expert and came within the scope of the term.

So I enter upon this vote recognizing the very broad effect of it and expecting that it will gather into its application under that term "experts" any person who has and exercises any special knowledge, skill, or experience which is required in a specific appointee.

Mr. SHIPSTEAD. Mr. President, I wish to ask the Senator from Tennessee a question. I desire to be absolutely sure that this amendment does not affect the civil service.

Mr. McKELLAR. Certainly not. The civil service is entirely excepted from it.

Mr. SHIPSTEAD. Then under this amendment there is no danger of the spoils system, except that when it is desired to appoint a man who has political pull, that man cannot receive more than $5,000 a year. If he were to receive more than $5,000 a year his nomination would have to come to the Senate for its advice and consent.

Mr. McKELLAR. I do not know that I exactly understand what the Senator's question is.

Mr. SHIPSTEAD. When appointments are made that are not within the civil service, those making the appointments can make all the political appointments they want to make under the spoils system, except that no one thus appointed shall be paid more than $5,000 a year. When more than $5,000 a year is paid the nomination must be scrutinized by the Senate.

Mr. McKELLAR. If I rightly understand the Senator's question, that is correct.

Mr. SHIPSTEAD. Yes. It leaves the spoils system free up to $5,000.

Mr. O'MAHONEY. Mr. President, I think the Senator from Minnesota does not quite understand the effect of the amendment, as it has now been perfected.

Mr. SHIPSTEAD. Perhaps I do not.

Mr. O'MAHONEY. The Senator will recall that numerous laws have been passed from time to time in which the positions of experts and attorneys have been exempted from the operation of the civil-service law.

Mr. SHIPSTEAD. Yes; I am aware of that.

Mr. O'MAHONEY. In some instances appointments may be made and have been made to positions of that kind at very large salaries without reference to any other public authority.

Mr. SHIPSTEAD. Yes—or ability.

Mr. O'MAHONEY. I was making reference to the provision that an appointment shall be subject to the scrutiny of another public authority outside the agency making the appointment. The effect of the amendment, as it has been suggested, is that whenever any such appointment has been exempted from the operation of the civil-service law the appointing agency must send the name of the appointee to the Senate. It accomplishes exactly what the Senator had in mind when he spoke just a few moments ago, but it has no effect whatsoever upon appointments under the civil-service law heretofore made or hereafter to be made.

Mr. SHIPSTEAD. However, it makes public the names of those appointed. I think that is a good idea.

Mr. KING. Mr. President, I have not heard the discussion. Perhaps I am old-fashioned and will be charged with believing in the spoils system. I prefer an honest spoils system to a dishonest civil-service system, such as prevails today. If I had time I could recount many instances of persons under the civil service obtaining their positions illegally or improperly, and being incompetent to discharge the duties resting upon them. I have discovered from contacts which I have had with persons under the civil service that many who desire to discharge their duties with fidelity and ability have been restrained by those within the civil service. I have in mind the case of a young man who was appointed in one of the departments a few years ago. He took the civil-service examination. He was competent and he addressed himself with earnestness and assiduity to the discharge of his duty. He had not been there a week when some sort of a walking delegate—a civil-service employee—remonstrated with him because he was doing too much work, and setting a higher standard of efficiency and labor and duty than that which seemed to prevail.

His work was made so unpleasant by reason of the constant irritation to which he was subjected by men in the civil service that he resigned. A number of cases of that character have been brought to my attention. The civil-service law, as it is now administered, makes for uniformity of effort at a lower standard of labor. There seems to be no incentive to efficient labor and efficient service in order to secure promotion. Many complaints are made about the unfairness that prevails in obtaining promotion. Favoritism is exhibited. I understand that some investigation has been suggested to determine whether or not promotions are fairly made.

I repeat that the civil-service administration has not been satisfactory, and if I had my way, I should abolish it unless some reforms were effectuated. I notice it is suggested in the reorganization bill that there be a change. Much as I dislike one-man power, I think I shall vote for it unless we can work out some plan whereby an honest administration of the civil-service activities of the Government may be obtained. I know of many persons who have failed as

lawyers or accountants and who have come to Washington. They were not competent, and yet they obtained positions, either in the civil service or outside the civil service, at salaries in excess of $4,000 or $5,000 a year. In many activities of the Government we are paying salaries greatly in excess of what should be paid. The judges of the appellate courts in many of the States get only five or six thousand dollars a year; and yet we are paying compensation in excess of that to hundreds, if not thousands, of persons. Some of them claim to be lawyers, and some may be lawyers; but we are paying them compensation in excess of that which is paid to the judges of the highest courts of many of the States.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. KING. I yield to my friend.

Mr. NORRIS. The Senator was not present during all of the discussion upon this subject.

Mr. KING. I was attending a committee meeting. I am sorry I was not present.

Mr. NORRIS. Judging from some of the discussion, the change from the civil service which would probably be most agreeable would be one which would abolish the civil service, and provide that the appointment of all the officers of the United States should be turned over to the Members of the Senate and of the House. Would that meet the Senator's approval?

Mr. KING. Indeed, it would not. I agree absolutely with the statement made by the able Senator from Minnesota [Mr. SHIPSTEAD]. Patronage is very disagreeable to me, and I hope the day may come when Senators and Representatives will have nothing to do with patronage, and when appointments will be made solely and exclusively according to merit, without reference to political or party affiliations.

Mr. GLASS. Mr. President, I ask the Senator from Utah if he does not think the Senate is as competent to make these selections as the miserable bureaucrats in Washington.

Mr. KING. I agree with the Senator. That is the reason why I have criticized the civil service. I think many appointments have been made by bureaucrats within the various bureaus and department on the basis of favoritism. Efficiency has not been the basis upon which appointments or promotions have been made.

Mr. NORRIS. I have no doubt the criticism made by the Senator from Utah and others, as to the operation of the civil service, is justified to a very great extent. I think the civil service is very imperfect. But we have been going on for several years under civil service, and it seems to me that those who are advocating a return to the spoils system, under which all Federal officers would be appointed by the Members of the Senate and the House, ought to do so directly. If the spoils system is better than the way we are now doing—which, I confess, has many faults—let us go directly to the spoils system.

Certain Senators resent any allusion to the fact that some Senators and some Members of the House wish to control patronage, and hang on to it with a death grip, and they insult any man who criticizes such an attitude. Why are they not strong enough and courageous enough in their convictions to propose a law which will accomplish what they desire, and turn the patronage over to the Members of the Senate and the House?

Such a course might be an improvement. If we do not want to do that, let us take the civil service as it is and improve it. I should like to see Senators make an effort to improve it.

I tried to improve the civil service when I sponsored a provision in one or two bills making it illegal to consider politics in connection with appointments, promotions, or demotions. I tried my best to eliminate politics. I have been condemned for doing so. If such a provision is not better than the civil service—and many people think it is not—then let us repeal it, and substitute the civil service. If the provision to which I have referred has merit, let us put it into the general law. In the passage of the bills to which I referred, when efforts were made to put all appointments under the civil-service law, those efforts were fought and defeated on the floor of the Senate.

It has been said that a great deal of trouble exists in connection with appointments when appointments are made without regard to the civil-service law. Such appointments would have been made with regard to the civil-service law if some Senators had had their way. There was a dispute, and our opponents won, and their victory took the matter of appointments out from under the civil service. Our opponents have made their bed, and now they complain about lying in it. In my judgment, resentment against any man who complains about a situation, or is opposed to it, will never justify such a situation.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator.

Mr. McKELLAR. I merely wish to suggest that no question of civil service arises in connection with this amendment. Civil service is specifically and entirely excluded under the amendment.

Mr. WALSH. Mr. President, after listening to the discussion, it seems to me that there is unanimity of opinion that the civil-service system, with its weaknesses and imperfections, is better than the spoils system. One of the great difficulties in the proper administration of the civil service is the fault of Congress and not of the Civil Service Commission. Year after year the Civil Service Commission, in its annual reports, has urged, sought, and pleaded for legislation granting it additional power. Its requests have not been granted. It has needed additional appropriations, for its activities have expanded approximately 300 percent. No additional appropriations have been made.

A good deal has been said about the definition of an expert. I hope the Senator from Wyoming [Mr. O'MAHONEY] and the Senator from Tennessee [Mr. McKELLAR] will correct me if I am mistaken in my statement.

As I understand the law, if a statute creating a department of government provides for the application of civil service to the employees of that department, exempting lawyers and experts, one course of procedure, to which I shall refer in a moment, is practicable. If the statute creating a department of government designates certain classes of employees as subject to the civil-service law, a different system is practicable. The United States Housing Authority limits the employees who are subject to civil service to those with a salary below $1,900.

If the law applicable is the general law, the civil-service law, exempting experts and attorneys, it is the practice and custom now for the department which designates an expert or an attorney to submit his name to the Civil Service Commission, and the Commission determines whether or not the person is in fact qualified as an expert or as an attorney. That is a very beneficial regulation and practice, because it has stopped such practice as naming clerks as experts and naming laymen as lawyers.

I think the practice of the Civil Service Commission in certain cases in passing upon the qualifications of those designated as experts and attorneys is in every way desirable and avoids circumventing the law. This authority should be extended.

But in that class of statutes where there is no application of the general civil-service law, or where the civil-service law is designated as applying to certain groups of employees, the practice to which I have referred is not followed; and departments in those instances can name experts and attorneys without any scrutiny by the Civil Service Commission or without any authority vested in the Civil Service Commission to pass upon the question as to whether the prospective appointees are experts or attorneys. So it seems to me that the inclusion in the proposed amendment of the word "expert" is desirable, because, as I have observed the practice of those who have sought to avoid the strict application of the civil-service law, they have used the word "expert" to place in positions of trust and responsibility those who could not, in fact, qualify as experts.

If this amendment is adopted, at least the Senate, in the event the civil service does not apply, will have something

to say, when a person is appointed as an expert at a salary of over $5,000, in determining whether he can qualify as an expert or not. To that extent we will be improving the personnel and preventing loose administration which, to some extent, has prevailed in the past.

I wish to say to the distinguished Senator from Utah [Mr. KING] that, in my opinion, the Civil Service Commission, as constituted since I have been a Member of the United States Senate, has rendered, on the whole, excellent public service. I except from that statement one activity of the Civil Service Commission, and that is the examination and certification of persons for postmasters. I regret to say that I cannot commend in all cases the civil service for its activities in that respect; but that is not the fault entirely of the Civil Service Commission, for there is no statute directing them or defining how and in what manner they shall proceed. They act in that capacity under an Executive order of different Presidents which defined and fixed the kind and character of examinations which shall be conducted by the Commission in connection with the selection of postmasters, and the result has been, I believe, a subtle political influence.

I desire to say further, with all seriousness, that during the years I have been a Member of this body, I have not known, either under a Republican administration or a Democratic administration, of any sharp practice, of any scandal, or of any unfairness or improper influence in passing upon the qualifications of applicants and in certifying them by the Civil Service Commission. I am now referring to the minor Government employees, who are largely and almost solely under civil service. I might add—and I regret to do it—that if I had to distinguish I would have to say that, in my opinion, the Civil Service Commission under the administration of the Republican Party has been as much if not even more free from political or personal influences than under the administration of the Democratic Party in performing its duty. I think, however, that is due in part to the fact that they had fewer duties to perform under the Republican administrations than at the present time, because of the large number of new commissions which have been created under recent statutes passed by Congress.

But I think any close scrutiny and examination of the regular activities of the Civil Service Commission will indicate that its duties have, in the main, been well performed. I remember when I first came to the Senate, because of long Republican control I looked for favoritism; I looked for discrimination; I heard complaints, few in number, and I compared it with the civil service of my own State, which had a very high reputation. I must say, in all sincerity, outside the activities in the one field referred to, the long record of the Civil Service Commission, as I have observed it, has been commendable and praiseworthy. That it can be improved and extended, and strengthened, I concede.

The trouble is that the Civil Service Commission is limited and restricted by statutes enacted by Congress to certain fields and to certain activities. The Congress has failed to broaden and expand the power of the Commission and to give it the power and authority which it has requested. Furthermore, Congress has again and again failed to give it the necessary money to function effectively, though its duties and examinations have increased greatly.

Mr. President, I had not intended to discuss this subject but I had in mind a distinction that is made by the Civil Service Commission in its operations when it comes to the question of selecting experts. If we are going to adopt this amendment, I think the inclusion of the word "experts" will serve a distinct benefit in the public interest, so that we may have something to say about whether or not a man is qualified as an expert for the particular expert work in a particular department of the Government in which he is called to perform duties.

Mr. GLASS. Mr. President, the able Senator from Massachusetts, of course, understands that this proposed amendment does not touch the civil service in any respect?

Mr. WALSH. I understand that. My statement was largely in answer to the comments and criticisms which I understood to be made by the Senator from Utah.

Mr. GLASS. I should like to say for the RECORD that I voted for the Civil Service bill in the other House and in the Senate, and no Member of either body is more earnestly in favor of an honest civil service than am I. I merely arose to express the conviction that there are fewer pie-counter politicians in the United States Senate than there are in any of the administrative bureaus.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, offered by the Senator from Tennessee [Mr. MCKELLAR].

The amendment, as modified, was agreed to.

Mr. SCHWELLENBACH. Mr. President, I offer an amendment which I ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 48, line 3, it is proposed to strike out "$93,000,000" and insert "$95,500,000"; and insert a comma and the following: "of which not less than $2,500,000 shall be expended in the employment of additional attendants (ward and mess) to be distributed among the veterans' facilities in proportion to the patient population."

Mr. SCHWELLENBACH. Mr. President, I wish to say, at the outset, that I do not intend to ask for a vote on the amendment offered by me. I present it merely in order that I may take just a few moments to discuss the situation to which the amendment refers. I happen to believe in the theory that we should not have general discussion of matters on an appropriation bill unless there is something before the Senate which is pertinent.

For many years there has existed a situation in the veterans' hospitals which many of us feel should be corrected. The attendants employed in the veterans' hospitals or in veterans' facilities work from 72 hours to 84 hours a week. It is not a new situation. I first became familiar with it in 1922, when I happened to be the head of the American Legion in my State. From that time until this the veterans' organizations of the country have attempted to secure some correction of the situation. They never have been able to secure any correction because of the fact that the Veterans' Administration has said that they cannot obtain sufficient money from the Congress. So far as I have been able to ascertain, the Veterans' Administration has never asked for additional funds from the Congress; and I do not think the Appropriations Committee in connection with this particular bill could properly have made such an increase in the appropriation as I suggest, because there was no Budget request and no request from the Veterans' Administration.

I contend that the present condition is wrong for three reasons. First, it is unfair to the veterans. We furnish facilities and hospitals. The veterans are entitled in these facilities and hospitals to the same sort of service which they would receive if they were under treatment in a private hospital.

To have them placed in a situation where they are subject to attendance by employees receiving $1,080 a year and working 12 hours a day, 7 days a week, is certainly not the idea that most of us have as to the sort of treatment which should be accorded our disabled veterans.

Second, I do not think it is fair to the attendants themselves that such discrimination should be made between this one particular class of Government employees, when we have rules providing shorter hours for many other classes of Government employees. Such treatment has no basis and logic, so far as I can see.

Third, it certainly is utterly inconsistent for the Government, particularly under the present administration, to tell private employers that they should not work their employees more than 40 hours a week, and that it is desired to distribute the working hours so as to give more employment, and then under the Veterans' Administration throughout the

country cause employees to work from 72 to 84 hours a week. Certainly that is entirely inconsistent.

I present this amendment merely that I may have the opportunity now to call the attention of the Senate to the situation which exists today, which has existed for many years, and which I look upon as a disgrace, so far as the Federal Government is concerned. As I said at the outset, I do not ask for action upon the amendment, and, unless there are some other remarks to be made upon it, I will withdraw the amendment.

Mr. REYNOLDS. Mr. President, I desire to say that I hope the Senator from Washington will push for a vote on his amendment to increase the appropriation referred to by $2,500,000, because it will afford me pleasure to be permitted an opportunity to aid the veterans.

Mr. GLASS. Mr. President, I may say to the Senator from Washington that, as chairman of the committee in charge of the bill, I should be under obligation to make a point of order against the amendment if it were to be pressed.

Mr. SCHWELLENBACH. I recognize the amendment is subject to a point of order, and I am not asking for a vote on it.

The PRESIDING OFFICER. The amendment offered by the Senator from Washington is withdrawn.

Mr. RUSSELL. Mr. President, I wish to offer an amendment on page 66, line 17, section 3. I move to strike out all of section 3, commencing in line 17 and ending in line 21.

The PRESIDING OFFICER (Mr. MINTON in the chair). The amendment will be stated.

The CHIEF CLERK. On page 66, after line 16, it is proposed to strike out the following:

SEC. 3. During the fiscal year ending June 30, 1939, the salaries of the Commissioners of the Interstate Commerce Commission and the Commissioners of the United States Tariff Commission shall be at the rate of $10,000 each per annum.

Mr. RUSSELL. Mr. President, I did not know this provision was in the bill until the last day or so. At the time of the passage of the Economy Act the salaries of the members of the Interstate Commerce Commission and of the members of the Tariff Commission were reduced from $12,000 per annum to $10,000 per annum. Since that time the salaries of all other officers and employees which were reduced by the Economy Act have been restored. Furthermore, Congress has created new commissions, among them being the Maritime Commission, and has fixed the salaries of the commissioners at $12,000 per annum.

In my judgment, the Interstate Commerce Commission and the Tariff Commission are two of the most important of all the independent agencies of the Government, and I know of no reason why the reduction in their salaries should be continued, in view of the fact that the salaries of the members of some of the other independent agencies that are not so important are now fixed at $12,000 per annum. I hope the Senate will adopt the amendment.

Mr. GLASS. Mr. President, I may state to the Senate that this has been the law for 5 years. It has been in every Independent Offices Act for 5 years; and it seems to me the better way to reach the purpose of the Senator from Georgia is to reduce the other salaries, rather than to give an unlimited right to increase these salaries.

I hope the amendment will not be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia [Mr. RUSSELL].

The amendment was rejected.

Mr. REYNOLDS. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill, it is proposed to insert the following:

SEC. —. The sums appropriated by this act shall be so expended that any employment which may result from, and any other benefits which may accrue to individuals as a direct or indirect result of, carrying out the provisions of this act shall be received by the following classes of individuals in the following order of preference: First, citizens of the United States; second, aliens who, prior to the enactment of this act, have declared their intention to become citizens of the United States; third, aliens not included in the second class above mentioned but whose residence in the United States is lawful. No part of such sums shall be so expended as to result in any employment or any other benefits being received by aliens not lawfully in the United States.

Mr. GLASS. Mr. President, under the regulations which govern the chairman of the Senate Committee on Appropriations I am obliged to make a point of order against the amendment of the Senator from North Carolina. It is legislation on a general appropriation bill.

The PRESIDING OFFICER. The Chair rules that the point of order is well taken, and it is sustained.

Mr. NORRIS. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 36, line 19, in the appropriation for salaries and expenses of the Rural Electrification Administration, it is proposed to strike out "$1,587,000" and in lieu thereof to insert "$1,650,000."

Mr. GLASS. Mr. President, it is my disagreeable duty to make the point of order against that amendment, because the larger amount has not been estimated for.

Mr. NORRIS. Mr. President, I was not aware that that is the case. The Senator knows that this amount was not recommended by the Budget Bureau, for instance, does he?

Mr. GLASS. Yes, sir; I do. That is the reason why I am compelled to make the point of order against the amendment.

Mr. NORRIS. I was laboring under the impression that that was not so. If it is, however, I presume the amendment is subject to a point of order.

The PRESIDING OFFICER. The Chair is advised that the Budget estimate is $1,650,000. The amendment of the Senator seems to be within the Budget estimate. Therefore, the Chair rules that the point of order is not well taken.

Mr. NORRIS. Mr. President, when the amount is broken down it will be found that two things would be affected by the amendment. It would increase the appropriation now in the bill in the aggregate by $63,000, divided as follows: $20,000 of the amount would be spent for engineers, and field auditors would cost $43,000. Those are the two items which the amendment would affect. It would provide for an increase of $63,000 for those two specific purposes.

Mr. President, I am just as anxious as anybody can be that the administration of rural electrification shall be of the highest order and that it shall be perfectly efficient. If it is not efficient in engineering and in auditing, the various projects scattered over the United States by which electricity is carried to farm homes will not be efficiently administered. It is important for the sake of the money the Government has invested in these projects that the auditing be properly attended to, and that the engineering be such that we shall not have on our hands in a few years projects which are worn out, or which have shown their inefficiency, so that they must be greatly improved or altogether abandoned.

The Government loans the money to be put in these projects at 3 percent. Usually the administration of the act is in the hands of farmers who are not expert auditors, and there is also danger that the wiring and construction of the projects will be done to some extent by inferior workmen, so that good work will not be done.

I desire to read to the Senate what the head of the Rural Electrification Administration, Mr. Carmody, says about these two items. To me it means economy to spend this money so that the bookkeeping may be right, that the method of keeping books may be the same all over the United States, and that the accounts and the books may be properly opened up by experts and men who know how to do it, so that all the projects can start off right, without inefficiency, and without danger of the projects afterward becoming inefficient.

Mr. GLASS. Mr. President, I will say to the Senator from Nebraska that, unhappily, I misunderstood the nature of his amendment. I do not desire to make the point of order,

but I am authorized by the committee to accept the amendment.

Mr. NORRIS. Very well.

The PRESIDING OFFICER. Without objection, the amendment offered by the Senator from Nebraska is agreed to.

Mr. HAYDEN. Mr. President, I am not a member of the subcommittee which considered this bill, and therefore hesitate to make any comment on the bill as reported to the Senate. In addition to that, I was unfortunately called from the floor of the Senate the other day at the moment when the amendment was adopted on page 10, lines 22 to 24, which limits to $200,000 the amount which may be expended for salaries and expenses of the office of the Director of the Civilian Conservation Corps.

I have made inquiry and find that the amendment was proposed by the committee primarily to find out why the limitation was omitted from the bill this year, a similar limitation having been included in the bill last year.

In order that the conferees may be advised in regard to the effect of the amendment, I ask that there be printed in the RECORD at this point a letter from the Assistant Director of the Civilian Conservation Corps, which gives good reasons why the amendment should be disagreed to when the appropriation bill is in conference.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

CIVILIAN CONSERVATION CORPS,
OFFICE OF THE DIRECTOR,
Washington, D. C., January 18, 1938.

HON. CARTER GLASS,
Chairman, Senate Appropriations Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR GLASS: This letter is being written to you at the suggestion of Senator BYRNES, of South Carolina.

In the independent offices appropriation bill as reported to the Senate by the Senate Appropriations Committee the committee has inserted a clause providing that the total expenditures of the office of the Director, Civilian Conservation Corps, may not exceed $200,000. As no testimony was taken with regard to this proviso, we take this opportunity to present facts which we hope may convince the committee members that this limitation is not truly in the interests of economy but will, in fact, defeat economical administration.

The basic Civilian Conservation Corps Act (Public, 163, 75th Cong., approved June 28, 1937) delegates to the Director, Civilian Conservation Corps, "complete and final authority in the functioning of the corps, including the allotment of funds," and consequently places upon him great responsibilities. The appropriations bill as reported by the Senate committee, through a financial limitation, prevents the Director from exercising properly many of the powers which the basic Civilian Conservation Corps Act (Public, 163) provides that he shall exercise. This seeming conflict puts the Director in the peculiar position of being required to do certain things by one act of Congress and prevents him from doing those things through a financial limitation in a subsequent act.

This financial limitation is all the more unusual because only the Director's office, which is specifically charged with directing the Civilian Conservation Corps program, is limited in its use of funds under the proposed appropriation in the bill reported by your committee. In other words, the Director can shift Civilian Conservation Corps funds from the Department of War to the Departments of Interior, Agriculture, and Labor, and vice versa, but he cannot shift any of these funds for the use of his own office.

It is our belief that this is not administratively sound. Experience indicates that some functions now being carried out by the cooperating agencies might be more properly and more economically executed through the office of the Director.

We list below some of these functions without implying that all of them should be carried out by the office of the Director, although some, or all, should possibly be executed through his office.

(1) Motor transport and repair: At present, three Government Departments—War, Interior, and Agriculture—are very largely concerned in the operation and maintenance of Civilian Conservation Corps motor vehicles. Within each of these Departments, numerous bureaus share this interest. There is a serious lack of uniformity in maintenance and repair practices, and it appears that there are too many duplicate facilities for maintenance and repair which result in unnecessarily high costs and perhaps poorer standards of workmanship than necessary. This office proposes to remedy this situation through a group of central motor repair shops and standardized practice with regard to the operation of such shops and the operation of motor-vehicle equipment.

This consolidation of motor-repair facilities is already being vigorously prosecuted by this office and gives every indication of accomplishing worth-while savings. While it has been necessary to employ or transfer several men to this office, the ultimate saving in personnel, rentals, and materials will pay these salaries many times over each month.

(2) Inspection: As it is the statutory duty of the Director to initiate and approve policies and operations of the Corps, it seems only good administration that much of the inspection to determine whether these policies are being carried out effectively and efficiently should be under the direct control of the Director. At present this is not the case. We believe that in many instances technical and administrative inspection work might be more properly done through the office of the Director.

(3) Audits: Closely allied to the problem of field inspection is that of auditing. While it is not believed that any major system of auditing should be created under the immediate supervision of the Director, sound administration dictates that he should be furnished with certain check audits to determine whether the funds with which he is charged with allotting are being spent in accordance with the purposes for which they were allotted, and whether they are being wisely, as well as legally, expended.

(5) Procurement: There appears to be a considerable duplication in procurement offices and procurement officers. Through direct control by the Director, it is believed that purchases may be made more efficiently and economically and that some unnecessary procurement offices and officers may be eliminated and consolidations effected.

(6) Stock control: The Civilian Conservation Corps has, and must have, millions of dollars worth of many types of stocks (clothing, camp equipage, work materials, motor vehicles, etc.). It is believed that these stocks may be more efficiently issued and used through more uniform stock and inventory control methods. It is our thought that these inventory control methods should be based very largely upon the experience of large, private industrial concerns, as the Ford Motor Co., Western Electric, Marshall Field, and a great variety of others. The use of such control systems should make it possible for us to carry lower inventories, to reduce obsolescence among stocks purchased and to get materials to the point of use more speedily and effectively than present methods permit.

The above examples are only a few of many which might be cited. The effect of policies similar to those outlined above is to give better, more effective, and more economical administration; such policies result in the better use of money appropriated and every possible saving in the expenditure of such moneys, plus assurance that money expended will be expended for intelligent, as well as legal, purposes.

In view of the greatly reduced Budget for the fiscal year 1939, the problem of better control of finances and operations assumes greater importance than ever before. Accomplishing the objectives of the Civilian Conservation Corps on these reduced appropriations makes it vitally necessary that certain reorganization within this activity as outlined above should be continued, in order to be properly prepared for the fiscal year 1939 and in order to make the transition to greatly curtailed expenditures more smoothly.

In connection with all of the above, we desire to point out that many functions which might be transferred to the Director's office would represent merely a transfer of funds which would not entail additional obligations or expenditures. There would be no building up of new functions, but merely a transfer, possible reorganization, and probable decrease in costs of already established functions, along with the total elimination of some functions.

In order to accomplish the objectives in which we are all interested—efficient, economical administration—it is extremely desirable that the financial limitation which will work against the Director's office with telling effect, as contained in the appropriation bill reported by the Senate committee, should be deleted in order to permit the Director to transfer funds and functions to his own office from general Civilian Conservation Corps funds, as he may now do between and to all other governmental agencies cooperating in the Civilian Conservation Corps program.

The Acting Director of the Budget is familiar with all of the facts outlined above and specifically deleted from the budgetary appropriation language the limitation placed upon the Director's office. The cooperation of your committee and yourself is requested in deleting this restriction on the Director's office in the Appropriation Act. Deleting this restriction will result in more efficient and economical operation of the Corps.

Sincerely yours,

J. J. MCENTEE, *Assistant Director.*

Mr. GEORGE. Mr. President, on behalf of the Senator from North Carolina [Mr. REYNOLDS], the Senator from Louisiana [Mr. ELLENDER], and myself I offer an amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 52, before the period in line 17, it is proposed to insert "unless made wholly of products grown or produced in the United States", so as to read:

Total, Veterans' Administration, $547,917,500: *Provided*, That no part of this appropriation shall be expended for the purchase of oleomargarine or butter substitutes except for cooking purposes, unless made wholly of products grown or produced in the United States.

Mr. GEORGE. Mr. President, I do not care to enter into any discussion of the matter, except to explain the amendment, because I want the Senate to understand it.

The bill which is now before the Senate provides for a total appropriation of $547,917,500 for the Veterans' Administration, with the proviso that no part of the appropriation shall be expended for the purchase of oleomargarine or butter substitutes except for cooking purposes. I have offered an amendment which adds to that proviso the words "unless made wholly of products grown or produced in the United States."

I purpose to discuss the matter, because I do not want any one to say that I am trying to slip an amendment in. The proviso now in the bill ought not to be in it at all; but since there are some oleomargarines and since there may be some butter substitutes which are made of foreign products, particularly Philippine products, I have not moved to strike the entire proviso from the bill, but have merely moved to put in the bill the additional provision contained in my amendment.

Mr. GLASS. Mr. President, on behalf of some members of the committee, the chairman accepts the amendment, and will let it go to conference.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. NORRIS. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 37, line 5, it is proposed to strike out "$30,000,000" and insert in lieu thereof "$40,000,000."

Mr. GLASS. Mr. President, this was the amendment which I confused a while ago with another amendment offered. I am compelled to make the point of order against the amendment that it is not authorized and has not been estimated for.

Mr. NORRIS. Mr. President, in my judgment, the amendment is not subject to a point of order. The act establishing the Rural Electrification Administration provides that $40,000,000 shall be annually appropriated. That is in the law, and is the existing law covering this provision.

The PRESIDING OFFICER. The Chair has before him the act, which provides in section 3, paragraph (b), that $40,000,000 shall be appropriated annually for the purposes of the act. Therefore the amendment is in accordance with law, and the point of order is not well taken.

Mr. NORRIS. Mr. President, I have on the wall of the Senate Chamber a map of the United States, which shows the activities of the Rural Electrification Administration under the act, the projects which have been allotted and those which are under construction, and the projects which are energized, and where electricity is flowing over the wires. There are also indicated the generating plants. The map shows the work of practically 1 year, or a little more. The administration of this particular activity has been actively engaged only a little over a year. Senators can see on this map readily the result of the year's work.

There has been great demand over the country for the establishment of rural electrification projects, many more demands being made than the Administration can take care of with the money at its disposal. More applications are on file now than can possibly be allowed next year, even if the amendment shall be agreed to. The Administration could not finish all the projects with $40,000,000. The money involved in the amendment is all that could be appropriated under the law; it is the extreme limit. Yet it will not provide for sufficient funds to take care of the applications which are now on file.

I do not suppose anyone would desire to cripple the Rural Electrification Administration. In the first place, the money granted is a loan, in most cases, perhaps in all cases, drawing 3-percent interest. I do not believe there is any chance of the Government not getting the money back. The loan constitutes a debt which every project would pay before it settled any other obligation I can think of.

The bringing of electrification to the farms of the United States is only delayed justice. Homes in the cities, villages, and towns for years have been electrified; the farmer has been neglected. The farm home has not been electrified, and when we passed the measure providing for rural electrification, I think the first ever attempted to be passed in Congress, it was to a great extent experimental. When the bill was originally introduced it carried an authorization much larger than $40,000,000, but in the Senate itself the amount was reduced to the present figure, I think, because no one knew just exactly how the act would work. The truth is that it has brought to the farmers of the United States more happiness than any other one act I can think of.

The farmer now not only has electric light in his home, in his barns and other outbuildings, but very rapidly he is getting all the other appliances by which the farm home will be equipped electrically like the city home.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. O'MAHONEY. I am very much interested in the map which the Senator has placed on the wall. I note that there is a tremendous concentration of rural electrification projects east of the Mississippi, and that west of the eastern boundary of Nebraska there seems to be a very scant development. Can the Senator give any indication whether or not, if this increase should be granted, there would be a tendency to approve a larger number of projects in the West?

Mr. NORRIS. I do not know that I can. There is a part of our country, particularly in the West, where the population is so sparse that projects cannot be inaugurated. That is true of much of my State. In the Senator's State there ought to be quite a large increase, because there is a great deal of irrigation going on, and in an irrigation section such projects are asked for almost to the last man. So there will be little of that section of the country which will not be electrified.

Mr. O'MAHONEY. There appear to be many more projects in Wyoming than in Utah, for example, and that development is very satisfactory. But the situation illustrated by the map is very much like that which would be illustrated if the map were designed to show the industrial development or the financial development of the United States; it would show a tremendous concentration east of the Mississippi River. I think it is of great importance to the development of the Nation as a whole that greater attention should be devoted to the stimulation of all projects of this kind and of industry generally in the great West. I am very much inclined to support the Senator's amendment, because I feel that the development of rural electrification will do more than any other one thing I can think of to aid the small-business man and the poor inhabitants of the country, and I feel that if this appropriation should be granted something would be done to stimulate the use of this facility in the West.

Mr. NORRIS. I agree with the Senator fully that there is no one thing that will bring as much happiness and comfort to the farmers of the United States as will rural electrification; but the act provides that the money appropriated for projects shall be divided among the States in proportion to their population, and after a certain length of time, I have forgotten how long, if some of the States have not made application for all of the money allotted to them under the act, the money shall be distributed among the States which have made application. So the allotment of the money depends altogether upon the States themselves.

I think the administration of the act has been very efficient, although we must remember that this was a new step. It was to a great extent an experiment. The farmers in sections where the activity has been started are crowding now for additional appropriations for additional projects, to a much greater extent than the Administration has money to comply with.

Mr. Carmody, the head of the Rural Electrification Administration, states in a letter:

> The demand for R. E. A. projects is very great. It has made necessary a high degree of selection and a long waiting list. Construction funds remaining available for allotment in this fiscal

year, ending June 30, 1938, have dwindled to less than $4,000,000, which is already earmarked.

I call the attention of the Senator from Wyoming to the following statement:

Applications in excess of these funds totaled, as of January 1, 1938, $90,000,000.

The applications for which no funds are available are specially numerous in the granary States. But they are not limited to those States. In the South projects have been initiated recently on a very much larger scale than in the past. Projects have also begun to come in from New England. Following are the States in which the excess of applications over funds available is more than $1,000,000.

I call the attention of Senators especially to the list of States in which applications over funds available exceed more than $1,000,000. If the applications exceed the funds by less than $1,000,000 they are not included in the list:

Iowa	$8,144,500
Minnesota	7,642,000
Nebraska	6,990,000
Texas	5,855,000
Ohio	5,111,000
Michigan	4,160,000
Georgia	3,441,000
Wisconsin	3,307,000
Kentucky	2,965,000
Indiana	2,720,000
Arkansas	2,506,000
Kansas	2,408,349
Oklahoma	1,949,000
Illinois	1,771,000
Missouri	1,566,000
Colorado	1,152,500
New Mexico	1,129,000
Idaho	1,080,000
Pennsylvania	1,028,000

Those amounts represent applications in excess of the money now available. Even after this amendment is adopted, if it shall be adopted and goes into the law, there will not be nearly enough money to supply the applications which are now on file.

Mr. Carmody continues:

The result of deferring action on these projects and others is, of course, to leave a steadily increasing accumulation of projects for which R. E. A. is unable to make loans. Here and there utility service for at least some of the farmers affected may become available in the interim. In most cases this seems unlikely.

Let us see what it would do for industry. This is not entirely unrelated to the unemployment situation.

Industry is very greatly stimulated by the rural electrification projects.

I am reading now from Mr. Carmody's letter.

Already many million dollars' worth of copper wire, aluminum wire, treated cedar and pine poles, hardware, transformers, meters, and equipment, have been purchased for the R. E. A. projects. More than 100 different contracting firms, employing thousands of men have had crews at work in 40 States during 1937.

More than 200,000 farm homes have been wired, or will be wired, for electricity by June 30, 1938. Radios, refrigerators, milk coolers, feed grinders, farm motors, poultry brooders, and other appliances are being delivered every day as new lines are energized. Millions of man-hours of labor have been employed during the year. This activity has helped to check the recession in business. Even the railroads have shared in this new business. Twenty thousand carloads of poles alone have been shipped anywhere from 100 miles to 600 miles and even 800 miles.

Mr. President, I ask to have the remainder of Mr. Carmody's comments, on the second page of his letter, inserted in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

A dollar—or a million dollars—lent for rural electrification projects is spent almost entirely for materials, equipment, labor, and transportation. Another dollar of private funds is spent as a result for house-wiring equipment and electrical appliances. Therefore, it seems fair to say that every Government dollar lent for rural electrification counts double in economic progress, wholly apart from its social value in improving farm life and its effect in stimulating additional electrification by private utilities.

Suggestive of the extent of the benefits to basic industries are the following estimates (based upon $53,000,000 of construction completed or contracted for on R. E. A. projects on November 15, 1937):

Lumbering: 1,000,000 southern yellow pines and western red cedars felled, trimmed, and treated.

Metals: 90,000,000 pounds of copper, aluminum, and steel required for the line conductors alone.

Employment: 16,000,000 man-hours required for line erection and assembly on the job. Indirect labor is several times as great.

Transportation: 10,000,000 car-miles used in bringing the finished materials to the job.

Electrical manufacturing: $60,000,000 of house-wiring equipment and electrical appliances, in addition to line-construction materials.

Looking to the future, F. A. Merrick, president of the Westinghouse Electric & Manufacturing Co., estimates a potential $1,000,000,000 business in rural electric-line equipment, home and farm appliances, and machinery in the next decade. The Westinghouse Co. has termed rural electrification "worthy * * * of unqualified support by everyone interested in America's economic welfare."

Mr. NORRIS. I should like to read a few words from the last portion of the letter:

Looking to the future, F. A. Merrick, president of the Westinghouse Electric & Manufacturing Co., estimates a potential $1,000,000,000 business in rural electric-line equipment, home and farm appliances, and machinery in the next decade.

Mr. BONE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BONE. I wish to say to the Senator that my own State was a pioneer in rural electrification. Many of the lines in the State of Washington are owned by farmers. I can safely say that the statements made by the Senator are not only true, but they are very restrained, and, I think, do not even begin to describe the financial possibilities in this sort of development.

The farmers in my own county of Pierce in the State of Washington, for instance, built their own lines and own them. There are 8 or 10 farmers' mutual companies. In instance after instance the farmer invested more for accessories than it cost him to become a member of the mutual system and get the lines into his home. For instance, an electric range would cost him more than a membership in his mutual corporation. Then he would have a radio and all sorts of electrical gadgets requiring motors and pumps, and all that, of course, stimulated business activities in the community and helped the electric companies in that section tremendously.

Mr. NORRIS. I thank the Senator. I wish to read an extract from a letter from the National Grange:

The executive committee of the National Grange, headed by L. J. Taber, master of our organization, after canvassing the situation here in Washington this week, came to the conclusion that it would be good public policy for Congress to appropriate $75,000,000.

The writer evidently did not know that we cannot go beyond $40,000,000, the amount provided in this amendment.

This would enable the Rural Electrification Administration to make needed loans and speed up the Government's program in this connection.

Mr. President, last year the act authorized an appropriation of $50,000,000, and for the following years during the time that the act will be in force $40,000,000 is the limit per year. As I said, that amount is not going to come half way toward meeting the demands which are on file now.

The letters from the Grange further says:

The R. E. A. has on file applications for lines aggregating more than $90,000,000. Practically every State in the Union has made application for loans in excess of its allotment.

Then the writer gives some figures which I have already put into the RECORD.

Private enterprise has been greatly stimulated under the Government program for rural electrification. Materials and equipment valued at millions of dollars have been purchased for R. E. A. projects alone.

More than 100 different contracting firms employing thousands of men have had their crews at work in 40 States during the past year. This activity has helped to check the recession in business. It does not take into account the increased activities of the private utilities in the field of rural electrification, much of which has been occasioned by the development of the R. E. A. program.

That is a statement we ought to consider, that private utilities have done more in extending their lines into the country during the time the Rural Electrification Administra-

tion has been active than ever before in history. I shall have some more evidence to offer on that matter later.

Mr. President, I wish to put into the RECORD a table giving the applications for R. E. A. projects in excess of present funds as of December 1, 1937.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table is as follows:

Application for R. E. A. projects in excess of present funds as of Dec. 1, 1937

[New applications for which no funds will be available before July 1, 1938]

Alabama	$1,287,000
Arizona	383,000
Arkansas	3,511,000
California	283,000
Colorado	1,502,500
Connecticut	50,000
Delaware	350,000
Florida	1,519,000
Georgia	4,617,000
Idaho	1,020,000
Illinois	1,780,500
Indiana	2,744,512
Iowa	8,185,000
Kansas	3,053,000
Kentucky	3,603,000
Louisiana	238,000
Maine	70,000
Marvland	180,000
Michigan	4,160,000
Minnesota	8,861,000
Mississippi	1,219,500
Missouri	2,442,500
Montana	917,000
Nebraska	7,928,950
Nevada	234,000
New Jersey	50,000
New Mexico	1,229,000
North Carolina	714,000
North Dakota	936,200
Ohio	4,385,000
Oklahoma	2,261,000
Oregon	275,000
Pennsylvania	1,764,450
South Carolina	360,000
South Dakota	240,000
Tennessee	549,640
Texas	8,063,485
Utah	225,000
Virginia	870,000
Washington	1,034,000
West Virginia	350,000
Wisconsin	4,091,900
Wyoming	785,000

Mr. NORRIS. I shall give some of the figures. These are new applications, for which no funds will be available before July 1, 1938.

Alabama, $1,287,000.

The table contains figures for nearly all the States. The applications in many instances run as high as $4,000,000 or $5,000,000. Applications in Iowa are over $8,000,000. There are no funds, but there are applications for that much money.

Here is Minnesota with nearly $9,000,000. Here is Nebraska with nearly $8,000,000. Here is Texas with over $8,000,000.

The total number of projects energized during December 1937 was 26. The total number of projects in operation in whole or in part was 163. The total number of projects under construction was 132. There is some information here applying only to my own State. For the six projects now serving customers there are over 2,000 miles of line. The number of customers is nearly 4,000. The cost is something over $2,000,000.

Nine other projects are now under construction, involving 2,440 miles of line, with 6,562 customers, at a total cost of $2,720,500.

Loans to cooperatives in Nebraska, to relend to members to finance installation of wiring and plumbing, total $94,950.

The electric facilities which are always necessary when electricity is used are purchased at a much lower rate than has been in vogue and is now in force in most of the country. Because of the large purchases which are made, and the organization of the new corporation which does the work, the consumers obtain very much reduced rates in the purchase of such facilities.

I should like to read to the Senate a letter from a man who is managing one of these rural-electrification projects in my own State. The letter is from Dr. A. P. Fitzsimmons, chairman of the board of directors of the Eastern Nebraska Public Power District. Many Senators know Dr. Fitzsimmons. He is a national character, and one of the country's finer characters. He is a scholar who speaks several languages fluently, and who has represented the Government of the United States in many capacities. I do not care to read the part of his letter which refers to me personally, but he says in part:

I am sending you the operating report on our rural-electrification district for the first 6 months ending December 31.

That is December 31, 1937. His letter is dated January 12, 1938.

This report shows a very nice cash balance on hand and almost $2,400 due from the customers. Over $2,000 of this has already been paid—

I ask Senators to remember that when I read the report. The report, which shows about $2,400 due from customers, is dated a few days before Dr. Fitzsimmons wrote the letter. At the time he wrote the letter, $2,000 of that amount had already been paid—

showing that our customers are very prompt in their payments. We are making our monthly interest payments to the R. E. A., and up to the present time have paid them over $2,300. We have paid all of our operating expenses, and purchased the necessary office equipment. The manager's salary since the lines were energized has been the "magnificent sum" of $1,400. We have kept our office expense down to $1,870, which includes meter-reading, billing, and accounting, and we are keeping the books for the entire district under the item of office expense. Our total receipts are over $15,000. We have 635 customers—

That means 635 farm homes on that line—

and they are coming on at the rate of 15 to 20 each month in spite of the fact that we have had short crops and failures in Nebraska for the past 5 years. We are satisfied we will have 850 or 900 customers by the end of the year. We have constructed 360 miles of line in this project at a cost of less than $900 per mile. This includes the transformer, meter, and 450 feet of service wire to each customer. There is no question about the district amortizing and being able to pay all of its payments in full as they come due. The monthly interest at 3 percent will be $2.25 each month per mile to amortize the loan in 20 years.

Mr. BONE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BONE. Will the Senator tell us if the loan contracts are so drawn that they permit anticipation of the payments, so that the local organization may pay out in less than 20 years?

Mr. NORRIS. Oh, yes.

I read further:

We will start with 5 percent, which would be $3.70 per month per mile. The amount we pay on the principal sum will gradually reduce the interest, making monthly interest payments less.

Of course, these payments get less and less as time goes on.

I shall not read all the letter, but I wish to read another extract from it which I think is important. It is a sidelight. The doctor says:

We have had a very strenuous fight with the power companies ever since we began to organize, and they have reduced their rates more than one-half since we began our organization.

Dr. Fitzsimmons' letter is an indication of the results of governmental activity in the increase of private activity and in the reduction of rates which come about through private companies voluntarily reducing their rates, as the doctor says, by one-half. Such reductions mean millions of dollars every year to those who consume electricity. We ought not to forget that such a result comes about wholly because of the Rural Electrification Administration which we set up. As the doctor says, we have had a constant fight with the private companies. The truth is that all over the United States the power companies have built what the farmers have named "spite" lines to get in where the Government is about to establish a project and take out the cream, if they can get it, supplying electricity at greatly reduced rates and furnishing service more quickly than the Government can

energize the lines, thus killing the Government project by taking the middle right out of it.

I ask unanimous consent to insert in the RECORD at this point in my remarks the operating-fund trial balance referred to by Dr. Fitzsimmons.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Operating fund trial balance, Dec. 31, 1937

Cash on hand	$2,374.52	
Accounts receivable, consumers	2,354.57	
Prepaid insurance	16.38	
Interest paid to R. E. A., check today for $757.11	2,303.10	
Furniture and equipment	189.66	
Purchased power	3,538.51	
Distribution labor, operation	169.32	
Distribution supplies and expense, operation	105.40	
Distribution supplies and expense, maintenance	82.64	
Manager's salary and expense	1,395.84	
Office salaries, including meter reading	1,870.20	
Office supplies	197.52	
Postage	187.15	
Office rent	112.50	
Telephone and telegraph	105.41	
Insurance, PL and PD	95.66	
Transportation expense	163.78	
Accounts payable		$16.17
Consumers' advance payments		77.76
Suspense account		21.97
Consumers' meter deposits		1,140.00
Rural sales (revenue for electric energy)		13,827.60
Consumers' penalties		15.38
	15,262.16	15,262.16

Mr. NORRIS. I also ask unanimous consent to insert in the RECORD at this point in my remarks a speech delivered by Mr. C. A. Sorenson, president of the Nebraska Association of Rural Public Power Districts. Mr. Sorenson is a former attorney general of the State of Nebraska, having served that State as attorney general for three terms, an exceptional record. He tells in his speech what has been done, what can be done, and the way to do it. I should like to read the speech of Mr. Sorenson, but in view of the lateness of the hour I shall not do so. It contains some very valuable information, a great deal of which applies to one State only.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

RURAL ELECTRIFICATION IN NEBRASKA IN SEPTEMBER 1937

(By C. A. Sorenson, president, Nebraska Association of Rural Public Power Districts)

Nebraska is rapidly becoming one of the foremost States in rural electrification, and, with the help of the Federal Government, the farmers are doing the job themselves.

For many years there has been talk in the State of rural electrification but little action. There were three obstacles:

1. Lack of proper law under which the farmers could organize.
2. Lack of supply of wholesale electric energy at low cost.
3. Lack of money at low rate of interest.

The picture is now entirely changed.

The 1933 legislature passed what is known as Senate File No. 310, under which public power districts could be organized. Under this law there has been organized and set up some 24 rural public power districts. It is also under this law that the Loup River public power district—Columbus project—the central Nebraska public power and irrigation district—Tri-County project—the Platte Valley public power and irrigation district—Sutherland project—Middle Loup public power and irrigation district, and the North Loup River public power and irrigation district were organized and are now operating.

A public power district, under Senate File No. 310, as drafted by our office, does not have authority to levy taxes nor issue general-obligation bonds. In order to borrow funds it may only pledge its earnings and mortgage its physical property. The law was amended in 1937 to provide that the property of no public power district can ever become the property of any private power company. The directors of a public power district are elected by the people. Electric light and power is sold at cost. The transmission lines and equipment belong to the people of the district in the same way that a schoolhouse belongs to the people of the school district in which it is located.

Cheap electrical energy at low wholesale rates is now available for rural electrification. The Columbus, Tri-County, and Sutherland hydroelectric projects, when constructed, will generate nearly 500,000,000 kilowatt-hours of electric energy. Transmission lines are now in process of construction by the Columbus district to serve various rural public power districts. Reasonable cheap electric current is also available from several municipal electric light and power plants. The three districts in western Nebraska are served by the high-voltage lines of the Bureau of Reclamation, running from the Guernsey and Lingle plants to Gering. The average wholesale rate to the rural public power districts will be for the present approximately 1.2 cents per kilowatt-hour. When the large hydroelectric plants get under operation this average rate should be less.

Money is now available under the Norris Rural Electrification Act. For the construction of feasible rural electrification projects, the Rural Electrification Administration will advance the necessary funds to the extent that appropriations permit. The money is loaned for 20 years with a part of the principal paid each year. The interest rate is slightly less than 3 percent per annum. In other words, a rural public power district by pay a little over 7 percent of the amount of its loan each year for 20 years, will have paid its entire debt to the Federal Government and the interest thereon. There is no grant or charity about the transaction; the Rural Electrification Administration expects to get back every dollar loaned.

In every way possible the officers of the Rural Electrification Administration and those connected with the projects in Nebraska seek to keep down the cost to the farmer. Contracts so far let provide for the construction of the transmission lines and the furnishing of transformers and meters at a cost of approximately $850 per mile, all paid for by the district. In addition the district at its expense builds the stub line from the road to the farmer if it appears he will use a substantial amount and the distance is not over 1,000 feet.

As of September 10, 1937, the Rural Electrification Administration has made allotment of funds to rural electrification projects in Nebraska as follows:

Roosevelt rural public power district (Scottsbluff and part of Sioux Counties)	$195,000
Gering Valley rural public power district	45,000
Polk County rural public power district	367,500
Lancaster County rural public power district (2 allotment)	546,000
Burt County rural public power district	275,000
Eastern Nebraska public power district	865,000
Southeastern Nebraska public power district (Gage County)	440,000
Cuming County rural public power district	250,000
Norris rural public power district (Saline and Jefferson Counties)	150,000
Buffalo County rural public power district	212,000
Southern Nebraska rural public power district (Adams, Kearney, and Phelps Counties)	475,000
Chimney Rock public power district (Morrill and part of Scottsbluff Counties)	250,250
Howard County rural public power district	400,000
Loup River public power district (Platte County)	391,000
Cedar-Knox County rural public power district	200,000

In these districts there are approximately 2.2 customers for each mile of line to be constructed.

Construction has been completed in whole or in part and lines energized in the following districts:

Southeastern Nebraska public power district.
Gering Valley rural public power district.
Eastern Nebraska public power district.
Roosevelt rural public power district.

Construction has practically been completed for the west half of Lancaster County and is well under way in the Chimney Rock, Burt County, Polk County, southern Nebraska and Howard County rural public power projects. Bids will be invited shortly for construction of rural lines by the Cuming County rural public power district, the Norris rural public power district, the Cedar-Knox County rural public power district, the Buffalo County rural public power district, and the Lancaster County rural public power district for the eastern half of Lancaster County.

Rural public power districts have also been organized or are in process of organization in Clay, Hall, Hamilton, Dawson, Wayne, Colfax, Butler, Stanton, Seward, Merrick, and York Counties. For these proposed projects no allotment of funds has as yet been made.

In most of the districts the rate to the farmers is approximately as follows:

A minimum charge of $3.50 for the first 50 kilowatt-hours.

Four or five cents per kilowatt-hour for the next 50 kilowatt-hours.

Three cents per kilowatt-hour for the next 100 kilowatt-hours.

One and one-half cents to two cents for all additional kilowatt-hours purchased.

For the minimum charge of $3.50, the farmer and his wife can light their home and farm buildings and operate an electric washing machine, churn, radio, toaster, fans, vacuum cleaner, iron, and sewing machine. For $1.75 a month more, they can have an electric refrigerator, as much needed on the farm as in the city. In many parts of the State pump irrigation will now be feasible. When the debt to the Government is finally paid off, the rates can be reduced substantially.

We believe that to the electric industry can be applied the "10-cents store" theory of merchandising, that is, sell electric energy at low cost and thereby greatly increase the amount sold. The experience of the Tennessee Valley Authority and other public corporations selling electric energy is that cutting rates in half frequently results in almost doubling the use of electric energy.

Electricity will greatly raise the standard of living on the farm. The farm wife's drudgery will be lessened. The children will be

happier. For the farmer, electric power will be an invisible hired man who never sleeps nor grows tired. For 5 cents he will milk 10 cows, or churn 20 pounds of butter, or do a family washing, or pump a day's supply of water. Attach him to a radio and for 1 cent a day he will give the farmer and his family the market and weather reports, the war news of the world, the speeches of the President, and the music of symphony orchestras.

In many ways the farmer needs electricity more than the city dweller. The farm is both a home and a factory. For the farmer cheap electric energy is not only a convenience but a necessity in reducing the cost of modern farming by machinery.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. GEORGE. If the Senator will allow me to interject a remark at this time, I shall appreciate it. There may not be opportunity for further discussion of this matter.

I wish to say that in my State the Rural Electrification Administration has been one of the most serviceable and helpful agencies set up by the Federal Government in recent years. The only difficulty with it now is that the administration is unable to meet the demands which are being constantly made by communities throughout the State. We have had the finest sort of cooperation in Georgia between the R. E. A. and the communities organizing rural electric projects. The result has been a very definite benefit to the people of the State. I am quite sure there is no Federal activity which the State of Georgia—which I in part represent—would support more heartily than the R. E. A.

Mr. NORRIS. I thank the Senator very much for his interruption.

Mr. President, I desire to conclude my remarks by stating what I think is the latest information on the subject coming from the Rural Electrification Administration. The information I am about to give is as of January 10, 1938. This is the progress report to January 10, 1938; and the changes in status which have occurred since January 3, 1938, are as follows:

Total projects:			
	This week	$477,000	
	This month to date	477,000	
	Total to date		$160,631,712
Allotments made:			
0	This week	$180,000	
0	This month to date	180,000	
62	Total 1938 funds	21,100,398	
354	Total to date		81,860,343
Loan contracts submitted to borrower:			
1	This week	$245,000	
1	This month to date	245,000	
12	Total to date not executed	1,584,500	
345	Total to date		80,052,568
Loan contracts executed:			
2	This week	$718,900	
2	This month to date	718,900	
336	Total to date		78,468,068
Projects released for bids:			
0	This week	0	
0	This month to date	0	
307	Total to date		73,998,388
Bids approved by enginers:			
0	This week	0	
0	This month to date	0	
293	Total to date		69,985,637
Construction contracts approved:			
0	This week	$70,000	
0	This month to date	70,000	
288	Total to date		66,463,637
Advances made:			
	This week	$1,312,776	
	This month to date	1,312,776	
	Total to date		35,650,794
Project superintendents approved:			
3	This week	$458,000	
3	This month to date	458,000	
	Total to date		74,238,184
292	Easement work started.		
38	Additional easement work necessary.		
263	Power contracts executed by borrower		69,941,507
67	Additional power contracts necessary.		
51	Wiring and plumbing contracts.		
190	Projects visited by utilization (0 this week; 0 new).		
95	Projects with utilization campaigns (0 this week; 0 new).		
72	Projects on which contractor has completed work.		
41	Projects on which final engineering inspection has been made.		
30	Construction completion certificates received.		
1	Legal certificate received.		
	Average cost per mile: $959.		

Mr. President, I have considerable other information that I might give, but it seems to me we have sufficient. We have one of the most prosperous functions of our Government in the Rural Electrification Administration. I have heard nothing but good words for it. I think it is efficient, it is economical, and it is doing a wonderful work. It is bringing to the farmers of America something which was never before brought to them. It is bringing happiness and contentment where before there was discouragement. In other words, it is bringing to them the comforts and the happiness that heretofore have come only to the city dweller. I think it will go further to make the farmer contented, and to keep him on the farm, than any other one piece of legislation that has ever been passed. Moreover, it is profitable as a financial investment. As time goes on and the electrical facilities on the farm are increased the farmer will become more adapted to their use. He will use more of them. In my judgment, he is going to become one of the best customers of electricity in all the country, a much better customer than a city dweller, because he uses electricity for many purposes for which the city dweller does not use it.

Mr. President, I think this is the best loan that the Government has ever made to anybody. It is not a gift. We are loaning the money to the farmers of America for a purpose, and when the farmer once installs electricity in his home, and becomes acquainted with its blessings and its comforts, I think he will go further to retain those blessings and comforts than to retain anything else. There is no risk of this debt not being paid, as compared with the risk for any other purpose. It will be paid first, before any other debt is paid. It will go further than any other act which has been passed to bring contentment to the people of the country, and give justice to a part of our people who heretofore have not had justice.

I hope the amendment will be agreed to.

Mr. GILLETTE. Mr. President, I realize that the leadership of the Senate wishes to finish the consideration of this measure tonight and recess, and if Senators will bear with me for just 5 minutes, I shall try to say within that time what I have to say with reference to the pending amendment. I sincerely hope it will be agreed to.

I should like to refresh the minds of Senators as to the history of the legislation dealing with the Rural Electrification Administration.

In 1935 we included rural electrification in the eight categories for which money could be used by the Relief Administration. On May 11, 1935, by Executive order, the President authorized the use of money for that purpose; but between May 11, 1935, and January 1, 1936, the only sums of money which were used were between five and six thousand dollars, to construct 50 miles of line. It became evident that the utility companies were not going to use the money, and that probably the only way to get it out so that the five and a half million farm homes which were not served with electricity could have it would be to make loans to cooperative sponsors, the farmers themselves.

We made this policy permanent in the Rural Electrification Act of 1936, authorizing 20-year loans with interest at the rate of 2.88 percent. For a number of months there was difficulty even in getting this money out. The Farm Bureau Federation and other farm organizations were asked to assist. The farmers became interested. During the next year the number of farms in this country unserved by electricity was cut down by 250,000.

The Senator from Wyoming has just asked why, according to the map, the eastern section of the United States seems to be better served than the rest of the country. That is easily explainable. These projects must be self-liquidating. The Rural Electrification Administration, in making loans, must know with all reasonable certainty that the sponsors can pay back the loans with interest, and meet the overhead expenses. It is necessary, then, to have the projects in parts of the country where the number of users within a reasonable circuit can make payments which will enable the sponsor to discharge the loan. Every State of the Union has made application.

I desire to emphasize, if I may, the very excellent statement made by the Senator from Nebraska [Mr. NORRIS]. There are at this very minute $90,000,000 of projects which have not only been filed, but have reached the point where they are waiting for money—$90,000,000!—to say nothing of the great number that have accumulated since that time. The 19 States named by the Senator which already have projects of over $1,000,000 over and above the amount of money they can receive under the law would take $64,000,000 right now to finance them if this $30,000,000 appropriation were increased to that amount. We authorized the appropriation of $40,000,000 every year for 8 years. The reason why the whole amount was not allocated the first year was because of the difficulty in getting them started when they did not need the money; but now they need it, and need every cent of it.

Just one further thought before I close.

The farmers were urged by every method we could use in contacting them to get out and try to develop their projects. Man after man, farmer after farmer, drove throughout his district, paid his car and other expenses, asked his neighbors to join, obtained signers, complied with every requirement of the Rural Electrification Administration, and brought the projects up to the point where the money is needed.

What I want to impress on the minds of Senators is that these people can see no reason in equity and justice why farmers in one portion of the country should receive loans which are denied to others.

Congress in its wisdom authorized an appropriation of $40,000,000 annually. The farmers have met the requirements, and have been waiting month after month. In the meantime, some of the tenants move from one farm to another, and the project sponsors have to go back and contact them and again build up the list to the point where they can show themselves entitled to the money.

I sincerely hope the Senate will approve the amendment. I realize the difficulty of the Committee on Appropriations. I always support the committee. I know they are trying to keep the appropriations within limits. I know they make every effort sincerely to do that, and never in my short experience in the Congress have I failed to support the committee, except in this instance; but I feel it is unjust to discriminate against farmers who have made every effort to put themselves in a position which entitles them to these funds, and who are now waiting. In some cases there are three times, in some cases four times, as many projects as can be constructed with the money available; so I say there is no fairness or equity in cutting the appropriation to $30,000,000.

Mr. GLASS. Mr. President, in justification of the Committee on Appropriations, I may say that few, if any, of the members of the committee are familiar with the matters which are now being discussed. Necessarily the committee has to rely upon the Budget Bureau for its information. We have a right to assume that the Budget Bureau makes a thorough investigation of all these matters.

Moreover, the chairman of the Senate Committee on Appropriations addressed a letter to the head of the Rural Electrification Administration, as he did to the heads of other services, asking if they had any amendments to propose to the bill as it came from the House. No one interested in this matter appeared before the committee to ask any alteration of the Budget estimate of $30,000,000.

Of course, if the Senate wants to assume responsibility for increasing the estimate by $10,000,000, that is the responsibility of the Senate. The Senate committee rarely undertakes to go above the Budget estimate, but in the case of this bill it many times went below the Budget estimates.

In order to save the time of the Senate, as it is now late, and without consultation with other members of the committee, I am disposed, as chairman of the committee, to accept the amendment proposed by the Senator from Nebraska and let it go to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 8837) was read the third time and passed.

MESSAGE FROM THE HOUSE—ENROLLED JOINT RESOLUTION SIGNED

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled joint resolution (H. J. Res. 591) making appropriations for the control of outbreaks of insect pests, and it was signed by the Vice President.

FLIGHT OF ARMY PLANES TO SOUTH AMERICA

Mr. REYNOLDS. Mr. President, I rise at this hour to call to the attention of Senators who are present one of the most celebrated, one of the most momentous flights ever made by the Army aviators of any country upon the face of the earth. I do not exclude from that category the flight made several years ago by the Italians when they paid an official visit to the people of the United States, nor do I exclude the flight that was made but a few weeks ago by one of the sons of Mussolini, the dictator of Italy, in spanning the Atlantic from Rome to Rio, the capital of Brazil.

Mr. SCHWELLENBACH. Mr. President——

Mr. REYNOLDS. In just a moment I will yield. I refer, Senators, to the flight made by our Army aviators which ended today. I refer to those who manned the six American bombers flying from Miami, Fla., in the United States, over a course of a little over 5,400 miles, down the western coast of South America, and across the towering Andes to Buenos Aires, the capital of the Argentine Republic. It was a good-will flight.

After taking off from Miami, the first stop was made, after a flight of 2,500 miles at Lima, the capital of Peru, after which our splendid aviators flew from Lima across the Andes to Buenos Aires in the Argentine Republic. They made that flight of something over 5,400 miles from Miami, Fla., across Central and South America, to Buenos Aires, in less than 48 hours, and I am proud to be able to state to the world that the aviators of the American Army are not surpassed by the aviators of any other army upon the face of the earth.

At this time I desire to bring to the attention of the Senate the names of those heroes, those "birds of the air" representing the greatest Nation on the globe, the United States. They were Lt. Col. Robert Olds, of Maryland, who was the flight commander; Lt. E. L. Tucker, of my State of North Carolina; Capt. R. B. Williams, of Texas; Maj. Edward McReynolds; Lt. Frederick Glantzberg, of Massachusetts; Capt. Neil B. Harding, of West Virginia; Capt. A. L. Howey, of Massachusetts; Capt. A. Y. Smith; Maj. C. V. Haynes; Capt. C. W. Courland, of New Mexico; Lt. Gerald E. Williams, of Maine; Lt. David Gibbs, and Maj. J. V. Meloy.

I respectfully suggest that these officers should be decorated with the Distinguished Flying Cross. Of them we are proud, and so long as the United States Government is possessed of the flying ability which has been demonstrated by the officers just mentioned by me, then so long are we safe from invasion by an enemy from any land. We shall be ready to meet the foe when it is bold enough to cross swords with us.

I see standing to my left my distinguished colleague from the State of Washington [Mr. SCHWELLENBACH], who resides in a city always referred to as the Garden of Flowers. I recall that when I was his guest last fall in the city of Seattle, I was privileged and honored and had the pleasure of accompanying him to the great Boeing plant, the makers and manufacturers of fighting planes, and I surmise that the Senator from Washington has risen for the purpose of bringing to the attention of this honorable body the fact that

the planes which made this memorable flight were constructed within the borders of his great and lovely city of Seattle, in the State of Washington.

I gladly yield to my colleague, whom I so much honor and for whom I have such a deep affection.

Mr. SCHWELLENBACH. Mr. President, I remind the Senator from North Carolina, without detracting from the heroism or the technical skill of the men who acted as pilots upon the flight to which he has referred, that the planes which they piloted upon the flight were manufactured in Seattle, Wash., by the Boeing Airplane Co., and I inquire of the Senator from North Carolina whether he is not willing now to acknowledge the fact that in this one particular at least the city of Seattle does outdo and reach a higher plane than even the "little gem city of the mountains"? [Laughter.]

Mr. REYNOLDS. Mr. President, in answer I desire to state, if I may be perfectly frank and honest and candid with my colleague and my associates of this honorable body, that it is impossible for me to admit what he asks me to acknowledge, because had it not been for North Carolina there never would have been an airplane flight, since 35 years ago from the silvery sand of the shores of my great State there rose a contraption, which found its way into the air and, after fluttering like a bird, landed safely upon the same silvery sand. At that time, 35 years ago, the first successful flight of a plane carrying the weight of a man was made, the first successful flight of an airplane anywhere in the world. Had it not been for the friendly breezes that lifted that airplane from those silvery shores to the blue heavens above North Carolina there never would have been the Boeing plant of Seattle, Wash. [Laughter.]

Mr. TYDINGS. Mr. President, after listening to the eloquence of the Senator from North Carolina there is very little I can say about this remarkable flight from Buenos Aires, without being in the position of one who seeks to gild the lily, perfume the rose, and paint the sunset.

It is a matter of great personal pride to me and to the people of my State of Maryland that Lieutenant Colonel Olds, a native Marylander, had the privilege and honor of commanding this epochal flight. I simply rose to say that I believe it is one of the greatest flights ever made in the history of the world, and in view of other decorations which have been given for outstanding feats of aviation to Army and Navy as well as other fliers, I think it would be well within the spirit which typifies these decorations if the men who took part in this heroic and epochal adventure were decorated with the Flying Cross of our country. I certainly hope that higher authority will consider the venture in that light.

I wish to supplement the recommendations to that end made by the Senator from North Carolina.

Mr. LODGE. Mr. President, in view of the statement made by the Senator from North Carolina [Mr. REYNOLDS], and in view of the fact that two of the aviators on the flight to South America were sons of Massachusetts, I should like to associate myself with the sentiments expressed with regard to this flight and to join in urging that these men be given the decorations suggested, and to express my pride in the accomplishments of two sons of the Bay State.

REORGANIZATION OF EXECUTIVE DEPARTMENT

Mr. BYRNES. I move that the Senate proceed to the consideration of Senate bill 3331, the so-called reorganization bill.

The PRESIDING OFFICER. The question is on the motion of the Senator from South Carolina.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which had been reported from the Select Committee on Government Organization, with amendments.

Mr. BYRNES. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside to permit the consideration of three resolutions from the Committee to Audit and Control the Contingent Expenses of the Senate.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the unfinished business is temporarily laid aside.

INVESTIGATION OF CONDITIONS IN THE MERCHANT MARINE

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate, I report back favorably, with an amendment, Senate Resolution 231, and ask unanimous consent for its present consideration.

There being no objection, the Senate proceeded to consider the resolution (S. Res. 231), submitted by Mr. COPELAND on February 8, 1938.

The PRESIDING OFFICER. The amendment reported by the committee will be stated.

The CHIEF CLERK. On page 3, line 10, after the word "exceed", it is proposed to strike out "$50,000" and insert "$20,000".

The amendment was agreed to.

The resolution, as amended, was agreed to, as follows:

Whereas the Committees on Commerce and on Education and Labor of the Senate have before them a bill to amend the Merchant Marine Act of 1936, and in the course of hearings in relation thereto Chairman Kennedy, of the United States Maritime Commission, testified regarding insubordination and general lack of discipline on American vessels; and

Whereas in the economic survey of the American merchant marine made by the United States Maritime Commission it is also stated that "labor conditions in the American merchant marine are deplorable. Unless something is done to reduce interunion friction, to increase the efficiency of our crews, and to restore order and discipline upon our ships, all Government efforts to develop a strong American fleet will be futile. A merchant marine built upon inadequate and unsatisfactory personnel is little better than no merchant marine at all"; and

Whereas Admiral Leahy, Chief of Naval Operations, has appeared before committees of the Senate and other committees of Congress to explain the needs of extensive auxiliary naval additions to promote the national defense; and

Whereas the naval building program that is contemplated necessitates the enlistment of dependable and loyal crews; and

Whereas such committees have had before them an endless number of other witnesses, many of whom have complained about the unsatisfactory conditions of American shipping; and

Whereas the testimony of such witnesses is in effect a challenge to existing conditions which have to do with the welfare of our merchant marine and the national defense; and

Whereas the existing committees of the Senate are not equipped to pursue to an authentic conclusion the necessary study of this problem without expert professional and clerical assistance: Therefore be it

Resolved, That a special committee of five Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation of all matters relating to existing conditions in the American merchant marine. The committee shall report to the Senate, as soon as practicable, the results of its investigation, together with its recommendations for necessary remedial legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate in the Seventy-fifth and succeeding Congresses, to employ such experts, and such clerical, stenographic, and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $20,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

The preamble was agreed to.

ACTIVITIES OF AMERICAN COTTON COOPERATIVE ASSOCIATION—LIMIT OF EXPENDITURES

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably, with an amendment, Senate resolution 205, and ask unanimous consent for its present consideration.

There being no objection, the Senate proceeded to consider the resolution (S. Res. 205) submitted by Mr. SMITH on December 2, 1937.

The PRESIDING OFFICER. The amendment reported by the committee will be stated.

The CHIEF CLERK. In line 6, page 1, after the word "by", it is proposed to strike out "$25,000" and insert "$10,000."

The amendment was agreed to.

The resolution, as amended, was agreed to, as follows:

Resolved, That Senate Resolution 137, agreed to July 27, 1937, Seventy-fifth Congress, first session, relative to an investigation of certain activities of the American Cotton Cooperative Association, is hereby continued in full force and effect, and that the limit of expenditures that may be made under authority of such resolution is hereby increased by $10,000 and shall be paid from the contingent fund of the Senate upon vouchers to be approved by the chairman of the Committee on Agriculture and Forestry.

Mr. BYRNES subsequently said: Mr. President, I move to reconsider the vote by which Senate Resolution 205 was agreed to a few minutes ago. At the time I reported the resolution and asked unanimous consent for its consideration I was under the impression that the Committee on Agriculture and Forestry had unanimously agreed to the resolution and that the Committee to Audit and Control the Contingent Expenses of the Senate had agreed to it. A member of the Committee on Agriculture and Forestry, the Senator from Louisiana [Mr. ELLENDER], states that he desires to be heard upon the resolution; and therefore I ask that the action of the Senate be reconsidered and that the resolution be placed upon the calendar.

The PRESIDING OFFICER. Without objection, the vote by which the resolution was agreed to will be reconsidered and the resolution will be placed upon the calendar.

SPECIAL COMMITTEE INVESTIGATING PROBLEMS OF UNEMPLOYMENT AND RELIEF—LIMIT OF EXPENDITURES

Mr. BYRNES, from the Committee to Audit and Control the Contingent Expenses of the Senate, reported an original resolution (S. Res. 239), which was considered by unanimous consent and agreed to, as follows:

Resolved, That the special committee appointed by the Vice President pursuant to Senate Resolution No. 36, agreed to June 10, 1937, to study, survey, and investigate the problems of unemployment and relief in the United States, hereby is authorized to expend from the contingent fund of the Senate $10,000 in addition to the amounts heretofore authorized to be expended for such purposes.

FIRST DEFICIENCY APPROPRIATIONS

Mr. ADAMS. Mr. President, while the unfinished business is laid aside, with the permission of the Senator from South Carolina [Mr. BYRNES], I ask unanimous consent to take up House bill 9306, being a deficiency appropriation bill.

Mr. McNARY. Mr. President, I have no objection if there is none from the committee. Is the Committee on Appropriations unanimously in favor of the bill? Was it favorably reported unanimously?

Mr. ADAMS. It was.

Mr. McNARY. What is the nature of the bill?

Mr. ADAMS. The bill is the deficiency appropriation bill, made up of numerous relatively small items and one substantial item. In the aggregate it is $27,000,000, of which approximately $20,000,000 is made up of the items appropriated to reimburse the Federal land banks for the deduction in interest on Federal land-bank loans, which is in accordance with the act of Congress which was passed over the President's veto. The other items are relatively small, being judgments, claims, and some appropriations for the State Department.

Mr. McNARY. Are there any committee amendments in the bill?

Mr. ADAMS. Yes. There are several committee amendments. One of them provides for appropriating $55,000 for the Division of Printing, Treasury Department. One of $34,000 is for stationery for the Treasury Department.

Of course, the committee has put in the judgments and audits of claims. There is an item of $118,000 for the State Department in connection with its Foreign Service. There is an item for the transportation of Foreign Service officers. Another is for the contingent expenses of the Foreign Service.

Mr. McNARY. By what amount did the Senate committee increase the amount carried in the bill as it passed the House?

Mr. ADAMS. By $500,000.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado for the present consideration of House bill 9306?

There being no objection, the Senate proceeded to consider the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

The PRESIDING OFFICER. The clerk will state the amendments of the committee.

The first amendment of the Committee on Appropriations was, under the heading "Title I—General appropriations—Legislative," on page 2, after line 2, to insert:

SENATE

For miscellaneous items, exclusive of labor, fiscal year 1938, $120,000.

The amendment was agreed to.

The next amendment was, under the heading "Department of State," on page 13, after line 10, to insert:

Transportation of Foreign Service officers: For an additional amount for transportation of Foreign Service officers, including the same objects specified under this head in the Department of State Appropriation Act, 1938, fiscal year 1938, $71,000.

The amendment was agreed to.

The next amendment was, on page 13, after line 15, to insert:

Contingent expenses, Foreign Service: For an additional amount for contingent expenses, Foreign Service including the same objects specified under this head in the Department of State Appropriation Act, 1938, fiscal year 1938, $118,000.

The amendment was agreed to.

The next amendment was, under the heading "Treasury Department", at the top of page 17, to insert:

DIVISION OF PRINTING

Printing and binding: For an additional amount for printing and binding, Treasury Department, fiscal year 1938, including the same objects specified under this head in the Treasury Department Appropriation Act, 1938, and for the cost of transportation to field offices of printed and bound material, including the cost of necessary packing materials, $55,000.

Stationery: For an additional amount for stationery for the Treasury Department, fiscal year 1938, including the same objects specified under this head in the Treasury Department Appropriation Act, $34,000.

The amendment was agreed to.

The next amendment was, under the heading "War Department—Civil functions", on page 20, line 6, after the word "Panama", to strike out "Canal 1938" and insert "Canal", so as to read:

Panama Canal, maintenance and operation: The appropriation for "Maintenance and operation, Panama Canal", is hereby made available for making relief payments during the fiscal year 1938, as authorized by the act approved July 8, 1937 (50 Stat. 478).

The amendment was agreed to.

The next amendment was, under the heading "Title II—Judgments and authorized claims—Property damage claims", on page 21, after line 10, to insert:

(b) For the payment of claims for damages to or losses of privately owned property, adjusted and determined by the following respective Departments and independent offices, under the provisions of the act entitled "An act to provide a method for the settlement of claims arising against the Government of the United States in the sums not exceeding $1,000 in any one case", approved December 28, 1922 (U. S. C., title 31, secs. 215–217), as fully set forth in Senate Document No. 143 of the Seventy-fifth Congress, as follows:

United States Maritime Commission, $50;
Works Progress Administration, $1,681.61;
Department of Agriculture, $417.72;
Department of Justice, $20.25;
Navy Department, $109.65;
Treasury Department, $466.52;

War Department, $1,970.94;
Post Office Department (payable from postal revenues), $8.42;
In all, $4,725.11.

The amendment was agreed to.

The next amendment was, under the subhead "Judgments, United States courts", on page 22, line 14, after the word "in", to insert "Senate Document No. 144, and"; and at the end of line 19, to strike out "$7,772.47" and insert "$8,972.53", so as to read:

SEC. 2. (a) For payment of the final judgments and decrees, including costs of suits, which have been rendered under the provisions of the act of March 3, 1887, entitled "An act to provide for the bringing of suits against the Government of the United States", as amended by the Judicial Code, approved March 3, 1911 (U. S. C., title 28, sec. 41, par. 20; sec. 258; secs. 761–765), certified to the Seventy-fifth Congress in Senate Document No. 144, and House Document No. 490 under the following Departments and establishments, namely:
Civil Works Administration, $6,421.84;
Department of Labor, $2,244.30;
War Department, $8,972.53.

The amendment was agreed to.

The next amendment was, on page 22, line 20, after the words "In all" and the comma, to strike out "$16,438.61" and insert "$17,638.67", and in line 21, after the word "interest", to insert "and costs", so as to read:

In all, $17,638.67, together with such additional sum as may be necessary to pay interest and costs as specified in such judgments or as provided by law.

The amendment was agreed to.

The next amendment was, under the heading "Judgments, Court of Claims", on page 23, line 22, after the word "in", to insert "Senate Document No. 145, and", so as to read:

SEC. 3. (a) For payment of the judgments rendered by the Court of Claims and reported to the Seventy-fifth Congress in Senate Document No. 145, and House Document No. 489 (star print), under the following Departments and establishments, namely:

The amendment was agreed to.

The next amendment was, on page 24, after line 4, to insert:

Department of the Interior, $42,217.42;

The amendment was agreed to.

The next amendment was, on page 24, line 7, after the word "Department", to strike out "$91,192.37" and insert "$95,539.14", so as to read:

War Department, $95,539.14;

The amendment was agreed to.

The next amendment was, on page 24, line 8, after the words "In all", to strike out "$4,720,826.44" and insert "$4,767,390.63", so as to read:

In all, $4,767,390.63, together with such additional sum as may be necessary to pay interest as and where specified in such judgments.

The amendment was agreed to.

The next amendment was, under the subhead "Audited claims," on page 40, after line 19, to insert:

(b) For the payment of the following claims, certified to be due by the General Accounting Office under appropriations the balances of which have been carried to the surplus fund under the provisions of section 5 of the act of June 20, 1874 (U. S. C., title 31, sec. 713), and under appropriations heretofore treated as permanent, being for the service of the fiscal year 1935 and prior years, unless otherwise stated, and which have been certified to Congress under section 2 of the act of July 7, 1884 (U. S. C., title 5, sec. 266), as fully set forth in Senate Document No. 146, Seventy-fifth Congress, there is appropriated as follows:
Independent offices: For Federal Civil Works Administration, $9.31.
For farmers' crop production and harvesting loans, Farm Credit Administration, $358.64.
For loans and relief in stricken agricultural areas (transfer to Farm Credit Administration), $56.
For Army and Navy pensions, $37.50.
For salaries and expenses, Veterans' Administration, $330.78.
Department of Agriculture: For loans and relief in stricken agricultural areas (transfer to Agriculture), $16,443.72.
For loans and relief in stricken agricultural areas (transfer to Agriculture—Silviculture), $25.68.
For emergency conservation fund (transfer from War to Agriculture, act June 19, 1934), $13,467.33.
Department of Commerce: For air-navigation facilities, $1,540.
Department of the Interior: For conservation of health among Indians, $38.06.
For support of Indians and administration of Indian property, $1.92.
For emergency conservation fund (transfer from War to Interior, Indians, act March 31, 1933), $2.25.
For emergency conservation fund (transfer from War to Interior, Indians, act June 19, 1934), $1,009.69.
Department of Justice: For salaries, fees, and expenses of marshals, United States courts, $2.04.
For fees of jurors and witnesses, United States courts, $18.05.
For miscellaneous expenses, United States courts, $12.25.
For payment to officers and employees of the United States in foreign countries due to appreciation of foreign currencies (Justice), $67.99.
For United States industrial reformatory, Chillicothe, Ohio, maintenance, $10.59.
Navy Department: For payment to officers and employees of the United States in foreign countries due to appreciation of foreign currencies (Navy), $47.32.
For transportation, Bureau of Navigation, $40.10.
For pay, subsistence, and transportation, Navy, $73.36.
For maintenance, Bureau of Supplies and Accounts, $54.97.
For increase of the Navy, emergency construction, $8,425.
Department of State: For contingent expenses, foreign service, $2,150.77.
Treasury Department: For repairs to Coast Guard vessels, $100.50.
For collecting the internal revenue, $26.30.
For pay of other employees, Public Health Service, $2.
For collecting the revenue from customs, $2.32.
War Department: For pay, etc., of the Army, $785.52.
For pay of the Army, $97.12.
For increase of compensation, Military Establishment, $49.69.
For extra pay to volunteers, War with Spain, $26.
For Army transportation, $168.55.
For clothing and equipage, $11.38.
For subsistence of the Army, $33.18.
For general appropriations, Quartermaster Corps, $135.52.
For ordnance service and supplies, Army, $2.24.
For Reserve Officers' Training Corps, $16.99.
For Organized Reserves, 16 cents.
For travel, military and civil personnel, War Department, $231.08.
For Signal Service of the Army, $2,116.80.
For registration and selection for military service, $403.30.
For emergency conservation fund (transfer to War, act March 31, 1933), $117.70.
For emergency conservation fund (transfer to War, act June 19, 1934), $212.87.
Post Office Department—Postal Service (out of the postal revenues): For clerks, first- and second-class post offices, $67.50.
For compensation to postmasters, $80.37.
For electric and cable car service, $40.09.
For freight, express, or motor transportation of equipment, and so forth, $6.63.
For indemnities, domestic mail, $34.22.
For indemnities, international mail, $19.59.
For Railway Mail Service, salaries, $984.75.
Total, audited claims, section 4 (b), $49,995.69, together with such additional sum due to increases in rates of exchange as may be necessary to pay claims in the foreign currency as specified in certain of the settlements of the General Accounting Office.

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. NORRIS. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 8, after line 18, it is proposed to insert the following:

NATIONAL PARK SERVICE

Homestead National Monument of America, Nebraska: The appropriation of $24,000 made in the Interior Department Appropriation Act 1938, for the Homestead National Monument of America, Nebraska, is hereby made available for the same purpose until expended.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska.

The amendment was agreed to.

Mr. ADAMS. Mr. President, I send to the desk a textual amendment to correct a date in the bill.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 5, line 4, it is proposed to strike out the numerals "1937" where they occur the second

time and to insert in lieu thereof "1938", so as to make the paragraph read:

For an additional amount for purchase, installation, and modification of electric lights, signals, and controls, including the same objects and under the same conditions and limitations applicable to the appropriation for this purpose in the District of Columbia Appropriations Act for the fiscal year 1938, payable from the special fund created by the act entitled "An act to provide for a tax on motor vehicle fuels sold within the District of Columbia, and for other purposes," approved August 17, 1937, fiscal year 1938, $990.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was agreed to.

Mr. ADAMS. I send to the desk another amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 21, line 24, it is proposed to strike out "$20.25" and to insert in lieu thereof "$20.05", so as to read:

Department of Justice, $20.05.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was agreed to.

Mr. ADAMS. I send to the desk another amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 22, line 5, it is proposed to strike out "$4,725.11" and insert in lieu thereof "$4,724.91", so as to read:

In all, $4,724.91.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was agreed to.

Mr. SHEPPARD. Mr. President, I offer an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 15, after line 13, it is proposed to insert the following:

RIO GRANDE RECTIFICATION PROJECT, DEPARTMENT OF STATE

The unexpended balance of the appropriation made for the fiscal years 1936 and 1937 for the construction of the Rio Grande rectification project under the jurisdiction of the Department of State and the International Boundary Commission, United States and Mexico, is hereby continued available for the same purposes until June 30, 1938.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas.

Mr. McNARY. Mr. President, what is the amendment?

Mr. SHEPPARD. It involves no new appropriation. It appropriates certain unexpended balances of former years for this work.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas.

The amendment was agreed to.

The PRESIDING OFFICER. Are there any further amendments? If not, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

NELLIE S. WICK

Mr. TYDINGS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report back unanimously and favorably, without amendment, Senate Resolution 224, and ask unanimous consent for its immediate consideration.

There being no objection, the resolution (S. Res. 224) submitted by Mr. TYDINGS on January 20, 1938, was read, considered, and agreed to, as follows:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Nellie S. Wick, widow of James R. Wick, late an official reporter of debates of the Senate, a sum equal to 1 year's compensation at the rate he was receiving at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

NATIONAL CHARTERS FOR NATIONAL COMMERCE

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that there may be printed in the RECORD at length the revision, in the nature of a substitute, of Senate bill 3072, to provide a licensing system for corporations engaged in interstate commerce, which the Senator from Idaho [Mr. BORAH] and I have prepared to present.

I may say that public hearings will be resumed upon this bill on next Tuesday morning. There has been so great a demand for copies of the revision that the copies on hand have been exhausted; and I am taking this means of making the text of the revision available to the public.

Interest in the proposal for a system of national charters for national commerce seems steadily to be growing.

There being no objection, the revised bill was ordered to be printed in the RECORD, as follows:

A bill to regulate interstate and foreign commerce by prescribing the conditions under which corporations may engage or may be formed to engage in such commerce, to provide for and define additional powers and duties of the Federal Trade Commission, to assist the several States in improving labor conditions and enlarging purchasing power for goods sold in such commerce, and for other purposes

Be it enacted, etc.—

FINDINGS OF FACT AND DECLARATION OF POLICY

SECTION 1. The Congress finds and hereby declares—

(1) That the Constitution of the United States of America vests in the Congress of the United States full and complete power to regulate all commerce with foreign nations and among the several States, and with the Indian tribes, including all that commerce which concerns more States than one and all that commerce, whether or not carried on wholly within a particular State, which affects other States and which is not completely within a particular State; that the power to regulate such commerce includes the power to foster and enlarge such commerce.

(2) That the franchises, powers, and privileges of all corporations are derived from the people and are granted by the governments of the States or of the United States as the agents of the people for the public good and general welfare; that to a rapidly increasing and, in many industries, to a dominating extent, commerce with foreign nations and among the several States, is carried on through the instrumentality of corporations created by the several States which are without jurisdiction in the field in which such corporations principally operate; that it is the right and duty of the Congress to control and regulate all corporations engaged in such commerce; and that to effectuate the policy herein declared it is necessary and proper to provide a national licensing system.

(3) That the capital of such corporations is frequently furnished by citizens and residents of many States other than the State from which their corporate existence is derived; that the officers and directors of many such corporations, as well as their stockholders, are likewise, in many instances, citizens or residents of States other than such parent States; and that such corporations are in truth and in fact instrumentalities of interstate commerce and ought to derive their charters by authority of the Congress.

(4) That a constantly increasing proportion of the national wealth has been falling under the control of a constantly decreasing number of corporations, and that the growth of such corporations and such concentration of wealth in corporate hands has effectively impaired the economic bargaining power of labor employed by such corporations.

(5) That many of the causes of such maladjustments of wealth have been and are national in their scope and effect and have been found to be beyond the practical or legal ability of the several States to control or eliminate effectively, and that such causes and effects can be effectively controlled or eliminated only through congressional legislation.

(6) That for the purpose of executing and exercising the power granted to the Congress of the United States in the commerce clause of the Constitution of the United States, for the purpose of preventing the channels, facilities, and corporate instrumentalities of interstate commerce from being utilized to promote unfair or monopolistic methods of competition in or relating to such commerce and for the purpose of protecting, fostering, and increasing such commerce to the end that the capacity of the people to purchase commodities sold, exchanged, transported, or delivered in the course thereof may be increased with consequent reduction of unemployment and correction of the maldistribution and concentration of economic wealth and power, it has become and is necessary to regulate the terms and conditions on which corporations may produce and distribute commodities for the purposes of interstate commerce.

DEFINITIONS

SEC. 2. For the purposes of this act—

(a) "Commerce" shall mean trade or commerce in all its branches with foreign nations or among the several States or between the District of Columbia and any Territory of the United

States, and any State, Territory, or foreign nation, or between any insular possession or other place under the jurisdiction of the United States, or between any such possession or place and any State or Territory of the United States and the District of Columbia, or any foreign nation, or within the District of Columbia, or any Territory or insular possession under the jurisdiction of the United States, or with the Indian tribes. It shall include also the collection of raw materials and equipment in commerce as above defined for the production, and the production therefrom, of any article or commodity to enter the flow of, or which affects, commercial intercourse with foreign nations or among the several States, or between the District of Columbia and any Territory of the United States and any State, Territory, or foreign nation, or between any insular possession or other place under the jurisdiction of the United States, or between any such possession or place and any State or Territory of the United States and the District of Columbia or any foreign nation, or within the District of Columbia or any foreign nation, or within the District of Columbia or any Territory or insular possession under the jurisdiction of the United States, and with the Indian tribes, and the sale or transportation of any article or commodity so produced in the course of commerce, as above defined, to retail dealers in any State, Territory, or possession of the United States, or the District of Columbia.

(b) "Corporation" shall include any body corporate, association, trust, joint-stock company, limited partnership, or syndicate.

(c) "State," unless the context otherwise indicates, shall mean any one of the several States, Hawaii, Alaska, Puerto Rico, the Virgin Islands of the United States, or the District of Columbia.

(d) "Books and records" shall include any books, records, correspondence, papers, documents, memoranda, contracts, and other written matter.

(e) "Subsidiary" shall mean any corporation subject to the direct or indirect actual or legal control of any other corporation, whether by stock company or in any other manner.

(f) "Affiliate" shall mean any corporation which has a subsidiary.

(g) "Commission" shall mean the Federal Trade Commission.

(h) "Licensee" shall mean a corporation to which a license has been issued under this act.

(i) "Applicant" shall mean a corporation which has made application for a license under this act.

(j) A corporation shall be deemed to be engaged in commerce if it is engaged in commerce or if, for the purpose of controlling or influencing the management of any corporation engaged in commerce, it owns stock or securities of such corporation, or if by means of any advance, loan, voting trust or trusts, holding company or companies, or any device or means, direct or indirect, it exercises or attempts to exercise direction or control over a corporation engaged in commerce.

ISSUANCE OF LICENSES

SEC. 3. (a) On and after January 1, , it shall be unlawful for any corporation to engage, directly or indirectly, in commerce without a license issued by the Commission under this act, if such corporation by itself or in consolidation with its subsidiaries has had, at any time during the 3 years immediately preceding the time when it so engages in commerce, gross assets the value of which on the books of the corporation and its subsidiaries exceeded $100,000.

(b) Before any license shall be issued under this act, the applicant shall file with the Commission a sworn statement with respect to its operations, which shall include information concerning its organization and financial structure; the character of its transactions in interstate or foreign commerce; the terms, position, rights, and privileges of the different classes of its securities outstanding; the terms on which its securities have been offered to the public or otherwise; the property taken by the applicant at the time of its organization and the consideration paid therefor in money or otherwise; its bonded indebtedness and the interests of the promoters therein; the personnel and salaries of its management; its charter and bylaws; the number and local distribution of its stockholders; contracts made with promoters and with financial interests with respect to the organization or management of the applicant and service contracts; special legislation relating to the applicant; the names and post-office addresses of its officers and board of directors; the amount of each class of stock held by each of its officers and each member of its board of directors; the amount of stock held by the applicant in other corporations and when acquired; and such further information with respect to the operations of the applicant as the Commission may by regulation require as necessary or appropriate in the public interest or for the protection of investors. The applicant shall also file with the Commission a certificate duly authenticated by its officers that by vote of its board of directors it intends to engage in commerce subject to all acts of Congress regulating such commerce or limiting or affecting the rights, powers, or duties of corporations or associations engaged therein.

(c) Application for such licenses shall be made, and the licenses shall be issued, in such manner as the Commission shall by regulation prescribe. Each such license shall be effective from the date specified therein, and shall continue in effect until revoked.

(d) The Commission shall by order deny the application for a license of any applicant corporation which fails to comply with the provisions of subsection (b) of this section.

(e) Every corporation engaged in commerce and subject to this act shall have power under its charter, by mere act of its board of directors, to accept any charter restriction that Congress imposes as a condition of its right to engage in such commerce, the law of any State or the decision or order of any State authority to the contrary notwithstanding.

UNLAWFUL COMBINATION NOT ENTITLED TO LICENSE

SEC. 4. (a) No applicant shall be entitled to a license under this act if it is an unlawful trust or combination in violation of the antitrust laws as designated in section 1 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, including any amendment of such laws, if it is a party to any contract, combination in the form of trust, or otherwise, or conspiracy in restraint of commerce in violation of such laws, or if it is monopolizing, or attempting to monopolize, or combining or conspiring with any other person to monopolize, any part of such commerce.

(b) If the Commission finds, after notice and hearing, that an applicant, by reason of this section, is not entitled to a license, it shall by order deny the application of such applicant.

(c) Any order of the Commission denying an application for a license by reason of this section shall be subject to judicial review in the manner provided in section 12 of this act, and the review of such order shall be given precedence by the court over other pending matters and shall be in every way expedited.

CONDITIONS OF LICENSES

SEC. 5. Every license issued under this act shall contain, and the licensee shall be subject to, the following conditions:

(a) That no female employee of the licensee who performs services approximately equivalent to those performed by male employees shall be discriminated against as to rates of pay or in rights granted or in any other manner.

(b) That (1) no person less than 16 years of age shall be employed by the licensee; and that (2) no person less than 18 years of age shall be employed by it in a hazardous occupation, or at any other time than between the hours of 7 a. m. and 7 p. m.

(c) That employees of the licensee shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection.

(d) That upon order of the Commission, issued after notice to the licensee and opportunity for hearing, the licensee will refrain from dishonest or fraudulent trade practices, from unfair methods of competition which have been so defined in the courts of the United States or established by orders of the Commission made subject to judicial review, from violations of the antitrust laws as described in section 4 (a) of this act, and from monopolizing, or attempting to monopolize, or combining or conspiring with any other person to monopolize, any part of commerce.

(e) That, in the case of any licensee organized after the date of enactment of this act, it shall have its chief place of business and its executive offices, and the meetings of its board of directors or trustees shall be regularly held, within the State, Territory, or possession under the laws of which it is organized, and if organized under the laws of the District of Columbia it shall have its chief place of business and its executive offices, and the meetings of its board of directors or trustees shall be regularly held, in the said District.

(f) That the licensee shall have only such powers as are incidental to the business in which it is authorized to engage, and these powers shall not include any power to hold the stock of any other corporation unless it had such power on the date of the enactment of this act or unless such other corporation is a subsidiary of the licensee, nor shall it have any power outside of the jurisdiction of its incorporation which it does not have within such jurisdiction. A full accounting of the affairs of such subsidiary corporation shall be made annually to the stockholders of the licensee, and a full accounting of the affairs of the licensee shall be made annually to the stockholders of such subsidiary corporation, and a duly certified copy of all such accounts shall be filed with the Commission.

(g) That all stockholders or members of the licensee shall have an equal right to vote the number of shares held by them, respectively, at all stockholders' meetings and for all directors, subject to any general limitation on the number of votes that may be cast by a single stockholder, notwithstanding any provision of its charter for the issuance of nonvoting stock: *Provided*, That no other corporation or association shall be entitled to any such vote or voice, directly or indirectly, at any meeting of its stockholders, except that the stockholders of any such other corporation or association shall be entitled to cast their pro rata share of the stockholding of such other corporation. The owners of all nonvoting stock that may heretofore have been issued shall be notified by the licensee of this provision.

(h) That no bonus or commission or emolument of any kind or character in addition to his regular compensation shall be paid to any officer or director of the licensee except by vote of the stockholders at a regularly called meeting.

(i) That the stock of the licensee shall be fully paid, or payable in cash or in property or in services where the issuance of such stock for such property or services has been authorized upon application to a competent court and under its order finding upon competent and specific proof that such stock has been or is to be issued on a fair valuation of such property or services.

(j) That any stockholder of the licensee may deliver his proxy to any person who may be certified by the Civil Service Commission, in accordance with the provisions of section 20 of this act, as a certified corporation representative; that such corporation

representative shall be entitled to all the rights and privileges of the stockholder whose proxy he may hold with respect to the examination of the books and affairs of the licensee and the transaction of business at any meeting of the stockholders or any meeting of the board of directors in which said stockholder might himself participate; and that every licensee to which this paragraph is applicable shall notify all of its stockholders of the provisions of this paragraph.

(k) That the licensee shall be subject to, comply with, and accept any requirement not inconsistent with the laws of the United States that may be made by the State of its incorporation, and any requirement that may be imposed by the Congress as a condition of its right to engage in commerce.

SEC. 6. Unless otherwise specified in a license every condition contained therein shall become effective upon the effective date of the license. The Commission may at the time of the issuance of any license provide therein that any or all of its conditions shall become effective at any time within 3 months after such date.

COMPETING CORPORATIONS

SEC. 7. It shall be unlawful and an unfair method of competition within the meaning of the Federal Trade Commission Act, approved September 26, 1914, for any corporation engaged in commerce to carry on such commerce without conforming to the requirements specified in the licensing conditions stated in section 5 of this act, where the effect in or upon commerce may be to give to corporations not so conforming a substantial advantage in competition with licensees under this act.

Whenever the Commission shall have reason to believe that any corporation engaged in commerce, which is not licensed under this act, is not conforming to the conditions of fair competition above required, and that any article or commodity is being produced, manufactured, processed, or distributed to retail dealers by such corporation in such manner as to interfere with the effective handling of similar articles or commodities by any licensee, or in such manner as to give to the articles or commodities so produced, manufactured, processed, or distributed competitive advantages over similar articles or commodities handled by licensees, thereby tending to defeat the purposes of this act, and if it shall appear to the Commission that a proceeding by it in respect thereof would be in the interest of the public, it shall issue and serve upon such corporation a complaint stating its charges in that respect, and containing a notice of a hearing upon the day and at a place therein fixed, at least 30 days after the service of such complaint. The corporation so complained of shall have a right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission subjecting it to the provisions of this act. Any person may make application, and upon good cause shown may be allowed by the Commission, to intervene and appear in said proceedings by counsel or in person. If upon such hearing the Commission finds that the charges specified in such complaint are supported by evidence it shall issue and cause to be served on such corporation an order subjecting it to the provisions of this act in the same manner and with like effect as corporations required by this act to be licensed. Findings of fact by the Commission, if supported by substantial evidence, shall be conclusive unless it shall clearly appear that the findings of the Commission are arbitrary or capricious. The Commission may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside in whole or in part, any order issued by it under this section, and any such order may, upon petition of the corporation to which such order is directed, be reviewed, in the same manner, so far as applicable, as is provided in the case of an order issued by the Commission under section 5 of the Federal Trade Commission Act, as amended.

REVOCATION OF LICENSES

SEC. 8. (a) If any licensee violates any effective condition of its license, such license shall be revoked in the manner hereinafter set forth.

(b) If the Commission has reason to believe that any licensee has violated any such provision of its license, the Commission shall afford such licensee an opportunity for hearing. If, after affording such opportunity for hearing, the Commission is of the opinion that such violation has occurred, the Commission shall, unless there shall have been presented to the Commission satisfactory evidence of the willingness and capacity of the licensee to comply with the conditions contained in such license, and of the making of suitable restitution, as determined by the Commission, by such licensee to parties adversely affected by the violation of such condition, notify the Attorney General of its opinion and the facts upon which it is based.

(c) Upon receipt of notice from the Commission under this section, it shall be the duty of the Attorney General to institute proceedings against such licensee, and any of its officers and directors responsible for the alleged violation, for the revocation of such license. Such proceedings may be brought in the district court of the United States for any district in which such licensee may be found or in which it carries on business; and the several district courts of the United States are hereby vested with jurisdiction to revoke licenses in such proceedings. In any such proceeding in which a license is revoked, the court may order that any officer or director of the licensee responsible for the violation of the conditions of its license shall not serve, until after the expiration of such period as the court may fix, as an officer or director of a corporation engaged in commerce.

REISSUANCE OF LICENSES

SEC. 9. The Commission shall reissue any revoked license upon presentation of satisfactory evidence of the willingness and capacity of the licensee applying for reissuance to comply with the conditions contained in such license, and upon the making of suitable restitution as determined by the Commission by such licensee to parties adversely affected by the violation for which the license was revoked.

TEMPORARY LICENSES

SEC. 10. Every applicant which was organized prior to the date of enactment of this act shall be deemed to have a temporary license to engage in commerce from the date it files its initial application for a license in accordance with the provisions of this act until the date such license is issued or the order of the Commission denying the application becomes final. The Commission may, in its discretion, issue a temporary license to an applicant organized after the date of enactment of this act upon the filing of its initial application for a license and issue a temporary license to any applicant upon the filing of an application other than its initial application for a license, or upon the filing of an application for the reissuance of a license; and any temporary license so issued shall be effective until such application is granted or the order denying such application becomes final.

EFFECTIVE TIME OF ORDERS

SEC. 11. An order of the Commission under this act shall become effective at the time specified in the order, except that an order denying an application for a license shall not become effective in less than 60 days from the time of the issuance of the order. An order of the Commission shall become final upon the expiration of the time allowed for filing a petition for judicial review of such order, if no such petition has been filed within such time.

JUDICIAL REVIEW

SEC. 12. (a) Any party aggrieved by any action or order of the Commission under this act may petition the circuit court of appeals of the United States in any circuit in which such party resides or transacts business for a review of said action or order of the Commission. A copy of said petition shall forthwith be served upon the Commission and thereupon the aggrieved party shall file in the court a transcript of the entire record in the proceeding, certified by the Commission, including the pleading and testimony upon which the action complained of was based and the findings and order of the Commission. Upon such filing the court shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, testimony, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside in whole or in part the action or order of the Commission. No objection that has not been urged before the Commission shall be considered by the court, unless the failure or neglect to urge such objection shall be excused because of extraordinary circumstances. At the earliest convenient time the court shall hear and determine the appeal upon the record before it and shall have power, upon such record, to enter a judgment affirming or reversing the decision of the Commission, and, in event the court shall render a decision and enter an order reversing the decision of the Commission, it shall remand the case to the Commission to carry out the judgment of the court: *Provided, however,* That the review by the court shall be limited to questions of law and that findings of fact by the Commission, if supported by evidence, shall be conclusive unless it shall clearly appear that the findings of the Commission are arbitrary or capricious. If either party shall apply to the court for leave to adduce additional evidence and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the hearing before the Commission, the court may order such additional evidence to be taken before the Commission to be made a part of the transcript. The Commission may modify its findings as to the facts or make new findings, by reason of additional evidence so taken and filed, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, unless it shall clearly appear that the findings of the Commission are arbitrary or capricious, and shall file its recommendations, if any, for the modification or setting aside of its original action. The jurisdiction of the court shall be exclusive and its judgment and decree shall be final, except that the same shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347).

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

INVESTIGATIONS

SEC. 13. (a) The Commission may require any licensee to submit accurate reports, truthful and responsible answers to interrogatories, and to keep such accounts or systems of accounts, and to permit such access to all books and records within the control of such licensee (including books and records of any affiliate or subsidiary) as the Commission may deem necessary to effectuate the purposes of this act.

(b) The Commission may, in its discretion, make such investigations as it deems necessary to determine whether any corporation has violated any provision of this act or any condition of any

license, or whether any license under this act is effectuating the declared policy of this act, and may require or permit any corporation to file with it a statement in writing under oath or otherwise, as it shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Commission is authorized, in its discretion, to investigate any facts, conditions, practices, or matters which it may deem necessary or proper to aid in the enforcement of the provisions of this act, in the prescribing, approval, issuance, or enforcement of any license, rule, or regulation thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this act relates.

(c) The Commission, for the purpose of any such investigation or any other proceeding under this act, and for the purpose of exercising its functions and powers under this act, is empowered to administer oaths and affirmations and to require by subpena the attendance and testimony of licensees, their officers, agents, creditors, and business associates, and the production of all their books and records relating to any matter under investigation. Such attendance of licensees, their officers, agents, creditors, and business associates, as witnesses and the production of any such books and records may be required from any place in the United States at any designated place of hearing.

(d) In case of contumacy by, or refusal to obey a subpena issued to any licensee, its officers, agents, creditors, or business associates, the Commission may invoke the aid of any court of the United State within the jurisdiction of which such investigation or proceeding is carried on, or where such licensee or such person under subpena resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books and records. Such court may issue an order requiring such licensee or person to appear before the Commission, there to produce books and records, if so ordered, or to give testimony touching the matter under investigation or in question, and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such licensee or person is an inhabitant or wherever he may be found. Any person who shall, without just cause, fail or refuse to attend and testify or to answer any lawful inquiry or to produce books and records, if in his power so to do, shall be guilty of a misdemeanor and, upon conviction, shall be subject to a fine of not more than $1,000 or imprisonment for a term of not more than 1 year, or both.

(e) No person shall be excused from attending and testifying or from producing books and records before the Commission or in obedience to the subpena of the Commission or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(f) The several departments and bureaus of the Government shall furnish the Commission, upon request, all records, papers, and information in their possession relating to any of the provisions of this act.

SEC. 14. This act shall not apply to any common carrier of property, persons, or messages, any corporation, insofar as engaged in radio broadcasting, subject to the Communications Act of 1934, to any banking corporation, any insurance corporation, any corporation engaged in publishing newspapers, magazines, or books, any corporation organized under the China Trade Act of 1922, or any corporation the majority of the stock of which is held by the United States, unless such corporation hereinbefore exempted shall, through stock ownership, voting trust or trusts, holding company or companies, or by any other device or means, direct or indirect, acquire, for the purpose of controlling or influencing the management of any corporation subject to this act, any interest in or control of any such corporation subject to this act, in which case this act shall apply to such corporation hereinbefore exempted.

RULES, REGULATIONS, AND FEES

SEC. 15. The Commission is authorized to prescribe, amend, and modify such rules and regulations, not inconsistent with the provisions of this act, as may be necessary to carry out the purposes of this act. The Commission shall prescribe and collect such fees for the issuance of licenses as may be reasonably necessary to cover the costs thereof, and the moneys so collected shall be covered into the Treasury as miscellaneous receipts.

MISCELLANEOUS PROVISIONS

SEC. 16. Every contract made in violation of this act shall be void and no corporation or association shall bring or maintain any suit or proceeding in any court of the United States unless it is organized, conducted, and managed as required by the conditions imposed in section 5 of this act, but this provision shall not prevent the removal to any court of the United States of any such suit or proceeding when the petition for such removal is filed by any party otherwise entitled to be heard in such court.

SEC. 17. No person or persons shall form, operate, or act as or for a corporation or association for the purpose or with the effect of violating this act, or conspire thereto and of himself or by a coconspirator do any act or thing to effect such conspiracy.

SEC. 18. Every corporation, association, or person violating any of the provisions of this act shall, upon conviction thereof, in the case of a corporation or an association, be subject to a fine not exceeding percent of its capital stock, or to a perpetual injunction against engaging in commerce, or both, and, in the case of a person, shall be subject to a fine not exceeding $10,000, and, if the violation is willful with intent to defraud or to violate any act of Congress, to such fine and to imprisonment for not exceeding 5 years.

SEC. 19. No person shall be eligible to serve as an officer or director of any licensee unless he is an actual owner of stock in the licensee. Unless otherwise provided herein, no director or officer of a licensee shall be a stockholder or employee of any other corporation engaged in the same business, nor shall any such director or officer be a director, officer, or employee of any corporation which has advanced or loaned money or property to such licensee. Every officer and director of any licensee shall be a trustee of the stockholders of such licensee and shall be liable to such stockholders in actual and punitive damages for any money or property that may be paid or transferred to any other corporation in which he may be an officer or director or in which he may own more than 5 percent of the corporate stock or other securities. No officer or director of any licensee shall, directly or indirectly, or by any device whatsoever, take any profit to himself as a result of the trust reposed in him save only such compensation as may be regularly awarded to him by vote of the board of directors.

SEC. 20. The Civil Service Commission is authorized and directed to issue certificates, upon application, to persons whom it finds to be properly qualified and familiar with corporation and commercial law and corporate accounting, authorizing such persons to act as certified corporation representatives for the purposes of this act. The Civil Service Commission is authorized to prescribe such rules and regulations, and to conduct such examinations as may be necessary for the purposes of this section. The Civil Service Commission shall prescribe and collect such fees for such examinations as may be reasonably necessary to cover the costs thereof, and the moneys so collected shall be covered into the Treasury as miscellaneous receipts. The Civil Service Commission may, for cause, after notice and hearing, revoke any such certificate; and if any person who has not received such a certificate, or whose certificate shall have been revoked, shall hold himself out to act as a certified corporation representative under this act, he shall be deemed guilty of a misdemeanor; and, upon conviction thereof by any court of record of the jurisdiction in which the offense was committed, he shall be fined not more than $1,000 for each such offense. The Civil Service Commission shall not establish any requirement under this section which will prevent the issuance of certificates to persons other than attorneys at law. Nothing in this act shall be construed to prohibit a person other than a certified corporation representative from acting as the proxy of a stockholder in any corporation.

SEC. 21. If any provision of this act, or the application thereof to any person or circumstances, is held invalid, the remainder of the act, and the application of such provision to other persons and circumstances, shall not be affected thereby.

SEC. 22. The right to alter, amend, or repeal this act, or any part thereof, is hereby expressly reserved.

SEC. 23. This act may be cited as the "Corporation Licensing Act of 1938."

Amend the title so as to read: "A bill to regulate interstate and foreign commerce by prescribing the conditions under which corporations may engage in such commerce, to provide for and define additional powers and duties of the Federal Trade Commission, and for other purposes."

TREASURY AND POST OFFICE APPROPRIATIONS

Mr. BARKLEY. Mr. President, if I may have the attention of the Senator from South Carolina [Mr. BYRNES], I understand that the Senator from Tennessee [Mr. MCKELLAR] desires to have the Senate take up the Treasury and Post Office Departments appropriation bill on Monday, while the unfinished business is still temporarily laid aside. Is that agreeable to the Senator from South Carolina?

Mr. BYRNES. Mr. President, I should like to have that request go over until Monday, so that I may have an opportunity to confer with the Senator from Kentucky.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. MINTON in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF A COMMITTEE

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters, which were ordered to be placed on the Executive Calendar.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state in their order the nominations on the calendar.

COLLECTOR OF CUSTOMS

The legislative clerk read the nomination of John H. Dooley to be collector of customs for customs collection district No. 1, with headquarters at Portland, Maine.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Henry V. Schwalbach to be collector of customs for customs collection district No. 37, with headquarters at Milwaukee, Wis.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COMPTROLLER OF CUSTOMS

The legislative clerk read the nomination of Samuel T. Ladd to be comptroller of customs in customs collection district No. 4, with headquarters at Boston, Mass.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

IN THE ARMY

The legislative clerk proceeded to read sundry nominations in the Army.

Mr. SHEPPARD. I ask unanimous consent that the Army nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the Army nominations are confirmed en bloc.

That concludes the Executive Calendar.

RECESS TO MONDAY

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 5 o'clock and 34 minutes p. m.) the Senate took a recess until Monday, February 28, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate February 25 (legislative day of January 5), 1938

UNITED STATES CIRCUIT COURT OF APPEALS

Hon. Elwood Hamilton, of Kentucky, to be a judge of the United States Circuit Court of Appeals for the Sixth Circuit, vice Hon. Charles H. Moorman, deceased.

UNITED STATES DISTRICT JUDGE

Hon. George F. Alexander, of Oregon, to be United States district judge for the first division, District of Alaska. (Judge Alexander is now serving in this office under an appointment which expired January 26, 1938.)

UNITED STATES ATTORNEY

David A. Pine, of the District of Columbia, to be United States attorney for the District of Columbia, vice Leslie C. Garnett, resigned.

UNITED STATES MARSHAL

Arthur G. Jaeger, of New York, to be United States marshal for the eastern district of New York, vice Robert G. Lindsay, now serving under a court appointment.

COLLECTOR OF CUSTOMS

Frank J. Duffy, of Arizona, to be collector of customs for customs collection district No. 26, with headquarters at Nogales, Ariz. (Reappointment.)

APPOINTMENTS IN THE REGULAR ARMY

TO BE ASSISTANTS TO THE SURGEON GENERAL, WITH THE RANK OF BRIGADIER GENERAL, FOR A PERIOD OF 4 YEARS, FROM DATE OF ACCEPTANCE, WITH RANK FROM JANUARY 29, 1938

Col. Roger Brooke, Medical Corps.

Lt. Col. Leigh Cole Fairbank, Dental Corps.

APPOINTMENT TO TEMPORARY RANK IN THE AIR CORPS IN THE REGULAR ARMY

Lt. Col. Arnold Norman Krogstad, Air Corps (temporary colonel, Air Corps), to be brigadier general, wing commander, with rank from March 1, 1938, vice Brig. Gen. Gerald C. Brant, wing commander (temporary), whose appointment as wing commander terminates February 28, 1938.

APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

TO SIGNAL CORPS

Capt. Samuel Pickens Collins, Field Artillery, with rank from June 12, 1936.

TO COAST ARTILLERY CORPS

First Lt. Franklin Gibney Rothwell, Infantry, with rank from June 13, 1936.

PROMOTIONS IN THE REGULAR ARMY

TO BE COLONEL

Lt. Col. Frederick LeRoy Martin (brigadier general, wing commander), Air Corps, from February 24, 1938.

TO BE LIEUTENANT COLONELS

Maj. Clarence Ralph Huebner, Infantry, from February 22, 1938.

Maj. Frederick McCabe, Infantry, from February 24, 1938.

TO BE MAJORS

Capt. George Milroy Mayer, Quartermaster Corps, from February 16, 1938.

Capt. Harold H. Elarth, Infantry, from February 22, 1938.

Capt. Mortimer Buell Birdseye, Quartermaster Corps, from February 24, 1938.

CONFIRMATIONS

Executive nominations confirmed by the Senate February 25 (legislative day of January 5), 1938

COLLECTOR OF CUSTOMS

John H. Dooley to be collector of customs for customs collection district No. 1, with headquarters at Portland, Maine.

Henry V. Schwalbach to be collector of customs for customs collection district No. 37, with headquarters at Milwaukee, Wis.

COMPTROLLER OF CUSTOMS

Samuel T. Ladd to be comptroller of customs in customs collection district No. 4, with headquarters at Boston, Mass.

APPOINTMENTS IN THE REGULAR ARMY

James Albert Woodruff to be major general.

Frank Wheaton Rowell to be major general.

Joseph Michael Cummins to be brigadier general.

Richard Curtis Moore to be brigadier general.

Karl Truesdell to be brigadier general.

Fulton Quintus Cincinnatus Gardner to be brigadier general.

Emory Sherwood Adams to be The Adjutant General with the rank of major general.

John Knowles Herr to be Chief of Cavalry with the rank of major general.

Robert Melville Danford to be Chief of Field Artillery with the rank of major general.

APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

Second Lt. Warren Sylvester Everett to Corps of Engineers.

Maj. Henry Theophil John Weishaar to Quartermaster Corps.

Capt. Theodore Kalakuka to Quartermaster Corps.

HOUSE OF REPRESENTATIVES

FRIDAY, FEBRUARY 25, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty and most merciful God, we trust that we approach Thee with renewed faith and confidences in Thy

precious promises. We pray Thee to create within us clean hearts and renew a right spirit within us, that we may go forward with courage and conviction where duty leads. At Thy mercy seat we acknowledge our imperfections and sins and pray that the spirit of our Savior may control our conduct. Let the blessing of Heaven be upon the officers, the Representatives, and the employees of the Congress. Fill our minds with wisdom and our hearts with grace. Possess us, that we may have broad views of life and its far-reaching purposes. May we thirst for knowledge and the right and learn to deaden self. In the name of our Master. Amen.

The Journal of the proceedings of yesterday was read and approved.

WAGE AND HOUR BILL

Mr. STACK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. STACK. Mr. Speaker, I had the privilege and honor of introducing this morning the wage and hour bill proposed by the American Federation of Labor. I ask unanimous consent to insert at this point a letter I received from Mr. Green, together with an analysis of the bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. STACK. Mr. Speaker, incidentally, one of my colleagues, of great importance in the House, just asked me why I was not up in Harrisburg settling the fight up there. My place is down here, and I think that we should let the people of Pennsylvania take care of themselves, which they can do in an open primary May 17, 1938.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., February 24, 1938.

Hon. MICHAEL J. STACK,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN: I transmit herewith copy of a bill for the establishment of minimum wages and maximum hours in employments in and affecting interstate commerce.

This bill has been drafted and is endorsed by the American Federation of Labor. It is respectfully requested that you introduce it and aid all possible in facilitating its passage in order that it may become law.

With best wishes and appreciation, I am,

Sincerely yours,

WM. GREEN,
President, American Federation of Labor.

BILL FOR WAGES AND HOURS, RECOMMENDED BY AMERICAN FEDERATION OF LABOR (TOGETHER WITH ANALYSIS THEREOF)

The President of the United States on May 24, 1937, recommended to Congress the adoption of legislation covering, among other things:

(1) Minimum wages for all industries over which Congress has control.

(2) Adjustment of pay for some workers in some industries above minimum wages to make it fair pay.

(3) Maximum hours for all workers applicable to all industries over which Congress has control.

(4) Adjustment of maximum hours for some workers in some industries.

At least 10 different proposals have been submitted to Congress by its Members, by the Labor Committees of the Senate and of the House, respectively, by the Department of Labor, by representatives of industry, by labor, and by others. Each claimed by its proponents to be within the scope of that message and essential for its effective enforcement.

But from all these proposals on wages and hours no legislation has as yet been enacted. And why?

The "why" of the failure to enact such legislation is to be found in the confusion which has resulted from the facts that—

I. The character, characteristics, and administration of legislation applicable to all industrial workers in all industries are similar in some respects to, and differ in other respects from, the character, characteristics, and administration of legislation applicable to some workers in some industries only.

II. The changes in the economic and social history of this Nation which have taken place since the date of the President's message have varying effects on the separate proposals contained therein. These changes are:

A. The recession in business which began in the fall of 1937 has now become a depression. From this new depression have come the following:

(1) The unemployment problem, which it was assumed had been substantially met under the industrial improvement which took place during the spring and summer of 1937, is now upon us in more aggravated form than at any time since 1933. For labor this depression is even more serious than the collapse of 1929.

(2) The confidence which it was assumed had been reestablished in industry as a basis for its stabilization and expansion has been gradually undermined during the last 6 months by factors within and without its control. Today industry is in need of stimulation.

B. Capital, labor consumers, and the public generally have had unsatisfactory experience with administration in the industrial field by some national administrative boards, whether such administration covers the relationship of capital and labor under the National Labor Relations Act or the fixing of prices for the consumer under the Bituminous Coal Act of 1937.

It is obvious, therefore, that constructive approach to solution of the problems presented by each proposal can be made only by considering each of them apart from and without reference to the others.

I. MINIMUM-WAGE LEGISLATION FOR ALL WORKERS IN ALL INDUSTRIES OVER WHICH CONGRESS HAS CONTROL

The position of the American Federation of Labor is that this part of the President's program should be carried out by congressional enactment of a single minimum standard of decent living for all industrial workers on a national basis below which wages will not be permitted to sink; with enforcement thereof by the Department of Justice. In support of its position, the American Federation of Labor submits the following:

A. The justification for congressional legislation over minimum wages for all industrial workers lies in the national policy that no industrial workers shall be allowed to work for wages which are less than the amount required to meet the minimum standard of decent living.

B. Only Congress can determine and change the minimum standard of decent living.

C. No administrative action is necessary to make effective congressional legislation covering minimum wages for industrial workers.

D. Only the proposal of the American Federation of Labor meets the requirements for valid and proper minimum-wage legislation for industrial workers.

Consider now each of these propositions:

A. The justification for congressional legislation over minimum wages for all industrial workers lies in the national policy that no industrial worker shall be allowed to work for wages which are less than the amount required to meet the minimum standard of decent living

In his message the President stated:

"Goods produced under conditions which do not meet rudimentary standards of decency should be regarded as contraband and ought not to be allowed to pollute the channels of interstate trade. But there are a few rudimentary standards of which we properly ask general widespread observance. Failure to observe them may be regarded as socially and economically oppressive and unwarranted under almost any circumstances."

From this position it follows that:

1. The survival of industry is tested by its ability to provide wages required to meet the minimum standard of decent living for its workers.

2. This test of a minimum standard of decent living does not embrace consideration of:

(a) The character, condition, or location of industry—they are immaterial; or

(b) Varying living standards in different communities. The minimum requirement for decent living is that standard which we as a nation consider essential to make our workers freemen and not economic serfs.

3. The minimum requirements for decent living constitute a floor below which no wage under any circumstances should be allowed to fall. This floor for decent living is the same throughout this land. It does not vary in different communities nor with the economic or social development of any particular community. This floor is of national and not of sectional application.

B. Only Congress can determine and change the minimum standard of decent living

Congress alone determines our national policy as a basis for congressional enactment. This follows both from constitutional limitations and as a matter of common sense. Congress can neither delegate this power to any board nor to any department of Government, nor can it confer on either of them the power to change this policy. When congressional determination of national policy is embodied in legislative enactment it can be waived or varied only by congressional enactment and not by employers or by the workers themselves, hence collective-bargaining agreements and individual employer-employee agreements are subject thereto and are not excluded from its operations.

C. No administrative action is necessary to make effective congressional legislation covering minimum wages for industrial workers

To give to an administrative board or a single administrator the power to determine a single minimum standard of decent living for the Nation as a whole is to give to it congressional legislative power. To give such a board the power to determine and fix for different classes of industrial workers in different communities

a different minimum standard of decent living is to assume that the minimum standard of decent living is a variable standard. This is not true; but if true it is in each case the subject matter of congressional and not administrative determination and fiat. Nor is it wise or practical to permit a board or administrator which or who is not representative of every section of the country to determine by fiat what is and what is not the minimum standard of decent living for industrial workers in a particular community or communities. There can and should be only one floor, below which no wage should be allowed to fall, and that floor only Congress can and should determine.

Nor is it necessary to create an administrative board or a single administrator to make effective the congressional determination and fiat of a minimum standard of decent living. There is no room for administrative action as the enactment contains within itself all the essentials for compliance. Against failure to comply, the judicial branch of government alone is qualified and empowered to protect the public interest.

D. Only the proposal of the American Federation of Labor meets the requirements for valid and proper minimum-wage legislation for industrial workers.

The American Federation of Labor proposed to the House in the last session of Congress and now proposes that Congress determine the floor below which no wage be allowed to fall; and that such floor be the wage required, in the opinion of Congress, to meet the minimum standard of decent living for all industrial workers over which Congress has control. The wage recommended by the federation was and is believed to be such as to permit:

a. Industrial workers in the most backward communities to receive protection against their own destruction by voluntary or involuntary action through economic want or bondage; and

b. Industry even in the most undeveloped communities to establish itself on a foundation of this floor without undue burden and without confiscation.

The House refused to accept at the last session the proposals that—

(1) Different minimum standards of decent living be established for different classes of industrial workers in different industries in different communities.

(2) Congress shall not determine or fix the minimum standard of decent living in any case nor shall it determine or fix the lowest level below which no minimum standard of decent living shall be permitted to fall in any case. Congress shall only determine and fix the highest level above which no minimum standard of decent living in any case shall penetrate.

(3) Subject to the limitation that no minimum standard of decent living in any particular case shall penetrate the upper level fixed by Congress. The board, or administrator, shall have the sole power to determine and fix such varying minimum standards of decent living, no matter how low such may be allowed to fall in any particular case, and no matter how varying they may be between classes of workers, industries, or communities.

From the above discussion it is clear that such proposals do not conform to the program of the President's message. Such proposals do not carry out that program and cannot possibly be sustained as valid, justifiable, or wise. And this is so without any consideration of the warning given by the experiences of this Nation since the President's message, with administrative boards functioning in the field of economics to be discussed later.

The American Federation of Labor is firmly of the belief and has confidence that Congress, aroused to the full import of such proposals and with full knowledge thereof, will never accept them.

II. FAIR-PAY LEGISLATION FOR SOME WORKERS IN SOME INDUSTRIES

The position of the American Federation of Labor is that this portion of the President's program should not be carried out through congressional enactment. Such enactment cannot within itself contain the essential determinations of jurisdiction and of economic facts required for the proper limitation of the scope of such a program and for its effective enforcement. The recent experiences of this Nation with some national administrative boards and officials functioning in the economic field conclusively prove that they cannot and should not be entrusted with the power and obligation to make such determinations. Moreover, the present depression since the President's message requires that this portion of his program be abandoned. The present depression has rendered the program illusory for the workers sought to be benefited thereby.

In support of its position the American Federation of Labor submits the following:

A. Fair-pay legislation covers only a limited number of workers in a limited field of industry.

B. Fair-pay legislation provides only limited relief predicated on special economic and social considerations.

C. Fair-pay legislation cannot within itself make the required determinations for its effective enforcement.

D. Administrative machinery cannot be entrusted with the power and obligation to make the required determinations for the effective enforcement of fair-pay legislation.

E. Existing depression conditions render the fair-pay program illusory for the workers sought to be benefited thereby.

Consider now each of these propositions:

A. Fair-pay legislation covers only a limited number of workers in a limited field of industry

The President's message stated:

"Practical exigencies suggest the wisdom of distinguishing labor conditions which are clearly oppressive from those which are not as fair or as reasonable as they should be under circumstances prevailing in particular industries. Most fair labor standards as a practical matter require some differentiation between industries and localities. With the establishment of these rudimentary standards as a basis, we must seek to build up through appropriate administrative machinery, minimum wage standards of fairness and reasonableness, industry by industry, having due regard for local and geographical diversities."

It is now conceded, and the House assumed in its consideration at the last session of Congress, that this portion of the President's program was intended: (a) to cover a very limited field of industry; (b) to embrace a limited number of workers therein. The field is limited to those occupations wherein existing facilities for collective bargaining are inadequate or ineffective. In the occupations where collective bargaining is practiced, and the existing facilities for collective bargaining are adequate and effective, fair-pay legislation will apply only where the collective bargaining arrangements do not cover a substantial number of employees of such occupations.

B. Fair-pay legislation provides only limited relief predicated on special economic and social considerations

It is now conceded, and the House assumed in its consideration at the last session of Congress, that the wage standards to be established pursuant to the fair-pay program of the President are to be limited to those which will not adversely affect those already prevailing in the occupations in the same or other communities. This limitation would require special determinations on the entire economic and social structure of the Nation. Similarly, considerations surrounding the employer and employee as the basis for fair-pay decisions in any given case would involve determinations on the economic and social status of the employee and the economic position of the employer, and his relation to his competitors or to others in the same occupation. In these respects such decisions differ from those predicated on collective bargaining. In the latter, agreements are mostly the result of compromise—a give-and-take process—predicated more on expediency and the exigencies of the situation as viewed by employer and employees, who desire to live side by side in continued harmonious well-being, peace, and stability, than on what the services rendered are in fact worth, or on the needs of the employee, or the position of the employer.

Unlike collective bargaining, therefore, fair-pay decisions call for specially trained sociologists and economists as well as statesmen of the highest order to mass, assimilate, and interpret the essential facts and to reconcile the conflicting forces upon principles of fair play.

C. Fair-pay legislation cannot within itself make the required determinations for its effective enforcement

From the above analysis it appears clear that two distinct classes of findings and determinations are necessary for every fair-pay decision: one covering the jurisdictional limitations to show that the situation covered by the fair-pay decision is within the limited field of industry and the limited class of workers to which the legislation was to have application; and the other covering the economic and social facts as the basis for the particular wage standard considered.

Obviously, no congressional enactment can make such determinations. It can only set up the administrative machinery therefor, and no more. In this respect the situation is diametrically opposed to that needed for the effective enforcement of minimum-wage legislation, as above noted.

D. Administrative machinery cannot be entrusted with the power and obligation to make the required determinations for the effective enforcement of fair-pay legislation.

The findings and determinations on jurisdiction, above detailed, to show that the situation covered by the fair-pay decision is within the limited field of industry and the limited class of workers to which the legislation was to have application are in many respects identical to, in many respects similar to, and in many respects even more involved than those required in the effective enforcement of the National Labor Relations Act.

With trial and error as teacher, it is now generally agreed, as labor has found, that administration of the National Labor Relations Act by the National Labor Relations Board is fatally defective. It is now apparent that such administration by the National Labor Relations Board has in many instances repudiated generally accepted concepts and disrupted tried and tested principles of collective bargaining between capital and labor. It has impaired and destroyed rights of contract and of property upon which labor has hitherto predicated its very existence and continued progress. Such administration has brought turmoil into industrial relations, has usurped the prerogatives of the courts essential to the preservation of our democratic form of government, and has jeopardized industrial freedom and initiative—all contrary to the clear intent of the Congress to create unrestricted opportunities for labor to organize, to strengthen bargaining agencies, to promote their practices, and to foster the objective of a more harmonious and stabilized relationship between labor and capital as part of the national policy for the general good.

It is therefore generally recognized, and the American Federation of Labor insists, that it is no longer safe to permit a Government board of that kind or a similar administrator to make the many determinations necessary in the administration of fair-pay legislation; whether, for instance, collective bargaining is effective in a particular industry or whether collective-bargaining machinery

is adequate in a particular case when predicated upon open, voluntary, and harmonious cooperation between employers and independent collective bargaining agencies; to determine the proper units for classification of labor generally recognized as craft labor for purposes of collective bargaining; or to make the other numerous determinations under the fair-pay legislation upon the precedents established by the National Labor Relations Board on the basis of interpretations of corresponding language in the National Labor Relations Act.

The findings and determinations covering the economic and social facts as the basis for particular wage standards are in many respects identical to, in many respects similar to, and in many respects even more involved than those required for the effective enforcement of the fixing of prices of coal for consumers under the Bituminous Coal Act of 1937.

The apparent lack of equipment on the Board under the Bituminous Coal Act of 1937 to deal with intricate economic and social facts; its unrepresentative character in dealing with considerations requiring representativeness; the tendency of administrative agencies to grasp and exercise an autocratic usurpation of power in matters seriously affecting the destiny of the entire population all warn against substituting an administrative board or other independent governmental agency for the parties in determining for them the wages of labor's hire and the terms and conditions under which labor and capital shall, side by side, function together. And let it never be forgotten that labor as well as capital is ever on the alert to detect and guard against a fettering of freedom, even when friendly hands offer a kindly bondage.

E. Existing depression conditions render the fair-pay program illusory for the workers sought to be benefited thereby

Where collective bargaining is practiced, wage scales represent an evolutionary process and are the result of cooperative effort of both parties thereto. And in this cooperative effort labor is guided by the principles that, first, unless capital is allowed the opportunity to make reasonable profits, collective bargaining (which labor has won through a long, hard struggle) will be rendered useless and of no avail; and, second, any sound endeavor which has economic utility should be allowed to function and not be stifled or destroyed through restrictive action or through discrimination. Industrial workers, acting through collective bargaining, take these facts and factors into account.

Any fair-pay program must be predicated on the same realistic appreciation of the facts of life, and, being so predicated, and on the basis of the existing depression conditions, such program could afford little or no relief to the workers sought to be benefited thereby through an increase in their wage scale to make the pay otherwise fair.

On the other hand, the attempt to apply the fair-pay program under the existing depression conditions might retard and impede the restoration of confidence essential for the restoration of industrial prosperity. Similarly, the burdens which might be imposed on industry through the attempt to enforce such a fair-pay program under the existing depression conditions are in contrast to the joint help of labor, of management, of consumers, of all citizens, and of the Government—that is, our Government—now being martialed to nurse industry back to normal balance and stability.

III. MAXIMUM-HOUR LEGISLATION FOR ALL WORKERS APPLICABLE TO ALL INDUSTRIES OVER WHICH CONGRESS HAS CONTROL

The position of the American Federation of Labor is that American industry must assume the obligation of providing within its own resources for the absorption of the unemployed—those unemployed because of the accelerated increase in the use of labor-displacing mechanical equipment after the World War and those unemployed because of the present depression conditions of industry. For it is clear that economic stability essential for the restoration and maintenance of prosperity can be attained only by industrial absorption of the army of unemployed.

The message of the President focuses attention on the unemployment situation then existing. Whatever the urgent need of industry then was to take action providing for the absorption of the unemployed, such urgency has been increased in the extreme by the new depression conditions which have come into our industrial life since the date of that message.

Since the World War the American Federation of Labor has brought into sharp focus to the American people the necessity of shortening the hours of labor to absorb unemployment, and championed that cause almost single-handed for the unorganized workers of this country.

Based upon the experience of the many and varied industries wherein, through collective bargaining with unions affiliated with the American Federation of Labor, employers have established and have prospered under a basic 30-hour workweek, the American Federation of Labor is convinced that industry in general is now ready for a basic 30-hour workweek basis of employment and that it will in due course be so established. On the other hand, the American Federation of Labor appreciates full well that unorganized industry is generally established on a basic workweek basis closer to the 40-hour workweek, and that only in emergencies need or should a basic longer workweek be tolerated.

In order, therefore, that the transition to a shorter workweek in unorganized industry may be cushioned, that the workweek hours so established may be coordinated with the workweek policy established in such industry through collective bargaining, the American Federation of Labor recommends that the maximum workweek to be designated by Congress for the initial regulation of industry be 40 hours, leaving to collective bargaining the task of further reducing such workweek standard downward.

IV. MAXIMUM-HOUR LEGISLATION FOR SOME WORKERS IN SOME INDUSTRIES

In his message the President stated:

"Allowing for a few exceptional trades and permitting longer hours on the payment of time and a half for overtime, it should not be difficult to define the general maximum workweek."

The House refused to accept at the last session proposals that—

1. Different maximum workweek standards be established for different classes of industrial workers in different industries in different communities.

2. Congress shall not determine or fix the maximum workweek standard in any case, nor shall it determine or fix the highest level above which no maximum workweek standard shall be permitted to penetrate in any case. Congress shall only determine and fix the lowest level below which no maximum workweek standard shall in any case fall.

3. Subject to the limitation that no maximum workweek standard in any particular case shall fall below the level fixed by Congress, a board or administrator shall have the sole power to determine and fix such varying maximum workweek standards, no matter how high such may be allowed to go in any particular case, and no matter how varying they may be between classes of workers, industries, or communities.

From the above discussion it is clear that such proposals do not conform to the program of the President's message. Such proposals do not carry out that program and cannot possibly be sustained on any basis justifying the fixing of hours of employment by congressional legislation or through administrative agency, and this without any consideration of the warning given by the experiences of this Nation since the President's message with administrative boards functioning in the field of economics already discussed.

The American Federation of Labor is firmly of the belief and has confidence that Congress, aroused to the full import of such proposals and with full knowledge thereof, will never accept them.

CONCLUSION

In accordance with the above position and pursuant thereto, the American Federation of Labor attaches hereto a copy of a bill which embodies its recommendations on wages and hours and which it urges Congress to enact into law.

EXTENSION OF REMARKS

Mr. O'CONNELL of Rhode Island. Mr. Speaker, I ask unanimous consent to extend my remarks by placing therein a letter I wrote to the Secretary of the Interior.

The SPEAKER. Is there objection?

There was no objection.

Mr. WOODRUFF. Mr. Speaker, I ask unanimous consent to extend my remarks by printing a speech I delivered at Flint, Mich., on the evening of February 21.

The SPEAKER. Is there objection?

There was no objection.

Mr. PIERCE. Mr. Speaker, I ask unanimous consent to extend my remarks and to include a report on labor conditions in Oregon, made at my request.

The SPEAKER. Is there objection?

Mr. KNUTSON. Mr. Speaker, I reserve the right to object. How much space will that take?

Mr. PIERCE. About two pages.

Mr. KNUTSON. Of the RECORD?

Mr. PIERCE. Oh, no; two pages of report.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT OVER

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection?

There was no objection.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1939

Mr. TAYLOR of Colorado, from the Committee on Appropriations, reported the bill (H. R. 9621, Rept. No. 1855) making appropriations for the Department of the Interior, for the fiscal year ending June 30, 1939, which was read the first and second time and, together with the accompanying report, referred to the Committee of the Whole House on the state of the Union and ordered printed.

Mr. TABER. Mr. Speaker, I reserve all points of order on the bill.

Mr. TAYLOR of Colorado. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill

(H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes. Pending that motion, I ask the gentleman from Pennsylvania [Mr. RICH] if we can agree upon a time for debate.

Mr. RICH. Mr. Speaker, I suggest to the gentleman that we continue general debate during the day on the bill.

Mr. TAYLOR of Colorado. And close general debate today?

Mr. RICH. Yes.

Mr. TAYLOR of Colorado. That is agreeable to me, and, Mr. Speaker, I make that request.

The SPEAKER. The gentleman from Colorado moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 9621, the Interior Department appropriation bill; and pending that, asks unanimous consent that general debate upon the bill may continue during the remainder of the day, the time to be equally divided between himself and the gentleman from Pennsylvania [Mr. RICH], and that general debate shall close today. Is there objection?

There was no objection.

The SPEAKER. The question is on the motion of the gentleman from Colorado that the House resolve itself into the Committee of the Whole House for the consideration of the bill.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the Interior Department appropriation bill, 1939, with Mr. JONES in the chair.

The Clerk read the title of the bill.

Mr. TAYLOR of Colorado. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. TAYLOR of Colorado. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. ANDERSON].

Mr. ANDERSON of Missouri. Mr. Chairman, on the 31st of January I called the attention of the membership of this House to what I considered the unfair attitude of the National Labor Relations Board, in the conduct of the hearing against the St. Louis branch of the Ford Motor Co.

At that time I informed the membership of a letter I had written to the Chairman of the N. L. R. B. asking for an explanation of certain acts of the examiner conducting the hearing.

I also requested an explanation as to whether it is the policy of the Labor Board, either officially or unofficially to instruct employees of the general office or regional offices to advise workers that the C. I. O. or any other particular or specific labor organization was the one to join.

On that occasion I said on the floor of the House that four employees of the St. Louis branch of the Ford Motor Co. were told by a member of the Labor Board regional office that they would incriminate themselves and their employer if they formed a local union and advised them to join the C. I. O., as it was the best thing that ever happened to the workingman.

I placed in the CONGRESSIONAL RECORD of February 2 the answer from the Chairman of the National Labor Relations Board, in which he wrote such action was—

> A definite breach of duty on the part of any employee to do what is stated.

Further, Mr. Chairman, Miss Dorothea de Schweinitz, regional director of the National Labor Relations Board in St. Louis, emphatically denied to the St. Louis press that workers were so advised.

She said:

> I emphatically deny that any representative or employees of this regional labor board advised or urged workers to join, or refrain from joining, any labor organization.
>
> In maintaining strict neutrality toward competing unions or groups our representatives are following both the instructions given us by Washington and the dictates of common sense.

Now let us examine the facts. I have here, Mr. Chairman, the affidavit of 14 additional reputable citizens of my State, which is contrary to what Miss de Schweinitz claims but indicates that her memory as to her own conduct is very vague at best.

These 14 people make an affidavit and swear to it that Miss de Schweinitz herself told them if it had not been for the C. I. O. she would not have her job and advised them they should go in a body and affiliate with the C. I. O.

Miss de Schweinitz's statement, unlike that of the 14 workers, was not made under oath but to the press.

The case to which I am referring is in the matter of the Solomon Manufacturing Co., of St. Louis. Many of the employees of the firm organized the Independent Cotton Workers' Union, and, after being refused recognition by their employer, filed with the N. L. R. B. a petition on May 18 asking a hearing. Officers of the union were told that a hearing would be held in July.

In June some of the employees went to the office of Miss de Schweinitz to inquire why no progress had been made in their case.

Miss de Schweinitz stated at the time that the International Ladies' Garment Workers, a competing union, had filed charges with the Board to the effect that the Solomon Manufacturing Co. was fostering the Independent Cotton Workers' Union and that these charges would have to be cleared before they could have a hearing.

> "We offered to drop our union if it would speed up the hearing," these workers stated in their affidavit, "but Miss de Schweinitz said that there would have to be a name on the ballot, since the International Ladies' Garment Workers' Union had not filed a petition, and also a petition could not be dropped after being filed.
>
> She stated that this was a very unusual case and that they did not know how to handle it. She told us that she was very much in favor of unionism; after all, if it wasn't for the C. I. O. she would not have her job.
>
> She told us we should affiliate with the C. I. O., as we were small and had no backing and would be unable to finance a strike.
>
> She suggested that we go down in a body and join the International Ladies' Garment Workers' Union, as we would have to do it sooner or later, and that we could get any kind of contract we wanted if we held out for it.
>
> She also told of an instance in a small town where the International Ladies' Garment Workers' Union had signed up an employer against the wishes of the employees. They admitted that this was not the democratic American way of going about it, but that it was the quickest.
>
> She said that there was a possibility that the Washington Board would not recognize the Independent Cotton Workers because it was too small.

That is a part of the sworn affidavit of the 14 St. Louis workers. The election was held by the N. L. R. B. on November 12, 1937, and the vote was 48 to 5 for the Independent Cotton Workers' Union.

I say now, Mr. Chairman, that in my opinion, the delay in holding the election until that late date was a premeditated attempt at coercion on the part of the National Labor Relations Board against the employees of this plant, as there was much violence at the time in picketing by those not employed at the plant.

It was a deliberate attempt by the St. Louis regional office of the N. L. R. B. to discriminate between two unions. It was an abuse of the authority of their office.

After the election was held and the Independent Cotton Workers' Union received a certification as the sole bargaining agency from the National Labor Relations Board in Washington, 12 employees of the plant went to the regional office in St. Louis to protest action of the other union which had a large crowd of pickets in front of the factory despite the election verdict. These workers talked to Grant Cannon, an employee of the St. Louis regional office. He told them, they said—

> That the International Ladies' Garment Workers' Union still had a right to picket, and that there was nothing in the Wagner Act limiting them to peaceful picketing, but could picket in any way they wanted.
>
> Virginia Nothdurf then asked: "You mean they can even resort to murder, which they have done in one case?" "They are driven to such tactics by ruthless employers," he said.

That is a direct advocacy of violence by a Government official, Mr. Chairman, and I see no justification for it.

In my remarks to the House on January 31 I expressed amazement at the conduct of the N. L. R. B. in the hearing against the St. Louis branch of the Ford Motor Co. I was in St. Louis over the week end, and must say the word "amazement" was totally inadequate.

I was astounded, Mr. Chairman, to hear of and read the testimony last Monday of the Labor Board attorney, Mr. Gerhard P. Van Arkel, who had been called to the stand by the respondent.

Mr. Van Arkel testified he knew that one of his chief witnesses, William Kimberling, president of the local U. A. W. A., was not answering the questions honestly during cross-examination.

He said he knew Kimberling's testimony as to conversations with Van Arkel "was false" and that he did not put him on the stand to correct the answers given.

I read from page 11294 of the official transcript. Mr. Van Arkel said:

> I told Bill Kimberling that I thought it was perfectly absurd that he had given these answers to those questions; that I wanted all witnesses to tell the truth in the case and wanted anybody who was asked those questions or any questions—that I wanted them to answer them truthfully; and if they answered the questions or any questions as Bill Kimberling had answered, I would put a bullet through their heads.
>
> Question. Did you go over and ask for a warrant for perjury?
>
> Mr. VAN ARKEL. No; I didn't.

And, Mr. Chairman, I read from page 11300 of the official transcript:

> Question. As I understand, you are not offended by falsehood in the case unless the matters are material. Whether or not they are material——
>
> Mr. VAN ARKEL (interrupting). Of course, I am offended by that; as a lawyer I hate to see any witness get up and testify to what he knows is untrue.
>
> Question. But you did not put him back on the stand unless it came within your opinion of what was material?
>
> Mr. VAN ARKEL. No; I don't think that was true. But it must have been obvious to the examiner and to everyone else that I had talked with Bill Kimberling. I had information which could have been obtained from no other source, and the fact that he answered those questions here in an unfair manner is clear on the record.

Perhaps, Mr. Chairman, I was reared and educated in the wrong school. Maybe the answers were of no material value, as Mr. Van Arkel testified he believed. But, somehow I cannot understand a Government attorney, representing the people of this Nation, sitting idly by and permitting his witness to testify to any untruth, regardless of his opinion of its material value.

No, Mr. Chairman, it is beyond my understanding and comprehension. But I do believe it proves conclusively the time has come for all of us to investigate these abuses and see that truth and honesty prevail in Federal boards and bureaus instead of intimidation and coercion.

I feel as President William Green, of the American Federation of Labor, does, who said last week that it is—

> Not the law but the administration of it which is at fault. * * * That there is nothing in the law which gives the National Labor Relations Board or its agents power to favor any particular form of labor organization, and that there is nothing in the law which gives its blessings to coercion either by union or management.

I have here the affidavit signed by 14 citizens of my district. [Applause.]

Mr. Chairman, I yield back the balance of my time.

Mr. RICH. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. Mr. Chairman, I had not intended to talk today because I imposed on the House yesterday, but I want to ask the gentleman from Missouri [Mr. ANDERSON] if we may not have the affidavit to which he has just referred printed in the RECORD?

Mr. ANDERSON of Missouri. I have no objection; I am willing.

Mr. HOFFMAN. Mr. Chairman, I ask unanimous consent that the affidavit referred to may be printed in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The affidavit referred to follows:

Early on the morning of March 24, 1937, the International Ladies' Garment Workers' Union, an affiliation of the C. I. O., called a strike on the Solomon Manufacturing Co., 1508 Washington Avenue, St. Louis, Mo., at which time hundreds of people from other factories attempted to prevent all employees of Solomon Manufacturing Co. from entering the building at 7:30 a. m. to report to work. Those employees who fought their way in determined to stay on the premises and work.

On or about April 26, 1937, Leta Gregory and Virginia Nothdurft went to the National Labor Relations Board to file a petition for an election to determine the proper bargaining agency for the Solomon Manufacturing Co. They talked to Mr. Shaw, who said Leta Gregory could not sign a petition because her position as forelady made her a representative of the employers. Therefore, Virginia Nothdurft signed the petition April 26, 1937.

Shortly after the signing of the petition a letter was received from the National Labor Relations Board stating that there was no dispute over representation at the Solomon Manufacturing Co. Virginia Nothdurft immediately called up the Labor Board to determine what would constitute a labor dispute. Miss Moore, from the Labor Board, stated that in order to have a labor dispute one labor organization would have to make demands on the employer and be refused on the grounds that the employer was not sure that that organization represented the majority of his employees. James Faucett, Virginia Nothdurft, and Agnes Onion, the organizing committee for the Independent Cotton Workers' Union, which at that time was just being formed, then wrote on May 10, 1937, to the company asking for a meeting with the officers. On May 11, 1937, they received the reply from Solomon Manufacturing Co. that, according to the Wagner Act the Solomon Manufacturing Co. cannot recognize their union as sole bargaining agency until they can definitely prove that it represents the majority of the workers in the plant. On this basis, on May 18, 1937, there was filed with the National Labor Relations Board a new petition for a hearing, signed by James Faucett, Agnes Onion, and Virginia Nothdurft. Miss Dorthea de Schweinitz was out at that time, so the petition was filed with her secretary, Miss Moore.

Agnes Onion called Miss de Schweinitz on the phone a number of times to find out when a hearing would be held. On one occasion she told Mrs. Onion they were waiting to hear from Washington. Another time she stated that a man from Washington would be here to conduct a hearing on July 14, 1937, and that ours would be next. In one conversation over the phone between Mrs. Onion and Miss Moore, Miss Moore stated that if we came out of the factory perhaps something could be done.

About the last week in June, Agnes Onion and Virginia Nothdurft, who were staying in the factory, had the following employees, who were not working, meet at the Labor Board to see why there was no progress made in our case: Laura Klingel, Lillian Ramspott, Mary Boczer, Eve Stewart, Violet Ling, Theresa Mosberger, Catherine Kremer, Barbara Dietz, and Anna Brown. Miss De Schweinitz stated at that time the International Ladies' Garment Workers' Union had filed charges with the Board to the effect that the Solomon Manufacturing Co. was fostering the Independent Cotton Workers' Union, and that these charges would have to be cleared before we could have a hearing. We offered to drop our union if it would speed up the hearing, but Miss de Schweinitz said that there would have to be a name on the ballot since the International Ladies' Garment Workers' Union had not filed a petition, and also a petition could not be dropped after being filed. She stated that this was a very unusual case and that they did not know how to handle it. She told us that she was very much in favor of unionism and that, after all, if it had not been for the C. I. O. she would not have her job. She told us we should affiliate with the C. I. O. as we were small and had no backing and would not be able to finance a strike. She suggested that we go down in a body and join the International Ladies' Garment Workers' Union as we would have to do it sooner or later, and that we could get any kind of contract we wanted if we held out for it. She also told of an instance in a small town where the International Ladies' Garment Workers' Union had signed up an employer against the wishes of the employees. They admitted that this was not the democratic, American way of going about it, but that it was the quickest. She said that there was a possibility that the Washington Board would not recognize the Independent Cotton Workers' Union because it was too small.

A hearing was held on September 2, 1937, and it was ruled, over the objections of the lawyer of the International Ladies' Garment Workers' Union, that both the International Ladies' Garment Workers' Union and the Independent Cotton Workers' Union should appear on the ballots in the case of an election.

We were notified from Washington on October 27, 1937, that an election would be held within 10 days. The date for the election was set for November 5, 1937, by the local board. Up until November 4, 1937, we had received no notice from the local board, so Virginia Nothdurft called Miss De Schweinitz. Miss De Schweinitz stated that the election would be postponed at the request of the International Ladies' Garment Workers' Union and that she was awaiting a wire from Washington. About 7:30 that evening Miss De Schweinitz called Virginia Nothdurft saying that she had received a wire from Washington stating that an amended decision and direction of election would be mailed us. The election was held on November 12, 1937, with only Independent Cotton Workers' Union on the ballot. The vote was 48 to 5 in favor of the Independent Cotton Workers' Union.

In November the Independent Cotton Workers' Union received from the National Labor Relations Board at Washington a certification as sole bargaining agency for the Solomon Manufacturing Co. The factory was shut down at that time. It reopened on January 5, 1938. On Monday, January 10, 1938, when the employees reported for work, the International Ladies' Garment Workers' Union had a mob in front of the plant. The 12 following employees went to the local National Labor Relations Board to file a complaint: Mildred Grafe, Delma Trousdale, Katherine Powell, Florence Batts, Ida Layman, Amy Green, Edith Schmittzehe, Sue Harris, Alice Simmons, Vina Wright, Virginia Nothdurft, and Anna Brown.

They talked to Mr. Grant Cannon. He told them that the International Ladies Garment Workers' Union still had a right to picket and that there was nothing in the Wagner Act limiting them to peaceful picketing, but could picket in any way they wanted. Virginia Nothdurft then asked, "You mean they can even resort to murder, which they have done in one case here?" He replied, "They are driven to such tactics by ruthless employers." Mr. Cannon said that this was a very unusual case in which the employer was fair and the majority of the workers were satisfied. The dispute in this case, he said, was between two labor organizations, and the Wagner Act was only to protect the employees from the employers and not to settle disputes between the two labor organizations. Virginia Nothdurft then asked what was the use of going to the expense of having a hearing and conducting an election if no settlement was made. He said he didn't know.

Virginia Nothdurft called Miss de Schweinitz on January 20, 1938. Miss de Schweinitz said that as far as the Labor Board was concerned the case was closed.

Virginia Nothdurft, Sue Harris, Catherine Kresner, Florence Batts, Anna Brown, Alice Simmons, Delma Trousdale, Mildred Grafe, Vina Wright, Eva Stewart, Katherine Powell, Ida Layman, James Faucett, Agnes Onion.

Sworn and subscribed to before me this 16th day of February 1938.

M. A. SLUPPY, *Notary Public.*

Commission expires February 27, 1938.

Mr. HOFFMAN. Mr. Chairman, for months some of us have been endeavoring to accomplish something to remedy the situation created by the N. L. R. B., to which the gentleman from Missouri [Mr. ANDERSON] just referred. Over on the minority side, as you know, we can get absolutely nowhere on any of these matters.

THE WAGNER LAW MUST BE AMENDED

There is not a man in the House who has examined the questions arising under the Wagner law, its interpretation, and its enforcement but knows that eventually that law must be drastically amended if it is to accomplish the purpose for which it was enacted. We can only accomplish what we should accomplish by the repeal of that law and the enactment of whatever substitute we may think advisable. I say "repeal" because it is not so much the law, although that is bad enough, as it is the interpretation and the enforcement of the law by the present personnel of the N. L. R. B. that works the harm, and we can only get rid of those who are creating industrial strife by these decisions by repealing the law. This would put them out of office and enable the appointment of an entirely new set-up, keeping those who have demonstrated their fitness and capability, and discharging or leaving out of the new set-up those who have perpetrated outrages similar to those to which the gentleman from Missouri [Mr. ANDERSON] just referred. Think of the situation he has disclosed. Perjury, not reproved by a Government official.

THE AUTOMOBILE INDUSTRY CAN LEAD US TO PROSPERITY

And then, if you will, listen while I read this editorial from the local New Deal Washington News of February 15, headed "Step on the Starter":

If we could get the automobile industry going again, the rest of American business would snap out of this slump in a jiffy.

How often we hear that said as people hopefully scan the news for reports of a production pick-up in Detroit, Flint, Dearborn, and Toledo.

And with reason. Not only that it would mean reemployment of workers in those cities; not only that these workers would immediately start spending their good wages for more farm products, more clothes, more shoes, and more of everything that consumers with money always buy.

For, aside from what the more than one-half million auto plant workers, 44,000 dealers, and several hundred thousand salesmen buy as individuals, the automobile industry itself is the country's biggest customer for many other industries.

It buys 18 percent of all the American steel produced, 73 percent of the plate glass, 6 percent of the hardwood lumber, 17 percent of the copper, 36 percent of the lead, 11 percent of the zinc, 14 percent of the tin, 12 percent of the aluminum, 28 percent of the nickel, 46 percent of the upholstery leather, and 9 percent of the cotton.

And last year, when it manufactured nearly 5,000,000 automobiles and trucks, it provided 3,725,000 carloads of freight for American railroads.

This year it is estimated that only half or two-thirds as many automobiles will be built. That means idleness at the rubber plants of Akron, the accessory plants of Cleveland, the steel mills of Pittsburgh, Gary, and Youngstown, the metal mines of the West. It means cotton left standing in the fields of Texas, silent looms in the textile plants, silent cash registers on merchants' shelves, shrunken pay rolls, and mounting costs of Government relief.

Small wonder that leaders in the Roosevelt administration show concern for the sickness of the motor industry.

"Step on the starter," says the editor of the News. To the administration I say release the brakes, quit stealing the spark plugs, jimmying the motor, puncturing the tires, and smashing the body of the motor industry.

TIE UP YOUR WAR DOGS

Haul off your dogs of war, the N. L. R. B. and its trial examiners, its secret investigators, who have the motor industry down on its back in the mud. Keep your Communists and your wrecking crews away from the plants of General Motors and let that corporation lead us back toward prosperity.

GIVE FORD WORKERS A CHANCE

Give the 80,000 workers of Henry Ford a chance to select their own collective-bargaining agent. Cease your efforts to force the Ford workers to join an organization of your choosing. Permit them to organize without interference from anyone, as, under the Wagner law, they should have the right to do.

This administration, through the Wagner law, its interpretation and enforcement, has ruined the motor industry. The cause for the sickness of that industry emanates from Washington.

WHY THE MOTOR INDUSTRY IS SICK

Small wonder that leaders in the Roosevelt administration show concern for the sickness in the automobile industry. But how long ago was it that the President, in touch "morning, noon, and night" with Governor Murphy, as Murphy said, stood idly by while the C. I. O. and U. A. W. A., to which my colleague from Missouri just referred, closed our factories in Flint, Dearborn, and Detroit? Only a few months ago and our factories were working full time, but the situation that you now have in Detroit was brought about with the backing of our Governor without any action being taken by you gentlemen here—80,000 men in Detroit in Ford's plant alone wanting work, and the National Labor Relations Board persecuting, convicting Henry Ford of an unfair labor practice—because he did what? What? One of the charges, and one on which he was convicted, was that he made a statement that a man could work in the Ford plant without paying any outsider for the privilege. Is that something new in this country of ours?

A MAN MUST BUY HIS JOB

Yet that is the condition to which we have sunk—free, independent Americans must pay tribute in order to work; Ford convicted when he denies the right to levy that tribute—yet we sit here and we talk here and we visit in the lobbies and the cloak rooms, and let an organization close the factories in my home State which would give employment, and we sanction the action of the National Labor Relations Board which convicts a man who stands ready to employ 80,000 people.

FORD UNJUSTLY CONVICTED

We convicted him because he stated that Americans in Michigan—in this country—in our factories—can have a job and do not have to pay anyone for the privilege of taking advantage of that right. Such a statement is treason to the C. I. O.; an unfair labor practice, according to the N. L. R. B.; it is treason to those who want to destroy our country, so they claim, and so holds the N. L. R. B. I say it is treason to our Government to so hold.

How long are we going to stand for it? How long will we let these attacks upon business, upon independent workers,

viciously made by the N. L. R. B., continue to bring about industrial strife, to increase unemployment, to coerce independent workers into joining the C. I. O.? How long will this Congress give aid and comfort to a Federal agency which would destroy the American Federation of Labor and turn its membership over to the C. I. O.? Let us amend this Wagner Act and let us do it now.

So much for that. I was only led to speak as I have because I wished in some small way to supplement the service rendered the country by the gentleman from Missouri [Mr. ANDERSON], who just addressed you.

My intention was to speak upon another matter, the action of our President in taking what might be termed an unearned profit from the sale of his literary efforts.

It has been said that he is doing what he can to better the condition of the worker. I have been wondering how those reporters, journalists, those who write for the papers and magazines, view his competition.

THE PRESIDENT TAKES A PROFIT

Born to a silk shirt, with the proverbial gold spoon in his mouth, the President can give cards, spades, and big and little casino to the economic royalists and still beat them to the jackpot.

At taking a profit, whether earned or not, the President is an expert; nor has he any scruples as to the means used to increase that profit. He is also something of a moncpolist, who practices the methods of a monopolist to further his profit taking. Nor is he above depriving a hard-working journalist or columnist of a job.

Meeting a hundred or more correspondents each week, honest workmen, many with dependents, presumably all of whom could use a little additional pocket money to advantage, the President at his conferences imposes a degree of secrecy upon them. None may by his writings add to his pay check by disclosing or using anything said by the President except as the President permits. He monopolizes the "off-the-record" utterances.

Because he is President, the name of Franklin D. Roosevelt day after day is found on the first page of the Nation's great papers. Because he is President, his sayings and his writings have an enhanced value. Without the office of President, what he does, what he says, what he thinks, would have a value small, indeed, compared to the value attached to what he says and does as Chief Executive.

THE PRESIDENT ASKS FOR $175,000 ON THE SIDE

So, using his Presidential office as his advertising agency—and this without cost to him personally—the President retains a monopoly, prevents those who are engaged in the business of reporting and writing from using their information, and sells his manuscript to a syndicate, for, it is said, something like a hundred thousand dollars.

He uses the presence of the reporters to window dress his remarks; then closes their mouths, stills their pens, and he writes and sells his—and it may be their—observations.

Just how much would his papers and speeches be worth were it not for the high office which he holds?

The magazine Liberty is also reported to be paying the President $75,000 for another article. What would Liberty have paid him had not William Randolph Hearst made the deal with Texas and California at the Chicago convention and nominated him for President? An answer to this question will give us one of the President's measuring sticks by which we may judge the value of White House publicity.

Is there anything other than White House publicity that is lying loose around the Capital that the President can use to enhance his personal fortunes? If there is, we may soon expect it to be on the auction block.

The President barks at the rich, but he bites the poor. He speaks against exorbitant and unholy profit, but he has no scruples about taking from his writings a profit which he never earned, which he receives solely because he holds office as Chief Executive.

Are we shortly to be advised through full-page advertisements of the brand of cigarettes the President smokes? [Applause.]

Mr. O'NEAL of Kentucky. Mr. Chairman, I yield 20 minutes to the gentleman from Oregon [Mr. PIERCE].

Mr. PIERCE. Mr. Chairman, I have been greatly disturbed over the misrepresentations and misstatements about the proposed appropriation for Bonneville transmission lines. A memorandum has been presented to Members of this House, over the name of one of its Members, and another Member has recently given a press release which leaves the impression that there is a conflict between Boulder Dam and Bonneville. These statements which have been made are factual matters, not solely matters of opinion and judgment, therefore, I have a right to state unequivocally that the statements are totally untrue. The undisclosed author of the memorandum has set out to antagonize those interested in Boulder Dam by making it appear that preferential treatment has been given Bonneville on the matter of interest rates. That is not true, as a 3½-percent interest rate over a period of 40 years is the same as a 4-percent interest rate over a period of 50 years. Everyone officially connected with Boulder knows this to be the case. I beg my colleagues not to be misled by the memorandum and press release, as they are Power Trust propaganda.

The money asked for Bonneville is a reimbursable loan, to be paid back to the Government with interest at the rate of 3½ percent. The market for the power has been found. It is waiting for the installation of the extra units and the building of the transmission lines. Until this work is done it will be impossible to begin paying back the money already furnished by the Government for the Bonneville power project. The author of the memorandum stated that the interest rate to be charged the project was 1.54271. That is absolutely untrue. The rate has been fixed at 3½ percent under the legal procedure provided in the Bonneville Act, and the low rate to which the Power Trust refers was the rate paid on Government money during the process of construction of the dam from day to day. We are asking for a further loan of $3,500,000 to build transmission lines. This is included in the Interior appropriation bill. I have answered the utility statements categorically in my remarks which follow. I have also endeavored to shed some light on the reasons for this Power Trust attack on a great public power project which will be largely wasted expenditure if the further appropriation is not made.

PRESS RELEASES ATTACK BONNEVILLE APPROPRIATION

Mr. Chairman, a press release of February 17, entitled "Bonneville Dam and Boulder Dam Rates," is such a fabrication of error and misleading statements that I feel it my duty to point out the errors and the motives which must have instigated this malicious utility attack on one of the greatest, and certainly one of the most feasible, "yardstick" power projects of the Nation. The utilities fear the "yardstick" demonstration by a public power project of what electric rates should be. They are determined, and wholly unprincipled, in their attacks on public power projects. This was expected, and I am able to expose this particular attack because Bonneville project is in Oregon, and I am better informed than was the writer of the memorandum. The factual errors of the statement are easily refuted. The underlying motives can only be surmised and weighed.

BONNEVILLE POWER PROJECT NOT SUBSIDIZED BY TAXPAYERS

I am incensed that the Power Trust should have imposed upon a highly respected Member of this House, Mr. PLUMLEY, of Vermont, and should have persuaded him to sponsor their untrue statement, which he undoubtedly accepted in good faith. This statement was presented by Mr. PLUMLEY to the appropriations subcommittees working on Interior and War Department budgets which carry items for transmission lines and new units to advance the Bonneville, Columbia River, power project and give it earning power for repayment, with interest, of the Federal funds lent to the power side of the project. The War Department asks for money to install two more generating units which, added to the present two-unit installed capacity, will supply about one-half of the power for which applications have been filed and will give the plant 40 percent of its full capacity of 10

units which it will have when completed. I desire to make it entirely clear to the Members of this House that these appropriations are necessary in order to place this project in a position for useful service and financial reimbursement to the Federal Treasury. There are certain monopolies which would willingly unite with the private utilities to obstruct transmission of this power in order to maintain unimpaired the high rate structure of the private utilities and to prevent the establishment of another power "yardstick."

It was the intention of the release to create the impression that the people of the Pacific Northwest are being subsidized at the expense of the taxpayers of the Nation. Nothing could be further from the truth, as the power side of Bonneville is a reimbursable project. The people of our section also resent the attempt to set California against the Northwest by the false comparison between Bonneville and Boulder Dam projects. They resent the motive of this propaganda to kill Bonneville power project by cutting off its appropriation for transmission lines, which afford the only means for selling surplus power and collecting money to repay the Government loan with interest.

REPAYMENT WITH INTEREST REQUIRED

My constituents—and the people of the entire Pacific Northwest which is benefited by Bonneville—understand the statutory requirements of the Bonneville Act passed by the first session of the Seventy-fifth Congress. It is evident that two of our colleagues from Vermont and California have not studied them. We understand and accept the requirement of the statute which provides for full repayment, with interest, to the Federal Government of the costs of the power project, and that this payment can come only from receipts for electric energy sold. The Columbia River region has natural advantages which certain interests evidently want to steal. Ever since the birth of this Nation a business group in a few Northeastern States has controlled the entire financial set-up of the country and has exacted economic toll from the West and the South. These same interests are behind the private power barons. Their motive is to exploit Bonneville for the selfish gain of a few; also to keep Columbia River power from, in any manner, coming into competition with the more than one-half billion dollars capitalization of private electric-power companies in the three Northwestern States. Do not forget that fully one-half this capitalization is probably "junk and jokers." I propose to expose the racket behind the recent move to kill Bonneville appropriation for transmission lines and to set out the motive for such an attack. I have nothing personal in making this exposure. My remarks will be addressed to the undisclosed author of the memorandum accompanying Mr. PLUMLEY's letter to the members of the Appropriation Committee and his press release. Representative DOCKWEILER's press release of February 24, giving Boulder-Bonneville comparison, is based entirely on the false Power Trust memorandum sent out by Mr. PLUMLEY and runs parallel with it, the same errors existing in both. The same answers apply to each. Mr. DOCKWEILER's release shows unfamiliarity with both the Bonneville and Boulder Canyon Acts, when he states, without qualification, that Boulder's interest rate for power purposes is 3½ percent.

FINANCING MULTI-PURPOSE DAMS

We must bear in mind that Bonneville is primarily a navigation project, the same as the dams on the Mississippi and its tributaries. All such have always been a direct charge against the Federal Treasury, without repayment. Under previous administrations, the power potentialities of such dams were purposely neglected, undoubtedly due to the great influence of the private utility companies. During this administration, the great dams being constructed are made to serve every possible supplementary purpose which could be of public benefit—flood control, irrigation, and power. Under the policy of this administration, money invested for irrigation and power is a loan which must be returned to the Federal Treasury through sales to beneficiaries.

FEDERAL POWER COMMISSION ALLOCATED COSTS

The Bonneville Act specifically provided that the amount of the total cost chargeable to power and to be repaid the Government, should be determined by the Federal Power Commission which was given sole authority to allocate costs between navigation and power. It is this allocation which the utilities are attacking in the Plumley memorandum. On February 9 last, about noon, the Federal Power Commission issued its press release No. 380, together with minutes, covering the allocation of Bonneville costs between navigation and power. A few hours later, on the same day, Mr. Philip Gadsden, chairman of the Committee of Utility Executives, gave out a press release on this subject. This Mr. Gadsden is a holding company executive, being vice president of the United Gas Improvement Co. of Philadelphia and in charge of the Washington propaganda factory of the power barons. His press release carried a factual error as to the interest rates on public funds affecting the Bonneville power rates. This same error is repeated and used as an argument throughout the releases of Mr. PLUMLEY and Mr. DOCKWEILER. The undisclosed writer of this memorandum is evidently in complete ignorance of the provisions of the Bonneville Act, or purposely perverts facts.

BONNEVILLE RATES NOT DISCRIMINATION AGAINST BOULDER

The Bonneville Act is mandatory in its requirement of complete repayment to the Federal Government for all power expenditures, requiring also that the basis for rate schedules shall be the completed plant capacity. Under this act the rate-making process consists of four steps: First, allocation of costs between navigation and power, to be made by the Federal Power Commission; second, preparation of rate schedules by the Administrator; third, checking and approval of rate schedules by the Federal Power Commission; fourth, contract rate readjustment every 5 years.

To date only the first step in the rate process has been completed. There can be nothing final until steps 2, 3, and 4 are finished. Therefore, it is a deception to state that the electric rates at Bonneville will constitute a discrimination against Boulder Dam, because there is as yet no official action on which to base such a statement. It is a gross misrepresentation to claim that the Bonneville rates will be discriminatory or to create the impression that this is a frozen, subsidized set-up.

INTEREST STATEMENT OF UTILITIES A DELIBERATE FRAUD

The interest rate of 1.54271 percent, quoted in these utility memoranda, is not the interest-rate figure on which power rates are to be based. The correct figure is 3½ percent. The other is only an additive cost figure used to increase the audited monthly project vouchered disbursements of the War Department in order to obtain the actual cost of the project to a given date, called by accountants "interest during construction." Construction interest in its final amount and effect is less than the going Government interest rate, because construction payments are not all spent at one time and are a continuous process accruing with successive pay rolls. This figure of 1.54271 percent is the weighted average of the cost of the invested money to the Federal Government during the 50-months period of construction. To imply that this is the interest charge on which electric rates will be based is pure fraud.

BONNEVILLE-BOULDER TERMS GIVE SAME RATE BASE

Now, let us consider the factual evidence on the interest rate on public funds to be charged the power users of Bonneville and its bearing on Bonneville and Boulder comparative electric rates. Under the law the interest rate and the amortization period must be set by the Administrator, who is responsible for the repayment. Immediately upon his appointment as Administrator of Bonneville project, Mr. J. D. Ross conferred with the President at Hyde Park and announced to the press on that day that the Bonneville interest rates would be 3½ percent and the amortization period 40 years. This is documentary proof of the falsity of the memorandum and the arguments based thereon.

Under the Boulder Canyon, or Swing-Johnson Act the interest rate is set at 4 percent, with a 50-year amortization. Both of these set-ups will give the same electric rate when based on an equal investment. The cry of discrimination is thus shown up to be a deliberate attempt to deceive. The

Boulder Dam adjustment is now under negotiation between the interested parties and the administration. The injection of these fallacious statements at this time, to divide friends, is decidedly unethical. The writer of the memorandum is grossly mishandling facts when he states that Boulder is paying two and one-half times the interest rates which will be applied to Bonneville, and that Boulder will pay on three times the allocated cost of Bonneville. He is certainly unfamiliar with the reason for the Swing-Johnson Boulder bill. Mr. Scattergood, manager of the Los Angeles public power plant, testified before the Rivers and Harbors Committee in 1937 that he recognized Bonneville's natural advantages and was willing to concede this project a 3-percent interest rate.

POWER MARKETS AWAITING CURRENT

The statement that Bonneville will not be able to amortize its power investment because of lack of power markets is another deliberate misrepresentation.

I refuted this implication last May before the Rivers and Harbors Committee. Those hearings show that this doubt was initially raised in the interests of the private power companies. The facts are that applications are now on file with the Administrator for about 300,000 kilowatts, with 86,400 kilowatts available from the two generating units at present installed in the plant. You have heard on every hand that there will be no market for the power produced at Bonneville. The private utilities have made the woods ring with this repeated statement. Before the Rivers and Harbors Committee, Portland Chamber of Commerce representatives said that the Northwest was "choked with power." The facts of the case are that the price of electric current is the real governing factor as to the amount of consumption of electric energy. Tacoma uses 30 percent more power than Portland per installed meter, because the rate at Tacoma is lower than the rate at Portland. Winnipeg, Canada, uses three times the amount of electric current per installed meter that is used in Tacoma, because the rate in Winnipeg is very much lower than the rate in Tacoma. The people seem to make a certain allowance for electric current in their budgets, and if the price is high they simply cut down on the amount they use. If the price is cheap they expand their use. If Portland and vicinity were using electric current in the same amount for each installed meter that they are using in Winnipeg it would take the entire future installed capacity of Bonneville to supply Portland and vicinity alone. The statement that $18,500,000 of project cost was eliminated is another tricky artifice with an unholy objective. There is no argument on this, simply denial: it is not true.

NAVIGATION COSTS ALWAYS A PUBLIC CHARGE

Navigation never carries a repayment burden, as it is recognized as a legitimate governmental investment. For many years it has been congressional policy not to assess any financial burden to navigation. Ocean and river shipping make no repayments to the Federal Government on port or river projects. To imply otherwise is chicanery. The implication that the Federal Power Commission is prejudiced in favor of public power is not borne out by its record. For evidence we have only to refer to the Couzens Senate hearings and the long story of the Niagara steal, which was supposed to have been investigated years ago by the Federal Power Commission.

BOULDER-BONNEVILLE TEMPEST IN A TEAPOT

The Army Engineers made no official allocation on Bonneville as between navigation and power costs. The law does not give them this authority, and this body of men respects congressional policy. General Markham, in his appearance on the stand in the Bonneville hearings, made the statement that Bonneville power project would pay out, and to support this statement had his office send up for insertion in the record a preliminary estimate of rates and earnings. Later, official estimates of power costs given by the War Department, as a result of further experience, are over $1,500,000 lower than the estimate by General Markham. The Plumley memorandum fails to bring out that General Markham's preliminary estimate was based on a 50-year amortization period and 4-percent interest, which yields the same rate charge as 3½-percent interest and 40-year amortization period, on an equal investment. Actually, there is only $6,800,000 difference between General Markham's tentative 50-percent figure and the Federal Power Commission's 32½-percent allocation of costs on joint navigation and power facilities. This is academic, when it is known that before the end of the amortization period Bonneville will be grossing over $5,000,000 a year earnings, figured on Boulder rates, which is tantamount to extending the amortization period 2 years, making them absolutely the same. All this Boulder Dam-Bonneville contention is a tempest in a teapot. Thus, to give the same power rates, Bonneville will have only to extend its repayment period 2 years or so. If the anonymous writer of the memorandum would do a little figuring, he will see that it is impossible for Bonneville to set up a disciplinatory rate against Boulder.

BONNEVILLE COST AND APPROPRIATIONS

The audit of actual War Department disbursements for Bonneville project up to and including October 31, 1937, was $44,130,859.93. This figure does not include disbursements by the Treasury Department to cover the cost to the Federal Government for the use of this money which is represented by the 1.54271 percent interest during construction.

The estimated expenditure by the War Department up to June 30, 1938, the date of the completion of the two units, will be $51,892,000. As nearly as can be estimated now, the ultimate cost of all items entering the entire Bonneville project of navigation and power, except transmission lines, will be about $74,000,000. The power rates will be based on the ultimate capacity of the project and, of necessity, must include money spent to date, as well as money to be spent at some future date for extra units and more transmission lines. The Federal Power Commission in its recent initial allocation charged all the power facilities 100 percent to power, and navigation facilities 100 percent to navigation. The joint facilities, like the dam and fishways, were allocated 67½ percent to navigation, and 32½ percent to power. The impartiality of this joint facility allocation is evident when we know that the power-house, charged 100 percent to power, is also a part of the dam creating the navigable pool. In the final complete structure the estimated charge to the power plant will be about $42,000,000. This does not include transmission lines. The allocation, being on a unit basis, will initially charge power with only 20 percent of the estimated completed power cost, as only 20 percent of the units have been built at this time, but it must be remembered that the total power investment will be repaid. At this time the Bonneville administrator is asking appropriation of $3,500,000 for the fiscal year 1939 to build marketing transmission lines, and through the War Department $3,000,000 additional to start work during this fiscal year on the two new generating units.

TRANSMISSION EXTENSIONS PROFITABLE

The $3,500,000 asked for transmission lines in the pending bill is a very small allowance at this time. A line should immediately be constructed from Bonneville to Grand Coulee to supply the enormous amount of power that is now being used to construct that project, and later used for interconnection of the two projects. That line should be built by way of Umatilla so that the power will be available when the Umatilla Rapids Dam is constructed. A branch line should be extended from Umatilla to the valuable phosphate beds in Idaho. Adequate public planning would have provided appropriation now for all these lines in one bill. At the end of the amortization period, the Government will have, at Bonneville, a debt-free power investment, with an earning capacity of $5,000,000 a year.

SELF-LIQUIDATING BONNEVILLE

The above caption is used for an editorial in the Washington Sunday Herald for February 13, 1938, which is so informative that I reprint it for the benefit of some of my colleagues who may have missed it.

Mr. James D. Ross has been here from the Northwest to get money from Congress to run the power plant at Bonneville and provide transmission wires to the distributing points.

It is well enough to build a great power-house but little benefit will come of it unless Congress provides the transmission wires.

The 1939 Budget gave Mr. Ross a million and a half. He asked for six millions, and will probably get three and a half. Then he will be all set to start selling power in June.

He only has 86,400 kilowatts of power to work with now, but he will ultimately have half a million.

He intends to sell his power at such a price as will enable him to pay off the cost of his plant in 40 years, at 3½-percent interest.

That sounds fair enough. The private companies ought to be able to compete on a similar basis.

But, say the private operators, it all depends on what you consider the cost of your plant to be.

Bonneville when finished will cost $75,000,000. The Federal Power Commission says that about forty-two millions of this expense should be charged to power.

It makes quite a difference whether Mr. James D. Ross has to charge rates sufficient to pay off fifty millions or forty-two.

But that difference is hardly so important as it sounds.

In the first place, the War Department figure is apt to be prejudiced in favor of navigation just as the F. P. C. figure may be prejudiced in favor of power.

Secondly, if Mr. Ross pays off any capital at all out of current earnings, he is doing better than most private utility corporations.

And finally, if his rates, when fixed, seem unfairly low the private companies can always buy his power. For he is only in the wholesale business.

PRIVATE UTILITIES NEVER PAY OUT

Here let me again emphasize the fact that private utilities, charging higher rates, never pay out as do publicly owned plants. It is their policy to seek every opportunity to increase their capitalization in order to justify their high rate structure. The earnings are dissipated through payments to holding company overlords and speculators who demand enormous salaries and earnings, and spend vast sums for propaganda and politics, including power-district elections, exacting these from the operating companies. A dividend to the small stockholder is the least of their considerations. When these small stockholders lost their savings in utility investments the power barons lost nothing.

PRIVATE UTILITIES GET CHEAPER GOVERNMENT MONEY

We are not asking for a gift from the Federal Treasury but we desire a loan, on which we are to pay a rate of interest greater than the private utilities are now paying the Government for money borrowed for their rural extensions. The propagandist for the private power companies skillfully ignores the fact that these companies had borrowed Government money from R. E. A. up to January 1938, $1,788,250 at interest rates varying from 2.77 to 2.88 percent, to build farm lines. To show how these interests are robbing the farmer, I need only to cite that the power companies borrowing this money at 2.88 percent go to the State regulatory commissions and secure authority to base electric rates on a 7 to 8 percent theoretical interest return on a written-up investment, which is practically equivalent to 15 percent on the money borrowed. When the people try to buy them out they may find book values twice the amount actually invested.

PRIVATE UTILITIES LEVY HIDDEN SALES TAXES

There is one statement which unfailingly appears in every utility argument against public ownership. They show the large amount the utilities contribute to Government units, including Federal Government, States, counties, cities, and school districts. Their statements attempt to prove to the unthinking that without these contributions government would not be able to function. To listen to their arguments one would think that the private utilities were sending a free contribution directly from their home in Wall Street, New York. Some even imagine that these taxes come in a mysterious way from this utility treasure trove. The surprising thing is that this statement about taxes even now deceives many honest people who are being led to oppose public ownership. There is no mystery about it. The taxes paid by utilities come directly from the products sold by these utilities and are paid by those who buy electric current or transportation. Indeed, they are a sort of hidden sales tax, the same kind of tax against which Oregon has fought so valiantly for years, as it has again and again defeated attempts of the overprivileged to saddle on the underprivileged the expense of maintaining government.

PRIVATE UTILITIES OPERATE ON COST-PLUS BASIS

The courts have repeatedly held that rates must be high enough to allow the utilities to pay all expenses, including taxes, and then in addition to these operating expenses to supply sufficient money for dividends on real investment plus the water. Federal courts have held that a return of only 6 percent net is confiscatory and that 8 percent is not unreasonable. What businessman or farmer has secured a guaranteed 8 percent on his investment? The courts have also held that franchises permitting the use of public property and conferring valuable privileges, the gift from the people to the utilities, can be allowed value and used to increase capitalization. What businessman or farmer has his property given him by the public, and who else is allowed to operate without competition? In the celebrated Baltimore case the court allowed $5,000,000 to be added to the capital on account of the franchise given to the company by the city of Baltimore. If taxes were at once doubled on every electric plant in the country the utilities could and probably would appeal to the courts to increase rates for electric energy sold. It is simply a cost-plus proposition.

I cannot think that the people anywhere are so blind and dull that they will be swayed by the influence of this tax argument put forward by the private utilities. When the utilities collect tax money for the State, city, county, or school district they add a very wide margin for cost of collection. While Governor of Oregon and chairman of the State tax board I materially increased the tax valuations of the utilities, but the increase was such a small percentage of gross receipts that the utilities could not successfully base a case on it for increased rates. The increase was of sufficient amount to cause the utilities to present a united front in the very active fight in the 1926 campaign which sent me back to feeding the white-faced calves, making good the utility threat, financing their political activities from the rate payers' money.

OREGON UTILITIES PROFITABLE

The following table shows the book balance security value, the assessed valuation, expenses, income, and taxes of all the private electric utilities in Oregon. These records are taken from the reports of the State Tax Commission and the Utility Commission for 1930 and 1936. It will be seen that for financial purposes having a bearing on rates in 1936 the utilities of Oregon claimed a security value of $220,686,790, upon which they were assessed but $33,150,754, practically 15 percent of claimed investment value. What farmer has his property assessed at only 15 percent of investment? The total operating revenue was $19,070,002, with a net expense, including taxes, of $11,747,956. The taxes of $2,935,838 were part of the $19,070,002 collected as gross income. The people paid that tax, and it did not sweeten it to pour it through the hands of the utilities. It did not come from Wall Street. It did not come from heaven. It did not come from the pockets of the private utilities. It came from the people. Payment of these taxes was highly publicized in the newspapers, with headlines giving the impression that the utilities were benefactors. Is there any other business on earth given so many privileges, so much protection, and such preferential treatment? And remember that we are dealing with an essential of civilized life as important as our water supply. Can anyone doubt that this function should be taken over by the people? Further analysis of the table reveals the fact that in those years between 1930 and 1936, the depression years, when most people were broke, these utilities increased their book values by $9,445,263, operating revenues by $1,905,913, with but $1,689,278 increase in operating expenses. Their taxes were increased only $786,695, even though assessed valuations were written up $21,227,553. Answer this if you can. Rate reductions to the residential consumer, as shown in the Utility Commission report, amounted to only 4.46 percent.

Oregon electric revenue and tax statistics

[These are official figures applying to electric utilities copied from Oregon Public Utilities Commission Report, 1936, and Oregon Tax Commission reports]

	1930	1936
Stocks and bonds outstanding	$211,241,527	$220,686,790
Assessed valuation electric utilities	11,923,201	33,150,754
Total operating revenues	17,164,089	19,070,002
Operating expenses (including taxes)	10,058,678	11,747,956
All electric-utility taxes paid	2,149,193	2,935,888

The annual overcharge for consumers of electricity in Oregon, based on Tacoma rates, is $7,758,496. All taxes paid in Oregon by electric utilities, including Federal taxes, amount to $2,935,888. It is apparent that the public could absorb all these taxes and still be $4,822,608 ahead annually under public ownership. It is not private profit alone which makes this difference, and the profit does not come to Oregon citizens; it is used for absentee holding companies, for expensive propaganda, just like that which I am exposing, for campaign expenses of their candidates, for power district election campaigns, and for corruption of public officials and legislative bodies. It is always important to learn who finances those who go about advising audiences on politics and power.

The private power companies in propagandizing the amount they pay in taxes, fail to tell that they turn around and tax all the divisions of government, getting back a large part of their tax money. In 1936, according to the reports of the Oregon utility commissioner, the utility companies in Oregon collected $918,413 from municipalities for street lighting, water pumping, and other municipal uses. In addition to these reported figures, the private companies collected revenue from courthouses, hospitals, libraries, schools, and so forth, which are generally classified with commercial revenues and not segregated. A conservative estimate of the total amount so collected is $1,200,000 which should be fairly credited against the tax payment, leaving a net tax payment by the utilities of $1,735,000. This net item includes Federal taxes, the largest of all utility tax items, so that it can be fairly said that the private power companies collect back from the smaller divisions of Government practically all they pay in taxes. The municipalities receive nothing in return for the long-time right granted to use public highways and their gifts to utilities of exclusive franchises. The reported figures from the State Utility Commissioner show that the municipalities paid for current purchased from the private power companies 2.6 cents a kilowatt-hour which is practically 100 percent higher than it should be, as the municipal power used for street lights and pumping represents long-hour use and cheaply produced power, with no bad accounts.

BONNEVILLE POWER SOLD WHOLESALE ONLY

It is true that purchase by the public of a private utility is an important and serious matter, especially because it is so difficult to get at true valuations. Public ownership must always be accomplished without injury to honest investment, for which private utilities and their holding companies have always been solicitous. Municipal ownership of electric power plants has, however, been very successful in many cities of the Northwest. It should be understood that all the power from the Bonneville project is to be sold at wholesale to municipalities, public power districts, and private utilities. Briefly, it is to be sold at the city gates, and the Federal Government is not entering into the business of distribution to the private consumer. It is, however, definitely the concern of the Government to make sure that gains from low costs of generating and transmitting power will accrue to the public and not be diverted to the coffers of holding companies which have been so destructive to private operating companies and their small stockholders.

MISREPRESENTATIONS IN CANNED EDITORIALS

Let us hear no more about the money of the taxpayers of the Nation being used for Bonneville without interest or repayment, about taxes paid by utilities, about low interest rates on public funds—unless to cut off the source of supply to private interests at 2.88 percent—about unfair competition from publicity owned plants, about investors' losses, and about the low rates we are said to enjoy. Let us tell the authors and users of canned editorials that we have cut our eye teeth.

MOTIVES BEHIND UTILITY PROPAGANDA

I have uncovered the misrepresentations against Bonneville now being used by the utilities. Now, let us look for the motives and the purposes of such propaganda. It is the same old scheme which was used at Muscle Shoals. The private-utility interests want to cut off the appropriation for Bonneville transmission lines in order to exploit Bonneville and grab the project as they did Wilson Dam when they bought the current for 1.63 mills per kilowatt-hour and sold it to the farmers living right up against the dam for a 6,000-percent profit. President Roosevelt exposed this racket, and the power overlords of Wall Street have been in the jitters ever since. Seemingly, special interests will resort to any means to render ineffective the cheap power at Bonneville, as they did at Niagara and Muscle Shoals.

It was a Vermont Republican, Judge Healy, who started to reveal the antisocial manipulations of the electric-power trusts during the Coolidge administration. As a result of this exposure, those "bad boys" promised to mend their ways. The insight I have given you into their present activities will show to what extent they have kept their solemn pledges made to the American people during the fight over holding-company legislation and just how far they can be trusted. Vermont pays the third highest electric rate in the country. Based on the "yardstick" rates of Tacoma, Wash., the Power Trust is robbing the people of the State of Vermont and its four neighboring States of $17,973,000 annually. Why this interest in far-off California while closing the book on the power steals going on in New England? Vermont consumers pay two and two-tenths times the residential electric rates now prevalent in Oregon, and out on the coast our people feel that their pockets are being picked by the power companies. The power trusts, having been defeated in the courts due to their own poor judgment, are now trying to remake Congress in their own image in order to continue with the license to loot the American home owners, farmers, and all other users of electric current. These utility interests want to continue collecting overcharges from the American people to the amount of one thousand million dollars a year, an amount which, with interest, would redeem the national debt in less than 25 years.

ANTISOCIAL UTILITY TACTICS EXPOSED

It is high time that the antisocial tactics of the utility interests be stopped. Public indignation should be aroused. Utility representatives, lobbyists, and stooges come to Washington asking special favors, imposing on innocent people, and then go home to run newspaper advertisements and furnished canned editorials attempting to discredit the President by innuendo. Here is a sample recently run in a series of midwestern papers. It is entitled "A Costly Hobby."

Certain men in government, riding a hobby, have talked the country into borrowing billions to buy something it already has—electric power. Their pretext is to store river water for irrigation, navigation, flood control. Army engineers reported these could be got for a small part of what government has spent and plans to spend—mainly for power.

Surplus power got this way, if the work goes on all over the country as proposed, will reduce the value of billions of savings invested by citizens in systems now doing the job each year better and cheaper. It will close coal mines, hurt all kinds of business, raise taxes, halt private enterprise, produce more permanent unemployment, delay recovery.

T. V. A. customers get this political power cheap because you help pay for it in your taxes—even though the tax may be hidden in the prices you pay for goods. It costs the country as a whole far more than private power.

Now let us point out the misrepresentations in this advertisement. There is no "abundance of power" anywhere. We will have to increase our electric capacity to reach the results obtained in Winnipeg, where average rates are less than 1 cent per kilowatt-hour.

I have looked up the rates of the company running this advertisement and find them over 500 percent higher than Winnipeg rates and over 300 percent higher than Tacoma. The Army engineers reported favorably on the Bonneville project and built it. Reference to reduction of investment savings is amusing. Representatives of this company came to Washington a year ago and put over a transaction by using questionable methods, violating the very law under which they sought protection. They flimflammed their preferred stockholders on an issue totaling more than the cash actually invested in Bonneville as of October 31 last. The field agents of this outfit coaxed preferred stockholders by alluring promises to sign proxies, through which they lost their rights.

Field agents were used in lieu of the mails in this dubious transaction to avoid the consequences of the Holding Company Act. The reference to coal mines and unemployment is hokum. Automatic installations have put more men out of work than has any other single technological instrument. Electricity owes a debt to society because of technological unemployment, and this company attempts a mock payment by antisocial methods. The last sentence in this advertisement is ridiculous. I have on numerous occasions shown the overcharges of private power companies. It is amusing to see a company, which has never in late years built a power plant or paid a dividend, become solicitous over the unemployed. This or any other utility company does not pay taxes. The taxes are paid by those who push the switch button and fall into line before the cashier's cage on discount day.

Lack of confidence in utility investment is not due to any outside or governmental influence. Confidence will come when the top managements realize that the days of antisocial tactics are over. This industry, with thirteen billions of securities outstanding, representing about seven billions of true value, can generate security confidence as they generate electricity—by placing the power close to their consumers and short-circuiting the absentee manipulators.

Mr. RICH. Mr. Chairman, I yield 15 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, the Social Security Act has now been in force for 2½ years and during that time it has developed some outstanding weaknesses. I have reference more particularly to title I, which provides for grants to States for old-age assistance.

When the social-security measure was before the House in April 1935, I, on two different occasions, called attention to the objection of having the States participate in the payment of old-age pensions (CONGRESSIONAL RECORD, 74th Cong., 1st sess., April 10, 1935, pp. 5366, 5540–5541), as it would destroy uniformity in payments. At that time there was no thought that the counties would be drawn into the picture and made to contribute their share as is now the case in Minnesota. As the law operates in our State, beneficiaries living in well-to-do counties receive up to an average of $25 per month, while in other counties not so fortunately situated financially, payments are as small as $13 per month—a mere pittance. Under the plan in operation in Minnesota the amount that a pensioner receives is governed altogether by the ability of the county to contribute toward the fund, and this makes for great inequalities.

I am informed by the Social Security Board that in the State of Minnesota the county of Lake pays on an average of $25 per month, which is the highest amount paid in any one county. The lowest is Roseau County, which pays $13. I may say at this point that $19.59 was the average paid for the entire State during the month of November. In the State of Minnesota the State and counties contribute 25 percent to match the Government's 50-percent contribution.

When the social-security bill was before the House I urged that the Federal Government assume full responsibility for payment in order that all our people might be treated alike, thereby obviating the discriminations that would inevitably occur where the pension was gauged upon the ability of the State to pay its proportionate share. At that time I suggested an amendment providing for a flat rate of $60 per month and to lower the age from 65 to 60 years (CONGRESSIONAL RECORD, 74th Cong., 1st sess., April 18, 1935, p. 5972). If at that time I could have secured the help of those who professed to be friends of the needy and helpless, we would have adopted my proposal.

Mr. OLIVER. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Maine.

Mr. OLIVER. The gentleman has long been known for his advocacy of adequate and reasonable old-age pensions. Along the line he has just outlined, H. R. 4199, the General Welfare Act of 1937, provides for many of these features which he has already described and advocated. I understand the gentleman signed the petition for discharge of the Ways and Means Committee from consideration of H. R. 4199?

Mr. KNUTSON. The General Welfare Act?

Mr. OLIVER. That is the General Welfare Act.

Mr. KNUTSON. The gentleman is correct.

Mr. OLIVER. The gentleman is a member of the Committee on Ways and Means?

Mr. KNUTSON. Yes; I am.

Mr. OLIVER. Would the gentleman be willing to tell the House why that bill has not been considered by the committee?

Mr. KNUTSON. May I say to the gentleman from Maine that the gentleman from Massachusetts [Mr. TREADWAY], also a member, in April of last year made a motion in committee to take up on May 10 all bills having to do with old-age assistance, but this motion was defeated by a vote of 17 to 7, as I recall.

Mr. OLIVER. Would the gentleman be willing to state for the information of the Committee how the vote was divided in the Committee on Ways and Means?

Mr. KNUTSON. I do not feel I should do that. However, I may say all the Republicans on that committee voted for the motion.

Mr. OLIVER. That was the way I understood it.

Mr. KNUTSON. And there are seven Republican members on the committee. However, I do not want to violate any confidences about what occurs in executive session.

The time has come to remedy the weaknesses that the operation of title I has developed in the 2½ years of its operation. The minimum age should be fixed at 60 years, because people are no longer employable when they reach that age; retirement to be optional, and the amount paid should be sufficient to enable beneficiaries to retire with economic security, thereby providing jobs for the tens of thousands of young men and women who are now unable to find employment.

There are a number of bills now before the Ways and Means Committee which seek to liberalize the present law, and some of these measures have been before the committee for a year or more.

I believe I speak for the Republican membership of this body, also a considerable number of Democrats, when I say that we feel that the Ways and Means Committee should, at an early date, set aside such time as will be necessary to give full and complete hearings to the numerous bills that have been introduced to give adequate security to our aged, many of whom have contributed materially to the upbuilding of our land. I have received a number of letters wanting to know why Congress does not pass a bill that will give full security to those who can qualify. Well, I am only 1 of 435 Members. In order to accomplish anything worth while for the aged one of the bills now before the Ways and Means Committee will have to be taken away through a discharge petition, which requires 218 signers, or we will have to secure hearings from the committee. There are 25 members on that committee.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Louisiana.

Mr. MILLS. First, may I congratulate the gentleman on the active part he took in helping to draft the Connery bill. Will the gentleman explain to the committee at this time some of the main points in the Connery bill?

Mr. KNUTSON. The Connery bill, which was introduced by the late Representative Connery, of Massachusetts, reduced the minimum age limit to 60 years and fixed the amount of compensation at $45 per person, which would be $90 per month for a married couple. The Connery bill also seeks to give more aid to those who are physically handicapped and for that reason unable to support themselves. As I recall, there is no age provision as far as the physically handicapped are concerned.

I believe this important matter should be taken up. A pension of $13 per month in Minnesota is wholly inadequate. I daresay it costs that much for fuel alone, and rent is at least that much. The people who are living in the counties

that are able to pay only $13 per month, and the $13 is the total of county, State, and Federal payments, are suffering hardships we should not permit to exist.

Mr. BIGELOW. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I am pleased to yield to the gentleman from Ohio.

Mr. BIGELOW. I understand the gentleman is urging that some one of these bills or all of them together be considered by the Committee on Ways and Means and that a report be made to the House so the Members may have an opportunity to go into this whole subject.

Mr. KNUTSON. The gentleman is correct.

Mr. BIGELOW. The questions in which Members are interested include the complaint as to the insufficiency of the amount paid, the question of the age limit, and many questions regarding the administration of the system. Will the gentleman permit me to call attention to just one item?

There has often been difficulty in furnishing the required proof of age. A practice has grown up of trying to secure evidence of age from the Census Bureau when other evidence is lacking. I understand 3 girls in that department of the Census Bureau are handling this matter, and they have 50,000 inquiries seeking information as to age. These requests are coming in three or four times as fast as the force is able to handle them, so they are just piling up. People are dying while there is this log jam in that department. This is just one example of the need of having this whole matter aired before the House. I want to join in the request the gentleman is making that the Committee on Ways and Means consider this subject and report some bill, so this question can be properly aired.

Mr. KNUTSON. It would seem to me if we are financially able to consider seriously the construction of a transcontinental system of highways to cost eight thousand million dollars, which, by the way, is $8 for every minute since the dawn of the Christian era, and if we are in financial shape to spend two thousand million dollars for preparedness, we are financially able to do more for the aged than we are doing at the present time. The good Lord knows they need it. Let us make the sunset hours of their lives happy and free from care.

Mr. SHAFER of Michigan and Mr. OLIVER rose.

Mr. KNUTSON. I will yield first to the gentleman from Michigan, and then to the gentleman from Maine.

Mr. SHAFER of Michigan. I am very much interested in the gentleman's statement. Is it not true that since 1932 the total appropriations of Congress have been more than $42,500,000,000, and many of these dollars have been thrown away?

Mr. KNUTSON. Forty-two billion five hundred million dollars for what purpose—for all purposes?

Mr. SHAFER of Michigan. For all purposes. This is the amount that has been appropriated. Does not the gentleman believe a portion of this sum at least could have been used to supply an adequate old-age pension?

Mr. KNUTSON. I most certainly do.

I will now yield to the gentleman from Maine.

Mr. OLIVER. Can the gentleman inform the Committee whether or not there is in the Social Security Act any provision which requires of the pensioner a condition almost of pauperism before old-age assistance is granted?

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 5 additional minutes to the gentleman from Minnesota.

Mr. KNUTSON. No one can secure a pension under the present law unless he is in need. I know of many who have worked a lifetime to make a home for themselves and, because they have a home, they are ineligible to get on any of the Government relief agencies, while those who have not acquired any property are given preference. In other words, those who have been able to save something, upon which they have paid high taxes, are entitled to little or nothing under the present set-up. It looks to me that we are saying to those who have worked and toiled, "Because you have done so you are not entitled to help, no matter how much you may need it." I can only characterize such a policy as inhuman and indefensible.

Mr. OLIVER. Do I understand correctly, furthermore, that a State in setting up its administrative plan with the approval of the Social Security Board may require that any moneys paid out shall be secured by a lien of some kind upon property the pensioner may have during the time he is receiving these moneys?

Mr. KNUTSON. That is the situation in Minnesota, and I assume it is in Maine also.

Mr. OLIVER. I may say that is the way it is in Maine; but I am asking the gentleman whether or not this lien is required by the Social Security Board?

Mr. KNUTSON. I believe that requirement is made by the States. I do not recall anything in the Social Security Act that contemplates the State or the Government taking over the property left by the decedent.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my good friend from Louisiana.

Mr. MILLS. This applies only to people who own property and does not apply to the man who does not own any property of value.

Mr. OLIVER. I may say to the gentleman my understanding is that the applicant for social-security or old-age assistance is required to sign some form stating that any money he receives as assistance may be considered as a lien against any property he may have at the time of his decease.

Mr. KNUTSON. As a matter of fact, the State takes over everything the decedent leaves except his debts.

Mr. OLIVER. If I may make a further inquiry of the gentleman, I understand the gentleman from Minnesota favors a directly paid Federal pension to all people over a certain age?

Mr. KNUTSON. I do; yes, sir.

Mr. OLIVER. Do I further understand that the gentleman advocates a policy of financing that will be on a pay-as-you-go basis?

Mr. KNUTSON. Oh, absolutely; otherwise it would engulf us.

Mr. OLIVER. Then, this particular piece of legislation to which we have referred before, namely, H. R. 4199, a general welfare act, follows along those lines, does it not?

Mr. KNUTSON. Yes. It is my recollection it is to be financed by a 2-percent turn-over tax.

Mr. OLIVER. That is true, according to my understanding, and I further understand that this particular bill is being held in the Committee on Ways and Means without any consideration at the present time.

Mr. KNUTSON. Of course, the Ways and Means Committee has been pretty busy with the tax bill since Congress convened. The Ways and Means Committee is made up of human beings and they must have a little time off for office work. The subcommittee that has been considering the tax bill has worked most diligently day and night for nearly 3 months. I say this in justice to the subcommittee of the Ways and Means Committee.

Mr. FLEGER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. FLEGER. Does not the gentleman feel that a bill of this type which has been so much publicized throughout the country, ought at least to be given a fair hearing so that the matter may be intelligently presented to the members of the committee, so they may have the necessary witnesses and testimony before them in order to arrive at an intelligent decision as to whether or not the bill has any merit?

Mr. KNUTSON. I may say to the gentleman that is the feeling I had when I voted to grant hearings on all of these bills nearly a year ago.

Mr. FLEGER. Mr. Chairman, will the gentleman yield for a further question?

Mr. KNUTSON. Yes.

Mr. FLEGER. Is it not a fact that old-age pension laws in most of the States are really not pension laws in fact but another form of relief, because of the way they have been drawn?

Mr. KNUTSON. Well, the definition of "relief" would have to be something that would cure a situation. I do not know whether the gentleman was in the Hall when I first took the floor and stated that there are counties in Minnesota that pay as low as $13 a month. The entire pension is $13 a month, including the Federal, State, and county.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield the gentleman 10 additional minutes.

Mr. BIGELOW. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. BIGELOW. The point my colleague from Ohio raised that the pension system is a good deal like relief is illustrated by a letter I have in my hand from one of my constituents. Here is a case of an old woman who has a son with five children. The family is crowded. If she lives with this family she has got to sleep with the children.

She has applied for a pension, and the Pension Administration has told her she cannot have a pension; she has got to live with that family; and she writes me:

> I am not well. It is wrong for me to sleep with these children, which I would have to do. I would rather go to the county home or kill myself.

This is the way the system is administered, and I want to renew my appeal in support of the cause that is being presented here this afternoon that these bills be considered. There is one on the Clerk's desk, which is the Connery bill, petition No. 19, and something like 50 signatures are on that petition. I am asking the Member if he will call attention to it and suggest that the Members do as I have done. I have signed all these old-age pension petitions.

Mr. KNUTSON. Let me say to the gentleman from Ohio, my good friend, it should not be necessary to have these petitions on the Clerk's desk.

Mr. BIGELOW. Of course not.

Mr. KNUTSON. We ought to hear these bills as a matter of common justice; and let me say further to my good friend that whenever a motion is made in the Ways and Means Committee to take up these bills I will pledge here and now seven Republican votes in the affirmative. Get us six more votes, and we will take up any bill you want.

Mr. ANDRESEN of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. ANDRESEN of Minnesota. My colleague, the gentleman from Minnesota, has been a great and sympathetic student of social security for many years. When the original Social Security Act was up for consideration it was my idea that all the money collected in the form of taxes would be placed in a trust fund.

Mr. KNUTSON. It was mine, also.

Mr. ANDRESEN of Minnesota. And used for the benefit of the people who were entitled to the benefits of that fund. As I understand it, during the time this law has been in operation more than $1,000,000,000 has been collected under the Social Security Act, and this money has gone into the general revenue fund and has been spent to meet the running expenses of the Government.

Mr. KNUTSON. That is true.

Mr. ANDRESEN of Minnesota. It looks to me as though we are violating a trust with the people of this country who paid into this fund, and I would like to have the gentleman express his opinion on what is being done and what might happen as a result of it.

Mr. KNUTSON. The money that has been paid into the social-security fund is being used to keep the Government deficit down as low as possible. The way it is being treated now is like taking money from one pocket and transferring it to another, and putting an I O U into the first pocket.

Mr. ANDRESEN of Minnesota. And that money will have to be made up in the form of taxation in the future?

Mr. KNUTSON. Oh, yes; by the people. They have made it up once, and they will have to make it up again.

Mr. FLEGER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. FLEGER. Does the gentleman believe that a revolving fund whereby the money would be spent every certain period of time would be much better than under our present system, where the money can be taken and used as the gentleman has stated, through an I O U?

Mr. KNUTSON. I do not pose as an authority on financing pensions or other needs, but it seems to me that money collected from various sources, under, I think it is, title III of the Social Security Act, should be held inviolate. Such was the intention of the Congress. If we are not prepared to do that then we should go on a pay-as-we-go basis. That is, we should assess the money as it is needed. Does that answer the gentleman's question?

Mr. ANDRESEN of Minnesota. Mr. Chairman, will the gentleman yield to me in that connection?

Mr. KNUTSON. Yes.

Mr. ANDRESEN of Minnesota. I have found that many small-business men throughout the country who are trying to keep their men employed in their business, are having great difficulty now because of this additional burden of social-security tax. It is difficult for many of them to keep going on that account.

Mr. KNUTSON. In fairness, it should be said that when the Social Security Act was passed, we were embarking on something new, but I do think that if that act or any other act demonstrates certain weaknesses, such weaknesses should be corrected at the earliest possible date.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. BREWSTER. Has the gentleman learned or indicated any reason why the majority of the Committee on Ways and Means refuses to accord citizens the privilege of a hearing on these bills?

Mr. KNUTSON. Of course, I cannot speak for the majority. It is my understanding that all the old-age pension bills introduced are contrary to the President's financial program.

Mr. BREWSTER. Is it the policy that they will not allow a hearing on anything that does not accord with the President's views?

Mr. KNUTSON. That is a question which I think should be referred to the distinguished chairman of that committee.

Mr. BREWSTER. Would it violate any confidence of the committee to state whether any reasons were given why the committee would not allow a hearing during the past year and a half?

Mr. KNUTSON. The only reason I have heard is that the President has not been in favor of taking up new pension legislation.

Mr. BREWSTER. Does the gentleman mean to say that that will prevent a major committee of this House from even listening to people who have the right of petition?

Mr. KNUTSON. Of course, the majority of a committee such as the Ways and Means Committee, which is a policy-making committee, must go along with the administration. The gentleman can appreciate that. So must the Committee on Rules and the Committee on Appropriations. I do not want to be put in the position of saying anything critical of my good friends of the majority on the Ways and Means Committee, because they are all trying to do the best they can, and I presume that when we were in control of the Ways and Means Committee we went along with the administration also.

Mr. BREWSTER. This is a pretty serious matter. There is a great difference between whether or not one approves of this legislation and whether or not one will permit a bill to be heard. Does the gentleman mean that it is contrary to the policy of the President or the administration even to allow a citizen to be heard on this? Is that what the gentleman means he has determined from his majority contacts? I do not want to embarrass the gentleman.

Mr. KNUTSON. I am going to ask the gentleman to give me several days to think over an answer to his question.

Mr. SWEENEY. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. SWEENEY. Will not the gentleman agree that it is an indictment against democracy to deny to these groups the right to be heard, the right to have their day in court for 2 years—to be heard on a petition supported by millions of people who have never been given a chance to be heard? Is not that an indictment against democracy in the gentleman's opinion?

Mr. KNUTSON. I think democracy is taking better care of its needy than the autocracies. They have not yet gotten to the point of shooting them. However, I am in full accord with the gentleman. These people have every right to be heard and should be heard soon.

The CHAIRMAN. The time of the gentleman from Minnesota has again expired.

Mr. RICH. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. ALLEN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. ALLEN of Illinois. Many of us here realize that through no fault of their own, through closed banks and otherwise, many old people in the United States are now having a difficult time in securing the necessities of life. We realize that the present administration has given the old people of the country a pension law that is repulsive to every sense of honesty and decency. So far as the Townsend old-age-pension plan is concerned, I have opposed it, because I am not going to be one to fool these fine old people who have had it instilled in their minds that a couple, a man and wife, will get $200 apiece, or $400 a month.

I have written the people of my district telling them that there is not a possibility of the Townsend plan ever becoming a law; but I will work to give them a reasonable pension if they or their sponsors will bring forth on this floor something worth while and something that has a chance of passing. I am convinced that had Mr. Townsend presented a reasonable, a sound, a sane pension program it would have received immediate approval.

Mr. KNUTSON. I may say to the gentleman from Illinois that the only way we have of determining what is the best thing to do is by having a hearing and considering all the bills that have been introduced along this line.

Mr. ALLEN of Illinois. I do not think that we should fool these old people into believing that an old married couple would receive $400 a month. I am not going to be a party to fooling them into believing any such thing is possible. The fact that Mr. Townsend has been unreasonable in his demands accounts for nothing being done to give the old people much needed help.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. BREWSTER. Does not the gentleman realize that the bill which I understand is under discussion does not provide any such thing? Is the gentleman informed of that?

Mr. ALLEN of Illinois. I understand that it would provide up to $400 a month for a married couple.

Mr. BREWSTER. If the tax proposed to be levied is adequate for that amount.

Mr. ALLEN of Illinois. It has a chance of going to $400 a month.

Mr. BREWSTER. If the tax is adequate; but does the gentleman mean to say that the people of the country generally understand that?

Mr. ALLEN of Illinois. I do know what they understand. Their supposition is based on the assumption that it will give purchasing power in the amount of $200 per month. Does it not seem reasonable that if a widow with five or six children had the money to spend it would create purchasing power? There are hundreds of thousands of people who are totally disabled, lying on their cots. Is it not possible that the radios they would buy would add purchasing power to start the wheels of industry? Why not include them?

Mr. BREWSTER. I think the people over 60 or 65 are just as much entitled to consideration as the corn growers, and just as much entitled to have purchasing power put into their hands as those sectional interests we have already favored.

Mr. ALLEN of Illinois. Why not include widows and orphans?

Mr. BREWSTER. Go ahead. The gentleman looks after his corn people, but the rest of us are trying to look after the old people, not only of the gentleman's district but of the whole country.

Mr. KNUTSON. Replying to the statement made by the gentleman from Illinois, I do not understand that any of these bills guarantee any certain amount. Economists estimate that the receipts from a 2-percent turn-over tax proportionately distributed would provide a pension of $60 or $65 per month.

Mr. BREWSTER. The gentleman is right. The bills that I have seen provide that a certain tax shall be levied and that the receipts from that tax shall be prorated among those who can qualify for a pension. Is not that the gentleman's understanding?

Mr. KNUTSON. Yes; that is correct.

Mr. FLEGER. Does the gentleman object to a hearing on the bills introduced?

Mr. KNUTSON. On the contrary, I want all these bills brought on the floor that all may go on record.

Mr. Chairman, many Members of this House feel that it is imperative that action be taken as soon as possible looking to the liberalization of title I so as to relieve a very serious situation as soon as possible.

Today there are a million or more young people who are not able to find work. An equal or larger number of aged, who want to retire, are holding jobs that these young people could fill. Most of these elderly persons would retire if they could be assured of economic security. Let us give them that assurance by liberalizing the present law to the extent that they would feel safe in giving up the position they now hold.

It is a business proposition, pure and simple. The money paid out in old-age assistance would be spent with the merchant up and down the street, who in turn would pass the business on to the jobber, then it would go to the manufacturer and producer and all along the line the farmer and laborer would be benefited.

If we can spend $2,000,000,000 for armaments and $8,000,000,000 for a system of transcontinental highways, we certainly should not experience any great difficulty in financing the program that I advocate, a program that I am positive would do much toward preventing depressions in the future as it would give the American people a sustained buying power and that would make for a sustained prosperity. [Applause.]

Mr. O'NEAL of Kentucky. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. LANHAM].

Mr. LANHAM. Mr. Chairman, I have asked for this time for the purpose of making an explanation and offering a suggestion. When the relief appropriation measure was pending last year I offered an amendment to the effect that no part of the appropriation should be paid to any alien unless such alien had theretofore in good faith declared his intention to become a citizen. On a teller vote that amendment was defeated in committee last year by four votes.

It was my purpose this year to offer a similar amendment to the relief appropriation bill which recently passed this body. At the eleventh hour it was brought to my attention that the amendment should have an additional provision making payments available for aliens ineligible for citizenship who had resided here long and honorably and whose sons had been veterans of the World War wearing the uniform of our country. In the necessarily hasty drawing of that part of the amendment, offered in good faith and for a good purpose, it seems after further reflection that it would make relief available to a number of aliens to whom I should be the last to wish to extend such relief. The amendment was rejected in the Senate and eliminated from the bill, and the measure has now gone to conference.

This is an explanation of the purpose I had in view. I think the Senate should have rejected that part of the amendment.

The suggestion I wish to offer is that the conferees restore the original intention of the restrictive provision which I offered last year and had intended offering this year to the effect that no part of this appropriation should be paid to any alien unless heretofore such alien had declared in good faith and in conformity with our laws an intention to become a citizen.

I should not object to the extension of this provision to the fathers of veterans who have served our country in the World War and who otherwise are not eligible, but I certainly object to the implication of the latter part of that amendment which would make relief available to many, many aliens who are not proper objects of our bounty. I trust that the conferees will so modify and restore the amendment that it will carry out the original intention I had in mind.

Mr. Chairman, I yield back the remainder of my time.

Mr. O'NEAL of Kentucky. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. KERR].

Mr. KERR. Mr. Chairman, I take this opportunity to discuss for a few minutes a matter which is of great importance not only to the section of the country in which I live but to the people of the Nation at large. In the last few years of our business life, the balance of trade of this country has been cast in favor of our country by reason of the exportation of that commodity known as flue-cured tobacco.

I picked up a few days ago a local paper and read the following comment in respect to this type of tobacco, which aroused me to make this statement to the House today:

> In the British Isles, where flue-cured American tobacco for cigarettes has always been supremely desired, the American share continues to decline, because of an increased production of British flue-cured, and a tariff of 51 cents a pound working in favor of the domestic product.
>
> Next to the United Kingdom, our best customer for flue-cured tobacco is China, where home production in competition with our leaf increased. But the most ominous news is expressed in terms of war. The Agriculture Department says that no matter what the outcome of the fighting, "total imports during the current season will be considerably less than in 1936–37."
>
> Japan, which has been a good customer in the past, is increasing production at home and in Manchuria, weighting the dice against us with exchange restrictions, bounties to her growers, and tariffs.
>
> The situation in tobacco is the best argument yet for trade agreements and fixed exchange quotas, to protect us from economic aggression in a field of enterprise truly as old as the white man's civilization in this hemisphere.

In other words, the British Isles, China, and Japan have placed a tariff upon the importation of our flue-cured tobacco, which it is necessary for them to have, or else use a substitute they produce from American seed in order to manufacture popular cigarettes.

I have offered a bill now pending in Congress to prevent the exportation of this particular seed, which is not a novel procedure. Other nations prevent the exportation of their seeds. We use in the manufacture of our high-grade domestic cigarettes a small percentage of Turkish, Grecian, and other foreign tobacco, and in the manufacture of cigars we use a high-grade Sumatra wrapper.

These countries prohibit the exportation of their seed, and penalize those who remove that seed to foreign countries for the cultivation of their type of tobaccos.

They will not let the seed go out and a substitute grown anywhere else.

We extended to the British Empire the unrestricted privilege to remove from the flue-cured area of this country our seed with which the tobacco dealers of this Empire and other foreign countries encourage the cultivation and growth of a substitute for our valuable crop. We export about 60 percent of the flue-cured tobacco grown in the United States, and about 80 percent of this exported tobacco goes to Great Britain.

The British and other foreign dealers secure this seed from our farmers and growers and encourage foreign growers to plant and produce a type of tobacco which can be used in the manufacture of smoking tobacco as a substitute for our tobacco. This seed is distributed in Canada, Rhodesia, Australia, China, India, and Manchuria, and these governments encourage and facilitate the growth of this type of tobacco, and a crop produced from American seed makes a fair substitute for our exported tobacco for about 2 years, and then they have to renew their supply of American seed.

Of course, tobacco, like other plants, grows in that climate and in that soil to which it is indigenous, and in which it naturally grows. They cannot use our seed indefinitely, because the product will revert to their own native type of tobacco. It is just like going to the sea islands or along the south coast of the Atlantic and getting the long-staple sea-island cotton and planting it in our own rich, fertile, inland soils. In a year or two it will revert to our local type of cotton. This is also true of tobacco.

These tobacco exporters get our tobacco in this way. They are fine fellows and have a personal acquaintance with many farmers whose tobacco they buy on the market, and they make request of the farmer that he furnish them or the company they represent with seed from their crop; this the genial and unsophisticated farmer does, and the seed is shipped in the packages of tobacco exported from the United States. These export companies also have branches throughout India, China, and various foreign countries engaged in the manufacture of tobacco—the trade demands the use of a large percent of American tobacco; at one time this country furnished all of this tobacco; we are allowing our business most important to be taken away, by indiscriminately allowing the seed from this tobacco to be exported to those countries which grow a different type of tobacco and can only make a substitute for our tobacco by annually getting our seed.

The British Empire is now teaching the Indians how to grow our flue-cured tobacco, and they can continue to grow a substitute for our type if their seed can be replenished every 2 years; I have been reliably informed that the British companies have placed orders for many millions of pounds of this Indian-grown tobacco within the last 2 years. It may be interesting to the Members of the House to know that India grows more tobacco than any other country in the world, but it is a poor, cheap grade and used for smoking purposes principally. In order to manufacture a cigarette that is popular they have to get our seed through the British manufacturers.

[Here the gavel fell.]

Mr. O'NEAL of Kentucky. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. KERR. Mr. Chairman, these foreign manufacturers have to get our tobacco and use a certain percentage of it in order to make a popular cigarette, one that they can sell in competition with other cigarettes manufactured in England, America, and elsewhere.

Just a short while ago a gentleman from my section of the State of North Carolina, who went to India and China a few years ago for the purpose of seeing whether or not they could use our seed to develop a substitute for our tobacco, stated that they succeeded so well that in the season before last the British tobacco companies placed an order for 60,000,000 pounds of that tobacco grown in India. Tobacco is not only being grown in India but the Japanese are getting our seed and cultivating it in a scientific way in Manchukuo. The Chinese are getting our seed and growing a substitute for our tobacco, and if we continue to allow them to get our seed they will continue to grow this tobacco and our export industry will be ruined. The British manufacturers encourage in every way the culture of this tobacco in foreign countries for the reason that these companies largely control the tobacco business in these countries and throughout the world save in the United States. These foreign countries recognize the value of this tobacco industry and are doing their utmost to protect and encourage their growers, and this country sits supinely and allows our seed to be removed and contributes the greatest factor to the loss of our great export business.

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. KERR. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. Would these foreign countries be able to produce that type of tobacco without American seed?

Mr. KERR. They would not. When they get our seed they substitute the seed from which growth will produce a substitute for probably another year, and then they have to come back and get more seed from this country after 2 or 3 years—this tobacco reverts to their common type or the type indigenous to their land. The foreign grower must come back and get more of our seed from the tobacco buyers here. In this way our export trade is being destroyed.

Mr. FLANNAGAN. Has the gentleman from North Carolina any figures to show how much export trade we have lost by reason of the sale of American seed abroad?

Mr. KERR. I cannot give any figures on that subject. However, I have just read a clipping from a paper which shows that by reason of the increased growing of this tobacco as a substitute for our own, and the restrictions and tariff duties placed upon our tobacco when imported into these countries, we are losing our trade rapidly and will ultimately lose it all. And because of the preferential rights the British Empire gives its tobacco growers, it is practically only a question of time, if the foreign tobacco growers can continue to get our seed, until we will lose our foreign markets for this great crop.

Mr. FLANNAGAN. Is it not a fact that at present we are losing a great deal of our export trade in tobacco due to the fact that American seed is being shipped abroad?

Mr. KERR. Of course we are. The use of tobacco is being extended throughout the world. If other countries can continue to get our seed, it is just a question of time until they will quit buying our tobacco and take our seed instead.

Mr. FLANNAGAN. I hope the gentleman will bring in a bill to cover this situation.

Mr. BARDEN. Mr. Chairman, will the gentleman yield?

Mr. KERR. I yield to the gentleman from North Carolina.

Mr. BARDEN. I believe it is also generally recognized that if the growing of tobacco continues to be encouraged in China and other foreign countries it will be impossible for American-grown tobacco to compete with tobacco grown abroad, even though such tobacco is a substitute for American tobacco, on account of the cheap labor conditions under which that tobacco is grown.

Mr. KERR. I think that assumption is correct.

Mr. HARLAN. Mr. Chairman, will the gentleman yield?

Mr. KERR. I yield to the gentleman from Ohio.

Mr. HARLAN. Has the gentleman made any investigation of what our own position is on the question of importing seeds ourselves? What I have in mind, of course, is that without finding out our own position we might be injuring ourselves in a way we are not expecting.

Mr. KERR. This bill provides that no seeds shall be exported from this country except with the consent of the Department of Agriculture, when certain seeds may be exported for experimental purposes. This is exactly the kind of law other nations have in respect of us. We have to use a considerable amount of Turkish and Grecian tobaccos, and those countries have laws which prevent the exportation of those seeds to other countries. In this way they preserve the integrity of their tobaccos and make them more valuable.

Mr. HARLAN. In Florida we are developing a tung-oil industry. I am not professing to know anything about this, because I do not, but we have to rely on China for the major part of our supplies of tung oil. Does the gentleman know whether we are likely to lose importations of that kind by this sort of a bill?

Mr. KERR. I imagine we could get whatever is required to make tung oil for experimental purposes. It is incomprehensible that we will allow our export tobacco business to be destroyed when we could so easily prevent it by letting our farmers know that this Government prohibited the export or clandestine removal of flue-cured tobacco seed.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. SHAFER].

Mr. SHAFER of Michigan. Mr. Chairman, judging from the various and sundry pieces of mail reaching Ray S. Corliss, of Albion, Mich., one of my constituents who attended the so-called little-business men's conference in Washington, the conference, while folded up, is hardly forgotten.

Communications from Mr. Corliss tell about an exclusive "sucker" list to which his attendance at the conference seems to have assigned him, together with all other small-business men who attended. A New York man, Ernest H. Gaunt, has invited Mr. Corliss to join the Independent Small Business Council, and send him a minimum contribution of $2.

From Akron, Ohio, Dewitt M. Emory seeks to have Mr. Corliss and other small-business men affiliate with the National Small Business Men's Association, the membership, dues, and so forth, being $10, payable in installments.

A newspaper clipping concern has attempted to sell Mr. Corliss a service about the conference and its accomplishments.

A publishing company has offered a new book, "hot off the press," telling the inside story of the conference.

The name of Mr. Corliss has been added to Secretary of Commerce Roper's private mailing list at public expense.

A Representative in Congress has sent to Mr. Corliss a printed post card announcing that he intends to introduce a resolution in the House to reimburse the little-business men for their time and expense involved in the Washington conference.

Last week Mr. Corliss received an invitation from Secretary Roper to subscribe for the next 36 issues of his Domestic Commerce Service, at a special rate of $1.50, payable in advance. Mr. Roper was kind enough to send along to Mr. Corliss a sample magazine which contained maps and charts dealing with department-store sales and accounts receivable; distances farmers travel to buy merchandise, and how much they spend on gas, oil, upkeep of automobiles, and groceries and clothes; wholesale distribution of groceries in 1935, and the cash income from crops and livestock items in 1937. In fact, there is about everything in the pamphlet except a chart showing what percentage of the Federal tax money goes toward gathering such statistics.

Oh, yes; for an extra 10 cents Mr. Corliss and the little-business men of America can secure from Mr. Roper the Domestic Commerce Series, No. 98, entitled "Retail Credit Survey for 1936."

Verily, brethren, it appears that Mr. Corliss is correct when he states that he and other little-business men who attended the Washington conference are now on the year's prize "sucker list."

Those, apparently, are the results of the little-business men's conference. Business is not any better, their recommendations have been filed for future reference, and they did not even rate one Presidential smile or a cheery "My friends" salutation.

The question in my mind is how this sucker list, this list of names gathered as a result of the small-business men's conference, received such wide circulation to everyone who desires to promote new organizations and sell their wares.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. SHAFER of Michigan. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. I hope the gentleman will venture his own opinion or suggestion as to where this sucker list comes from.

Mr. SHAFER of Michigan. I have had some experience with such lists, and I know they are usually sold by those possessing them.

Mr. HARLAN. Mr. Chairman, will the gentleman yield?

Mr. SHAFER of Michigan. I yield to the gentleman from Ohio.

Mr. HARLAN. Of course, the gentleman is familiar with this man Emory. He has been one of the most vicious and outspoken opponents of this administration to be found in the United States, and has been running this racket for 3 or 4 years. Every newspaper had this list, and it was a public matter available to anyone, so certainly the gentleman cannot accuse anybody connected with the Government of giving it to a gentleman of the complexion of Mr. Emory.

Mr. SHAFER of Michigan. I am pleased the gentleman from Ohio used the term he did in describing the activities of Mr. Emory. Not knowing Mr. Emory, or his reputation I could not well say on the floor of the House that his activities were a racket.

Mr. HARLAN. It is nothing else.

Mr. SHAFER of Michigan. I thank the gentleman for his contribution.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. SHAFER of Michigan. I yield.

Mrs. ROGERS of Massachusetts. The gentleman does not blame the Department of Commerce in any way for this. It seems to me the Department of Commerce has done very well, considering the fact it has had such small appropriations. It has been treated like an orphan or a stepchild in this administration. It is the Department that was created to help business and provide employment, but it has not had a chance to function as it ought to and, I am sure, as it would like to. It is a real tragedy that it has been hamstrung in many respects.

Mr. SHAFER of Michigan. I may say to the distinguished gentlewoman from Massachusetts that I am not blaming anyone particularly. I am simply calling attention to the fact that, apparently, the one result of this entire conference has been the promotion of a number of quack schemes being presented to those who attended the conference.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield again?

Mr. SHAFER of Michigan. I yield.

Mr. GIFFORD. I think the gentlewoman from Massachusetts will recall that Mr. Roper has had an advisory business council right along that has made recommendations which have received scant, if any, consideration.

Mr. SHAFER of Michigan. That is true. And now may I conclude my remarks by stating that the next time, if ever, the little-business men of the United States come to Washington for a Presidential conference they, no doubt, will wear Indian headdresses, which, according to my interpretation of newspaper photographs, apparently serve the purpose of gaining Presidential recognition. [Laughter and applause.]

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, the committee has made a large number of small cuts in this bill, but the entire amount of these small cuts does not equal the supplemental Budget estimate that was sent down here of $2,000,000 and over, rather at the request, as I understand it, of certain members of the committee. The total cuts are $1,990,000 below the Budget, and at the same time the regular administrative expenses of the Department have gone up.

It seems to be a characteristic of the gentleman who has headed the Interior Department for the last 5 years to be able to get bigger and bigger appropriations for this sort of thing. Illustrative of this proposition, right in his own office there is an increase in the appropriation from $420,000 to $505,000.

It is perfectly clear that we ought to save $100,000 right there. We have a little evidence of right to save in this particular place because, as I understand from the public press, the Secretary of the Interior has determined that the Under Secretary of the Interior is useless, a proposition that those of us who have tried to save money right along contended when the legislation was put through here to establish that office. The Secretary of the Interior has made this determination and he has stripped the Under Secretary's office of its entire office force.

This is indicative of the fact they have too much money now and there is not any occasion for giving them as much as they had for the current year.

Then we come to another appropriation a little way down the line where they spend money for printing and binding. There are two sections, one of the criminal code and one from the title relating to executive departments, Government officers, and employees that I desire to call attention to.

Section 54 of title V of the code provides:

> No money appropriated by any act shall be used for the compensation of any publicity expert unless specifically appropriated for that purpose.

Section 201 of the Criminal Code provides:

> That no part of the money appropriated by any act shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telephone, telegram, letter, printed or written matter, or other device intended or designed to influence in any manner a Member of Congress to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress whether before or after the introduction of any bill or resolution proposing such legislation or appropriation; but this shall not prevent officers and employees of the United States from communicating to Members of Congress on the request of any Member or to Congress through the proper channels requests for legislation or appropriations which they deem necessary for the efficient conduct of the public business.

Out of this printing appropriation each one of the Members of Congress yesterday, just a day before this bill was to be brought up upon the floor, received a publication known as School Life, and there is not a thing in it except propaganda for increased appropriations. There is not an intelligent statement with reference to education in the publication. It is just a complete collection of the worst kind of propaganda and the most expensive type of printing.

I pass this around so that folks can see the kind of stuff they are sending out. Along with that the following was enclosed:

> UNITED STATES DEPARTMENT OF INTERIOR,
> OFFICE OF EDUCATION,
> *Washington, D. C., February 15, 1938.*
>
> MY DEAR FRIEND: I am sending you herewith a report which pictures the purposes and work of the Office of Education. I hope you will like it.
>
> Cordially yours,
>
> J. W. STUDEBAKER,
> *Commissioner of Education.*

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. RICH. The Department of Education last year had 91 publications.

Mr. TABER. Yes; and this particular publication is published 10 times in the year at a cost of $7,565.23, and what does that mean? For each number such as that I show here, 37.8 cents. I have several of these different publications, which I happen to have in my office. Some of them are larger, some smaller than the one used for propaganda purposes just before the advent of this bill on the floor. Here is one of them that is smaller, dated October 1935, but perhaps that is so old that they had not yet developed their real expert spending proclivities.

Mr. RICH. I call attention to the fact that the Bureau of Mines had 266 publications last year, the Bureau of Reclamation 293 publications, and for the Department of the Interior there was a total of 876 publications last year.

Mr. TABER. I have here, a year ago, a letter from the Commissioner of Education, calling my attention to a step forward for adult education, with a great bunch of pictures of different folks in it.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. JOHNSON of Oklahoma. Will the gentleman point out any articles in any of these publications or a single sentence in these publications to which he objects?

Mr. TABER. Certainly I will. Not only that, but as I have stated to the House, the whole thing is entirely sense-

less, except from the standpoint of agitation for the promotion and increase of appropriations, which is strictly in violation of the law. I object to having the public money used for the purpose of promoting increased appropriations. There can be no other purpose in this, because there is nothing told in any one of these publications with reference to the actual work of the Department that is intelligent at all. That is what I object to.

Mr. JOHNSON of Oklahoma. Again I ask the gentleman to be specific and to point out any particular article in any of the publications to which he objects.

Mr. TABER. I object to the whole thing. I object to every single statement in here, because there is nothing in it except a straight out-and-out attempt for 80 pages to influence the Congress for increased appropriations. I will let the gentleman see it himself, and if he can point out a single thing in it of any other character or for any other purpose, I shall be glad to have him do so; but there is not a single statement in it that is for any other purpose, and I object to every single item in it.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes; and it is a direct violation of the law.

Mr. JOHNSON of Oklahoma. In this publication it speaks of adult education. Is the gentleman opposed to adult education and appropriations therefor?

Mr. TABER. I am in favor of fair appropriations, but I am opposed to the Commissioner of Education violating section 201 of the Criminal Code and getting out propaganda at public expense to destroy the intelligent judgment of Congress and to overpower it with a great mass of "boloney."

Mr. JOHNSON of Oklahoma. I note that the publication to which the gentleman so strenuously objects advocates vocational education and tells something that is being done for vocational education of the boys and girls of America. Is the distinguished minority Member opposed to vocational education for boys and girls of the United States?

Mr. TABER. Not where it is necessary, but I am opposed to the highbinder method of advocating vocational education, which is an admission on its face that the thing being asked for is wrong, because when anyone is advocating something that is right, he does not have to adopt illegal methods to do it.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. KNUTSON. To ask the gentleman from Oklahoma if he approves of the violation of the statute passed by Congress prohibiting the very things that he is seeking to justify? Will the gentleman please answer?

Mr. JOHNSON of Oklahoma. If I may be permitted to answer, I do not concede that there has been any violation of the law. But, on the other hand, I would like for the gentleman to point out what law has been violated and in what manner. Moreover, I shall insist that the gentleman from New York state specifically what law has been violated.

Mr. TABER. It has been done, and the gentleman read items that are in violation of the law.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield further?

Mr. TABER. Yes.

Mr. KNUTSON. Will the gentleman from Oklahoma cite the item in the last Interior appropriation bill which authorizes the publication of that booklet, which must have cost 50 or 60 cents each, and I dare say they have put out hundreds of thousands of them.

Mr. JOHNSON of Oklahoma. I may say to the gentleman that under the administration of his own party, that he would like to forget, these publications were being printed. There is nothing new, there is nothing different about it, except that they are now published in the interest of real education.

Mr. TABER. At that point I desire to say that they are not published in the interest of real education; they are published in direct violation of the law, misrepresenting the situation. They are in violation of the law. They are wasting the money that is given to them for the purpose of distributing things that relate to education and promote education for the purpose of providing propaganda to bear upon Congress in violation of the law.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. KNUTSON. I think that at this point the RECORD should show that last year the propaganda sent out by this administration would have filled a train 12 miles long.

Mr. RICH and Mr. JOHNSON of Oklahoma rose.

Mr. TABER. I yield first to the gentleman from Pennsylvania.

Mr. RICH. If the gentleman will look at the record of the Printing Office, he will find that last year more than five times as many publications were published as were ever published in any Republican administration in the history of this Nation.

Mr. TABER. It is a fact that the cost of sending out this propaganda through the mails, propaganda that violates the law, has amounted to upward of $20,000,000 a year in the last 5 years.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. TABER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The probability is they were trying to provide a more abundant life for the printers.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. HOFFMAN. Does the gentleman know of any publication put out by any department of the Government which advocates compliance with the 1932 platform of the Democratic Party?

Mr. TABER. Oh, no; they do not believe in keeping their promises. A platform is something to get in on; not to ride on.

Mr. HOFFMAN. Is there anything that shows the spread between George Washington, his cherry tree and the hatchet, and the present utterances of the Chief Executive?

Mr. TABER. Yes; they have taken the sign out of railroad passenger cars and put it in the departments:

Passengers must not ride on the platform.

[Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. I would like to ask the gentleman a question, and I am asking it not facetiously or in a partisan way, but because the gentleman is recognized on the floor of this House as the premier in all matters of finance. Has the Committee on Appropriations ever considered this matter of the great volumes of mimeographed stuff, sometimes 75 and 100 sheets at a time, that flood the Congressmen's desks? They come with great regularity and sometimes they come in expensive bindings. This never happened until the last few years. I wonder if this has come before the gentleman's committee?

Mr. TABER. We have tried to raise it as far as we could by questions and bringing out the facts with reference to individual bills. The necessity, of course, is the desire on the part of the administration to have bigger and better appropriations, and in sending these things out they have not had the slightest regard for these statutes to which I have referred.

Mr. JENKINS of Ohio. If the gentleman will yield further, I have no way of computing the amount, but I would estimate, roughly, that literally tens of thousands of dollars are wasted in this manner, because I know that the stuff that comes to my desk is of absolutely no value to anybody except as propaganda.

Mr. TABER. I have on the table a group of publications that I happened to have available in my office. They have been sent broadcast to the Members of Congress, they have been sent broadcast to many other places. They have no value whatever from the standpoint of the regular, normal, legitimate functions of the departments. Their value lies

simply in their use as propaganda for promoting increased expenditures.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 5 additional minutes to the gentleman from New York.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. KNUTSON. Practically all of this propaganda that is being put out by the administration has a political tinge. I am not now, of course, speaking of the campaign book that they put out at $250 a copy, because I have not seen one; but all the stuff that is being printed at the expense of the taxpayers has a political tinge. It seeks to justify the administration and the galloping hounds of waste.

Mr. SNELL. Mr. Chairman, will the gentleman yield for a question?

Mr. TABER. Yes; I yield to the gentleman from New York.

Mr. SNELL. If the gentleman is displeased and disappointed at the amount of money they are spending along the lines the gentleman has been talking, what does he think they will do if they get this new appropriation of something like $200,000,000 to be spent along these same lines? And I understand from the newspapers that the President is going to recommend it.

Mr. TABER. For publicity purposes?

Mr. SNELL. In connection with the Department of Education and the schools.

Mr. TABER. Two hundred million dollars a year! They will use it for propaganda purposes.

Mr. SNELL. It would be fairly useful in the next campaign, would it not?

Mr. TABER. Oh, it would be more than that; it would be a cheap method of running the campaign from the standpoint of the party in power.

Mr. KNUTSON. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. May I ask the gentleman if there is a statutory limitation on the number of limousines that each Cabinet officer may have for his own personal use?

Mr. TABER. That is entirely dependent upon the amount of money appropriated for that particular purpose and they have to be itemized.

Mr. KNUTSON. Outside of the first one, is it necessary that the requisition be initialed by the President?

Mr. TABER. No; but it is necessary for the President to approve a Budget estimate providing for the item.

Mr. KNUTSON. How many limousines should a Cabinet member have, in the gentleman's opinion?

Mr. TABER. In my opinion, there should be one car for each Cabinet member.

Mr. COCHRAN. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Missouri.

Mr. COCHRAN. Getting back to the educational feature, I understood the gentleman from New York [Mr. SNELL] to say that the President had approved the report of the committee he appointed to investigate vocational education. He certainly did not. As I understand it, the President appointed a committee following adoption of the George-Deen Act to make an investigation into vocational education. That committee made a very extensive report, which day before yesterday was submitted to the House by the President, but it carried no recommendation nor comment of any kind as to its contents.

Mr. TABER. I hope it was without recommendation.

Mr. COCHRAN. It was without recommendation. The committee went into all phases of education. I notice the chairman of the committee was an educator himself. If the President had not submitted this report, of course, he would have been accused immediately of keeping something secret that the public should know about. I am not willing to accept now the viewpoint that the President is in favor of all the recommendations that have been made by this committee of educators, which report is now in the Printing Office and will be available in a few days.

Mr. TABER. I hope the President is not in favor of it.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. I do not rise to present a brief for any particular type of lobby, but I should like to ask a few questions for my own information. The gentleman agrees that lobbying is an evil that is with us and always will be with us?

Mr. TABER. Oh, yes; and the departmental lobbyists are the worst.

Mr. MURDOCK of Arizona. The gentleman has condemned the type of lobbying that involves the liberal use of printer's ink, the type that comes forth with statements that may be read by all. Would the gentleman prefer another type of lobbying?

Mr. TABER. I prefer no type of lobbying. I hold no brief for any lobbyist. They do not bother Members who have a reputation for standing upon their own conviction; therefore I am never bothered by them.

[Here the gavel fell.]

Mr. RICH. I yield the gentleman from New York [Mr. TABER] 5 additional minutes.

Mr. HOFFMAN. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Michigan.

Mr. HOFFMAN. The other night I heard over the radio that the First Lady advised sending up to young Congressmen beautiful ladies, especially to the weak-minded Congresmen. What about that? Is that a different form of lobbying?

Mr. TABER. I do not approve of any kind of lobbying.

Mr. HOFFMAN. Would not the gentleman look with some favor on that kind rather than the old-fashioned commercial kind?

Mr. TABER. I suppose it is clever.

Mr. HOFFMAN. You would try to be a gentleman if they came?

Mr. TABER. I always try to be.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. I noticed in the press a few days ago that the President was preparing his press conference conversations for publication and that he is going to date them back several years. I notice also he is going to put them out in a rather embellished form. Has anyone appeared before the gentleman's committee asking for an appropriation for that purpose?

Mr. TABER. I have not heard about that yet. It might come later.

Mr. KNUTSON. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. How many Navajo Indians are there?

Mr. TABER. I do not know. I tried to find out how many Indians there were who were dependent upon charity or who were dependent upon the Government, how many were self-sustaining, and all that sort of thing; but I understand the Commissioner of Indian Affairs is not free with that particular type of information.

Mr. KNUTSON. The reason I asked the question is because they built a capitol building for the Navajos last year which cost a million dollars and I just wondered how many million Navajos there are?

Mr. TABER. There are 325,000 Indians in the continental United States, as I understand it, and about 30,000 in Alaska. I may be wrong, but I think that figure is correct.

Mr. KNUTSON. I am curious to know what the per capita expenditure is for the Navajos because they have put up a million-dollar capitol building for them. Is it modern?

Mr. DEMPSEY. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from New Mexico.

Mr. DEMPSEY. There are between 42,000 and 44,000 Navajos in Arizona and New Mexico, about equally divided as between the two States.

Mr. KNUTSON. That would amount to $25 per capita for this building. Was the gentleman responsible for the building of that Navajo capitol building?

Mr. DEMPSEY. No.

Mr. KNUTSON. I was going to compliment him on the magnificent porksman that he was.

Mr. DEMPSEY. If you will go through this appropriation bill you will find many items in there along the same line, which I disapprove as much as the gentleman.

Mr. KNUTSON. The gentleman looks after his own State very well. I was not surprised when I saw the item in the bill a year ago.

Mr. TABER. Mr. Chairman, I call this particular item to the attention of the Committee in the hope that some action might be taken, when the bill is read under the 5-minute rule, to save a little money for the Government.

There are countless items in this bill that are just as unjustifiable as is the appropriation out of which this 37.8 cents per copy publication is paid for. We in the House ought to meet our responsibilities, cut down a lot of these appropriations, and keep them within bounds so our Treasury can have a little protection. We will have mounting costs for appropriations until the Congress itself stops appropriating money for things that ought not to be, in the face of a clear violation of the law. I hope as these items are reached one by one we may get results for the Treasury. [Applause.]

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. WOODRUFF].

Mr. WOODRUFF. Mr. Chairman, the radio broadcast by Secretary of Interior Harold Ickes, on the evening of Washington's Birthday, directed only at and to the people of Great Britain—it not being broadcast here or elsewhere at that time outside the British Isles—initiating a program to be known as "America Speaks," constitutes one of the most amazing interferences in international relations by a responsible American governmental official in many an administration.

Observers in Washington are puzzled as to the explanation for this remarkable development. Apparently one of two answers is logical. Either the Ickes broadcast was a part of some secret understanding and plan of procedure between the administration and the Eden wing of British diplomacy, or else it was the most amazing piece of gratuitous impertinence that has ever been offered to a friendly foreign power by a responsible official of the American Government.

The following facts are clear:

First. The broadcast was arranged and prepared before the resignation of British Foreign Secretary Anthony Eden.

Second. The broadcast was designed to range the United States on the Eden side of the argument in British diplomatic circles and against the group led by Premier Neville Chamberlain.

Third. It is inconceivable that Mr. Ickes could or would have arranged such a broadcast aimed at interference with the foreign policies of a friendly nation without the full knowledge and approval of President Roosevelt.

Fourth. The fact that a series of such broadcasts, to be executed under the title of "America Speaks," has been arranged indicates that the whole plan is an administration maneuver to inject itself into the foreign policy of Great Britain.

Fifth. The secrecy with which the broadcast series has been arranged makes it apparent that its sponsors did not want to give the American press the opportunity to discuss the unprecedented action and to warn the British public that Mr. Ickes and the other broadcasters—whoever they may prove to be—do not speak for America in thus injecting themselves into British foreign policy.

Sixth. The sudden resignation of Foreign Secretary Eden and the decision of the British Government to seek rapprochement with the two Fascist dictatorships leave the Ickes speech not only in exceedingly bad judgment, so far as diplomatic relations are concerned, but the performance may produce repercussions in Britain that may destroy to a great degree the cordial relations which have been built up between the two great English-speaking democracies.

Seventh. The fact that the broadcast was aimed directly at the British people and that arrangements were made for its rebroadcast throughout the British Dominions and the world, including Italy, France, Germany, and other countries, proves that it was not a mere incidental development of enterprising radio. It was, apparently, a carefully planned move initiating a series of such broadcasts to be carried out as a systematic propaganda campaign designed to oppose the very policies of Italian and German rapprochement with the British Empire which were approved by the British Parliament in the vote of confidence won by Premier Neville Chamberlain on the evening of February 22, the same evening on which Mr. Ickes spoke.

Eighth. Had the Ickes speech been addressed to the people of the United States and then rebroadcast in Britain the whole performance would have been questionable enough; but to aim such a speech at such a time directly at the British people was presumptuous to a startling degree.

The British people may well retort to us now that we might cast the beams out of our own eyes before we impertinently insist on removing the motes from theirs.

Mr. Ickes' generalizations about the dangers of and the objections to either fascism or communism are all well enough. He stated nothing but what all good Americans feel and say. But he might with greater propriety have directed his remarks squarely at the New Deal administration instead of going across the sea via radio to lecture the British Government and the British peoples on their duty to themselves and to the world.

Mr. Ickes did not voice any warning against fascism or communism that has not been uttered a thousand times in this country by patriotic citizens earnestly concerned about the preservation of our American constitutional republic against the encroachments of the New Deal.

Mr. Ickes seemed to overlook a point which the British probably will not be slow to remind us of; that is, that there is no difference, so far as the masses of the citizens are concerned, between the authoritarian government of fascism under the dictatorship of a political autocracy, and the authoritarian government of communism under the dictatorship of a political autocracy, and any other authoritarian government under the dictatorship of a political autocracy, regardless of what name it may be called. There is no difference in operation, except in its preliminary stages, between a fascistic or communistic authoritarian form of government under a political autocracy and such a government as is envisioned by the New Deal under a planned economy.

All authoritarian governments seek to control and to direct the activities of the people—of industry, of agriculture, of labor, and of all branches of government.

If the New Deal, of which Mr. Ickes is a very vehement and voluble part, is not seeking just such control under its long-cherished planned-economy policy, then nobody but Mr. Roosevelt and Mr. Ickes know what the English language means or what history and economics clearly teach. Prof. Rexford Guy Tugwell has already told us what the plan is.

Of course, the sudden change in British foreign policy has left Mr. Roosevelt out on a limb, exactly as students of world diplomacy predicted he would be after he crawled out on it in his Chicago "quarantine" speech last October.

A British rapprochement with Italy and Germany necessarily means a decided softening of British policy toward Japan, the ally of Italy and Germany. That leaves Mr. Roosevelt and unfortunate America holding the Japanese bag filled with a new anti-American Japanese sentiment.

Such a development was to have been expected. It has been the history of British diplomacy to always play both ends against the middle and to shift policy, regardless of partners or promises, whenever it appeared to be to the advantage of Britain to do so. Mr. Roosevelt knew, or should have known, that fact before he embarked upon his "parallel policy" with the British.

But we cannot shut our eyes to the obvious fact that such ill-advised fulminations as the latest Ickes outburst are well calculated to estrange Italy, Germany, Great Britain,

and middle Europe, and thus leave us without a friend in the world.

It is high time we began to mind our own business, create a fully adequate national defense to meet any exigencies, confine our activities to our own natural zone of political and commercial influence—the zone included within the Monroe Doctrine—and let the other nations work out their problems by devious diplomacy if they choose.

We are capable of an adequate national defense without frightening the rest of the world, if we go at it right.

We can attend to our own business and keep out of trouble, but not if a few more Harold Ickeses go on the air and attempt to tell the other nations of the world how to run their affairs.

Mr. Ickes did not speak for America. Britain and the world should understand that. But he did speak for the New Deal administration, and neither he nor Mr. Roosevelt can make the rest of the world believe otherwise.

It was a very ill-timed, ill-advised, and dangerous performance. [Applause.]

Mr. RICH. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, I think after my service in the House of Representatives shall have been determined, either by an act of God or the judgment of my constituency, I shall take some little pride in at least one fact, and that is that in my disquisitions from this Well I have sought insofar as human frailty will permit not to be carpingly critical, not to be destructive, but to add some little constructive thing that might be in the interest of good government.

So for a little while I want to direct your attention, in this spirit, to one of the departments or one of the agencies that is covered by the pending bill, namely, the Bituminous Coal Commission.

The State whence I come is the third largest soft coal producing State in the Union. The great Commonwealth of Illinois, although we do not refer to our States as commonwealths in the western country, produces about 50,000,000 tons of coal per year. Ordinarily we have some 50,000 miners employed, and at one time the number went as high as 103,000 back in 1923. I was rather hopeful when the Coal Commission was set up that the State of Illinois would be represented on that Commission, but those in the seats of authority had other notions, and so we have no representative there. Yet by virtue of the fact that from the standpoint of domestic consumption, industrial consumption, and production we rank next to Pennsylvania and New York, and in other fields, next to West Virginia, I thought we ought to have some representation which we do not have.

But, because the activities and pronouncements of the Coal Commission are of such tremendous import to a State that has 8,000,000 people, that has the third largest production in the country, I am interested in the efficient management and operation of the Coal Commission; and so, what I have to say today is only in the hope that perhaps that Commission will be efficiently administered, not only from the standpoint of the industry, but from the standpoint of the coal producers, the miners, and the coal consumers as well. I do not want to embellish this disquisition today with a lot of rhetorical ornamentation, but like the true lawyer who files a streamlined brief, I am going to let the record speak for itself, and so set this thing down that when the CONGRESSIONAL RECORD appears tomorrow morning there will be the case in a nutshell, insofar as I can make it.

To go back, of course, the present Coal Act was approved on the 26th of April 1937. As will be remembered it had a precursor in the Coal Conservation Act of 1935. Under that act we had three commissioners, so to speak; under the present act we have seven commissioners, two of whom are representative of labor. There is on the Commission, Commissioner Hosford, of Pennsylvania; Commissioner Greenlee, of Indiana; Commissioner Haymond, of Kentucky; Commissioner Maloney, of Missouri; Commissioner Smith, of West Virginia; Commissioner Tetlow, one of the labor representatives, from Ohio; and Commissioner John Lewis, of Iowa, also a labor representative. The salary of the commissioners is $10,000 a year. The secretary of the Commission is Mr. F. Witcher McCullough, of West Virginia, one time W. P. A. administrator, whose salary is $9,000 a year.

In 1938, $3,600,000 was appropriated for the Commission and $600,000 for the consumers' counsel. In the pending bill that has been scaled down by $900,000, so that the Coal Commission will receive, if the bill be enacted, $2,700,000 and the consumers' counsel $270,000. As the measure came up from the Budget, they recommended $3,000,000 for the Commission and $300,000 for the consumers' counsel. Some months ago one of the administrative officers of the Commission resigned, and after he had resigned he began to ventilate his case in the newspapers, and stated that there are some gentlemen in another distinguished legislative body who are dictating in large measure the make-up and personnel of the Coal Commission. He named a number of members of that body, and it may all be true, but we will let the record speak for itself as we go along.

The functions of the Coal Commission are, first of all, to establish a minimum-price table, to enforce market regulations, to enforce certain standards and qualifications, and put a coal code into effect. It can be self-sustaining, because they have authority to impose an excise of 1 cent per ton, which, under ordinary circumstances, and on the basis of present production, will probably yield between $4,000,000 and $4,200,000 a year; so that it is not a question of the Coal Commission being self-sustaining and returning to the Treasury the funds appropriated, but rather it is a question of efficient management in the interest of fair play and equity. The Coal Commission was organized in May of 1937, and after some time they announced their present schedules on the 16th of December 1937.

At once a lot of complaints filled the air. The State of Illinois filed a long memorandum with the Commission stating that coal purchases for State institutions would probably be increased by several hundred thousand dollars. I have some single industries in my district whose coal costs will go up from $200,000 to $300,000 a year. The city of Cleveland filed a complaint, the city of New York filed a complaint, and then came the railroads which filed a complaint. Finally the matter went up in the form of a suit, which was passed on under the provisions of the statute by the United States Circuit Court of Appeals for the District of Columbia.

I think it is always essential that we look at the composition of the court, and who was on this court, as an indication of whether or not fair treatment was accorded to the Government and to the Coal Commission. The three judges were as follows: Judge Stevens, former Assistant Attorney General under Mr. Cummings; Judge Justin Miller, former Assistant Attorney General and later a member of the United States Board of Tax Appeals; and Judge Egerton, former law professor at Cornell University, who had Government identity at one time, and who is a very skilled and able lawyer. So there you have three judges constituting that court who, because of their identity with the Government before can be expected to have rendered at least a sympathetic decision so far as the Coal Commission and the Government are concerned. I shall not recite all or much of the opinion. I am just going to give you the portion that indicates the basis for the finding of the court for the petitioners, who were asking for temporary relief. Here is what the court said:

> The contention of the Commission that the statute contemplates notice, hearing, and findings of fact only after issuance of a minimum price order and upon the filing of a petition under section 4d of the act before the effective date of the order, is not supported by the express language of the statute.

"The contention of the Commission seems not to be supported by the necessary construction thereof." Let me read that again. It said: "The contention of the Commission is not supported by the necessary construction thereof." Nothing could be more clear than this judicial opinion. Since

this finding and for some little time before there have been a lot of murmurings about the efficacy of the Coal Commission, and it ought to be pointed out that they had a skeleton structure down there that did some investigational work, or made some findings before the present Coal Commission assumed its authority.

The Congress passed the first Coal Conservation Act in 1935, which is officially styled Public, No. 402, Seventy-fourth Congress, August 30, 1935, and for which we made an initial appropriation of $990,000. That act was repealed on the ground of unconstitutionality on the 18th day of May 1936. For the purpose of the RECORD I need point out only that in 1936 they had three commissioners and 29 personnel in the departmental service. In 1937 there were four commissioners and 38 in the Department's personnel; so, at least, there was an organization background on which the present Coal Commission could have built its present structure. What is the present structure? Well, come here, my friends, while I tell you first of all what the present salaries are. They have in the field, and that means out from Washington in the official language of the Appropriations Committee and the Budget, and in Washington, 758 people on the pay roll whose aggregate salaries are $1,510,780. In the classified service they have 307 with an aggregate salary of $490,180. They have an exempted class numbering 189 whose aggregate salaries are $733,580. The commissioners and the secretary receive an aggregate salary of $79,000; and they have some per diem employees amounting to $10,601. So that the salary aggregate of these 1,265 people who make up the Coal Commission in a single year is $2,824,141.

The average is much higher than you find in the other departments of t' ' Government, for in the Coal Commission today it is $2,232; and you can accept this as gospel, because I am giving this report from their figures submitted to the Appropriations Committee. Fifty-one employees were detailed from the field to Washington. Ostensibly they came from way out yonder somewhere, but they are working down here in Washington, and their aggregate salaries are $97,640.

This is a tremendous structure, if you please, and I simply invite your attention to the kind of structure that was set up while the act was being attacked and before the court said that in the express language of the statute they should have and could have known that they could not formulate one of these price orders until notice and hearing; but the Commission did not do it. Perhaps it thought it was going to get by on the basis of the data and information that had been adduced by a prior agency. I, for one, thought that the Commission was proceeding on safe and certain ground and that the 1,265 people drawing $2,824,121 in salaries from the Federal Treasury was some assurance that they were equipped to properly administer the Coal Act of 1937, but after setting up this minature pay-roll empire all its work has been dumped overboard by a court that cannot be charged as reactionary on grounds that the Commission could have foreseen. Whence come these people? It is very interesting. I have the list here. Out of the 1,265, Pennsylvania, dear old beloved Keystone State, great coal-producing State, has 117. They have just about 10 percent, almost 10 percent of all the people employed by the Commission. West Virginia, a great coal-producing State, with wonderful coal fields like the Pocahontas, has 150 on the Coal Commission. Indiana does not produce a great deal of coal, not nearly as much as does the State of Illinois, but Indiana has 61; and then there is little old Kentucky whither Daniel Boone made his overland pilgrimage from Pennsylvania many generations ago; Kentucky has 143 on the Coal Commission.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 10 additional minutes to the gentleman from Illinois.

Mr. DIRKSEN. I should put this list in the RECORD because the information may be of interest.

Mr. ENGEL. Give us the list; we are interested.

Mr. DIRKSEN. I would, but it would take some little time. A gentleman asks about Ohio. The good old Buckeye State of Ohio has 48. Ohio is a great, big industrial taxpaying State, but she only rates 48.

Mr. SADOWSKI. How about Michigan?

Mr. DIRKSEN. My friend from Michigan [Mr. SADOWSKI] asks about the great automobile empire State, Michigan. You only rate 7 out of 1,265. You pay a lot of taxes, but you rate only 7 on the commission personnel.

Mr. COFFEE of Nebraska. How about Nebraska?

Mr. DIRKSEN. My friend from Nebraska asks about his great State. You rate only 6 out of 1,265.

Mr. GREEVER. How about Wyoming?

Mr. DIRKSEN. You did very well, I should say. You have 12 in the commission.

Mr. MASSINGALE. Will the gentleman turn to the Democratic State of Oklahoma.

Mr. DIRKSEN. The great State of Oklahoma. You did right well, I may say. You have 25 in the commission.

Mrs. NORTON. How does New Jersey rank?

Mr. DIRKSEN. The great industrial Commonwealth of New Jersey has 12 members employed out of 1,265. My own State has 61.

Mr. Chairman, it is interesting to note how they make up their salary account down there. It seems for all the world as if everybody or nobody is in authority. They put salaries up and down and then they put them up again. Sometimes the matter was submitted to the Commission and sometimes it was not submitted to the Commission, as is indicated by Mr. Hosford, Chairman of the Commission, on page 151 of the hearings.

I promised you as a lawyer I would let the brief speak for itself and I will put this in the RECORD to show that the salaries go up and down and everybody seems to avoid responsibility in this respect.

What tickled me was the statement that Commissioner Greenlee, of Indiana, made with reference to salaries, when he spoke about the budget. First, they started to tell us that all these matters had been submitted to the Commission, then he indicated some matters were not submitted to the Commission. On January 20 he and Mr. Leizear, among others, appeared before the Appropriations Committee, and Mr. JOHNSON asked him:

> Just who would direct you? Would it be one member of the Commission or all of the members? From whom do you take your orders?

Then Mr. Leizear, who is the personnel officer, stated:

> The Commission as a whole, sir.

Then Mr. Greenlee said:

> That is since January 5. This budget was never submitted to the Commission as a whole.

Mr. JOHNSON stated:

> I see. It has been a deep, dark secret to the Commission as a whole.
>
> Mr. GREENLEE. Yesterday was the first time I had seen the budget.

He stated that only the day before was the first time he had seen the budget. He could not very well go through the budget, calling for $3,600,000, and have an adequate notion what they were going to do with all that money and where it was going to be efficiently expended. That is the statement of one of the members of the Coal Commission appearing on pages 160 and 161 of the hearings.

Permit me to go on and say something about publicity. They had somebody in so-called grade 7 who as a director received $5,000 in 1937. Then they decided to have two directors at $6,500 each in 1938. Then they put it down to one director at $6,500.

Mr. Leizear, the personnel officer, in response to a question by Mr. SCRUGHAM, stated:

> Mr. Chairman, we had two sections of the Press Relations Division, and that has been consolidated into one position now.
>
> Mr. SCRUGHAM. The Press Relations Division is your publicity department?

So they have been going along all this while in a disorganized state with two publicity sections, ostensibly to sell the consumers a bill of goods. Now they find as they approach the piece de resistance of their duties and functions that one publicity section will be enough.

May I proceed now to the number of persons? Mr. LEAVY asked Commissioner Greenlee, of Indiana, as to whether or not the powers and authorities exercised with respect to wages, salaries, and classifications also applied with respect to the number of personnel and whether they could raise or lower the number. Mr. LEAVY stated:

Do you take each one of these cases individually and fix a salary?

Mr. GREENLEE. The executive director, Mr. Leizear, now brings in these matters. Then, of course, the Commission either approves or disapproves his recommendations.

Mr. LEAVY. Your majority vote controls?

Mr. GREENLEE. That is right.

Mr. LEAVY. Is that true likewise of the number of personnel you have, whether one person or three persons, or one attorney or three attorneys shall be hired?

Mr. GREENLEE. Of course, that has never come up as far as the Budget is concerned. We are overrunning the Budget under an old managerial system that we have.

Mr. Chairman, that is one of the members of the Coal Commission speaking. He is one who is vested with responsibility of discharging certain functions that affect every industry and every consumer in the 48 States of this Union. That seems to be just about all they know about the business of the Coal Commission.

Mr. SCHNEIDER of Wisconsin. Will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from Wisconsin.

Mr. SCHNEIDER of Wisconsin. Is it not true that this arises from our failure to adopt the civil service when we passed the Coal Commission Act?

Mr. DIRKSEN. I think there is much merit in what the gentleman says.

Mr. SCHNEIDER of Wisconsin. Has there been any attempt to apply any civil service in that Department or is it free to increase or decrease wages without consideration of the civil service?

Mr. DIRKSEN. They have the Civil Service Commission in there now to reclassify the employees. I do not know how far the work has progressed or how effective it will be after it is done; but at least they are still free agents in the matter.

Mr. SCHNEIDER of Wisconsin. Can the gentleman say when they attempted to put civil service into effect?

Mr. DIRKSEN. Well, sometime after January, because these gentlemen testified before the committee during the month of January.

Mr. Chairman, I do not want to do the Coal Commission an injustice. But these things have been going on and there have been bad rumors. If I could say this off the record, I would tell you about one instance that has been rumored around here for some time. That is, that somebody is on the pay roll at $3,600 a year and it is alleged this individual has never shown up for work. Someone said he will produce those figures. I think the gentleman from Pennsylvania [Mr. RICH] will sometime later go into this matter and he can verify whether or not that statement is true.

Is it not a shame that an agency which exercises such a tremendous function in our internal economic structure should be operated in that fashion?

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from Washington.

Mr. LEAVY. I do not understand the gentleman meant to imply that the statement he has just made is the statement made before the subcommittee.

Mr. DIRKSEN. Oh, no; it was not made before the subcommittee. Manifestly, the members of the Commission could not make such a statement and indict themselves. Let Mr. Greenlee speak again, and I will cite a few statements of members of the Commission. On page 165 of the hearings, he states:

Mr. Chairman, I just want to say this relative to your question a minute ago: Of course, in my opinion, insofar as we have been functioning administratively, I think we have been "all wet"—

"All wet!" The language is his—

but since January 5, when the Commission as a whole selected Mr. Leizear as executive director—he has had 27 years of experience in this line of work—if his hands are not tied and he is given a free rein, I think that all this can be worked out and we will function on a business-like basis from now on.

Is it not pertinent to ask then whether the Commission was all wet from May until January, and if so, whether the wetness was reflected in an order that has been nullified by a circuit court?

However, all the work that has been achieved by the Commission has been dumped overboard by a three-man Federal circuit court of appeals consisting of judges who could be expected to walk right down the middle of the line and not be subject to a moment's prejudice against the Coal Commission or the operations and functions of that Commission.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 5 additional minutes to the gentleman from Illinois.

Mr. DIRKSEN. Mr. John C. Lewis, of Iowa, one of the labor members of the Commission, on page 166 states:

I desire to say this on the question of these salaries. Some of them have been reduced, and some of them have been increased, according to the record. I want it understood in that connection that the Commission knows nothing about this transaction. I saw the Budget for the first time today.

He was testifying on the 20th day of January before the Committee on Appropriations, and there you have his language:

I saw the budget for the first time today.

You draw your own conclusions as to the feeling of accord and harmony that must prevail within the sacred precincts of the Bituminous Coal Commission. You draw your own conclusions from the language of one of the Commissioners. He says further—

I should be glad to make this statement: As the result of the information that I have received from the present executive director, there are a number that can be released.

He did not find it out before; he found it out after they hired an executive director.

I know nothing of the functions of these people personally; I am taking his word for that, and he tells me, and he has told the Commission, that there are a number that can be released without handicapping the Commission in any way, shape, or form.

They then found that out, strangely enough. Did they not know it before? If they were interested in efficient management, they should have known it before, in the interest of the Federal Treasury and of economy for the taxpayers all over the country, because the tonnage tax which the Commission may levy is in the final analysis reflected in the price that the consumer must pay for coal.

Now, a word about Mr. Hosford, the chairman. The gentleman from Kentucky [Mr. O'NEAL] asked him about the selection and the duties of the chairman. Apparently he does not know about them, and apparently the duties of the chairman have never been defined, because Mr. Hosford says:

There has never been any precise definition of the duties of the chairman of the Commission.

Mr. O'NEAL. And there have been no instructions from the Commission as to what the chairman was to do? It is just the common practice, I presume, that is applied?

Mr. HOSFORD. There have been no instructions.

Fancy that! The spokesman of the Commission, affecting 130,000,000 people of this country, the industry, the coal miners, and the producers says the functions have never been defined and he receives no instructions from the Commission.

Coming back to Commissioner Lewis once more, on page 169 of the hearings, in response to a question by Mr. SCRUGHAM, he says—

To my mind the Commission has not been functioning to the best advantage of the industry.

That is self-indictment for you, and it requires no particular comment from me.

Coming for a moment to the consumers' counsel, this testimony is very interesting, because the gentleman who is acting as consumers' counsel at one time was over on the other side of the Capitol as secretary to Senator Couzens, of Michigan. I rather like his spirit. He stands right up on his feet and tells them where to head in.

He virtually indicated that if they thought the consumers' counsel was going to be a stooge or be representative only of the smokestack industries, they had better get that silly notion out of their bonnets, because he was going to discharge his functions as they were indicated in the law written by this Congress.

Under the law, of course, when he wants any information or wants to make some intimation to the Commission, it is supposed to be done by legal certificate. However, he thought, as a good man, interested in expeditious service, and quick action would think, that it could be done informally because they are all quartered in the same building on Fifteenth Street. He made his informal request, and let me tell you what happened. I read from page 173 of the hearings. Mr. Carson, the consumers' counsel, states—

However, I got no response from the informal request—

To the Commission—

and after awhile I thought that they might want a legal certificate. We have filed 9 or 10 legal certificates, but with one exception, we did not even get for sometime an acknowledgment of the legal certificates, much less the information.

This is Mr. Carson, the consumers' counsel, speaking, who is expected to look after the interests of the consumers of the country who are so broadly affected by the activities and the pronouncements of the Coal Commission.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield 5 additional minutes to the gentleman from Illinois.

Mr. DIRKSEN. The Commission went on and promulgated this order of December 16 on the basis of whatever information they had down there, and the court invalidated it and stated that by the express language of the statute there had to be adequate notice and hearing. They were not fooling the consumers' counsel. Here is what he says:

I said that obviously the law required that any order that was subject to judicial review should be made only after adequate notice, with full opportunity for interested parties to be heard and findings of fact made.

John Carson is not an attorney. He admits that in the record, but he has been on this hilltop and has a background of experience and he knew exactly what a three-man Federal Circuit Court of Appeals found, but, apparently, the seven Commissioners on the Coal Commission did not know. There is just something altogether funny about this kind of business. Can you imagine, for instance, a consumers' counsel in the same department for whom appropriations are made out of the same Federal Treasury talking about going to law to compel the Commission, of which he is essentially a part, to do certain things? He says:

Under the act, there is a question about our legal authority. We asked the Attorney General about 10 days ago for an opinion as to our legal authority to go to court—

Yes; to go to court against the Commission—

The question arose as to this situation: Suppose we had brought an action in court against the Commission; the Attorney General would then be in the position of defending the Commission and of prosecuting our complaint. Now we are trying to arrange with the Attorney General, if he will permit, to let the consumers' counsel be represented through our own attorney, in order to relieve him of embarrassment.

Fancy that talk going on in a Government agency where they want their own attorney so the consumers' counsel can, if necessary, proceed against the Bituminous Coal Commission and make them toe the mark in the interest of the consumers of the country.

There is something altogether baffling about that sort of thing and that is about the only definitive word in the English language that applies to it.

Then Mr. FITZPATRICK said to Mr. Carson, the consumers' counsel:

Have you up to the present time made any recommendation for a reduction to consumers?

Mr. Carson replies on page 175:

We have not. Until we get a public hearing and know how these prices are arrived at, we do not know whether these prices are just or whether they are sound.

Occupying the same building, that is all the attention they pay to him. Then Mr. FITZPATRICK said:

Then, as it stands now, you are of no benefit whatever to the consuming public?

Mr. Carson, the consumers' counsel, states:

Absolutely none, except in giving them such information as we have.

This bill asks for $270,000 for that office that has been ignored by the Commission. Can you put that together? If you can, you could get a job making these fancy jigsaw puzzles and make a living by selling them, but I cannot put that kind of a picture together.

Finally, with this information being denied the consumers' counsel, Mr. O'NEAL of Kentucky, on page 177 of the hearings, asked a question—and, mind you, I am letting the record speak without much interpolation on my part:

Mr. Carson, does the legal department of the consumers' counsel take the position that under the law as now drawn you have the right to all information which the Commission has?

Mr. Carson said:

All except that of the cost of production of individual mines.

Mr. O'NEAL of Kentucky then said:

Does the Coal Commission deny that, or just ignore it?

Mr. Carson states:

The Coal Commission has ignored it in large measure.

Then when he talks about pressing them, Mr. Carson continues and says:

We felt that our remedy was to keep pressing for a public hearing, and then, if we did not get the public hearing, and if we had legal authority, to go to court.

The man that the Congress put in there to represent the consumers is being ignored by the Commission today, and now he is intimating he would like to ask for his own attorney so he can bring suit against a governmental agency—in behalf of whom? In behalf of the taxpayers who have been making up the funds for these people who are now so snugly reposing upon Uncle Sam's pay roll. You deduce your own conclusions. This is the record. [Applause.]

Here you have a Coal Commission, designed to bring order out of chaos in the soft-coal industry. It is expected to deal fairly and equitably with the consumer, whether domestic or industrial, the producer, and the miner. What is the record? The little consumer is on ear. The big consumer avails himself of legal talent and bowls over the order of the Commission. Little producers are complaining and big producers are jockeying each other for position. Municipalities and States are filing complaints. One community is squared away against another because rates favor one as against another. And what about the coal miners?

I think of the 50,000 coal miners who have heretofore made a livelihood going into the bowels of the earth, with all its hazards, to bring forth the coal that produces warmth and drives the wheels of industry. What stake has he in the Coal Commission, and what does he stand to lose if it is inefficient and fails to function? I shall let Mr. F. G. Tryon, the very able and efficient Chief of the Bureau of Research and Statistics of the Commission, answer that, in part, from

page 146 of the hearings. He was asked to what he attributed the decline in the use of coal, and his answer was:

Mr. TRYON. First of all to fuel economies—discovering means of getting the same amount of useful work out of smaller amounts of coal. Back in 1902 it took about 6 pounds of coal to generate 1 kilowatt-hour of electricity; in 1933 it took 3.2 pounds, and now that has been reduced to 1.46 pounds, with some plants producing a kilowatt-hour from eight-tenths of a pound. Of course, that applies to the use of all fuels.

A second and very important cause has been the competition not only of oil and gas but of water power. There are convenient methods of burning oil and gas for domestic heating. Automatic control in the burning of coal would serve to relieve some of the inconvenience. One of the research problems is, therefore, to develop automatic methods of using coal by which it will give essentially the same service as oil with the same degree of convenience and at the same time take advantage of the inherently lower cost of coal.

Here are the competitors of coal waiting alertly to seize any advantage that they can. Here is fuel economy which comes into play. Here is oil and electricity. Here is gas and water power. In proportion as the work of industry is done by the competitors of coal the need for coal is decreased, and as the need decreases the number of miners required will decrease. I know of no better or more efficacious way to ruin the coal industry and to destroy jobs for miners than through inefficiency, waste, and mismanagement in the National Bituminous Coal Commission, because it has the power by its conduct and activity to irreparably damage the soft-coal industry. Yes; the miners, the consumers, and the producers are beginning to take stock of the Coal Commission, and already they are clamoring for an investigation.

Mr. LEAVY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I have appeared on this floor time and again pleading for the reduction of taxes generally and on automobiles, tires, and accessories particularly. Seemingly, however, the throat of the tax funnel is so great that regardless of the amount of tax money which is poured in, there is never any choke at the outlet.

Sometimes I think legislators are still looking at automobiles as rich men's luxuries, as they were a quarter of a century ago. Yet today the car is the ordinary man's necessity. A recent survey made by the Department of Commerce shows that 73.1 percent of all city automobiles are owned by people having less than $2,000 a year income.

The Department of Agriculture has just finished a study of farm ownership which shows that 82 percent of all farm families own cars, and in my own State of Michigan 94 out of every 100 farm families have them.

The family unable to own some kind of a car is reduced to a standard of living which no American ought to have to accept.

Out of this universal demand for some kind of an automobile, even if it is only an old used car, has come a great industry which gives employment to millions of people in production and use of motor vehicles. When anything happens to stop this industry the whole country is hurt.

Mr. Chairman, a most powerful sermon as to the economic contribution which the automobile industry makes to our well-being can be found in the editorial contained in the Washington Daily News under date of February 15, captioned "Step on the Starter." I feel that the man who wrote this editorial not only devoted a great deal of time and study to gathering the factual data, but he also knew the intimate and direct effect of automobile production and use upon our economic life and society generally.

The editorial follows:

STEP ON THE STARTER

If we could get the automobile industry going again, the rest of American business would snap out of this slump in a jiffy.

How often we hear that said as people hopefully scan the news for reports of a production pick-up in Detroit, Flint, Dearborn, and Toledo.

And with reason. Not only that it would mean reemployment of workers in those cities; not only that these workers would immediately start spending their good wages for more farm products, more clothes, more shoes, and more of everything that consumers with money always buy.

For, aside from what the more than one-half million auto-plant workers, 44,000 dealers, and several hundred thousand salesmen buy as individuals, the automobile industry itself is the country's biggest customer for many other industries.

It buys 18 percent of all the American steel produced, 73 percent of the plate glass, 6 percent of the hardwood lumber, 17 percent of the copper, 36 percent of the lead, 11 percent of the zinc, 14 percent of the tin, 12 percent of the aluminum, 28 percent of the nickel, 46 percent of the upholstery leather, and 9 percent of the cotton.

And last year, when it manufactured nearly 5,000,000 automobiles and trucks, it provided 3,725,000 carloads of freight for American railroads.

This year it is estimated that only half or two-thirds as many automobiles will be built. That means idleness at the rubber plants of Akron, the accessory plants of Cleveland, the steel mills of Pittsburgh, Gary, and Youngstown, the metal mines of the West. It means cotton left standing in the fields of Texas, silent looms in the textile plants, silent cash registers on merchants' shelves, shrunken pay rolls, and mounting costs of Government relief.

Small wonder that leaders in the Roosevelt administration show concern for the sickness of that industry.

But why do those who run our governments—Federal, State, and local—refuse the one thing they could do quickly to help lift this bellwether industry out of coma?

We refer to discriminatory taxes—taxes that discourage production, purchase, and use of automobiles. Along with the cigarette and the bottle of liquor, the automobile is a choice victim of tax collectors. One would almost think that our taxmakers considered it a sin to manufacture, buy, sell, or drive an automobile.

The automobile manufacturer has to pay every tax that every other manufacturer pays. In addition, on the theory that the automobile is a luxury, there is a special Federal sales tax of 3 percent on each car, of 2 percent on all parts and accessories, and if the car has a radio, that is taxed 5 percent. Tires are taxed 2¼ cents a pound, and inner tubes 4 cents a pound. Many States also levy similar "luxury" taxes, and others get to the automobile with general sales taxes at every sale and every resale. All of these taxes, of course, are passed on to the buyer by boosting the price of the car. And once the buyer begins to drive his car the taxing really starts in earnest. He pays a State license tax. He pays a Federal tax, a State tax, and sometimes a municipal tax on the gasoline that runs the motor and the oil which lubricates it.

Last year a total tax bill of more than $1,500,000,000 was paid on the fewer than 30,000,000 automobiles, busses, and trucks—an average of more than $50 per vehicle.

Taxes on automobiles, gasoline and oil, when spent for highways, are in our opinion fair. But last year State governments diverted more than $200,000,000 in motorist revenue for other purposes.

There seems little chance of quick action from State and local governments to ease the motorists' tax load.

But the Federal Government could act promptly. Congress is now writing tax legislation. Last year the Federal Government collected $360,000,000 in taxes on automobiles, parts and accessories, gasoline and lubricating oil. These were all so-called "temporary" excise taxes, first levied in 1932. The Federal Government would help the automobile business and all business if it would immediately retire from this field of taxation.

But, you may say, the Federal Government needs that revenue. Sure it does—and a lot more. Very well, then, let the Federal Government get the revenue by taxes which don't discriminate and don't hold back recovery. Remove the taxes on sale and operation of automobiles. That will make possible lower prices on cars and lower costs of operating cars. That in turn will speed up the production and sale of automobiles, providing a market for more steel, glass, hardwood, copper, tin, aluminum, nickel, leather, cotton. It will create more jobs, swell pay envelopes.

And there is where the Government can step in and get its revenue—from the profits of business, the dividends of stockholders, the salaries and wages—from all who benefit by the recovery. It can get it by the fairest of all forms of taxation—the income tax on a broader base, graduated from a small tax at bottom of the income scale to a large tax at the top—from each according to his ability to pay.

There is a program, Mr. Chairman, which I submit Congress ought to study. We want to get people back to work. We want them to have the good things of life.

The way to do it is to reduce expenses wherever we can and to ease up on the tax burden of the people so that they can buy things. Once they start that, the Government will get its tax returns all right. But men and women who get less than $2,000 a year cannot keep on using automobiles unless we get rid of some of these burdensome and unfair taxes.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. Yes.

Mr. DONDERO. The gentleman has made a very fine statement regarding the automobile industry in our State.

I was interested particularly in what the gentleman said—that 94 percent of the farm families in our State own automobiles. That means that only 6 families out of every 100 are without automobiles.

Mr. DINGELL. That is correct.

Mr. DONDERO. Then does not that somewhat refute the statement that wealth is concentrated in the hands of just a few families in this Nation?

Mr. DINGELL. I do not know that that is any direct proof of a general equalizing of wealth.

Mr. DONDERO. Is it not some proof of the distribution of wealth?

Mr. DINGELL. I think it is a very fine indication that there is a far better proportion of distribution of wealth in the United States than in any other country.

Mr. DONDERO. We have one automobile for practically every four people in the United States, while the nearest country to us is England, with one for every seven or eight.

Mr. DINGELL. That is correct.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. LEAVY. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. DINGELL. Mr. Chairman, I did not intend to make any reply to my genial friend from Illinois [Mr. DIRKSEN] because of his discussion of the Coal Commission, but I do make this observation—that the Coal Commission as it has been established by Congress is intended to serve a very practical and a very useful purpose; and insofar as the consumers' interest is concerned it was my amendment, or rather a series of amendments offered by myself in committee, which made the gentleman whose name was mentioned here, Mr. John Carson, the consumers' counsel, the most powerful individual connected with the Commission. It was my amendment that made it possible for the consumers' counsel to report directly to the Congress and independently of the Commission, while the Commission, as is well known, has to report through the Secretary of the Interior. More than that, the consumers' counsel can intervene upon his own initiative wherever and whenever he believes or even suspects that the consumers' interest might be involved; and we went so far in the discussion as to say that he could sit in the councils of the Commission with or without their invitation, whether they be public or executive, without any concern as to whether he was wanted there or not. So if the consumers' counsel functions properly—and I have no hesitation in saying that I think he will, if I know John Carson as I think I do—he will protect the public interest at any time when protection might be needed; and, insofar as the Commission is concerned, I feel the Commission is a very fine body of officials going through a trial period and that adjustments will follow which will take care of all interests involved. [Applause.]

Mr. LEAVY. Mr. Chairman, I now yield to the gentleman from Alabama [Mr. HOBBS].

Mr. HOBBS. Mr. Chairman, the farmers of the Nation must be interested, post themselves, and unite for action to prevent recurrence of the calamitous prices of farm products which prevailed last fall. It is estimated that the receipts from cotton and cottonseed during the last selling season fell more than $1,000,000,000 below parity. The total of such theoretical losses last season on all farm commodities would be staggering.

The seriousness of the situation is evidenced by the market for fats and oils. While, of course, the importation of foreign fats and oils was not the only depressing factor, yet when we consider that more than 2,000,000,000 pounds of edible oils were imported last year and that much of this reached our markets just before the harvesting of our cottonseed, peanuts, soya beans, and grain products, it is easy to see that such heavy importation must have had a considerable influence.

To avoid a repetition of such losses should be an objective of every farmer and of every friend of agriculture. There must be a way found through taxes or the imposition of quota restriction to regulate competing imports so that their volume shall not exceed our need. In other words, we should keep out of the American market all imports of farm products except so much as constitutes the difference between our home production and our home consumption. Means must be found to protect our producers and consumers. The American taxpayers who are being taxed for its support should be ready to lend their full support to agriculture in every intelligent way which would minimize the amount of farm subsidies needed, for only so can they hope to reduce this part of their tax bill.

Mr. RICH. Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. TINKHAM].

UNITED STATES TROOPS ARE IN CHINA TODAY AT BRITISH INSTIGATION

Mr. TINKHAM. Mr. Chairman, every day brings the United States nearer to a war with Japan as planned by Great Britain to further British interests.

United States troops are in China today as the result of British instigation.

In 1899 John Hay, then Secretary of State of the United States, declared the famous American open-door policy in relation to China. This declaration by Hay was at the dictation of Great Britain and the present threat of war with Japan is the result of the policy then adopted.

The Honorable John Bassett Moore, the most eminent American international authority, in an open letter published in the New York Sun of December 10, 1935, stated:

> Tyler Dennett's Life of John Hay (pp. 290–293) shows that Hay's much vaunted "open door" notes were in effect dictated by a British subject named Hippesley, who had served under Sir Robert Hart in the inspectorate of maritime customs in China, and who was then in strategic seclusion at the Holland House, New York, where Rockhill, in Hay's behalf, conferred with him. • • •

According to this authentic biography of John Hay, this British official named Hippesley in August of 1899 sent a memorandum to the Department of State which, with only slight changes in the wording, became within 2 weeks the so-called open-door declaration of Secretary of State Hay.

The Boxer Rebellion in China occured 2 years later and the nations of western Europe and Japan moved armed forces into China to protect their embassies. The United States did likewise. The armed forces of the imperialistic nations and of the United States have remained there to this date. This policy of so-called gunboat diplomacy belongs to imperialistic powers, not to the United States. The only excuse for gunboat diplomacy by the United States was the maintenance of the so-called open-door policy enunciated by Hay in 1899 at British instigation. It is this gunboat diplomacy, it is this maintenance of armed forces of the United States in China and this imperialistic concern with the affairs of China that is now bringing us to the verge of war with Japan. Again the United States is likely to be the cat's-paw of Great Britain.

Mr. RICH. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. LAMBERTSON].

Mr. LAMBERTSON. Mr. Chairman, I rise to discuss briefly this afternoon the hopelessness of balancing the Budget. I shall not refer to any particular item in this appropriation bill. This is the seventh supply bill to appear before the House, and there are three left. In spite of the President's admonition, that balancing the Budget is in the lap of Congress, there is no reduction in the sum total of these seven bills. They carry practically the same amounts as they did last year, and if there is any variation in these seven big supply bills, it is an increase rather than a decrease.

I know it is hopeless to try to convince anybody, and I am now talking to less than 15 Members of the House. Not more than 35 Members have been here anytime this afternoon, out of 435 Members of the House. So it is hopeless to try to convince the membership, and the only opportunity we have to speak on a big appropriation bill is at a time when there are few present. So I have no illusion about whom I shall influence this afternoon.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. LAMBERTSON. Yes.

Mr. MICHENER. The Members who are here are very attentive, and perhaps they can spread the gospel.

Mr. LAMBERTSON. There is no question but what I have the most intelligent group in the House for an audience. [Applause.]

One important member of the subcommittee told me he was not going to ask for any time because it was ridiculous to come to the House to talk about something after you had spent weeks in hearings, because there would not be anybody to listen to you; and he is three-fourths right. So it is discouraging.

The next point is that under the great powers given the President in recent years he has set aside relief money and started new projects many of which were not authorized by Congress. It is discouraging and hopeless to try to balance the Budget.

The Casper-Alcova irrigation project, a big new project, was turned down twice by the engineers. After the engineers had turned it down twice the President gave it its initial appropriation.

It was just announced last week that the Interior Department set aside $100,000 to build models of the St. Louis Jefferson Memorial. I have told you a great deal about it. It is going to be here for the first time the next session for a big appropriation, claiming that $30,000,000 has been authorized, but not a Member in this House can tell us where it got its authorization. The President gave it its first money, but it is going to be here next year. The Park Service now has a big force in St. Louis measuring it off. It does not own the property yet, but they are helping to get it. They set aside $100,000 last week to build a model of what they are going to put on that river front when they get it; and yet the historic sites act says that Congress must do it first; and the President never had any authority to give any relief money to start a thing like the Jefferson Memorial.

For the many projects which the President has started, his Budget Director has recommended substantial continuing funds.

I could go on telling you of all these things, but it is hopeless to try to hold this thing down at all for, as I say, nobody is interested, nobody listens to us who listened to the hearings. Next Monday we shall start reading the bill, and 5 minutes will be the limit that any Member can speak on any amendment.

I want to say further that there seems to be no side heard but the spending side. The bureaus and the departments go before the Budget, who hears them but never hears anyone else, who passes on their argument but never hears anybody against the things they propose. Then they come before our subcommittees on appropriations and we hear them again on why they should have what the Budget authorized, why they should have more; but we never hear anybody who advocates less. We have nothing in our set-up that permits anybody that knows any reason why any bureau should not have what they ask to come before our subcommittee and tell us about it. It is a hopeless situation. Any board of county commissioners would hold a hearing out in the county seat or at the crossroads and give the opponents of a proposition a chance to be heard, even on so small a matter as the opening of a road; but there is no such encouragement afforded for any opponent to come before the Appropriations Committees of the Congress; there is no precedent, there is no machinery, there is no place for anybody who is against anything to be heard in the hearings that we submit to the House of Representatives.

I think a great constructive thing could be done if we would set aside one-third of the time that we are going to allot to a bureau or department for use by those who oppose these projects or increases, but we do not afford any such opportunity as that. You see the hopelessness of it all.

Another hopeless situation in the matter of balancing the Budget is that the House of Representatives now more than ever—and I say the House because this is the place where appropriation bills must start, for we are supposed to be the guardians of the Treasury. First of all, the House of Representatives today, more than ever, is spending-minded; its mind is for spending. We have had so many new things, so many new set-ups, that the majority of the men and women here today are for trying to get all they can for their districts. They are not trying to save anything from going into their districts; they are trying to get all they can. So, it is hopeless. The House is spending-minded.

I go on a little further with profound apology to my colleagues on the Appropriations Committee.

The Appropriations Committee has ceased to be a committee interested in saving. There are members who have gained membership on the Appropriations Committee whose prime object is to spend money for their particular sections of the country. I say to you honestly, but fearful of personal feeling so far as some of my colleagues on the Appropriations Committee is concerned, that the Appropriations Committee is today a half-packed committee for spending. It is not the same as in the days of Madden. The Appropriations Committee is spending-minded just like the House of Representatives. The members of the committee get as much for their sections of the country as they can and will even pork-barrel to get it. I therefore say it is hopeless to ever dream of balancing the Budget.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. LAMBERTSON. Mr. Chairman, on top of all these reasons I am giving as to why it is hopeless to balance the Budget, there is the additional one involving the war scare. I do not say we are to blame for that and I do not say that the idea is just manufactured in this country. Of course, it is a little unfortunate that certain things have happened in Asia and Europe as they are happening today. But there is a propaganda being built up in America at this time toward the construction of two navies.

It seems to me we have about thrown up our hands so far as the economic situation in America is concerned. We are trying to get the minds of the people away from the economic break-down that has taken place in the United States. If we can get them war-minded and get them to thinking of Europe and get them to believing somebody will attack us, at least we have diverted their minds from the failure of our economic set-up in this country.

A tremendous spending program is ahead of us. There is the proposed building of this great navy for both the Atlantic and Pacific Oceans. I am not worried about our going over to Europe or Asia to fight. I am not worried about Japan or any government in Europe coming over here to this country to fight us. But the people are being scared so they will be willing to give up even more.

The great danger of the Nazis and Fascists taking us over is not by landing on our shores but growing out of our ranks from within because of the economic failure here. The Budget will not be balanced. We are not going to raise half as much money as we will spend in the next fiscal year, notwithstanding what the Ways and Means Committee may be able to hatch up. That committee cannot find half as much money as we are going to spend.

What will be the end? I do not see anything but a very dark future ahead of us unless there is a reversal from the spending that has been going on. Lack of time will not permit me to go into the details of the pending bill. Many things will be said which may deal with the bill. Before the whole committee this morning we reduced roads on Indian reservations $500,000 after the Budget had already cut it in half; in other words, from $3,000,000 to $1,500,000. This was the only reduction there and least deserved it. I did not go along with that idea, but it was done. Immediately following that was a refusal to reduce the appropriation for the Natchez Trace and the Sky Line Drive, beautiful new projects of scenic beauty but to be used largely by tourists. This shows just how inconsistent we are.

Mr. Chairman, I therefore say it is all very hopeless to me. We cannot even half balance the Budget. [Applause.]

Mr. LEAVY. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Chairman, during the speech of the gentleman from New York [Mr. TABER], his colleague, the minority leader [Mr. SNELL], called attention to a message that the President sent to the Congress in reference to education. The gentleman from New York stated that the President had approved the report of this committee.

It is true the President sent the report to Congress, and I shall read the message that accompanied the report.

To the Congress of the United States:

I transmit herewith, for the information of the Congress, report of the Advisory Committee on Education, appointed by me in September 1936 to study the experience under the existing program of Federal aid for vocational education, the relation of such training to general education and to prevailing economic and social conditions, and the extent of the need for an expanded program.

Mr. Chairman, there is nothing in the message that indicates the President in any way expressed himself either for or against the report of this committee, nor has there been published any statement of an expression by Mr. Roosevelt. The President stated that he appointed the committee to study the experiences under the existing program of Federal aid for vocational education, and so forth. It will be recalled that when the George-Deen bill was passed doubling the authorization for appropriations involving vocational education, the President reluctantly signed the bill, but at the same time announced he would appoint this committee. The committee was a very large one from the standpoint of number. A majority of the members were either educators or people who derived their living from educational work.

Did this committee confine itself to a study of vocational education? It did not, as the report will show. I saw the report when it was received. It is voluminous and has not yet been received from the Printing Office. The report is not confined to vocational education or whether or not the Congress was justified in doubling the vocational education appropriation authorization because it also dealt with the general subject of education.

Mr. Chairman, if the Congress should approve the recommendations of this committee it would cost the people of this country up to and including 1944 and 1945, $855,000,000. You will see this is a very important matter.

In its general conclusions, the committee found:

The public-school system in the United States greatly needs improvement. Glaring inequalities characterize educational opportunities and expenditures for schools throughout the Nation.

The level of educational service that can be maintained under the present circumstances in many localities is below the minimum necessary for the preservation of democratic institutions.

Federal aid is the only way in which the difficulties in this widespread and complex situation can be adequately corrected.

The committee proposed division of the new grants into six major categories, as follows, the first sum being for the starting year of 1939–40 and the second for the maximum in 1944–45:

1. General aid to elementary and secondary education, $40,000,000—$140,000,000.
2. Improved preparation of teachers, $2,000,000—$6,000,000.
3. Construction of school buildings to facilitate district reorganization, $20,000,000—$30,000,000.
4. Administration of State departments of education, $1,000,000—$2,000,000.
5. Educational service for adults, $5,000,000—$15,000,000.
6. Library service for rural areas, $2,000,000—$6,000,000.

The staggering amount involved in this recommendation is enough to alarm us but there is something else that we should think about. You all know how we operate under Federal-aid appropriations. Rules and regulations are set up by a bureau, and the money is not allocated to the States until they agree to abide by such rules and regulations. Provisions are also made, in most cases, that the States must match Federal funds. In this instance, if the Congress carries out the recommendations of the report, by 1944 and 1945 the Congress will not only appropriate $855,000,000 but the States of the Union will likewise have to appropriate $855,000,000 to match the Federal funds if that is required.

The danger lies, however, in placing control over the educational facilities of this Nation in the hands of a bureau chief in Washington. We hear a great deal in regard to centralization of power. Can you realize what the Congress would be doing if it acted favorably upon this report? A staggering sum of money would be advanced, and this money would have to come out of the pockets of the taxpayers and be raised either by taxation or by increasing the deficit. Further, by this action you would be jeopardizing the control of our educational facilities by the States of this Nation. I may say, parenthetically, this committee was not composed of Democrats alone but of Democrats and Republicans. Probably in order to get support, this committee for the first time, recommends taking care of not only public educational institutions but also parochial educational institutions.

I wish to impress upon the Members of the House the fact that the gentleman from New York [Mr. SNELL] was in error when he stated the President had approved this report. The report will be issued in a few days, its publication being delayed because it was necessary to make some charts before it could be printed. I think every Member of the House should read the report with extreme care. Bear in mind, however, that up to this moment the President of the United States has in no way expressed himself as either for or against the recommendations of the committee he appointed. I am of course not in a position to speak for the President but I do not feel a statement made on the floor to the effect the President sent the report to Congress with his approval, when his message states he is sending it to the Congress for the information of the Congress, should go unchallenged. [Applause.]

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, I yield 5 minutes to the gentleman from Wyoming [Mr. GREEVER].

Mr. GREEVER. Mr. Chairman, I am sorry I was not able to hear all the remarks of my friend the gentleman from Kansas concerning a project in my State formerly known as the Casper-Alcova project, and now known as the Kendrick project, having been renamed after a famous and much beloved citizen of the State of Wyoming, former Senator John B. Kendrick.

I believe the gentleman from Kansas told me that sometime ago he had gone over the Casper-Alcova project. Judging from what he says, he does not think much of it. This project embraces at the present time approximately 36,000 acres of as fine land susceptible of irrigation as can be found any place in the West. It also contemplates bringing into cultivation an additional 30,000 acres, or perhaps 25,000 acres, at some later date.

The reclamation program is carried on by funds received from the sale of public lands and from oil royalties. I do not know whether the gentleman has ever taken the pains to inform himself about this fund and how it is made up, but I may say that in the years the reclamation fund has been in operation approximately $40,000,000 to $45,000,000 has come from under the lands of the county where the Casper-Alcova project is located and this sum has been paid into the reclamation fund.

This project is in the center of a large area chiefly used for stock raising, and many sheep and cattle are grazed in this vicinity. It is necessary to have additional irrigated lands upon which can be raised alfalfa and other crops for the purpose of feeding these cattle economically and getting them ready for market. Whenever a reclamation project is established it means you can take people off poor lands and put them on good lands where they can make a living.

I defy any business proposition connected with the Government to show as good a record of repayments to the Government of its obligations as the reclamation program. I have been informed by the chairman of the Committee on Appropriations that better than 98 percent of the payments that have become due from reclamation projects have been repaid to the United States. In my opinion, this is a

record that cannot be equaled by any other Government agency. The money for these projects does not come from direct appropriations but out of the reclamation fund, which is built up from oil royalties and the proceeds of the sale of public lands.

May I say to the gentleman from Kansas that whenever you take a man off one of the Dust Bowl farms and put him on a self-sustaining unit, you have done something for him. You have made him an independent citizen. I have seen men on the Shoshone project in my county who came there with practically nothing but who are independent today. In that one section there are 600 or 800 farmers who are as independent financially as any people engaged in agriculture anywhere in the United States, and are fine and upstanding citizens.

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, I yield 2 additional minutes to the gentleman from Wyoming.

Mr. GREEVER. This is what we need to do for the people today in the Dust Bowl area and in some parts of the gentleman's own State. We should get them on land where they would be self-sustaining.

There are no finer homes in the agricultural districts of the United States than you will find on these irrigated areas. They have built up towns, they have built churches and communities, and they have a fine citizenship there, composed of men who have come from the Dust Bowl country and from further east, who have gone on these projects and are now self-sustaining. This project to which the gentleman has directed his criticism has one of the most feasible power projects in the United States, and it will be a project that will pay back to the Government every cent that has been put into it. [Applause.]

Mr. RICH. Mr. Chairman, I yield myself 10 minutes.

Mr. LAMBERTSON. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield.

Mr. LAMBERTSON. Does not my colleague recall that in the hearings on the Interior Department bill with respect to the Casper-Alcova project that the engineer for the Reclamation Service said it probably would not pay as a reclamation project?

Mr. RICH. That statement was made in the hearings.

Mr. LAMBERTSON. And it had been twice denied by engineers on that ground?

Mr. RICH. Mr. Chairman, the hour is late and it is near the end of the week and there are not many Members on the floor. It would be very foolish for me to take up much of the time of those of you who have been so diligent here this afternoon and have listened to the arguments that have been made. However, as a member of this subcommittee, I may say I think the subcommittee on the Interior Department appropriation bill has worked very earnestly in bringing this bill before you. I believe they were all interested, in a measure, in trying to keep the bill within the Budget estimate. We had before us the Budget officer, who is supposed to be the spokesman for the President so far as the Treasury is concerned, but I call the attention of the Members of the House to the fact that if we do not cut below what the Budget officer has recommended to the Congress and if the Committee on Appropriations does not give more time and attention to the items that are contained in the recommendations of the Budget officer, as well as in the bills that come before the House, something dreadful is going to happen to this Nation, because you cannot go on spending the way you are spending now.

I made this statement in the committee before we reported out this bill. A member of the Appropriations Committee got up and said:

> We have heard the gentleman from Pennsylvania make that statement before, and we are tired of being lectured.

Mr. Chairman, I was not sent here by anybody to take the criticism of any member of the Committee on Appropriations or any other committee. I am here to do my duty, and I do not care what anybody else thinks. I am going to do my duty as long as I am here, and when the people of the Sixteenth Congressional District of Pennsylvania do not want me here I am ready to go back home. However, I will say to the members of the Committee on Appropriations that if they are not more diligent, and if they do not devote more time to these appropriation bills, and if the Members of the House of Representatives are not more zealous in trying to cut down these appropriation bills, we are going to be in trouble. You cannot go on in this way. No honest, conscientious business could do what we are doing here. No housewife could continue to spend way beyond the receipts of the household without something happening to the finances of the family. This is exactly what is going to happen in our national household.

I could spend an hour on this bill, referring to item after item, but I am not going to ask you to listen to such criticism of the various expenditures proposed in this bill. However, I may say that I could cut this bill by $15,000,000 without any difficulty whatever. Of course, it would injure some sections of the country, and I may say here that this subcommittee of the Committee on Appropriations has five members who are from west of the Mississippi River. When the Committee on Appropriations puts men on the committee having charge of the Interior Department appropriation bill, they should not put on a large number of men who are interested in irrigation and things that are peculiarly for the benefit of the West. You cannot consider properly irrigation projects and other projects of that type and have the membership from the West get everything they want. We must consider this Nation as a whole, and only when Members of Congress consider the Treasury from the standpoint of the Nation as a whole are we going to be successful in the administration of the affairs of government.

As has been said here this afternoon by the gentleman from Texas [Mr. SUMNERS], if the membership of the House will give diligent and earnest thought and consideration to these appropriation bills we will probably be able to cut them down so that we can have our income meet our expenses. [Applause.]

FACTS ABOUT THE INTERIOR APPROPRIATION BILL

Mr. JOHNSON of Oklahoma. Mr. Chairman, I yield myself 10 minutes. So much has been said on the floor of this House this afternoon in opposition to the Interior Department appropriation bill that I feel it incumbent on me, as the ranking member of the subcommittee to make a brief general statement. I am sure that Members of Congress who will be called upon to vote on this measure within the next few days, irrespective of politics, will appreciate some of the facts which were secured by the committee during more than 4 weeks of continuous all-day hearings.

This bill, which we have before us, making appropriations for the Department of the Interior for the fiscal year 1939, is the sixth of the regular annual supply bills thus far presented to this House for consideration. During my several years in Congress I do not recall that any previous Congress has ever been able to surpass this record in the matter of the early passage of supply bills which every Congress must pass before adjournment.

Permit me to say at the outset that during the long and tedious hearings that were exacting and extremely tiresome they were faithfully attended by all members of the subcommittee. Although we did not always agree we respected one another's opinion for the most part and brought in the very best bill it was humanly possible to present under the circumstances. Not only did the majority members work diligently and faithfully but each of the three minority members worked conscientiously and offered valuable suggestions, many of which were accepted by the committee. Before going into a discussion of the bill I desire also to state that the subcommittee is extremely fortunate to have as our efficient, energetic, and faithful clerk, Bill Duvall. He rendered valuable service to the subcommittee and undoubtedly is entitled to much credit for his tireless work in connection with the preparation of the bill.

RECOMMENDED INCREASE

The distinguished gentleman from Pennsylvania [Mr. RICH], for whom I have a high regard, who has just ad-

dressed the Committee, in his usual, critical way, offered some criticisms of this bill in the committee. Possibly some of those criticisms were warranted. Inasmuch, however, as my distinguished friend from Pennsylvania has been so generous with his criticism this afternoon, and undoubtedly feels in his heart of hearts that he is the one and only watchdog of the Treasury, it is only fair to state here that the chairman of the committee placed a responsibility upon his shoulders during the conduct of the hearings which necessitated his making at least one very important recommendation to our committee.

The record will show that the gentleman from Pennsylvania was placed in charge of the hearings having to do with the Office of Education. He studied the justifications long and earnestly and questioned everyone who came before the committee from Dr. Studebaker, the Commissioner of Education, to the lowest-ranking employee who attended the hearings. At the close of his splendid hearing, did our good friend who lectures us so frequently on economy recommend a substantial reduction? Oh, no! On the contrary, with this one Bureau that he really knew something about, the gentleman from Pennsylvania suggested and argued with the committee that the appropriation ought to be increased approximately $2,000,000 for this one Bureau, and I was inclined to agree with him. What I am wondering is just what the recommendation would have been if my good friend from Pennsylvania had been asked to advise himself fully upon other items in the bill and report his finding to the committee. [Applause.]

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes.

Mr. LEAVY. The statement the gentleman has made is correct of course, but added to that should be the further statement that new activities have been put into this bill, aggregating substantially $5,500,000, so that without them, the bill would be more than $12,000,000 under the bill of last year.

TWENTY-TWO NEW ACTIVITIES

Mr. JOHNSON of Oklahoma. That is correct. I thank the gentleman, my distinguished colleague from Washington [Mr. LEAVY], who rendered yeoman service during the hearings and the preparation of this bill, for reminding me of the new activities that have been placed under the Department within the last 4 or 5 years. The fact is that when Mr. Burlew, representing the Department of the Interior, appeared before our subcommittee we requested that he submit for our information a list of all such new activities. I feel that it would be of special interest to Members of Congress and will submit the list for the record at this time. They are as follows:

Regular activities:	
Division of Territories	$56,000
Division of Grazing	1,390,000
Division of Information	50,900
Petroleum conservation	280,000
Bonneville project	900,000
U. S. Geographic Board	9,500
Fine Arts Commission	9,800
Mount Rushmore	50,000
Coal Commission	2,900,000
Consumers' counsel	290,000
Board of Indian Arts and Crafts	42,000
Bureau of Mines	2,262,500
National military parks	320,000
National monuments	210,000
Arlington Memorial Bridge	50,000
Public buildings, District of Columbia	7,475,000
Public buildings outside District of Columbia	550,000
National Capital Parks	250,000
Vocational education	21,777,000
Jarvis, Baker, and Howland Islands	29,000
Total	38,901,700
Emergency:	
U. S. Housing Authority	5,075,000
Puerto Rico Reconstruction Administration	6,000,000
Total emergency	11,075,000
Grand total	49,976,700

IS $7,947,557.01 BELOW LAST YEAR

Judging by the speeches of some of the Republican Members this afternoon one would think that your committee had gone hog-wild in the expenditure of Federal funds and had presented a bill here that far exceeded the estimates submitted by the Bureau of the Budget. The fact of the matter is that this bill is $2,490,535.82 below the Budget estimate and is $7,947,557.01 less than the 1938 appropriation. Considering this constant increase in every department of government and the fact, as I have heretofore mentioned, that many additional Federal activities have been placed rightly or wrongly under the Department of the Interior, I submit in all sincerity there are no facts that would justify the unwarranted attack that has been hurled by opponents of this administration here today.

PRACTICALLY NO INCREASES ALLOWED

Let me suggest that before you vote on this pending measure you take the time to examine carefully the report justifying the expenditures recommended in the pending bill. You will find that in the consideration of the many varied activities of government coming under this appropriation bill, dealing with items from Alaska to the Virgin Islands, that every bureau or office affected has actually been decreased or allowed the same amount it had last year except two, those being an increase of $75,000 for the expanding Park Service and the small increase of $3,000 for the Virgin Islands, the latter being for a desperately needed agricultural extension agent to aid the natives of those islands in the development of agriculture. The committee felt that these slight increases were justified from every possible standpoint.

CRITICISMS VERY HELPFUL

The distinguished minority member from New York [Mr. TABER], who addressed this Committee at length, was rather bitter in some of his criticisms. But bear in mind that he did not hear one word of the evidence during the long and tedious hearings of our committee. Evidently the gentleman from New York gets a great deal of enjoyment out of his criticisms, constructive and otherwise, for all departments of government. We are delighted to have them. Some criticisms are very helpful.

Much has been said this afternoon which would indicate that the Secretary of the Interior is not extremely popular on the Republican side of the aisle. [Laughter.] Well, the Secretary of the Interior seems to be able to take care of himself. Evidently he has said some things over the radio recently that some of the extremely partisan Republicans in and out of Congress do not particularly approve.

The gentleman from New York exhibited a number of pamphlets that he says are published by the Office of Education, which he thinks should be prohibited. But when I sought to pin him down to some particular items or articles in the several pamphlets that he waved over his head and asked me to read, he absolutely refused to become specific and certain, or say definitely what he objected to. The pamphlet he handed me a few minutes ago, during his speech, gives valuable information on adult education and when he was asked if he would eliminate adult education he, of course, quite naturally refused to say that he would be willing to do so. The same pamphlet, I note, discusses the educational program in the 1,500 C. C. C. camps in the United States. Does anyone believe that the gentleman from New York, the gentleman from Pennsylvania, or the other several minority Members who have been so critical of the pending measure would actually and sincerely wish to eliminate the educational program now being carried on among the C. C. C. enrollees and would they honestly contend that this program has been a detriment to the 2,000,000 young men who have gone through the C. C. C. camps? Of course not.

PRODUCERS PAY FOR COAL COMMISSION

A lot of criticism has also been leveled against the Bituminous Coal Commission, some of which is possibly justified. All of us recognize the fact, however, that the Bituminous Coal Commission is a new organization. It has been rather

slow in getting organized and there has been some confusion and misunderstanding within the organization. But evidence presented to our committee was to the effect that with the valuable assistance of Mr. Leizear, a capable and efficient gentleman of many years of civil-service experience, that the personnel which has received so much criticism is being carefully checked and inefficient personnel weeded out. The committee has every assurance that the Bituminous Coal Commission is going to function in the future in a far more efficient manner than it has in the past. On the other hand, Members of Congress appear to forget that all funds for the operation of this Commission are paid wholly by the producer and that a considerable sum aside from the expenses of operation will revert to the general fund in the Treasury.

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I yield myself 5 additional minutes.

Mr. Chairman, the General Land Office, among other activities, has been criticized; but, in my opinion, there is not a more efficient bureau of the Government of the United States than our Land Office. Notwithstanding the fact the committee cut the General Land Office $349,000 below not what the Budget estimate was but below what it took to operate the General Land Office last year—a rather substantial cut, I should say—yet this committee is held up as a group of Treasury raiders by some of those who are laboring under the hallucination that they are the real and only watchdogs of the Treasury.

Mr. GREEVER. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes; I am delighted to yield to the distinguished and able gentleman from Wyoming.

Mr. GREEVER. What was the most of the cut in the General Land Office?

Mr. JOHNSON of Oklahoma. I should say that most of the cut was on surveys being made by the General Land Office, which surveys, all agree, are not only important but which must be finished sometime.

Mr. GREEVER. Does not the gentleman feel that that is a very vital and necessary function of that Office and should be continued?

Mr. JOHNSON of Oklahoma. Yes. Certainly the committee cannot be charged with extravagance so far as the General Land Office is concerned.

INDIAN OFFICE CUT $1,500,000

The big bugaboo in this whole bill today, as it has been in the past and will be in the future, is the Indian Office. Let me say at the outset that I do not speak for the Indian Office. Possibly I have criticized the present Commissioner of Indian Affairs as much or more than any member of the committee. If you will read the hearings, you will find that I was somewhat severe in some of my criticisms; but the fact is that this committee has cut the Indian Office appropriation a total of $1,500,000 below the Budget estimate.

For example, the committee cut $100,000 from the so-called revolving fund under the Wheeler-Howard Act, feeling that some time in the future the Indian Office should begin to minimize the work and activities in connection with the revolving fund. The committee cut $50,000 off the so-called loan fund, as well as many smaller items.

The committee recognized the fact that there is at least $3,000,000 of urgently needed construction work at Indian hospitals and schools. Yet, in spite of this dire need, in spite of the fact that there are Indian school buildings that are actually dangerous at this time, schoolhouses that are propped up with wires to prevent them falling apart, this committee cut that appropriation to only $1,800,000 for the total construction of entire Indian Service in the United States and Alaska. So the committee cannot truthfully be charged with extravagance in connection with appropriations for the Indian Service.

RECLAMATION TAKES DRASTIC CUT

Another activity that has been seriously criticized is the Reclamation Service. It will no doubt continue to be criticized. The gentleman from Pennsylvania a while ago criticized the fact that there were five men on the committee who reside west of the Mississippi River. He wants to reorganize the committee because, forsooth, the five members of the committee seem determined to see that for the first time in all history reclamation gets a square deal at the hands of the Congress.

Among these five is the gentleman from Oklahoma; and I am told that I ought to get off the committee because I live west of the Mississippi. For years we have heard stories that there were a few people so narrow and short-sighted that they actually believed no one except those living on or near the Atlantic seaboard had been endowed with average intelligence. I realize that the gentleman from Pennsylvania feels that those of us who reside west of the Mississippi are extremely unfortunate; that we have not had the advantages of the brilliant and able gentleman from Pennsylvania. But I must confess that this is the first time that I ever heard anyone stand on the floor of this House and publicly suggest that Members of Congress should not be permitted to serve on a certain committee because they happen to reside west of the Mississippi River.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield to the gentleman from Pennsylvania.

Mr. RICH. Does not the gentleman believe that the Members who are interested in reclamation, coming from reclamation States, would be more interested in getting the Federal Government to invest money in such projects than men who come from other sections of the country?

Mr. JOHNSON of Oklahoma. I would say that the fact that the gentleman's party when in power refused to put anyone on the committee who knew anything about reclamation is sufficient evidence that his party is opposed to any kind of reclamation projects, regardless of how meritorious they might be.

Since the gentleman is so critical and has intimated repeatedly that members of the committee were personally interested in reclamation projects, I want to make it plain that not a dime appropriated by this bill for reclamation is for the State of Oklahoma, although there should be.

We know that the Dust Bowl is in Oklahoma and west Texas. If there is a spot on God's green earth that ought to be taken care of, so far as reclamation is concerned, it is those dry farms in western and southwestern Oklahoma. There have been more than 50,000 people from western Oklahoma, western Kansas, western Texas, and New Mexico who have gone to these reclamation areas and who must be fed. Because of these reclamation areas they will be fed and will not go hungry this year or next nor for years to come. [Applause.]

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I yield myself 3 additional minutes.

Mr. Chairman, Oklahoma ought to have some real reclamation projects, but I repeat that not a single dollar of this reclamation money goes to the State of Oklahoma. However, because of the fact I have seen some of these reclamation projects and felt they were fair, reasonable, and just, I, as a member of the Appropriations Committee, supported this particular appropriation, although there is not a reclamation project within hundreds of miles of my district. I have no apologies therefore to make to the gentleman from Pennsylvania or to any other Member for having supported these reclamation projects. I remind you that every one of the reclamation projects this Congress has allowed in the past—every one has paid back to the Government to the extent of 98 percent; so the Government is not losing any money so far as the reclamation projects are concerned.

INDIAN ROAD FUND CUT

Mr. Chairman, there is one thing in this bill I am ashamed of, and I hang my head when I am reminded that the Committee this morning eliminated $500,000 for Indian road construction. Five hundred thousand dollars for roads have been eliminated from this bill. It was the unanimous opinion, or practically the unanimous opinion of all the members of the subcommittee that possibly the one thing

that was needed most was roads. Last year the Indian Service received $3,000,000 for roads and trails on Indian reservations. Again I remind the Members that, although Oklahoma has more than one-third of the Indians of the United States, only a small percentage of that money is proposed to be spent on roads on Indian reservations of Oklahoma. So again the argument of the gentleman from Pennsylvania fails dismally to stand up under the light of the real facts.

Yet, because I believed it was right, because I knew there were more than 10,000 Indians who received work last year and that those Indians would be thrown out of work if the road item were eliminated, I supported a reasonable appropriation for roads. Your committee did not ask the same sum spent on Indian roads next year as for the current year, but only requested one-half that appropriation. Yet, we were unable to get 50 percent of the amount for roads next year that we have for the present fiscal year.

Mr. Chairman, several of the gentlemen who would vote without batting an eye for an appropriation of $70,000,000 for a battleship to keep somebody from coming over here and fighting us would not vote for a half million dollars to keep 10,000 helpless, homeless, landless Indians from starving to death.

Mr. LEAVY. Will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield to the gentleman from Washington.

Mr. LEAVY. Is it not a fact that every dollar saved so far as this particular $500,000 is concerned will have to be spent by the Government in caring for the Indians through a dole who otherwise would be constructing the type of road they have on Indian reservations?

Mr. JOHNSON of Oklahoma. The gentleman has stated the situation exactly and I will say that I intend to offer an amendment to restore the road item to $1,500,000 in keeping with the recommendation of the subcommittee.

[Here the gavel fell.]

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted, etc., That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of the Interior for the fiscal year ending June 30, 1939, namely:

Mr. JOHNSON of Oklahoma. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. JONES, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to have printed in the RECORD an address delivered by myself on Tuesday, February 22, over the Columbia network.

The SPEAKER. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. LANHAM. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes to make an announcement.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LANHAM. Mr. Speaker, on January 19 I introduced by request, a bill (H. R. 9041) which has to do with the revision of the present laws in reference to trade-marks.

A great deal of interest has been manifested in this bill in many parts of our country and by many people. I have been appointed chairman of a subcommittee to hold hearings on this measure. These hearings have been deferred until those interested in the bill may have ample opportunity to study its provisions.

Mr. Speaker, I give notice to the Congress now and to the country at large that hearings will start on this measure in the caucus room of the House Office Building on March 15 and will continue during the mornings of March 15, 16, 17, and 18, and longer is necessary.

EXTENSION OF REMARKS

Mr. LUCKEY of Nebraska. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point, and to include therein a letter by William C. Rivers, major general United States Army, retired, dated February 14, 1938, which appeared in the New York Times of Monday, February 21, 1938, on the subject of Refortification of Ports.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

The letter referred to follows:

[The New York Times of February 21, 1938]

REFORTIFICATION OF PORTS—GENERAL RIVERS AMPLIFIES HIS TESTIMONY BEFORE HOUSE COMMITTEE

To the EDITOR OF THE NEW YORK TIMES:

The recent brief dispatch of one of your Washington correspondents quotes me as having stated before the House Committee on Naval Affairs that a moderate fleet based on the Aleutians, in Alaska, can defend our west coast and the Panama Canal better and more economically than a fleet based on Honolulu. My statement included Honolulu also as a necessary secondary base to aid in defending the Panama Canal.

A glance at a globe will show that Unalaska, in our Aleutians, is squarely on the direct route from our west coast to Japan, and that Honolulu is more than 2,000 miles from that normal and short steamer lane out to the Orient. Naturally, therefore, the fleet at Unalaska, with its submarines, mines, air bombers, and fast, tiny torpedo boats, would be in the most favorable position to prevent any naval attack on our west coast. Especially should the principal Army air base be also in the Aleutians, not immediately at the naval base on Unalaska, but fairly near that base.

DEFENSE IN PACIFIC

It appears that more and more assent is being given to the following as our best defense position in the Pacific—to keep all potential enemies several hundred miles from our continental shores—as President Roosevelt put it: A line from the Aleutians to Honolulu and then to the Panama Canal and on to the Virgin Islands and north in the Atlantic to a point northeast of Maine.

I was surprised to note that high naval authorities include Samoa in that defense line also. To me, as a long resident in and student of the Far East, and of the general strategy of the North Pacific Ocean, Samoa is a far-off and indefensible salient, 5,200 miles from our west coast—almost as far from Seattle as Japan is. Also, the route from Honolulu to Samoa passes near Japan's mandated Marshall Islands, which have many harbors suitable for Japanese submarines and air bombers. Including Samoa as necessary for defending our west coast would call for a fleet even larger than the great fleet the bill now under consideration by the House Naval Committee would authorize. The bill now being considered would authorize an actual increase of 50 to 75 percent in our fleet. Any effort to defend Samoa also would unbalance the defense along the general line above given. Were Mexico and New Zealand at war, I should say that Samoa would be a good place for an observation post, for a radio station.

HARBOR REFORTIFICATION

One of my suggestions to the Vinson committee was to take a part of the $800,000,000 now earmarked for fleet and battleship increase and use it to refortify our Atlantic and Pacific continental harbors, adding many heavy land-based airplanes, mines, submarines, and small, fast torpedo boats. And, to complete our plans for movable railway artillery parallel to our coast lines, I recommended such action, rather than spending so much on capital ships at this time, as the capital ship is more of a long-distance weapon of offense.

Concerning the inclusion of Samoa in our Aleutians-Hawaii-Panama Canal line of defense in the Pacific, Maj. Herbert Kitchener once held extra rank as the Sirdar of the Egyptian Army. Lord Cromer cabled to Lord Salisbury in London the advice of Kitchener that some places on the flanks of Kitchener's proposed march up to Abuklea and Khartum be fortified. The Prime Minister replied from London that if he should approve all the funds enthusiastic officers desired for fortifications he would soon have to be prepared to approve plans to fortify the moon—to make sure against any attack from Mars.

WILLIAM C. RIVERS,
Major General, United States Army (retired).

WASHINGTON, D. C., *February 14, 1938.*

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BURDICK, for an indefinite period, on account of illness.

To Mr. DREWRY of Virginia (at the request of Mr. SMITH of Virginia), for an indefinite period, on account of illness.

ENROLLED JOINT RESOLUTION SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H. J. Res. 591. Joint resolution making appropriations for the control of outbreaks of insect pests.

ADJOURNMENT

Mr. LEAVY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 35 minutes p. m.), under its previous order, the House adjourned until Monday, February 28, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs, House of Representatives, will hold a meeting Saturday, February 26, 1938, at 10 a. m., for the consideration of a building program for the Navy. Very important.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 o'clock a. m. Tuesday, March 1, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON THE JUDICIARY

There will be a hearing before Subcommittee No. 2 of the Committee on the Judiciary at 10 a. m., on Tuesday, March 1, 1938, on the bill (H. R. 8892) to change and modify the rules of procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the act of June 19, 1934, chapter 651, by amending sections 412 and 724 of title 28 of the Code of Laws of the United States of America and by adding thereto sections 430B, 430C, and 430D, pertaining to pleading and practice in the district courts of the United States, who may sue and be sued, the selection of jurors, the appointment of court stenographers, and for other purposes. The hearing will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds, at 10:30 a. m., on Tuesday, March 1, 1938, for consideration of H. R. 9418.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

The Committee on Immigration and Naturalization will meet Wednesday, March 2, 1938, at 10:30 a. m., in room 445, House Office Building, for the consideration of unfinished business.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Washington, D. C., on Tuesday, March 8, 1938, at 10 a. m., on House Joint Resolution 463, permitting the transportation of passengers by Canadian passenger vessels between the port of Rochester, N. Y., and the port of Alexandria Bay, N. Y., on Lake Ontario and the St. Lawrence River.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 9, 1938, at 10 a. m., on the following bills: H. R. 9225, authorizing the appointment of 30 principal traveling inspectors by the Secretary of Commerce; H. R. 9368, authorizing the issuance of certain seamen's certificates by inspectors of hulls and boilers.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 16, 1938, at 10 a. m., on H. R. 8251, relative to radio operators on cargo vessels.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1099. A letter from the Acting Secretary of the Treasury, transmitting the report of the Secretary of the Treasury on the War Finance Corporation (in liquidation) covering the period from January 1, 1937, to December 31, 1937 (H. Doc. No. 530); to the Committee on Banking and Currency and ordered to be printed.

1100. A letter from the Secretary of the Interior, transmitting a proposed amendment of section 3 (c) of the act approved September 1, 1937, entitled "An act authorizing the conservation, production, exploitation, and sale of helium gas, a mineral resource pertaining to the national defense and to the development of commercial aeronautics, authorizing the acquisition, by purchase or otherwise, by the United States of properties for the production of helium gas, and for other purposes"; to the Committee on Military Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. TAYLOR of Colorado: Committee on Appropriations. H. R. 9621. A bill making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes; without amendment (Rept. No. 1855). Referred to the Committee of the Whole House on the state of the Union.

Mr. MAY: Committee on Military Affairs. H. R. 9605. A bill to provide for a commissioned strength of 14,659 for the Regular Army; without amendment (Rept. No. 1856). Referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 9006) granting a pension to Pauline M. Ridgman; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 9373) granting a pension to Fannie Steinberg and five minor children; Committee on Invalid Pensions discharged, and referred to the Committee on World War Veterans' Legislation.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. TAYLOR of Colorado: A bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes; to the Committee of the Whole House on the state of the Union.

By Mr. MAAS: A bill (H. R. 9622) to provide adequate payments to enlisted men of the Navy and Marine Corps; to the Committee on Naval Affairs.

Also, a bill (H. R. 9623) to provide for the promotion, retirement, and discharge of officers of the line of the Navy, and for other purposes; to the Committee on Naval Affairs.

By Mr. CULKIN: A bill (H. R. 9624) to amend the Communications Act of 1934 to prohibit the advertising of alco-

holic beverages by radio; to the Committee on Interstate and Foreign Commerce.

By Mr. ROBINSON of Utah: A bill (H. R. 9625) to promote industry and commerce through business research; to the Committee on Interstate and Foreign Commerce.

By Mr. MAHON of Texas: A bill (H. R. 9626) to provide redress for employees in the competitive classified service of the United States in matters of removal, reduction in rank or salary, suspension from duty, and other disciplinary actions; to amend section 6 of the act of August 24, 1912 (38 Stat. 555), and for other purposes; to the Committee on the Civil Service.

By Mr. HILL: A bill (H. R. 9627) to provide for assistance to the several States in the development of public-school-building facilities; to the Committee on Education.

By Mr. STACK (by request): A bill (H. R. 9628) to provide for the establishment of minimum labor standards in employments in and affecting interstate commerce, and for other purposes; to the Committee on Labor.

By Mr. TOBEY: A bill (H. R. 9629) to authorize the erection of a Veterans' Administration hospital in the State of New Hampshire; to the Committee on World War Veterans' Legislation.

By Mr. CASE of South Dakota: A bill (H. R. 9630) to amend the act entitled "An act for the retirement of employees in the classified civil service, and for other purposes"; to the Committee on the Civil Service.

By Mr. GEARHART: A bill (H. R. 9631) authorizing the issuance of a series of special postage stamps in commemoration of the victorious voyage of the battleship *Oregon* and in honor of its intrepid officers and brave sailors; to the Committee on the Post Office and Post Roads.

By Mr. EICHER: A bill (H. R. 9632) to promote industry and commerce through research in the physical sciences; to the Committee on Interstate and Foreign Commerce.

By Mr. ROBINSON of Utah: A bill (H. R. 9633) to provide for the payment into the reclamation fund all moneys paid by the United States for Federal reclamation projects; to the Committee on Irrigation and Reclamation.

By Mr. LEA: A bill (H. R. 9634) to provide for the regulation of over-the-counter brokers and dealers operating in interstate and foreign commerce, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. O'TOOLE: A bill (H. R. 9635) to prevent and make unlawful the practice of law before Government departments, bureaus, commissions, and their agencies by those other than duly licensed attorneys at law; to the Committee on the Judiciary.

By Mr. WHITE of Idaho (by request): Resolution (H. Res. 424) to authorize investigation of the claims of Earl A. Ross, Frank P. Ross, and Lemuel T. Root, Jr.; to the Committee on Rules.

By Mr. WEARIN: Joint resolution (H. J. Res. 603) proposing an amendment to the Constitution of the United States relative to taxes on certain incomes; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DOWELL: A bill (H. R. 9636) granting a pension to Jemima E. Trowbridge; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9637) granting an increase of pension to Belle C. Taylor; to the Committee on Invalid Pensions.

By Mr. GRAY of Indiana: A bill (H. R. 9638) for the relief of Elmer K. Steiner; to the Committee on Claims.

Also, a bill (H. R. 9639) for the relief of James W. Kiplinger; to the Committee on Military Affairs.

By Mr. GREEVER: A bill (H. R. 9640) for the relief of Shoshone Garage; to the Committee on Claims.

By Mr. HAVENNER: A bill (H. R. 9641) for the relief of the Shipowners & Merchants Towboat Co., Ltd.; to the Committee on Claims.

By Mr. KELLY of New York: A bill (H. R. 9642) granting a pension to Catherine Shaffer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9643) granting an increase of pension to Mina L. McLean; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9644) granting an increase of pension to Mary A. Ward; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9645) granting an increase of pension to Teressa Wickham; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9646) for the relief of Edgar McCllean; to the Committee on Claims.

Also, a bill (H. R. 9647) to authorize cancelation of deportation in the case of Joseph DiPasquale; to the Committee on Immigration and Naturalization.

Also, a bill (H. R. 9648) to confer citizenship on Christine Ranalet; to the Committee on Immigration and Naturalization.

By Mr. McREYNOLDS: A bill (H. R. 9649) authorizing the President to present the Distinguished Service Medal to Rear Admiral Reginald Vesey Holt, British Navy, and to Capt. George Eric Maxia O'Donnell, British Navy, and the Navy Cross to Vice Admiral Lewis Gonne Eyre Crabbe, British Navy, and to Lt. Comdr. Harry Douglas Barlow, British Navy; to the Committee on Foreign Affairs.

By Mr. MAHON of Texas: A bill (H. R. 9650) for the relief of Mr. and Mrs. P. F. Nixon, parents of Herschel Lee Nixon, deceased minor son; to the Committee on Claims.

By Mr. OLIVER: A bill (H. R. 9651) for the relief of Albert P. Christensen; to the Committee on Naval Affairs.

By Mr. ROMJUE: A bill (H. R. 9652) granting a pension to Frederick Draper; to the Committee on Invalid Pensions.

By Mr. TAYLOR of South Carolina: A bill (H. R. 9653) for the relief of Annie Bearden, Ruth Bearden, Essie Burton, Beatrice Carter, Mary Cobb, Addie Graham, Annie Grant, Sallie Harris, Minerva Holbrooks, Omie Keese, Sallie Marett, Josie McDonald, Jessie Mooris, Martha O'Shields, Mae Phillips, Leila H. Roach, Belva Surrett, and Shelley Turner; to the Committee on Claims.

By Mr. TAYLOR of Tennessee: A bill (H. R. 9654) for the relief of Mrs. C. A. Lee; to the Committee on Claims.

By Mr. WADSWORTH: A bill (H. R. 9655) granting a pension to Emma D. Bowen; to the Committee on Pensions.

Also, a bill (H. R. 9656) granting an increase of pension to Orpha H. Lawton; to the Committee on Invalid Pensions.

By Mr. WEAVER: A bill (H. R. 9657) authorizing the appointment of John Sneed Adams as a second lieutenant in the Army; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4231. By Mr. COFFEE of Washington: Resolution of Grays Harbor Industrial Union Council, G. Brick Moir, secretary, Aberdeen, Wash., urging that Congress work and vote for the immediate repeal of the Woodrum amendment by passing the Schwellenbach-Allen resolution, providing for the expansion of Works Progress Administration to 3,000,000 jobs; to the Committee on Appropriations.

4232. Also, resolution of Industrial Labor Union Council of Seattle, Wash., Eugene V. Dennett, executive secretary, urging that Congress work and vote for the immediate repeal of the Woodrum amendment by passing the Schwellenbach-Allen resolution, providing for the expansion of the Works Progress Administration to 3,000,000 jobs; favoring the adoption of House Joint Resolution 527, the O'Connell resolution, providing for distinction between the aggressor and victim and forbidding export of war materials to aggressor; urging that the Filipinos residing in the United States be granted the privileges to which they are entitled as United States citizens, particularly pertaining to working conditions; and protesting vigorously the undemocratic conduct of certain Senators; to the Committee on Ways and Means.

4233. By Mr. CULKIN: Petition of the Woman's Christian Temperance Union of Lowville, N. Y., Priscilla Rittis,

president, urging hearings and early consideration of motion-picture bills before Congress, including the Neely bill (S. 153), the Pettengill bill (H. R. 1669), and the Culkin bill (H. R. 23); likewise enactment of the Culkin bill (H. R. 22); to the Committee on Interstate and Foreign Commerce.

4234. Also, petition of the Legislature of the State of New York, urging enactment into law of the Wheeler-Johnson bill or other child-labor bill which will prohibit transportation of products of child labor into any State where the sale would be unlawful and prohibit entirely transportation in interstate commerce of products of child labor in order that adult wage earners and employers of the State of New York may be accorded protection against unfair competition from products of child labor in other States; to the Committee on Labor.

4235. Also, petition of the Madison County Petroleum Industries Committee, Harold G. Marshall, Oneida, N. Y., urging elimination of Federal taxes on gasoline, lubricating oil, and of other special motorist taxes; to the Committee on Ways and Means.

4236. Also, petition of the New York Board of Trade, opposing enactment of Senate bill 3072, to provide for the Federal licensing of industry; to the Committee on Ways and Means.

4237. By Mr. LUTHER A. JOHNSON: Petition of Dr. T. O. Walton, president, Texas A. and M. College, College Station, Tex.; W. M. Boguskie, president, Hearne Chamber of Commerce; Mrs. W. S. Hoyt, Jr., president, Hearne Parent Teachers Association; and Mrs. R. E. Cornforth, president, Hearne Board of Education, all of Hearne, Tex., opposing Senate bill 208, which provides Federal title to coastal lands; to the Committee on the Judiciary.

4238. By Mr. KERR: Petition of the Democratic Territorial Central Committee of the Territory of Hawaii, protesting against the transfer of Works Progress Administration activities from the control of civilian employees to the United States Army; to the Committee on Military Affairs.

4239. By Mr. KRAMER: Resolution of Echo Park Post, No. 414, of the American Legion, Department of California, relative to deportation proceedings against Harry Bridges, etc.; to the Committee on Immigration and Naturalization.

4240. Also, resolution of the General Welfare Center of Eagle Rock, Calif., relative to the adoption of amendments including gross income tax, etc.; to the Committee on Ways and Means.

4241. Also, resolution of the executive committee of the California Fig Institute, relative to endorsement of the program sponsored by the American Horticultural Institute, etc.; to the Committee on Agriculture.

4242. Also, resolution of Echo Park Post, No. 414, of the American Legion, Department of California, relative to approval of the national legislative program, etc.; to the Committee on Military Affairs.

4243. Also, resolution of the Los Angeles County Council of the American Legion, Department of California, relative to the passage of necessary legislation to provide for retirement of the United States Coast Guard, etc.; to the Committee on Naval Affairs.

4244. By Mr. LAMNECK: Resolution of Dwight L. Matchette, clerk, Ohio Senate, Columbus, Ohio, memoralizing the Veterans' Bureau to discontinue the transfer of tuberculosis patients from the Veterans' Administration hospital at the National Military Home at Dayton, Ohio; to the Committee on Military Affairs.

4245. By Mr. LESINSKI: Petition of Huron Valley Post, No. 231, and Edward C. Headman Post, No. 217, of the American Legion of Wyandotte, Mich., urging the support of the Sheppard-Hill legislation also known as the universal service bill; to the Committee on World War Veterans' Legislation.

4246. By Mr. McCORMACK: Memorial of the Massachusetts General Court, memorializing Congress to increase the tariff or duty on certain foreign-made products imported into the United States; to the Committee on Ways and Means.

4247. By Mr. PFEIFER: Petition of the Building Trades Employers Association of the City of New York, urging repeal of the undistributed-profits tax and the capital gains and losses tax provisions of the Revenue Act of 1936; to the Committee on Ways and Means.

4248. Also, petition of the Transport Workers' Union of Greater New York, section No. 120, Brooklyn, N. Y., concerning the Sheppard-Hill bill (H. R. 6704); to the Committee on Military Affairs.

4249. Also, petition of the Oil Burner Institute, Inc., New York City, concerning the Boland bill (H. R. 3134); to the Committee on Ways and Means.

4250. By Mr. SHAFER of Michigan: Petition of 1,000 citizens of Kalamazoo, Mich., calling upon Congress to support the Schwellenbach-Allen resolution to provide Works Progress Administration jobs at living wages for all employable unemployed who are unable to obtain employment in private industry, said petition being adopted during a mass meeting held February 21, 1938, under the sponsorship of the United Paper Mill Workers' L. I. Union, No. 398; to the Committee on Appropriations.

4251. By the SPEAKER: Petition of Dental Technicians Equity, New York City, petitioning consideration of the resolution (S. J. Res. 127) with reference to Thomas J. Mooney; to the Committee on the Judiciary.

4252. Also, petition of Asociacion de los Veteranos de la Revolucion, Manila, petitioning consideration of their resolution with reference to the independence of the Philippines; to the Committee on Insular Affairs.

SENATE

MONDAY, FEBRUARY 28, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Friday, February 25, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. LEWIS. I note the absence of a quorum, and ask that the roll be called.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Colo.	Overton
Andrews	Davis	King	Pepper
Ashurst	Donahey	La Follette	Pittman
Austin	Duffy	Lee	Pope
Bailey	Ellender	Lewis	Radcliffe
Bankhead	Frazier	Lodge	Reames
Barkley	George	Logan	Reynolds
Berry	Gerry	Lonergan	Russell
Bone	Gibson	Lundeen	Schwartz
Borah	Gillette	McAdoo	Schwellenbach
Bridges	Glass	McCarran	Sheppard
Brown, Mich.	Green	McGill	Shipstead
Brown, N. H.	Guffey	McKellar	Smathers
Bulkley	Hale	McNary	Thomas, Okla.
Bulow	Harrison	Maloney	Thomas, Utah
Burke	Hatch	Miller	Townsend
Byrd	Hayden	Milton	Truman
Byrnes	Herring	Minton	Tydings
Capper	Hill	Murray	Vandenberg
Caraway	Hitchcock	Neely	Walsh
Chavez	Holt	Norris	
Clark	Hughes	Nye	
Connally	Johnson, Calif.	O'Mahoney	

Mr. LEWIS. I announce that the Senator from Mississippi [Mr. BILBO], my colleague the junior Senator from Illinois [Mr. DIETERICH], the Senator from New York [Mr. WAGNER], and the Senator from Montana [Mr. WHEELER] are detained on important public business.

The Senator from South Carolina [Mr. SMITH] is absent in his State engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from Indiana [Mr. VAN NUYS] is unavoidably detained from the Senate.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

SPECIAL COMMITTEE TO INVESTIGATE CONDITIONS IN THE MERCHANT MARINE

The VICE PRESIDENT appointed Mr. COPELAND, Mr. THOMAS of Utah, Mr. DONAHEY, Mr. MALONEY, and Mr. VANDENBERG as the members of the Special Committee to Investigate Conditions in the American Merchant Marine, created by Senate Resolution 231, agreed to February 25, 1938.

PLANS, ETC., FOR CONSTRUCTION OF PUBLIC BUILDINGS

The VICE PRESIDENT laid before the Senate a letter from the Acting Secretary of the Treasury, transmitting a draft of proposed legislation to amend the act of June 25, 1910, relating to the construction of public buildings, which, with the accompanying paper, was referred to the Committee on Public Buildings and Grounds.

PRODUCTION OF HELIUM GAS

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting a draft of proposed legislation to amend an act entitled "An act authorizing the conservation, production, exploitation, and sale of helium gas, a mineral resource pertaining to the national defense and to the development of commercial aeronautics, authorizing the acquisition, by purchase or otherwise, by the United States of properties for the production of helium gas, and for other purposes," approved September 1, 1937, which, with the accompanying paper, was referred to the Committee on Military Affairs.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Virginia, which was referred to the Committee on Agriculture and Forestry:

COMMONWEALTH OF VIRGINIA,
GENERAL ASSEMBLY.

House Joint Resolution 26

Memorializing the Congress of the United States to initiate action for the elimination of certain flies injurious to livestock

Whereas flies of various species, especially bloodsucking and biting flies, constitute a real menace to the livestock in the State of Virginia and elsewhere; and

Whereas a large amount of money is invested by the people of the United States in the business of raising horses, mules, cattle, sheep, and other livestock; and

Whereas such business is being interfered with and seriously affected by the fly menace and it is of vital interest to the livestock industry that steps be taken to eradicate such menace; and

Whereas it is recognized that the problem cannot be effectively considered by the State, but is primarily within the province of the United States which has adequate facilities for the purpose: Now, therefore, be it

Resolved by the house of delegates (the senate concurring), That the Congress of the United States be, and it is hereby, memorialized to take such appropriate action as may be necessary for the purpose of having a thorough study and investigation of the aforesaid problem by the United States Department of Agriculture or other appropriate agency or body with the end in view of ascertaining the most effective ways and means of eradicating flies injurious to livestock from Virginia and other States in which they exist.

Resolved further, That a copy of these resolutions be transmitted by the clerk of the house of delegates to the presiding officer of the United States Senate and House of Representatives, respectively, and to the Representatives in the Congress of the United States from the Commonwealth of Virginia.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Virginia, which was referred to the Committee on Commerce:

COMMONWEALTH OF VIRGINIA,
GENERAL ASSEMBLY.

House Joint Resolution 30

Memorializing Congress to construct a highway bridge across Potomac River

Whereas a highway bridge for use by the general traveling public, across the Potomac River from Ludlow's Ferry on the northern side to Mathias Point on the southern side of said river, would greatly shorten the distance of travel from the National Capital to the historic birthplaces of Washington, Madison, Monroe, and to Stratford, the home of the Lees, and would, at the same time, provide an almost air line for travel over a great national highway from the National Capital to the great naval and aviation bases on Hampton Roads: Now, therefore, be it

Resolved by the house of delegates (the senate concurring), That the Congress of the United States be memorialized to provide, as soon as may be practicable, for the construction of a suitable highway bridge across the Potomac River between the points hereinabove mentioned; and be it further

Resolved, That the clerk of the house of delegates be directed to forward copies of this resolution to the President of the Senate of the United States, to the Speaker of the House of Representatives, and to each Member of the Virginia delegation in the Congress of the United States.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the Central Labor Union of Philadelphia, Pa., favoring the establishment of civil-service status for special-delivery messengers in the Postal Service, which was referred to the Committee on Civil Service.

He also laid before the Senate a resolution of the Joint Council of the Furniture Labor Union, No. 76–B, of New York City, N. Y., favoring the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also laid before the Senate a resolution adopted by San Francisco (Calif.) Post, No. 15, of the Regular Veterans' Association, favoring the enactment of legislation for the benefit of the enlisted and retired enlisted personnel of the Regular armed forces of the United States, which was referred to the Committee on Military Affairs.

He also laid before the Senate a telegram in the nature of a petition from the Labor Unions Unemployed Relief Council, of San Francisco, Calif., praying for the making of a $400,000,000 deficiency appropriation for the W. P. A. in the interest of the unemployed, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the annual general convention of the Veterans of the Philippine Revolution held at Manila, P. I., favoring the enactment of legislation providing for the independence of the Philippines on the 4th of February, 1939 or 1940, and also that a reciprocal-trade treaty or agreement be concluded between the United States and the Philippines granting preferential tariffs that will last for a minimum period of at least 10 years from the inauguration of such proposed independence, which was referred to the Committee on Territories and Insular Affairs.

Mr. WALSH presented resolutions adopted by the Selectmen of the Town of Westford, the Municipal Council of the City of Gloucester, and the Chamber of Commerce of Fitchburg, all in the State of Massachusetts, protesting against the lowering of tariff duties on foreign-made goods, which were referred to the Committee on Finance.

Mr. LODGE presented a petition of sundry citizens of the State of Massachusetts, praying for the enactment of legislation to abolish the Federal Reserve System as at present constituted and to restore the congressional function of coining and issuing money and regulating the value thereof, which was referred to the Committee on Banking and Currency.

Mr. COPELAND presented a resolution adopted by the Board of Supervisors of Chenango County, N. Y., favoring the enactment of legislation providing that farm lands owned by the Federal Government and used for farming purposes shall be taxed and carried on the assessment rolls in the same manner as other local farming lands, which was referred to the Committee on Finance.

He also presented a resolution adopted by Milton Lewis Post, No. 121, American Legion, in the State of New York, favoring the prompt enactment of the bill (S. 25) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense and promote peace, which was referred to the Committee on Finance.

He also presented a resolution adopted by Brighton and Manhattan Beach Post, No. 109, Jewish War Veterans of the United States (Temple Beth El), Manhattan Beach, Brooklyn, N. Y., favoring the making of diplomatic representations by the Government of the United States to the Government

of Rumania in the matter of alleged unjust discriminations against racial and religious minorities in Rumania, and more particularly in the treatment accorded Jewish subjects, which was referred to the Committee on Foreign Relations.

He also presented a memorial of sundry citizens, being students and teachers of Oakwood School, Poughkeepsie, N. Y., remonstrating against the making of increased naval appropriations, and particularly the inauguration of a naval armament race or competition among the great world powers, which was ordered to lie on the table.

Mr. HOLT presented a resolution adopted by the McDowell County Sportsmen's League at Welch, W. Va., which was ordered to lie on the table and to be printed in the RECORD, as follows:

Whereas the United States in the past has been profligate with its game, wildlife, and restorable resources of like nature, and is just now becoming awakened to the seriousness of the situation and the importance of immediately taking remedial steps; and

Whereas the McDowell County Sportmen's League, composed of representative citizens of McDowell County who are interested in the conservation of our game, wildlife, and forests, feels that the conservation movement can best be served by the creation of a separate department of Government, whose head should be a member of the President's Cabinet: Now, therefore, be it

Resolved, That the McDowell County Sportmen's League goes on record as favoring the creation of such a conservation department; be it further

Resolved, That we oppose the transfer of the conservation agencies as now composed from the Department of Agriculture to the Department of the Interior, as has been proposed in legislation now pending in Congress.

ORGANIZATION OF EMPLOYEES OF MAID-WELL GARMENT FACTORY, FORREST CITY, ARK.

Mr. MILLER. Mr. President, an intolerable situation exists at Forrest City, Ark., because of the recognition by the National Labor Relations Board of a C. I. O. organization of certain employees of the Maid-Well Garment Factory. It is alleged that the C. I. O. organization employed unfair methods and made promises impossible of performance to perfect the organization, and that it does not represent a majority of the bona fide employees of the factory, but, notwithstanding these allegations, the National Labor Relations Board has recognized the organization and through some means obtained an agreement with the owners of the factory under which the owners agreed to pay and did pay $1,000 to avoid further trouble with the Board. The question of whether the C. I. O. organization represents the majority of the employees has never been determined.

The situation is so acute that on February 17 a mass meeting of citizens and representatives of every religious, civil, business, charitable, and municipal organization in the community was held at the Baptist Church in Forrest City and adopted resolutions depicting the true situation that exists. I ask unanimous consent to have appropriately referred and printed in the RECORD this resolution, together with the signatures, in order that the country may know the exact effect of such action on the part of the Board in this particular community.

Mr. President, I personally know most of the signers of this resolution. They are good citizens and represent a citizenship that is second to none in this country.

There being no objection, the resolution was referred to the Committee on Education and Labor and ordered to be printed in the RECORD, with the names attached, as follows:

At a meeting held in the Baptist Church of Forrest City, Ark., on the 17th day of February 1938, at which meeting there were present representatives from all of the religious, civil, business, charitable, and municipal organizations of the community, the following resolution was unanimously adopted as follows:

"Whereas the Maid-Well Garment Co. for a considerable number of years in the past has been engaged in the manufacture of finished garments for women, and throughout all of said years said company has furnished employment for scores of deserving women residing in this community, which said women have had no other means of employment and upon the wages paid them have been wholly dependent for a livelihood; and

"Whereas the number of women so employed have ranged from 150 to 200 during all of the years past and the said women have received in wages paid weekly amounts in sums ranging from $1,500 to as much as $2,250; which said weekly sums have not only supported the individual wage earners but their families, and such weekly pay rolls have been of incalculable value to the business community in general in the city of Forrest City, Ark.; and

"Whereas during the entire period of the operation of the said garment factory the same has been operated by Mr. Ed Ash as owner and manager, the said Mr. Ash being a resident and home owner in Forrest City, Ark., who has at all times provided his employees with splendid, satisfactory, and agreeable working conditions and has at all times paid to his employees wages which were satisfactory to them, wages which were just and reasonable and commensurate with the work which the employees performed, at no time there being any dissatisfaction with the wages so paid; and

"Whereas during the month of June 1937 certain union organizers, strangers to this community and affiliates with what is known as the C. I. O. organization in the United States, employing unfair methods and making promises impossible of performance, did cause and create strife, discord, and unpleasantness and dissatisfaction among the employees of the said Maid-Well Garment Co., and did in fact organize the International Ladies' Garment Workers' Union, Local No. 286. That by reason of the strife, discord, and unpleasantness caused by the organization of said union No. 286, the manager and owner of said Maid-Well Garment Co. was compelled to shut down his factory and stopped the manufacture of his product, which resulted in depriving his employees of a weekly wage at that time of not less than $1,500; and

"Whereas the said union No. 286, so organized, has been recognized by the National Labor Relations Board without any proper inquiry or any investigation as to its membership in comparison with the total number of employees of the Maid-Well Garment Co. and said National Board has assumed that said employees of the union were in a majority, when, in fact and in truth, the said union No. 286 did not have a majority of said employees. Notwithstanding that the majority of the employees of said garment company refused to join said union No. 286 and organized an independent union of their own, consisting of more than 140 members, the National Labor Relations Board recognized the minority union, No. 286, and preferred unjust, untrue, and unwarrantable charges against the manager of the Maid-Well Garment Co., out of which said charges the factory was finally closed, and the manager of the same, preferring to avoid the expense of making defense to such unjust and untrue charges, preferred to pay a penalty in the sum of $1,000, rather than to make an expensive defense to the same on account of such unjust, untrue, and unwarranted charges, which he would have had to pay under the provisions of the National Labor Act and regulations; and

"Whereas the result of the closing down of the garment factory has resulted in throwing out of employment some 150 to 200 women employees who have been deprived of a weekly wage aggregating the sum of not less than $1,500; and these women composing a considerable portion of our good citizenship have been prevented from earning their living, and the same has brought to them and to the families dependent upon them untold suffering and misery in that they have been deprived of the necessaries of life, and many of them are now suffering and in want and have become charges upon the community: Now, therefore, be it

"*Resolved by the organizations represented in this meeting*, Which said organizations are as follows:

"The St. Francis Catholic Church; Church of the Good Shepherd, Episcopal Church; the Graham Memorial Church, Presbyterian; the First Methodist Church, the First Baptist Church, and the Christian Church, all of Forrest City, Ark.; and the auxiliaries or circles of the respective churches, the Cosmos Club, the Delphian Club, Musical Coterie, Child's Study Club, Parent-Teachers Association, Red Cross chapter, welfare officers, public welfare division of A. F. W. C., Auxiliary American Legion, local post American Legion, Christian Workers Club, Mayor Forrest City, County Judge St. Francis County, W. P. A. Forrest City, Rotary Club, Young Men's Business Club, United Daughters Confederacy: Now, therefore, be it

"*Resolved by the representatives of the religious, civic, and other organizations of Forrest City as herein set forth, as follows:*

"That we deplore the organization of the International Ladies' Garment Workers' Union, Local No. 286, in this city and the activities of the organizers of the same; and we further deplore the action of the National Labor Relations Board and their apparent partisan and prejudiced stand in causing to be preferred against the manager and owner of the Maid-Well Garment Co. charges which are unjust, untrue, and unwarranted by the conditions which have prevailed in the operation of said company.

"That we also desire to express our very great appreciation and thanks to Mr. Ed Ash as manager of said garment factory, and we unhesitatingly state that he is one of our most outstanding and respected citizens, and that there is no man in our community who has the welfare of the people at heart more than he; that he has at all times been kind and considerate to his employees; that he is deeply interested in their welfare and happiness and has provided them with the very best of working conditions and has paid to them wages which have at all times been satisfactory to his employees and commensurate with the work performed; be it further

"*Resolved*, That we petition our Representatives in Congress to do all that is possible and within their power to cause the representatives of the National Labor Relations Board to cease supporting the International Ladies' Garment Workers' Union, Local

No. 286, heretofore organized, and to permit the majority of the employees of said Maid-Well Garment Co., represented by the Independent Employees Association of the Maid-Well Garment Co., 'a purely local organization whose membership is composed of a large majority of former employees of the said Maid-Well Garment Co.,' to treat with the manager of said company for reemployment and reopening of said factory, and that said National Relations Board and its representatives be requested that before any further action is taken, that some proper and reasonable inquiry be made by them as to the existing conditions in Forrest City and the desires and wishes of a majority of those who have been engaged as employees in said Maid-Well Garment factory during the past years; be it further

"*Resolved*, That as an evidence of the participation in the adoption of this resolution of the various organizations mentioned herein as having participated in the proceedings out of which this resolution has come, that the presiding officer or chairman sign the same; be it further

"*Resolved*, That a copy of this resolution be sent to each of our Senators, Mrs. HATTIE W. CARAWAY and JOHN E. MILLER, and the Congressman from this district, WILLIAM J. DRIVER, and that they each and all of them be earnestly requested to give every possible assistance in clearing up the situation here in Forrest City, Ark., and to urge upon the National Labor Relations Board to give to this community help in reopening the Maid-Well Garment Co's. factory, and to further respectfully urge the members of said Board to cease their efforts in the future in encouraging the activities of the International Ladies Garment Workers Union, Local No. 286."

In testimony of the passage of this resolution the following organizations, through their proper officer, have signed the same:

St. Francis Catholic Church, by Gazzola Vinaco, trustee; First Baptist Church, by Grover C. Prince; Good Shepherd Episcopal Church, by H. A. Knight, Jr., vestryman; the Cosmos Club, by Mrs. W. W. Buford; First Methodist Church, by R. S. Hayden; Graham Memorial Presbyterian Church, J. W. Cobb; the Christian Church, T. P. Sharp; the Delphian Club, Mrs. Peter Kittel, president; the Child's Study Club, by Mrs. Lynn Smith; Parent-Teachers' Association, by Mrs. Archie Smith; A. C. Bridwell, member General Welfare Office; Young Business Men's Club, by Roy D. Campbell, president; Auxiliary American Legion, by Mrs. M. B. Connaway, president; Christian Workers' Club; United Daughters Confederacy, by Mrs. J. J. Thorp; Ladies Auxiliary Presbyterian Church, by Mrs. John W. Alderson; Auxiliary Baptist Church, by Mrs. A. L. Harris; Auxiliary Episcopal Church, by Mrs. H. A. Knight; the Musical Coterie, by Mrs. H. W. Gregory, Sr.; Red Cross Chapter, by E. B. Ragland; Public Welfare, A. F. W. C., by Mrs. John I. Jones; Rotary Club of Forrest City, by E. J. Butler, acting president; Local Post, American Legion, by Finos McDaniel; City of Forrest City, Ark., by Charles D. Buford, mayor; Works Progress Association; Auxiliary Methodist Church, by Mrs. W. H. Buford; Auxiliary Christian Church, by Mrs. T. P. Sharp; Auxiliary St. Francis Catholic Church; St. Francis County, Ark., by E. A. Rolfe, county judge.

REPORT OF COMMITTEE ON IRRIGATION AND RECLAMATION

Mr. CHAVEZ, from the Committee on Irrigation and Reclamation, to which was referred the bill (H. R. 8817) to amend an act entitled "An act to authorize the construction of a Federal reclamation project to furnish a water supply for the lands of the Arch Hurley Conservancy District in New Mexico," approved August 2, 1937 (Public, No. 241), reported it without amendment and submitted a report (No. 1415) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. THOMAS of Oklahoma:

A bill (S. 3551) relating to annual appropriations for the benefit of the natives of Alaska; to the Committee on Indian Affairs.

By Mr. TRUMAN:

A bill (S. 3552) to establish a commercial airport in the vicinity of the National Capital; to the Committee on Public Buildings and Grounds.

By Mr. McKELLAR:

A bill (S. 3553) for the relief of James N. Harwood; to the Committee on Claims.

By Mr. BANKHEAD:

A bill (S. 3554) authorizing the appointment of an additional judge of the district court for the northern district of Alabama; to the Committee on the Judiciary.

By Mr. McADOO:

A bill (S. 3555) to provide for the advancement on the retired list of the Navy of John E. Armstrong; to the Committee on Naval Affairs.

By Mr. BARKLEY and Mr. BULKLEY:

A bill (S. 3556) to amend the act entitled "An act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes," approved June 22, 1936, and amended by an act now known as Public Law No. 406, approved August 28, 1937; to the Committee on Commerce.

By Mr. SHEPPARD:

A bill (S. 3557) to authorize the Secretary of War to grant easements for rights-of-way for public roads and streets on and across lands acquired by the United States for river and harbor and flood-control improvements, and for other purposes (with accompanying papers); to the Committee on Military Affairs.

By Mr. McGILL:

A bill (S. 3558) granting an increase of pension to Elizabeth Taylor; to the Committee on Pensions.

By Mr. BULOW:

A bill (S. 3559) to amend the Civil Service Retirement Act of May 22, 1920, as amended, to extend retirement to certain employees of certain Indian schools; to the Committee on Civil Service.

By Mr. BYRD:

A bill (S. 3560) to revise the boundaries of the Colonial National Historical Park in the State of Virginia, and for other purposes; to the Committee on Public Lands and Surveys.

MISUSE OF FEDERAL PATRONAGE AND POSITIONS—AMENDMENT

Mr. HATCH submitted an amendment intended to be proposed by him to the bill (S. 847) to prevent the use of Federal official patronage in elections and to prohibit Federal officeholders from misuse of positions of public trust for private and partisan ends, which was ordered to lie on the table and to be printed.

REORGANIZATION OF EXECUTIVE DEPARTMENTS—AMENDMENTS

Mr. GEORGE and Mr. WALSH each submitted an amendment, and Mr. O'MAHONEY submitted four amendments intended to be proposed by them, respectively, to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which were severally ordered to lie on the table and to be printed.

AMENDMENT TO INTERIOR DEPARTMENT APPROPRIATION BILL—WATER SUPPLY FOR EL MORRO NATIONAL MONUMENT

Mr. HATCH and Mr. CHAVEZ, jointly, submitted an amendment intended to be proposed by them to the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

At the proper place in the bill, under the heading "National Park Service," to insert the following:

"Water-supply and distribution system, El Morro National Monument, not to exceed $4,000."

INVESTIGATION OF PROPOSED PETRIFIED FOREST NATIONAL PARK

Mr. ASHURST submitted the following resolution (S. Res. 240), which was referred to the Committee on Public Lands and Surveys:

Whereas the Board of Supervisors of the County of Navajo, in the State of Arizona, has, by unanimous vote, adopted a resolution petitioning that all the land within the exterior boundaries of and comprising the Petrified Forest National Monument in Navajo County, Ariz., be set apart and designated as a national park to be known as the Petrified Forest National Park: Therefore be it

Resolved, That the Committee on Public Lands and Surveys be, and it is hereby, authorized and directed to institute and conduct a thorough investigation of all questions relating to the necessity, suitability, and feasibility of creating said proposed Petrified Forest National Park.

For the purposes of this resolution the said committee, or any subcommittee thereof, is authorized to hold hearings; to sit and act at such times and places during the sessions and recesses of the Congress until the final report is submitted; to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths; to take such testimony; and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred

words. The expenses of the committee, which shall not exceed $3,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

EXTENSION OF TIME FOR INVESTIGATION AS TO UTILIZATION OF WATER RESOURCES IN ARID STATES

Mr. BANKHEAD submitted the following resolution (S. Res. 241), which was referred to the Committee on Irrigation and Reclamation:

Resolved, That the investigations into the development of irrigation and reclamation and the utilization of the water resources of the arid-land States, which the Committee on Irrigation and Reclamation, or any duly authorized subcommittee thereof, was authorized to make by Senate Resolution No. 65, Seventy-fifth Congress, first session, agreed to February 25, 1937, are authorized to be made at any time during the sessions, recesses, and adjourned periods of the Seventy-fifth and Seventy-sixth Congresses, and the report required to be made by such committee or subcommittee shall be made to the Seventy-sixth Congress. The unexpended balances of the amounts available for carrying out the purposes of such Senate Resolution No. 65 shall also be available for carrying out the purposes of this resolution.

PLAN FOR THE CONSTRUCTION OF THROUGH HIGHWAYS

Mr. McKELLAR. Mr. President, sometime ago Senate bill 3211, to provide for the formulation of a plan for the construction of certain through highways in the United States, introduced by me, was sent to the Secretary of Agriculture with the request for a report thereon. I have the report of the Secretary of Agriculture, dated February 25, 1938, and I ask that the bill to which I have referred, together with the report of the Secretary of Agriculture, be printed in the RECORD at this point.

There being no objection, the bill and the report of the Secretary of Agriculture were ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That there is hereby established a Highway Planning Commission (hereinafter referred to as the "Commission"), to be composed of five members who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be engineers or other persons well qualified by training or experience in the construction and financing of highways and bridges. The Commission shall make a thorough study and investigation with a view to determining the feasibility of, and the best method of, constructing a through highway from Washington, D. C., to New York, N. Y., which will provide an adequate and speedy route of not less than four automobile lanes for motor vehicles between those cities and intermediate points, and will avoid congested areas and intersections with other highways and railroads. The Commission shall investigate and make recommendations with respect to (1) the route for such a highway; (2) the methods of connecting it with intermediate points; (3) the manner and material of its construction; (4) the width and the number of lanes necessary to accommodate the traffic it would be called upon to bear; (5) the acquisition and cost of a right-of-way; (6) the cost of such a highway and methods of financing it; (7) the desirability of charging tolls and the revenue which might be expected therefrom; (8) what part, if any, of the cost should be borne by the States through which the route passes and what portion should be borne by the United States; (9) what kind of vehicles should be allowed to travel over such highway; (10) what should be the width or varying widths of the right-of-way purchased, and whether the portions of rights-of-way not used for the highway may be profitably used for defraying expenses of the highway; (11) who should be charged with the construction of such highway; and (12) such other factors as the Commission deems relevant.

SEC. 2. The Commission shall also investigate and make recommendations with respect to like highways, not exceeding three, running from the eastern to the western part of the United States, one through the northerly States, a second through the Central States, and a third through the Southern States; and not exceeding three running from the northern to the southern part of the United States, one east of the Mississippi River, a second between the Mississippi River and the Rocky Mountains, and a third between the Rocky Mountains and the Pacific Ocean.

SEC. 3. The Commission shall report to the Congress at the earliest practicable date, but not later than January 15, 1939, with respect to the route between Washington and New York, and not later than January 15, 1940, with respect to the other routes, the results of its investigations, together with its recommendations. The Commission shall cease to exist upon the filing of its final report, and all of its books, records, and property shall then be transferred to the Bureau of Public Roads in the Department of Agriculture.

SEC. 4. The members of the Commission shall receive compensation for the time actually spent by them in the work of the Commission, at such rate as may be fixed by the President, but not exceeding $10,000 a year. Any vacancy occuring in the Commission shall be filled in the manner of the original appointment. The Commission is authorized to make such expenditures, and (without regard to the civil-service laws or the Classification Act of 1923, as amended) to employ and fix the compensation of such employees as may be necessary to carry out the provisions of this act: *Provided*, That a list of employees and their compensation be filed with the President and with the Congress every 3 months. The Commission may make use of such information, services, facilities, officers, agents, and employees of any department or agency of the Government as the President shall prescribe.

SEC. 5. There are hereby authorized to be appropriated such sums not exceeding $200,000 as are necessary for carrying out the purposes of this act.

The report of the Secretary of Agriculture is as follows:

DEPARTMENT OF AGRICULTURE,
Washington, D. C., February 25, 1938.

HON. KENNETH MCKELLAR,
Chairman, Committee on Post Offices and Post Roads,
United States Senate.

DEAR SENATOR: Receipt is acknowledged of your letter of January 12 submitting a copy of S. 3211 with request for a report thereon.

This bill would create a Highway Planning Commission of five members, to be appointed by the President, by and with the advice and consent of the Senate. The members of the Commission would be required to be engineers or other persons well qualified by training or experience in the construction and financing of highways and bridges. It would be the duty of the Commission to make a thorough study and investigation as to the feasibility and best method of constructing a through highway from Washington, D. C., to New York City. With respect to such highway, 12 points are enumerated which the Commission would be required to investigate and cover in its recommendations, among which are the route which should be followed; the manner and material of its construction; the cost of a right-of-way and of construction and the methods of financing it; the desirability of charging tolls and the revenue which might be expected therefrom; what part, if any, of the cost should be borne by the States through which the route may pass, and what portion should be borne by the United States; and whether the portions of right-of-way not used for the highway may be profitably used for defraying expenses of the highway.

The Commission also would be required to investigate and make recommendations with respect to like highways, not exceeding three, extending from the eastern to the western part of the United States, one through the northerly States, one through the Central States, and one through the Southern States; and not exceeding three, running from the northern to the southern part of the United States, one east of the Mississippi River, one between the Mississippi River and the Rocky Mountains, and one between the Rocky Mountains and the Pacific Ocean.

The Commission would be required to report to Congress not later than January 15, 1939, with respect to the route between Washington and New York, and not later than January 15, 1940, with respect to the other routes. The members of the Commission would receive compensation at such rate as the President might fix, but not to exceed $10,000 a year. The Commission would be authorized, without regard to the civil-service laws or the Classification Act of 1923, as amended, to employ and fix the compensation of employees necessary for carrying out the provisions of the act. It also would be authorized to make use of such information, facilities, and personnel of any department or agency of the Government as the President shall prescribe. Upon the filing of its final report, the Commission would cease to exist and all of its books, records, and property would be transferred to the Bureau of Public Roads. An appropriation of $200,000 would be authorized for carrying out the purposes of the act.

Gratifying progress is being made in the development of an improved system of connected interstate and transcontinental highways under the policy of cooperation between the several States and the Federal Government inaugurated by the Federal Highway Act of November 9, 1921. Taking the United States as a whole, all of the main highways are being rapidly improved to the standards necessary for the speedy movement of all traffic which seeks, or may seek, to use them. This system includes many routes extending from east to west and from north to south that are available for and in regular use by transcontinental travel. Such routes are convenient of access from all parts of the country, a condition which is necessary for the practical utility of such facilities and which would be lacking in any single route or other limited number of routes. Distributed as they are over the country as a whole, they are equally available for the service of the important, but more local, traffic that moves within each State and between adjacent or nearby States, a traffic which, in aggregate volume, greatly exceeds, and will continue to exceed the total of all transcontinental movement.

This Department recognizes that the existing routes are not completely adequate. However, their inadequacy is not a general condition but one that is localized in the more densely populated areas which lie adjacent to the various metropolitan cities and between such cities that are not far apart. The traffic which causes such congestion as exists, in very large part, has its origins and destinations in such cities. It should be obvious that the relief needed cannot come through the construction of any three east and west and north and south transcontinental lines, but must instead proceed from the construction of more ample facili-

ties outward from the congested metropolitan areas and between such areas that are close together. For this reason, we consider the proposed highway between the cities of Washington and New York more likely to be needed than the transcontinental highways suggested.

It has been the view of this Department and of practically all State highway officials that any future change in policy or enlargement of the investment in highway facilities by the Federal and State Governments should be based on more complete facts than those heretofore available as to the relative improvement needs of the various parts of the existing highway system and of any additional highways or highways of different character that may be required to serve the real economic and social needs of each State and section. It has been the Department's view also that the additional facts needed should include the countinuing costs of serving such needs and the means that may be counted upon to be contributed by all agencies of Government—Federal, State, and local—to support the investment which may be indicated as desirable. These facts are now being assembled as the result of highway-planning surveys made in cooperation with the highway departments of more than 40 States. These surveys are approaching completion and the facts developed by them will show the exact physical condition of all roads, their relative usage by traffic, and relative service to property, and, in great detail, the present revenues and expenditures for road purposes, and the funds that probably will be needed for any proposed future improvement program.

If there is need for special transcontinental highways, such as those proposed by S. 3211, for special highways in any particular section of the country, or for a higher type of highway facility along the northeastern seaboard which appears to us most likely to be needed, such need will be clearly indicated by the traffic and other data which these surveys will provide without the additional expense which would be incurred by setting up a new commission which could only duplicate the work already being done.

Upon reference of the matter to the Bureau of the Budget, as required by Budget Circular 344, the Acting Director thereof advised the Department, under date of February 19, 1938, that "the legislation proposed by S. 3211 would not be in accord with the program of the President."

Sincerely,

M. L. WILSON, *Acting Secretary.*

PROGRESS IN FACT-FINDING HIGHWAY-PLANNING SURVEYS

(Paper presented at the Thirty-fifth Annual Convention of the American Road Builders' Association, Cleveland, Ohio, by H. E. Hilts, Assistant Chief, Division of Highway Transport, United States Bureau of Public Roads, Department of Agriculture, January 20, 1938)

Federal aid for highways has just come of age. When the first Federal Aid Act was passed in 1916 there were only five States in which there was a single improved trans-State highway: Massachusetts, Connecticut, New York, New Jersey, and Maryland. In 1917, due to the requirements of the Federal Aid Act, all of the States had State highway departments but the majority of the departments were only feeling their way toward more scientific and businesslike management of highways. In only a few was there any clear conception of a connected State highway system. In 1916 the total funds spent under State supervision were $74,500,000, of which $41,000,000 were State funds. These State highways were used by some 3,500,000 motor vehicles, of which 215,000 were trucks.

The picture at the end of the generation is of a system of some 537,000 miles under State control, this being made up of 340,000 miles of connected through routes, 178,000 miles of secondary roads, and 19,000 miles of urban streets which are the through-route extensions in municipalities of over 3,000 population. In addition, there are some 2,463,000 miles of roads that are not the responsibility of the State highway departments. In 1936 the total funds spent under the State supervision for all highway purposes were $1,131,151,000. The total State highway income was $1,145,600,000, of which $669,500,000 was net income from current State revenue sources and $476,100,000 from other sources. These highways are now used by some 28,221,000 motor vehicles, of which 4,024,000 are trucks.

If the experience of the past generation with booms and depressions, and with steadily mounting extensions of improved mileage and increasing highway expenditures is a criterion of that which the coming generation is to experience, it would seem to be prudent to take stock of the physical aspects of our present highway plant, find out how it is being used, examine its financing, and see how it fits economically into the national transportation picture.

These are the purposes of the present fact-finding highway-planning surveys conducted by the State highway departments in cooperation with the United States Bureau of Public Roads which in many States are reaching the analysis stage. If these surveys are to fulfill the needs of guiding judgment in the billion-dollar business of highway transport, they cannot be considered in the light of a project that can be finished next Thursday and forgotten by the following Thursday. The analysis must be made in the light of considered judgment based upon a careful and thoughtful analysis of the data. The information should be kept up to date year by year so that the inventory, traffic, and financial data can be used to establish the trends that are the yardsticks to measure highway activities from year to year, with more detailed surveys at long intervals of, say, 10 or 20 years to check up again with well-defined basic fact finding. Consequently the policy of the Bureau of Public Roads is to urge that every State consider basic planning as a distinct and continuing function of the State highway department.

The planning surveys consist of three main phases—inventory, traffic, and financial. The first is a physical inventory of the road and its bridges and all culture that is a source of traffic. It concerns as well the inventory of all grade crossings, both in rural and urban areas, and in sufficient detail to make possible the preparation of a long-time elimination program that will be based on traffic and inherent hazards to traffic. This includes accident analyses by punch cards.

As a result of the inventory, both State and county maps are in preparation that will for the first time present a uniform picture of the highway plant of the country. The State maps will indicate the types of surfacing used on all main roads, the volume of traffic by the customary flow diagrams, and the use of these highways by common carriers and busses.

The county map series at a scale of 1 inch to the mile or larger will indicate all public highways, all rural culture, road types, and administrative classifications, and will indicate traffic use by symbols. All corporate limits will be shown as well as all parks, recreation centers, governmental reservations, and game refuges.

These maps will also form the base maps for an extensive survey of land uses, present and potential, projected by the Bureau of Agricultural Economics of the United States Department of Agriculture, in cooperation with a number of other agencies of the Department, including the Bureau of Public Roads. This survey will produce a classification of land according to its usefulness for agricultural purposes and will be drafted upon the county highway maps to show submarginal areas and areas suitable for agriculture in several degrees of usefulness. Thus the highway planner can coordinate his plans with those of the agricultural planner and avoid conflict of development plans for given areas.

It is expected that they will serve as basic maps for the 1940 census of the country and that used in conjunction with the enumerators' sheets a very complete analysis will be possible of motor-vehicle population, its use of the roads, the delimiting of trade areas, etc.

Many of the branches of the Federal and State Governments are already using tentative copies of county and State maps, and there are many instances where telephone companies, public-service corporations, and industrial establishments have found these detail maps of service.

Straight-line diagrams are now being prepared on about 420,000 miles of the State highway systems. These maps show the center line of the highway as a straight line with the customary railroad method of denoting curvature and with parallel lines to denote grades. They show culture and bridges as well and can be expanded to be used by the maintenance and traffic divisions to show road damage, traffic signs and signals, establish preliminary programs for betterments, to keep visual records of yearly maintenance operations, show types of pavement, width of right-of-way, and roadside drainage structures. They may be used to plot accurate accident-spot maps for field study of accidents and will become more valuable year by year as the accident records accumulate.

The arrangement of punch cards for analysis of all inventory data makes possible the prompt preparation of analysis tables, and the cards have been so designed that the information can readily be kept up to date. The Bureau has prepared 64 analysis tabulations of inventory data which will make possible for the first time a well-defined study of the physical characteristics of the Nation's complete rural highway plant.

There are other projects tied in with the inventory that are in progress in individual States, such as detailed bridge inventory, leading to determination of carrying capacity of bridges, aggregate surveys, and soil surveys.

The objectives of the traffic surveys are to obtain an accurate estimate of the amount of traffic on each mile of rural highway in the country. This involves the determination of numbers, weight, and commodities carried, as well as classification of use of all vehicles and their origin and destination. Naturally the field procedure has varied on the different administrative classifications of roads, so that field costs will reflect the accuracy desired.

On the State systems, key, loadometer, and pit-scale stations were operated. The secondary and tertiary roads were covered by blanket count stations, the number and length of counts depending upon the importance of the station. As a check on traffic-count factors, about 400 automatic recorders were placed on both primary and secondary roads in selected economic divisions of the States. At these stations the volume of passing traffic is recorded for each hour of the day. These records obtained continuously for a period of years will provide an economical basis for studying fluctuations in traffic at strategic points. Variations during 24 hours, 7 days, the year, and for a period of years can be scientifically studied. Individual factors influencing the movement of traffic, as, for example, the long-time trend over many years, the effect of business cycles, and the effect of local economic conditions, can be determined. Later on it is possible that these variations can be predicted. Other analyses of the continuous records will be directed toward the development of the most economical method of sampling traffic. The use of the records for developing short counts is evident. The automatic recorders will serve for traffic analysis as rain and wind gages serve for weather analysis.

The key-station counts were made on the main highways and the heavily traveled secondary roads, generally at intersections and in definite cycles. From these samples the total traffic for the year with its variations can be estimated in vehicles and vehicle-miles. The traffic was classified as foreign (out of State) and local, and by type and size of vehicles. On certain selected days, origin and destination interviews were made or origin and destination cards were distributed.

The loadometer stations were operated adjacent to and at the same time as key stations and at about one-third the number of key stations. These data, which establish the flow of weight on the system by commodities, and origin and destination, have been placed on punch cards and a system of runs has been outlined that permits the preparation of 98 separate analysis tabulations. The cards are designed to make possible similar runs by counties or by routes. These cards have been used to establish the relative movement of bituminous coal by truck in many States and a preliminary study has been made of the flow of weight in an industrial county. A study is being made of trading areas in one State. In this study the data of both passenger vehicles and trucks are used. The data from the key and loadometer stations, properly factored, established the flow by number, classification, and weight (for commercial vehicles) for any desired interval of time on the main system of roads.

Data taken at pit scales located at points on the main roads where truck traffic is heavy and typical of main roads include axle weights, length, height, and width of vehicle or vehicles (as a tractor-truck semitrailer), the tire sizes, wheel base, and commodity carried. Punch cards have been designed to show all data and 184 tables for analysis purposes have been prepared. The data will be useful in ascertaining just what loading practices are used by operators, how many, and where vehicle dimensions are not in accord with legal requirements or with the vehicle's licensed capacity. It will enable a State to check up on maximum gross weights of all vehicles in comparison with tire sizes. It will make possible a check on the actual use where commercial vehicles are licensed for specific use on the roads. These and many other uses can be made of the analysis tabulations in the State. The use of all traffic data, from the national viewpoint, is a most important one because for the first time it will make possible a concurrent study based on samples taken under uniform instructions and guidance for all cooperating States. This analysis should be of use not only to the States and the Federal Government but to truck manufacturers and truck operators as well.

On the main highways and other heavily traveled roads a special party surveys sight distances, both horizontal and vertical, and determines curvature, superelevation, and excessive grades. Specifically, the survey locates hazardous points where surfaces are too narrow, especially at bottlenecks; where curves are of small radius or the superelevation is too small for comfortable driving and every location where sight distance is less than safety demands. In these surveys heavily traveled main highways have been classified into two speed groupings: (1) In nonmountainous territory for comfortable traveling at 60 miles per hour, (2) in mountainous territory where due to the nature of the terrain the highway design will limit the speed to 40 miles per hour, and critical curvature, sight distance, etc., are being recorded for each of these classes. The plotting of these data on straight-line diagrams will show the "sore points" on all main routes which should be eliminated if the objective of safe, comfortable driving is to be fulfilled.

In cooperation with the Association of American Railroads, a survey is being made of all rural and urban grade crossings which carry scheduled train movements, and a complete history is being compiled of the accidents at all rural and urban crossings for the past 5 years. These data will be compiled on punch cards for preparing analysis tables which will permit the classification of all crossings into definite hazard classes based upon experience tables.

The facts obtained from the inventory and traffic surveys are of prime importance in relation to safety studies, but to be useful it is essential that the point of accident be carefully located on the report of the accident. As the first step in this study the National Safety Council and the Bureau have agreed upon a standard form for the reporting of accidents. Unfortunately there is a deplorable lack of uniformity in the regulations and the enforcement of accident-reporting regulations.

One of the studies of the highway-planning surveys is designed as a step toward correcting this condition. It is designed to enable the State to correlate accidents with all the physical elements of the highway on the basis of vehicle-miles of travel. Like the other studies, it uses cumulative facts as a basis for drawing conclusions as to the extent to which the highway design and construction is responsible as a contributing factor in the causation of accidents. The first objective of this study will be to determine the rates of accident occurrence in terms of vehicle-miles at intersections, railroad grade crossings, curves, tangents, etc., taking into consideration such elements as shoulder design, surface types, conditions and widths, and sight distance.

The design and operation of motor vehicles will be studied in a series of investigations which will involve five general phases: (1) Highway capacity; (2) grade ability; (3) passing distance; (4) vehicle behavior; (5) driver performance.

They are arranged in the order in which field work is expected to develop.

The highway capacity studies will develop the actual facility of movement, both of the average and of the individual vehicle, under a variety of conditions of alinement, width, and traffic volume. These studies will produce such fundamental data regarding speeds and spacings of vehicles as may be necessary for use in theoretical considerations of highway design. An analysis is now being completed of the first study undertaken by the Illinois Highway Planning Survey in cooperation with the Bureau. This study involves the analysis of about 100,000 separate observations.

The grade ability studies will be a continuation of the field work carried on by the Bureau during the summer of 1937 with the cooperation of the Maryland Highway Planning Survey. It is anticipated that from detailed studies of a number of trucks of which the specifications are definitely known that the maximum performance under various loadings and on various grades can be determined. Then studies will be made on both new trucks and random trucks encountered in regular use on the highway to determine how the performance of the average truck as it actually is driven compares with the maximum performance determined from the test trucks. Both laboratory and field tests will be made on the test trucks.

The passing distance studies will entail a detailed study of the individual vehicles in passing maneuvers on roads of various grades and alinements. The samples taken will include the full range of speeds available to present-day cars, and since passing is a function of sight distance, the studies will be made on tangents, both level and on ascending and descending grades of various percentages, and on curves.

The vehicle behavior studies are designed to show how the highway itself affects the movement of vehicles. There will be included studies to show how details of construction affect vehicular movement and studies to determine how the general alinement of a road affects driving.

Driver studies will include determination of the period termed "perception or judgment time," and such other data as may be required to demonstrate the minimum distance which may be called a safe sight distance.

To return to our planning survey phases, you will recall that they included a financial survey. The objectives are: (1) The determination of the present and probable future sources of revenue for the operation of adequate highway system within the States, and (2) the determination of equitable bases for the levying of specific highway-use taxes based on present use and benefits derived from the highways by various classes of users.

The four phases of the financial survey are: (1) A study of income, expenditures, and debts of the State and of all the subdivisions within the State, including counties, townships, and municipalities, as well as overlapping jurisdictions such as water and sanitary districts, school districts, etc.; (2) a study of the location or place of ownership of taxable motor vehicles; (3) a road-use study; and (4) a road-life study.

The fiscal study will show who pays the taxes, how they compare with taxes for other benefits, and what proportion of the highway taxes is allocated to the main and local roads and city streets.

The motor-vehicle allocation study, based on an analysis of questionnaires received from motor-vehicle registrants, will show the location and occupation of the person paying motor taxes and what proportion each group (urban, small town, or rural) is paying of the total.

The road-use study, in which a selected percentage of drivers in each of the groups mentioned above is interviewed, will show whether these different classes of drivers are getting service from the roads in proportion to the taxes they pay.

The road-life study is made from records in the State highway department and is usually confined to roads on the main State system. Its two main objectives are the determination of the probable average service life and rates of retirement for each type of surfacing in order that the future necessary reconstruction can be forecast and a determination made of the annual roadway cost for the several types of surfaces. Summaries of the construction and retirement year by year are made in order that "life tables" and curves can be computed and the probable average life determined. In this respect the work is similar to that of the life-insurance actuary who calculates human life expectancy tables. To determine the annual cost, the investigators ascertain the probable average life, the maintenance cost, the probable salvage value, and the construction cost, as all of these factors bear on the annual roadway costs.

To January 1, 1938, in the 44 cooperating States, about 80 percent of the 2,900,000 miles of the rural highways had been inventoried. Curvature, superelevation, sight distance, and grade surveys were completed on 70 percent of the 326,000 miles of the main traffic arteries scheduled for coverage.

Drafting work on 2,981 county base maps was 52 percent complete. There will be 3,875 sheets in this county series which will serve as base maps for road type, transportation, and land use maps. Two hundred and forty-eight county maps have been approved. Straight-line diagrams will be prepared on about 420,000 miles, and it is estimated that this work is about 75 percent complete.

Many special studies have been made as parts of the surveys, such as the determination of State and county boundaries from existing legal requirements, special traffic studies in urban areas, winter and spring road damage, and the actual as compared with the legal use of commercial motor vehicles in States where there are legal use requirements.

Special origin and destination studies have been made for proposed diagonal relocations, bypasses, and parallel routes.

Data have been prepared on State bond issue requirements. Detailed information has been prepared on the dimensions and gross weights of motor vehicles for use in court cases.

Special studies have been made for legislative committees and factual information prepared for their use in outlining legislative tax schedule policies.

Special accident analyses are in progress in several States, and tourist traffic surveys have been made in States where recreation is a major income producer.

Planning survey traffic data have been used in preparing estimates of income from projected toll roads and toll bridges, and in many States the loadometer and pit-scale data have been used in estimating the movement by truck of specific commodities such as bituminous coal.

The broad general aspects of the highway-planning surveys have been presented to you. The surveys have been designed so that all of the fundamental questions involved in a continuing, flexible study of highway transportation problems can be considered.

The use of such a systematic method will not only simplify present procedures but it will also permit succeeding generations to visualize past facts and to more clearly understand the policies that were adopted as a result of the consideration of all these facts.

An Action Program to Advance Safety on the Highways

(Paper presented by Thomas H. MacDonald, Chief, United States Bureau of Public Roads, at the thirty-fifth annual convention of the American Road Builders' Association, Cleveland, Ohio, January 17, 1938)

The advancement of safety on the streets and highways of the Nation requires definite action on many fronts. The desirable objective for the year 1938 is a vigorous, concerted movement to bring into being on an effective scale the measures and methods which the present knowledge of the character and scope of the problems sustains as a sound program. Perhaps the most important single principle developed during the year just closed of extensive study by the Bureau of Public Roads and the Highway Research Board of many phases of this subject is that there is no single cause of accidents. Each accident is the result of causes in combination. There are always present more than a single element and the number of these elements that can and do contribute to accidents is very large. The possible number of combinations of these elements by mathematical calculation produces a potentiality of accidents of a magnitude beyond conception. Probably the failure of the lawmakers to recognize this characteristic of multiple contributing elements in each accident has acted as a powerful deterrent to more effective programs of accident control. Certainly it has given rise to serious delays in formulating and applying sound preventive measures. For example, the hope that a single panacea exists that will stop accidents, although utterly absurd, results in all sorts of cure-all offerings, many of them from so-called experts or near experts. Since there is no single cause there can be no single panacea for accidents. On the other hand, the recognition by the courts of multiple accident-contributing elements has resulted adversely to the imposition of even reasonable penalties upon offenders of the traffic laws. Here the recognition of the contributing factors mitigates to the point of allowing, in many cases, the offender to escape without price the most serious infractions of the law. So widespread is this experience as to lead to the reasonable conclusion that reliance for any great assistance in accident prevention does not lie in the courts as they are now operated in the field of traffic regulation. Sufficient recognition has not as yet been given to the fact that this big problem of street and highway safety throws upon the established routine and traditions of the courts a new social problem of tremendous dimensions with which they are not designed to cope. The processes of the courts are not singled out for criticism in themselves but to illustrate the failure of society as a whole to recognize the tremendous dimensions of the street and highway traffic safety problems and to provide adequate methods and organizations to deal with these problems effectively.

A year ago the Congress directed the Bureau of Public Roads to undertake a study of the problem involved and to submit a report. Acting in cooperation with the Highway Research Board, the Bureau has produced a report or rather a series of reports dealing with the following subjects:

1. Nonuniformity of State motor-vehicle traffic laws.
2. Skilled investigation at the scene of the accident needed to develop causes.
3. Inadequacy of State motor-vehicle accident reporting.
4. Official inspection of vehicles.
5. Case histories of fatal highway accidents.
6. The accident-prone driver.

These reports have all been transmitted to Congress and are now in process of printing. They will be available for general distribution almost immediately. By acting through the Highway Research Board not only the previous studies which had been made by that Board were available, but it was possible to secure the assistance of the individuals who were already working in the several fields of investigation and who have devoted their best efforts to the studies and the resulting reports. Further, a number of the leading authorities, representative of organizations primarily concerned in the traffic safety field, served as an advisory committee to make suggestions as to the scope of the studies and the production of the report.

It is not the purpose of this paper to review the findings of these reports, but on the basis of the material developed to propose an action program for the immediate future and to fix, insofar as possible, the responsibility for the initiation of this program. Neither is it the purpose to prove by the use of statistical material the urgent necessity for enlarging, and quickening the tempo of, sound national programs directed toward the control of the tragic record of accidents and fatalities. A responsible attitude of good citizenship and intelligent selfishness places the road builders and road-building industry of the Nation behind every effort to advance the cause of highway safety. In this social problem already grown to such alarming dimensions that it ranks as one of our greatest national problems, while most of the implications and indications are discouraging there is one important encouragement. Under the coordinating influence of the Automotive Safety Foundation, 12 national organizations which are most intimately and directly concerned with traffic safety problems have united in accepting and recommending a comprehensive model program for each State to increase traffic efficiency and to reduce accidents. This program brings into a coordinate entity the elements of legislation, motor-vehicle administration enforcement, engineering, education, training personnel, and research.

It places responsibility for action upon the Governor, the State officials, and the legislature supported by a nonofficial organization of civic and business groups. The combination of official and public groups is conceived to constitute the State safety organization. With this program the Bureau of Public Roads is in entire accord and holds it to be indicated by all the important studies and researches which have been made in this field.

While it may appear to the public at large that inadequate progress is being made in advancing the cause of safety, it certainly holds promise of a greatly accelerated rate of progress that all the most important organizations engaged in this field have agreed upon the program most needed and have joined their efforts toward the common end of making the program effective upon a national scale. The effort of this paper therefore is to reduce to concrete terms the necessary steps to be taken and insofar as possible to suggest the responsibility of initiation of the component parts of the program. Only by action on a national scale can even reasonable progress be made in the reduction of accidents, and in the freeing of our streets and highways from hazards that will permit the enjoyment of their convenience and service.

To carry into effect the existing knowledge in the field of accident prevention, the following eight-point program is submitted. It is not intended to include all of the steps that will be necessary but it does provide a sound foundation for traffic control and regulation in the interests of traffic safety. Neither are the elements of this program independent, but, on the contrary, they are interdependent and to an extent overlapping. Several of these which are important parts of others are given individuality for the purpose of emphasis. The action program recommended follows:

1. Uniform State motor-vehicle traffic laws.
2. Skilled investigation of traffic accidents.
3. The establishment of a uniform system of accident reporting.
4. The establishment of an adequate highway patrol, including the official inspection of vehicles.
5. The establishment of complete and final authority over the issuance and revocation of drivers' licenses.
6. A highway improvement program divided into two general classes of projects: (1) Those of the emergency type, and (2) those for the long-time plan.
7. A plan of State and Federal safety organization adequate to secure on a wide scale the adoption and enforcement of the action program here proposed.
8. A national educational program.

The scope of each element of this program is indicated but not intended to be fully developed in this discussion.

1. Uniform State Motor-Vehicle Traffic Laws

This subject has received long and careful attention. Through the organized effort of the National Conference on Street and Highway Safety a series of five proposed model laws were drafted and have been widely distributed. While a considerable number of States have adopted these laws in whole or in part there yet remains a serious nonuniformity in the major principles which affect highway safety. It is not proposed that the motor-vehicle laws must be identical in every detail, but they must be in those matters which even remotely affect the safety of motor-vehicle operation. The driving habits of individuals tend to become fixed, and particularly in times of stress or emergency the reactions are involuntary. Now that the traffic between communities and between States has become universal the necessity for replacing uncertainty of the law with certainty is self-apparent. The necessity for drivers knowing that they do not face new traffic laws or conditions when they cross State borders cannot be denied. But the existing condition is much more serious than this as indicated in these examples:

Eight States do not require that all motor-vehicle operators be licensed.

Two States fail to provide a minimum-age limit for the driving of a motor vehicle.

Fourteen States permit the operation of motor vehicles by minors 14 or 15 years old.

Twenty-two States do not prohibit the issuance of drivers' licenses to habitual drunkards or narcotic addicts.

Twenty-four States do not prohibit the issuance of drivers' licenses to those afflicted with mental disabilities.

Only 11 States require drivers to be able to read highway warning signs printed in English.

In six States which do require the licensing of motor-vehicle operators, no examination or test is included as a prerequisite to the issuance of such license, and in five others the applicants may be examined only when the official issuing the license suspects they are unfit to drive.

Only 30 States require every applicant for a driver's license to be examined for competency, and in these the examination varies widely.

Only 8 States require a test of vision, 15 a knowledge of traffic laws.

Unquestionably there should be a strict uniform license law issued only after a competent examination, including tests of vision, ability to read traffic signs, knowledge of traffic laws, and demonstration of ability to operate the vehicle.

In only 27 States has there been adopted a manual of uniform traffic-control devices. The rules of the road governing the operation of vehicles upon the highway vary so greatly from State to State that confusion is inevitable. Nine States do not require vehicles to be driven to the right of the highway at all times. Six States do not provide that passing must be on the left of the overtaken vehicle. Passing on curves is specifically prohibited in 36 States and on the crest of hills in 35 States, at intersections with other highways in 34 States. The provisions with respect to the equipment of motor vehicles and physical characteristics, such as length, width, and height, have a wide variation with many inconsistencies.

Further discussion of this point is hardly necessary to indicate the fundamental necessity of a uniform motor-vehicle law between the States in the interests of safety. The only possibility of providing for this part of the action program lies in the adoption by the State legislatures of the necessary uniform laws. A guide to the points of divergence from the uniform code will be found in the bulletin Nonuniformity of State Traffic Laws that will be available for distribution shortly by the Bureau of Public Roads.

2. SKILLED INVESTIGATION OF TRAFFIC ACCIDENTS

An intelligent attack on the highway-accident situation must depend upon two details which, while simple in concept, are not easy of achievement. There must be information as to the circumstances under which each accident occurs, and there must be sufficient analysis to record where, and the manner in which, accidents are happening repeatedly. Accident data are essential to an intelligent and efficient police enforcement program within the urban districts, and the highway patrol can provide important information in the rural districts. Within the urban areas the establishment of especially trained squads is essential which are ready on call to investigate each accident without loss of time.

It may not be practicable at once to establish accident squads in the rural police organization sufficiently extensive to investigate all accidents, but it is possible to establish a number of special accident squads and to train each member of the highway patrol in the correct procedure to investigate and to report accidents so that a high general level of accuracy in reporting may be attained. So long as we depend for accident data on ex parte information and make inadequate provision for the securing of reliable and disinterested reports, just so long will our knowledge of the facts be insufficient and open to question. It will not be possible to secure impressive accident reduction until it is recognized that every accident is the resultant of a number of causes and circumstances in the absence of any one of which the accident would not have occurred or would have had different consequences. No contributing cause is so unimportant that it may be overlooked or dismissed. That only a beginning has been made in this field in a very few States is convincingly revealed by the analysis presented in the case history of the fatal highway accidents now in process of publication by the Bureau of Public Roads. Certainly the establishment of a complete system of accident investigation and reporting will require much more adequate organization than now exists, but the cost will be small in comparison with the losses in life and property.

3. THE ESTABLISHMENT OF A UNIFORM SYSTEM OF ACCIDENT REPORTING

The uniform reporting of accidents is partially covered by the preceding discussion, but requires in addition the adoption of a national standard form. Much work has been done upon the formulation of such a form by the National Safety Council, the Bureau of the Census, and others, and further work is now in progress. It is essential that the terms be clearly defined and the statistical methods employed give accurate results. In the studies made by the Bureau of Public Roads and the Highway Research Board the lack of accurate and sufficient statistical data relating to accidents, even those involving fatalities, was an insuperable obstacle in the production of a more determinate report. For example, the national reports of motor-vehicle fatalities are divided between urban and rural on the basis that urban accidents are those in cities of 10,000 and upward and all others are classified as rural. Taking into consideration the fact that a very large percent of the total population lives in places of, say, 1,500 to 10,000 people, it is inevitable that a large percentage of fatalities reported in the rural category actually involve urban and not rural conditions. This probable discrepancy is further accented by the fact that so large a percentage of fatal accidents involve pedestrians. It is apparent that effective efforts to combat accidents are utterly dependent upon accurate and complete statistical data.

4. THE ESTABLISHMENT OF AN ADEQUATE HIGHWAY PATROL, INCLUDING THE OFFICIAL INSPECTION OF VEHICLES

In most of the States the highway patrol organization for the rural districts, and in most of the cities, the traffic police, are wholly inadequate in numbers and equipment to patrol the mileage over which there is appreciable traffic. This condition of inadequacy in numbers is further aggravated by the addition of so many miscellaneous duties that too little time is left for patrol work. The most complete code of motor-vehicle laws is of little avail unless there is a proper enforcement. An increase in the number of trained patrolmen in every State is necessary.

Only 23 States now provide for the periodical inspection of motor vehicles, but all of these do not include all types. The inspection laws vary in detail but are uniform in the attempt to prevent the operation of mechanically defective vehicles. The establishment of inspection requirements for the safe mechanical condition of motor vehicles and their continuous enforcement is an important "must" in the action program.

5. THE ESTABLISHMENT OF COMPLETE AND FINAL AUTHORITY OVER THE ISSUANCE AND REVOCATION OF DRIVERS' LICENSES

In the development of this discussion the importance of the official charged with the administration of the motor-vehicle laws must be more and more apparent. The lack of essential laws in a large number of States fixing the qualifications of those who are permitted to operate motor vehicles upon the public ways has been recorded. The disclosures in the bulletin upon the accident-prone driver sustain the conclusion that the motor-vehicle administrator must have authority to suspend or revoke the license of operators, and that this power must be exercised. The discretionary authority to revoke licenses should by law be obligatory action in the more serious offenses. Thirty States now require that a license be revoked for conviction of manslaughter; 36 States for driving under the influence of intoxicants; 31 States for failure to stop after an accident; and 25 States for reckless driving. Certainly these offenses justify the revocation of licenses in each State. But the fact of the existence of the accident-prone driver, which is now established beyond reasonable doubt, justifies the suspending or revoking of licenses for much less grave offenses than these enumerated. Twenty-three States have recognized this by providing discretion to suspend or revoke for habitual recklessness or negligence; 22 States provide the same discretionary authority to revoke the license of drivers involved in a serious accident; and 11 States for any sufficient cause. The recognition of the responsibility resting upon the individual driver for accident prevention so far outweighs any other consideration that a sound action program must include as the most effective weapon of society in attacking the problem of accident prevention, the generally exercised power to revoke drivers' licenses for infraction of the traffic laws.

6. A HIGHWAY-IMPROVEMENT PROGRAM DIVIDED INTO TWO GENERAL CLASSES OF PROJECTS (1) THOSE OF THE EMERGENCY TYPE, AND (2) THOSE FOR THE LONG-TIME PLAN

This year the State-wide transport surveys carried on in cooperation between the State highway departments and the Bureau of Public Roads will begin to reach usable form. There will be available for the first time in any State complete information as to the types and conditions of highways, the amount and character of use and all other information which can conceivably have a direct relationship to the safe use of the highways.

The extent to which highway conditions enter as a contributing factor into more serious accidents is unknown and to an extent indeterminate. Much that has been said in criticism of highway conditions confuses the fundamental issues of highway safety and highway capacity measured by speed and number of units. Between 1925 and 1936 highway usage measured in terms of gasoline consumption increased by an estimated amount of 110 percent, while registration in numbers of units increased 42 percent. The gas consumption per registered vehicle has increased just under 50 percent. From these facts it is apparent that motor vehicles are being used on a steadily increasing rate per average unit, and even with these increases the rate of accidents measured in miles of vehicle operation shows a decrease.

With the definite facts of the public use of highways in every community of the Nation, it is readily apparent that the providing of safer highways must be through the elimination over large mileages of those conditions which to the best of our knowledge are most likely to be contributory factors in accidents. This is the keynote to the emergency program which should be put into effect determined by the data of the transport surveys. As an illustration of the type of work included—a rechecking of the system of warning signs and signals, the relocating of these to fit the generally increased speed, the elimination of unnecessary signs, the marking of all curves with safe driving speeds if below the legal limits, the correction of sight distances particularly at intersecting roads, and the widening and maintenance of shoulders. The increased operating speeds demand wider roads and the narrower widths which were reasonably safe for speeds of a few years ago must be supplemented by nonskid material, the shoulders widened, slopes flattened and deep ditches eliminated. For the long-time program, particularly for new multiple-lane roads, all the accepted elements of safe design to permit continuous safe traffic flow, including the division of opposing lanes by a neutral area and the elimination of cross traffic, should be provided. Separation of grades between the railroads and important intersecting highways must be a first consideration.

7. A PLAN OF STATE AND FEDERAL SAFETY ORGANIZATION ADEQUATE TO SECURE ON A WIDE SCALE THE ADOPTION AND ENFORCEMENT OF THE ACTION PROGRAM HERE PROPOSED

Just how the Federal Government fits into the general scheme of an adequate traffic safety organization is not clear beyond debate, but there are considerations of public policy which prompt the suggestion that no wholly new board, commission, or other Federal authority is desirable. To be effective such a Federal organization would have to duplicate organization, authority, and operations now lodged in some Federal department. There is need for a correlation of the Federal activities and relationships between the Federal departments themselves, and between the Federal Government and the States in both the official and public aspects. A plan of Federal organization that can be made effective at once and make use of the going operations of the Government would be the establishment of an interdepartmental committee with representatives assigned from all of the Federal organizations which now have authority over, and responsibility for, elements of the safety problem under the Federal laws. In addition to this official organization there should be an advisory committee composed of representatives of the important national associations which are engaged in the traffic-safety field in its broad aspects. This plan, together with the plan of organization of the State safety authority, would form a complete national structure for the formulation of an adequate Nation-wide program and its effective operation.

8. A NATIONAL EDUCATIONAL PROGRAM

One of the most assuring steps that has been taken in the field of education is the action by the National Education Association and the American Association of School Administrators to prepare a yearbook on safety. This important undertaking will be supplemented by various bulletins and other useful material to be distributed to all the public schools of the country to serve as a background for sound safety instruction to school children. Too much emphasis cannot be placed upon the importance of this whole activity.

One of the most valuable contributions to a permanent safety program which will doubtless result from this organized study by the educators will be an evaluation and decision as to the supplementary safety activities which should be undertaken or continued on an even broader scale in connection with the public schools. One of the greatest hopes for improved safety conditions lies through the implanting of correct thinking and habits in those who are now passing through the public schools. Illustrative of these supplementary activities are the driver training and school patrol sponsored by the American Automobile Association. In addition, a widespread program of public education and of specialized training of traffic officers and engineers is under way by national organizations through funds provided by the Automotive Safety Foundation. This list of organizations is a notable one and has been mentioned in connection with the formulation and recommendation of a safety program for each State.

(These organizations include the following: American Automobile Association, American Legion, Automotive Safety Foundation, General Federation of Women's Clubs, Harvard Bureau for Street Traffic Research, Highway Education Board, International Association of Chiefs of Police, National Automobile Dealers' Association, National Congress of Parents and Teachers, National Grange, National Safety Council, Northwestern University Traffic Safety Institute.)

Every indication points to progress during the coming year in the safety movement far beyond that made in any previous year, but the concept of adequate governmental organization and comprehensive laws must be the objective continuously recognized as fundamental in the establishment of a permanent safety program.

PROPOSED CHILD-LABOR CONSTITUTIONAL AMENDMENT

Mr. VANDENBERG. Mr. President, a few days ago I commented on the fact that the New York State Legislature had again rejected the 1924 child-labor amendment to the Constitution, and I then submitted certain editorials for the RECORD. I wish to submit two additional exhibits this morning, one from the Grand Rapids Press, and one, which is particularly significant, from the Michigan Catholic. I wish to repeat that it is perfectly obvious that the old child-labor amendment is dead and that, if the Senate has any real interest in amending the Federal Constitution in behalf of child labor, the opportunity exists in connection with Senate Joint Resolution 144, when the Senate is ready to take it up.

I ask that the editorials to which I have referred may be printed in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Grand Rapids (Mich.) Press]

FOR THE VANDENBERG DRAFT

When the New York State Assembly last week, for the third time in 4 years, rejected decisively a resolution providing for ratification of the proposed child-labor amendment the New York Times, long favorable to ratification, admitted that "the prospect of eventual ratification is doubtful" and advocated substitution of the new Vandenberg proposal.

This great journal sees distinct advantages in the Vandenberg amendment, one of the most important being that it would be submitted to conventions in the various States rather than to the legislature, and that this would call for a direct vote of the people. Other changes provided in the Vandenberg draft—reducing the age from 18 to 16, giving Congress the power to limit or prohibit, but not the "more ambiguous" power to regulate child labor, and restricting the employment affected to that "for hire"—are viewed as alterations designed to gain substantially the same aims, but removing the objections that have blocked ratification of the old proposal.

Apparently some of the strongest advocates of the original child-labor amendment are now turning to the Vandenberg proposal as the best way out. The Times labels as "unfortunate" the all-or-nothing policy adopted by some proponents of the older measure, leading them into an otherwise "incomprehensible opposition" to the proposed Vandenberg substitute.

The National Child Labor Committee, with headquarters in New York, may be counted as one of these irreconcilables. It finds, however, only two real objections to the Vandenberg plan. It objects to the term "employment for hire" which the Michigan Senator's proposal would insert as a safeguard against possible encroachment of the national authority on the schools and the home. The committee's objection is based on the contention that this might exclude from protection many types of child workers who are not technically employed—"such as those laboring in sugar-beet fields and other forms of large-scale industrialized agriculture, in industrial home work, and at other forms of labor where they work with adults on a piece-rate or contract basis, such as tiff-mining operations." The second reason presented is that the lowering of the age to 16 years would allow no protection to 16- and 17-year-old boys and girls employed in hazardous occupations.

These objections are so obviously silly that they will not bear analysis. If part of the hire of a piecework plan is paid for child labor on farm or in home, then it is labor for hire, whoever gets the money, and would be covered by the Vandenberg plan. So-called tiff mining, we are informed, is not mining at all but mere surface digging, and affecting only a small area in Missouri. The whole idea that a boy must be 18 years of age before he can turn his hand to useful labor springs from a decadent rather than an enlightened attitude. Juvenile-delinquency figures today reveal all too plainly the effects of forced idleness on youth.

The Times, it seems, has now taken leadership in a sensible approach to the whole question of Federal supervision of child labor. It recognizes that objectors to the pending amendment have good reason to fear that its loose construction would give the Federal Government "unrestricted control over all the labor, mental and physical, paid and unpaid, in the home, on the farm, and in the schoolroom, of the 45,000,000 young persons under 18 years of age."

The Vandenberg amendment, pending in the Senate, is designed to overcome these objections and the charge that the present child-labor amendment is a "youth-control amendment." Because of the attitude of the all-or-nothing group, no action has been taken to move this proposal through Congress, and unless some pressure is brought to bear it is not likely it will be approved in this session. It may be hoped, nevertheless, that others will follow the Times in taking the sensible view.

[From the Michigan Catholic, February 24, 1933]

VANDENBERG AMENDMENT WAY OUT?

For the third time in 4 years the lower house of the New York Legislature last week rejected a resolution providing for ratification of the Federal child-labor amendment.

Among citizens who opposed the resolution at legislative hearings were the Catholic bishops of the State. Bishop Edmund F. Gibbons, of Albany, appeared as their spokesman. He quoted Patrick Cardinal Hayes as saying:

"I approved of the child-labor laws enacted by the State of New York, but I regard the proposed Federal amendment as unwise, because it would confer upon Congress excessively broad powers over the lives and activities of persons under 18 years of age—powers which, if they must be exercised by any legislative body, should be reserved to the legislatures of the several States."

After the assembly had defeated the amendment by 107 to 40 votes both houses of the legislature adopted a resolution memorializing Congress to enact the Wheeler-Johnson child-labor bill or any similar measure. This bill would protect States which have adequate child-labor laws against States which are devoid of such legislation.

There is question of protecting three-quarters of a million children against exploitation in industry.

To supply for the lack of progress on the part of some States and to cover the Federal phase of the problem, Senator ARTHUR VANDENBERG has offered a substitute for the old amendment. In 13 years the latter's advocates have not obtained ratification by a sufficient number of States, 36, and it is virtually lost.

The Vandenberg amendment drops the words "regulate" and "labor," which aroused much opposition. It also lowers the age limit from 18 to 16 years. It would give Congress "the power to limit and prohibit the employment for hire of persons under 16 years of age."

This substitute amendment seems to obviate the principal objections to the old amendment. It was reported to the Senate by

unanimous vote of its Judiciary Committee. Senator VANDENBERG declared on the floor of the Senate 2 months ago that it had the approval of some of the strongest foes of the old amendment. Among others he cited the American Bar Association.

Mr. VANDENBERG indicated that he considered the substitute supplementary to the Wheeler-Johnson bill.

Thus far we have not learned of any serious objection to the Vandenberg amendment from Catholic sources. In fact, many Catholics favor it.

BRITISH ATTITUDE TOWARD THE UNITED STATES

Mr. BORAH. Mr. President, I desire to offer for the RECORD an article appearing in G. K.'s Weekly, an English weekly, of January 6, 1938. I wish to read a paragraph before introducing it for the RECORD:

Can we rope them in—

That is, the United States—

to fight, or to threaten to fight, the Japanese? It is a question of the most poignant interest, and it is a question that will be answered in a comparatively short time one way or the other.

The advantages we have in the working of American opinion and policy are very great, and they have been used in the past with so much success that those who think we shall still win the trick have much to say for themselves.

I ask that the entire article be printed in the RECORD in connection with my remarks. I think it interesting and possibly instructive.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

CAN WE ROPE IN AMERICA?

(H. Belloc, in G. K.'s Weekly of January 6, 1938)

The immediate practical question in English politics has nothing domestic about it; for we have in truth no domestic politics. We are so united a country that no domestic question divides us. Our poor are delighted to be managed at a profit by our rich; we are always persuaded that, if any of us suffers, the foreigner anyhow suffers a great deal more and we are quite content with the purity of our public life and the magnificence of our public men.

But in problems involving the said foreigners, and the said public men and ourselves, in matters of international relationship it is otherwise. The Irish affair, which is the most important of all, we get over by taking for granted that it is not there. Ireland is excluded from our press, and not one of us in a thousand pays the least attention to it, or to the Irish race in Australasia, Canada, America, or to the Irish religion. But what a few people do by this time appreciate, and what most people are beginning vaguely to feel is the increasing menace to our wealth. We are menaced by serious rivals who want to get hold of that wealth. One important section of our wealth is derived from tribute beyond Singapore. As money lenders (that is bankers) we have levied on the Far East a regular toll, increasing in magnitude, for nearly a hundred years. We get 5 and 6 percent and over from the labor of yellow men, who are still precariously and have long been securely in our fee. We get profits from our exchanges of goods with them; we get profits out of the insurances upon their lives, upon fire, upon trade risks; we get, or have got, direct payment in salaries from them, paid to our public-school men and whom we send out as managers and officials of every sort; we get a big slice of their taxes as payment for "accommodation," and all the rest of it. Much the greater part of this wealth, steadily pumped out of the Far East, finds its way to England and maintains a respectable proportion of our population, some in idleness, others in not very laborious ease.

The Japanese want this revenue and at the moment of writing are in a fair way to get it. They want to deflect the wealth that is now paid into our pockets as money lenders, managers, insurers, exchangers, officials, and even missionaries, into their pockets. They propose to do this by force of arms, and they have already gone a long way toward succeeding.

Now, how can they be stopped? Only by a superior force in action or by the threat of such force sufficient to give them pause. Can we do that single-handed? We cannot, because we have not sufficient strength. We have no land force available for the purpose, and sea power nowadays does not exercise the control it did 30 years ago. Even if it still could do what used to be claimed for it, we could not use it single-handed, because the attempt to do so would at once arouse an overwhelming coalition against us. The French in their present condition, though they have similar (vastly inferior) interests in the Far East, are not to be relied upon. The hopes we had of Russian interference have failed, the international clique which still rules from Moscow, with Stalin as its vigorous figurehead, knows very well that foreign war would be the end of it.

There remains the United States.

It is commonly said up and down Europe that we can make the United States do what we like. That idea is based upon the vague and most misleading word, "Anglo-Saxon," but also upon the actual and recent experience of the last 20 years. We got the United States into the Great War on our side, and, what was more extraordinary, we managed, in the debt business, to make France the villain of the piece. We have got them to feel with us against modern Italy and we have got them to talk of ourselves as "a democracy"—which is prodigious.

Can we rope them in to fight, or threaten to fight, the Japanese? It is a question of the most poignant interest, and it is a question that will be answered in a comparatively short time one way or the other.

The advantages we have in the working of American opinion and policy are very great, and they have been used in the past with so much success that those who think we shall still win the trick have much to say for themselves. We are the only people of the Old World who use the same printed word, and largely the same spoken word, as the Americans. Much more important than that mechanical advantage is the spiritual advantage of a literature largely in Livingstone, a descendant of one of the first English settlers. Having no common with them and an interpretation (or myth) of general history held largely in common with them.

But much more important than any other factor is the religious factor. Vastly different as we are from the Americans we have in common with them the set of moral ideas proceeding from the men who dominated the English seventeenth century. Those ideas have, of course, been transformed in the last 200 years. You can make more out of a society for the prevention of cruelty to animals or children, or out of the word "democracy," or out of "sanitation," than you can out of the authorized version, and much more than you can out of direct Calvinism, for the latter has now got to be given diluted; but, roughly speaking, we know instinctively what will move American indignation and enthusiasm, even when it does not move our own. American opinion is inflammable, and just as we got up the cry, "To hell with the Hohenzollerns and the Hapsburgs" (which both begin with an "h"), so we might get a slogan for the Pacific.

There are obstacles in the way. The chief of these is the very large American investment in Japan. The next obstacle in importance is the realization by most Americans that we are much more interested than they are in stopping the Japanese advance, and that, if they come in, they will be coming in much more to our advantage than to their own. But those obstacles could be overcome. The mass of the American public has no experience, as we have, of modern war; its enthusiasm is easily aroused; we have already got them to feel a sort of instinctive opposition to the Italians; and the Jews and ourselves combined and in alliance have got them to oppose the third Reich.

Roughly speaking, we are about half way to our goal. Shall we be able to go the remaining half of the way and reach our goal? Shall we rope in America against Japan? That is the important question of the moment, and as this paper is free to tell the truth, the truth can be stated here in its simple and obvious terms. As things now stand, our chances are (to put it in American) about 50-50.

OVER-THE-COUNTER SECURITIES MARKETS—ADDRESS BY SENATOR MALONEY

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD a radio address delivered by Senator MALONEY on February 25, 1938, on the subject of Over-the-Counter Securities Markets, which appears in the Appendix.]

DEMOCRACY OR WHAT?—ADDRESS BY THE SECRETARY OF THE INTERIOR

[Mr. LEWIS asked and obtained leave to have printed in the RECORD a radio address entitled "Democracy or What?" delivered by Hon. Harold L. Ickes, Secretary of the Interior, over a network of the British Broadcasting Corporation on February 22, 1938, which appears in the Appendix.]

THE TENNESSEE VALLEY—EDITORIAL FROM WASHINGTON POST

[Mr. BRIDGES asked and obtained leave to have printed in the RECORD an editorial from the Washington Post of February 28, 1938, under the heading "Favoring Tennessee Valley," which appears in the Appendix.]

LABOR BOARD NULLIFICATION OF UNION AGREEMENTS

[Mr. BRIDGES asked and obtained leave to have printed in the RECORD an editorial of the American Federation of Labor Weekly Service entitled "Labor Board Nullification of Union Agreements," which appears in the Appendix.]

"IT CAN'T BE DONE"—EDITORIAL FROM PEABODY (MASS.) ENTERPRISE

[Mr. LODGE asked and obtained leave to have printed in the RECORD an editorial from the Peabody Enterprise, of Peabody, Mass., under the heading "It Can't Be Done," which appears in the Appendix.]

PUBLIC UTILITY RATES—ADDRESS BY HON. JOHN W. SCOTT

[Mr. MINTON asked and obtained leave to have printed in the RECORD an address on the subject of Public Utility Rates, delivered by Hon. John W. Scott, member of the Federal Power Commission, before the Second Annual Convention of the National Lawyers' Guild held on February 20, 1938, at Washington, D. C., which appears in the Appendix.]

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. WOODRUM, Mr. JOHNSON of Oklahoma, Mr. FITZPATRICK, Mr. JOHNSON of West Virginia, Mr. HOUSTON, Mr. WIGGLESWORTH, and Mr. DIRKSEN were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. TAYLOR of Colorado, Mr. WOODRUM, Mr. BOYLAN, Mr. CANNON of Missouri, Mr. LUDLOW, Mr. TABER, and Mr. BACON were appointed managers on the part of the House at the conference.

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BYRNES. Mr. President, I have no prepared statement to make with reference to the reorganization bill. I desire, however, to make a statement without interruption for a short while, after which time I shall be delighted to answer any questions which may be asked.

While in the business world great corporations have made wonderful strides in organization, and while for the past 20 years State governments have improved their organizations in the interest of efficiency and economy, practically nothing has been done by the United States Government in the reorganization of its executive departments. For 50 years efforts in that direction have been made; for 50 years the matter has been discussed; and yet today we find, as a result of a survey, approximately 130 separate Government units in the city of Washington.

The Constitution provides that the President "shall take care that the laws be faithfully executed." If the President, in an effort to discharge that constitutional duty, should attempt even to visit the various governmental organizations in the city of Washington, I am satisfied he would have to call in the assistance of a private detective to locate them, and that he would not know some of the gentlemen who are in charge of them.

One hundred and thirty organizations! I admit that a number of the organizations are merely nominal, costing the taxpayers very little money; nevertheless, they exist. They exist despite all the efforts of students of government to bring about a change in the Federal Government.

Back in 1894 what was known as the Dockery committee attempted a revision of laws so as to bring about a condition under which all of these agencies would be gathered into a few departments. The Congress failed to do anything about it. Theodore Roosevelt made a very earnest effort to induce the Congress to bring about a change. Woodrow Wilson urged it. During the Harding administration, back in 1921, I was a Member of the House, and, being a member of the Appropriations Committee, I was naturally interested in this subject. During Mr. Taft's administration the Chief Executive had caused a survey to be made, and that survey was brought before committees of the House during the Harding administration. At that time, however, they determined not to act upon the Taft survey but to make another survey. As a result of the investigation, President Harding sent to the Congress, with his favorable recommendation, a bill seeking to reduce the number of governmental organizations, and to bring about efficiency and economy in government. That recommendation was disregarded by the Congress, just as every previous recommendation for 40 or 50 years had been disregarded.

In 1928 Governor Smith, of New York, became a candidate for the Presidency. He had just completed the reorganization of the New York State government. He discussed the subject at some length before he went into the campaign. Mr. Hoover, then in the administration here in Washington, had been a student of the question, and had urged reorganization. Both political parties in that year pledged themselves to a reorganization of the executive departments of the Government. As a result, in 1932 President Hoover sent a message to the Congress urging a reorganization.

I was then a Member of the Senate and of the Appropriations Committee. I served on a special joint committee dealing with this subject with the Senator from Tennessee [Mr. MCKELLAR], the then Senator from New Mexico, Mr. Bratton, the then Senator from Connecticut, Mr. Bingham, the then Senator from Iowa, Mr. Dickinson, and others. On that joint committee from the House of Representatives there were such men as Mr. McDuffie, of Alabama, and Lew Douglas, of Arizona. The joint committee drafted a provision giving to the President power to carry out a detailed reorganization of the executive departments. We had tried to get Congress to do it. For 50 years they had not done it. Instead of reducing the number of commissions, Congress passed laws adding commission after commission, and board after board, until we found ourselves with a top-heavy governmental organization, unable to function with efficiency, and certainly not able to function in the interest of economy.

At the time we urged that this power be given to the President I was in the minority. No partisanship was involved in that question. As a matter of fact, the then Senator from Washington, Mr. Jones, was chairman of the Appropriations Committee at the time. The Senator from New Mexico, Mr. Bratton, and the Senator from Tennessee [Mr. MCKELLAR], were, I think, more active than others in urging that power be given to a Republican President, to Mr. Hoover, to carry out this detailed reorganization. I had no doubt about the wisdom of it.

I remember that the first year I came to the House, away back in 1911, when Mr. Taft was President, the Congress gave to him power to reorganize the Customs Service and to abolish districts. Congress had been trying to abolish some districts and abolish some jobs for 25 years and they never could do it. Collectively, the Congress is always in favor of economy, but individually its Members are rather partial to extravagance.

I found myself, as a new Representative, advised that two offices of collector of customs in my State were to be abolished. The next morning delegations arrived. I thought the safety of the State was in danger—in fact, I began to think that the whole system would crumble—if President Taft should abolish those offices. He had a hearing at the White House in the ballroom. He needed it. Most of the Members of Congress were there. They had talked for years in favor of abolishing those jobs in the interest of efficiency and economy, but when the district of a Member was touched he was forced by delegations from his State to go to the President. I went along with the others. The President, disregarding the arguments presented, stuck by his guns. He abolished the offices of collector of customs in two ports in my State, two political jobs which had been in existence for years, and appointed a civil-service man in charge of them.

The ports have prospered. Nobody has known the difference; but during all the years, whenever any man, in the interest of efficiency and economy, has proposed to reorganize the Governemnt machinery here, an opposing movement was started from downtown in the executive departments, a movement which I can easily understand. Every man fears that reorganization means either the loss of his job or the

curtailment of his power, and human beings do not like either one.

The man would not be in a responsible bureaucratic job unless he had, first, ability, and, second, some political influence. He cannot assert the selfish motives that prompt him. Ostensibly he must have some high patriotic motive to save the country, and he must induce his political friends, the men responsible for his appointment, to go to work to stop the reorganization.

I have yet to talk with reference to reorganization to one man in the Government service who did not make this answer: "Of course, it should be done. I know it should be done, but"— and then, when he joins the great old order of "butters," you will find that he says, "but do not touch my department." He is in favor of reorganization, "but do not touch my department; do not touch my bureau; do not touch my division." If there is the slightest chance that it will be touched, you have a strenuously active man, you have an efficient man, opposing it, for when we talk about the lobbyists who come to Washington and go before the departments, we must remember that the man in the department has the advantage of seeing all these lobbyists and he adopts the most improved method. He is the best of all of them. He profits by experience. As a result, we determined that there was no way to accomplish reorganization except to give to the President the power.

The committee reported the bill. I have here a copy of it. It gave to Mr. Hoover power to make detailed transfers of bureaus and divisions, to combine organizations, and to abolish them. I am going to put the bill in the RECORD. It was passed by this body without objection. It was passed unanimously in June 1932. Republicans and Democrats joined in passing it in the hope of bringing about this reform, and I shall give the names of those who were here at that time.

Mr. BYRD. Mr. President——

The PRESIDENT pro tempore. Does the Senator from South Carolina yield to the Senator from Virginia?

Mr. BYRNES. I yield.

Mr. BYRD. I do not wish to interrupt the Senator, but at this particular point I think he should observe that the authority given President Hoover is very vastly different from the authority granted under the pending bill.

Mr. BYRNES. Mr. President, if the Senator will pardon me, I shall not only make a statement about the bill—which, of course, would be my statement—but I shall read what the measure I am referring to provided. I am referring now to the so-called Hoover Act. I shall tell the Senate the difference between the two measures.

I had spent my time in the House of Representatives, certainly for the first 4 years, in the consideration of this subject of reorganization. I know the difficulties of having such a law enacted. The subcommittee considering the matter discussed at length the question of when such a law should become effective, and, in line with what the Senator has suggested, we provided that when an Executive order was signed by the President and forwarded to the Congress, if either branch of the Congress within 60 calendar days should pass a resolution disapproving such Executive order, or any part thereof, such Executive order should become null and void to the extent of such disapproval.

We determined that that would be necessary in order to get the approval of the Congress. We were optimistic enough to believe it would bring about favorable action. Of course, our optimism was not justified. Whenever we made such provision, there was no hope for reorganization. However, I do not want to be diverted by the question of the Senator from Virginia. I shall discuss that matter later.

I desire to give first the vote upon the question. I shall put into the RECORD, following the bill itself, the names of those who are at this time Members of the Senate and who were Members of the Senate at that time. No Member of the Senate thought then that there was anything terrible about the proposed grant of power. The grant of power did provide, as I have said, that it should not become effective if either House thereafter disapproved an Executive order; but it was unanimously adopted.

Thereafter, in 1932, President Hoover did file certain orders, in which he listed certain departments which he thought should be reorganized. I wish to include in my remarks a summary of the Executive order of President Hoover pursuant to that grant of power by the Congress, which Executive order was sent to the Congress.

There being no objection, the summary of President Hoover's Executive order was ordered to be printed in the RECORD, as follows:

SUMMARY OF HOOVER'S EXECUTIVE ORDER

The Economy Act, approved June 30, 1932, authorized the President to reorganize governmental agencies not created by statute, but subjected this power to a veto by either House of Congress within 60 days after the Executive order effecting the change had been filed by the President. This act provided for consolidation of several merchant-marine bureaus in the Department of Commerce, for reorganization of the United States Shipping Board, and the abolition of the Personnel Classification Board. Under the authority given him by this Economy Act President Hoover, early in December 1932, submitted to Congress a series of Executive orders which he stated would group the existing 58 agencies in "logical and orderly relation to each other as determined by their major functions and purposes."

These orders provided for the creation of a Division of Public Works and a Division of Education, Health, and Recreation to be within the Interior Department. They transferred the Bureau of Reclamation and the Geological Survey to the new Division of Public Works, which was also to take jurisdiction over the Supervising Architect's Office, then in the Treasury Department, the nonmilitary construction activities of the War Department, the Bureau of Public Roads, then in the Department of Agriculture, and the Government Fuel Yards and the Bureau of Mines that were then in the Department of Commerce. Also, the orders provided that the General Supply Committee, then in the Treasury Department, and the duties and powers of the Commission of Fine Arts and of the National Park and Planning Commission and of various other similar agencies were to go to the Division of Public Works. The Division of Education, Health, and Recreation was to take from the Interior Department the Office of Education, the Bureau of Indian Affairs, and the National Park Service, and from the Treasury Department the Public Health Service, and from the Department of Commerce the Division of Vital Statistics. The Department of Agriculture was to establish a Division of Land Utilization to take over the General Land Office from the Department of the Interior and several bureaus and activities from the Department of Agriculture. In the Department of Commerce a Merchant Marine Division was to be organized to take over the Inland Waterways Corporation from the War Department, the Hydrographic Office and the Naval Observatory from the Navy Department, as well as other bureaus and activities. Several other transfers and some abolitions were made by the proposed orders, but enough have been mentioned here to show the general nature of President Hoover's proposals which were disapproved on January 19, 1933.

Mr. BYRNES. Mr. President, when that Executive order was sent to the Congress, the House of Representatives was in the control of the Democratic Party. The Executive order was referred to the Committee on Expenditures in the Executive Departments. That committee promptly reported a resolution disapproving the entire order, the resolution was adopted, and the reorganization was at an end. It did not require much reflection, really, when we got down to considering it, to conclude that that result was inevitable. The minute President Hoover filed that order it meant a change in the status of some gentlemen in the executive departments, who then came to see their friends in the House, and that was the last of the Executive order. Nothing was done. There was not a chance.

Those of us who were then interested in reorganization knew it could not be accomplished that way. Furthermore, Mr. Mitchell, then the Attorney General, filed an opinion which strongly appealed to me. He took the position that, if there was a sufficient delegation of power to the Executive, when the Executive acted his action was law, and that no one House of Congress could set aside that which was law.

In view of this situation, in the closing days of that Congress, when the Treasury and Post Office appropriation bill was pending, I offered an amendment, representing the Committee on Appropriations, changing the measure which had been passed granting to Mr. Hoover the power, and providing as to the date when the order should become effective the following:

Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be submitted to

the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order or orders: *Provided*, That if Congress shall adjourn before the expiration of 60 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 60 calendar days from the opening day of the next succeeding regular or special session.

In offering the amendment making the change I had two purposes in view, first, to remedy the situation which I have described, and to provide that the 60 days in which Congress could act should not run unless the Congress was in session.

When the amendment was proposed upon the floor of the Senate only one Senator criticized it, the Senator from Connecticut, Mr. Bingham. In June, when Mr. Hoover was President, Mr. Bingham had been entirely satisfied with the grant of power, but on March 3, when Mr. Hoover's term was to expire the next day, Mr. Bingham took a different view, and he had some doubts about it then. Mr. Roosevelt was to become President on March 4 at 12 o'clock. But Mr. Bingham was the only man on the floor of the Senate who criticized the amendment.

The Senator from Nebraska [Mr. NORRIS] thought it did not go quite far enough. In urging the adoption of my amendment, he expressed the view that it might be changed to give even greater power to the President.

I wish to put into the RECORD as a part of my remarks, so that the Senate may have the benefit of it, title IV of the Legislative Appropriation Act for the fiscal year ending June 30, 1933, and a list of those Senators now in the Senate who were Members of the Senate when this legislative appropriation act passed without objection and without a record vote.

There being no objection, title IV, of the Legislative Appropriation Act for the fiscal year ending June 30, 1933, and the list of Senators who were Members at the time the act referred to was passed were ordered to be printed in the RECORD, as follows:

TITLE IV—REORGANIZATION OF EXECUTIVE DEPARTMENTS

DECLARATION OF POLICY

SEC. 401. In order to further reduce expenditures and increase efficiency in Government it is declared to be the policy of Congress—

(a) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purpose;

(b) To reduce the number of such agencies by consolidating those having similar functions under a single head;

(c) To eliminate overlapping and duplication of effort; and

(d) To segregate regulatory agencies and functions from those of an administrative and executive character.

DEFINITIONS

SEC. 402. When used in this title—

(1) The term "executive agency" means any commission, board, bureau, division, service, or office in the executive branch of the Government, but does not include the executive departments mentioned in title 5, section 1, United States Code.

(2) The term "independent executive agency" means any executive agency not under the jurisdiction or control of any executive department.

POWER OF PRESIDENT

SEC. 403. For the purpose of carrying out the policy of Congress as declared in section 401 of this title, the President is authorized by Executive order—

(1) To transfer the whole or any part of any independent executive agency, and/or the functions thereof, to the jurisdiction and control of an executive department or another independent executive agency;

(2) To transfer the whole or any part of any executive agency, and/or the functions thereof, from the jurisdiction and control of one executive department to the jurisdiction and control of another executive department; or

(3) To consolidate or redistribute the functions vested in any executive department or in the executive agencies included in any executive department; and

(4) To designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head.

SEC. 404. The President's order directing any transfer or consolidation under the provisions of this title shall also designate the records, property (including office equipment), personnel, and unexpended balances of appropriations to be transferred.

SAVING PROVISIONS

SEC. 405. (a) All orders, rules, regulations, permits, or other privileges made, issued, or granted by or in respect of any executive agency or function transferred or consolidated with any other executive agency or function under the provisions of this title, and in effect at the time of the transfer or consolidation, shall continue in effect to the same extent as if such transfer or consolidation had not occurred, until modified, superseded, or repealed.

(b) No suit, action, or other proceeding lawfully commenced by or against the head of any department or executive agency or other officer of the United States, in his official capacity or in relation to the discharge of his official duties, shall abate by reason of any transfer of authority, powers, and duties from one officer or executive agency of the Government to another under the provisions of this title, but the court, on motion or supplemental petition filed at any time within 12 months after such transfer takes effect, showing a necessity for a survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, may allow the same to be maintained by or against the head of the department or executive agency or other officer of the United States to whom the authority, powers, and duties are transferred.

(c) All laws relating to any executive agency or function transferred or consolidated with any other executive agency or function under the provisions of this title, shall, insofar as such laws are not inapplicable, remain in full force and effect, and shall be administered by the head of the executive agency to which the transfer is made or with which the consolidation is effected.

STATUTORY AGENCIES

SEC. 406. Whenever, in carrying out the provisions of this title, the President concludes that any executive department or agency created by statute should be abolished and the functions thereof transferred to another executive department or agency or eliminated entirely the authority granted in this title shall not apply, and he shall report his conclusions to Congress, with such recommendations as he may deem proper.

DISAPPROVAL OF EXECUTIVE ORDER

SEC. 407. Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be transmitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall sooner approve of such Executive order or orders by concurrent resolution, in which case said order or orders shall become effective as of the date of the adoption of the resolution: *Provided*, That if Congress shall adjourn before the expiration of 60 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 60 calendar days from the opening day of the next succeeding regular or special session: *Provided further*, That if either branch of Congress within such 60 calendar days shall pass a resolution disapproving of such Executive order, or any part thereof, such Executive order shall become null and void to the extent of such disapproval: *Provided further*, That in order to expedite the merging of certain activities, the President is authorized and requested to proceed, without the application of this section, with setting up consolidations of the following governmental activities: Public Health (except that the provisions hereof shall not apply to hospitals now under the jurisdiction of the Veterans' Administration), Personnel Administration, Education (except the Board of Vocational Education shall not be abolished), and Mexican Water and Boundary Commission, and to merge such activities, except those of a purely military nature, of the War and Navy Departments as, in his judgment, may be common to both and where the consolidation thereof in either one of the departments will effect economies in Federal expenditures, except that this section shall not apply to the United States Employees' Compensation Commission.

REPORT TO CONGRESS

SEC. 408. The President shall report specially to Congress at the beginning of each regular session any action taken under the provisions of this title, with the reasons therefor.

NAMES OF SENATORS NOW IN THE SENATE WHO WERE MEMBERS OF THE SENATE DURING THE PASSAGE OF THE LEGISLATIVE APPROPRIATION ACT FOR THE FISCAL YEAR ENDING JUNE 30, 1933 (APPROVED JUNE 30, 1932), AND WHO ANSWERED TO A QUORUM CALL SHORTLY BEFORE THE BILL PASSED THE SENATE—THIS ACT PASSED THE SENATE WITHOUT OBJECTION AND WITHOUT A RECORD VOTE

Henry F. Ashurst, Warren R. Austin, John H. Bankhead, Alben W. Barkley, William J. Bulow, James F. Byrnes, Arthur Capper, Hattie W. Caraway, Tom Connally, James J. Davis, Lynn J. Frazier, Walter F. George, Pat Harrison, Carl Hayden, Hiram W. Johnson, William H. King, Robert M. La Follette, Jr., J. Hamilton Lewis, M. M. Logan, George McGill, Kenneth McKellar, Charles L. McNary, Matthew M. Neely, George W. Norris, Gerald P. Nye, Key Pittman, Morris Sheppard, Henrik Shipstead, Ellison D. Smith, Elmer Thomas, of Oklahoma, John G. Townsend, Jr., Arthur H. Vandenberg, Robert F. Wagner, David I. Walsh, of Massachusetts, Wallace H. White, Jr.

Mr. BYRNES. Mr. President, I also ask to have printed in the RECORD the amendment to title IV of the Treasury and Post Office Appropriation Act for the year ending June 30, 1934, calling especial attention to section 407 relative to the effective date of the Executive order of the President under the terms of this title. This title IV is the amendment that I introduced and which passed the Senate without objection and without a vote on February 7, 1933, and which was approved by the President on March 3, 1933.

There being no objection, title IV of the Treasury and Post Office Appropriation Act for the year ending June 30, 1934, was ordered to be printed in the RECORD, as follows:

TREASURY AND POST OFFICE APPROPRIATION ACT

"TITLE IV—REORGANIZATION OF EXECUTIVE DEPARTMENTS

"DECLARATION OF STANDARD

"SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

"Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

"(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

"(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

"(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

"(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

"(e) To eliminate overlapping and duplication of effort; and

"(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

"DEFINITION OF EXECUTIVE AGENCY

"SEC. 402. When used in this title, the term 'executive agency' means any commission, independent establishment, board, bureau, division, service, or office in the executive branch of the Government and, except as provided in section 403, includes the executive departments.

"POWER OF PRESIDENT

"SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

"(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

"(b) Consolidate the functions vested in any executive agency; or

"(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

"(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

"SEC. 404. The President's order directing any transfer, consolidation, or elimination under the provisions of this title shall also make provision for the transfer or other disposition of the records, property (including office equipment), and personnel affected by such transfer, consolidation, or elimination. In any case of a transfer or consolidation under the provisions of this title, the President's order shall also make provision for the transfer of such unexpended balances of appropriations available for use in connection with the function or agency transferred or consolidated, as he deems necessary by reason of the transfer or consolidation, for use in connection with the transferred or consolidated function or for the use of the agency to which the transfer is made or of the agency resulting from such consolidation.

"SAVING PROVISIONS

"SEC. 405. (a) All orders, rules, regulations, permits, or other privileges made, issued, or granted by or in respect of any executive agency or function transferred or consolidated with any other executive agency or function under the provisions of this title, and in effect at the time of the transfer or consolidation, shall continue in effect to the same extent as if such transfer or consolidation had not occurred, until modified, superseded, or repealed.

"(b) No suit, action, or other proceeding lawfully commenced by or against the head of any executive agency or other officer of the United States, in his official capacity or in relation to the discharge of his official duties, shall abate by reason of any transfer of authority, power, and duties from one officer or executive agency of the Government to another under the provisions of this title, but the court, on motion or supplemental petition filed at any time within 12 months after such transfer takes effect, showing a necessity for a survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, may allow the same to be maintained by or against the head of the executive agency or other officer of the United States to whom the authority, powers, and duties are transferred.

"(c) All laws relating to any executive agency or function transferred or consolidated with any other executive agency or function under the provisions of this title, shall, insofar as such laws are not inapplicable, remain in full force and effect, and shall be administered by the head of the executive agency to which the transfer is made or with which the consolidation is effected.

"WINDING UP AFFAIRS OF AGENCIES

"SEC. 406. In the case of the elimination of any executive agency or function, the President's order providing for such elimination shall make provision for winding up the affairs of the executive agency eliminated or the affairs of the executive agency with respect to the functions eliminated, as the case may be.

"EFFECTIVE DATE OF EXECUTIVE ORDER

"SEC. 407. Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order or orders: *Provided*, That if Congress shall adjourn before the expiration of 60 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 60 calendar days from the opening day of the next succeeding regular or special session.

"APPROPRIATIONS IMPOUNDED

"SEC. 408. The appropriations or portions of appropriations unexpended by reason of the operation of this title shall not be used for any purpose but shall be impounded and returned to the Treasury.

"TERMINATION OF POWER

"SEC. 409. The authority granted to the President under section 403 shall terminate upon the expiration of 2 years after the date of enactment of this act unless otherwise provided by Congress."

SEC. 17. The Bureau of Efficiency and the office of Chief of such Bureau are hereby abolished; and the President is authorized to designate another officer to serve in place of the Chief of the Bureau of Efficiency on any board, commission, or other agency of which the Chief of the Bureau of Efficiency is now a member. All records and property, including office furniture and equipment of the Bureau, shall be transferred to the Bureau of the Budget. Appropriations and unexpended balances of appropriations available for expenditure by the Bureau of Efficiency shall be impounded and returned to the Treasury. This section shall take effect at the beginning of the third calendar month after the passage of this act.

SEC. 18. So much of sections 9 and 10 of the act entitled "An act to readjust the pay and allowances of the commissioned and enlisted personnel of the Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service," approved June 10, 1922 (U. S. C., title 37, secs. 13 and 16), as provides for the payment of enlistment allowance to enlisted men for reenlistment within a period of 3 months from date of discharge is hereby suspended as to reenlistments made during the fiscal year ending June 30, 1934.

SEC. 19. (a) The Court of Claims of the United States is authorized and directed, under such rules as it may prescribe, to impose a fee in an amount not in excess of $10 to be fixed by the court for the filing of any petition in any case instituted after the enactment of this act, and for the hearing of any case before the court, a judge, or a commissioner thereof, pending at the time of the enactment of this act.

(b) The court is authorized and directed to charge and collect a fee of 10 cents a folio for preparing and certifying a transcript of the record for the purpose of a writ of certiorari sought by the plaintiff and for furnishing certified copies of judgments or other documents in cases in said court: *Provided*, That not less than $5 shall be charged for each certified copy of findings of fact and opinion of the court to be filed in the Supreme Court of the United States.

(c) The court is also authorized and directed to charge and collect for each certified copy of its findings of fact and opinion a fee of 25 cents for 5 pages or less, 35 cents for those over 5 and not more than 10 pages, 45 cents for those over 10 and not more than 20 pages, and 50 cents for those of more than 20 pages.

(d) The clerk of the Court of Claims shall account to the Attorney General for all such fees and shall deposit such fees to the credit of the Treasurer of the United States in the same manner as is provided in the case of collections by clerks of district courts as provided by section 9 of the act entitled "An act to fix the salaries of clerks of the United States district courts and to provide for their office expenses, and for other purposes," approved February 26, 1919, as amended (U. S. C., title 28, sec. 567).

Mr. BYRNES. Mr. President, as there was no yea and nay vote on title IV of the Treasury and Post Office Appropriation Act for the year 1934, I wish to put into the RECORD the names of the Members of the Senate at that time who are now in the Senate, and who immediately after the adoption of this amendment of mine answered to a roll call, and therefore we may assume they were present. I call attention to the fact that not one motion was made by any Member of the Senate to change the amendment in any way.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

Shortly after the Byrnes amendment was agreed to there was a quorum call. Those Senators now in the Senate who were present at this quorum call are: Ashurst, Austin, Bailey, Bankhead, Barkley, Bulkley, Byrnes, Capper, Clark, Connally, Copeland, Frazier,

Hale, Hayden, La Follette, Lewis, McGill, McKellar, McNary, Neely, Nye, Pittman, Sheppard, Townsend, Vandenberg, Wagner, Walsh of Massachusetts, and White.

The bill as amended was read for the third time and passed without a record vote—also page 3544.

Mr. BYRNES. The names mentioned above are certainly those of very distinguished Senators.

Mr. President, the amendment to the Treasury and Post Office Appropriation Act for the fiscal year 1934, approved on March 3, 1933, we now have in the provision of the pending bill, with this exception, that we do not give the power now that was given then, because we provide that it shall not apply to any of the independent regulatory bodies which are specified in the bill. But then the Senate adopted, without objection, and without even a roll call, a provision for the much greater power conferred in the language which has been set forth above in the RECORD, and I ask that Senators compare them to see the difference.

Mr. President, that was March 3, 1933. Mr. Roosevelt became President on March 4 at 12 o'clock, and thereafter, on March 15, there was enacted an amendment to my proposal. This amendment was attached to the so-called Economy Act—an act to maintain the credit of the United States—title III of which I ask to have inserted in the RECORD at this point, which was approved on March 20, 1933.

There being no objection, title III of the act referred to was ordered to be printed in the RECORD, as follows:

(Public, No. 2, 73d Cong., H. R. 2820)

An act to maintain the credit of the United States Government

Be it enacted, etc.—

TITLE III. AMENDMENTS TO LEGISLATIVE APPROPRIATION ACT, FISCAL YEAR 1933

SECTION 1. Sections 407 and 409 of title IV of part II of the Legislative Appropriations Act, fiscal year 1933, as amended by section 17 of the Treasury and Post Office Appropriation Act approved March 3, 1933, are amended to read as follows:

"SEC. 407. Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order or orders.

"SEC. 409. No Executive order issued by the President in pursuance of the provisions of section 403 of this title shall become effective unless transmitted to the Congress within 2 years from the date of the enactment of this act."

Approved March 20, 1933.

Mr. BYRNES. Mr. President, I ask to have printed in the RECORD a statement showing how Senators voted on the act to maintain the credit of the United States.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Senators now in the Senate who voted on H. R. 2820 of the Seventy-third Congress, "An act to maintain the credit of the United States Government," containing an amendment to the Legislative Appropriation Act for the fiscal year 1933, relative to sections 407 and 409 of title IV of part II. (See p. 165 of the February hearings before the Select Committee on Government Organization; CONGRESSIONAL RECORD, March 15, 1933, p. 471, vol. 77, pt. I.)

Yeas: Adams, Ashurst, Austin, Bailey, Bankhead, Barkley, Bone, Brown, Bulkley, Bulow, Byrd, Byrnes, Capper, Caraway, Connally, Copeland, Dieterich, Duffy, George, Harrison, Johnson, Lewis, Lonergan, McKellar, McNary, Neely, Pittman, Reynolds, Russell, Sheppard, Smith, Thomas of Oklahoma, Thomas of Utah, Townsend, Tydings, Vandenberg, Van Nuys, Wagner, Walsh, and White.

Nays: Borah, Clark, Frazier, McCarran, McGill, and Nye.

Not voting: Davis, Glass, Hayden, King, La Follette, Logan, McAdoo, Norris, Overton, and Wheeler.

Senator Hayden announced that he withheld his vote.

Mr. Lewis announced that if Senator King and the Senator from Colorado were present, they would vote "yea."

Announced pair: Senator Fletcher, of Florida, if present, would vote "yea," and Senator Wheeler, of Montana, "nay."

Mr. BYRNES. Mr. President, I ask Senators to note particularly the wording of the amendment, which has been inserted above in the RECORD. The amendment approved March 20, 1933, amends the date at which an Executive order should become effective, and provides:

SEC. 407. Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission unless Congress shall by law provide for an earlier effective date of such Executive order or orders.

What was the purpose? My amendment had provided that the 60 days should not run unless the Congress was in session. Three weeks later the Finance Committee of the Senate reported this amendment, taking away the limitation which I had placed upon the power, my limitation providing that the President could not sign an order the day before the Congress adjourned, and 60 days thereafter it would become effective.

Mr. President, from what source did that amendment come? It did not come from the Committee on Appropriations; it came from the Finance Committee. It was reported by my good friend the senior Senator from Mississippi [Mr. HARRISON]. On the Committee on Finance at that time there were some very able and efficient legislators, the following Senators: Harrison, King, George, Walsh, Barkley, Connally, Core, Costigan, Bailey, Clark, McAdoo, Byrd, Lonergan, Reed of Pennsylvania, Couzens, Keyes, La Follette, Metcalf, Hastings, Walcott.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. CLARK. I do not wish to interrupt the Senator in view of his request that he be not interrupted——

Mr. BYRNES. Of course, when I mention the name of a Senator I am willing to be interrupted.

Mr. CLARK. Since the Senator has mentioned my name, I ask him to yield.

Mr. BYRNES. I yield.

Mr. CLARK. I should like to call attention to the fact that I was against reporting the bill from the committee, and also voted and made a speech against the bill on the floor of the Senate.

Mr. BYRNES. The measure under consideration was the economy bill, but the Senator did not, either in the committee or on the floor, say a word about this provision.

Mr. CLARK. I was against it. I was against the bill fundamentally, and did not go into details as to specific sections, either in the committee or in the Senate.

Mr. BYRNES. I am merely stating the history of the matter, and the Finance Committee has no record of a motion to strike out the provision.

However, I will say that I did not think very much of the amendment myself, because I thought the limitation which I provided in my resolution should remain, but then I thought possibly that pride of authorship might be influencing my opinion, and I went along and followed the Finance Committee, and voted for the measure giving the President all the power that was sought to be given him in the measure. In addition the power was given him to change any regulatory body or commission, and it was provided that the Executive order should become effective after 60 days if Congress was not in session.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BYRD. In view of the fact that the Senator from South Carolina mentioned my name I think he should read the declaration of standards of that act, which is as follows:

The Congress hereby declares that a serious emergency exists by reason of the general economic depression, that it is imperative to reduce drastically Government expenditures, and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Mr. President, I voted for that measure at that time believing that in the crisis which confronted the country in 1933 it was essential to reduce governmental expenditures. I voted for it, but instead of the expenditures being reduced under this measure the expenditures of government were nearly doubled in the period of the term of the law.

Mr. BYRNES. Mr. President, the statement as to the standards is absolutely correct. The statement as to standards would stand good today. Emergency exists in Government expenditures now.

Mr. BYRD. Mr. President——

Mr. BYRNES. Just one moment. That bill, however, did not provide that that reorganization was to last for the emergency. The bill provided that any reorganization should last for all time.

Mr. BYRD. The bill provided, Mr. President, that it should last for 2 years.

Mr. BYRNES. No, Mr. President; the Senator has not read the language correctly. What the bill did was to give to the President 2 years in which to sign an order, but once it was signed the revision and the reorganization had no limit to it. The purpose was to limit the time in which it could be done and ordered, just as it is limited in the pending measure. If the Senator will take the trouble to read the law he will see that it provides for reorganizing the Government and merging departments. There is no provision in the law providing that at the end of 2 years we should unmerge them and unscramble them and send them to the place whence they came.

Mr. BYRD. Mr. President, the Senator overlooks the fact that at the end of 2 years the Congress would again assume the control of the departments, but within the 2 years any bill passed by Congress would be subject to a veto, and it would take a two-thirds vote to overcome the veto.

Mr. BYRNES. Mr. President, Members of the Senate can answer that proposition. We know that whenever we pass a law repealing anything the President can veto it, and whether it is 2 years or 3 years or 20 years after the passage of the law there must be a two-thirds vote of Congress to override a veto. I would not even discuss that.

I have placed in the RECORD the names of the Senators on the floor of the Senate who voted for the measure. Not one man moved to strike out, to add to, or even restore the limitation that I had put upon it, and on the passage of the bill giving this immense power to President Roosevelt, this terrible power, as some now call it. Here is the roll call, which I have already placed in the RECORD. Let me read it again: Adams, Ashurst, Austin, Bailey, Bankhead, Barkley, Bone, Brown, Bulkley, Bulow, Byrd, Byrnes, Capper, Caraway, Connally, Copeland, Dieterich, Duffy, George, Harrison, Johnson, Lewis, Lonergan, McKellar, McNary, Neely, Pittman, Reynolds, Russell, Sheppard, Smith, Thomas of Oklahoma, Thomas of Utah, Townsend, Tydings, Vandenberg, Van Nuys, Wagner, Walsh, and White.

Nays: Borah, Clark, Frazier, McCarran, McGill, and Nye.

In addition the pairs were the Senator from Utah [Mr. King] and the Senator from Colorado [Mr. Costigan], who, if present, would vote "yea". The Senator from Florida [Mr. Fletcher] had a pair with the Senator from Montana [Mr. Wheeler], who, if present, would vote "nay."

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BAILEY. I ask the Senator if the bill to which he is referring was not placed before us upon a formal message from the President in which he promised to reduce the expenditures of the Government by $500,000,000, as promised by him in the campaign of 1932?

Mr. BYRNES. Mr. President, I do not recall the statement of the President as to any particular amount, but undoubtedly that was part of the economy bill which did provide for a reduction in expenditures for veterans and for salaries of employees, and everything else. But as for the reorganization amendment, it was even stronger than the one that the Senator had voted for on March 3.

Mr. BAILEY. Very well, let it be said that it is the same bill, and all that. The motive for that bill and the justification for my vote was the express promises that the expenses of the Government would be reduced according to our promise in the campaign. I distinctly remember the President said the expense of the Government could be reduced by 25 percent. That was the motive then. Is that the motive now, I will ask the Senator? Then I am going to ask him another question. The bill to which he referred was passed. What was done about it? What did they do? I will ask the Senator the two questions.

Mr. BYRNES. I yielded to the Senator to make a statement, inasmuch as I mentioned the Senator's name. In a moment I will get to the matters he referred to.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. BYRNES. I would rather not yield now, but proceed in the way I prefer. I do not wish to be diverted at this time.

The next statement I desire to make will answer the Senator's question. Following the passage of that bill the President undertook to provide for certain measures, and he filed altogether some 27 Executive orders. He consolidated a number of the farm lending agencies into the Farm Credit Administration. He abolished the Shipping Board and transferred its functions to the Department of Commerce. He abolished the Federal Board for Vocational Education, the Federal Employment Stabilization Board, the Board of Indian Commissioners, and a number of other agencies. He provided for the creation of the office of National Parks, Buildings, and Reservations in the Interior Department to take over the functions of a number of other agencies that were abolished. The Bureaus of Immigration and Naturalization in the Department of Labor were consolidated. There was the consolidation of the Bureau of Internal Revenue and the Bureau of Industrial Alcohol in the Treasury Department. There was the creation of the Division of Disbursement and of the Procurement Division in the Treasury Department, centralizing these activities.

He abolished the Bureau of Insular Affairs in the War Department, whose functions were transferred to the new Division of Territories and Island Possessions in the Interior Department.

Then we can recall what occurred. Congress began the consideration of measures submitted to us by the President.

Mr. BYRD. Mr. President, the Senator has read a list of consolidations. Should he not also read the list of new agencies created by Executive order during the same period?

Mr. BYRNES. No; the Senator can do that in his time if he pleases. I do not have them, but I do not have any objection to having them read. I have already said there were over 130 and that there were far too many. That is why I want to have this measure pass, so as to prevent the list from growing even larger.

Regardless of what the President did, my conception of this Government has been that there is no excuse for the existence of any commission or board, other than a regulatory board, of quasi-judicial functions outside of the regular departments of the Government. Every board and every commission should be in some department, under a head, who sits at the Cabinet table of the President, so that the President can know what is going on in this organization and that organization. Even as far back as 1812 this problem was recognized.

STATEMENT OF PRESIDENT JAMES MONROE IN 1812 WHEN OPPOSING REMOVAL OF THE PATENT OFFICE FROM THE DEPARTMENT OF STATE

I have always thought that every institution, of what nature soever it might be, ought to be comprised within some one of the departments of Government, the chief of which only should be responsible to the Chief Executive Magistrate of the Nation. The establishment of inferior independent departments, the heads of which are not, and ought not to be, members of the administration, appears to me to be liable to many serious objections, which will doubtless occur to you. (2 American State Papers, Misc., p. 192.)

How in the world can he know in this day what is going on? I had no objection to the power given in the previous measure and I have no objection to the power given in the present measure. I am not saying that the President did what he should have done under it. I will never say that. But when the Congress in 130 years cannot perform an effective reorganization, then I know the troubles that our President had. But he did abolish some agencies. I know that we must give to him the power or else forever abandon any idea of reducing and revising.

In reply to the statement that the President did nothing, something can be said in mitigation. We recall what took place. We were in the midst of the depression. We were

considering some way to keep the homes of our people from being sold under mortgage, and the farms from being sold under mortgage. We were considering relief. The bank situation claimed the attention of the President, so he could not give the time necessary to everything that had to be done. I think there is a great deal to be said for him, just as there is a great deal to be said for Mr. Hoover, because when we passed the resolution giving to Mr. Hoover that power, it was June 1932, and the campaign was on in a few weeks thereafter. I want to be fair enough to say that I know that in the midst of a political campaign a Republican President could not give the consideration to reorganization matters that they deserved. But these orders were signed, and as a result some headway was made.

I make that statement in order to be fair to Mr. Hoover.

I hold in my hand the messages of Mr. Hoover to the Congress. I greatly regret that Mr. Hoover now has a different view about this situation. He made as fine a statement to the Congress of the necessity for such legislation as has been made by anyone. He called attention to the fact that probably no legislative body, no matter how wise and able, could undertake this kind of reorganization with reasonable prospect of success. He called attention to the influence that was always brought to bear by men in the departments who feared a curtailment of power.

Last fall, after this bill was reported, much to my regret there seemed to be a disposition to see a little politics in this matter. The gentleman—not entirely a forgotten man—who was the candidate of the Republican Party for President last year, gave out a statement in which he criticized this bill. A political meeting was held in response to a call which he had issued to the Republican Party for unity. That call for unity indicated that he thought he saw a little discord in the Democratic Party. In that great call for unity he said:

> Now, the President has just called a special session of Congress. In making his announcement, he outlined commendable purposes. We all agree with them. That makes it unanimous again. But how is he going to achieve them? First, of course, he asks for more power.
>
> His Government-reorganization bill, regardless of what he has said about it, has for its main purpose the placing of practically every Federal employee under the thumb of the President, to be hired and fired at his discretion.
>
> It would also place the semijudicial commissions under the control of the Executive. It will precipitate another controversy just as important as that which occurred in regard to the Supreme Court, because once again he strikes at the very heart of constitutional representative Government.

Those of us who followed the campaign appreciated that the Governor of Kansas was not very familiar with the affairs of the National Government; but when he was making a formal call for unity in his party, at least he should have taken the trouble to read the bill.

That bill had been introduced in August by the late Senator Robinson, and it specifically exempted the organizations which the Governor of Kansas stated were included in it when he made his call for unity. When he did that, it was just too bad, because we had an unusual situation last fall. Mr. Landon made the call for unity in the party. There was one gentleman who did not like any such plea on the part of the Governor of Kansas. There came from California another gentleman, who went to Syracuse University and took that opportunity to make a speech about the reorganization bill. Of course, the two gentlemen to whom I refer knew that just prior to that time there had been a division in the Democratic Party and it was pleasant to their ears. It was the first time they had had any hope in a long time; and, encouraged in that hope and stimulated by it, they wanted to attack. What could they say?

Mr. Landon could say anything, as the statement proved. He could say directly the opposite of what was in the bill. But Mr. Hoover could not say that. He could not say the bill was granting too much power when he had pleaded for that power and the Congress had given it to him. The Senator from Oregon [Mr. McNARY] had voted for it, and the Senator from Michigan [Mr. VANDENBERG] had voted for it, together with all the Democrats who voted for it. No; he could not say that, so he had to say something else. Certainly he had to say something, and not let this newcomer do all the calling for unity, so he said this:

> Let me add a word upon the plan now before Congress for reorganization of the Federal Government. It proposes to abolish the Civil Service Commission, which has for 50 years given fine service and held high standards of training and freedom from politics in public service. The new plan proposes to substitute one-man control. No matter what the words of that bill may purport to mean it is clear that the plan is to destroy the progress we have made and substitute personal political control.

On February 17, 1932, that same gentleman had sent a message to the Congress asking us to do exactly what he was condemning—the appointing of a single administrator for civil service. Let me read what he said:

> I recommend, therefore, that the Congress provide for—
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> • • • • • • •
>
> (b) adoption of the general principle that executive and administrative functions should have single-headed responsibility and advisory, regulatory, and quasi-judicial functions should be performed by boards and commissions, thus permitting the transfer of certain regulatory functions from executive officials to existing boards or commissions and executive functions from boards and commissions to executive officials.

Then he went on to request that the President be authorized to make transfers, and that several new offices be created, including what? A personnel administrator; and that the Civil Service Commission be made simply an advisory committee.

Mr. Hoover went all the way to Syracuse University to criticize the provision in this bill which proposed to do exactly what he had advocated, and which nobody else had opposed. State governments had done it. But there had to be an opposition.

I am not surprised at the desire of the young men in the Republican Party. They may not be in favor of the New Deal, but they ought to be in favor of a new deal. They are entitled to a new deal to deliver them from such leadership as they have had. If any man had won for himself favorable comment, it was Mr. Hoover, in advocating reforms in government.

Now, what is there about this single administrator, inasmuch as he mentions it? Does it mean abolishing the Civil Service Commission? Who appoints the Civil Service Commissioners? The President of the United States. Does he appoint them for 15 years, as he appoints the Comptroller General? No; they are appointed and hold office at the will of the President.

What can the Civil Service Commission do? It cannot even issue a rule. The President issues the rules under the law, and has done so for over 30 years. The Commission may recommend rules, but the President can throw them out the window if he desires. The President is in charge, and not the Commission. That is why the Commission has not amounted to anything in the administration of the law.

Every corporation in America, following good business judgment, has put its personnel in the hands of an administrator. A commission is just a debating society. They go into a mistrial, and the time for action passes while the jury is out.

Mr. Hoover was citing this bill as a terrible plea for power by the President. If there is any blame attached to it, the blame cannot be charged to the President. What happened was that the committee of the President made a recommendation that the President be given power to cover into the classified service all of the more than 200,000 persons who were outside the classified service, under certain conditions set forth in the bill. The man for whom the employee worked must certify that the employee has rendered good service, and the employee must stand a noncompetitive examination in order to stay in; but if he passes the examination, then he stays. The committee recommended the transfer of all except those whom the President should designate as policy-determining officials.

When the committee came to consider the matter, the late Senator Robinson and other members of the committee asked me, because of my experience with these reorganization bills, to sit in with the committee. We determined that the recommendation of the President's committee was not feasible for several reasons. In the first place, as to this policy-making power, we determined that if there were 200,000 outside the civil service, and the President were given the power to transfer all but those who, in the opinion of the President, were policy making, there would be no change in their status. If they were outside the civil service, their positions would be patronage jobs, and their appointment would be subject to the President.

The Senator from Mississippi [Mr. HARRISON] was present, as well as the Senator from Kentucky [Mr. BARKLEY]. Then we considered whether or not the heads of certain bureaus were policy making, so that when an administration changed, they should change with the administration, and should not remain to handicap the new administration.

We determined upon the language of this bill. It was our amendment, and if there is any blame for it the blame is upon the reorganization committee, and not upon the President.

As soon as we adopted the language of this bill, having in view nothing on earth but that, the cry went up that the Nation was in danger. Many people feared that the Republic would fall. So, in order to ascertain exactly what would be the effect of the bill, I recently wrote a letter to the head of every department. I sent to them the language of section 205 of this bill, and asked them how many places in their respective departments would be affected by this terrible order. I wanted to get the information to present to the Senate.

When I got the information, I found, much to my surprise, that there would be very little effect. I knew that if the bill passed the President of the United States could not determine what positions came under the provisions of the law.

He would have to ask the heads of the departments—the Army, or the Navy, or the Department of Justice, or the Department of Agriculture—to make recommendations as to what positions in their departments came within the provisions of the law. I wanted to find out in advance just what they would say, so as to let the Senate have the benefit of that information.

I found that there were 53 officers in the departments who came within the definition of policy-making officials under this bill. But the 53 are appointed with the advice and consent of the Senate at this time, and therefore they would not be affected. There are only 14 persons in all the departments of the Government who are not appointed by the President, with the advice and consent of the Senate, and who would be affected by the provision in the bill with reference to policy-making officers.

I assumed that in the Department of Agriculture the Administrator of the A. A. A. would be said to be a policy-making officer. On the contrary, I learned, from the letter from the Secretary of Agriculture, that he is not a policy-making official, and that every declaration of policy had to be submitted by him to the Secretary or Under Secretary. He would not come within the definition of this section of the bill. There were only 14 persons affected in all the departments of the Government, who were not appointed by the President with the advice and consent of the Senate; and most of those were in the Department of Justice.

After having written all these letters and received responses—and I shall be glad to show them to any Member of the Senate—I saw that the members of this committee would not accomplish what they had in mind.

Insofar as I am concerned, if any Senator is greatly excited about the provision which we are discussing, and believes that the Republic is in danger, personally I have no objection to eliminating it from the bill. Is it possible that 14 policy-making officials, most of them in the Department of Justice, are going to disturb the whole fabric of the Nation?

Let us see about having a single administrator. Under the provisions of this bill he would be appointed for 15 years; he would be appointed by and with the advice of the Senate. If he should be 50 years of age, he would be able to serve until he was 65, making it almost a lifetime job. Would he be independent? From the standpoint of independence, who would be better qualified to administer the civil-service law, three Civil Service Commissioners appointed at will by the President, removable tomorrow at sight, or an administrator appointed for 15 years?

But it is said the advisory committee will not amount to anything. Frankly, in the discussion of the committee we concluded that it might not be very effective; that the advisory committee might not perform a very important service. We have changed the provision from the form originally recommended. An amendment offered by me provides that the committee which is advisory to the administrator shall have not more than four members of any political party; so that the minority will be ever there to assure independent action. It is provided that the members of the advisory committee shall not have full-time jobs and that they shall have private sources of income so that they will be independent. It is also provided that they must meet at least four times a year, and their compensation cannot exceed $1,500 a year. Their duty will be to watch the administration to see that no partisanship creeps into it; to make recommendation to the Congress and to advise us of anything that goes wrong in the administration of the organization. Whether it will function as I hope it will function will depend entirely upon the appointments which shall be made and which must be confirmed by the Senate. But certainly it will be far better than the system which we now have where the three men or two men and a lady, who are appointed are removable at will, and have little power except to submit recommendations to the President for the issuance of rules.

What else? As I go through the bill there is another provision which has caused much disturbance. It is the one proposing to give the President six assistants. What an awful thing that is. Let me say to the Senate that Calvin Coolidge was the last President who changed the secretariat at the White House. He thought that there ought to be three secretaries, and if our dear old friend Cal Coolidge could recommend three, I think nine are really needed. We are prepared to believe that when President Coolidge recommended three secretarial assistants six more must have been necessary. But, with the growth of this Nation and the centralization of duties and powers and the increased demands on the Congress, the business at the White House has grown. Today the President of the United States, without asking the Congress for a line in the form of legislation, has the power to appoint six additional assistants.

They would have to be appointed under the classified service. They would receive an entrance salary of $8,000 and could receive a maximum of $9,000. Today the President can ask the Appropriations Committee for six, and if the Appropriations Committee reports to give them to him, and Congress adopts the report and the bill is signed by the President, he does not need any more legislative authority. The President felt, however, that he wanted Congress to make express provision to give him the power to make the appointments; and he preferred that all the secretaries should receive the same salaries and all be on the same footing. Therefore, he asked for this provision, which means, at most, a difference of $2,000 in salary for each additional secretary over what he would receive if the appointments were made in the manner I have suggested.

When Congress enacts that provision and it becomes law, whether the President ever gets the additional secretaries at all will depend upon whether or not the Congress will give them to him when he submits an estimate. If the Congress does not give him the money for them, he will have but two, three, or four, or whatever the Congress provides for when he asks for them.

I feel about it just as I do when requests come from the Supreme Court. I have yet to vote against a request for clerical assistance submitted by the Supreme Court in all the time I have been a member of the Appropriations Committee in the Senate and in the House. We must have sufficient confidence in the Supreme Court and in the President to believe that they are not going to ask for any authority of this kind for additional clerical service unless it is needed.

Oh, it is said these would be additional Cabinet officers. That, of course, is absurd. If the President wants a liaison officer he can today send to any department of the Government and temporarily get anyone he desires under the rule and custom which has been followed. I would a thousand times rather have the law provide how many secretaries the President shall have and fix their salaries by law than to have it done in the other way.

Before I undertake to discuss the General Accounting Office, I wish to put into the RECORD, as an instance of the need of reorganization, an Executive order which has been brought to my attention. It was signed by President Roosevelt in 1936 and relates to the preparation of maps.

EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO. 3206, OF DECEMBER 30, 1919, ESTABLISHING THE BOARD OF SURVEYS AND MAPS

Executive Order No. 3206, of December 30, 1919, establishing the Board of Surveys and Maps, as amended by Executive Orders Nos. 3246, 3391, 4547, 5268, and 6918, dated, respectively, March 17, 1920; January 27, 1921; November 29, 1926; January 25, 1930; and December 12, 1934, is hereby further amended to read as follows:

"Under and by virtue of the authority vested in me as President of the United States, and in order to coordinate the activities of the various map-making and surveying agencies of the Government, to standardize the results of such activities, and to avoid unnecessary duplication of work, I hereby establish the Federal Board of Surveys and Maps (hereinafter referred to as the 'Board'), which shall be composed of a representative of each of the following agencies:

"1. Corps of Engineers, War Department.
"2. United States Coast and Geodetic Survey, Department of Commerce.
"3. United States Geological Survey, Department of the Interior.
"4. General Land Office, Department of the Interior.
"5. Division of Topography, Post Office Department.
"6. Bureau of Chemistry and Soils, Department of Agriculture.
"7. Bureau of Reclamation, Department of the Interior.
"8. Bureau of Public Roads, Department of Agriculture.
"9. Office of Indian Affairs, Department of the Interior.
"10. Mississippi River Commission, War Department.
"11. United States Lake Survey, War Department.
"12. International (Canada) Boundary Commission, Department of State.
"13. Forest Service, Department of Agriculture.
"14. United States Hydrographic Office, Navy Department.
"15. Military Intelligence Division, General Staff, War Department.
"16. Federal Power Commission.
"17. Air Corps, War Department.
"18. Bureau of Aeronautics, Navy Department.
"19. Bureau of Air Commerce, Department of Commerce.
"20. Geographic Section, Department of State.
"21. Division of Maps, Library of Congress.
"22. Bureau of Lighthouses, Department of Commerce.
"23. Tennessee Valley Authority.
"24. Soil Conservation Service, Department of Agriculture.

"The individual members of the Board shall be appointed by the heads of their respective agencies and shall serve without additional compensation.

"The Board shall perfect a permanent organization and shall hold meetings at stated intervals, to which representatives of the map-using public shall be invited for the purpose of conference and advice.

"The Board shall make recommendations to the executive departments, independent establishments, and the President for the purpose of aiding in the coordination of all map-making and surveying activities of the Government and in the settlement of questions arising in the executive departments and independent establishments relating to surveys and maps.

"The Board shall establish a central information office in the United States Geological Survey for the purpose of collecting, classifying, and furnishing to the public information concerning all map and survey data available in the various Government agencies and elsewhere.

"The various executive departments and independent establishments are requested to make full use of the Board as an advisory body and to furnish all available information and data called for by the Board."

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *January 4, 1936.*

I found that 24 different branches of the Government deal with map making, maps of all kinds, maps of land and maps of sea, and, I presume, maps of sky. The President, calling attention to that situation, appointed an interdepartmental committee to try to bring about some coordination. I do not know how much has been done along that line, but it is in the direction of economy. The Senator from North Carolina asked me a question with respect to economy, and I said I would come to it.

Of course, there should be economy. The first standard set up by the bill reported by the Reorganization Committee provides that reorganization shall be in the interest of economy to the fullest extent possible with the maintenance of efficiency. That is the standard and that is the only correct standard of government. How much might be saved, nobody knows. Let us consider the States. The administration of the States can be handled easier. I have examined the statistics as to the various States where reorganizations have been brought about.

Mr. BAILEY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from South Carolina yield to the Senator from North Carolina?

Mr. BYRNES. I yield.

Mr. BAILEY. As I understand, the difference is that in the old Economy Act, to which the Senator referred a few moments ago, there was a definite promise and assurance of reduction in Government expenditures, whereas in the pending bill we not only have no such assurance but we have been repeatedly informed that there is no intention and no hope of reducing the expenditures of the Government.

Mr. BYRNES. Mr. President, I think my good friend is referring to the economy law. I have called attention to the fact, but evidently I was not very clear in my statement, that this is in conformity with the resolution agreed to on March 3, before the Economy Act was passed. There was not a word in that resolution that is not in this bill. I know the Senator, who is always fair, will say that in the Economy Act there was not a single reference to reorganization, except the one section which changed my reorganization section by taking away the limitation I had provided as to Congress being in session. The Senator will agree to that?

Mr. BAILEY. I wish to be perfectly fair to the Senator, as I am sure the Senator will be perfectly fair to me and to the Senate. That resolution was adopted in full view of our platform promise in 1932 and of the President's campaign speeches.

This bill is not framed in view of those promises or that platform or the President's speeches. I am calling the Senate's attention to the simple fact that from the beginning of the consideration of this bill more than a year ago—the President's message came to the Congress in January 1937—no one has ever said that there was any intention or any hope of reducing the expenditures of the Government by this reorganization plan. The other resolution was adopted in full light of our pledge made and of our administration coming into power.

Mr. BYRNES. Mr. President, that is an entirely different question. The first resolution, which I have heretofore described, was introduced and passed in June 1932. It was debated and adopted 60 days before Mr. Roosevelt ever was nominated. The Senator from North Carolina, and, I think, every other Senator, voted for it. Later, on March 3, 1933, the reorganization bill was considered. Nobody here ever said that the passage of any measure reorganizing the executive departments would permit a reduction of 25 percent in expenditures. The President never said that.

The President did make exactly the statement that the Senator from North Carolina quoted in a speech at Pittsburgh, and at various other places, but he never said anything about the reorganization section that I had introduced, and I do not think he ever knew of it. I know that back in the days preceding the inauguration, I talked to him about it, and the President, before he ever came down here, asked me to serve with Swager Sherley, of Kentucky, and Lew Douglas in an effort to help him with this subject. Morning after morning I sat with them. I was thinking

about that the other day when I received the letter of Mr. Amos Pinchot, asking the Nation to uphold the Constitution, saying, "They are going to destroy the fundamentals of government and the Constitution is threatened." I said, "It is just wonderful. Think of Lew Douglas and Swager Sherley, and such Communists as they, threatening the safety of the Constitution and making it necessary for some gentlemen to chip in checks to uphold the Constitution threatened by Douglas and McDuffie and Joe Robinson and Sherley and Byrnes. Oh, the Constitution is in a terrible fix with them.'

Of course, we cannot notice all the statements that are made by people like that. I read some of them, and I am amazed that men of intelligence and men with reputations can find it possible to make the statements they made, and the propaganda which has been sent throughout the country.

Mr. BARKLEY and Mr. BAILEY addressed the chair.

The PRESIDENT pro tempore. Does the Senator from South Carolina yield, and, if so, to whom?

Mr. BYRNES. I yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, while it is true that the Economy Act did provide for certain economies by a reduction in salaries—including even those of ourselves, which properly were reduced—and did work economy in the fields with which it dealt, there was nothing in the Economy Act, or in the President's speeches in 1932, or in his message to Congress that precluded the possibility or the desirability of creating additional agencies to meet the emergency which developed immediately after he was inaugurated.

Mr. BYRNES. That is absolutely true. The Senator from North Carolina says nothing has been said about promoting economy. Of course, I have not had the pleasure of talking with the Senator about it; but, as I said, that is the first declaration in the pending bill. The Senator from North Carolina has never talked to me about it. If he had, I would have told him that was my intention, just as it is the first statement in the bill, just as it has been the sole intention of those favoring the bill, just as I have devoted hours and hours and days and days of my time to it. The only purpose I have is that we shall secure economy to the greatest possible extent, while preserving efficiency, and I will say this:

Whenever we promote efficiency we promote economy. I do not quarrel with the President's statement. I have read it, and I know what the Senator has reference to. I thought it was fair and honest, because I would not want the Presi- of the United States to lead anybody to believe that by regrouping Government organizations, by consolidating them, and by abolishing a few of the existing commissions, a large percentage of the total appropriations can be saved. It cannot be done.

If we want to save any large percentage of the appropriations, we shall have to stop appropriating money for functions. Everybody knows that is true. There have been reorganizations in Massachusetts, in Maine, in Tennessee, in North Carolina, in Virginia, in many other States; and by reason of the reorganizations, in some States if you look at the total appropriations you will be misled. The appropriations have increased, but it is not fair to attribute that fact to the reorganization. Let me tell you why.

We today pay pensions. Say we pay a soldier so much compensation. If Congress next week should pass a bill doubling the amount of compensation paid to soldiers, the appropriations would have increased; the appropriation for that purpose would have doubled; but it would not cost 1 cent more to draw checks for twice the amount of money, although twice as much money would be spent. The appropriations would have increased.

The States, just like the Federal Government, have had that problem to deal with. The Senator from Arizona [Mr. HAYDEN] is especially interested in highways. Those things have increased the total appropriations tremendously. If we increase the amount of Federal aid to highways in the various States, it costs very little more money in the Departments in Washington. We cannot simply take the total appropriations and say how much could be saved.

Somebody has said that 10 percent of the $8,000,000,000 could be saved. If that were done, what would it amount to? $800,000,000. If we are to save $800,000,000, there is only one way in which we can do it. We shall have to stop paying pensions, stop aid to highways, stop relief, and so forth. If we say we will take $800,000,000 out of administrative expenses it means that we will take practically all of it, because the administrative expenses amount to only about $1,000,000,000 altogether. We should have to discharge all of the Government employees, and then who would administer the acts passed by Congress?

It is impossible to lay down any hard-and-fast rule, and say that by promoting efficiency, and grouping agencies together, it will be possible to save 10, 15, or even 5 percent of the total appropriations.

Last year I had a notion that in connection with the relief bill I would offer an amendment to provide a saving of 10 percent as to appropriations, excluding fixed charges. I obtained from the Budget Bureau a statement of all the fixed charges; and by the time I got through looking into the matter, after spending hours on it, I saw that I was wrong, and that it just could not be worked out, because it was not fair. When I took into consideration the national debt, and the amounts that are appropriated for fixed purposes by Congress, I saw that a saving of 10 percent could not be made, and I did not offer the amendment. I do not believe in attempting anything that is futile.

When the President said in a press conference that he would not tell anybody that as a result of reorganization there would be any very large percentage of savings, somebody quoted him as saying that the possible saving would not be more than about 1 percent of the total expenditures. One percent of the total expenditures would be $80,000,000. If he will save $80,000,000 a year, I will salute him.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Virginia.

Mr. BYRD. The Associated Press quoted the President as saying that the possible saving would be one-third of 1 percent, or about $30,000,000.

Mr. BYRNES. Well, Mr. President, with all due respect to the President, I will even be vain about the matter and say that I think the Senator from Arizona [Mr. HAYDEN] and I, being members of the Appropriations Committee, would have a better judgment on the subject than would the President. But I will take the Associated Press story as accurate for the purposes of my statement. If reorganization will save $25,000,000, and if we will have responsible government, if we will have the bureaus in the various departments reporting to the President so that he will know what is going on in them, and if it is wrong he can correct it, and if they are not doing anything he can find out about it—if reorganization will result in our having responsible government in this Nation and save $25,000,000, again I will salute it. If I had my way, I would save more money than that, and I believe the President can do it; but I know that the President has not had any opportunity to go into the subject in detail and ascertain what bureaus can be abolished. I do not see how he has the opportunity to do the things he has done and does do.

These experts, after going into the subject, made the statement to our committee that they believed it would take 2 years to determine fairly and justly what changes should be made, because changes should not be made until every interested party had been given a hearing in order to find out the effect of the changes. At first I thought the experts were wrong, but the more I thought of the matter the more correct I believed them to be; that the task required the work of a surgeon, not of a blacksmith. We do not want to destroy functions. Congress has established the functions and directed them to be carried out by the President. It is his job. The Constitution says that he "shall take care that the laws be faithfully executed"; and in order to do it he

ought to be given the very best machinery, and then be held responsible for it.

In closing his message submitting this bill to the Congress last year, the President said:

> In this program I invite your cooperation and pledge myself to deal energetically and promptly with the executive responsibilities of reorganization and administrative management when you shall have made this possible by the necessary legislation.

Mr. President, I have always believed that every President of the United States would want to have, at the end of his administration, achievements to which he could point with satisfaction. I know that even before Mr. Roosevelt became President he was vitally interested in this subject. He was diverted by the depression and all of the legislation which was necessary by reason of it; but when this power expired, he immediately, in 1936, appointed a committee to deal with the subject. I discussed the matter with him at the time. I wanted to see the project go through. He appointed a committee to consider it. They have reported. When the President says he pledges himself to do these things, I believe he is going to do the best he can to accomplish them.

I know this: It is a terrible job. Whenever people talk about giving the President too great power and fear that he will do too many things I do not share that fear. I am only afraid he will not do enough, because I know the power of propaganda. I know Senators on this floor who come to me and say to me, "What is the answer to this? Here is a man in Michigan or Dakota or California or Carolina who writes in and says, 'I am opposed to S. 3331.'" Well, whenever a man writes you the number of a bill you may know that he has heard from Washington. If you get a letter from home about a bill and it does not mention the number of the bill you may give the writer the benefit of the doubt; but if he says "S. 3331," he is just responding to a plea from some office down here to "Write your Senator immediately and save the Nation." That is the test. We have to do that. That propaganda we all know; and the question is whether we are going to rise above it and, in the interest of good government, do this necessary thing.

Now, let me go to the subject of accounting.

Back in 1921 the House of Representatives undertook the consideration of this subject. I was not a member of the committee, though I was a member of the Appropriations Committee of the House. Through 130 years we had had in the Treasury Department a Comptroller and six auditors. They were in the Treasury Department, in a branch of the executive department; and, as you know, the Government existed. The people were reasonably happy. The world was not such a bad world in which to live. But we decided, in the interest of efficiency, that there ought to be a Budget and an Accounting Act. That is what I want in this bill—a budget in one place and an accounting report in another. We had before us the example of every business house that amounted to anything. Every great corporation in this country had developed an organization like this—a comptroller who is a part of the executive branch. He directs the handling of all accounts. He is responsible to the executive. He must be responsible for it.

He administers the fund. Then every year an outside and independent auditor, whether it is Haskins & Sells, or Price, Waterhouse & Co., or anyone else, is employed to come in to audit the accounts of the comptroller and of the corporation to determine whether the money has been improvidently spent or wrongfully spent. He is answerable only to the board of directors and the stockholders and has nothing to do with the comptroller and has nothing to do with the executive.

In the House of Representatives we discussed the English system. We criticize the English at times about many things, but when it comes to government, as a result of their career system in civil service, they have profited by long experience, and they have done some very fine things. We recognized that they had the right system. The Chancelor of the Exchequer is the director of the finances of the Government, and his agency, the Treasury, exercises the current control functions. They have a committee of the legislative body, the House of Commons Committee on Public Accounts, and they have an auditor who is responsible to that legislative body and has nothing to do with the executive functions of day-by-day accounting control. This officer, the comptroller and auditor general, has the same tenure as a judge and specializes in investigations and audits and in reporting the results to the committee on public accounts.

When we went into the consideration of the bill in the House, I was not on the committee, but I followed the activities of the committee. Listening to the debate, I was under the impression that out of it we were going to get for Congress a system like that in Great Britain, namely: An independent audit of the expenditures of the Government.

At that time there appeared before the committee Senator GLASS, Mr. Stimson, and half a dozen others. I shall put into the RECORD as a part of my remarks several statements made by these gentlemen at that time, as showing their views as to what was to be done.

EXCERPTS FROM HEARINGS

SELECT COMMITTEE ON THE BUDGET, HOUSE OF REPRESENTATIVES, SIXTY-SIXTH CONGRESS, FIRST SESSION, 1919

The CHAIRMAN (Mr. Good). Now, as I understand you, so far as the accounting provisions are concerned, you do not feel there ought to be any change insofar as it would take from the Treasury Department, the Comptroller, the six auditors, the Accounting Division, and placing that in an independent establishment.

Secretary GLASS. I see no reason why that should be done and I see a good many reasons why it should not be done.

So far as the independence of the Comptroller and auditors are concerned, they are as completely independent as officers of the Treasury as it is possible for them to be in any circumstances. Their decisions are final and binding. So far as I know and so far as I can learn or believe, no Secretary of the Treasury has ever suggested to a Comptroller or an auditor what his opinion should be on any problem with which he had to deal. The Comptroller of the Treasury and the auditors are just as absolutely independent as it is possible for public officers to be in any circumstances. Their decisions are observed by all. As I stated, they are implicitly relied on and observed, even when they are contrary to the wish or judgment of the Secretary of the Treasury himself.

The CHAIRMAN. It has not been infrequent, Mr. Secretary, that auditors, when they come before committees on appropriations, have quietly advised the members of the committee with regard to things that ought not to be, where they would like to criticize, but they say they do not have the freedom to do it. That is a frequent occurrence. They will not give the facts and do not want to give the facts for the record, and they are not pressed, because they have ventured it with the feeling that members of the committee are only human and they will not ask them to do something against their will that might reflect on some officer in one of the executive departments.

Now, it has been pretty strongly presented to the committee that if we had in the United States a system similar to that of Great Britain, so far as the auditor and comptroller are concerned, the Accounting Division, if it was separate, was independent, these men would have a more independent attitude, and when they discovered inefficiency in a department would come freely with the advice to Congress, and the result would be that the official would correct it. My own opinion is, and I have said to auditors at times, that I thought they ought to take that up directly with the division or the department where they found the inefficiency or the duplications. But we all know the hesitancy on the part of some men to do anything like that.

Secretary GLASS. Well, there should not be, Mr. Chairman. No honest or courageous man ought to fear to report any abuse that he encounters. He ought to do it without any sort of hesitation or fear. (Ibid., pp. 507–508.)

Mr. BYRNS. As a matter of fact, most of this trouble of duplication and overlapping, I think, can be clearly traced to different interpretations made by officers appointed by the Executive rather than any intent on the part of Congress. It seems to me if we had some official directly responsible to Congress for the purpose of making a report to Congress as to whether or not the money has been expended properly and in accordance with the will of Congress, it would be very helpful to Congress. (Ibid., p. 141.)

Mr. STIMSON (Henry L. Stimson). * * * You ought to have somebody who will perform the same function of scrutiny and care and investigation for you that is performed in Great Britain by the controller and auditor general. One thing that I think requires caution about—that is, that the function as I regard it is a post-audit function. I do not think that that man ought to be given duties which would tend toward making him share executive functions. I mean, I think that would be a diffusion of executive duties which would lead to trouble. In other words, I do not think he ought to have the responsibility of saying beforehand whether sums would be expended. That would simply mean the creation of a little subexecutive, a little subpresident, controlling the department. (Ibid., p. 644.)

The Representative from Iowa, Mr. Good, and the Representative from Tennessee, Mr. Joe Byrns, made statements upon the floor. I have read over the debate, and I have the statements of Mr. Good and of Mr. Byrns before me, concerning which I also ask permission to put into the RECORD:

STATEMENTS ON FLOOR OF HOUSE OF REPRESENTATIVES BY MR. GOOD (66TH CONG., 1ST SESS., OCTOBER 17, 1919, PP. 7085–7086)

By creating this department (Comptroller General), Congress will have applied a practical business policy to the administration of the Government's fiscal affairs. Men will be employed as auditors who owe their positions to their training and ability and who do not secure their positions as a reward for political service. They will be fearless in their examinations, and can criticize, without fear of removal, executives who misuse appropriations or whose offices are conducted in an inefficient manner. Congress and its committees will at all times be able to consult with officials of this department regarding expenditures, and from it will be able to obtain the most reliable information regarding the use to which any appropriation has been put or the efficiency of any department of the Government. This independent department will necessarily serve as a check against extravagance in the preparation of the Budget. Those appointed by the President and charged with the duty of assisting him in collecting data and in preparing the Budget will realize that their every act and decision will come under the close scrutiny of the accounting department. If duplications, inefficiency, waste, and extravagance exist as the result of any expenditure, the President will be held responsible therefor if he continues to ask for appropriations to continue such practices. The knowledge on the part of every executive and bureau chief that such an independent and fearless department exists, and that every act and deed they perform will come under the closest scrutiny of this department, will in itself force a much higher degree of efficiency in every department of the Government.

* * * * * * *

The creation of an independent auditing department will produce a wonderful change. The officers and employees of this department will at all times be going into the separate departments in the examination of their accounts. They will discover the very facts that Congress ought to be in possession of and can fearlessly and without fear of removal present these facts to Congress and its committees. The independent audit will therefore, I believe, accomplish a threefold result:

First, it will serve to inform Congress at all times as to the actual conditions surrounding the expenditure of public funds in every department of the Government.

Second, it will serve as a check on the President and those under him in the preparation of his budget.

Third, it will require every Cabinet member to make a study of his department to the extent that he will become master of the work of the various bureaus under him. He will be made to realize what he has not realized in the past—that he will be responsible for the waste and extravagant use of public funds appropriated for the use of his department.

Mr. GOOD. Now, we propose by this plan to have an accounting department for the final audit of all accounts, and that office shall have charge, not of the administrative audits, because in each department there is already an administrative examination and audit, but the auditing force that makes the final audit, and is separate and distinct from the administrative audit force, is transferred to the accounting department.

* * * * * * *

No; it does not mean that he can direct the application. He reports whether it was applied efficiently, whether it was wisely spent. He has no power to direct expenditures. (67th Cong., 1st sess., May 3, 1921, p. 982.)

Mr. BYRNS. [The Comptroller General] will audit the accounts and expenditures and make his report direct to Congress, and also advise Congress as to whether or not money appropriated by it is being expended for the purpose for which it was appropriated. (Ibid, p. 986.)

Those gentlemen thought they were establishing an accounting system which would provide for an independent audit of the expenditures of the Government after they were made.

There have been times when mistakes have occurred in administrative agencies when no one was responsible.

Mr. BAILEY. Mr. President, could that possibly be true, that nobody is responsible for what occurs at times in the administration? Does the Senator wish to insist upon that?

Mr. BYRNES. I will not quarrel with my friend about it. If the Senator thinks it is not possible, the statement will be withdrawn. I want to keep the Senator happy.

Mr. President, I have no criticism to make of the gentleman who was Comptroller General during the years to which I am referring. The Comptroller General is appointed by the President for 15 years, by and with the advice and consent of the Senate. He is removable by joint resolution. That means that, as to his position, it takes not only the action of the Congress but also the approval of the President to remove him.

After Mr. McCarl took charge of the Office the departments saw, as the days went by, the opportunity to transfer the power of decision to him and the trouble began. All through the history of the Comptroller's Office and the Treasury, as shown for 50 years, the effort has been to avoid making decisions which would handicap the auditors in the determination of whether money was spent rightfully or wrongfully. When the Congress enacts a law and provides that money shall be spent, and places a limitation upon it, assuming I am in a department, I may urge that the limitation be not observed since I want to spend the money as I please.

If I go ahead and spend the money and violate my conscience, or if I take a chance and violate the law, that is a risky thing, so I go over to the Comptroller and ask for an advance decision. I talk to one of his lawyers and convince him that really the Congress did not mean to impose this limitation, that we need to spend the money in a certain way. I say to him, "If you will tell me that you will approve it, then we can go ahead and do this very useful and deserving thing." The Comptroller General can override the direction of the Congress and tell the department to spend the money, and if he gives them such an advance decision, under the law the Comptroller General cannot say anything about it thereafter.

When I listened to the debate over the proposed accounting act in 1921 I said:

At last we will have an audit that will inform the Congress about the money that is spent.

Instead of that, we know nothing about it. We have no means of knowing. Before the committee the Comptroller General did say, I state in fairness to him, that he had not submitted a report in 5 years, had not even mimeographed one, because since 1933 he did not have the money. But look at the expenditures for printing and binding under the General Accounting Office and judge whether that is a fact. Still, I say I do not want to argue this matter based upon the failure of an official to file a report, because it does not affect the argument at all.

The question is, Should a man sit in Washington as Comptroller General and as auditor to say to the officials of the departments, "You can do this and do that," or "You can do it this way, and you cannot do it that way," and then no one know whether he did right or wrong? There is no auditor who performs a function like Haskins & Sells, going into the United States Steel Co. and seeing how the comptroller of that corporation spent money this year, whether it was misspent, and reporting to the board of directors and the stockholders. There is no one who does that.

Under the law today the Comptroller General settles claims. In 1936 he settled $160,000,000 of claims against the Government. Is he a legislative officer? If so, when and where could the Congress get the power to settle claims? If anyone is to do it, I would rather see the Senator from Nebraska do it, if Congress is to take over the power to settle claims.

Suppose one has a contract to provide for the construction of a ship in a year's time, with a provision for liquidated damages for every day taken beyond the year? If it shall run over for some time the Navy Department may say, "We will have to deduct $50,000 for liquidated damages and you will have to file a claim for your money." With whom will he file the claim? With the Navy Department? No; with the Comptroller General. Then the contractor goes to the Comptroller General and sits down and says, "What will we settle for?"

Mr. President, after I had been a Member of the House of Representatives, during the 6 years I was out I had experience on the other side of the fence. I represented a contractor in just the fix I am citing, and that is why I know what I am talking about.

I went to the Office of the Comptroller General and I found to my amazement that the Comptroller General had the power to settle claims. I conferred with one of the Comptroller General's lawyers about the matter, and after

we had conferred he said, "How about settling 50-50?" I said, "My client is entitled to his money. I am prepared to show that when work was stopped it was raining, and his mechanics could not work." They said, "We will settle with you 50-50." When I told my client about it he said, "I do not want any trouble with the United States Government. I might not get any more business." So we settled 50-50.

Who knew that? Did Congress know about it? No. Who audits the Comptroller General's accounts? No one. He audits them himself. In 1936 he settled claims amounting to $166,000,000, money of the people, to be paid by an officer of this Government, and if he makes a mistake, it will be buried within the four walls of his office, and not a human being will know whether it was right or wrong, a mistake or fraudulent. Is that right?

Mr. MINTON. Mr. President, who audits the accounts of the Comptroller General in the settlement of this large number of claims?

Mr. BYRNES. He audits them himself. Who ever heard of any business organization saying to a man, "You have the power to spend the money of this corporation; you are the comptroller and you are also the auditor. You audit your accounts yourself"?

Should any man be given the power to participate in a decision to say, "You can spend this money, Mr. Secretary of Agriculture, on this form or that form, and then come back and we will be bound by it, and nobody will know what became of it"?

Congress passed a bill, about which I had occasion to know something, providing for payments to cotton ginners, and the payments were held up in the Department of Agriculture for 3 or 4 months. The Senator from Mississippi asked me about it one day, and I telephoned to the Department and asked about it. They said the Comptroller General had not determined how the payments could be made, what proof he would take. I said, "What has he to do with the proof? Congress directs the executive branch of this Government to do it."

They said, "He insists it cannot be done." He held it up for about 6 months. A deficiency bill was being considered, and I offered an amendment to the bill providing specifically for the payment, so the Comptroller General could not stop it.

Time after time we put into an appropriation bill of the State Department a provision that the President of the United States could spend a certain amount, a small appropriation, for miscellaneous expenses. The act reads "in the discretion of the President of the United States." The Comptroller General says, "That means my discretion," and the State Department has to submit the accounts to him.

When did he become President? Who elected him? If we are to have a super-President, I want to have something to do with the election of the super-President. When the Congress appropriates money and directs how it shall be spent, the Congress is responsible. If they do not want it handled in that way, Congress can change it. Congress can, as it has done, tell the State Department or the Secretary of State that if a man travels he has to travel by the United States Lines, and it is the body to determine the matter. Last year a man in Lisbon wanted to go to South America, and he had to come to New York in order to get to South America so that he could travel on a United States Lines ship.

It took about 3 weeks and the Lord knows how much money for the man to get there.

To make it possible that a check may be made the next step must be taken, which I provide in the bill. I have always been anxious that the Government have an independent auditor. There should not be confusion with respect to this question. A great deal is heard about preaudit. Do Senators know what preaudit means? Preaudit means auditing a voucher after the obligation has been incurred. Most people say that preaudit means that before the official of the Government incurs an obligation it is submitted to an official and is preaudited. Nothing of that kind occurs. If any Senator wishes to look into that matter, I have samples here of every kind of preaudit that is being made. Let me explain how it is done.

I have here a statement of the facts in the case of the Douglas Motor Co., which is located in Arizona. An employee of the Bureau of Animal Industry wants to have a heater installed in a Government automobile. He contracts to have it done. Douglas Motor Co. submits its bill to the Bureau of Animal Industry, and that Bureau makes out a voucher complying with all the regulations. That voucher is sent to the Comptroller General. It is a question of preaudit. The employee of the Bureau of Animal Industry has already gotten his heater in the automobile. The Douglas Motor Co. has already done the work. When there is a preaudit the disbursing officer does not make the payment until the General Accounting Office has indicated the amount it believes to be due the person who rendered the service.

Preaudit means what I have just described. That could not be emphasized too often. The obligation has already been incurred. The preaudit cannot be made until the obligation is incurred. Then, when it gets into the Department, the voucher is brought over to the Comptroller, who is asked for his approval before there is a final payment by the disbursing officer.

How often does that occur? Ninety-six and one-half percent of the accounts of the Government have never been preaudited in any year. That is the high point. The matter of preauditing affects only 3½ percent of the accounts. When one hears about preauditing so much, one gets the opinion that all accounts are preaudited.

Another thing to remember is that there is no preaudit of any account by anyone in the Comptroller's office unless someone in one of the departments asks for it. Therefore, if a man in a department has a bad case, if he has a case which he does not want anyone to know anything about, he goes ahead and spends the money. Why ask for a preaudit? But if he wishes to do something, and his conscience tells him he is going a little too far, he may say, "If I can go over and get those boys to approve it, I can get away with it, because if I get them to approve it now, they cannot say a word hereafter." That is what happens. But as to 96½ percent of the cases, they are post-audited.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. MINTON. The Senator from South Carolina made reference to the settlement of a large number of claims through the Comptroller General's office. I understood him to say that cases to the amount of $166,000,000 were settled in 1936.

Mr. BYRNES. Approximately $160,000,000.

Mr. MINTON. Does the Comptroller General report his audit to the Congress of the United States?

Mr. BYRNES. There has been no report. The report I hold in my hand is the first report the Comptroller General has printed in years. I say again, when we passed the law providing for the establishment of the office of Comptroller General, we thought we would be advised about what was going on in the departments, and could keep up with what was going on. We have not had reports, and he could not make them, because when Congress makes a man a Comptroller or super-President, and keeps him busy telling people how to spend money every day, he is not going to have time to do any reporting. There is no list of audited cases. The information is simply information I have secured. It is undoubtedly accurate, considering the sources from which I obtained it. I do not know, and no one else knows, all that was done in the way of auditing.

Mr. BARKLEY. What is the date of the report to which the Senator referred a moment ago?

Mr. BYRNES. It is for the fiscal year 1937. There were other reports. As I said before, Mr. Elliott stated that since 1933 they have made mimeograph reports. Prior to that there were no annual reports of this kind.

Mr. CLARK. Mr. President, does the law require an annual report from the Comptroller General?

Mr. BYRNES. I will get the law with reference to that matter. The law requires more than that. It requires that

reports be made advising the Congress of his recommendations looking to greater economy or efficiency in public expenditures. I should rather get the law and read the exact language than to make an offhand statement of it:

SEC. 312. (a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

Mr. CLARK. Mr. President, is it the position of the Senator from South Carolina that the Comptroller General's Office, the General Accounting Office, has failed to comply with the law? If so, it would seem to me that the proper method of correcting that would be by changing the personnel in that office. The President has maintained that office in effect for nearly a year after the expiration of the term of office of the first Comptroller General by appointing a proper official. Assuming that the Comptroller General had failed in the proper performance of his duty under the law, the President of the United States now has the opportunity of appointing a proper official, who might be confirmed by the Senate, and who will conform with the law, and correct any abuses that have heretofore existed in the General Accounting Office. That would be a better way to correct the situation than to abolish the General Accounting Office as now proposed in the measure presented to Congress.

Mr. BYRNES. I know the Senator will recall that I prefaced my remarks by making the statement that I certainly would not undertake to enter into a discussion or even comment upon all the complaints that were made by departments to the Comptroller General's Office. I said, furthermore, that I have thought that it would be unfair to do so, in the first place, because of the system that had grown up, that had been forced upon the Comptroller in a great measure by the departments seeking to have him devote his time to giving decisions, which he should give to auditing. I agree that the fact that the Comptroller does not make a report certainly would not be any justification for changing this system.

Mr. CLARK. Mr. President, let me say to my friend, if he will pardon me one moment further, that I certainly hold no brief for the recent occupant and the only occupant of the office of Comptroller General. I myself was very much convinced in the last year or two of his incumbency that he was inclined to play politics in the office, and his conduct immediately after his retirement from the office confirmed me in that belief.

The conduct of that individual, however, has nothing to do with the question of the wisdom and soundness of the policy of setting up that office, which the whole Congress and the President believed should be done in 1921. The fact that the Comptroller General may have failed in his duty of filing as many reports as he should have filed also has nothing to do with the question of whether the Comptroller General or the General Accounting Office shall be continued as an independent arm of the Congress, having responsibility to the Congress and not to the Executive, or whether it should be submerged as a mere bureau in the Department of the Treasury, which has never been done since the foundation of this Government, even before the establishment of the General Accounting Office by law.

Mr. BYRNES. Mr. President, I know the Senator has not had time to give thought to that matter because his very last statement shows that he is of the opinion that it never has been done.

Mr. CLARK. I have given very great thought to the matter, I will say to the Senator. Will the Senator yield?

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Missouri?

Mr. BYRNES. No; I cannot yield now because I am going to answer the question of the Senator from Missouri. The Senator says that the Comptroller was never in the Treasury Department of the Government from its foundation until this date. The Comptroller and six auditors were under the Treasury Department.

Mr. CLARK. I do not want to interrupt the trend of the Senator's thought. Of course, there was no Comptroller General in the Government prior to the establishment of the General Accounting Office. Previous to that there was physically in the Treasury, but not a part of it, an officer known as the Comptroller of the Treasury.

Mr. BYRNES. Mr. President, we may have an opportunity of going into that later. I wanted an opportunity to discuss the measure. I dislike very much to take as much time as has already been taken. I do wish to state exactly what is proposed by this bill.

Mr. BYRD. Mr. President——

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Virginia?

Mr. BYRNES. I decline to yield because I feel that I must continue with my explanation of the bill.

Mr. BAILEY. Mr. President, I understood that the Senator would let me have an understanding with him. He said at the outset of his remarks that he did not wish to be interrupted, but he yielded because he mentioned the names of certain Senators.

Mr. BYRNES. Yes.

Mr. BAILEY. Will the Senator reach a stage when he intends to be interrupted?

Mr. BYRNES. Yes, Mr. President. I think I have submitted to quite a number of interruptions already, and at a later time I shall submit to further interruption.

Mr. BAILEY. That is why I made the inquiry.

Mr. BYRNES. I shall submit to further interruptions later.

Mr. BAILEY. But the Senator does not wish to be interrupted now?

Mr. BYRNES. No; because I want to go on. With three Members of the Senate asking questions at one time, I know it would be hopeless. I would not have a chance to go on.

I call attention in this connection, in the report of the Comptroller General, to what has occurred by reason of the existing system.

I notice the Senator from North Carolina [Mr. BAILEY] has left the Chamber. I wanted to call his attention to the situation that exists. The Senator is a member of the Finance Committee, as are also the Senator from Missouri [Mr. CLARK] and the Senator from Virginia [Mr. BYRD]. There is the following specific provision in the Social Security Act:

The Board shall from time to time certify to the Secretary of the Treasury the name and address of each person entitled to receive a payment under this title, the amount of such payment, and the time at which it shall be made, and the Secretary of the Treasury, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, shall make payment in accordance with the certification by the Board.

We would not even let the Comptroller General, on any payment under the Social Security Act, have a preaudit after the money was contracted for.

I want to call attention to the number of bills in the present Congress, most of them from the Finance Committee, which specifically provide, in order to avoid action by the Comptroller, that the decision of the official in the executive department shall be final, and which give the Comptroller General no power whatever. Some Senators say they want to give him all the power, and then they specifically take it away from him.

I want to put into the RECORD the acts passed by the Congress specifically providing that the Comptroller General shall not have anything to do with determining how the money shall be spent, even after the contract is made. There have been a number of acts passed in the last year, with the

committees of this Congress as they now stand, which contain the specific provision to which I refer.

World War Veterans' Act, 1924, section 5 (act of June 7, 1924, 43 Stat. 608), as amended:

"The Administrator of Veterans' Affairs, subject to the general direction of the President, shall administer, execute, and enforce the provisions of this act, and for that purpose shall have full power and authority to make rules and regulations, not inconsistent with the provisions of this act, which are necessary or appropriate to carry out its purposes, and shall decide all questions arising under this act; and all decisions of questions of fact and law affecting any claimant to the benefits of titles II, III, or IV of this act *shall be conclusive except as otherwise provided herein.* * * *" (Emphasis supplied.)

World War Adjusted Compensation Act, May 19, 1924 (43 Stat. 121), as amended:

"The decisions of the Secretary of War, the Secretary of the Navy, and the Administrator, on all matters within their respective jurisdictions under the provisions of this act (except the duties vested in them by title VII) *shall be final and conclusive.*" (Emphasis supplied.)

Agricultural adjustment—Rental or benefit payments—Act of May 12, 1933, section 10 (e) (48 Stat. 37):

"The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury." (Emphasis supplied.)

Home Owners' Loan Corporation—Act of June 13, 1933, section 4 (j) (48 Stat. 131, 132):

"* * * The Corporation * * * shall determine its necessary expenditures under this act and *the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds.* * * *" (Emphasis supplied.)

Central bank for cooperatives—Production credit corporations—Production credit associations—Banks for cooperatives—Act of June 16, 1933, title VI, section 61 (48 Stat. 267):

"At least once each year and at such other times as the Governor [of the Farm Credit Administration] deems necessary, the central bank for cooperatives, and each production credit corporation, production credit association, and bank for cooperatives, organized under this act, shall be examined by examiners designated by the Governor. The Governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the Governor. The amounts so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans." (Material in brackets supplied.)

Federal Farm Mortgage Corporation—Act of January 31, 1934, section 1 (48 Stat. 345):

"* * * The directors shall have power * * * *to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid* * * *." (Emphasis supplied.)

Department of Labor—Special statistical studies—Act of April 13, 1934, section 2 (48 Stat. 582), as extended by act of April 11, 1935, until April 13, 1937 (49 Stat. 154):

"All moneys hereinafter received by the Department of Labor in payment of the cost of such work shall be deposited to the credit of the appropriation of that bureau, service, office, division, or other agency of the Department of Labor which supervised such work, *and may be used in the discretion of the Secretary of Labor, and notwithstanding any other provision of law,* for the ordinary expenses of such agency and/or to secure the special services of persons who are neither officers nor employees of the United States." (Emphasis supplied.)

Federal Housing Administration—Act of June 27, 1934, title I, section 1 (48 Stat. 1246):

"* * * The Administrator * * * may make such expenditures * * * *without regard to any other provisions of law governing the expenditure of public funds.* * * *" (Emphasis supplied.)

Agricultural Adjustment—Act of March 18, 1935, section 11 (49 Stat. 48):

"Subsection (a) of section 17 of the Agricultural Adjustment Act, as amended, is further amended by inserting after the second sentence the following: 'In the case of rice, a tax due under this title which has been paid by a tax-payment warrant shall be deemed for the purposes of this subsection to have been paid; and with respect to any refund authorized under this section, the amount scheduled by the Commissioner of Internal Revenue for refunding *shall be paid, any provision of law notwithstanding.*'" (Emphasis supplied.)

Department of Commerce—Special statistical studies—Act of May 27, 1935, section 2 (49 Stat. 293):

"All moneys hereafter received by the Department of Commerce in payment of the cost of such work shall be deposited in a special account to be administered under the direction of the Secretary of Commerce. *These moneys may be used, in the discretion of the Secretary of Commerce, and notwithstanding any other provision of law,* for the ordinary expenses incidental to the work and/or to secure in connection therewith the special services of persons who are neither officers nor employees of the United States." (Emphasis supplied.)

Federal Savings and Loan Insurance Corporation—Act of May 28, 1935, section 22 (49 Stat. 298):

"Paragraph (5) of subsection (c) of section 402 of the National Housing Act is amended by adding the following sentence at the end thereof: 'The Corporation * * * *shall determine its necessary expenditures under this act and the manner in which the same shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds.*'" (Emphasis supplied.)

Agricultural adjustment—Act of February 29, 1936, section 2 (49 Stat. 1151):

"Section 32 of the act to amend the Agricultural Adjustment Act, and for other purposes, approved August 24, 1935, is amended by striking out clause (3) and inserting in lieu thereof, '(3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Determinations by the Secretary as to what constitutes diversion and what constitutes normal channels of trade and commerce and what constitutes normal production for domestic consumption shall be final.' and by striking out that part of the last sentence thereof which precedes the second proviso and inserting in lieu thereof: 'The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, *in such manner,* and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section;'." (Emphasis supplied.)

Revenue Act of 1937, approved June 22, 1936 (49 Stat. 1753), section 909—Limitations on review:

"In the absence of fraud or mistake in mathematical calculation, the findings of fact and conclusions of law of the Commissioner upon the merits of any claim presented under this title *shall not be subject to review by any other administrative or accounting officer, employee, or agent of the United States.*" (Emphasis supplied.)

To eliminate unnecessary expense in the administration of estates of deceased and incompetent veterans, and for other purposes—act of June 26, 1936 (49 Stat. 1982):

"* * * All *determinations by the Secretary of the Treasury under this paragraph shall be final and conclusive and neither any other official of the United States* nor, except in the case of prior judicial determination, any State or Federal court, *shall have jurisdiction to review any such determination* * * *." (Emphasis supplied.)

National Gallery of Art—Joint resolution of March 24, 1937, section 4 (d) (50 Stat. 53):

"The actions of the board, including any payment made or directed to be made by it from any trust funds, *shall not be subject to review by any officer or agency other than a court of law.*" (Emphasis supplied.)

Printing for departments, etc.—Legislative Appropriation Act for 1938—Government Printing Office appropriation (act of May 18, 1937, 50 Stat. 185):

"* * * and bills rendered by the Public Printer in accordance herewith *shall not be subject to audit or certification in advance of payment* * * *." (Emphasis supplied.)

Railroad Retirement Board—Act of June 24, 1937, part I (50 Stat. 314):

"That the act of August 29, 1935, entitled 'An act to establish a retirement system for employees of carriers subject to the Interstate Commerce Act, and for other purposes,' be, and it is hereby, amended to read as follows:

* * * * * * *

"'SEC. 10. * * * (b) 1. * * * Decisions by the Board upon issues of law and fact relating to pensions, annuities, or death benefits *shall not be subject to review by any other administrative or accounting officer, agent, or employee of the* United States.' (Emphasis supplied.)

* * * * * * *

Federal Surplus Commodities Corporation—Act of June 28, 1937 (50 Stat. 323):

"* * * That such transferred funds, together with other funds of the Corporation, may be used for purchasing, exchanging, processing, distributing, disposing, transporting, storing, and handling of agricultural commodities and products thereof and inspection costs, commissions, and other incidental costs and expenses, *without regard to the provisions of existing law governing the expenditure of public funds and for administrative expenses,* * * *." (Emphasis supplied.)

To dispense with the necessity for insurance by the Government against loss or damage to valuables in shipment, and for other purposes—Act of July 8, 1937, section 3 (50 Stat. 479):

"* * * *Notwithstanding any provision of law to the contrary, the decision of the Secretary of the Treasury* that such loss, destruction, or damage has occurred or that such shipment was made substantially in accordance with such regulations *shall be final and conclusive and shall not be subject to review by any other officer of the United States:* * * *." (Emphasis supplied.)

Farmers' Home Corporation—Act of July 22, 1937, title IV, section 41 (e) (50 Stat. 529):

"Make payments prior to audit and settlement by the General Accounting Office." (Emphasis supplied.)

Charles Carroll of Carrollton Bicentenary Commission—Joint resolution of August 17, 1937 (50 Stat. 694):

"That for the purpose of carrying out its functions under the joint resolution of June 15, 1936, the Charles Carroll of Carrollton

Bicentenary Commission, or the chairman acting for the Commission, is authorized * * * to determine its necessary expenditures and *the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds.*" (Emphasis supplied.)

PROVISIONS OF BILLS PENDING BEFORE THE SEVENTY-FIFTH CONGRESS

Federal Crop Insurance Corporation—S. 1397, section 5 (1); H. R. 6483, section 5 (1):

The Corporation "shall determine the character and necessity for its expenditures under this act and *the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds, and such determinations shall be final and conclusive upon all other officers of the Government;* * * *." (Emphasis supplied.)

Office of Motion Pictures, Government Printing Office—H. R. 7131, section 4 (c):

"Any Federal agency ordering services from the Office of Motion Pictures shall pay promptly by check to the Public Printer upon his written request, either in advance or upon completion of the services, all or part of the estimated or actual cost thereof, as the case may be, and *bills rendered by the Public Printer in accordance therewith shall not be subject to audit or certification in advance of payment* * * *." (Emphasis supplied.)

Commission for the Commemoration of the Seventy-fifth Anniversary of the Battle of Gettysburg—H. R. 7712, section 2 (b) (4):

"* * * the determinations of the Federal Commission on any matter in connection with the reunion *shall be final and conclusive for all purposes; and funds appropriated pursuant to this act for use by the Federal Commission may be expended without regard to any other provisions of law relating to the expenditure of public money.*" (Emphasis supplied.)

Agricultural Adjustment Surplus Reserve Loan Corporation—S. 2787, section 16 (d):

"*The Secretary* [of Agriculture] *shall determine* the character and necessity for its expenditures under this act and *the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds, and such determination shall be final and conclusive upon all other officers of the Government.*" (Material in brackets and emphasis supplied.)

H. R. 7532, title II, section 25 (a); H. R. 7577, title II, section 25 (a); H. R. 7972, title II, section 206 (a); H. R. 8246, title II, section 206(a):

"*The board* [of directors] *shall determine* the character and necessity for its expenditures under this Act, other than administrative expenditures, and *the manner in which they shall be incurred, allowed, and paid without regard to the provisions of any other laws governing the expenditure of public funds, and such determination shall be final and conclusive upon all officers of the Government.* * * *" (Material in brackets and emphasis supplied.)

The agricultural bill, which was passed just recently, specifically provides, in order to avoid the interminable delays which result from attempting to hold up the determination as to expenditure, that the Comptroller General shall have nothing to do with such determination.

Let us see what this bill provides——

Mr. BYRD. Mr. President——

The PRESIDING OFFICER (Mr. LEE in the chair). Does the Senator from South Carolina yield to the Senator from Virginia?

Mr. BYRNES. I yield.

Mr. BYRD. I merely want to correct the statement about the agricultural bill. An amendment was adopted striking from the bill the exemption of the Agricultural Department. I will ask the Senator from Idaho [Mr. POPE] if that is not correct?

Mr. POPE. Mr. President, will the Senator yield on that point?

Mr. BYRNES. I yield.

Mr. POPE. There is a provision in the main portion of the bill providing for finality of payment upon determination by the Secretary of Agriculture.

Mr. BYRNES. I always like to read the provision, rather than to discuss it from memory.

The Agricultural Adjustment Act, under which all these expenditures have been made, provides as follows:

> The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury.

The Comptroller General is prevented from reviewing the payment in any way. As a result we have a divided responsibility, unheard of in any government, and impossible in any business corporation presided over by any man of intelligence.

What do we provide in the pending measure? I want to give the Congress for the first time that which it has never had. I want to provide for a current audit. I do not want to have the Douglas Motor Co. making a contract such as I have shown in connection with this preaudit, and getting away with a contract obligation, and then having somebody come in, after the contract is made and the money has got to be paid, and, as I say, try to lock the stable door after the horse is gone. That money is gone.

When are the accounts examined under the present system? There is a man at Columbia, S. C., for example, a disbursing officer for the A. A. A. If he signs a check on January 2, he has 30 days after the end of that month before he sends that voucher to Washington. That means that he will send it in March 1. When he sends it in on March 1 to the Agricultural Department, the man in the Agricultural Department has 20 days before he sends it over to the General Accounting Office.

By the time it gets to the General Accounting Office 50 days have elapsed. When it gets to the General Accounting Office, because they are so busy helping to control expenditures in the departments, and are behind with the auditing, it may be examined 3 months or 3 years after that. If it is 3 years, or even 3 months, what can they do? The voucher comes in July. The General Accounting Office sends it back and says, "See if you can get your money back from this fellow." The man may have gone out of business, or may have died. If it happens to be a voucher for traveling expenses for some temporary employee, he may have left the Government service. There is no chance of getting it back, if they ever try.

How much is recovered? It is an amazing thing. Of the expenditures which are reviewed, very little is disallowed in the accounts of the disbursing officers and less is collected.

Then what happens? At every session of the Congress bills are offered for the relief of disbursing officers. Every Senator who has served on the Claims Committee knows this. A bill is introduced to relieve a disbursing officer of a charge against him for $1,000,000 or $1,000. I have before me a stack of about 20 such bills which were introduced in the last session of the present Congress, whitewashing, relieving, or granting absolution and pardon to disbursing officers for items which were in dispute.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BAILEY. I am chairman of the Claims Committee. I hope the Senator will permit me to make a disavowal. To my knowledge, as chairman of the Claims Committee, the committee has never "whitewashed" anybody.

Mr. BYRNES. I do not care whether it is called "whitewashing" or not. The result is that we say to the disbursing officer, "You do not have to pay the money." It does not matter whether you call it "whitewashing" or anything else. It just means that we did not get the money back, and Congress says, "It is all right. You do not have to pay it." Seventeen such bills were passed at one session.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator. I said I would not yield, but the Senator has not heretofore asked me to yield.

Mr. WALSH. I am compelled to leave the Chamber shortly. I should like to call the attention of the Senator to section 205, on page 15, entitled "Presidential appointments."

Generally speaking, as I understand the existing law, there are three classes of Government officials or employees. First, there are those included within the civil service. Am I correct?

Mr. BYRNES. Yes.

Mr. WALSH. Under civil-service law, by congressional action.

Mr. BYRNES. Yes.

Mr. WALSH. Secondly, there are those appointed by the President and subject to confirmation by the Senate, fixed by laws upon the statute books.

Thirdly, there is a class fixed by law, which class is neither in the civil service nor subject to appointment by the President and confirmation by the Senate. Those positions are popularly referred to as patronage jobs; is that not correct?

Mr. BYRNES. Yes.

Mr. WALSH. The power of determining in which class any single employee or official of this Government shall be placed always has been, up to the present time, in the possession of Congress. Is that not correct?

Mr. BYRNES. Not exactly. The President has the power, even today, under the existing law, to remove a position from the civil service.

Mr. WALSH. In certain cases the President, by Executive order, may exempt some positions which are under the general civil-service law. For example, private secretaries to Cabinet officers, Chinese and Japanese interpreters, chauffeurs to Cabinet officers, and so forth, have been exempt.

Mr. BYRNES. Yes. There is an additional factor in that situation. In addition to the unclassified service, we have a number of acts where Congress has done one of two things. It says either that the head of the department shall have the power to make appointments without regard to civil-service laws or the head of the department may appoint without regard to the civil-service law.

Mr. WALSH. But it is all statutory.

Mr. BYRNES. Yes. In either case the President has no such power. Hence the necessity for the language giving the President the power to cover into the service. The Senator was not in the Chamber when I discussed the section to which he refers.

Mr. WALSH. I was in the Chamber when the Senator discussed this particular section. I was not here during some of the earlier discussions. Let me ask one question. Briefly stated, and right to the point, the section to which I have referred proposes to give the President the power to take anyone he chooses out of the civil-service classification fixed by the Congress?

Mr. BYRNES. No.

Mr. WALSH. And to take anyone he chooses out of the class of those appointed by the President and confirmed by the Senate; and to take anyone he chooses out of the class which is in neither of the other two classes.

Mr. BYRNES. If that were so, I should certainly not be in favor of it at all. Therefore, I wonder, Mr. President, whether the Senator was here when I discussed the section to which he refers. It does none of those things.

Mr. WALSH. May I give an illustration?

Mr. BYRNES. I may say to the Senator that I have looked into the matter carefully and have written to the head of every commission and the head of every department. I learned, in response from every independent commission, after consulting their solicitors, that the language of this bill would not affect a single employee in any independent or quasi-judicial body. As to the heads of departments, it would affect, in all, 14 men, 11 of whom are in the Department of Justice. It utterly fails to accomplish what the committee had in mind. So far as I am concerned, if the Senator moves to strike it out, I shall accept his amendment.

Mr. WALSH. I am pleased to have that statement. I should like to have some further information from the Senator along that line. Is it not a fact—as I think I have proven—that this bill permits the President to extend to practically all Government employees the provisions of the civil-service law, except those confirmed by the Senate?

Mr. BYRNES. That is the object of it.

Mr. WALSH. So that I am correct in stating that the President, and not the Congress, which heretofore has enjoyed that power, is now going to determine what group of employees will come under the civil service of the land.

Mr. BYRNES. No, Mr. President. The President has always had the power under general law unless there is a specific prohibition by the Congress against it. The necessity for it is that we have passed within recent years a number of laws which contain language such as that to which I have called attention, to the effect that the head of a department may make appointments without regard to the civil-service law. Because of the language of those acts, the President cannot cover such employees into the civil service. But as to any employees who are not specifically exempted the President has the power.

Mr. WALSH. Very well. Will the distinguished Senator then tell us why has not the President exercised that power? The Senator says this bill extends the civil service and the merit system to a large number of Government employees. Why has not the power been exercised in the past if, as the Senator says, the President has had the power?

Mr. BYRNES. I must say that the great bulk of the employees who are not in the classified service are without it because of the special direction of the Congress brought about in the manner to which I have referred. For instance, in the Farm Credit Administration and half a dozen organizations the head of the Department is directed to make the appointments, or he may make them, without regard to the civil-service law. Outside of this specific group, I do not know why the President has not taken action as to the others. So I cannot answer the Senator, but, regardless of why the President did not do it, the Senator and I will agree that it ought to be done, that under this bill it will be done, and that under this bill Congress will permit him to do that which they have heretofore directed him not to do.

Mr. WALSH. In the amendment which I have proposed striking out the word "Administrator" and substituting the present machinery of the Civil Service Commission, I propose to permit, still to be vested in the President, the power to which the Senator has referred, because it seems to me to be the one way and the only way to extend the merit system. So we are not much in disagreement about that. The point, however, I am trying to bring to the attention of the Senate is the extraordinary power that appears to be hidden in this section. Let me give an illustration. Under statutory law the Commissioner of Indian Affairs must be appointed by the President and confirmed by the Senate. I think that there is no dispute about that. The President can abolish the office of Commissioner of Indian Affairs under the general and earlier provisions of the pending bill, and he can name someone else superintendent, inspector, or director; he can reorganize the whole Bureau and put it under another Bureau, and unless he says, when he does that, that the Commissioner is a policy-making officer, he can name anyone he sees fit, regardless of civil service or regardless of action by the Senate. What does the Senator say to that proposition?

Mr. BYRNES. As to the extension of the merit system, as I understand the Senator agrees with me as to the language of the section to which I referred.

Mr. WALSH. That section must be read in connection with the general sweeping power of consolidating and reconsolidating and changing the functions of departments.

Mr. BYRNES. Mr. President, I have not followed the bill in that way, and will ask the Senator to excuse me from answering the question at this time. If the Senator says we must consider the one section in connection with the others, so far I have not had time to do it, but I will be glad to talk with the Senator about it.

Mr. WALSH. Very well; the Senator need not answer my inquiry now, but I wish to call his attention to the general power which the President will have, and which will be exceedingly broad. He is to be given power over all departments of the Government to transfer, retransfer, regroup, coordinate, consolidate, reorganize, segregate, or abolish the whole or any part of any agency. So, in determining how this bill will operate, in conjunction with the right given to the President to determine that a position is policy-making, it seems to me we have got to consider that he has power to do the things enumerated; and the best illustration I can think of for the moment is the Office of Indian Affairs. We want to know whether the Commissioner of Indian Affairs, for example, who, under statutory law, must be named by the President and confirmed by the Senate, may, under the pending bill, be appointed by the President alone. Senators ought to know what they are giving up.

Mr. BYRNES. I was in the midst of my discussion in reference to the General Accounting Office. I have already discussed the civil-service feature of the bill, but I will be glad to consider the suggestion the Senator from Massachusetts has made.

Mr. WALSH. I do not want to press the matter, but I hope the Senator will, later in the discussion, let us understand just how much the Congress is giving up of its present powers and delegating them to the Executive. We know, for one thing, that we are practically giving to the President all the power Congress has had heretofore in classifying officials and employees of the Government.

Mr. BYRNES. No, of course, I cannot agree with the statement at all. However, I was diverted from my argument with respect to the General Accounting Office. Congress has heretofore given the President the absolute power to cover into the civil-service every employee of the Government service not specifically excluded from it. It has given him in the general law the power to take an employee out of the civil service. The President has now, and has had for many years, the power under general law to cover employees into the classified service, but the Congress by specific acts has gotten around that by providing in some instances that the head of a department may appoint men without regard to the civil service, in which case the President is estopped from covering employees into the civil service.

Mr. WALSH. Mr. President, let me inquire if the President could now put the postmasters of the country under the classified service?

Mr. BYRNES. The President could put in the classified service any employees as to whom there is not a specific provision of law preventing it. Unless there is such a prohibition there is no question that he can do so.

Mr. WALSH. I should like to ask the Senator from Wyoming [Mr. O'MAHONEY], who was First Assistant Postmaster General, as to that.

The PRESIDING OFFICER. Does the Senator from South Carolina yield; and, if so to whom?

Mr. BYRNES. I will yield to the Senator from Wyoming, and then I should like to proceed.

Mr. O'MAHONEY. In response to the inquiry of the Senator from Massashusetts, I may say that, of course, the President does not now have the authority to place postmasters under the civil service. He has done the best he could, however, by requiring by Executive order that applicants for postmasterships shall submit to an examination, and that the Civil Service Commission shall certify to the Postmaster General the person whose name stands highest upon the list. The President is required to submit the nomination of such person.

Mr. BYRNES. That is because postmasters are appointed by the President by and with the advice and consent of the Senate.

Mr. O'MAHONEY. That is correct.

Mr. WALSH. Mr. President——

Mr. BYRNES. Mr. President, I should like to proceed.

The PRESIDING OFFICER. The Senator from South Carolina declines to yield further.

Mr. BYRNES. Mr. President, I repeat that under existing law, which is as plain as law can be written, the President can cover into the civil service any position not specifically exempted by law. The law specifically exempts certain positions which I have heretofore described. It exempts other positions by saying they shall be filled by the President by and with the advice and consent of the Senate.

Of course, he cannot cover such positions into the civil service, but he can put into it the others which are not exempted or with respect to which there is no prohibition upon him.

Now, Mr. President, I wish to get back to the General Accounting Office.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. SCHWELLENBACH. I should like to ask the Senator while he is referring to the question of auditing if he will discuss the statement which was made on the floor of the Senate January 19, when the Senator from Nevada [Mr. PITTMAN] read from a report concerning expenditures for C. C. C. camps which were used by an official of the Government for his own account. This statement was made in the report:

> The records in the Washington office of the National Park Service have not been audited in several years. Neither has a proper audit of E. C. W. funds been made, either in the Washington office of the National Park Service or its numerous field stations.
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> • • • • • • •
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> 6. No reconciliation of accounts payable for the Washington office (National Park Service) has been made since 1933.

I should like to ask the Senator to discuss, first, whether or not that report is correct, and, second, whether or not we can believe that a similar situation exists in other accounting offices of the Government?

Mr. BYRNES. Mr. President, I was not on the committee which investigated that matter. I read the statement of the Senator from Nevada with much interest. I am not in a position to make a statement as to whether or not it is correct, but I do not see how, under the present system, we could ever hope to learn anything about it or even know what is going on. I have referred to my desire to discuss my view as to what should be done with regard to Government auditing. Recurring to the comment I had made as to the British system. Under that system a committee of Parliament names an auditor. He is the auditor of the legislative body, appointed by them, and subject to them. He can be removed only by them. He audits the books and makes a report as to everything occurring in the executive branch. We attempted to make similar provision, but decided not to do so.

I now want Congress for the first time to have a current audit of the expenditures of the Government. We provide in the pending bill for a joint committee of the House and Senate, that committee to appoint an Auditor General. He is to be appointed for 15 years. He may be removed only by the Congress. He is our representative. He is to report to us. He will have his representatives in the field. Instead of having accounts sent to the General Accounting Office months after the services or supplies have been contracted for and the vouchers prepared, under this system there will be a representative of the Auditor General—our man—in the office in New York. When the disbursing officer pays or approves a voucher, he must that day, immediately, turn over the voucher to the representative of the Auditor General, the man of the Congress.

Our representative will look at the voucher and say, "That disbursement is wrong. It is not justified under the law. I take exception to it. I am this day sending that exception to the Director of the Budget and to the Auditor General in Washington." Then we say that in the Auditor General's discretion, if he deems the matter of importance, he may send a report immediately to the Congress. He must report to Congress at the end of 30 days unless the Director of the Budget agrees that he is right, and disallows in the account of the disbursing officer the money which has been paid on behalf of the Government of the United States.

The joint committee has this power: Our Auditor General advises us that he has been advised by his representative in New York that yesterday a certain amount of money was wrongfully paid out, and that the disbursing officer was immediately advised that the payment was wrong, and an exception was noted. The Auditor General advises the committee of these facts. The committee immediately calls on the Director of the Budget, who is the Comptroller in the Executive Department. Our Auditor General says, "Your man has paid this money—why? Account to us for it. Tell us at once why it has been paid. If the payment is wrong, we do not want other people paid in the same way in other disbursing offices. If it is right, you have a chance to explain it."

Whenever disbursing officers know that a committee of the Congress may call them to immediate account for their action, that knowledge will have the same effect that it has had in England through all the years that have passed. Publicity, after all, is one of the greatest weapons against men who hold office in any capacity in the executive branch. The disbursing officers will know that they have to come and account to a committee; and even a minority of the committee, learning what has been done, may come on the floor of the Senate or the floor of the House and refer to the action of the representative of the Department of Agriculture or the Department of War or any other department, and immediately see that something is done about it; and, if they do not do that, Congress at least will know what is going on. It may stop the appropriation. It may handle the man involved. If his action has been fraudulent, it may have him impeached or indicted. Certainly it may repeal the appropriation of the money if the President or any official of any administration at any time says, "Never mind what the joint committee say; we will pay no attention to them."

What I have described will be done daily. It will give us an audit in time to get back money improperly paid out—something we have never had before. It is useless to investigate expenditures 6 months or 6 weeks after they have been made if it can be done at the very time the account is audited.

Now, as to independence: As I said, in the bill we separate control and audit. Some weeks ago I received a letter on this subject from a firm with whom I certainly had never communicated. I do not know whether or not anybody ever suggested that they write to me; but these accountants, Haskins and Sells, made just about as good a statement on this subject as has been made by anyone:

> With respect to accounting and auditing functions, there is a considerable similarity between the organization problems of the Government and those of industry. In industry, sound, practical reasons are recognized for including among the normal functions of the executive or management the maintenance of systems of accounting and accounting control, the power of contracting and procurement, and the authority to make disbursements under restrictions imposed by law and by charter and by the stockholders or directors. On the other hand, the function of auditing or examining the acts of the executive officers as reflected by the accounts normally comes after the contracting, disbursing, and accounting have been completed, and this post-audit function is customarily performed by an independent auditor whose report is transmitted to the stockholders. There appear to be sound and important practical reasons, of the kind found in industry, why a similar separation of the functions mentioned should be applicable to Government.

As to the establishment of an independent audit, the auditor is appointed by the Congress. He is responsible only to the Congress. He is appointed for 15 years. He is removable by us. He acts as our representative. He does not seek to say how money should be spent and then try to audit his own expenditures, but he reports, as Haskins & Sells would do, if anything occurs that is not right; or, if a mistake is made in the interpretation of the law, he will give to us for the very first time an opportunity to know what is going on in the departments. I will say in answer to the Senator from Washington [Mr. SCHWELLENBACH] that the auditor is not only directed to do that under this bill, but we provide for audit after expenditure, prior to settlement. Before any disbursing officer's account can be settled, we require an audit to be made. It can be done. When a man says he does not think that can be done, let me say that under the relief measure, when the President undertook to handle that matter, he appointed the Treasury Department to act as his disbursing agency, and they appointed men in the field. There is a man at Columbia, S. C., a man at Atlanta, Ga., a man at Omaha, Nebr., doubtless, who handles the relief problem. They report in 10 days instead of having the 60 days' delay that I have said takes place in ordinary accounting under the existing law. Those relief accounts come here for auditing.

Ninety-nine and one-half percent of them are postaudited, but the accounts come in immediately, in an effort on the part of the administration to see that if there is an error it shall be corrected, and an effort made to get the money back. That is what we propose to do daily, and, if there is a man in the field, it can be done.

Why should it not be done? If we decentralize the auditing, it will be done daily, instead of having accounts come in here and wait sometimes as long as 2 years to be audited. By that time the man who has made a contract and has received the money is dead, perhaps, and we cannot get it back from him. We have to go to the bond of the disbursing officer. Then we direct the auditor to report to the Congress as to any matter occurring in the department as to any account which may disclose irregularity.

Instead of the auditor being in the office here, and making advance decisions, if we had a man in the field to do the auditing I cannot for the life of me see how he could fail to detect the fact that money was being paid to a camp that never existed. The duty of this man appointed by us, the representative of the Congress, will be to report immediately to the joint committee any practice which would make that possible, any practice which would permit a disbursing officer to collect for persons on the pay roll. What business has a disbursing officer collecting for persons on the pay roll in a camp in Carolina or Nebraska or California? If he could not do it, if the auditor did not permit it, if there was any examination or audit anywhere that would stop such a practice, such a thing would not occur. But under the existing law, how would we know it if it should occur? We do not know it. Ordinarily we never know it. In this particular case somebody on the Public Lands Committee got into a discussion of the subject, and the fact was disclosed. Did you ever hear of any other instance of the kind?

The Senator from Washington [Mr. SCHWELLENBACH] asks, "How do we know whether or not similar things have occurred in other departments?" We do not know. We never can know if we have the functions of comptroller and auditor merged. A man must be one of the two. If he is a comptroller, we cannot expect him to audit himself and his own decisions. If he is an auditor, he will audit the transactions, and he will discover what is going on and will report it back.

We provide that the auditor of the Congress must audit the receipts as well as the expenditures. The existing law does not provide for that. We have no audit of revenues or receipts. There should be one.

In addition to passing upon current expenditures, as to whether they are unauthorized or illegal, the auditor is directed to report any expenditure which he deems to be unwise and improvident, and any procedure which he deems to be inadequate for the protection of the Government.

The Director of the Budget will be made the Comptroller, similar to the comptroller of a corporation. He is in the Executive department. Whereas he is now in the Treasury, appointed by the President without the advice and consent of the Senate, we provide that he shall be appointed with the advice and consent of the Senate.

It provides that he shall be an independent officer, but in the executive branch of the Government. That is a proper provision. If one is the President he must have a comptroller to take charge of the accounting, so that if today, as President, he wants to know what are the obligations of the Government, or what the cash balance is, or what the expenditures are, he can turn to the Comptroller in the executive branch of the Government to find out exactly the financial condition of the Government. He is responsible. He cannot escape that responsibility, and he cannot be allowed to escape it and to avoid an audit. When he makes a settlement, he has to be subjected to the auditor.

Is this authorized? Throughout the States of the Union in the last few years we find that in many States the functions of control and of audit have been separated, because good business dictated it and good government dictated it.

Mr. President, I have nothing further to say. I am sorry I have talked so long. Senators have been very kind to listen to me. When the bill comes before us for amendment I know that many amendments will be offered, and if

I can in any way furnish information to Members of the Senate, I shall be delighted to do so.

I told the Senator from North Carolina that I would yield to him, and I now yield.

Mr. BAILEY. Mr. President, with reference to what the Senator stated about claims, let me say to him that, having been a member of the Committee on Claims ever since I have been a Member of the Senate, I know that we have never passed any million dollar claims or bills to correct discrepancies or anything of that sort in any such amount. The Senator's statement is a perfect mystery to me. Let me inform him what has happened. In the bookkeeping account of the War Department, for instance, or of the Navy Department, there may be some minor discrepancy of $23 or $64 or some other small item, and those items are put in an omnibus bill.

If the claim is one relating to the War Department, it is submitted to the Committee on Military Affairs; if one relating to the Navy Department, it is submitted to the Committee on Naval Affairs. If the committee to which the bill has been referred approves it after investigation, and always with a recommendation of the Department interested, then the claim comes to the Committee on Claims, and it is my duty, as chairman, to refer such a claim to a subcommittee, which I always do. The subcommittee ascertains the views of the Department implicated, investigates the propriety of the claim, and then it is voted on by the subcommittee. If the subcommittee approves it, it is reported to the full committee, and then to the Senate. I must say the statement that some great sums are involved and that there is something of "whitewashing" was tremendously surprising to me. I want the Senator to know there is no foundation for his statement. I have sent to my committee for a full statement from the clerk, which I hope to get by evening.

The clerk stated he could get it ready in an hour, and I shall ask leave to put it in the RECORD in connection with the Senator's statement. It would, at any rate, clear my mind; and I hope it will clear the Senator's mind.

Mr. BYRNES. Mr. President, evidently I did not make myself clear, if the Senator understood me to say that the claims amounted to millions of dollars.

Mr. BAILEY. The Senator used the word "millions."

Mr. BYRNES. If so, I was in error, because I do not know the amount and I have no idea as to the amount. I think the Senator has confused that statement with the other statement I made as to the settlement by the Comptroller General of claims amounting to a very large sum. It is not my impression that the claims spoken of by the Senator amount to many millions. The fact is, I have 11 of the bills which were presented in the last session.

When I used the term "whitewash" I stated to the Senator several times, I know, that that was not the proper word. The word used in the acts—and I will let the Senator see them if he desires, a large number of them being reported by his committee last year—was that the disbursing officer was "relieved." That was the word used.

Mr. BAILEY. He would be relieved on the equitable ground of having made a mistake. He did not get the money. The mistake would be due to some mistake, some failure to reach a balance, or failure to account for some small item, and it is wholly by way of getting a proper balance with respect to a great many little items, but the sum total would not be $10,000 in all the departments. I want the Senator to know that, even though the claims pass through our committee, if a claim comes from the Navy Department it goes through the Committee on Naval Affairs, if it comes from the Post Office Department it goes through the Committee on Post Offices and Post Roads, or if from the War Department, it goes to the Committee on Military Affairs. Then it comes to my committee. But we never approve any such claim without the recommendation of the Department having jurisdiction of the subject matter.

Mr. BYRNES. Mr. President, I certainly desire to make myself clear to the Senator, if the Senator thinks I was casting any reflection on the Committee on Claims. On the contrary, I owe it to him to say that I have examined many of these claims, and I have gone into many of the items. To the credit of the officials of the Government be it said that, out of all of the exceptions which are filed by the Comptroller General with the disbursing officers, there is a remarkably small number in which there could be any justification for criticism of any kind reflecting on the character of those men. They nearly always involve questions of interpretation.

I sought information from the disbursing officers engaged in disbursing funds appropriated under the Emergency Relief Act of 1935—I mentioned that act particularly—and under subsequent acts, and I found that exceptions in the amount of $129,700,000 have been filed by the General Accounting Office. Of this total of $129,000,000 in cases in which the Comptroller raised exceptions, $101,600,000 out of the $129,000,000 up to the present time has been cleared through explanation, and has been termed "satisfactory," or has been cleared by collection.

The amount cleared by explanation was $101,596,000, and the amount cleared by collection was less than $10,000. Out of $129,000,000, only $10,000 was collected. It did not involve any wrongdoing on the part of those officers. It involves simply a difference in judgment in the interpretation of laws, and when attention was called to it and the money was gone, and it could not be secured by collection, and the accounts appeared unbalanced, then the disbursing officers asked the Departments to come to Congress and have Congress relieve the disbursing officers; and those cases are handled rightfully by the Committee on Claims. There could not be any other action taken. As the Senator says, the only purpose is to balance the accounts.

Mr. BAILEY. Mr. President, with reference to the demand for abolition of the "front office" of the Government, which sees to it that the will of Congress with respect to appropriations is carried out, how is that related to it?

Mr. BYRNES. Mr. President, I hope I have been able to convince some of the other Members of the Senate. I am satisfied I would never be able to convince the Senator from North Carolina, but I have endeavored to show, at some length, that we have no audit by the Congress, that the information that I have as to these collections I secured informally, that there is no report to the Congress, that we have no representative in the auditing of accounts, and that for the first time I am asking that the Congress may have a representative. I also want a daily audit made instead of an audit 3 months or 3 years after a payment. I want the audit made in such time that if there is to be a collection, we may collect the money much easier than we can collect it after the men who got the money have gone out of the Government service.

I know I did not convince the Senator from North Carolina, and I know that if I talked from now until doomsday I would never convince the Senator from North Carolina.

Mr. BAILEY. Mr. President, I think I ought to make a profound bow to the Senator from South Carolina, and thank him for the compliment.

Mr. BYRNES. I will say that it may be because of my inability.

Mr. BAILEY. If the Senator means to indicate that I am not to ask him any further questions, it will be all right with me.

Mr. BYRNES. That is for the Senator to decide. If he will ask me, I shall be delighted to answer if I can, with the knowledge that nothing I or anyone else might say would convince him. I know that the Senator has already made up his mind.

Mr. BAILEY. I thank the Senator again. I am very much delighted with his compliment.

Mr. GEORGE. Mr. President, at this point I should like to ask the Senator a question for information. I find on page 30 of the bill, subsection (d), this language:

> The disbursing officers of the Government shall transmit daily to the General Auditing Office copies of all checks, and the vouchers, pay rolls, and other documents relating to expenditures—

And so forth. Would the Senator be of the opinion that the financial clerk of the Senate, for instance, and the disbursing officers of the House of Representatives, would be covered under that requirement?

Mr. BYRNES. They would, I think, in the absence of any exemption of them. Under the bill we provide for the audit of some of the corporations which are not now audited by the officials of the Government—the R. F. C., for instance. Under the bill we provide for an audit. They spend our money and I think their accounts ought to be audited.

Mr. GEORGE. I have no objection to them being audited, but I wondered whether we were to have the financial clerk of the Senate, who cashes a great many checks in the course of the day for accommodation, to furnish copies of those checks. I merely make the suggestion that it would not be making for much economy if that sort of process were followed. The financial clerk of the Senate does make a report, of course, of all of his disbursements, but not daily.

Mr. BYRNES. As a matter of fact, since the financial clerk of the Senate is spending the money of the Government, I really know of no reason why he should not make a report, as well as anyone else. I submit that it would not involve as much as the Senator suggests.

Mr. GEORGE. When they cash a check it would involve something.

Mr. BYRNES. It has no reference to such a matter as the disbursing officer cashing my check. It has reference to the issuance of vouchers for such things as purchases of furniture or carpets or machinery or anything else.

Mr. GEORGE. It does not cover the other kind of transaction referred to—an accommodation check?

Mr. BYRNES. No.

Mr. GEORGE. I have one more question then which I should like to ask the Senator, and I beg his pardon for interrupting him.

Mr. BYRNES. No, Mr. President, the Senator has not disturbed me.

Mr. GEORGE. Would the Senator from South Carolina, so far as he is concerned, have any objection to the amendment which I gave notice this morning that I expected to offer, on page 4, line 12, after the word "act," to insert:

or to abolish, or transfer to any other agency, the whole or part of any agency or activity of the Department of Agriculture dealing with native or domesticated plant and animal production, or with soil or water conservation.

That refers primarily to forest service and matters of that kind. I merely wanted to see whether the Senator, so far as he is concerned, would have objection to that amendment.

Mr. BYRNES. Of course, when the Senator from Georgia, in his mild manner and with that smile, makes such a statement, I know that he is aware of the importance of the question he asks, and the same question has been asked as to F. D. I. C., the Comptroller of the Currency, and the Railroad Retirement Board; and if there is any agency as to which that has not been asked, I must say that I do not recall it.

I will say, however, to the Senator from Georgia that the Secretary of Agriculture issued a statement, which Representative COCHRAN put into the RECORD last week, in which he said that so far as he is concerned he is entirely satisfied with the bill as it stands insofar as his powers are concerned and hopes that it will be supported.

Mr. President, does that answer the question? I said that I had concluded, but I do wish to make an additional statement.

Mr. GEORGE. I am afraid that it does not; no, sir; but I will give the Senator from South Carolina more time to think of the question.

Mr. BYRNES. The Senator says he does not think I have answered his question. I will say that my position is that if we do what he suggests there is no reason why we would not become involved with the same request from each of the Departments. I shall be glad to talk with the Senator about it.

I wish to touch upon one other matter in conclusion. I have read in the newspapers that it was proposed to modify this bill, to water it, and then take it to the White House, and the Senator from South Carolina proposed to take it to conference then and agree to a much stronger bill.

Mr. President, I never like to refer to newspaper articles. Newspaper reporters have all kinds of opinions about us, but I do not think it would be necessary for me to make any explanation to the Members of the Senate. But just because some people who read the newspapers do read the RECORD, I want to say that that is a wholly unwarranted and exceedingly unfair statement. The fact is that the amendment that I offered to this bill proposing that the Auditor General to be appointed by the Joint Committee on Public Accounts was determined by me last fall during the recess. I have no recollection of having talked to the President about it later. I am satisfied that I did not discuss this bill with the President prior to the time the committee acted upon these amendments, with the exception of one occasion, in a casual way, when I discussed the Department of Welfare, and the President stated that he had no opinion to express upon it, and anything that the Congress did with regard to that subject would be entirely satisfactory to him.

So if anyone in this country wants to represent the President as sitting down at the White House grasping for power on that subject, it is quite unfair to him.

If anyone wants to say that the President has even spoken to me about the matter since that time, that equally is untrue. I did advise the President—the only time that I have talked to him—after the committee had acted, about one or two things in this bill, of changes that I had made, and which met with his approval.

So far as I am concerned I want to assure the Senate that I have not been guided by any such motives. I agreed to the change in the time in which an order could be filed, because it was really suggested in the committee by the Senator from Virginia [Mr. BYRD] who wanted to shorten the time. The Senator from Mississippi suggested to me instead of making it 2 years, to provide "at the end of the fiscal year," and I agreed to that.

On my own motion I struck from the bill the section as to the Department of Conservation, and I did it for the reason that last year the Senate passed a bill changing the name, and sent it to the House, and the House pigeonholed it. The House has already passed a reorganization bill, but did not include such a provision, and I realized that, regardless of the action of the Senate, with the attitude of the House such as it is it would be useless to include that provision, and I moved to strike it out.

I have no objection to the views of those who are honestly opposed to the bill. Every man has the right to his views. But I want to say to the Senate that there is no conspiracy between the White House and the Senator from South Carolina with respect to passing a bill with amendments, and agreeing to another bill in conference. I have never done that. Whenever I serve as a representative of the Senate in a conference I regard myself as an ambassador of the Senate, and I fight for the retention of everything in the Senate bill. I think my colleagues will say that is correct.

Mr. BYRD. I wish to ask one question. Did I understand the Senator to say that the Comptroller General's Office had not been instrumental in accounting for anything of substance in the matter of preventing fraudulent payments or collecting on payments fraudulently made?

Mr. BYRNES. No, Mr. President; I said in answer to the Senator from North Carolina that it was a splendid thing that we could say of the officials of the Government that there had been so little fraud. My answer was prompted also by the question of the Senator from Washington. I know that in many instances substantial collections have been made in every office and at different times.

Mr. BYRD. Will the Senator for the purpose of the RECORD permit me to state that from 1923 to 1936 the General Accounting Office has collected $54,235,000?

Mr. President, just one more question and I will not keep the Senator longer, because he has made a very able exposition of the bill and has been on his feet for a long time.

I think he has been very unfair to the Accounting Office with respect to reports. Under the Economy Act of 1933 it was provided that the Director of the Budget could request any department not to print any report, and for 4 years, by reason of that request, the reports in the General Accounting Office were not published. They were available at the General Accounting Office, but they were not published because of the Economy Act of 1933. With the exception of those 4 years, all the reports have been made each year and published since the establishment of the General Accounting Office. I simply state that for the RECORD.

Mr. BYRNES. Then I simply want to put into the RECORD the figures. The Comptroller did say that, but the facts are that the appropriation for the General Accounting Office for printing and binding for the year 1933 was $75,000, and the obligations or the expenditures were only $58,000. He did not expend all he had appropriated to him.

In 1934 he spent $56,000 out of an appropriation of $60,000. The next year $59,000 was appropriated. In 1936, $71,000 was appropriated. Eighty-one thousand dollars was appropriated in 1937, practically all of which was obligated. But I think that the officer in charge of a department has to determine the relative importance of expenditures when it comes to printing and binding, and I do believe that the report to the Congress of the United States was of first importance, and it should have been included in that printing.

In the years that have passed others have come to the Congress and received most liberal appropriations for printing and binding, and have received increases in that respect, so the Comptroller General might have asked for and received more money.

Mr. BYRD. The Senator is aware of the fact that the Economy Act of 1933 did contain a provision that a department, upon the request of the Budget Director, could keep the report on file and not publish it, by reason of economy.

Mr. BYRNES. Yes. I did not know that the Comptroller, Mr. Elliott, had stated to the committee that he had been requested by the Director not to print it. I do not think the record will show that. That is done in no other department. All the other departments have been printing reports since about 1934, certainly.

After all, that is not material. I wish to reiterate that certainly I do not think it of the greatest importance. I have no criticism to make of Mr. McCarl, who had a terrible job, and, in all, has done his best as a public servant to perform his duties in an efficient way.

Mr. BONE. I should like to ask the Senator from South Carolina a question, if I may. I am impelled to ask this question by reason of the fact that I have had a great many inquiries from postmasters. I am also interested because of the question of the Senator from Massachusetts [Mr. WALSH] about one phase of the civil-service provisions of this bill. I invite the attention of the Senator from South Carolina to the language on pages 15 and 16 of the bill. I did not hear all the colloquy, but I recall the Senator from Massachusetts asked whether or not postmasters could all be covered into the civil service by these provisions?

Mr. BYRNES. No.

Mr. BONE. The following language appears on page 16, in section 206 (a):

> In addition to the authority vested in the President by the civil-service laws, the President is authorized to cover into the classified civil service any offices or positions in any agency of the Government, except offices or positions to which appointments are required to be made by the President by and with the advice and consent of the Senate.

If that language stood alone, it would seem there might be some question of the power of the President to put all postmasters under civil service.

Mr. BYRNES. There is no question. He has no such power.

Mr. BONE. But listen to this language. This is why I asked the Senator the question. On page 15, in section 205, it is provided as follows:

> The President, by and with the advice and consent of the Senate, shall make appointments to fill any vacancy in any office or position of the head of any bureau, division, service, or other similar agency, which is in or under the jurisdiction or control of and is directly responsible to the head of an executive department, independent establishment, or independent agency but only if the President finds that such office or position is policy determining in character. Any determination by the President that any such office or position is policy determining in character shall be final.

If the President finds that a postmaster is not in a policy-making position, he thereby lifts that office bodily out of the act, and it would seem that the President could make all postmasters civil-service appointees if he elected to under this act, because certainly no opposing act could stand up in the face of this particular language. How could a court construe this other than as giving the President the power to do it if he wished? I do not quarrel with his doing it.

Mr. BYRNES. I know that I will relieve the Senator's mind when I tell him that I have already stated to the Senator from Massachusetts [Mr. WALSH], who has an amendment to strike out this section, that I am going to agree to accept it, because the departments of the Government, after being interrogated, state that it would affect only 14 people in all the Government service.

INDEPENDENT OFFICES APPROPRIATIONS

The PRESIDING OFFICER laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. GLASS. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GLASS, Mr. BYRNES, Mr. RUSSELL, Mr. ADAMS, and Mr. HALE conferees on the part of the Senate.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

FIRST DEFICIENCY APPROPRIATIONS

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ADAMS. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. ADAMS, Mr. GLASS, Mr. MCKELLAR, Mr. HAYDEN, Mr. BYRNES, Mr. HALE, and Mr. TOWNSEND conferees on the part of the Senate.

ADDITIONAL RELIEF APPROPRIATION—CONFERENCE REPORT

Mr. ADAMS. Mr. President, I submit the conference report on House Joint Resolution 596, and ask for its immediate consideration.

The report was read, as follows:

> The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:
>
> That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendment of the Senate numbered 3; and agree to the same.

The committee of conference report in disagreement amendment numbered 2.

ALVA B. ADAMS,
CARTER GLASS,
KENNETH MCKELLAR,
CARL HAYDEN,
JAMES F. BYRNES,
FREDERICK HALE,
J. G. TOWNSEND, JR.,
Managers on the part of the Senate.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

The VICE PRESIDENT. Without objection——

Mr. ADAMS. Mr. President——

Mr. KING. I object.

Mr. ADAMS. The conference report requires some explanation.

As the joint resolution went to the conference committee, there were three amendments in disagreement.

First, there was the amendment offered by the senior Senator from Wisconsin [Mr. LA FOLLETTE] in reference to the inclusion of projects for the production and distribution to farmers of materials for fertilizing the soil. The Senate conferees felt compelled to recede from that amendment. I am sorry the Senator from Wisconsin is not present. He is out of the city. I called the attention of the junior Senator from Wisconsin [Mr. DUFFY] to the matter.

Mr. DUFFY. Mr. President, I assume the Senate conferees came to the conclusion that it would be impossible to sustain that amendment. It is an amendment which is desired very much by the people of my State, and I wish to ask the Senator if he thought it was hopeless to attempt to have the amendment accepted by the House.

Mr. ADAMS. That was the conclusion of the Senate conferees. I may call the Senator's attention to part of the argument which the House conferees submitted. They pointed out that as to the projects specified the amendment would provide for the distribution to farmers of the material produced. That is, the projects would provide not merely employment in the lime and marl quarries, or diggings, or whatever they may be, but under the amendment the material produced would be distributed to the farmers, regardless of the needs of the farmers, and it would be done under such conditions as should be determined by the sponsors of the project. The House conferees said that we were neglecting the element of need in having W. P. A. workers provide material for the fertilization of farms regardless of the need of farmers to whom the material was distributed, and that we were taking it out of the ordinary course of the W. P. A. by providing that the distribution should be made under such conditions, not as the W. P. A. should prescribe, but as should be determined by the sponsors of the projects and under the provisions of the State law.

The Senate conferees felt, in the face of the arguments and the insistence of the House conferees, that they were driven to recede from that amendment. I may add that I read to the conferees telegrams from the Governor of Wisconsin, the Honorable Philip La Follette, and from Mr. Chris Christiansen, who is the head of an agricultural college.

Mr. DUFFY. He is the dean of the College of Agriculture.

Mr. ADAMS. The case was presented as well as the Senate conferees could present it.

Mr. DUFFY. The sponsors are usually a governmental unit, and in many places it is the only way persons who are unemployed may be employed in small localities. Furthermore, a large proportion of the cost—30 to 35 percent, or possibly more at times—is contributed by the sponsors. It is true that after the material was produced anybody who had any land and who needed it could get it. We have been practicing soil conservation in Wisconsin for many years by the cultivation of soil-conserving crops. Such projects are very popular in my State.

Mr. ADAMS. I was very much in favor of the amendment, but the position taken by the House conferees was supported by a number of telegrams. We met the situation as best we could, but the Senate conferees felt driven to recede.

Mr. MCKELLAR. Mr. President, I do not think the Senator from Colorado said so, but I know he will agree that the House conferees were determined about it, and there was no way to get an agreement upon the amendment.

Mr. ADAMS. That is true.

The third amendment—skipping the second for the moment—had reference to aliens. In that instance the House receded from its opposition to the Senate amendment.

As to amendment No. 2, which was the one dealing with the so-called Woodrum amendment, we have returned that to the Senate for further action. It is still in disagreement. The Senate conferees declined to yield; the House conferees declined to yield. We reached the point where the conference report was to be presented to the Senate, and so it was decided to submit amendment numbered 2 again to the Senate.

It so happened that the Senate conferees—I think all of them—had opposed on the floor of the Senate the amendment which the Senate adopted. That fact seemed to impose upon the Senate conferees an obligation beyond that ordinarily imposed in order to maintain good faith with the Senate. So without any exception the Senate conferees said that they would not yield upon this amendment unless the Senate directed them to do so. The amendment was put into the bill by a vote of 38 to 36 after a rather extensive debate led by the Senator from Washington [Mr. SCHWELLENBACH], whose amendment it was.

In order that the amendment may be submitted to the Senate for determination, I shall move in a few moments that the Senate recede from its insistence on the amendment numbered 2 to the joint resolution. Unless we are mistaken as to the attitude of the House conferees, and unless we are mistaken as to the attitude of the House, as it was presented to us, I am afraid that if the Senate insists on the second amendment, no relief measure may be passed. The amendment is not of such magnitude that it should delay relief, but with respect to it the Senate conferees were unwilling to recede, or felt they could not recede. In order that the question may be presented, under the instructions of the Senate conferees, I move that the Senate recede from its insistence on the amendment numbered 2. There is no way to bring it before the Senate other than by such a motion.

Mr. MCKELLAR. Mr. President, will the Senator yield?

Mr. ADAMS. I yield.

Mr. MCKELLAR. It is true, is it not, that without the Senate amendment the W. P. A. has the right to allocate the $250,000,000 carried in this bill just as it sees fit, between now and July, at any rate? So it is not necessary at all that the amendment be adopted, even if we wanted to have a change made.

Mr. ADAMS. As the Senator from Tennessee will recall, this matter was debated quite extensively in the Senate. The Senator from South Carolina [Mr. BYRNES] pointed out the preexisting statute. The Senator from South Carolina led the battle on the floor for the Woodrum amendment. His contention was that the Woodrum amendment did not add anything to the existing statute. The practical situation is that as of the 1st of February there were available some $545,000,000, or perhaps $565,000,000. This joint resolution adds $250,000,000 to that amount. Under the Woodrum amendment it is necessary that some arrangement be made so that the funds will last through the remainder of the year. The allocation is not required to be made evenly by months, but it must be made in such a way as to carry through the remaining 4 months. It has been contended that it might result in injustices. I would rather leave it to the Senator from Washington [Mr. SCHWELLENBACH], who sponsored the amendment, to explain that feature if he will.

Mr. SCHWELLENBACH. Mr. President——

The VICE PRESIDENT. If the Senator will permit the Chair to state the parliamentary situation, the question before the Senate is, first, on agreeing to the conference report, which is conclusive of the report itself, and then the question will recur whether or not the Senate will recede from its amendment No. 2. Without objection, the conference report is agreed to.

The question now is on the motion of the Senator from Colorado [Mr. ADAMS] that the Senate recede from its amendment No. 2.

The Chair recognizes the Senator from Washington.

Mr. GLASS rose.

Mr. SCHWELLENBACH. Mr. President, if the Senator from Virginia wants to speak first, I will yield.

Mr. GLASS. I do not care to speak. I merely wish to state that I conferred with the author of the amendment involved, and I understood from him that he was not willing to delay this relief measure by insisting upon the amendment.

Mr. SCHWELLENBACH. Mr. President, I wish to make a brief statement. The situation which arises as the result of the disagreement and the unwillingness of the House conferees and the indication that the Members of the House themselves would not be willing to recede from their position leaves me in the attitude personally of possibly delaying the enactment of the joint resolution and delaying the giving of relief to some half million people who are entitled to it. On the other side, as I indicated the other day, I recognize that the inclusion of this amendment in the immediate joint resolution is of not nearly so great importance as will be the question as to whether the Woodrum amendment theory shall be embodied in the regular relief appropriation bill for the next fiscal year.

I most earnestly urge that the principle of the Woodrum amendment is wrong and that we should not incorporate it in relief legislation. I think that has been demonstrated by our experience during the past year. I do not believe that the rather close vote the other day indicated the feeling upon the part of the Senate toward the Woodrum amendment. I feel that many Members of the Senate voted against my amendment because they felt it was not so important upon this particular measure as it would be when it comes up in connection with the regular appropriation bill providing relief for the next fiscal year.

Therefore I am not pressing the matter, because I do not want to be in the position, as I do not think the Members of the Senate want to be in the position, of delaying further the furnishing of necessary jobs to a half million people who need them.

I want it understood, however, that I do not believe that the vote by which the Senate may recede from its position of a few days ago is, to the slightest degree, an indication that this body will not, when the time comes, upon the regular relief appropriation insist that the Woodrum amendment be not included.

Mr. ADAMS. Mr. President, I merely wish to give a few figures. With $545,000,000 now available the $250,000,000 additional will give to the Works Progress Administration, a larger sum per month than they have had even during the highest point of unemployment. It will be practically $200,000,000 a month. I do not have the accurate figures, but I think the highest amount expended heretofore was from $170,000,000 to $180,000,000. In other words, there is actually provided an amount greater than has ever been expended during the months when unemployment was greater than it is now.

The VICE PRESIDENT. The question is on the motion of the Senator from Colorado that the Senate recede from its amendment numbered 2.

The motion was agreed to.

TREASURY AND POST OFFICE APPROPRIATIONS

Mr. BARKLEY. Mr. President, I understand that it is agreeable to the Senator from South Carolina that the unfinished business be temporarily laid aside, in order that the Senate may consider at this time the Post Office and Treasury appropriation bill. I, therefore, ask unanimous consent that the unfinished business be temporarily laid aside for that purpose.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the unfinished business is temporarily laid aside.

Mr. McKELLAR. I move that the Senate proceed to the consideration of House bill 8947, being the Treasury and Post Office appropriation bill.

The VICE PRESIDENT. The question is on the motion of the Senator from Tennessee.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 8947) making appropriations for the Treasury and Post Office departments for the fiscal year ending June 30, 1939, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. McKELLAR. I ask unanimous consent that the formal reading of the bill be dispensed with, and that it be read for amendment, the amendments of the committee to be first considered.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The clerk will state the first amendment reported by the committee.

The first amendment of the Committee on Appropriations was, under the heading "Title I—Treasury Department—Custody of departmental buildings", on page 7, after line 16, to strike out:

Salaries and expenses, guard force: For salaries and expenses of the guard force for Treasury Department buildings in the District of Columbia, including the Bureau of Engraving and Printing, including not to exceed $6,000 for purchase, repair, and cleaning of uniforms, and for the purchase of arms and ammunition and miscellaneous equipment, $306,840: *Provided*, That this appropriation may be reimbursed in an amount not exceeding $40,000, for service rendered in the Bureau of Engraving and Printing in connection with the protection of currency, bonds, stamps, and other papers of value the cost of producing which is not covered and embraced in the direct appropriations for such Bureau: *Provided further*, That the Secretary of the Treasury may detail an operative of the Secret Service to supervise such force.

Mr. VANDENBERG. Mr. President, I wish to ask the Senator from Tennessee a question about an item on page 3. It is not involved in the amendment which has just been stated, but I may as well ask the question now as later. I am referring to the item on line 17, page 3, which appropriates $360,000,000 to the old-age reserve account of the social-security fund. I desire to ask the Senator how this $360,000,000 compares with the estimate pay-roll tax collections for this purpose?

Mr. McKELLAR. The $360,000,000 item was sent in as a Budget estimate; it was adopted by the House and also by the Senate committee. As to the comparison, I will have to look up the figures, and I will be glad to submit an answer to the Senator in a moment.

The House committee, in making its report, had this to say about it:

Old-age reserve account: The principal change in the nonoperating items is a reduction in the amount for the old-age reserve account from $500,000,000 for the current fiscal year to $360,000,000 for the fiscal year 1939. Adding to the $360,000,000 of direct appropriation the recommended reappropriation of $115,000,000, there will be available for the account in the fiscal year 1939 a total of $475,000,000. The reappropriation of $115,000,000 for the fiscal year 1939 is brought about by the situation existing in the fiscal year 1938 in connection with the operation of the old-age reserve account. Revenues collected under the social-security taxes in this fiscal year are not up to the sums expected when the current appropriation was made and, commencing in January of this year, the collection of such taxes is changed from a monthly to a quarterly basis. These two factors have materially reduced the amount of these taxes to be paid into the Treasury in the current fiscal year. The taxes when received are covered into the Treasury as miscellaneous receipts and do not go directly into the account. The amount of the appropriation for the old-age reserve account is in a general way measured by the amount estimated to be collected from such taxes. The unexpended balance of $115,000,000 in the current appropriation of $500,000,000 is, therefore, carried forward to the next fiscal year and combined with the direct ap-

propriation of $360,000,000 to make available $475,000,000 of appropriations for use by the Secretary of the Treasury under the law for investment in securities on a 3-percent reserve basis as specified in the law and for payment of benefits which may occur as a charge against the old-age reserve account.

Does that answer the Senator's question?

Mr. VANDENBERG. I think it does, and I thank the Senator.

The PRESIDING OFFICER (Mr. RUSSELL in the chair). The question is on agreeing to the amendment reported by the committee on page 7, after line 16.

The amendment was agreed to.

The PRESIDING OFFICER. The next amendment reported by the committee will be stated.

The next amendment was, under the subhead "Public Debt Service", on page 13, line 13, after the words "in all" and the comma, to strike out "$1,000,000" and insert "$1,075,000", so as to read:

Distinctive paper for United States securities: For distinctive paper for United States currency and Federal Reserve bank currency, including transportation of paper, traveling, mill, and other necessary expenses, and salaries of employees and allowance, in lieu of expenses, of officer or officers detailed from the Treasury Department, not exceeding $50 per month each when actually on duty; in all, $1,075,000.

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Customs", on page 15, line 9, before the word "shall", to strike out "$474,460" and insert "$489,740", so as to read:

Salaries and expenses: For collecting the revenue from customs, for the detection and prevention of frauds upon the customs revenue, and not to exceed $100,000 for the securing of evidence of violations of the customs laws; for expenses of transportation and transfer of customs receipts from points where there are no Government depositories; not to exceed $84,500 for allowances for living quarters, including heat, fuel, and light, as authorized by the act approved June 26, 1930 (31 U. S. C. 118a), but not to exceed $1,700 for any one person; not to exceed $500 for subscriptions to newspapers; not to exceed $1,500 for improving, repairing, maintaining, or preserving buildings, inspection stations, office quarters, including living quarters for officers, sheds and sites along the Canadian and Mexican borders acquired under authority of the act of June 26, 1930 (19 U. S. C. 68); and including the purchase (not to exceed $87,500), exchange, maintenance, repair, and operation of motor-propelled passenger-carrying vehicles when necessary for official use in field work; $20,850,000, of which such amount as may be necessary shall be available for the payment of extra compensation earned by customs officers or employees for overtime services, at the expense of the parties in interest, in accordance with the provisions of section 5 of the act approved February 13, 1911, as amended by the act approved February 7, 1920, and section 451 of the Tariff Act of 1930 (19 U. S. C. 261, 267, and 1451): *Provided*, That the receipts from such parties in interest for such overtime services shall be deposited as a refund to the appropriation from which such overtime compensation is paid, in accordance with the provisions of section 524 of the Tariff Act of 1930 (19 U. S. C. 1524); for the cost of seizure, storage, and disposition of any merchandise, vehicle and team, automobile, boat, air or water craft, or any other conveyance seized under the provisions of the customs laws, for the purchase of arms, ammunition, and accessories, and $489,740 shall be available for personal services in the District of Columbia exclusive of 10 persons from the field force authorized to be detailed under section 525 of the Tariff Act of 1930.

The amendment was agreed to.

The next amendment was, under the subhead "Coast Guard", on page 25, line 23, after the word "commanders", to insert "and per diem labor", so as to read:

Civilian employees: For compensation of civilian employees in the field, including clerks to district commanders and per diem labor, $205,200;

The amendment was agreed to.

The next amendment was, on page 26, line 12, after the word "medals" and the comma, to strike out "labor", so as to read:

Contingent expenses: For contingent expenses, including subsistence of shipwrecked and destitute persons succored by the Coast Guard and of prisoners while in the custody of the Coast Guard; for the recreation, amusement, comfort, contentment, and health of the enlisted men of the Coast Guard, to be expended in the discretion of the Secretary of the Treasury, not exceeding $40,000; instruments and apparatus, supplies, technical books and periodicals, services necessary to the carrying on of scientific investigation, and not exceeding $4,000 for experimental and research work; care, transportation, and burial of deceased officers and enlisted men, including those who die in Government hospitals; apprehension of deserters; wharfage, towage, freight, storage, advertising, surveys, medals, newspapers, and periodicals for statistical purposes; entrance fees in matches for the rifle team, and special equipment therefor; and all other necessary expenses which are not included under any other heading; $113,000;

The amendment was agreed to.

The next amendment was, under the subhead "Secret Service Division", on page 31, after line 7, to insert:

Salaries and expenses, guard force: For salaries and expenses of the guard force for Treasury Department buildings in the District of Columbia, including the Bureau of Engraving and Printing, including not to exceed $6,000 for purchase, repair, and cleaning of uniforms, and for the purchase of arms and ammunition and miscellaneous equipment, $306,840: *Provided*, That this appropriation may be reimbursed in an amount not exceeding $40,000, for service rendered in the Bureau of Engraving and Printing in connection with the protection of currency, bonds, stamps, and other papers of value the cost of producing which is not covered and embraced in the direct appropriations for such Bureau: *Provided further*, That the Secretary of the Treasury may detail an operative of the Secret Service to supervise such force.

Mr. KING. Mr. President, I should like an explanation from the Senator having charge of the bill as to what seems to me to be rather an enormous appropriation for the Coast Guard. I notice items such as:

Office of the Commandant: For personal services in the District of Columbia, $389,240.

Also—

Pay and allowances, $18,037,000.

And various other expenses, making a total of $25,049,287 for the Coast Guard.

Mr. McKELLAR. That item will be reached a little later in the consideration of the bill, but I will get the information for the Senator in just a moment.

Mr. KING. I should like a general explanation. There is no increase in the appropriation, I understand, but I am somewhat amazed at the very large appropriation called for. It looks as if we are trying to convert the Coast Guard into a Navy.

Mr. McKELLAR. No; I do not think that is so. I will give the Senator an explanation of it.

The total amount recommended for the Coast Guard is $25,428,527, a net increase of $789,687 over the appropriation for 1938 and—

I call the Senator's special attention to this—

and $184,160 less than the Budget estimates. The appropriation provides for 528 commissioned officers and instructors (an increase of 21 occasioned by commissioning of the graduating class from the academy), 118 cadets (the same number as the current year), 557 warrant officers (a decrease of 23), and 8,790 enlisted men (a net decrease of 177). The net reduction of the number of enlisted men is occasioned by the decommissioning of 41 Coast Guard stations which have been surveyed and placed in an inactive status and the decommissioning of 2 old vessels. Provision has been made for additional enlisted radio personnel on patrol boats and for training purposes. Other than the units above indicated as having been placed in an inactive status, the floating and shore units in the Coast Guard are provided in the next fiscal year in the same numbers as the present fiscal year. The net increase of $789,687 is occasioned principally by a new item of $700,000 to provide two new harbor cutters and their equipment to replace vessels now in the service which are at very important stations and each of which is more than 40 years old and in very urgent need of replacement.

I think it will appeal to the Senator as beyond question that any ship 40 years old needs to be replaced.

An increase of $140,087 is also recommended in the appropriation for repairs to vessels and boats in order that the Coast Guard fleet may be more adequately kept in an efficient state of repair, both as to hulls and machinery.

The reduction of $184,160 in the Budget estimates has been effected having in mind the somewhat lower price trend in the cost of commodities of supplies and construction.

An item of $270,000 is recommended for replacement of airplanes and their equipment. The amount contemplates the purchase of three amphibian planes, spare parts, spare engines, and radio and ordnance equipment. These planes will replace three purchased in 1931 and 1932 and two planes transferred from the Navy and constructed in 1930. This plane replacement item is $93,500 less than the amount allowed this fiscal year for airplane replacements.

So it seems to me that since the appropriation is less than the Budget estimate, and is not greatly above the

appropriation for last year, and especially since the increase is brought about almost entirely by the replacement of 40-year-old vessels, it is a proper increase.

Mr. KING. Mr. President, prima facie, when the Budget Bureau makes a recommendation, I am inclined to follow the recommendation; but I know the tremendous pressure which is brought to bear upon the Budget Bureau when it investigates the requirements of the various departments and receives evidence in justification of the appropriations which are solicited.

The members of the Budget organization are men of character and ability; and I desire to emphasize that fact with respect to Mr. Bell, than whom there is no more efficient and courageous man in public life. The pressure to which I refer, however, is so great that is it almost impossible for the Budget Bureau, as it is for Congress, to resist it. Before we had the Budget organization the bureaus and departments would send their best representatives to the various appropriations committees and others and present their cases with great zeal and with great earnestness. We know that from year to year the appropriations increase far beyond any legitimate demand. In my opinion the appropriations during the past year have been far greater than they should have been, and I believe the appropriations for the coming year will exceed those made for the past year. No one knows what the appropriations will be or how much they will be in excess of the revenues.

We shall soon have before us a tax bill, which will be reported from the Committee on Ways and Means of the House of Representatives within a short time, and which undoubtedly will increase by a billion or more dollars the taxes upon a people whose backs have already been broken. With that increase in taxes there will be, in my opinion, in the light of the enormous appropriations we are making, a deficit of from $1,000,000,000 to $2,000,000,000. Indeed, if some of the measures which are now pending, and others which are threatened, are enacted, the deficit will exceed $2,000,000,000 and possibly will be three or four billion dollars.

I have discovered that efforts to reduce governmental expenses are futile. The demands for appropriations and still greater appropriations become more insistent and persistent as the days and years go by. The number of bureaus has been increased; an increase in the number of departments is now threatened; and the number of employees of the Government has been vastly augmented, so that there are now upon the pay rolls of the Federal Government nearly 2,000,000 men and women, and upon the pay rolls of the various States and their political subdivisions there are hundreds of thousands more. Thus the Federal Government, the States, and their political subdivisions are now exacting from all the people of the United States nearly 30 percent of their gross income, a sum so great that it is an obstacle to financial or economic revival, and one that will press more heavily than ever upon business and upon the people.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. KING. I yield to the Senator from Tennessee.

Mr. McKELLAR. If the Senator will look on the first page of the report of the Senate committee, he will find that the amount carried by the bill as reported to the Senate is under the appropriations of 1938 by the sum of $174,567,145.94, and under the estimates for 1939 by $9,620,473. I feel, as the Senator from Utah does, that it is our duty to cut down appropriations in every possible way; and I take pleasure in calling attention to that decrease.

Mr. KING. Mr. President, I find that the appropriations for 1938 were $1,576,415,008.94. I want to be sure to put in the 94 cents. We must not lose track of that. [Laughter.]

Mr. McKELLAR. That total includes both the appropriations of nearly $800,000,000 for the Post Office Department, which in a very large measure is self-sustaining, and the appropriations for the Treasury Department, for which, of course, we are obliged to appropriate.

Mr. KING. I am speaking of the amount carried by the bill. The bill carries a larger appropriation than was carried in the similar appropriation bill for the current fiscal year.

Mr. McKELLAR. No, Mr. President.

Mr. KING. Then, I am in error. I have read the figures, and if I am in error I shall be glad to be corrected.

Mr. McKELLAR. I call attention to the figures on page 1 of the report. The amount of the appropriations for 1938 was $1,576,415,008.94, and the amount carried by the pending bill is $174,567,145.94 less than the appropriations for 1938.

Mr. KING. We have not as yet received a statement of the deficiencies. In my opinion there will be deficiency bills which will augment the amount just stated by my friend so that the aggregate ultimately will be more than the amount which he claims the bill carries.

Mr. McKELLAR. All I can say is that I hope not. I express the hope that the deficiencies will not amount to anything like that difference.

Mr. KING. I know the Senator from Tennessee has been one of the earnest workers for economy. I sometimes think his hopes do not rest upon faith, and certainly not upon any precedent; so I am sure his hope will not be realized when I have before me in my mind the scores and scores of bills which are now pending, and the demands for appropriations which have not yet been satisfied by the appropriation bills which have been reported, but which will be satisfied before this session of Congress adjourns.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. VANDENBERG. What the Senator says about the zeal of the Senator from Tennessee is, of course, correct. I distinctly remember that about 5 years ago, when the appropriations were perhaps a half or a third of what they are now, the able and distinguished Senator from Tennessee was so alarmed about the impending bankruptcy of the country that each time an appropriation bill came before the Senate he had attached a rider requiring a horizontal 10-percent reduction. I am wondering if he does not think that we have reached a time when it would be appropriate again to start such a movement.

Mr. McKELLAR. I shall be very glad to. The country came near going on the rocks just at that time, and it was virtually bankrupt. If anyone doubts that, all he has to do is to look at the reports and figures for 1932 and early in 1933, and he will find that the Nation was substantially bankrupt.

Mr. KING. Does the Senator think that a government or an individual is not on the rocks when compelled to issue bonds and notes to the extent of 37 to 40 billion dollars, as the Government has done?

Mr. McKELLAR. Not necessarily. In my judgment, that is certainly not true of this Government.

Let me say further to the Senator from Michigan that it is true that I offered an amendment providing a 10-percent flat reduction in the appropriations for all the departments, and it is true that it did some good in some of the departments, but taking all of the departments, it was found that it was not practicable and could not be made effective. I am frank to make that statement to the Senator, as I have made it before; but I believe that we should have the Budget balanced as soon as possible.

Mr. VANDENBERG. Mr. President, will the Senator from Utah yield further?

Mr. KING. I yield.

Mr. VANDENBERG. I merely desire to add a postscript. The Senator referred to rocks and wrecks. I remind him that his own President, in a very able and tremendously pertinent observation in one of his first messages to Congress in 1933, said:

> Most liberal governments are wrecked on the rocks of loose fiscal policy, and we must avoid this danger.

I suggest that we are on those rocks now.

Mr. McKELLAR. We are very busily engaged in avoiding those rocks. The estimates for this year are largely below those of last year.

Mr. VANDENBERG. We are busily engaged in trying to get off the rocks.

Mr. McKELLAR. I do not think we are on any rocks. I think we are working toward a balancing of the Budget and are making considerable progress in doing so.

Mr. KING. Let me add another postscript, in the light of the suggestion made by the Senator from Michigan. I recall that the Senator from Tennessee and myself have frequently during the past 10 or 12 years moved that appropriation bills be recommitted to the Committee on Appropriations with instructions that the committee reduce the aggregate amounts carried in the bills 10 percent. Those motions met the objection which was made just now by my friend, and having mentined it, I recall that when we offered from time to time amendments for flat reductions and the suggestion was made that such a plan might bear unjustly on some particular governmental agency, we quite often amended our motions to recommit and asked that the Committee on Appropriations be instructed to reduce the aggregate by 10 percent, and to make cuts before they reported the bills back, finally relieving bureaus and other subdivisions of the necessity of cutting the appropriations 10 per cent when an injustice would thereby be worked on them, but at the same time instructing the committee to present the bills so amended as to reduce the general amount of the appropriations by 10 percent.

I should be willing to move to recommit the pending bill to the Committee on Appropriations with instructions to cut the aggregate appropriation 10 percent, and let the members of the Committee on Appropriations make the reductions in the activities and bureaus to which reference is made in the bill, so that there would be no injustice done to any of them.

Mr. President, in every instance where the Senator from Tennessee and I made such motions—and sometimes the motions carried 25-percent reductions—we were defeated. Not a motion to reduce the expenses in the aggregate has prevailed since I have been a Member of this body. More and still more is being demanded, and I make the prediction now to my learned friend that, instead of the appropriations being less than they were last year, they will be more, and I make the further prophecy now that, instead of balancing the Budget, when we have wound up this session there will have been appropriated between two and three billion dollars more than the revenue which will be provided for the next fiscal year.

Mr. President, I cannot justify the enormous appropriations which are being made by the Congress of the United States. I recall to the Senate that during the last year of Mr. Wilson's administration before we entered the war the entire expenses of the Federal Government were approximately $998,000,000. We had an efficient Navy, we had a satisfactory Army, we met all the expenses of the Government and all the reasonable demands of every department and agency of the Government. We did that with a billion dollars. Now it takes nearly $2,000,000,000 just to pay the salaries and the compensation of those who are upon the Government pay roll. In other words, it costs nearly twice as much today to pay the salaries of Federal employees as it did to operate the Government at the time to which I have referred.

The bureaus and the employees are being multiplied, so that instead of the appropriation for the payment of those on the Federal pay rolls being $2,000,000,000, or thereabouts, it will soon be $2,250,000,000.

Mr. President, the Federal agencies seem to be insatiable; we cannot satisfy their demands. I notice that to collect the customs duties costs nearly $26,000,000. Yet, when we were collecting $500,000,000 in customs, or thereabouts, the cost of collection was less than this amount. I find that the expenses of assessment and collection of the internal revenue, just this one item, as appears in the report submitted by Mr. LUDLOW, having charge of the bill in the House of Representatives—and I do not think there have been any reductions—amounted to $58,240,520.

Mr. McKELLAR. That is for 1938.

Mr. KING. That is correct, and I am glad the Senator called attention to that. It is estimated that next year $59,000,000 will be needed, so that there is an increase of $750,000. I desire to be accurate, and I am quoting from the report.

Mr. McKELLAR. I am giving the Senator the exact figures. If the Senator will examine the table for the Bureau of Internal Revenue at the bottom of the page he will find that the total for the Bureau for 1938 was $103,301,420, while for 1939 the amount recommended is $93,748,800, or a decrease of $9,552,620.

Mr. KING. Let me add a postscript to the Senator's statement. Last year there was a refund of processing taxes of $15,000,000, and we are refunding none this year, so that when we subtract that $15,000,000, it is apparent that the decrease is not so great as is indicated.

Mr. McKELLAR. Is the Senator referring to the refunds?

Mr. KING. Yes. The Senator stated that was a part of the expenses of the Department. That is true, but it was not an expense in the sense that they were employing the agencies of the Government to collect taxes. That was a refund of taxes which had been illegally collected.

Mr. McKELLAR. Mr. President, in dealing with an item of this kind, amounting to over a hundred million dollars, we are doing well when we can get off with an increase of not over $5,000,000 where so much money is being collected. Other laws have been enacted which require increases in taxes, and, of course, when there are increases of taxes the cost of collecting them is greater, and if, in an item such as this, we can get by with an increase of not exceeding 5 percent we are doing pretty well. By the way, there were refunds of $35,000,000 this year.

Mr. KING. That will require an addition of $35,000,000 to the $94,000,000.

Mr. McKELLAR. No; the $35,000,000 this year is included in the $93,748,800, so that when we consider those items of taxes refunded there is really a greater reduction than $9,552,620.

Mr. KING. I recur to the expenses incurred in assessing and collecting taxes. As I have stated, the appropriation for that particular item amounted to $58,240,520 for 1938, and the appropriation recommended for 1939 for the same purpose is $58,700,000. That is a very slight increase, being $459,480.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. VANDENBERG. The Senator was dealing a moment ago with the general trend, which indicates the utterly stupendous and suicidal rate at which we are rushing onward in the totals of Federal expenditures. I ask him simply to permit me to bring just one sentence to the exhibit, which is that in the last 7 years the Federal Government has spent as much as it did in the 141 years from the foundation of the Government down to the armistice, including the World War.

Mr. KING. Mr. President, if my dear friend from Tennessee, whom I esteem highly, can find any comfort in the stupendous appropriations which we are making, I confess that he has changed considerably since both of us first came to the Senate of the United States in the year 1917.

Mr. McKELLAR. Mr. President, I not only do not find any comfort in them, but I find cause for the greatest distress. However, it is a matter concerning which we are compelled to carry on. We must collect the taxes that have been imposed, and it is necessary to pay the expense involved in their collection. I do not find any comfort in the situation. Quite to the contrary; I should be very glad indeed if we could reduce these items.

Mr. KING. Mr. President, the only way to reduce is to reduce, and so long as we permit bureaus and departments and other Federal agencies to dictate our policies, as they are doing, there will be no reduction, but, on the contrary, there will be augmentations each succeeding year.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. McKELLAR. Let us take the item for last year, which was $103,000,000, in round numbers. This year that item is $94,000,000. To be exact, there is a decrease in connection with this one item of $9,552,620. Does not the Senator from Utah think the committee, not I, but the committee, ought to be commended somewhat for reducing this item to the extent of $9,552,620?

Mr. KING. Mr. President, when the committee reports out a bill appropriating considerably more than $1,000,000,000——

Mr. McKELLAR. For both departments the total is $1,400,000,000.

Mr. KING. A bill is being considered now appropriating $1,401,847,863, and in connection with such a tremendous figure $9,000,000 seems a very small reduction.

Mr. McKELLAR. But this is with respect to one item, which is the assessment and collection of taxes, the refunding of internal-revenue collections, the expenses of administering the Silver Purchase Act, the processing tax, the income tax, and the railroad in Alaska. On those combined items there is a reduction of $9,552,620, and the Senator, believing as he does and as I do, knows that that is a step in the right direction.

Mr. KING. Mr. President, it is a step in the right direction, but it is a very short step. I wish the Senator from Tennessee and the committee wore 7-league boots instead of dainty slippers such as we sometimes see upon the feet of the charming ladies of the city.

I should like to see the Government reduce and again reduce its expenditures. We ought to cut the expenditures of the Government to $5,000,000,000, and they would then be 500 percent above its expenditures during the year in Mr. Wilson's administration to which I have referred.

While we have increased taxes about 500 percent or 600 percent as compared to those for the year to which I have just alluded, expenditures have been increased from 1,000 to perhaps 1,200 percent. That is not economy. That does not mean a balanced Budget. If we continue these enormous appropriations, Mr. President, we will not only not balance the Budget but we will lead our country into the deadly path of inflation. We cannot continue appropriating $7,000,000,000, or $8,000,000,000, or $9,000,000,000 annually, and still further burden the people with taxes in excess of those which are now wrung from them, without injuring the credit of the country.

There is no more talk, such as we heard a year or two ago, about balancing the Budget. I have not heard the expression recently; but today the Senator from Michigan spoke about balancing the Budget. We are not now talking about balancing the Budget. We are talking about making greater expenditures, creating more jobs and building up more bureaus and Federal agencies. There will be no balancing of the Budget under the policy which is now being pursued.

Mr. President, I know it is absolutely futile to challenge attention to these enormous expenditures and to plead for economy. If I should move or if any other Senator should move to reduce the expenditures 5 percent or 1 percent the motion would not receive 10 favorable votes on the floor of the Senate.

I protest against this bill, and I shall vote against it, because in my opinion it carries two or three hundred million dollars more than ought to be found within its covers.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 31, line 7.

The amendment was agreed to.

The next amendment was, under the subhead "Procurement Division—Public building branch", on page 47, line 15, before the word "for", to insert "Emergency construction of public buildings outside of the District of Columbia", so as to read:

Emergency construction of public buildings outside of the District of Columbia: For continuation of construction of, and acquisition of sites for, public buildings outside of the District of Columbia, including the purposes and objects, and subject to the limitations, specified under this head in the Third Deficiency Appropriation Act, fiscal year 1937, $11,000,000.

The amendment was agreed to.

The next amendment was, on page 47, after line 21, to insert:

Government Printing Office, annex buildings, Washington D. C.: For continuation of construction of annex buildings for the Government Printing Office, $2,500,000; and the limit of cost for this project is hereby increased from $5,885,000, as authorized in the Second Deficiency Appropriation Act, fiscal year 1935, approved August 12, 1935, to $7,000,000.

The amendment was agreed to.

The next amendment was, under the heading "Title II—Post Office Department—Salaries in bureaus and offices", on page 53, line 17, to increase the appropriation for personal services in the District under the office of the First Assistant Postmaster General from $384,000 to $387,000.

The amendment was agreed to.

The next amendment was, on page 53, line 21, to increase the appropriation for personal services in the District under the office of the Third Assistant Postmaster General from $783,000 to $788,000.

The amendment was agreed to.

The next amendment was, on page 53, line 25, to increase the appropriation for personal services in the District under the office of the Solicitor for the Post Office Department from $81,280 to $83,440.

The amendment was agreed to.

The next amendment was, on page 54, at the end of line 1, to increase the appropriation for personal services in the District under the office of the chief inspector from $220,000 to $237,000.

The amendment was agreed to.

The next amendment was, on page 54, at the end of line 2, to increase the appropriation for personal services in the District under the office of the purchasing agent from $44,000 to $47,240.

The amendment was agreed to.

The next amendment was, under the subhead "Field Service, Post Office Department—Office of Chief Inspector", on page 56, line 25, after the word "inspectors", to strike out "$2,271,500" and insert "$2,296,500", so as to read:

Salaries of inspectors: For salaries of 15 inspectors in charge of divisions and 595 inspectors, $2,296,500.

The amendment was agreed to.

The next amendment was, under the subhead "Office of the First Assistant Postmaster General", on page 59, line 3, after the word "substitutes" and the comma, to strike out "$199,000,000" and insert "$198,000,000", so as to read:

Clerks, first- and second-class post offices: For compensation to clerks and employees at first- and second-class post offices, including auxiliary clerk hire at summer and winter post offices, printers, mechanics, skilled laborers, watchmen, messengers, laborers, and substitutes, $198,000,000.

Mr. McADOO. Mr. President, I call attention to the amendment on page 59, lines 3 and 4. I shall ask the Senate to reject the amendment. I think the item should be restored to the $199,000,000 provided by the other House.

Mr. McKELLAR. Mr. President, let me explain to the Senator and to the Senate just what the item means. For the item on page 59, line 4, the Budget estimated $198,000,000, which amount was recommended by the House committee, but on the floor of the House an amendment was offered and agreed to increasing the amount by a million dollars. It was what is known as a floor amendment. The Senate committee felt that the Budget estimate ought to be restored and taken to conference, that the matter could be thrashed out better in conference, and if the House conferees showed good reason for the additional amount, it could be restored. I hope the Senate will let the matter go to conference. I am not advised about the need for the proposed additional $1,000,000. The Senate committee is not advised about it, as it ought to be. As I recall, the Department itself recommended only the $198,000,000. A recom-

mendation for reduction was made with respect to the next item, in line 13, where there is a reduction of $200,000, and perhaps in one other item in the bill. In other words, just what the Department recommended, just what the Budget estimated, just what the House committee reported, is to be found in the amendment.

On the floor of the House, amendments were offered and were carried to increase the amount above the Budget estimate, above what the Department asked for, and above what the committee reported.

Under those circumstances I am hoping, for the purpose of allowing the matter to be considered in conference, that the Senate amendment will not be voted down, but that the Senate amendment will be agreed to.

Mr. McADOO. I thank my distinguished friend from Tennessee, but I wish he had made his speech last instead of first. However, I am very glad to conclude the discussion, and to yield to the Senator for the purpose of making his statement.

The Senator is in error, I think, about the Post Office Department having accepted the reduction of $1,000,000.

Mr. McKELLAR. I do not know that they accepted it, but it is my information that the Post Office Department's recommendation to the Budget Bureau was as I have indicated, and the Budget Bureau reported what the Department recommended. There is no purpose to prevent any proper clerk hire being provided. The only thing the committee wanted to do was to restore the Budget estimate so that the matter might go to conference and be thrashed out upon its merits.

Mr. McADOO. If I felt sure the conference committee would accept the position I take about it, I should have no objection to the amendment.

Mr. McKELLAR. I cannot say as to that, because it will depend upon the facts produced by those who have charge of the amendment.

Mr. McADOO. I may say to my distinguished friend that I took the trouble of communicating with the Post Office Department about these items, because I understood that there was a possibility of crippling the Service for the sake of saving a comparatively small sum of money. From my experience in one of the great departments of the Government, I know perfectly well that frequently appropriations are cut without any proper consideration of their bearing on the entire problem and the result is infinite harm.

Mr. McKELLAR. Let me say to the Senator that these appropriations were not cut. We gave what the Department originally asked, we gave what the Budget estimate provided for, and we gave what the House committee reported; but on the floor of the House an amendment was adopted increasing the amount. I think, in all fairness, these items should go to conference, so that they may be worked out upon the basis of definite information.

Mr. McADOO. If the Senator will permit me to make an explanation of my position, I should be glad to have it in the RECORD, because I hope it may be persuasive with the conferees when they meet. Perhaps that is an unwarranted hope. Nevertheless, I ask the opportunity of expressing it to my good friend from Tennessee.

I have in my hand a memorandum from the Acting First Assistant Postmaster General, Mr. Donaldson, in which he says that certain reductions were made by the House Appropriations Committee in items with respect to which the amount allowed by the Bureau of the Budget was barely sufficient to maintain the present service, without taking into account anything which may happen during the next fiscal year. He says:

> These reductions will mean an impairment of the Service.

All I am interested in is preserving the efficiency of the Service.

Mr. McKELLAR. If the Senator will yield to me again, I may say that I happen to have been for some years the chairman of the Post Office Committee of the Senate.

Mr. McADOO. And, I concede, a most efficient one.

Mr. McKELLAR. I have served on that committee, I think, for about 21 years. Every intendment in my nature is to give to the Post Office Department what it needs in the way of clerk hire, or in the way of anything which is proper to maintain the Department in its present high state of efficiency. I think our Post Office Department is the greatest post-office department in the world, and I want to maintain it on the same high plane of efficiency on which it now operates. Yet I do not think it is fair, without investigation, for us to go beyond what the Department itself estimated, what the Budget estimate provided for, and what the House committee reported.

Mr. McADOO. As I understand, Mr. President—I may be misinformed by the Post Office Department—some of these items are less than the amounts estimated by the Department. If I may be allowed, I should like to place in the RECORD the explanation which the post-office authorities have given to me. Then the Senator may do as he pleases about it. I shall read what Mr. Donaldson says about the item of $198,000,000 carried in the committee amendment, which is a reduction from the $199,000,000 allowed by the House.

Whether or not the item was in the Budget estimate, the House, after consideration of it, concluded that it ought to be $1,000,000 more than the Budget estimate. The Budget estimates sometimes do not agree with the estimates of the departments. Sometimes cuts are made in directions which are very harmful. This is what Mr. Donaldson says about it:

> The House Appropriations Committee approved the Budget estimate, but when the bill was in debate on the floor of the House—

As stated by my distinguished colleague—

> an amendment was offered and carried increasing this item to $199,000,000. There was every justification for this increase, due to the fact that the cost for this current fiscal year will be slightly more than $198,000,000, and the indications are that the receipts for the current fiscal year will exceed those for the fiscal year 1937. The appropriation of $198,000,000 will not allow for a single additional appointment to the personnel in the first- and second-class offices.

No matter what contingencies may arise, no provision is made for them.

> It will not be sufficient to cover the automatic promotions provided by law, which will approximate $840,000 in the fiscal year 1939.

Mr. President, I must say that, on the face of that statement from the Department itself, I think there is every justification for maintaining the increase made by the House. For that reason I am opposed to the committee amendment.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. HAYDEN. I should like to advise the Senator as to the reasons which persuaded me to agree to the decrease. It was shown before the committee that last year $195,000,000 was carried in the post-office appropriation bill for this purpose. The sum of $198,000,000 is $3,000,000 more than was appropriated by Congress last year. The additional $3,000,000 was allowed by the Budget upon a showing that there had been an increase in business in the Department, so that for the present fiscal year it will be necessary to make a deficiency appropriation of $3,000,000. So in appropriating $198,000,000 we appropriate the full amount appropriated last year plus the estimated deficiency for this year.

The second reason which impelled me to agree to the cut was the statement in the report made by the House Committee on Appropriations that these estimates were prepared last June and July, when business throughout the country was booming, and when it was anticipated that there would be a continuous increase in the postal revenue. In the meantime, as the House committee pointed out in its report, there was a distinct drop in business, beginning along in October, November, and December, and therefore they said it was not fair to assume that the same rate of increment would continue. The House committee gave

assurance in its report—and our committee will give the same assurance—that if business conditions grow better, and if there is necessity for an additional appropriation, it will be taken care of when Congress meets next January, just as was done at this session, by a deficiency appropriation. If, on the other hand, there is no necessity for additional clerks, it will not be necessary to make a deficiency appropriation.

I feel, just as does the chairman of the Committee on Post Offices and Post Roads, that the last thing we want to do is to interfere in any manner with the efficiency of the Post Office Department. The crux of the whole matter, as I see it, is that the need depends on whether certain substitutes, who are now carried and paid for out of the money appropriated for substitutes, are placed upon the regular roll. There is ample money in the proposed appropriation to take care of every legal allowance to every regularly appointed clerk in the Postal Service today.

Mr. McADOO. Mr. President——

Mr. McKELLAR. I desire to say to the Senator, if he will permit me, that I am not willing even to cramp the Post Office Department.

Mr. McADOO. I should like to make this speech, Mr. Chairman.

Mr. O'MAHONEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from California yield, and if so, to whom?

Mr. McADOO. I shall be glad to yield to any Senator for the purpose of asking a question, but Senators are making speeches in my time.

Mr. LEWIS. Mr. President——

Mr. McADOO. Let me say to my distinguished friend from Illinois that I promised to yield to the Senator from Wyoming [Mr. O'MAHONEY], and I shall do so for a moment.

Mr. O'MAHONEY. Mr. President, I was about to say, when the Senator indicated that he desired to pursue his remarks, that in the Committee on Appropriations I urged the amendments which the Senator is now offering upon the floor, and they were voted down, upon the theory that in the conference committee the opportunity would be presented of demonstrating the need for the increased appropriations.

It may be acknowledged here that with respect to the appropriation for clerk hire, the Post Office Department requested the Budget Bureau to authorize an appropriation of $203,000,000, which represented an increase of $5,000,000 over the figure carried in this bill. The appropriation for clerk hire in the last bill was $195,000,000. The Post Office Department has asked for a deficiency appropriation of $3,000,000. So the appropriation of $198,000,000 is the sum of the original appropriation, plus the deficiency appropriation; and I am advised by the Post Office Department that that is not sufficient to cover the outlay for the ensuing fiscal year.

If the demands upon the post-office service continue as they have been developing, there is no question that the appropriation of $199,000,000, as allowed by the House, will be needed. That was the reason why I urged it in the Senate committee. But I am frank to say, in the presence of the chairman of the subcommittee, that my understanding was that this whole proposal would be carried to the conference committee; and if it shall develop that there is still this continuing need, I am inclined to believe that the conferees on the part of the Senate will yield to the conferees on the part of the House.

Mr. POPE. Mr. President, will the Senator yield for a question?

Mr. McADOO. I yield.

Mr. POPE. I have a number of letters with reference to this amendment which proposes to deduct a million dollars from the amount allowed by the House. In one of the letters which I have received, after giving the figures which the Senator from Wyoming has just mentioned that the Post Office Department itself estimated $203,000,000, and the Budget Bureau $198,000,000, and then the House restored $1,000,000, making it $199,000,000, there is a statement that it is necessary to have 1,500 new clerks in order adequately to perform the work.

Mr. O'MAHONEY. That is not only true but it is also true that with $198,000,000 it will be impossible for the Department to take any recognition of the automatic promotions which accumulate under the law.

Mr. POPE. I ask the chairman of the subcommittee is it not an entirely desirable and reasonable thing to permit the automatic promotions of letter carriers and other postal employees?

Mr. McKELLAR. Mr. President, if the Senator from California will yield, let me repeat that the committee of the Senate did not have the facts. The provision contained in the House bill was offered as an amendment on the floor of the House, and the facts——

Mr. McADOO. I am going to give the facts, if I may have a chance to do so.

Mr. McKELLAR. I certainly will be glad to give the Senator a chance.

Mr. McADOO. I am trying to show what the Acting Assistant Postmaster General says about it.

Mr. President, I want my warm friend, the distinguished chairman of the Committee on Post Offices and Post Roads [Mr. McKELLAR], to understand that I concede that he has a larger and wider knowledge of the problems of the Post Office Department than I could acquire perhaps in 50 years, and I feel grateful to him for giving me the suggestions he has given on the floor. But, as he says he does not understand the reasons particularly for this request of the Post Office Department, and as I have been favored with the facts, I should like to put them in the RECORD. In doing so, I do not have any lack of confidence in those who will be the conferees on the part of the Senate, but this is a matter of such vital importance to a great many employees in the Postal Service that I think the Senate ought to take a pronounced position concerning it, and that it ought, in fact, to instruct its conferees, if that may be done by an expression of the opinion of the Senate, as to what ought to be done, and thus relieve the conferees of that responsibility.

I am not willing to concede as yet that the present business recession is going to continue; I still have the feeling that it is somewhat transient in character. Therefore, I think we should assume that the country will right itself; that the listing of the old ship of state is but temporary, and that Congress should make adequate provision for the Post Office Department to meet any exigency which may arise in the future. The Post Office is one of the few departments of the Government that do not cost us anything. The people pay for the service, they are entitled to the service, and the Senate ought not to take any action which would cripple the service in the slightest degree, because impairment of the efficiency of the Postal Service would mean less revenue and that the Service would therefore cost more.

Mr. KING. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. KING. Is the Senator quite accurate when he says that the Post Office Department costs us nothing? Two years ago the postal deficit was in excess of $86,000,000 as I recall, and last year it was in excess of $46,000,000.

Mr. McADOO. I beg pardon if I said it did not cost anything. I did not mean to say that. Of course, it costs us something, but the cost is very little, for it is one of the revenue-producing departments of the Government.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. O'MAHONEY. The Senator is quite correct in his original statement, and I hope he will not withdraw it. The only reason under heaven why the Post Office Department has a deficit is that the Congress, from time to time, has

required the Post Office Department to bear the burden of expenditures which have nothing in the world to do with the Postal Service. Deducting from the cost of carrying the mail the nonpostal items, under the direction of the present Postmaster General, the mail has been carried within the appropriations made by the Congress. For example, the Post Office Department is now required to carry, without charge for postage, literally tens of hundreds of tons of departmental mail, much of which goes immediately into the wastebaskets of those to whom the mail is delivered. That is not the fault of the Post Office Department.

For the fiscal year ending June 30, 1937, the audited revenue amounted to $726,000,000 and the audited expenses amounted to $772,000,000, but these expenditures included more than $59,000,000 for items which are classified by authority of Congress as nonpostal; consequently, during the fiscal year ending June 30, 1937, instead of a deficit of $46,000,000, the Postal Service—that is to say, the service charged with carrying the mails furnished by the people of the United States—was operated with a surplus in excess of $12,000,000. The postal receipts and expenditures for the fiscal year 1937, and as estimated for the fiscal year 1938 and 1939, appear in the following table:

Revenues	Actual, 1937	Estimated, 1938	Estimated, 1939
Amount appropriated	$726, 201, 109. 89	$752, 500, 000	$775, 000, 009
Gross expenditures	772, 815, 842. 22	786, 482, 262	789, 689, 659
Gross deficit	46, 614, 732. 33	33, 982, 262	14, 689, 659
Deduct nonpostal expenditures (deductible under act of June 9, 1930), and sums due to net adjustments on account of prior-year obligations and allowance for cost of maintenance of space by the Post Office Department for the benefit of other Government agencies	59, 258, 471. 37	48, 000, 000	48, 000, 000
Net surplus	12, 643, 739. 04	14, 017, 738	33, 310, 341

So the Senator from California was quite right when he said that the Department is being administered without cost to the Government.

Mr. HAYDEN. Mr. President, I should like to add one more statement, if the Senator from California will yield.

Mr. McADOO. I yield.

Mr. HAYDEN. I do not want to let the impression be created that the extraordinary amount of free mail is congressional mail. It will be remembered that the last report of the Department shows that it costs $33,000,000 to carry departmental free matter as against $750,000 for congressional mail. But whenever anyone speaks of free matter, or franked matter, in the mail it is always implied that the reference is entirely to the matter Senators and Representatives put into the mail.

Mr. O'MAHONEY. Mr. President, if the Senator from California will yield once more, I might add that there is a current belief that Members of the Senate and the House use their franks for their personal mail. I am told that a rather noted radio broadcaster recently declared on the air that there was only one Member of the Senate who bought stamps for his personal mail. Of course, every Senator upon the floor knows that Members of the House and Members of the Senate are not using their franks for their personal mail, and the sale of postage stamps in the post office of the Senate will demonstrate that fact. The Members of this body use their franks only for the dissemination of official mail.

Mr. O'MAHONEY subsequently said: Mr. President, I am sorry to interrupt the Senator, but a few moments ago he was gracious enough to yield to me while the Senator from Arizona [Mr. HAYDEN] and I were discussing the transportation of congressional mail. Since that time I have taken the trouble to communicate with the postmaster for the Senate; and I find that this month Members of this body spent $1,287.49 for the purchase of postage stamps to carry their personal mail. In addition to this, the postmaster for the Senate advises me that he transmitted to the city post office orders for stamps in the amount of $628, making a total expenditure during the month of February of $1,915.49. The expenditures during the month of February naturally are smaller than during other months of the year. It is thus demonstrated that there is no foundation for the report which has been more or less currently disseminated that Members of Congress use the frank for their personal correspondence.

Mr. McADOO. I agree with my good friend from Wyoming, and I must say that my observation leads me to conclude with absolute conviction that any suggestion that any Senator ever sends a private or unofficial letter under his frank is absolutely unfounded. I think we are all very meticulous about that particular matter.

I am surprised, however, to hear from my friend the Senator from Arizona [Mr. HAYDEN] that, with all the words that are spoken in the Congress, particularly in the Senate, it costs so little to disseminate them to the country. I think that appropriation should be increased so that, if necessary, there may be a larger opportunity for our words of wisdom to be carried to the people of the United States.

I wish now to resume, and, after the interruptions, I hope to be able to connect the continuity of this discussion.

I wish to say to my friend the Senator from Arizona [Mr. HAYDEN] and the Senator from Tennessee [Mr. McKELLAR] that I had not finished reading the Acting First Assistant Postmaster General's statement to me about this item. I shall now do so. He says:

> Our appropriation in this item for the current fiscal year is $195,000,000, and at the present rate of expenditure, without making any additions to the force—
>
> "Without making any additions to the force"—
>
> it will be necessary for us to have a deficiency appropriation of $3,000,000 or more, and, as previously stated, the cost for the current fiscal year will be in excess of $198,000,000.
>
> The recession in business has not been sufficient to bring our receipts during the current fiscal year below those for the past fiscal year, and there is every reason to believe that the receipts for the fiscal year 1939 will exceed those for 1938.
>
> This was not mentioned during the hearings before the Senate Appropriations Committee for the reason it was assumed that the committee would approve the appropriations passed by the House so far as this particular item was concerned. Of course, if the $198,000,000 is insufficient, we could obtain a deficiency appropriation at the proper time, but it would seem that it is much better to appropriate the least amount being sufficient, or $198,000,000, and avoid the necessity of a deficiency appropriation.

Mr. President, it seems to me that we spend much time talking about items of this character which, in the aggregate, do not amount to a great deal, but which, in their effect upon the entire personnel and operations of the Department, are pregnant with very deep meaning. There must be sufficient funds supplied in order to fulfill the obligations now imposed upon the Postmaster General, and especially the obligations we owe to the people of the United States, not to cripple this very essential service, the excellent character of which I think is due more particularly to the chairman of the Committee on Post Offices and Post Roads, and to my good friend, the Senator from Arizona, and others who have so zealously watched the progress of this Department all these years, than to any one else, except those engaged in its actual administration. I make that statement because I genuinely feel it.

Mr. President, I sincerely trust that the committee amendment will not be adopted. There are several items which follow in sequence. I should like to take up those items after a vote is taken, if any is to be taken, on this question. I hope the Senator from Tennessee will accept the action of the House, and not carry the matter to conference.

The PRESIDING OFFICER (Mr. GILLETTE in the chair). The question is on agreeing to the amendment reported by the committee.

Mr. McKELLAR. Mr. President——

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. McKELLAR. I call the attention of the Senate to excerpts from the report of the House committee:

The amount recommended for the Post Office Department and Postal Service is $789,689,659, a net increase of $4,941,606 over the appropriations for the fiscal year 1938—

That is an increase of substantially $5,000,000—

and $3,453,750 less than the Budget estimates. The Budget estimates considered by the committee were formulated early last fall during the first months of the present fiscal year and prior to the commencement of the recession in business conditions. Estimates of revenue to be obtained under the appropriations contemplated by the Budget estimates were originally placed at $795,500,000 for the fiscal year 1939 with a revised figure of $761,250,000 for the fiscal year 1938 (present current year). The revenues collected for the fiscal year 1937 (just closed on June 30 last) were $726,200,000. This amount was an increase of 9 percent over the revenues of the fiscal year 1936—the largest percentage of revenue gain ever recorded by the Postal Service.

Again, on page 17 of the report, I read the following:

It should be remembered that the large revenue gain of 9 percent in the fiscal year 1937 over that of 1936, upon which increases in revenue for the fiscal years 1938 and 1939 are in turn predicated, was abnormally large, and a number of revenue factors in the fiscal year 1937 are not continuing or present in this fiscal year or in prospect for the next. The revised estimates for the fiscal years 1938 and 1939 are the postal-revenue estimates used in the Budget as submitted by the President on January 5 last and are characterized by the Postmaster General as figures that will better forecast the postal income.

Again, on the same page, I read as follows—and I desire to emphasize this:

Congress has never failed to provide funds either originally or by way of supplemental appropriation later to care for all proper service. It is reasonable to assume that such will be the situation with respect to the funds that are being recommended for the fiscal year 1939. The Post Office Department is making every effort to conduct the Service with due regard for adequate service to the patrons, considerate treatment of the employees, and prudent spending of the funds.

That I desire to emphasize and reemphasize.

Something was said about there being a deficit. I desire to give the figures, as shown on page 18 of the House report.

Mr. McADOO. Mr. President——

Mr. McKELLAR. I yield to the Senator from California.

Mr. McADOO. I still have the floor, I believe.

Mr. McKELLAR. No; I was recognized by the Chair. The Chair was about to put the question.

The PRESIDING OFFICER. The Chair recognized the Senator from Tennessee, understanding that the Senator from California had yielded the floor.

Mr. McKELLAR. If the Senator from California would like to continue, I will yield to him.

Mr. McADOO. I am perfectly willing to let the Senator from Tennessee continue. I will resume the floor when he finishes.

Mr. McKELLAR. Let me call attention to the postal receipts and expenditures for the fiscal years 1937, 1938, and 1939:

The receipts for 1937 were $726,201,109.89.

The estimated receipts for 1938 are $752,500,000.

The estimated receipts for 1939 are $775,000,000.

The gross expenditures for 1937 were $772,815,842.22.

The estimated gross expenditures for 1938 are $786,482,262.

The estimated gross expenditures for 1939 are $789,689,659.

The gross deficits for each one of those years are as follows: For 1937, $46,614,732.33; for 1938, $33,982,262; for 1939, $14,689,659.

While those are the estimates of the apparent amounts, we must deduct the nonpostal expenditures deductible under the act of June 9, 1930, and sums due to net adjutments on account of prior-year obligations, and allowance for cost of maintenance of space by the Post Office Department for the benefit of other Government agencies. Those amounts are, for 1937, $59,258,471.37, leaving a net surplus of $12,643,739.04; for 1938, $48,000,000, leaving a net surplus of $14,017,938; and for 1939, $48,000,000, leaving a net surplus of $33,310,341.

I ask unanimous consent that this table be inserted in the RECORD at this point as a part of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table is as follows:

Postal receipts and expenditures, fiscal years 1937, 1938, and 1939

	Actual, 1937	Estimated, 1938	Estimated, 1939
Revenues	$726,201,109.89	[1] $752,500,000	[1] $775,000,000
Gross expenditures	772,815,842.22	786,482,262	789,689,659
Gross deficit	46,614,732.33	33,982,262	14,689,659
Deduct nonpostal expenditures (deductible under act of June 9, 1930), and sums due to net adjustments on account of prior-year obligations and allowance for cost of maintenance of space by the Post Office Department for the benefit of other Government agencies	59,258,471.37	48,000,000	48,000,000
Net surplus	12,643,739.04	14,017,738	33,310,341

[1] Revised revenue estimate.

Mr. McKELLAR. Mr. President, all I desire to say further is that it is not the purpose of the committee to deny to the Post Office Department any funds which are necessary to carry on the service of the Department with efficiency. If it were the purpose, or if I thought it would be done, I should be just as much opposed to this amendment as any one else can be; but, as was so well said by the chairman of the committee in the House:

Congress has never failed to provide funds either originally or by way of supplemental appropriation later to care for all proper service * * * with due regard for adequate service to the patrons, considerate treatment of the employees, and prudent spending of the funds.

That is why I am asking that these items go to conference.

Mr. COPELAND and Mr. McADOO addressed the Chair.

The PRESIDING OFFICER. The present occupant of the chair was under the impression that the Senator from California [Mr. McADOO] had yielded the floor a moment ago. Does the Senator from California desire recognition at this time?

Mr. McADOO. I do.

Mr. COPELAND. Mr. President, will the Senator yield to me so that I may ask a question of the Senator from Tennessee?

Mr. McADOO. I yield.

Mr. COPELAND. I infer from what the Senator has just said that he is discussing the very matter about which I wish to inquire. Representative MEAD, my colleague from New York State in the House, had inserted in the bill, on the floor of the House, certain amendments. As I understand the matter from what the Senator has said, it was determined by the Senate committee to take the matter to conference, which would not be the case if no action were taken here. Is that correct?

Mr. McKELLAR. Yes; that is correct.

Mr. COPELAND. And that is the intention, of course?

Mr. McKELLAR. That is the purpose of the committee.

Mr. COPELAND. I merely wanted to make the inquiry so as to be sure that that is what the Senator had in mind.

Mr. McKELLAR. The additions on the floor of the House were above the Budget estimates. It was thought by a majority of the committee, though some members of the committee took the opposite view, that the Budget estimates ought to be restored in the bill, and the several items taken to conference and worked out on a basis that would be fair and just to everyone connected with the matter.

Mr. COPELAND. I am assuming, therefore, that the gate is not closed.

Mr. McKELLAR. Oh, no, of course not; quite the contrary.

Mr. COPELAND. And in conference the matter will be open to consideration?

Mr. McKELLAR. Yes. In my judgment there is merit in some of these claims.

Mr. McADOO. Mr. President, would not the Senator from Tennessee be willing to concede the point I am making and

let the amendments made on the floor of the House remain in the bill?

Mr. McKELLAR. I am acting under the instructions of the committee, and I cannot make such an agreement. I think it would be better if the Senator would permit the matter to go to conference without further trouble.

Mr. McADOO. I am perfectly willing to yield to the Senator's suggestion to that effect.

Mr. McCARRAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from California yield to the Senator from Nevada?

Mr. McADOO. Just one moment. I assume, of course, that the conferees on the part of the Senate—of whom the senior Senator from Tennessee will be the chairman—will take note of the evident sentiment here in behalf of the restoration of this item.

Before yielding to the Senator from Nevada, I should like to say that when I said to the distinguished Senator from Utah that I conceded that I was in error about the statement I made as to the Post Office Department being self-sustaining, I, of course, took into consideration the free service they render and, therefore, the deficits which it is shown are largely the result of the free service which is rendered under frank to the departments of the Government and to the Congress.

I did mean to say it was self-supporting in the sense that it is one of the few departments of the Government which have turned in money to the Treasury. In that respect I know that I am correct.

I concede the point, and I shall not insist upon the motion if the amendment may be taken to conference.

Mr. McKELLAR. Let this amendment be voted on and then the next amendment taken up.

Mr. McCARRAN. I should like to discuss all of the items together. I think they are all interrelated.

Mr. McADOO. That is what I was about to say.

Mr. McCARRAN. I will not interrupt the Senator.

Mr. McADOO. There are five items which are interrelated. If I may have permission of the Senate to take them up, I think it will expedite matters. The next item is on page 59, line 6, where the House allowed $1,500,000 for clerks in charge of contract stations. The estimate was $1,585,000, which was cut $85,000.

I should like to read what the Post Office Department says as to this item. I hope I may have the attention of my colleagues while I give these figures, because this is an item which affects so many people:

There are 10,008 third-class post offices. This appropriation is for the allowances for clerk hire in these offices. The allowance is by law, which fixes a standard allowance ranging from $240 to $1,600 per annum. The postmasters at these third-class post offices employ their own personnel and pay them within the allowance authorized by the Department. If it is impossible to obtain competent help for the allowance authorized, the postmaster must make up any difference out of his own pocket.

The postmaster has an allowance of only $240 a year, we will say, for clerk hire, and if he has to spend twice that amount he has to take the extra sum out of his own compensation, which is generally very small. That applies similarly to other cases. I took the lowest one for the purpose of illustration.

The salaries of postmasters at third-class offices range from $1,100 to $2,300 per annum, and there is no justification for requiring postmasters—

Especially with such small allowances for salary—

to pay out of their own salaries money for clerical help.

Mr. President, it is to me humiliating for a great government such as ours to be asking postmasters receiving $1,100 to $2,300 per annum, and with very small allowances for clerk hire, to pay any excess out of their very meager and insufficient salaries.

The total amount permitted by law to be appropriated for clerk hire for these third-class offices, if the standard allowance is granted at each office, would be $8,830,000. We requested $8,000,000 for the fiscal year 1939 and the Budget approved $7,450,000. The House Appropriations Committee approved $7,250,000.

Oh, yes; "soak" the poor clerk and the postmasters. I think it is the worst possible exhibition of unwisdom.

Mr. McKELLAR. Mr. President, to what item is the Senator referring?

Mr. McADOO. I have been speaking of the item on page 59, line 6. On line 13 is an item of $7,250,000 which the House Committee on Appropriations approved, but while the bill was under consideration on the floor of the House it was amended so as to restore the amount authorized by the Budget Bureau, namely $7,450,000, which is $550,000 less than the original estimate of the Post Office Department.

Mr. McKELLAR. Mr. President——

Mr. McADOO. Allow me to place some figures into the RECORD.

Mr. McKELLAR. I am prepared to suggest an arrangement, if the Senator will permit me. As I understand, the House restored the estimate of the Budget Bureau.

Mr. McADOO. They restored it only in part. They reduced it. The Senate committee further reduced it, and I hope that it may be restored. I am willing that the $7,450,000 may be restored, in accordance with the Budget Bureau's estimate.

The Department estimated $8,000,000 for this purpose. The Budget Bureau approved $7,450,000, which was a reduction of $550,000.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. O'MAHONEY. Let us take advantage of the generosity of the chairman of the Committee on Post Offices and Post Roads and defeat this amendment now, without further discussion.

Mr. McKELLAR. It is not generosity; I want to be fair.

Mr. O'MAHONEY. I understand that.

Mr. McKELLAR. Let us present the matter, and have it decided.

Mr. McADOO. I think we ought to know what we are voting on.

Mr. McKELLAR. The first question comes on the amendment on page 59, line 3.

The PRESIDING OFFICER. The Senator from California has the floor. Has the Senator yielded the floor?

Mr. McADOO. I yield for the purpose of having a vote taken on these two items.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 59, line 3.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the amendment on page 59, line 13, which will be stated.

The CHIEF CLERK. On page 59, line 13, after the word "services" and the comma, it is proposed to strike out "$7,450,000" and insert "$7,250,000", so as to read:

Clerks, third-class post offices: For allowances to third-class post offices to cover the cost of clerical services, $7,250,000.

The amendment was rejected.

The next amendment was, on page 60, line 4, after the word "Service" and the comma, to strike out "$139,000,000" and insert "$138,000,000", so as to read:

City-delivery carriers: For pay of letter carriers, City Delivery Service, $138,000,000.

Mr. McADOO. Mr. President, if it is agreeable to the chairman of the Committee on Post Offices and Post Roads, I am willing to let this item go to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The next amendment was, under the subhead "Office of the Second Assistant Postmaster General", on page 61, line 15, after the word "clerks" and the comma, to strike out "$3,200,000" and insert "$3,100,000", so as to read:

Railway postal clerks, travel allowance: For travel allowance to railway postal clerks and substitute railway postal clerks, $3,100,000.

The amendment was agreed to.

The next amendment was, on page 62, line 9, after the word "offices" and the comma, to strike out "$455,000" and insert "$460,000", so as to read:

Railway Mail Service, miscellaneous expenses: For rent, light, heat, fuel, telegraph, miscellaneous, and office expenses, telephone service, badges for railway postal clerks, purchase, rental, repair, and exchange of arms and miscellaneous items necessary for the protection of the mails, rental of space for terminal railway post offices for the distribution of mails when the furnishing of space for such distribution cannot, under the Postal Laws and Regulations, properly be required of railroad companies without additional compensation, and for equipment and miscellaneous items necessary to terminal railway post offices, $460,000.

The amendment was agreed to.

The next amendment was, on page 62, line 13, after the word "otherwise", to insert "as authorized by law, or in accordance with convention or treaty", so as to read:

Foreign mail transportation: For transportation of foreign mails by steamship, aircraft, or otherwise as authorized by law, or in accordance with convention or treaty, $14,787,275.

The amendment was agreed to.

The next amendment was, on page 63, line 17, after the word "expenses" and the comma, to strike out "$15,800,000" and insert "$16,785,177", so as to read:

Contract Air Mail Service: For the inland transportation of mail by aircraft and for personal services for examining and auditing the books, records, and accounts of air-mail contractors, as authorized by law, and for the incidental expenses thereof, including not to exceed $31,200 for supervisory officials and clerks at air-mail transfer points, and not to exceed $53,700 for personal services in the District of Columbia and incidental and travel expenses, $16,785,177.

Mr. SCHWELLENBACH. Mr. President, there is on the desk an amendment to the committee amendment, offered by the Senators from Montana [Mr. WHEELER and Mr. MURRAY], the Senators from North Dakota [Mr. NYE and Mr. FRAZIER], the Senators from Minnesota [Mr. SHIPSTEAD and Mr. LUNDEEN], the Senator from Wisconsin [Mr. DUFFY], the Senator from Oregon [Mr. MCNARY], and my colleague the senior Senator from Washington [Mr. BONE], and myself, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 63, line 18, it is proposed to strike out "$16,785,177" and to insert in lieu thereof "$16,931,336."

Mr. McKELLAR. Mr. President, I understand the proposed increase is to provide for certain lines in the West, and the Senator from Washington will now state to the Senate what they are.

Mr. SCHWELLENBACH. Yes, Mr. President.

Mr. McKELLAR. So far as I am concerned, I have no objection to the addition, and to allowing it to go to conference, though I cannot be sure of its acceptance.

Mr. CLARK. Mr. President, will the Senator yield to me so that I may ask a question of the chairman of the subcommittee of the Committee on Appropriations?

Mr. SCHWELLENBACH. I yield.

Mr. CLARK. I understand the chairman of the subcommittee addressed a question to the Senator from Washington with respect to the appropriation contained in lines 17 and 18, page 63, as to whether that amount as now proposed to be changed is limited to the item set forth on page 4 of the report.

Mr. McKELLAR. No, Mr. President.

Mr. CLARK. If it is so limited, I desire to say to the Senator from Washington and to the Senator from Tennessee that I am opposed to the amendment entirely, and I am opposed to it because, in my opinion, the Post Office Department has left out most meritorious routes, in some cases including parts of main air routes, and including such unessential routes as the one from Wichita, Kans., to Pueblo, Colo., leaving out the line from Kansas City, Mo., to Denver, Colo. If there is to be any additional increase in the appropriation on the floor I wish to present for consideration the route from Denver, Colo., to Kansas City, Mo., which is part of a transcontinental route.

Mr. McKELLAR. Mr. President, will the Senator from Washington yield so I may make an explanation?

Mr. SCHWELLENBACH. I yield.

Mr. McKELLAR. The Senator will recall that the law limited airplane routes as they existed about a year ago, and perhaps a little longer, to 32,000 miles. It will be remembered that a bill was introduced—I think I introduced it—which was passed in the extraordinary session just before Christmas, increasing the mileage by several thousand miles. The committee was informed that there were several new routes to be established, and they are mentioned on page 4 of the report.

Mr. CLARK. The point I am getting at is that whether the committee amendment is agreed to, or whether the item in the form suggested by the Senator from Washington is agreed to, I do not want our action to indicate that the Congress of the United States is giving its approval to these specific lines. In other words, I think the matter ought to be left open. I know that the Department has its mind made up with respect to these lines, but I think there is merit in the contentions as to other lines and I would not want the amendment adopted without their inclusion. Even if the committee amendment is amended as proposed by the Senator from Washington, I do not want favorable action upon it to be taken by the Department or by anyone else as indicating an approval of these specific lines. I have no objection to the committee amendment, or the amendment of the committee as it is proposed to be amended by the Senator from Washington, but I want it distinctly understood that this is not to be taken by the Department or anyone else as a specific approval of those particular lines, to the exclusion of other meritorious lines.

Mr. McKELLAR. The Department stated it wanted to establish the lines mentioned on page 4 of the report, and inasmuch as it seemed that these were the only lines with which the Department was able to deal under the appropriation this year, and were the only ones competing, and for whose installation arrangements had been completed, they were put in the report, because we appropriate only for those provided for by the Department.

Mr. CLARK. Mr. President, if the provision should be enacted in the amended form, does the Senator think that if anyone went to the Department and proposed some alternative routes the Department would be justified in saying that Congress had passed upon this matter, that Congress had appropriated the money for these particular routes, and that he could not be heard because the routes he was suggesting were not included in the original Department estimates?

Mr. McKELLAR. It would depend upon what progress the Senator has made with reference to the route he has mentioned. Has that route been approved by the Department?

Mr. CLARK. No. It is not on the preferential list. The route from Wichita, Kans., to Pueblo, Colo., was put on instead of the route from Kansas City to Denver. I am sorry to have started a controversy in the time of the Senator from Washington.

Mr. McGILL. Mr. President, the Senator has mentioned two lines, one from Kansas City to Denver and one from Wichita to Pueblo. How long has it been since there was an airline between Denver and Kansas City, Mo.?

Mr. CLARK. There has always been some service between Denver and Kansas City.

Mr. McGILL. I think if the Senator will investigate he will find that there is not now a direct line from Denver such as existed a few years ago.

Mr. CLARK. That is true. The line was put out of business by the withdrawal of the air-mail subsidy.

Mr. McGILL. And there has always been a direct line between Kansas City, Mo., and Wichita, Kans.?

Mr. CLARK. That is perfectly true.

Mr. McGILL. That has been in operation right along; and none is in existence at this time between Kansas City and Denver. Is that not correct?

Mr. CLARK. That is perfectly correct.

Mr. SCHWELLENBACH. Mr. President, in reply to the statement of the Senator from Tennessee, I shall be very brief. The proposed amendment to the amendment would result in an increase in the appropriation of $146,159. Two of the items I shall discuss, and the other will be discussed by the Senator from North Dakota [Mr. NYE].

The first item is the inclusion of $30,550 for a line from Yakima, Wash., to Portland, Oreg., the line to be operated by the Northwest Air Lines.

On July 8, 1937, a very complete hearing was held in the Post Office Department, and a complete memorandum for the Postmaster General was made by the Solicitor for the Department. Evidence was submitted which was accepted by the Department showing, first, the very vital need of this line, and, second, the fact that it would in no way compete with any other line; and the recommendation was made by the Solicitor to the Department that this line be authorized.

The other item provides for a change in the schedules of the Northwest Air Lines, which are now "daily except Sundays and holidays," to a daily basis. That would cost $69,619. I call attention to the fact that the other lines operating between the east and west coasts operate upon a daily basis.

The statement was made this morning by Mr. Charles P. Graddick, superintendent of air mails at the Post Office Department, that this increase was justified; that the fact that the increase in the schedules would add service on Sundays and holidays rather than add to the service on business days does not mean that it would not be possible to carry sufficient mail to justify the addition.

There is no argument in this particular instance as between competing lines or competing cities. The fact that practically all Senators representing the States involved have joined in offering this amendment and the fact that there is no question of dispute as between different localities or different lines shows that there is complete agreement as to the necessity for this increase.

I shall now ask the Senator from North Dakota to discuss the other item involved in the amendment.

Mr. NYE. Mr. President, a third item that is included in the amendment which has been offered by the Senator from Washington and other Senators from the Northwest involves affording an air-mail service for the city of Minot, in North Dakota, the route to operate from Bismarck to Minot. This has been under discussion and consideration for a great many years. The item that would be involved is rather inconsiderable in comparison with the amounts that are being expended for this service. Forty-five thousand nine hundred and ninety dollars of the total provided in this increase is for this Bismarck to Minot route.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the committee amendment on page 63, lines 17 and 18.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment was, under the subhead, "Office of the Fourth Assistant Postmaster General," on page 66, line 10, after the word "exceeding", to strike out "$57,000" and insert "$57,500"; and in line 18, after the word "expenses" and the comma, to strike out "$2,700,000" and insert "$2,750,000"; so as to read:

Post office stationery, equipment, and supplies: For stationery for the Postal Service, including the money-order and registry system; and also for the purchase of supplies for the Postal Savings System, including rubber stamps, canceling devices, certificates, envelopes, and stamps for use in evidencing deposits, and free penalty envelopes; and for the reimbursement of the Secretary of the Treasury for expenses incident to the preparation, issue, and registration of the bonds authorized by the act of June 25, 1910 (39 U. S. C. 760); for miscellaneous equipment and supplies, including the purchase and repair of furniture, package boxes, posts, trucks, baskets, satchels, straps, letter-box paint, baling machines, perforating machines, duplicating machines, printing presses, directories, cleaning supplies, and the manufacture, repair, and exchange of equipment, the erection and painting of letter-box equipment, and for the purchase and repair of presses and dies for use in the manufacture of letter boxes; for postmarking, rating, money-order stamps, and electrotype plates and repairs to same; metal, rubber, and combination type, dates and figures, type holders, ink pads for canceling and stamping purposes, and for the purchase, exchange, and repair of typewriting machines, envelope-opening machines, and computing machines, numbering machines, time recorders, letter balances, scales (exclusive of dormant or built-in platform scales in Federal buildings), test weights, and miscellaneous articles purchased and furnished directly to the Postal Service, including complete equipment and furniture for post offices in leased and rented quarters; for the purchase, repair, and replacement of arms and miscellaneous items necessary for the protection of the mails; for miscellaneous expenses in the preparation and publication of post-route maps and rural-delivery maps or blue prints, including tracing for photolithographic reproduction; for other expenditures necessary and incidental to post offices of the first, second, and third classes, and offices of the fourth class having or to have rural-delivery service, and for letter boxes; for the purchase of atlases and geographical and technical works not to exceed $1,500; for wrapping twine and tying devices; for expenses incident to the shipment of supplies, including hardware, boxing, packing, and not exceeding $57,500 for the pay of employees in connection therewith in the District of Columbia; for rental, purchase, exchange, and repair of canceling machines and motors, mechanical mail-handling apparatus, accident prevention, and other labor-saving devices, including cost of power in rented buildings and miscellaneous expenses of installation and operation of same, including not to exceed $35,000 for salaries of 13 traveling mechanicians, and for traveling expenses, $2,750,000.

The amendment was agreed to.

The next amendment was, on page 67, line 10, after the word "exceed", to strike out "$627,000" and insert "$645,000", so as to read:

Equipment shops, Washington, D. C.: For the purchase, manufacture, and repair of mail bags and other mail containers and attachments, mail locks, keys, chains, tools, machinery, and material necessary for same, and for incidental expenses pertaining thereto; material, machinery and tools necessary for the manufacture and repair of such other equipment for the Postal Service as may be deemed expedient; accident prevention; for the expenses of maintenance and repair of the mail bag equipment shops building and equipment, including fuel, light, power, and miscellaneous supplies and services; for compensation to labor employed in the equipment shops and in the operation, care, maintenance, and protection of the equipment shops building, $1,600,000, of which not to exceed $645,000 may be expended for personal services in the District of Columbia.

The amendment was agreed to.

The next amendment was, on page 68, line 15, after the word "mail" and the comma, to strike out "$15,250,000" and insert "$15,350,000", so as to read:

Vehicle service: For vehicle service; the hire of vehicles; the rental of garage facilities; the purchase, exchange, maintenance, and repair of motor vehicles; accident prevention; the hire of supervisors, clerical assistance, mechanics, drivers, garage men, and such other employees as may be necessary in providing vehicles and vehicle service for use in the collection, transportation, delivery, and supervision of the mail, $15,350,000.

The amendment was agreed to.

The next amendment was, under the subhead "Public buildings, maintenance and operation," on page 71, line 7, after the word "Department" and the comma, to strike out "$600,000" and insert "$625,000", so as to read:

Furniture, carpets, and safes, public buildings: For the procurement, including transportation, of furniture, carpets, safes, safe and vault protective devices, and repairs of same, for use in public buildings which are now, or may hereafter be, operated by the Post Office Department, $625,000.

The amendment was agreed to.

The next amendment was, on page 74, line 15, after the name "United States", to insert a colon and the following proviso: *"Provided,* That this section shall not apply to enlisted men of the United States Coast Guard who are on active duty in that service on the effective date of this act, until the expiration of the period required for such enlisted men to complete their naturalization, nor shall it apply to personnel of the Coast Guard on the retired list, and enlisted men on active duty with over 12 years' honorable service who are ineligible for United States citizenship," so as to make the section read:

SEC. 5. No part of any appropriation contained in this act or authorized hereby to be expended shall be used to pay the compensation of any officer or employee of the Government of the United States, or of any agency the majority of the stock of which is owned by the Government of the United States, whose post of

duty is in continental United States unless such officer or employee is a citizen of the United States: *Provided*, That this section shall not apply to enlisted men of the United States Coast Guard who are on active duty in that service on the effective date of this act, until the expiration of the period required for such enlisted men to complete their naturalization, nor shall it apply to personnel of the Coast Guard on the retired list, and enlisted men on active duty with over 12 years' honorable service who are ineligible for United States citizenship.

Mr. HAYDEN. Mr. President, a similar provision is contained in the Independent Offices appropriation bill which the Senate passed a few days ago. In addition thereto, I desire to add a further proviso suggested by the State Department. I believe the best way to accomplish it is to offer in lieu of the committee amendment the amendment which I send to the desk, which I ask to have read and adopted.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 74, line 15, after the words "United States", it is proposed to insert:

Or a person owing allegiance to the United States or who is now in the service of the United States: *Provided*, That the provisions of this section shall not apply to any employment or other benefits provided in this act for alien employees of this Government in foreign countries.

Mr. HAYDEN. In the first part of the amendment the words "or a person owing allegiance to the United States or who is now in the service of the United States" accomplish the entire purpose of the committee amendment. The committee amendment was adopted on a showing that in the Coast Guard there are a number of Filipinos who have been employed for 10 or 15 years, and that if the House provision were adopted they would be automatically thrown out. But the words "or a person owing allegiance to the United States" describe the status of a Filipino. He is not a citizen of the United States, but he owes allegiance to the United States. For that reason, Filipinos owing allegiance to the United States have been permitted, for the past 35 years, to take civil-service examinations. The proviso is taken from a letter which I ask leave to put into the RECORD, addressed to the Senator from North Carolina [Mr. REYNOLDS], by Mr. Messersmith, of the State Department.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEBRUARY 25, 1938.

The HONORABLE ROBERT R. REYNOLDS,
United States Senate.

MY DEAR SENATOR REYNOLDS: I have just heard from Mr. Hosmer, the chief of the office of fiscal and budget affairs of this Department and one of my immediate assistants, that you have indicated your willingness to consider an appropriate amendment to the amendment you have offered to the independent offices appropriation bill, on page 2355 of the CONGRESSIONAL RECORD of February 24, 1938, for the purpose of exempting from its provision the alien employees of this Government in foreign countries.

It is necessary for the Department of State to employ approximately 2,000 alien employees in its 354 foreign establishments. These alien employees consist chiefly of low-paid clerical positions for which no American incumbents could be found and custodial employees such as janitors, messengers, charwomen, and similar positions. However, there is also a number of highly trained interpreters, translators, and persons with special qualifications for contact purposes, whose services are practically indispensable. The salaries paid these employees are all based on rates which contemplate the payment to them of exchange losses under the appropriation on page 19 of the independent offices appropriation bill under the title "Foreign Service pay adjustment," and without these payments they could not possibly exist on the compensation paid them; in fact, many of them are much underpaid even with exchange adjustments. There are also a few such employees abroad under other agencies of this Government, but concerning whom I do not have detailed information.

In the light of these circumstances I earnestly request that you consider the addition of a proviso substantially as follows:

"*Provided, however*, That the provisions of this section shall not apply to any employment or other benefits provided in this act for alien employees of this Government in foreign countries."

Your kind offer to endeavor to meet this situation is much appreciated, because the passage of the amendment might otherwise seriously disrupt the operation of our diplomatic and consular establishments.

Sincerely yours,

G. S. MESSERSMITH,
Assistant Secretary.

For the Secretary of State.

Mr. HAYDEN. Mr. Messersmith points out that in foreign countries it is frequently necessary to employ aliens to carry on the work of the State Department. It is my understanding, likewise, that the Treasury Department, in connection with its protection of the customs revenues, employs 80 aliens abroad; and for that reason we should have a uniform provision in all appropriation bills affecting such matters.

Mr. McKELLAR. Mr. President, will the Senator yield for a moment?

Mr. HAYDEN. I yield.

Mr. McKELLAR. As I understand the Senator, his first amendment is on page 74, in line 15, after the word "States", to insert the following:

or a person owing allegiance to the United States, or who is now in the service of the United States.

Mr. HAYDEN. That is exactly what the Senate adopted the other day.

Mr. McKELLAR. Will the Senator allow that portion of the amendment to be voted on separately? It ought to be voted on separately. I desire to call the Senator's attention to something else.

Mr. HAYDEN. It is divisible, of course.

The PRESIDING OFFICER (Mr. CLARK in the chair). The Senator from Tennessee asks for a division of the question on the substitute for the committee amendment proposed by the Senator from Tennessee.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. BARKLEY. Does this amendment take care of the objection made by the Civil Service Commission to the language contained in the bill as it passed the House?

Mr. HAYDEN. Yes; it does. The Civil Service Commission objected to the language as the bill passed the House because for 35 years the Commission has permitted Filipinos owing allegiance to the United States to take civil-service examinations.

That part of the amendment is offered in conformity with the suggestion of the Civil Service Commission.

The PRESIDING OFFICER. The Chair finds that the substitute of the Senator from Arizona is divisible into two parts, namely, the language before the proviso, and the proviso itself. The clerk will state the first portion of the amendment to the amendment in the nature of a substitute.

The CHIEF CLERK. On page 74, line 15, after the words "United States", it is proposed to insert "or a person owing allegiance to the United States, or who is now in the service of the United States."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arizona to the amendment of the committee.

The amendment to the amendment was agreed to.

Mr. McKELLAR. Mr. President, I ask the Senator from Arizona whether his suggestion interferes with the Senate amendment as reported.

Mr. HAYDEN. As I have suggested, the language which the Senate has now adopted fully cares for the matter. It is designed to take care of Filipinos; and when we say "or a person owing allegiance to the United States," it is not necessary to describe the Coast Guard employees.

Mr. McKELLAR. Out of an abundance of caution, will not the Senator allow the amendment as reported by the committee to go to conference just as it is, and then offer his second amendment?

Mr. HAYDEN. I agree to that suggestion. I will offer the amendment as an addition to the committee amendment, instead of as a substitute for it. Then we can correct it, if necessary. I want further to amend the committee amendment, without destroying it.

The PRESIDING OFFICER. The clerk will state the second portion of the amendment offered by the Senator from Arizona to the amendment reported by the committee.

The Chief Clerk read as follows:

Provided, That the provisions of this section shall not apply to any employment or other benefits provided in this act for alien employees of this Government in foreign countries.

Mr. McKELLAR. I have no objection to the addition of that language.

The PRESIDING OFFICER. The question is on agreeing to the second portion of the amendment offered by the Senator from Arizona to the amendment reported by the committee.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. O'MAHONEY. Mr. President, on behalf of the Senator from California [Mr. McADOO] and myself, I send to the desk certain amendments which I ask to have stated.

The PRESIDING OFFICER. The amendments will be stated.

The CHIEF CLERK. On page 58, line 23, after the word "offices", it is proposed to strike out "$6,875,000" and insert in lieu thereof "$7,000,000."

Mr. KING. Mr. President, I should like an explanation of the amendment.

Mr. O'MAHONEY. Mr. President, the amendment offered by the Senator from California and myself adds $125,000 to this item. In explanation I can do no better than to read from a memorandum sent to the Senator from California by the acting First Assistant Postmaster General:

The appropriation for the current fiscal year is $6,925,000—

That, it will be observed, is more than the amount carried in the appropriation bill—

which is barely sufficient for this year, and does not allow anything for an additional appointment, or for any increases in salary allowed by law where the offices are advanced in grade due to increase in receipts. It is estimated that on July 1, 1938, promotions of assistant postmasters in the offices where that position is now allowed will cost $60,000. These promotions are mandatory, as the salaries of the assistants are based upon the office receipts. Therefore, the cost next year will be $6,985,000 without allowing for any additional places whatever.

In other words, the amendment provides merely an appropriation sufficient to take care of a certain additional expenditure, and for $15,000 in addition. I hope the Senator in charge of the bill will accept the amendment.

Mr. McKELLAR. As I understand, the original estimate was $7,000,000.

Mr. O'MAHONEY. That is correct.

Mr. McKELLAR. Is the Senator willing to have the amendment go to conference without any commitments about it?

Mr. O'MAHONEY. I am not asking the Senator in charge of the bill to make any commitment. I do not know what the Senator from California [Mr. McADOO] would say if he were present, but I am sure that upon examination of the facts the Senator in charge of the bill will be inclined to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] on behalf of himself and the Senator from California [Mr. McADOO].

The amendment was agreed to.

Mr. O'MAHONEY. Mr. President, on behalf of the Senator from California and myself, I offer another amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 59, line 6, after the word "stations", it is proposed to strike out "$1,500,000" and insert in lieu thereof "$1,585,000."

Mr. O'MAHONEY. Mr. President, in explanation of this amendment, I will say that it adds $85,000 to this item. Contract stations are productive of revenue. If the Post Office Department may not establish contract stations, it will be obliged to establish classified stations, which cost considerably more. I ask that the Senator in charge of the bill accept the amendment and take it to conference.

Mr. McKELLAR. I will take it to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wyoming on behalf of himself and the Senator from California [Mr. McADOO].

The amendment was agreed to.

Mr. MINTON. Mr. President, I send to the desk two amendments, and ask to have the first one stated. The second one is dependent on the first, and may be stated if the first one is agreed to.

The PRESIDING OFFICER. The first amendment will be stated.

The CHIEF CLERK. On page 65, line 12, after the word "boxes", it is proposed to insert "for the salvage, repair, assembly, and installation in units of lockboxes obtained from public buildings demolished or no longer used for post offices, and for the purchase and installation of new lockboxes to complete and supplement such units, to be furnished to post offices of the second and third classes."

Mr. MINTON. Mr. President, in Indianapolis, Ind., there is a corporation known as the Keyless Lock Co., which makes the lock boxes which are widely used by the Post Office Department throughout the country. There has been a disposition on the part of the Post Office Department to put the Keyless Lock Co. out of business. The Department has been engaged in that effort for some time, and each appropriation bill takes the corporation a little farther away from any business with the Post Office Department. As the bill is now drawn, no money may be spent for such post-office boxes, or for the repair of those which were used in any of the old post-office buildings which have been demolished or which are no longer used. All that the amendment does is to authorize the expenditure of money provided in this bill for these post-office boxes, their salvage and repair, and the purchase of new ones.

All I am asking is that the lock company be given a chance to live and to get some of the Post Office business to which it is entitled, and that it be not driven out of business.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Indiana yield to the Senator from Utah?

Mr. MINTON. I yield.

Mr. KING. I am wondering what the additional cost would be. I have some information—perhaps it is not accurate—to the effect that it would cost a large amount of money.

Mr. MINTON. I think the Senator is wrong about that. The amendment merely authorizes the expenditure of money already appropriated to buy the kind of equipment described.

Mr. KING. Would it not be necessary to purchase a large amount of such equipment to meet the situation in all parts of the United States, so that ultimately the cost would be very great? It would be like putting the nose of the camel under the tent, and next session there would be an effort to have the whole camel put under the tent.

Mr. MINTON. The Department must buy boxes somewhere. It cannot get along without such equipment.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. MINTON. I yield.

Mr. McKELLAR. This is an item which, as the Senator knows, has been in controversy in both Houses for a number of years. The Department is very much opposed to it.

Mr. MINTON. Why is the Department opposed to it, if the Senator can tell me?

Mr. McKELLAR. The reasons have been published many, many times. It seems that the equipment described is very much less satisfactory than other equipment which can be used and which is now being used. For that reason the committees in both the House and the Senate have left out the item. I think such an item was offered this year in the House, but it was not put in the bill.

I am extremely friendly to the author of the amendment in the House. He is one of the finest men I know, and I should like to accommodate him, but this amendment has been turned down so often that I am sure it would not get anywhere. Both the House and the Senate have rejected it.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Indiana [Mr. MINTON].

The amendment was rejected.

The PRESIDING OFFICER. Does the Senator from Indiana desire to have his other amendment stated?

Mr. MINTON. No, Mr. President. It would merely implement the first amendment.

Mr. KING. Mr. President, I am about to offer an amendment which I suggested during some observations earlier in the day.

I move that the bill be recommitted to the Committee on Appropriations with instructions to reduce the appropriations in the aggregate 10 percent, and to make such allocations as will reduce the appropriations 10 percent. Let those who believe in economy vote "aye."

The PRESIDING OFFICER. The question is on the motion of the Senator from Utah that the bill be recommitted to the Committee on Appropriations with instructions to report it back with an aggregate reduction of 10 percent.

The motion was rejected.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

COMMODITY CREDIT CORPORATION

Mr. BARKLEY. Mr. President, I ask unanimous consent for the present consideration of House bill 9361, to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes.

Mr. O'MAHONEY. Mr. President, this is the bill by which the capital of the Commodity Credit Corporation is restored. The chairman of the Committee on Banking and Currency, the Senator from New York [Mr. WAGNER], recently requested its passage.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kentucky?

Mr. McNARY. Mr. President, when this measure came before the Senate a week ago, I objected to its consideration. I have no objection at this time.

There being no objection, the Senate proceeded to consider the bill, which was ordered to a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That as of the 31st of March in each year and as soon as possible thereafter, beginning with March 31, 1938, an appraisal of all the assets and liabilities of the Commodity Credit Corporation for the purpose of determining the net worth of the Commodity Credit Corporation shall be made by the Secretary of the Treasury. The value of assets shall, insofar as possible, be determined on the basis of market prices at the time of appraisal and a report of any such appraisal shall be submitted to the President as soon as possible after it has been made. In the event that any such appraisal shall establish that the net worth of the Commodity Credit Corporation is less than $100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such capital impairment by a contribution to the Commodity Credit Corporation in the amount of such impairment. To enable the Secretary of the Treasury to make such payment to the Commodity Credit Corporation, there is hereby authorized to be appropriated annually, commencing with the fiscal year 1938, out of any money in the Treasury not otherwise appropriated, an amount equal to any capital impairment found to exist by virtue of any appraisal as provided herein.

SEC. 2. In the event that any appraisal pursuant to section 1 of this act shall establish that the net worth of the Commodity Credit Corporation is in excess of $100,000,000, such excess shall, as soon as practicable after such appraisal, be deposited in the Treasury by the Commodity Credit Corporation and shall be credited to miscellaneous receipts. The Secretary of the Treasury is directed, as soon as practicable, to use any amounts so deposited to retire an equivalent amount of the public debt, which amount shall be in addition to any other amount required to be used for such purpose.

SEC. 3. The Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation are hereby authorized and directed to transfer to the United States all right, title, and interest in and to the capital stock of the Commodity Credit Corporation which each of them now holds. All rights of the United States arising out of the ownership of such capital stock shall be exercised by the President, or by such officer, officers, agency, or agencies as he shall designate, and in such manner as he shall prescribe.

SEC. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding $500,000,000. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same. The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price.

SEC. 5. Bonds, notes, debentures, and other similar obligations issued by the Commodity Credit Corporation under the provisions of this act shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). The Commodity Credit Corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the Commodity Credit Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

The PRESIDING OFFICER. Without objection, Senate bill 3409, the corresponding Senate bill, will be indefinitely postponed.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. CLARK in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEE ON THE JUDICIARY

Mr. McGILL, from the Committee on the Judiciary, reported favorably the nomination of Robert H. Jackson, of New York, to be Solicitor General, vice Stanley Reed, resigned.

Mr. LOGAN, from the Committee on the Judiciary, reported favorably the nomination of Elwood Hamilton, of Kentucky, to be a judge of the United States Circuit Court of Appeals for the Sixth Circuit, vice Charles H. Moorman, deceased.

Mr. KING, from the Committee on the Judiciary, reported favorably the nomination of David A. Pine, of the District of Columbia, to be United States attorney for the District of Columbia, vice Leslie C. Garnett, resigned.

Mr. McCARRAN, from the Committee on the Judiciary, reported favorably the nomination of James O. Carr, of North Carolina, to be United States attorney for the eastern district of North Carolina.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

UNITED STATES ATTORNEY—DAVID A. PINE

Mr. KING. Mr. President, I have just reported, from the Committee on the Judiciary, the nomination of Mr. Pine to be United States attorney for the District of Columbia. Mr. Pine is already acting, and it is quite important that his nomination be confirmed as soon as possible. I therefore ask unanimous consent for its present consideration.

The PRESIDING OFFICER. The Senator from Utah asks unanimous consent for the consideration at this time of the nomination of Mr. Pine to be United States attorney for the District of Columbia. Is there objection?

Mr. McNARY. Mr. President, was there any objection to the appointment of Mr. Pine?

Mr. KING. None at all.

Mr. McNARY. Was the committee unanimous in recommending confirmation?

Mr. KING. It was unanimous.

Mr. McNARY. I have no objection.

The PRESIDING OFFICER. Is there objection to the present consideration of the nomination? The Chair hears none. The nomination will be read.

The legislative clerk read the nomination of David A. Pine, of the District of Columbia, to be United States attorney for the District of Columbia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. KING. I ask that the President be notified of the confirmation of this nomination.

The PRESIDING OFFICER. Without objection, the President will be notified.

The clerk will state in their order the nominations on the calendar.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters on the calendar be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations of postmasters are confirmed en bloc.

That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 3 minutes p. m.) the Senate took a recess until tomorrow, Tuesday, March 1, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate February 28 (legislative day of January 5), 1938

FARM SECURITY ADMINISTRATION

Clifford H. Willson, of Montana, to be Regional Director of the Farm Security Administration, Department of Agriculture.

COLLECTORS OF CUSTOMS

William Jennings Bryan, Jr., of Los Angeles, Calif., to be collector of customs for customs collection district No. 27, with headquarters at Los Angeles, Calif., in place of Alfred A. Cohn, resigned.

I. Walke Truxtun, of Norfolk, Va., to be collector of customs for customs collection district No. 14, with headquarters at Norfolk, Va. (Reappointment.)

APPOINTMENT IN THE NATIONAL GUARD OF THE UNITED STATES

GENERAL OFFICER

Maj. Gen. Edward Moses Stayton, Missouri National Guard, to be major general, National Guard of the United States.

CONFIRMATIONS

Executive nominations confirmed by the Senate February 28 (legislative day of January 5), 1938

UNITED STATES ATTORNEY

David A. Pine to be United States attorney for the District of Columbia.

POSTMASTERS

NORTH CAROLINA

Samuel T. Stough, Davidson.
Carroll E. Kramer, Edenton.
Clarence W. Boshamer, Gastonia.

OKLAHOMA

William F. Goff, Jones.

PENNSYLVANIA

Lewis R. Hackling, Noxen.
James E. Franklin, Slickville.

PUERTO RICO

Vicenta Correa, Vega Baja.

HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 28, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Infinite God, we pray Thee to let that noiseless tide roll upon our souls from the soundless depths of the Master's heart. May the musings of the eternal mind murmur around us, and let us hear the whisperings of the Most High. We praise Thee for the countless evidences of Thy power, wisdom, and mercy. We thank Thee for the wonderful stretch of love which is far beyond all human need; it is broader than the measure of man's mind. Heavenly Father, another day returns with its labors; may we perform them in the spirit of cheerfulness. Give us the deep consciousness of our responsibilities, and may we put our signatures upon them in thought and with honest hearts. We beseech Thee that all disintegrating powers may be released and that spiritual shadows may fade before the presence of the inner dawn. In the dear Redeemer's name. Amen.

The Journal of the proceedings of Friday, February 25, 1938, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H. R. 8837. An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes; and

H. R. 9306. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

FIRST DEFICIENCY BILL, 1938

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal

years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and ask for a conference with the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia? [After a pause.] The Chair hears none, and appoints the following conferees on the part of the House: Messrs. TAYLOR of Colorado, WOODRUM, BOYLAN of New York, CANNON of Missouri, LUDLOW, TABER, and BACON.

INDEPENDENT OFFICES APPROPRIATION BILL, 1939

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and ask for a conference.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia? [After a pause.] The Chair hears none, and appoints the following conferees on the part of the House: Messrs. WOODRUM, JOHNSON of Oklahoma, FITZPATRICK, JOHNSON of West Virginia, HOUSTON, WIGGLESWORTH, and DIRKSEN.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1939

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent that the Interior Department appropriation bill presented to the House on Friday may be reprinted. In explanation of this request, I may say that the bill as now printed does not conform to the bill as reported, and in order that it may be correctly before the House when it is read under the 5-minute rule I make this request.

Mr. TABER. Reserving the right to object, Mr. Speaker, as I understand there are just a few small items in this bill that were not corrected. A few mistakes were made, and the wrong copy was printed. However, there will be no material change in the bill, so, as we read the bill for amendment, we can follow the copy that is available at the Clerk's desk as far as amendments or points of order are concerned.

Mr. JOHNSON of Oklahoma. I may say that bill does not conform to the bill as reported. I make this request in order that the bill may be corrected and in that form be before the House when the bill is read under the 5-minute rule.

Mr. RICH. Reserving the right to object, Mr. Speaker, I should like to know what the request is and what items are expected to be changed.

Mr. JOHNSON of Oklahoma. No items are expected to be changed at all. This request is simply to have the bill printed as it actually was reported from the committee. The wrong bill was printed, through no fault of the committee.

Mr. RICH. There are no changes from the bill as reported by the committee?

Mr. JOHNSON of Oklahoma. No; not at all.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. Mr. Speaker, in the discussion on February 15 of the bill (H. R. 9379) authorizing the Secretary of the Treasury to cancel obligations of the Reconstruction Finance Corporation incurred in supplying funds for relief at the authorization or direction of Congress, and for other purposes, the gentleman from Pennsylvania [Mr. RICH] made the following statement:

> Jesse Jones lent recently several million dollars to a college in Texas. The people of Texas know he will never get the money back, and they do not expect to pay the money back.

I have a letter from Mr. Jones in which he says no such loan has been made, but that negotiations are under way by which such a loan is contemplated; that if the loan is made the R. F. C. Mortgage Co. will be secured by a valid and enforceable mortgage on the dormitories to be constructed with the proceeds of the loan and the land on which such dormitories will be erected, and in addition there is pledged as further security a sufficient amount of the revenue produced by the dormitories to be constructed and by presently existing dormitories to meet the yearly amortization requirements for payment of the loan. Mr. Jones further states that the loan will be a good one and properly secured.

I am sure no one will object to having the facts stated in the RECORD, in justice to the administration of the Reconstruction Finance Corporation.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. SANDERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein some brief quotations from testimony on taxation before the Committee on Ways and Means.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. DEMUTH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address on the bill (H. R. 9604) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. BINDERUP, Mr. MAPES, Mr. BREWSTER, and Mr. BURDICK asked and were given permission to extend their own remarks in the RECORD.

PERMISSION TO ADDRESS THE HOUSE

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. ALLEN of Illinois. Mr. Speaker, we all realize that it is impossible for the employers of this country to pay high wages, thus assuring a high standard of living for the working people of the United States if our Government intends to continue its policy of permitting goods made by cheap foreign labor to enter this country with little or no tariff thereon. A continuation of such a policy means more unemployment, lower wages, less taxes, a general decline in industrial activity.

Regardless of what some may think, we here all know that the wage earners of America are the envy of the rest of the wage earners throughout the world. We know that the employers of the United States, with few exceptions, have the interest of their employees at heart and want to continue to pay them high wages in order that they and their families can enjoy a high standard of living.

This they will not be able to do much longer unless we protect them from the ever-increasing competition of goods made by cheap foreign labor.

The Committee on Reciprocity Information will consider the aforementioned items on March 14 instead of February 26, as mentioned in a letter.

Under the permission granted by the House, I include the letter that I received from a factory of my district in regard to builders hardware, and so forth, as well as a short brief prepared by Stanley Works, of New Britain, Conn. I think it important that Members of Congress have this information.

NATIONAL MANUFACTURING CO.,
Sterling, Ill., February 23, 1938.

Hon. LEO E. ALLEN,
House of Representatives,
1328 New House Office Building, Washington, D. C.

DEAR SIR: On February 26, as we understand it, the Committee for Reciprocity Information is going to consider, among other lists, a list of products on which our country will consider grant-

ing concessions to the United Kingdom, Newfoundland, and the British Colonial Empire, comprising the following items:

"Builders' hardware, including wrought steel butts, hinges, door bolts, hasps and staples, corner braces, steel handles, shelf brackets, and corrugated joint fasteners."

As you know we are vitally interested in wrought steel butts, hinges, door bolts, hasps and staples, corner braces, steel handles, and shelf brackets. That wording, "Builders' hardware", would really include everything we make, because all items that we manufacture are used in building.

Not only we, but as you know there are other firms here in Sterling, such as Lawrence Bros. and Franz Manufacturing Co., particularly here in Sterling, where we employ approximately 1,000 or more men, who are vitally interested in this very same thing.

If anything, Mr. ALLEN, our present tariff is too low on the above items. If this tariff was reduced it would not only apply to Great Britain, but it would be the tariff on these commodities for anyone wishing to import.

I just returned from the Pacific coast, where I encountered some nickel-plated hinges being sold in stores at prices our dealers could not compete with. Of course, at present, Japan is engaged in war, and some of their activities in imports to this country are not so great, but they have shipped shelf brackets and cupboard turns into this country actually below our cost of making.

Swedish wrought steel butts, hinges, and hasps, which we have the capacity to and do make in large quantities, are being sold in this country in cadmium-plated finish, at a cost less than our bright steel finish.

We just simply cannot compete with these prices on the present tariff basis and maintain our present standard of wages which are necessary to enable the laboring man to live.

As you know, we do business in all of the 48 States in the Union, and we particularly encounter these low prices on imported merchandise along the Pacific coast, and the Atlantic coast, as well as the Gulf States.

We sincerely trust that you will exercise every influence at your command to safeguard the industry in which we are interested, for the sake of our employees.

We cannot, with all of the items entering into costs, compete with foreign nations and maintain our present wage standards. In fact, even on the lower-wage schedules in the past several years, foreign manufacturers have been able to undersell us, and you can appreciate how much more of a handicap it is under present costs of production.

We can assure you that you would be doing not only us, but any number of manufacturers who are directly interested in the manufacture of these items, in whole or in part, a great favor and a great service in seeing that the present rate of 45 percent duty is not lowered on these items.

Yours very truly,

NATIONAL MANUFACTURING CO.,
H. M. WEYRAUCH, *Sales Manager.*

P. S.—We are giving you some excerpts from the brief which I mentioned to you over the phone. This brief was submitted by Stanley Works, New Britain, Conn., the largest manufacturer in this line, and contains some information which we think will be helpful to you.

List of products on which the United States will consider granting concessions to the United Kingdom, Newfoundland, and the British Colonial Empire is included from—

TARIFF ACT OF 1930, PARAGRAPH 397

"Builders' hardware, including wrought steel butts, hinges, door bolts, hasps and staples, corner braces, steel handles, shelf brackets, and corrugated joint fasteners."

We estimate that about $18,000,000 is invested domestically in the businesses affected by these items, employing about 5,000 employees, and doing an annual business of about $20,000,000.

Prices are highly competitive and have been rendered increasingly so by the prolonged depression in building activity. It should be kept in mind that England has enjoyed a building boom for several years and now, with a decline in prospect in England, it hardly seems in order to turn their surplus capacity loose upon an industry in this country that has contended with depression conditions for some years. It ought likewise to be borne in mind that all hardware on building constitutes less than 2 percent of the total cost of building—the part here considered far less—and its complete elimination would not materially improve building costs.

FOREIGN COMPETITION

As stated above, the imports for the items mentioned cannot be exactly known, as import records are kept on only one of these items—that is, hinges and hinge blanks—and even this record is undoubtedly understated because collectors of customs do not require the description of "hinges" on the entries but will accept an entry description of "metal manufactures" for duty purposes. Thus the import figures, while understated for hinges and hinge blanks and not including "door bolts, hasps and staples, corner braces, steel handles, shelf brackets, and corrugated joint fasteners" are nevertheless the only ones available and reveal some significant information.

During the 10-year period 1927–36, inclusive, imports of hinges and hinge blanks are reported by the Bureau of Foreign and Domestic Commerce as $384,078, or $38,407 per year.

SOURCES OF IMPORTS

Since 1933 import statistics on hinges and hinge blanks have been kept by country of origin and the record for 1934, 1935, and 1936 are highly significant.

	Sweden	Japan	Germany	United Kingdom	All other	Total
1936	9,511	10,448	3,470	499	406	24,334
1935	15,302	14,186	174	85	26	29,773
1934	14,182	9,713	3,216	549	280	27,940
3 years	38,995	34,347	6,860	1,133	712	82,047
Percent	47.5	41.9	8.4	1.4	0.8	100

Thus 1.4 percent of the total imports come from the United Kingdom, while 98.6 percent of the imports come from other countries. Since any concession will extend automatically to all other countries (excepting for the time being Germany), it is clear that the chief beneficiaries of any concession will be Sweden and Japan.

It is probably true that even the maximum concession possible on the present tariff, if extended solely to the United Kingdom and the British Colonial Empire, would not seriously upset the domestic market. As a matter of fact, most of these products are imported into England from Swedish and German sources, where they compete successfully with products of English manufacture, notwithstanding the English duties on their importation. But the extension of concessions to the United Kingdom, where they mean little, for the benefit of Sweden and Japan, where they mean much, is quite a different matter.

It remains to be shown that what is true of hinges and hinge blanks as disclosed by import statistics is apt to be true of the other items mentioned, the imports of which are concealed in a catch-all classification of imports under paragraph 397.

I have before me as I write catalogs and price sheets of a number of importers of those articles, with which this brief concerns itself. Those items are: (1) Wrought-steel butts, (2) hinges, (3) door bolts, (4) hasps and staples, (5) corner braces, (6) steel handles, (7) shelf brackets, (8) corrugated joint fasteners.

In the list which follows there is indicated by the use of the above numbers the extent to which the importers mentioned offer for sale not only hinges and hinge blanks but the other items as well:

E. K. Hardware Co., Inc., 41 Warner St., New York City—(1) (2) (3) (4) (5) (6) (7)
Manhattan Import Co., Inc., 861 Broadway, New York City—(1) (2) (3) (4) (6) (7)
Sheffler Merchandise Co., 396 Broadway, New York City—(1) (2) (3) (4) (7)
Spiegel Bros. Corporation, 33 East 17th St., New York City—(1) (2) (3) (4) (7)
H. Yuasa & Co., Osaka, Japan—(1) (2) (3) (4) (6) (7) (8)
Mitsui & Co., 350 5th Ave., New York City—(1) (2)

The first four named secure their hardware from Sweden and Germany, lately more and more from Sweden on account of the Jewish boycott on German-made merchandise; the last two from Japan. No importer is known to us who handles English importations. The largest single source of hardware of this character outside the United States is the Aug. Stenman A. B., of Eskilstuna, Sweden. For years the E. K. Hardware Co., of New York, have imported hardware from this company into the United States. What may not be known to the Committee for Reciprocity Information is that the Aug. Stenman Co., of Eskilstuna, Sweden, is financially owned and controlled by Guest, Keen & Nettlefolds, of Birmingham, England. It seems manifestly unfair that concessions should be extended to Sweden and Japan under the guise of a meaningless concession to the United Kingdom and British Colonial Empire, and we respectfully request that no such concessions be made.

Mr. Speaker, I ask unanimous consent to extend my remarks and include therein a short letter from the head of a factory in my district and also excerpts from a statement with respect to a factory in Connecticut.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. Mr. Speaker, the gentleman from Illinois is making the age-old speech, which is made especially in campaign years.

For 75 years we went ahead and gave practically everybody all the tariff asked for. Within the last few years it has

developed that by such action we practically put ourselves out of the world market. It now appears to me that all of our better thinkers are convinced, as a great member of the gentleman's party was convinced 40 years ago, William McKinley, who then said, "We cannot continue to sell where we do not buy"; and let me repeat, Mr. Speaker, that everyone knows money does not cross the ocean to balance the trade of one country against another, but it is surplus goods of one country for surplus goods of another, and we have not to go to reciprocal-trade arrangements with foreign countries in order to open up the ports of the world that have been practically closed to us by these tariff laws. [Applause.]

EXTENSION OF REMARKS

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks and to include a letter addressed by myself to the Secretary of State on the proposed trade agreements with Czechoslovakia and Great Britain.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to extend my own remarks and include therein a letter I received from the Comptroller General of the United States.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

ECONOMIC SECURITY FOR ALL

Mr. KNUTSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

WE MUST HAVE A TARIFF THAT WILL PROTECT AMERICAN FARMERS, LABORERS, AND MANUFACTURERS AGAINST FOREIGN COMPETITION

Mr. KNUTSON. Mr. Speaker, I am wondering whether my good friend the majority leader is aware of the fact that Russian cotton is being offered in New Jersey at the present time at 2 cents below the domestic market.

The gentleman refers to the fact we have been under a protective-tariff system for 75 years. Yes; and let me say that it was under the protection of Republican tariffs that we put a bathtub, as well as a telephone and a radio, in nearly every American home, and an automobile in every garage. This is what the tariff has done for the American people.

We daily read in the papers that all the great automobile industries are only operating 30 or 35 percent of capacity, and the same thing is true of the steel industry. Why? Because we have destroyed the purchasing power of the American people by giving our markets to the cheap labor of Europe and Asia; and until we rescind the reciprocal-trade agreement law this depression is going to become more and more acute, sorry as I am to say so. [Applause.]

Under free trade we always have unemployment and want. What we need and must have is a tariff that will gurantee the American farmer, laborer, and manufacturer cost of production. That is what the Republican Party stands for; that is what every farmer, laborer, and manufacturer, who has felt the crushing competition of other lands, wants. Give us that and we can put the young to work and provide economic security to the aged.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks and insert certain excerpts from a Supreme Court opinion.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

HEARINGS ON BILL PROVIDING FOR GOVERNMENT OWNERSHIP OF THE 12 FEDERAL RESERVE BANKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, H. R. 7230 is a bill providing for Government ownership of the 12 Federal Reserve banks. About 160 Members of the House are coauthors of this bill.

The Banking and Currency Committee of the House will commence hearings on this bill Wednesday morning at 10:30. I take advantage of this opportunity to let the coauthors of the bill know that hearings will be conducted at that time.

EXTENSION OF REMARKS

Mr. LARRABEE. Mr. Speaker, I ask unanimous consent to extend my own remarks and include a letter from Clarence A. Jackson, of the Indiana State Employment Compensation Division, making pertinent suggestions in regard to amendments of the Social Security Act for the purpose of preventing duplications.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. LUECKE of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. RICH. Mr. Speaker, in 75 years America has built this country up to be the greatest country on the face of the earth, under Republican administrations. Today the markets of America, of 130,000,000 people, are equal to the markets of 500,000,000 Europeans, and the American market is equal to the market of 1,000,000,000 Asiatics. And now, by reciprocal-trade agreements, we are going to give away the markets of this great country to the people of foreign nations. How are you going to give the laboring man an opportunity to work, if you are going to give the European and the Asiatic laborers the power to furnish the merchandise which will take the place of that ordinarily and formerly made by the American worker? It cannot be done, and it is a situation that we should correct. And we must do it at once. Republicans protect the American worker and farmer, the Democrats want to destroy them.

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

DISTRICT OF COLUMBIA BUSINESS

The SPEAKER. This is District of Columbia day, and the Chair recognizes the gentleman from Maryland [Mr. PALMISANO].

VENDING STAND IN WASHINGTON JAIL

Mr. PALMISANO. Mr. Speaker, I call up the bill (H. R. 9404) to provide for the establishment of a commissary or vending stand in the Washington Asylum and Jail and ask unanimous consent that the bill may be considered in the House as in Committee of the Whole.

The SPEAKER. The gentleman from Maryland calls up the bill H. R. 9404 and asks unanimous consent that it be considered in the House as in the Committee of the Whole. The Clerk will report the title of the bill.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read the bill, as follows:

Be it enacted, etc., That the superintendent of the jail in the District of Columbia, known as the Washington Asylum and Jail, is hereby authorized, with the approval of the Board of Public

Welfare, to permit Louis Haag to operate as a concession a commissary or vending stand in such jail, where the same may be most properly and satisfactorily operated, for the purpose of vending periodicals, confections, tobacco products, and such other articles as may, in the judgment of said superintendent, be properly sold to persons or prisoners therein.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider laid on the table.

SMALL CLAIMS COURT, DISTRICT OF COLUMBIA

Mr. PALMISANO. Mr. Speaker, I call up the bill (S. 1835) establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes, and ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

The SPEAKER. The gentleman from Maryland calls up the bill S. 1835, and asks unanimous consent that it be considered in the House as in Committee of the Whole. The Clerk will report the title of the bill.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

Mr. HOFFMAN. Mr. Speaker, I reserve the right to object. We have all been reading lately a great deal about this numbers racket.

Mr. PALMISANO. This has nothing to do with that.

Mr. HOFFMAN. When is the gentleman going to bring a bill out and stop that gambling?

Mr. PALMISANO. We have already made arrangements to consider the bill on the 9th of March, and in that connection I ask the gentleman whether he has read the bill?

Mr. HOFFMAN. No. The less I know about gambling, the better it will be for me.

Mr. PALMISANO. One objection that I have had to the bill is due to the fact that the newspapers which are publicizing and advocating a bill to stop this so-called numbers racket are inciting more people to gambling by advertising day in and day out the results of racing at the race tracks of the country and the choice of the handicappers when the races are thousands of miles away from here. One of the main objections that I have to the bill is that it will permit an officer to stand across the street from one's home, and if he sees a gentleman enter that home, and the officer, no one else, believes the individual so entering to be a gambler, he then can obtain a warrant and break into the home for the purpose of making an arrest. Does the gentleman agree with that provision of the proposed law?

Mr. HOFFMAN. I would want to read the bill, and I am not in favor of this gambling.

Mr. PALMISANO. Neither am I nor is anyone else.

Mr. HOFFMAN. I rose to find out when the gentleman will bring out a bill to stop it.

Mr. PALMISANO. That is one of the main provisions of the bill.

Mr. HOFFMAN. I am wondering whether the gentleman is offering that defect in the bill as a reason why he should permit gambling to continue. Maybe the newspaper boys have lost their money?

Mr. PALMISANO. And I hope the gentleman will agree with me, when this bill comes out on the floor, to make it a crime for one to have a numbers slip in his pocket, to also make it a crime for one to have in his pocket the horse entries of races of that particular day, when the horses are not running within 100 miles of the District.

Mr. HOFFMAN. I doubt if I would even have a pocket to carry such things in.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read the bill, as follows:

Be it enacted, etc., That there is hereby established in the municipal court of the District of Columbia a small-claims and conciliation branch.

SEC. 2. Whenever used in this act—

(a) "Branch" means the small-claims and conciliation branch of the municipal court, herein created.

(b) "Judge" means the judge or judges presiding in said branch.

(c) "Clerk" means the clerk or any assistant clerk of said municipal court assigned to said branch.

(d) "Court" means the municipal court of the District of Columbia and the several judges thereof.

SEC. 3. One or more judges of the municipal court shall serve in said branch for such periods and in such order of rotation as the judges of the court may determine.

SEC. 4. (a) Said branch shall have exclusive jurisdiction over all cases within the jurisdiction of the court in which the amount of the plaintiff's claim or the claimed value of personal property in controversy does not exceed $50 exclusive of interest, attorneys' fees, protest fees, and costs.

(b) In order to effect the speedy settlement of controversies, said branch shall also have authority with the consent of all parties to settle cases, irrespective of the amount involved, by the methods of arbitration and conciliation. The judges of said branch may also act as referees or arbitrators, either alone or in conjunction with other persons, under title 24, chapter 5, sections 91 to 109, inclusive, of the Code of Law for the District of Columbia, or under the United States Arbitration Act of February 12, 1925 (U. S. C., 1934 edition, title 9, secs. 1 to 15), or otherwise. No judge, officer, or other employee of the municipal court shall receive or accept any fee or compensation in addition to his salary for services performed under this subsection.

SEC. 5. (a) Actions shall be commenced in said branch by the filing of a statement of claim, in concise form and free of technicalities. The plaintiff or his agent shall verify the statement of claim by oath or affirmation in the form herein provided, or its equivalent, and shall affix his signature thereto. The clerk of said branch shall, at the request of any individual, prepare the statement of claim and other papers required to be filed in an action in this branch, but his services shall not be available to any corporation, partnership, or association in the preparation of such statements or other papers. A copy of the statement of claim and verification shall be made a part of the notice to be served upon the defendant named therein. The mode of service shall be by the United States marshal, as provided by law; or by registered mail with return receipt; or by any person not a party to or otherwise interested in the suit, especially appointed by the judge for that purpose.

(b) When notice is to be served by registered mail, the clerk shall enclose a copy of the statement of claim, verification, and notice in an envelope addressed to the defendant, prepay the postage with funds obtained from plaintiff, and mail the same forthwith, noting on the records the day and hour of mailing. When such receipt is returned, the clerk shall attach the same to the original statement of claim, and it shall constitute prima facie evidence of service upon the defendant.

(c) When served by a private individual, as above provided, he shall make proof of service by affidavit before the clerk, showing the time and place of such service.

(d) When served by the marshal, or by registered mail, the actual cost of service shall be taxable as costs. When served by an individual, as above provided, the cost of service, if any, shall not be taxable as costs.

(e) The statement of claim, verification, and notice shall be in the following or equivalent form, and shall be in lieu of any forms now employed and of any form of summons now provided by law:

"MUNICIPAL COURT OF THE DISTRICT OF COLUMBIA

"SMALL-CLAIMS AND CONCILIATION BRANCH

"Location of room in courthouse) (Address of court)

"WASHINGTON, D. C.

"_____
Plaintiff

"_____
(Address)

vs.

"_____
Defendant

No. _____

"STATEMENT OF CLAIM

"(Here the plaintiff, or at his request the clerk, will insert a statement of the plaintiff's claim, and the original, to be filed with the clerk, may, if action is on a contract, express or implied, be verified by the plaintiff or his agent, as follows:)

"DISTRICT OF COLUMBIA, ss:

"_____ being first duly sworn on oath says the foregoing is a just and true statement of the amount owing by defendant to plaintiff, exclusive of all set-offs and just grounds of defense.

"_____
(Plaintiff or agent)

"Subscribed and sworn to before me this ____ day of _____ 19____.

"_____
(Clerk or notary public)

"NOTICE

"To: _____
(Defendant)

"_____
(Home address)

"_____
(Business address)

"You are hereby notified that _____ has made a claim and is requesting judgment against you in the sum of _____ dollars ($_____), as shown by the foregoing statement. The court will hold a hearing upon this claim on_____ _____ at _____ m. in the small-claims and conciliation branch (address of court).

"You are required to be present at the hearing in order to avoid a judgment by default.

"If you have witnesses, books, receipts, or other writings bearing on this claim, you should bring them with you at the time of the hearing.

"If you wish to have witnesses summoned, see the clerk at once for assistance.

"If you admit the claim, but desire additional time to pay, you must come to the hearing in person and state the circumstances to the court.

"You may come with or without an attorney.

"[SEAL] _____,

"Clerk of the Small-Claims and Conciliation Branch, Municipal Court."

(f) The foregoing verification shall entitle the plaintiff to a judgment by default, without further proof, upon failure of defendant to appear, when the claim of the plaintiff is for a liquidated amount; when the amount is unliquidated, plaintiff shall be required to present proof of his claim.

(g) The clerk shall furnish the plaintiff with a memorandum of the day and hour set for the hearing, which time shall not be less than 5 nor more than 15 days from the date of the filing of the action. All actions filed in this branch shall be made returnable herein.

SEC. 6. A separate small-claims and conciliation docket shall be maintained in said branch, in which shall be indicated every proceeding and ruling had in each case.

SEC. 7. The fee for issuing summons and copies, trial, judgment, and satisfaction in an action in said branch shall be not more than $1. Other fees shall be as the court shall prescribe. The judge sitting in said branch shall have full discretionary power to waive the prepayment of costs or the payment of costs accruing during the action upon the sworn statement of the plaintiff or upon other satisfactory evidence of his inability to pay such costs. When costs are so waived the notation to be made on the records of said branch shall be "Prepayment of costs waived" or "Costs waived." The term "pauper" or "in forma pauperis" shall not be employed in said branch. If a party shall fail to pay accrued costs, though able to do so, the judge of said branch shall have power to deny said party the right to file any new case in said branch while such costs remain unpaid, and likewise to deny such litigant the right to proceed further in any case pending in said branch. The award of costs shall be according to the discretion of the judge who may include therein the reasonable cost of bonds and undertakings, and other reasonable expenses incident to the suit, incurred by either party.

SEC. 8. (a) On the return day mentioned in section 5 hereof, or such later time as the judge may set, the trial shall be had. Immediately prior to the trial of any case, the judge shall make an earnest effort to settle the controversy by conciliation. If the judge fails to induce the parties to settle their differences without a trial, he shall proceed with the hearing on the merits pursuant to section 9 (b) of this act.

(b) The parties and witnesses shall be sworn. The judge shall conduct the trial in such manner as to do substantial justice between the parties according to the rules of substantive law, and shall not be bound by the statutory provisions or rules of practice, procedure, pleading, or evidence, except such provisions relating to privileged communications.

(c) If the defendant fails to appear, judgment shall be entered for the plaintiff by default as above provided, or under any rule or rules of the municipal court now existing or hereafter promulgated, or on ex parte proof. If the plaintiff fails to appear, the suit may be dismissed for want of prosecution, or a nonsuit may be ordered, or defendant may proceed to a trial on the merits, or the case may be continued or returned to the files for further proceedings on a later date, as the judge may direct. If both parties fail to appear, the judge may return the case to the files, or order the same dismissed for want of prosecution, or make any other just and proper disposition thereof, as justice may require.

SEC. 9. If the defendant asserts a set-off or counterclaim, the judge may, in his discretion, require a formal plea of set-off to be filed, or may waive the same. If plaintiff requires time to prepare his defense against such counterclaim or set-off, the judge may, in his discretion, continue the case for such purpose. If the set-off or counterclaim be for more than the jurisdictional limit of said branch but within the jurisdictional limit of this court, the action shall nevertheless remain in said branch and be tried therein in its entirety.

SEC. 10. Whenever the interests of justice shall seem to require it, and all parties consent thereto, any judge of the municipal court may certify any case to said branch for conciliation, or to endeavor to obtain a complete or partial agreed statement of facts or stipulation, which will simplify and expedite the ultimate trial of the case. The trial of any such case if all parties consent may be completed in said branch or in the absence of such consent shall be recertified to another judge of the court for trial.

SEC. 11. When judgment is to be rendered and the party against whom it is to be entered requests it, the judge shall inquire fully into the earnings and financial status of such party and shall have full discretionary power to stay the entry of judgment, and to stay execution, except in cases involving wage claims, and to order partial payments in such amounts, over such periods, and upon such terms, as shall seem just under the circumstances and as will assure a definite and steady reduction of the judgment until it is finally and completely satisfied. Upon a showing that such party has failed to meet any installment payment without just excuse, the stay of execution shall be vacated. When no stay of execution has been ordered or when such stay of execution has been vacated as provided herein, the party in whose favor the judgment has been entered shall have the right to avail himself of all remedies otherwise available in said municipal court for the enforcement of such judgment.

SEC. 12. In all cases where the judgment is founded in whole or in part on a claim for wages or personal services the judge shall, upon motion of the party obtaining judgment, order the appearance of the party against whom such judgment has been entered, but not more often than once each 4 weeks, for oral examination under oath as to his financial status and his ability to pay such judgment, and the judge shall make such supplementary orders as may seem just and proper to effectuate the payment of the judgment upon reasonable terms.

SEC. 13. The clerk of said branch shall maintain an accurate daily record of all transactions had therein and shall prepare and transmit to the Attorney General of the United States a monthly report in detail showing the number and nature of all such transactions.

SEC. 14. All provisions of law relating to the municipal court and the rules of the municipal court shall apply to the practice herein so far as they may be made applicable and are not in conflict with the provisions of this act or with the rules hereunder promulgated. In case of conflict the provisions of this act and the rules hereunder promulgated shall control.

SEC. 15. The judges of the municipal court shall forthwith make rules to provide for a simple, inexpensive, and speedy procedure to effectuate the purposes of this act and shall have power to prescribe, modify, and improve the forms to be used therein, from time to time, to insure the proper administration of justice and to accomplish the purposes of this act.

SEC. 16. The small-claims branch with a judge in attendance shall be open for the transaction of business on every day of the year except Saturday afternoons, Sundays, and legal holidays, and shall also hold at least one night session during each week.

SEC. 17. Nothing in this act contained shall deprive any party of the right now existing to petition the United States Court of Appeals for the District of Columbia for a writ of error to review any judgment rendered in said branch of said municipal court.

SEC. 18. In any case filed or pending in said branch in which any party is entitled to demand a trial by jury and files such demand, the case shall be assigned to and tried in one of the regular branches of the court under the procedure provided for such trials.

SEC. 19. Except as otherwise provided in this act, or in the rules promulgated hereunder, a party obtaining a judgment in said branch shall be entitled to the same remedies, processes, costs, and benefits as are given or inure to other judgment creditors in said municipal court.

SEC. 20. All acts and parts of acts inconsistent herewith are hereby repealed.

SEC. 21. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

SEC. 22. This act shall take effect on the 30th day after the date of its enactment.

With the following committee amendments:

Page 2, line 13, after the period, following the word "costs", insert "Said jurisdiction shall not include actions for recovery of the possession of real estate, whether or not such actions include a claim for arrears of rent, or personalty, or both arrears of rent and personalty."

Page 7, line 16, strike out the figure "9" and insert the figure "8."

Mr. MAPES. Mr. Speaker, I move to strike out the last word. This morning I received a letter from a friend and constituent in Michigan whose sister, who lived in the District of Columbia, died a few months ago. She had an interest in one of these community apartment houses. I do not know the details. I have not had a chance to look into the matter yet. But my friend writes that the apartment which his sister had an equity in at the time of her death was rented to a tenant and that the tenant has continued to live in the apartment and is paying $45 a month for the use of the apartment. My friend, probably as the administration of his sister's estate, although I do not know about that, has been collecting the monthly rental.

He is now advised by the District authorities that he must pay this $10 business-privilege tax that is assessed against all business that sends a salesman or representative into

the District. Does the gentleman think that this business-privilege tax covers a situation of the kind I have described?

Mr. PALMISANO. Mr. Speaker, I may say to the gentleman from Michigan in the first place that I was one of the members of the committee who was opposed to the business-privilege tax. The subcommittee has held hearings on this subject this year and it is my hope that they will not report the business-privilege tax to the House again. Speaking more particularly to the question raised by the gentleman, I heard a part of the testimony before the subcommittee, and there seemed to be a distinction between a person renting a house and the person renting an apartment house, as to whether in the former instance he would be required to pay this tax. As I say, I hope they will wipe out this entire tax.

Mr. MAPES. Does the gentleman think there ought to be any distinction between a dwelling house and an individual apartment of a few rooms?

Mr. PALMISANO. As I say, in the first place I opposed the business-privilege tax in the committee and in the House. In the second place, I do not give the same construction to the law as does the corporation counsel's office; I do not draw such a fine distinction. There is, however, quite a difference between renting or subrenting one apartment and handling, as a matter of business, the leasing of a number of apartments in an apartment house. As I say, this ruling was made by the corporation counsel.

Mr. MAPES. I have not had time to follow up the matter. The gentleman says that the corporation counsel's office, in construing the law, has distinguished between a house and a separate or individual apartment.

Mr. PALMISANO. Yes; according to the testimony given before the subcommittee which has been holding hearings on the pending bill.

Mr. MAPES. I may say to the gentleman from Maryland that I agree with him that the business-privilege tax ought to be repealed. I may also say that this construction of it seems to me unreasonable.

Mr. DIRKSEN. Mr. Speaker, I rise in opposition to the pro forma amendment to bring the attention of the Members back to the pending bill. I shall take only a minute or two to say that this bill sets aside a branch in the municipal court to handle small claims not exceeding $50. It is a very forward and progressive step, and in this the District of Columbia is to be congratulated. It is following what has been done in 16 of the progressive States of the Union. The bill has already passed the Senate, and I am very glad that it is now before the House for consideration. I hope it will be passed by the House.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. DIRKSEN. I yield.

Mr. KNUTSON. This bill sets up another court, does it not?

Mr. DIRKSEN. No, Mr. Speaker, the bill does not set up another court; it simply designates a branch in an existing court. It provides for no additional judges and no judicial facilities.

The basic purpose of the proposed bill is to provide a simple and expeditious method for the administration of justice in small civil cases involving not to exceed $50. To accomplish this purpose, the bill designates a part of the existing municipal court as a small-claims and conciliation branch where the man of limited means can go and obtain satisfaction on a claim. To this end the bill provides for a very simple method of filing a complaint and securing service on the defendant. It simplifies procedure without relinquishing any rights that either party might properly have. It sets a very small fee of $1 to cover costs and authorizes the court to waive even this small fee where necessary without having a complainant designated as a pauper.

Where a judgment has been obtained and a defendant is without funds or means to pay, the court can, after proper investigation, stay execution on such judgment and seek to bring about payment on a reasonable installment basis. The bill also provides for voluntary conciliation and arbitration of disputes and all in all should serve to expedite the adjustment of legal differences with a minimum of cost. In the case of litigants who work all day and who might suffer loss if they had to lay off from remunerative work to come to court, there is a provision for night sessions. In my judgment, this measure or this type of measure may be a conclusive answer to the oft-repeated criticism that actions at law and equity are only for those who have money. This bill gives the man of modest or slender means a real day in court.

The small-claims court is not new. In one form or another it obtains today in Washington, Vermont, Oregon, Kansas, Idaho, California, Massachusetts, New Jersey, New York, Utah, Rhode Island, South Dakota, and also in Illinois. It has been tried over a period of years and has served a real need and purpose.

As a member of the subcommittee that handled this measure, I want to express my appreciation to the very estimable members of the Washington bar, who, whether in behalf of or in opposition to this bill, have helped to perfect it and give it a thorough hearing.

Particularly should I express appreciation to Judge Nathan Cayton, of the municipal court of the District of Columbia, who drew the bill, briefed the authorities, and who, together with Mr. Sefton Darr and many others, gave unselfishly of their time before both the Senate and House that this measure might be enacted.

The SPEAKER. The question is on the committee amendment.

The committee amendment was agreed to.

The bill was read a third time and passed, and a motion to reconsider was laid on the table.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1939

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes.

The SPEAKER. The gentleman from Oklahoma moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the Interior Department appropriation bill.

Mr. MAPES. Mr. Speaker, I desire to make a point of order.

The SPEAKER. The gentleman will state his point of order.

Mr. MAPES. Mr. Speaker, I do not desire to delay consideration of this legislation, but as I understood the statement of the gentleman from Oklahoma at the beginning of the session today it was that there is now no bill before the House reported by the Committee on Appropriations. I think the gentleman from Oklahoma ought to make some request that will remedy the situation, because I do not like to see the House get into the habit of considering legislation that has not been reported by a committee.

The SPEAKER. The Chair will state to the gentleman from Michigan and to the House that as the Chair understands the situation a correct print of the bill will be available before the section of the bill is reached in which the errors were discovered.

Mr. MAPES. Mr. Speaker, as I understand the statement of the gentleman from Oklahoma it was that the report of the committee is not before the House. I think he ought to make some request to remedy that situation, that the House ought not to be considering a bill which has in fact not been reported by the committee.

The SPEAKER. The Chair is of the opinion that the gentleman has misunderstood the situation. The Chair is advised that the report is before the House and is in correct form. The clerical misprision was in the bill and not in the report.

Mr. MAPES. Then the gentleman from Michigan misunderstood the statement of the gentleman from Oklahoma,

or the statement of the gentleman from Oklahoma was incorrect. I understood the gentleman from Oklahoma to say that the report of the committee was not before the House.

Mr. RAYBURN. Will the gentleman yield?

Mr. MAPES. I yield to the gentleman from Texas.

Mr. RAYBURN. I understand from those in charge of the bill that there are two or three typographical errors in this print, but they occur on page 64 and beyond in the bill. Of course, the gentleman is correct insofar as the present bill is concerned. If the gentleman will yield, I shall prefer a unanimous-consent request.

Mr. MAPES. I shall be glad to.

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the reading of the bill may be resumed from the print now in the hands of the Members of the House. I make the statement at this time that the corrected bill will be here before that portion of the bill in which the errors occur is reached.

Mr. MAPES. That covers the situation.

Mr. SNELL. The errors do not occur in the first part of the bill?

Mr. RAYBURN. That is correct.

The SPEAKER. The Chair may say to the gentleman from New York that the first error is on page 64 of the bill, and that the new print will be available within the hour. Will the gentleman from Texas restate his unanimous-consent request?

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that notwithstanding this is not a correct print of the bill as reported by the committee, the Clerk may proceed with the reading of this print as if it were the correct bill.

The SPEAKER. The gentleman from Texas [Mr. RAYBURN] asks unanimous consent that the Committee of the Whole may proceed with the reading and consideration of the print now before the House until arrival of the corrected bill. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER. The gentleman from Oklahoma [Mr. JOHNSON] moves that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9621, the appropriation bill for the Department of the Interior.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9621, with Mr. JONES in the chair.

The Clerk read the title of the bill.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 1, line 4, after the word "Treasury", strike out the words "not otherwise appropriated."

Mr. RICH. Mr. Chairman, I call attention of the Members of the House of Representatives to the fact that we appropriate the necessary money for the particular department involved in an appropriation bill out of the Treasury, and we use the term "not otherwise appropriated." I would like to ask the membership of the House if they can show by the Federal Treasury statement that we have any money in the Treasury that has not been appropriated.

Let us take the Treasury statement of February 23, 1938, which shows a deficit up to the present time of $1,022,093,621.71. There is a national debt of $37,628,349,825.79.

WHERE WILL YOU GET THE MONEY?

Mr. Chairman, it seems to me when we discuss a Federal Treasury statement nobody wants to hear about it. The gentlemen representing the people of this country are going to hear about this matter in a very short time back home by the voters, and do not let anyone fool you about that. The people back home will say, "You should have given attention to the Federal income when you made all these appropriations." If they do not call this situation to your attention and look up your record as to how you voted on the various appropriation bills, then there is something wrong not only with the Members of the House of Representatives but with the people back home, and we will rue the day in the not distant future, Mr. Chairman, because the country cannot endure it very much longer. We are gradually breaking down our moral and financial structure.

Mr. GIFFORD. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. I am sure the gentleman wants to offer a real amendment. I would suggest to him the following words:

The following sums are appropriated out of any further credit the Government may be able to obtain.

Mr. RICH. I might be willing to accept that amendment, but I am interested, Mr. Chairman, in having the Members of the House of Representatives realize that they should give consideration in appropriating money to where the funds will come from, so that we will not get ourselves into the position where we cannot obtain the credit which the gentleman from Massachusetts is thinking about. I say this is a very serious condition we find ourselves in at the present time.

Mr. Chairman, we are now considering the appropriation bill for the Department of the Interior, and the Members will have an opportunity to consider many cuts in this bill. I hope the Members will realize before we get through with the consideration of this bill that they should cut out some of the appropriations now requested in this Interior Department appropriation bill. It will not injure the service and will help the Treasury Department and the credit of our Nation. It will do more to restore confidence in our people than anything you can do.

Mr. LORD. Mr. Chairman, I rise in opposition to the amendment.

TARIFF ON SHOES

Mr. Chairman, I want to again call to the attention of the Members of this House the condition of the shoe industry in my district.

After public hearings which were little more than a farce, President Roosevelt, with the aid of Secretary Hull, is engaged in negotiating a reciprocal-trade agreement with Czechoslovakia, which unfortunately, and to the harm of thousands of workers, may result among other things, in lowering or pegging the existing tariff on shoes coming into this country.

Prior to 1932, the tariff on McKay sewed shoes was 20 percent ad valorem. At that time so many pairs were coming in from Czechoslovakia that President Hoover, in January 1932, raised the duty from 20 to 30 percent ad valorem to protect the American shoe industry. This higher duty decreased the importation of shoes of McKay construction to this country from Czechoslovakia. However, Czechoslovakian manufacturers immediately began to manufacture cheap cemented shoes which could be exported to the United States at a duty of 20 percent ad valorem. Importations of these cemented shoes have increased until during 11 months of 1937 there were shipped into this country 2,697,847 pairs of leather-soled shoes.

At this point I want to call to the attention of the House a pink dodger which was circulated to many Members of this House, a copy of which I hold in my hand, which says on the first page, "The $350,000 myth exploded!" Opening the sheet the attorney for the Bata Shoe Co., Mr. Bernstein, in questioning a witness in regard to a statement made by me before the Tariff Commission, which I quote, "Our concern has lost one order of $350,000 to the Bata Shoe Co.," said, "I ask you, and remember you are under oath, to state unequivocally and without any qualification, whether or not the Bata Shoe Co. ever received a $350,000 order from anybody within the past year." The witness answered, "We did not."

I want to say that in my statement I should not have mentioned one order but should have said that one concern in my district, through Bata's underbidding, lost orders

which would amount to more than $350,000 annually. You can see that Mr. Bernstein is trying to crawl through a very small hole, differentiating between "order" and "orders."

To substantiate what I have to say I want to quote from an article in the New York Sun of December 18, 1937, headed "The Facts About Bata Shoe Orders. No single deal for $350,000 involved, but the American firm lost much more." This article quotes officials of the American firm mentioned as saying:

> The order was not for $350,000 worth of shoes in a lot, but was an order which was one of a series which would have meant $350,000 worth of business. This, they added, was the largest recent example of several incidents of the same sort, the loss of old business and the failure to get new, with the prospective customer explaining that Bata prices were far under those of "E.-J."

I also quote from the translation of an article published in Czechoslovakia with regard to this same subject. This, understand, is from Bata's weekly publication Zlin:

> Among the few reports which were concrete was the report that the firm of Bata obtained a certain large order of shoes in the United States because its prices were lower than those of Endicott-Johnson. The report from Endicott-Johnson gives the price which was offered and rejected. Now, since we know the price at which Endicott-Johnson made its offer, and because we know the price at which the order was closed, we can say that the customer involved made a decision in behalf of Bata shoes because of quality, elegance, and perfection in workmanship, not because of the price factor.

I have discussed this paragraph from the Bata publication with officials of Endicott-Johnson Corporation, and they advise me that this statement is incorrect. The prices that Endicott-Johnson were getting for their shoes from their customer were considerably higher than the prices at which Bata sold his shoes to the same customer, which was the means of Bata securing the order, as is clearly shown by a comparison of the samples of both manufacturers' shoes giving full details as to construction and prices and left with the Committee for Reciprocity Information and the Tariff Commission at the time of their respective hearings.

Now Secretary Hull in his statements with regard to the shoes shipped to this country from Czechoslovakia tried to make out that they constitute such a small percentage of the total American production that they cannot hurt our trade. For instance, he says Czechoslovakian importations would not be more than 2 percent of the shoes we manufacture. I want to call attention to the fact that the Bata Shoe Co. does not ship a general line of shoes to this country. Their shipments consist principally of growing girls' and women's shoes of the popular-priced cemented-sole construction which retail, for the most part for less than $2 per pair. However, when we compare the amount of shoes of this particular kind which came into this country from Czechoslovakia last year with the total American production of 25,000,000 pairs of the same kind during that period, we find that the Czechoslovakian importations constitute about 12 percent of such total American production. Moreover, the importation of these women's cemented shoes, which are sold at less than the American cost of production, demoralizes the price structure for our whole line of shoes of this particular type, for when a large buyer like our mail-order houses can buy a shoe from 25 to 50 percent less from a foreign manufacturer it has a strong tendency to hammer down the price in this country and any reduction in the price is eventually bound to come out of the workers.

We have to pay duty on hides coming into the country to manufacture the shoes, while the foreign buyer gets them tariff free. They have cheap child labor which we have to compete with and unless the tariff on shoes is raised it will be necessary for us to come down to their standard of wages.

Our shoe manufacturers have tried to keep our factories running and on as full time as possible. They have taken orders for shoes with little or no profit in order to give the employees work. They have been, and now are piling up shoes in reserve in expectation of better times, endeavoring to give work to their employees. Yet the Federal Government, through our proposed reciprocal-trade agreements, has destroyed the confidence of the manufacturers and has upset the whole industry.

In 1919 we exported, in round numbers, 22,000,000 pairs of leather-soled shoes of a total dollar value of approximately $75,000,000. In 1936 we exported a million and a half pairs of a total dollar value of approximately $3,000,000. There were imported into this country in 1936 approximately 2,054,499 pairs, and in 11 months of 1937 approximately 2,697,847 pairs. Now, if we take the total of the loss of our export business and the increase in our import business it makes a total of approximately 24,000,000 pairs of shoes per year. I am told that the average production of shoes in the United States is approximately 7 pairs per man per 8-hour day, or 35 pairs per week and 1,820 pairs per year. Therefore, if these 24,000,000 pairs of shoes could have been produced in the United States they would have provided employment for 13,186 men for a whole year.

We must consider that the menace of the Bata Shoe Co. is not only the shoes which they ship into this country, but the world trade which they have captured. One of the great reasons for losing our export trade is the fact that the Bata Shoe Co. is practically a world monopoly. It has factories in 10 different countries, including England, France, Switzerland, India, Egypt, and others. It has more than 3,000 retail stores throughout the world. In at least two of the countries, namely, France and Switzerland, competition has been so keen that they have had to pass laws to control their output.

In France the Government compelled it to close up some 300 stores that sold shoes and Switzerland passed drastic laws controlling them. Therefore, we can see what may happen in this country for this very aggressive concern would seem to be seeking to control the shoe industry of the world. Bata now has approximately 50 retail stores in this country and there is no doubt but what their retail operations will be very greatly expanded.

It is now proposed to enter into a reciprocal-trade treaty with England, and England is a big manufacturer of shoes, and they also have the Bata Shoe Manufacturing Co. there. If a treaty is consummated with England, it will no doubt bring into competition the finer grades of shoes, in which we have very little competition from Czechoslovakia.

Our shoe workers have not been working more than 50 or 60 percent of full time, and a large percentage of the shoes manufactured has gone into storage, yet our factories have been kept running just to give the employees as much work as possible. It has been necessary to reduce wages of all salaried employees by 20 percent, and it has also been necessary to reduce the wages of all other workers 10 percent. It is not pleasant for the Endicott-Johnson Corporation to reduce wages. They have always divided fairly with their employees, and it is only the fact that competition is so keen at the present time, due to a large extent to the low tariff on shoes, that such reductions have become necessary.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. LORD. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I believe the purpose of the administration is to give the American workingman more leisure, so he may enjoy the more abundant life.

Mr. LORD. In my district the shoe workers are having plenty of leisure. This situation has disrupted the business of the whole valley.

I am informed that the "Roosevelt recession" is much more serious in our section, and more of our people are out of work and on part time than during the days of the depression.

I am calling on the majority party to repeal the law extending to the President the right to negotiate reciprocal-trade agreements and bring that right back to the Congress, where it belongs, so that this question can be considered by this House and by the Senate.

At the request of the President we have passed a bill for $250,000,000 for work relief, yet if the shoe industry alone had the tariff protection that it should, this amount could

have been reduced by the amount of wages our workers would have earned in manufacturing the shoes which other countries are shipping here.

The shoe industry needs a higher, not a lower, tariff on shoes to protect the workers.

Our people want work, not relief. How long are we going to have the agitation of these reciprocal-trade treaties disrupting and ruining business? To my mind it is time that businessmen conducted the business of our Nation.

The pro forma amendments were withdrawn.

The Clerk read as follows:

OFFICE OF THE SECRETARY

SALARIES

Salaries: For the Secretary of the Interior, Under Secretary, First Assistant Secretary, Assistant Secretary, and other personal services in the District of Columbia, $505,860: *Provided*, That in expending appropriations or portions of appropriations contained in this act for the payment for personal services in the District of Columbia in accordance with the Classification Act of 1923, as amended, with the exception of the First Assistant Secretary and the Assistant Secretary, the average of the salaries of the total number of persons under any grade in any bureau, office, or other appropriation unit shall not at any time exceed the average of the compensation rates specified for the grade by such act, as amended, and in grades in which only one position is allocated the salary of such position shall not exceed the average of the compensation rates for the grade, except that in unusually meritorious cases of one position in a grade advances may be made to rates higher than the average of the compensation rates of the grade but not more often than once in any fiscal year and then only to the next higher rate: *Provided*, That this restriction shall not apply (1) to grades 1, 2, 3, and 4 of the clerical-mechanical service, or (2) to require the reduction in salary of any person whose compensation was fixed, as of July 1, 1924, in accordance with the rules of section 6 of such act, (3) to require the reduction in salary of any person who is transferred from one position to another position in the same or different grade in the same or a different bureau, office, or other appropriation unit, (4) to prevent the payment of a salary under any grade at a rate higher than the maximum rate of the grade when such higher rate is permitted by the Classification Act of 1923, as amended, and is specifically authorized by other law, or (5) to reduce the compensation of any person in a grade in which only one position is allocated.

Mr. RICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RICH: On page 2, line 5, after the word "Columbia", strike out "$505,860" and insert in lieu thereof "$455,860."

Mr. RICH. Mr. Chairman, we have been requested by the Department of the Interior to give them $50,000 for a Division of Information, so the Division may spend this money in sending out information all over the country in regard to what the Department of the Interior is doing. In making this request Secretary Ickes stated he was very modest in asking for this sum when the amount the Department of Agriculture is receiving for the same purposes is considered. I will admit that if we give too much money to the Department of Agriculture or any other department for propaganda it becomes only a bureau for the dissemination of political information. Why in the name of common sense do we as Representatives have to spend the taxpayers' money to tell the people of this country what the Secretary of the Interior, the Secretary of Agriculture, or any other Secretary is doing? His work ought to speak for itself and stand out in bold letters to the country. We do not need any propaganda. If it has come to the point where propaganda is going to be a part of the activities of these various organizations, so the Secretaries can tell the people what the departments are doing, then what we need is not a propaganda organization but new Secretaries. I do not have much time for people in the Government, whether they hold the office of President, Secretary of a department, or Member of Congress, if they have to use the taxpayers' money to go back to their own districts to tell the people what they are doing.

I think it is about time we called a halt to ridiculous spending. If you as Members of Congress are going to let this appropriation go through, then I have almost lost my faith in the willingness of Members of Congress to see that the functions of the departments are carried on as they were originally intended by the Constitution. I hope you will cut this item for propaganda out of the appropriation for this Department, and every other department, and that we shall have an opportunity to build up the Department so it may carry out the purposes for which it was intended, so that by the results of its work the people of this country may know what the Department is doing, rather than by the activities of a bureau of propaganda. [Applause.]

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the Secretary of the Interior appeared before the subcommittee and pointed out that the Department of Public Works had been carrying on the Division of Information. This activity is nothing new either in this Department or in other departments. The work has actually been going on with the use of Public Works money. The value of this activity from the standpoint of the public cannot be overestimated. The public is entitled to the information. When the public inquiries come to the Department of the Interior for information about public parks, reclamation projects, vocational education, or about the various and sundry activities over which the Department of the Interior has jurisdiction, the public is undoubtedly entitled to that information.

I may say that in the Department of Agriculture there is a Bureau of Information, and to that Bureau the Congress does not give the comparatively small sum of $50,000; rather, in the current year the appropriation for that activity for the Department of Agriculture is $1,254,130. In the estimate for next year there is an increase of $220,000 in the appropriation for the Bureau of Information in the Department of Agriculture.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield to the gentleman from Pennsylvania.

Mr. RICH. Does the gentleman know that the Secretary's office last year put out 15 publications telling the people of this country what the Department is doing, and that the Department also published last year 876 new booklets telling the people of the country what the Department is doing?

Mr. JOHNSON of Oklahoma. I may say to the gentleman that has nothing to do with this appropriation. This is for personnel already employed in the Department of the Interior. If this appropriation is not allowed, several efficient people will lose their positions.

They are doing very valuable work and are furnishing information that the public is entitled to have. The gentleman from Pennsylvania evidently is laboring under the delusion that this item is entirely new when, in fact, there is nothing new about this. Mr. Chairman, I ask for a vote on the amendment.

Mr. TABER. Mr. Chairman, I offer a substitute amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER as a substitute for the amendment offered by Mr. RICH: Strike out "$505,860", in line 5 on page 2, and insert in lieu thereof $400,000."

Mr. TABER. Mr. Chairman, it seems to me that as we approach this bill those who are friends of the Interior Department would want to see this amendment adopted.

Let me tell you what the situation is, and I do not believe anyone will dispute the statement. The committee has provided about $50,000 for publicity. This cannot be used for the payment of any salary for any publicity agent. If this paragraph had attempted to say that it was for publicity purposes, it would be subject to a point of order, but here is the situation. You have raised the amount for the Secretary's office from $420,000 last year to $505,000 and you have included this publicity item. In addition to this, the facts are that the Secretary himself has acknowledged he does not need an under secretary and that you could save the entire expense of the office force in the Under Secretary's office, and the fact is the appropriation ought to be reduced by that amount, and you should get rid of that $20,000 and reduce the amount of this paragraph to $400,000.

This publicity is bad. It is bad from every standpoint except from the standpoint of those who want to countenance a violation of the statutes of the United States.

Mr. LORD. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. LORD. I understand that now there are 8 pounds of this publicity for every man, woman, and child in the Nation and that President Roosevelt thinks that 10 pounds should be as little as they should have, and therefore they are entitled to this increase.

Mr. TABER. I suppose they have to send publicity to the babies; is that the idea?

Mr. LORD. That is right.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Michigan.

Mr. HOFFMAN. Why not let the Roosevelt family furnish the publicity and get the income? Why should we pay for it?

Mr. TABER. They do furnish it, but we pay for it.

There is absolutely no showing of any justification whatever for a dollar over $400,000 in this appropriation. Unless you folks who claim to be friends of the Interior Department realize your responsibility and are prepared to cut down these appropriations to the extent that the hearings and the facts justify, and cut out all of this foolishness that is going on, we are never going to arrive at an intelligent situation with reference to the appropriation of money.

I am asking the Committee to meet its responsibility today and to vote right here and now to begin to economize and to begin to deny appropriations which the departments are not entitled to.

Mr. Chairman, I hope this amendment will be adopted.

The CHAIRMAN. The question is on the substitute amendment offered by the gentleman from New York to the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 21, noes 41.

So the substitute amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The question was taken; and on a division (demanded by Mr. RICH) there were—ayes 21, noes 47.

Mr. RICH. Mr. Chairman, I demand tellers. I want to find out whether we want propaganda here or not.

Tellers were refused.

So the amendment was rejected.

The Clerk read as follows:

DIVISION OF INVESTIGATIONS

For investigating official matters under the control of the Department of the Interior; for protecting timber on the public lands, and for the more efficient execution of the law and rules relating to the cutting thereof; for protecting public lands from illegal and fraudulent entry or appropriation; for adjusting claims for swamplands and indemnity for swamplands; and for traveling expenses of agents and others employed hereunder, $440,000, including not exceeding $34,000 for personal services in the District of Columbia; not exceeding $38,000 for the purchase, exchange, operation, and maintenance of motor-propelled passenger-carrying vehicles and motorboats for the use of agents and others employed in the field service; and not to exceed $5,000 to meet unforseen emergencies of a confidential character, to be expended under the direction of the Secretary of the Interior, who shall make a certificate of the amount of such expenditure as he may think is advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the sum therein expressed to have been expended.

Mr. BACON. Mr. Chairman, I make the point of order against the paragraph, because it sets up a new division of investigation for which there is no authority of law. This division of investigation was originally created as an emergency in connection with the work of the Public Works program. They now seek to continue it as a permanent proposition, although the Public Works program is on its way out, and no new contracts are being let. This is an entirely new provision for which there is no authority of law, and it is clearly legislation on an appropriation bill.

Mr. JOHNSON of Oklahoma. Mr. Chairman, this is authorized under title XVI, chapter 4, United States Code. It will be necessary to read that in order to say definitely whether it is legislation on an appropriation bill. I am not in a position to say whether it is or is not.

Mr. BACON. I call the attention of the gentleman to the language on page 3, lines 18 and 19:

For investigating official matters under the control of the Department of the Interior, and also to the language on page 4, line 5, pertaining to the secret fund.

That is extremely broad language, having to do with the Department of the Interior, and there is nothing in the law setting up the Department that permits that. This is clearly legislation on an appropriation bill.

Mr. JOHNSON of Oklahoma. The gentleman understands, of course, that we can offer an amendment to eliminate the language in question if the gentleman insists. Undoubtedly there is full authority at law for this purpose.

Mr. BACON. Mr. Chairman, I concede that there is authority in law for investigations in connection with public lands, and so forth, but I do not concede that there is any authority of law for a division of investigation to investigate anything that may be in the Department of the Interior, nor is there any authority of law to turn over a secret fund to the Secretary of the Interior to do with as he pleases without accounting.

The CHAIRMAN. The Chair is ready to rule. The provision on page 4, lines 5 and 6, which provides that not to exceed $5,000 to meet unforeseen emergencies of a confidential character may be expended, is clearly not authorized by existing law. The Chair sustains the point of order to the paragraph, without considering the other points.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I offer the following amendment, which I send to the Clerk's desk.

The Clerk read as follows:

DIVISION OF INVESTIGATIONS

For protecting timber on the public lands, and for the more efficient execution of the law and rules relating to the cutting thereof; for protecting public lands from illegal and fraudulent entry or appropriation; for adjusting claims for swamplands and indemnity for swamplands; and for traveling expenses of agents and others employed hereunder, $440,000, including not exceeding $34,000 for personal services in the District of Columbia; not exceeding $38,000 for the purchase, exchange, operation, and maintenance of motor-propelled passenger-carrying vehicles and motorboats for the use of agents and others employed in the field service.

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph. There is no authority of law for a division of investigating. Some of the things that are specified there may be authorized, but a division of investigation is not authorized.

Mr. JOHNSON of Oklahoma. Mr. Chairman, this is merely the name of the organization which is carrying on this work, which is clearly authorized by title XVI, chapter 4, United States Code, and certainly is not subject to the point of order.

The CHAIRMAN. The Chair is ready to rule. The language embodied in the amendment proper is clearly authorized by existing law for protecting timber, and so forth. It seems clear that incidental to such authority the power to conduct the investigation in the handling of that and to properly handle it, would be entirely in order. The Chair overrules the point of order.

Mr. BACON. Mr. Chairman, I offer an amendment to the amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. BACON to the committee amendment: Strike out "$440,000" appearing in the pending amendment and insert "$350,000."

Mr. BACON. Mr. Chairman, in the revised committee amendment the Division of Investigation is confined solely to protecting timber on public lands and for protecting lands from illegal and fraudulent entry, and for adjusting claims for swamplands. There has been taken from the amendment, as it appears in the print, a major portion of the work that was being done by the Division of Investigation, namely, for investigating official matters under the control of the Department of the Interior—investigating everything

that the Secretary of the Interior might want to investigate.

The substitute offered by the gentleman from Oklahoma confines it purely to public lands, and we have taken out a major portion of the work that was formerly being done, or proposed to be done. It seems to me that we can afford to cut the amount, and I offer the amendment to cut the amount to $350,000, which is a greater sum than has been used for the purpose for which it is now proposed to use it.

Mr. JOHNSON of Oklahoma. Mr. Chairman, replying to my distinguished friend from New York, I may state that this is a very important work, the work of protecting timberland from those who would go on the timberlands and destroy them. If it had not been important, Congress would not have authorized it. It is an extremely important activity.

The gentleman from New York makes the statement that a major part of this work had been eliminated. In this he is in error. Nothing has been eliminated except $5,000 for unforeseen emergencies of a confidential character. That is all that has been eliminated.

Mr. BACON. The gentleman must bear in mind that lines 18 and 19 were stricken out on a point of order: "For investigating official matters under the control of the Department of the Interior." This is very broad language, covering everything.

Mr. JOHNSON of Oklahoma. That refers to the $5,000, also, and has nothing to do with the timberlands.

Mr. BACON. And I am informed that the $350,000 to which I wish to cut the appropriation is a greater sum than has been used heretofore in this type of work—protection of timber and public lands and so forth.

Mr. JOHNSON of Oklahoma. Did the gentleman get that information from the Department? My information is that the gentleman is in error.

Mr. BACON. As a matter of fact, this Division of Investigation, set up on a $440,000 basis, was set up to investigate contracts in connection with the public-works program. The gentleman knows very well that no new contracts are being let on the public-works program. A large part of the force of these investigators were used in examining contracts on the public-works program, and that is on the way out, apparently. I have been informed about that by one of the investigators himself.

Mr. JOHNSON of Oklahoma. Does the gentleman realize that funds for that work came out of public-works money and not out of this fund? It is a separate organization entirely.

Mr. BACON. Where did the money come from to pay some of these investigators who shadowed two Senators and also, it is rumored, several Members of the House, some of whose names I can furnish if the gentleman would like to know them?

Mr. JOHNSON of Oklahoma. No, I would not be at all interested in running down such rumors, nor seeing the names of those whom you say were shadowed by somebody. I am confident, however, that this item has no possible connection with that. Mr. Chairman, I ask for the defeat of the amendment.

The CHAIRMAN. The question is on the amendment to the committee amendment.

The queston was taken; and on a division (demanded by Mr. BACON) there were—ayes 18, noes 43.

Mr. TABER. Mr. Chairman, I object to the vote on the ground that there is not a quorum present and make the point of order there is not a quorum present.

The CHAIRMAN. The gentleman from New York makes the point of order that a quorum is not present. The Chair will count. [After counting.] One hundred and eleven Members are present, a quorum.

So the amendment to the amendment was rejected.

Mr. TABER. Mr. Chairman, I rise in opposition to the committee amendment.

The CHAIRMAN. The gentleman from New York is recognized for 5 minutes.

Mr. TABER. Mr. Chairman, I should think that this House would begin to realize that appropriations of this type ought not to be made. We have had this Bureau in the public print most of the time for the last 3 months as a result of the hearings over in the Senate. It has been clearly demonstrated that the Bureau has been used for the purpose of espionage work interesting to the Secretary himself as to the operation of Members of the upper House who have opposed him. Is it not time that we stopped making appropriations for this purpose?

We now have in the Government the Bureau of Investigation in the Department of Justice, we now have the Secret Service in the Treasury, we now have enough representatives of law-enforcement agencies, without this additional one, to do all the work. Why should we under these circumstances continue this appropriation? It is an absolute waste of the people's money. Unless we come to our senses and stop making this kind of appropriations, there is no hope for the country.

Mr. DOCKWEILER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, today we have under consideration an appropriation bill providing for funds for the activities of the Interior Department for the fiscal year of 1939. Included in those activities is the Bureau of Reclamation and this Bureau is undertaking for the State of California the development, building, and completion of a project known as the Central Valley project of California. I know that my fellow Californians have some knowledge of this project and its importance but I do not think it would be amiss for me to briefly outline this project. Its primary purpose is to provide a supplemental supply of water to approximately 800,000 acres of land now in use in the Sacramento and San Joaquin Valleys of California. The total cost of the approved project is estimated at $170,000,000. Construction was started on October 19, 1937. Government camps have been built at Shasta and Friant Dams and the Contra Costa Canal is now under construction. A total of $23,600,000 heretofore has been made available, of which $2,000,000 has already been spent, by previous appropriation bills which I have supported and for which I have voted. The Budget estimate of $9,000,000, which is recommended by the Committee on Appropriations, of which I am a member, for the present fiscal year of 1939, will provide a total of $30,600,000 for the construction of this project during the fiscal year of 1939.

After the passage of the Interior Department appropriation bill for 1939, to which I am directing my remarks, it might be interesting for us Californians to note the following figures, which include the estimated cost, funds available, and estimate for fiscal years of 1939. I obtained these figures from Mr. John Page, Commissioner of the Bureau of Reclamation, and they are as follows:

Shasta Dam is estimated to cost $70,000,000, and as $12,700,000 has heretofore been made available, coupled with an additional $5,300,000 out of this appropriation bill, or a necessary balance for completion of $52,000,000. The power plant at this dam is estimated to cost $18,000,000. As yet there will be no funds made available for this part of the project because the power plant cannot be installed until the dam is nearing completion. The transmission line and substations are estimated to cost $12,700,000, and for the same reason there will not be made available any funds for this part of the project at this time. Putting it another way, the total cost of the Shasta Dam, its power plant, transmission line, and substations is estimated at $100,700,000. Now, looking at the other features of the Central Valley project, we come to the Delta Cross channel, which is estimated to cost $1,000,000 and for which funds have not yet been made available.

Next, we have the Contra Costa Canal, estimated to cost $3,500,000, and there is now available $2,500,000 for this project, and out of the appropriation bill before us this project will receive $1,000,000, leaving therefor no necessary balance for completion; next we come to the San Joaquin

pumping station, estimated to cost $15,000,000, and there is $100,000 available for this expenditure, and in this appropriation bill there is added $200,000, leaving a balance to be expended of $14,700,000. Next we come to the Friant Dam and Reservoir. This dam is estimated to cost $15,800,000. Two million dollars has heretofore been made available and $1,000,000 is being made available in this appropriation bill, leaving a balance necessary to complete this project of $12,800,000. Next we will consider the Madera Canal, estimated to cost $1,500,000, and in this bill there is provided the sum of $500,000, leaving a balance to complete this project of $1,000,000. Next we come to the Friant-Kern Canal, estimated to cost $26,000,000, and there has heretofore been made available $2,000,000 and in this appropriation bill $500,000, leaving a balance necessary to complete of $23,500,000. Lastly we come to the funds necessary for the projects of water rights, rights-of-way, and so forth, estimated to cost $6,500,000, for which funds have been made available in the sum of $4,300,000, and in this bill we provide an additional sum of $500,000, leaving a balance necessary to complete of $1,700,000.

Mr. Chairman, you will note that the total estimated cost of all these projects just enumerated amounts to $170,000,000. Needless to say, this is a tremendous sum of money, and we Californians should be grateful, and particularly those living in the Central Valley, in the San Joaquin and Sacramento Valleys, should be extremely grateful to a beneficent government for her willingness to undertake this essential project, and, in the language of Mr. John Page, who testified before our Committee on Appropriations:

> A very serious situation exists in that the San Joaquin basin, where day by day almost, trees are dying from the want of sufficient water supply and from the salt water which they are pumping from their wells. We are straining every effort to work out the legal complications so that we can safely proceed with the construction at the earliest possible date. Then, there is the further matter of flood control, which has always been important there but which was emphasized by the recent flood that occurred throughout the valley in December of this past year, when there was a tremendous loss from floods from the Sacramento and San Joaquin Rivers.

It might be interesting to note that further on in the testimony of Mr. Page he makes the following commentary:

> No one can question the safety of the Government's investment in Central Valley when the property which will be held as security is considered. The whole south end of the San Joaquin Valley will depend wholly for its prosperity on the water which is brought in for this project. Likewise, the water from the power of the Shasta Dam will have a very great value and will add materially to this security.

Without intending to be repetitious, I wish again to describe the location and general description of this project. The lands to be benefited by the Central Valley project lie in the Sacramento and San Joaquin Valleys between the foothills of the Sierra Nevada and Coast Range Mountains, and these lands extend from Redding, in northern California, to Bakersfield, toward the south, a distance of more than 400 miles, and include the delta where the Sacramento and San Joaquin Rivers join, and then enter Suisun Bay at the upper end of San Francisco Bay. The general plan of construction of the Central Valley project is to build storage facilities and power plants on the Sacramento River; transmission lines to carry electric energy from the Sacramento power plant to the delta region for use in pumping and other purposes; a channel across the delta from the Sacramento to the San Joaquin Rivers to carry water from the lower end of the San Joaquin River to irrigated areas as well as for domestic and industrial users on the south side of Suisun Bay, where saline intrusion has caused great damage; a system of pumping plants, small dams, and canals for irrigation purposes in the northern end of San Joaquin Valley; a storage dam in the upper region of the San Joaquin River; and canals covering lands in the southern and central parts of the San Joaquin Valley. Of the 800,000 acres of land facing abandonment, there are 400,000 acres in the San Joaquin Valley suffering so intensely from water shortage that one-half of this acreage, representing a capital value of $50,000,000, will shortly be depopulated. In the delta of the Sacramento and San Joaquin Rivers 500,000 acres of the richest agricultural lands of the State, where $27,000,000 has been spent heretofore in the construction of levees, today is being threatened by a serious invasion of salt water, rendering this land unsuitable to vegetable growth. These lands represent a capital investment of $50,000,000, and now produce specialty crops with a yearly market value of $30,000,000. Needless to say, a wholesale abandonment of these rich lands and their investment must result if the salt-water invasion is not stopped.

On the shores of upper San Francisco Bay, immediately below the delta, is an important industrial district occupied by more than 100 industrial plants producing annually manufactured products valued at $12,000,000. These plants are dependent on fresh water from the delta channels. This project is necessary to supply them. Of recent years navigation of the Sacramento River is possible only for shallow-draft boats. But, Mr. Chairman, when the great transformation takes place and the Central Valley project stands completed, all this area may rejoice because then the flow of the Sacramento River will be regulated. There will be furnished a regulated supply of fresh water for irrigation in the Sacramento Valley; there will be provided a reliable surplus for export to the San Joaquin Valley; there will be eliminated saline encroachment in the delta region; river floods will be reduced; navigation will be improved from San Francisco Bay to Sacramento and will even make it possible to navigate the river above Sacramento for a distance of 150 miles; and last but not least there will be provided water for the generation of hydroelectric power to assist in the payment of construction charges.

As you know, Mr. Chairman, ever since coming to Washington in March of 1933 I have not only supported this project with all my might and main, but have worked for it consistently through the years, and as a member of the Appropriations Committee have had an especially fine opportunity to vote for the sums of money that have been allotted so far. I am personally convinced that this project will go down in importance with the Tennessee Valley Authority, the Boulder Dam project, with Coulee Dam, and even, may I say, the building of the Panama Canal. [Applause.]

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. RICH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RICH. The first part of this paragraph, lines 18 and 19 on page 3, were striken out on a point of order. I asked the clerk of the subcommittee to give me a list of all the new legislation in this bill. He referred to page 20 of the report as giving all the new legislation. I, as a member of the committee, would like to ask the clerk if there is any more new legislation in the bill?

The CHAIRMAN. That is not a parliamentary inquiry.

Mr. RICH. Then may I ask the Chair to find out what new legislation there is in this bill, because I am not a lawyer.

The CHAIRMAN. That is not within the province of the Chair. The bill will be read by paragraphs, and a point of order may be made to legislation appearing in any paragraph. If the gentleman wants that information he understands how he may get it.

Mr. RICH. I ask unanimous consent to address the Committee to find out all the new legislation there is in this bill before we proceed.

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent to proceed for 5 minutes, or 3 minutes?

Mr. RICH. I want to ask the chairman of the subcommittee a question. I ask unanimous consent to proceed for 1 minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. RICH. I have been informed that all new legislation is stated on pages 19, 20, and 21 of this report. If there is any more legislation than on those two pages, may I have that information?

Mr. JOHNSON of Oklahoma. I may say to the gentleman that he asked the clerk to furnish him with all the new legislation in this bill. The clerk did exactly what he was asked to do. If the gentleman will turn to pages 19 and 20 he will find on those pages every bit of new legislation there is in this bill. On the other hand, as the gentleman well knows, there is legislation in the bill, and he has had just as much opportunity to find out what that legislation is as has the gentleman from Oklahoma. The legislation has been carried in the bill since the memory of man runneth not to the contrary, and the gentleman should know that.

Mr. RICH. May I say if there is no new legislation outside of what appears on pages 19, 20, and 21, I am perfectly well satisfied.

Mr. JOHNSON of Oklahoma. That is the situation exactly.

Mr. RICH. May I say that so far as the clerk is concerned I do not think he tried to mislead me. Probably I did not get the right request to him. I want to show every consideration to the clerk in this respect.

Mr. JOHNSON of Oklahoma. The clerk gave the gentleman a list of all the new legislation.

[Here the gavel fell.]

The Clerk read as follows:

DIVISION OF GRAZING

For carying out the provisions of the act entitled "An act to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes," approved June 28, 1934 (48 Stat. 1269), and as amended by the act of June 26, 1936 (49 Stat. 1976), including examination and classification of lands with respect to grazing or agricultural utility, preparation of land classification maps and reports, traveling and other necessary expenses, payments for the cost of packing, crating, and transportation (including drayage) of personal effects of employees upon permanent change of station, under regulations to be prescribed by the Secretary of the Interior, not to exceed $60,000 for personal services in the District of Columbia, not to exceed $30,000 for the purchase, exchange, operation, and maintenance of motor-propelled passenger-carrying vehicles, and not to exceed $1,000 for expenses of attendance at meetings concerned with the work of the Division of Grazing when authorized by the Secretary of the Interior, $550,000; for payment of a salary of $5 per diem while actually employed and for the payment of necessary travel expenses, exclusive of subsistence, of members of advisory committees of local stockmen, $100,000; in all, $650,000.

Mr. TABER. Mr. Chairman, I make a point of order against the language beginning with the word "for" in line 8, page 5, down to the dollar sign "$100,000", in line 12, on the ground it is not authorized by law.

Mr. JOHNSON of Oklahoma. Mr. Chairman, we admit this is legislation, but it is extremely desirable and I hope the gentleman will not press the point of order.

Mr. TABER. Mr. Chairman, the appropriation for this item is all out of line with the justification given at the hearings and, frankly, I shall have to insist on my point of order.

The CHAIRMAN. The Chair is ready to rule.

The gentleman from New York [Mr. TABER] makes a point of order against the language beginning with the word "for", line 8, page 5, and continuing down to and including the word "$650,000", in line 12 of the same page.

This being in the form of legislation it is clearly subject to the point of order, and the Chair therefore sustains the point of order.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 5, line 8, after the word "Interior", strike out "$550,000" and insert "$450,000."

Mr. RICH. Mr. Chairman, I want to call the attention of the Members to this Division of Grazing which appears in the Interior Department appropriation bill. This bureau was established under the Taylor Grazing Act and took over 190,000,000 acres of public lands. The bureau was placed in the Department of the Interior and the appropriation bill for the Department of the Interior carries an appropriation for that department. At the same time we have a Bureau of Grazing which has been established in the Department of Agriculture.

You talk about consolidating offices, you talk about cutting down expenses, but what have you done? You are creating a new bureau under the jurisdiction of the Department of the Interior and establishing 49 new grazing districts. The State of New York has 30,000,000 acres of ground. You have an area about eight or nine times the size of New York State established under the Division of Grazing, which duplicates the work done by the Department of Agriculture. Secretary Ickes stated we should not have duplication. Secretary Wallace appeared before the committee and stated we should not have duplication. The President of the United States has said we should not have duplication. But what did you do? You set up this bureau and created 49 grazing districts.

The fact of the matter is the Department of Agriculture looks after the cattle on the public domain in the summertime. The Department of the Interior looks after the cattle on the public domain in the wintertime. Is it not silly? To me it is right down silly to have the Department of the Interior duplicating the work done by the Department of Agriculture. When the heads of these departments, as well as the President of the United States, stated these departments ought to be consolidated, in the name of common sense why do you not do it? In the name of economy why do you not do it? Why do you not do it for the reason it ought to be done because it would be good business?

Someone from the West will get up here and tell us that we are getting enough money to pay for all this. That statement cannot be borne out by the facts, and I do not care who makes it. Let us take the receipts for 1937, which were $535,501.06. In this bill an appropriation of approximately $100,000,000 is carried. Half the money collected for this grazing goes back to the States. One-fourth of it goes to improving the ground on which these cattle are grazed. The Federal Government gets only one-fourth of the receipts. Of the receipts in 1937, $267,750 goes to the States, $133,875.27 goes to improving the ground, and the Federal Treasury receives only $133,875. Does this amount pay the expenses? It will be said we will receive more money this year from this source, but this activity will never pay its way. We ought to cut down this amount. Will you do it?

[Here the gavel fell.]

Mr. SCRUGHAM. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, while perhaps not desiring to do so, the gentleman from Pennsylvania has given the impression, I fear, that a duplication of grazing area is involved. The grazing land supervised by the Department of Agriculture is entirely within the area controlled by the United States Forest Service. The grazing land for which this appropriation is sought is entirely without the jurisdiction of the United States Forest Service.

With reference to possible economy through transfer of this activity to another department of government, I may say that the Department of Agriculture in Senate Document No. 68 estimated the cost of grazing administration to be something like 1½ cents per acre of range controlled. Under this Interior grazing administration, the expenditures are estimated to be approximately one-half of 1 cent per acre. Therefore, I see no particular economy at this time in making such a transfer or consolidation as suggested.

In regard to the matter of payment for use of the range, a fee of 5 cents per head for cattle and of 1 cent per head for sheep is to be paid by the range users.

The estimated total receipts from grazing fees for the coming year are approximately $1,000,000. Of this amount, 50 percent goes to the States for various purposes, 25 percent goes for the improvement of the public range, and 25 percent goes directly into the Federal Treasury.

Later on as this Interior activity is developed and the range is well improved there may be some advantage gained by putting all of these activities under one supervision, but at this time there appears to be no gain. This money requested is absolutely necessary for the proper conduct of the affairs of the Grazing Division. The total revenue paid by the users ranging on the public domain will be over $1,000,000 for the coming year, according to the estimate of the Grazing Division.

May I say further, Mr. Chairman, that this appropriation involves the successful administration of the Taylor Grazing Act, in which our chairman is deeply interested. He is the author of this act, which has for its object the improvement of the public domain and making this area an increasing asset of the Government instead of one of diminishing value. The purpose of this activity is to have an increasing value given to the public domain.

I ask your support for this grazing item in the bill, and ask that the amendment offered by the gentleman from Pennsylvania be defeated.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. SCRUGHAM. I yield to the gentleman from Colorado.

Mr. MARTIN of Colorado. The land under the Taylor Grazing Act administered by the Department of the Interior has nothing in common with the grazing land administered by the Forest Service.

Mr. SCRUGHAM. They are entirely different areas.

Mr. MARTIN of Colorado. There is absolutely no duplication of administration or acreage or anything else involved.

Mr. SCRUGHAM. They have been for many years under entirely different jurisdictions.

Mr. PIERCE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the Government of the United States never undertook a more laudable activity than when the Taylor Grazing Act was passed and the great arm of this Government reached out to control the public domain of the Nation. On more than 100,000,000 acres throughout the Mountain States the grass was being eaten down to the very roots, and the land was becoming a desert, a menace to the fertile valleys. There was no control over the grazing on these lands. Very justly, the Government reached out under the Taylor Grazing Act and brought order out of chaos. The people affected by this act have organized themselves into local communities, and the land is now being grazed in an orderly way. The size of herds has been reduced to the carrying capacity of the range. The grass is being properly eaten and properly cared for, and this is a great benefit to the Nation. The amount sought to be appropriated here is small indeed in comparison with the grand service that has been given this Nation by reason of the Taylor Grazing Act. The $1,000,000 asked in this appropriation is a small contribution for the great States of the East, which have been draining the West for these many, many long years, to make in order to help in carrying out this work under the Department of the Interior. True, half the receipts go back to the local governments. A quarter goes back to take care of improving the range. Another quarter goes into the Federal Treasury.

In time this activity will pay its way. You cannot expect it to do so right off the bat. The great States of the West along the Rocky Mountains have been contributing to the welfare of this Nation for more than half a century, and they now ask this small contribution.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PIERCE. I yield to the gentleman from Pennsylvania.

Mr. RICH. Does the gentleman believe the Department of the Interior ought to have charge of the grazing in the wintertime and the Department of Agriculture have charge of it in the summertime?

Mr. PIERCE. That is not true.

Mr. RICH. Does the gentleman say that is not true?

Mr. PIERCE. I will answer the gentleman. The Interior Department has charge of the public domain under the Taylor Grazing Act the year round. It is true the Department of Agriculture has charge of the forests in the summer, but the arrangement is working out perfectly and there is no difficulty about it.

Mr. RICH. I appreciate the fact that the Interior Department has charge of the grazing on these lands, but where do the cattle graze in the wintertime?

Mr. PIERCE. Cattle and sheep are usually on the ranches at home during the winter. Where they are capable of taking care of them on the public domain in the mountains, they do graze there some in the winter, but most of them are home in the feed yards.

Mr. RICH. Where do they graze in the summertime?

Mr. PIERCE. On the public domain and in the forests.

Mr. RICH. Who has charge of that?

Mr. PIERCE. The forest grazing is under the Department of Agriculture, where it should be.

Mr. RICH. That is just the point I want to make. In the summertime they graze on land under the Department of Agriculture and in the wintertime they graze on land under the Department of the Interior, and you know that is the case, Governor.

Mr. PIERCE. It depends upon where it is. I do not object to the arrangement as it is now. I never have used the public domain in my stock activities, but I know it is being used today to the advantage of the whole Nation as well as the people who are using the range.

Mr. RICH. Why duplicate the efforts and the expense?

Mr. PIERCE. We are not doing that.

Mr. RICH. Yes; we are, and the gentleman knows that.

Mr. PIERCE. We are not duplicating the efforts in this respect.

Mr. CUMMINGS. Mr. Chairman, will the gentleman yield?

Mr. PIERCE. I yield.

Mr. CUMMINGS. The fact is these cattle do not graze in the winter. They are cared for on the ranch where hay is available. They would die if they were left up in that territory in the winter, because in lots of places the snow is 20 feet deep.

Mr. RICH. Does the gentleman think the Department of Agriculture ought to have charge of this activity in the summertime and the Department of the Interior in the wintertime? Is that good business?

Mr. CUMMINGS. The cattle do not graze in the wintertime. They are home on the land that the man owns himself.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was rejected.

Mr. KNUTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this bill throughout reads as though it has been prepared by an automobile salesman. There is hardly a page that does not call for huge expenditures for purchase, operation, and maintenance of motor vehicles; in fact, the measure carries almost $1,000,000 for this one item alone. Bear in mind this is but one appropriation bill of some six or eight.

According to the best information I can get, the Department of Agriculture alone operates nearly 50,000 motor vehicles of one kind or another. No wonder service in the Government is so much sought after.

Where is the economy you new dealers promised us back in 1932 when we were assured that when you folks were placed in power expenditures of Government would be cut to the bone? Instead you have increased expenditures 300 percent. What have you done? You have jimmied open the Federal Treasury door and thrown the lock into the river. That is what you have done, and you continually lick your chops in anticipation of more and richer pickings in the future.

There has never been such an orgy of spending in peacetime in the entire history of the Republic as we are witnessing at the present time. Why, it looks as though you are going to motorize the Government, I presume the idea being to transport it from State to State so you can get every State of the Union into the Democratic Party and make the country safe for democracy. [Laughter and applause.]

Mr. MARTIN of Colorado. We have only got to get two more States.

Mr. KNUTSON. Millions of Americans who voted for the New Deal will condemn this indefensible spending of money that could be used to much better purpose. Let us use the taxpayers' money for more humanitarian purposes. [Applause.]

Mr. TAYLOR of Tennessee. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I had not intended to take the floor until my good friend from Minnesota brought up the subject of automobiles.

I want to call the attention of the committee to an article that appeared in one of the Washington newspapers a few days ago headed "Ickes' New Cars O. K.'d by F. D. R."

WASHINGTON, D. C.—Secretary of the Interior Harold Ickes, who inveighs against economic royalists and all monopolists—except the money monopoly—is under investigation by the Senate Public Lands Committee for having two Packard limousines purchased without authority.

When Senator KEY PITTMAN and his colleague, Frederick Steiwer, sought to trace the expenditures for two costly cars—one for Mr. Ickes as Public Works Administrator, and one for Mr. Ickes in his capacity as Secretary of the Interior—the investigators were stymied by vouchers approving the payment marked "O. K. F. D. R."

It seems this gentleman has two automobiles which he uses in a dual capacity. And this great friend and champion of the underprivileged, who raves and rants about the economic royalists and the princes of privilege, is not content to ride in one ordinary car, he is not even satisfied with one luxurious $5,000 limousine, but must have two, one for "Honest Harold," Secretary of the Interior, and one for "Honest Harold," Administrator of the P. W. A. This extravagance of a Cabinet officer certainly ought to give encouragement to the much-publicized 30,000,000 underprivileged in the United States, over whom honest Harold and others constantly rend their raiment and shed great crocodile tears. Oh, consistency, thou art a jewel!

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. KNUTSON. Since the figure was placed at thirty millions, there have been ten million more underprivileged added to the pay roll.

Mr. RICH. And does the gentleman know that the Secretary has had two cars wrecked since he has been Secretary of the Interior? If he has two now, he had two wrecked, and that would make four cars altogether.

Mr. TAYLOR of Tennessee. Oh, I think the gentleman ought to be furnished with a flock of cars.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. SIROVICH. And I say to my distinguished friend, that in my humble opinion the greatest member of the Cabinet in the United States, one of the most indefatigable workers, is this same Harold Ickes.

Mr. TAYLOR of Tennessee. Oh, I have heard the gentleman make that statement on the floor so many times that it has become second nature with him. I must say I do not share the gentleman's admiration and enthusiasm for "Honest Harold."

Mr. SIROVICH. And I shall repeat the statement every time someone casts aspersions upon his reputation or honor.

Mr. TAYLOR of Tennessee. I am not casting aspersions; I am stating the facts. Here is a man not satisfied to ride in one ordinary car, as does the gentleman and myself, but he must have two luxurious Packard limousines. He is not satisfied with one, but he must have two, to be used in his dual capacity.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. JOHNSON of Oklahoma. Has the gentleman forgotten only a few years ago when a certain Republican Postmaster General had to have two cars, one as Postmaster General, and the other to be used in his capacity as a society leader when he used his tall hat? Evidently the gentleman has forgotten that under the good old days of Republican rule that a Cabinet member actually had the nerve to have a special car made higher than the ordinary car so that he could get into it with his high top hat.

Mr. TAYLOR of Tennessee. I have no such recollection. At any rate, two wrongs do not make a right. I think I remember the incident to which the gentleman refers, but he was not riding in a luxurious limousine; he was riding in an ordinary car such as ordinary Members of Congress ride in.

Mr. COFFEE of Washington. And does not the gentleman recall that his candidate for President at the next to the last election advised the people and advocated they should have two cars in every garage?

Mr. TAYLOR of Tennessee. Evidently honest Harold is taking him at his word.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

The Clerk read as follows:

For printing and binding for the Department of the Interior, including all of its bureaus, offices, institutions, and services in the District of Columbia and elsewhere, except the Alaska Railroad, the Geological Survey, Vocational Education, and the Bureau of Reclamation, $250,000, of which $56,840 shall be for the National Park Service, $80,580 for the Bureau of Mines, and $50,740 for the Office of Education, no part of which shall be available for correspondence instruction.

Mr. RICH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 9, line 6, after the word "reclamation", strike out "$250,000" and insert "$200,000."

Mr. RICH. Mr. Chairman, I ask unanimous consent to extend the remarks that I make during the day.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. RICH. Mr. Chairman, I am merely asking that we cut down the item for printing and binding by $50,000. I wish gentlemen would give me their attention for a moment so that they may see what they are doing under this item in the Department of the Interior. The Department of the Interior is not very much worse at present than the other departments of the Government, and because I am up here trying to cut down in the Department of the Interior does not mean that I am not as zealous to cut down appropriations in other departments, but as a member of this subcommittee, it is about the only place that I have to drive it home that we need to economize, and I am going to drive it home to you if my strength endures and if it is possible. If my amendment does not prevail, it will be your responsibility, and I shall feel that I have at least done my duty. I never have gotten anything in my life that I did not work for and work hard, and you fellows are going to come to it sooner or later, or you will not be here. Let me show you what they are doing in this Department. They have published in the Secretary's office 15 periodicals, and in the Bureau of Mines 266 publications, in the Bureau of Reclamation 293 publications, and in the National Parks Service 56 publications, the Geological Survey 86 publications, the Office of Education 91 publications, Office of Indian Affairs 10 publications, General Land Office 59 publications. This information comes to me in a letter dated January 3, from the Department of the Interior. I am merely giving you what the Interior Department says it has done. They have published 870 booklets or pamphlets, and some of them to the extent of as many as 400,000 of one particular pamphlet. Is there rhyme or reason in this? Is there not somebody who

will say to you that that is wrong? Is the time coming when you will think for yourselves instead of having someone else think for you? Are you going to let the President and the Secretaries run the Government, or the Congress? It is time for you to think.

Will the time ever come when you consider these things on their merits, when you will favor them because you really believe in them in your own minds, in your own hearts? Will the time ever come when you think of the taxpayer's pocketbook; or are you going to let these departments and bureaus run this Government?

Mr. PIERCE. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield.

Mr. PIERCE. Does the gentleman know of any other way by which the information from these departments can be brought to the people cheaper than through these publications? They are not all thrown away. If the gentleman were a Congressman from a western district he would have requests for these publications. We send them out by the hundreds.

Mr. RICH. If the gentleman from Pennsylvania were a Congressman from a western district of the type of some we have he would send out these publications and keep franking them out for the purpose of getting votes. They want votes. I am glad I am not a western Congressman.

Mr. PIERCE. We send them out as a matter of information, not for votes.

Mr. RICH. I do not want to get votes that way; I do not believe in it; I do not believe in spending the taxpayers' money that way. The gentleman himself is going to rue it; the time is coming when he will have to stop it.

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not care to take more than a minute to say that in this item the committee did the same thing it did in the majority of items in the bill, it heard the evidence and then cut the item below the Budget estimate. That is the case in the vast majority of the items in this bill. This particular item was cut $13,000 below the Budget estimate. It is an increase of $7,000 over the current year, but it is a decrease of $13,000 below the Budget estimate.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield.

Mr. TABER. It is $7,000 more than it is for this year without any reasonable excuse for it.

Mr. JOHNSON of Oklahoma. Well, the committee that heard the evidence felt that there is not only an excuse, but a mighty good reason for the slight increase, because, as I explained, of the many additional activities over last year.

Mr. TABER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this item of $250,000 is not only an increase of $7,000 above last year but it includes $7,500 which is spent for getting out this propaganda sheet of 80 pages that was sent to every Member of Congress. I showed you a specimen of it last Friday. There is nothing in it except propaganda to increase appropriations. This pamphlet is known as School Life. It costs several thousand dollars and is used for a lot of propaganda purposes under the Reclamation Bureau and under the Indian Affairs Bureau. Most of these publications are in violation of the law which prohibits the expenditure of funds for this sort of thing.

The $50,000 that the gentleman from Pennsylvania has proposed to cut from this appropriation will not bring the appropriation down to the figure that it ought to be, nor will it entirely deprive the Department of funds to continue to violate the law.

Now, I do hope that the House will have a little sense of its responsibility to the people and put a stop to this wild expenditure of the public funds and adopt this amendment.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. LEAVY. The gentleman has been displaying a publication called School Life published by the Department of Education. If he will examine the hearing, he will ascertain that that publication brought into the Federal Treasury something more than $2,000 in excess of what was spent to publish it.

Mr. TABER. How much do they charge for each one of these.

Mr. LEAVY. It costs $1 a year for 12 copies.

Mr. TABER. Ten copies were published during the year at a cost of 37.8 cents per copy. This means $3.70. So on that basis the Government lost only $2.78 per copy that was sold for the year. I hope the gentleman's arithmetic is better than that on the other things that he produces. I have right here in my hands the letter from the Public Printer showing that this thing cost $7,565.23, or 37.8 cents per copy to print. I do not care what the Interior Department said, I know what the facts are; and I hope that the gentleman will use better arithmetic in the other things that he undertakes to figure out for the committee. This indicates the type of propaganda that is being put up to the country to deceive them into appropriating money for this sort of thing. I showed this publication to many Members. There is absolutely nothing in it except propaganda for an increase of appropriations, and every single one of these things they get out is a damage to the integrity of our Government.

Under the leave granted me by the House, I submit the following letter from the Public Printer:

UNITED STATES GOVERNMENT PRINTING OFFICE,
Washington, D. C., February 25, 1938.

Hon. JOHN TABER,
House of Representatives, United States,
Washington, D. C.

MY DEAR MR. TABER: In accordance with your telephonic request I have to advise that School Life is the only publication put out at regular intervals by the Office of Education of the Interior Department. This is published 10 months each year (September to June). Two thousand copies were printed each month during the fiscal year 1937 at a cost of $7,565.23.

The total charges against the 1937 appropriation for all publications issued by the Office of Education were $46,789.19, which covered the cost of publishing 793,070 copies of pamphlets, bulletins, documents, etc., of the type attached hereto.

Respectfully,

A. E. GIEGENGACK,
Public Printer.
By R. H. HERRELL,
Comptroller.

Two thousand copies for 10 months would be 20,000 copies. Twenty thousand copies at a total cost of $7,565.23 would be 37.8 cents per copy. The cost of 10 copies would be $3.78, and if the Department received $1 for each 10 copies, the loss on each set of copies sold would be $2.78. If all 2,000 sets of copies were sold, the total loss to the Government would be $5,560. This conclusively demonstrates that the figures given by the Department are not correct.

Mr. Chairman, I hope this amendment will be adopted.

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I note that the gentleman from New York [Mr. TABER], as is every other Member of this House, heartily in favor of education; and I know that neither he nor any other Member desires to spend money merely because we label it education. We want a reason; we want facts that justify the expenditure.

Mr. Chairman, I did not intend to disturb the gentleman or cause him to become unduly alarmed; I just merely referred to the record as made in the hearings before this subcommittee, as that record is the only dependable information we have. The record is set out on page 101 of the hearings, volume I. The figures disclose that this particular publication earned a net profit to the Interior Department in excess of $2,000 last year.

The publication itself is one of the finest of its kind I have ever seen in my life. For 9 years of my career I was a school teacher. I respect and honor that fine army of men and women who do so much for this Nation's youth. School Life ought to be in the hands of every school teacher in America. If the gentleman will examine that document and its contents, then refer to its cost to the Government, or, rather,

the profit, surely he will not insist upon denying to the teachers and the children of America the opportunity and right to make use of this fine publication. If there is anything in the way of a publication that justifies its existence, it is the one the gentleman has just attacked. We must not take from the Bureau of Education the money needed to publish this fine impartial magazine, freed from influences that are often selfish. The dollars spent for this purpose return dividends in upstanding, patriotic young men and women.

The pro forma amendments were withdrawn.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The question was taken; and on a division (demanded by Mr. TAGER) there were—ayes 23, noes 47.

So the amendment was rejected.

Mr. NICHOLS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I did not take part in the controversy over the cost of printing in this particular bill because it is a matter about which I know little. I want to sound a note of warning, however, to this Congress.

The millions of dollars that are being spent by this Government every year for the printing of useless bales of printing matter is a thing that this Congress should take cognizance of and start doing something about. It would surprise any man if it were possible for him to know—and it is possible, of course—the amount of money that is being expended by the Government for printing bills. I have in mind many reports that are printed by various departments of the Government which are supposed to advise the Members of Congress of the activity of that department. To print such a report in concise, brief form would take but a few pages. If you will examine these reports, you will find in nearly every instance that they constitute big volumes of great size. They not only make a report but they go on and print an unlimited number of pages of propaganda which blows their own horn and attempts to justify the doings of the departments, many of which are contrary to the spirit of existing law.

I say to you, Mr. Chairman, that the Appropriations Committee of this House may well scrutinize the amounts of money requested by the various departments of Government for printing bills.

Mr. KNUTSON. Will the gentleman yield?

Mr. NICHOLS. I yield to the gentleman from Minnesota.

Mr. KNUTSON. It has been computed that last year the propaganda matter that was sent out, and I refer to propaganda matter of a wholly useless nature, would have taken a train 12 miles long.

Mr. NICHOLS. Of course I am not in possession of any figures like that, and I do not pretend to give figures, but I make the statement from my everyday observations of reports that come to my own office, which I have never read, and I doubt if any other Member of Congress could read them all unless he devoted 24 hours per day of the time he is in Washington to that purpose.

Mr. RICH. Will the gentleman yield?

Mr. NICHOLS. I yield to the gentleman from Pennsylvania.

Mr. RICH. May I say to the gentleman from Oklahoma he is making a speech which I tried to make awhile ago. If he had made this speech when there were two previous amendments pending, we may have got the committee to cut down some of these appropriations. I congratulate the gentleman and I wish him success in his undertaking.

Mr. NICHOLS. I may say to my distinguished friend from Pennsylvania that the matter he was talking about had to do with the particular bill under consideration and, frankly, I did not have enough information on that subject to enter into the controversy.

I am talking about generalities. I am glad the gentleman from Pennsylvania is on the Appropriations Committee, and I hope he may enlist the support of Members on the majority side of this House to cut down in every instance that is possible, and there are plenty of possibilities presented to you, these tremendous, huge, and in many instances useless, printing bills. We could indulge in great economy, in my opinion, if we started there and went no further. The Members of the House would be surprised at the amount of money that could be saved in this respect, and in saving it we would not cripple the operation of a single Department either. [Applause.]

Mr. CUMMINGS. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I desire to say a few words about printing public documents. I represent an agricultural district. I do not know just what documents the gentleman refers to, but I do say that the Agricultural Year Book is printed by the Department of Agriculture. I have not read it, although it is a thick book. I have mailed out more than 800 this year.

Mr. Chairman, I have never asked unanimous consent to extend my own remarks in the RECORD. I have never franked a single piece of literature in a campaign. I have never had a document printed by the Government Printing Office. So my skirts are clear in that respect. However, I do have dozens and dozens of superintendents of schools throughout the agricultural district I represent who ask me for Government bulletins. I send them out by the mail sack. As a matter of fact, I have an order right now for some 2,500 which will go to the public schools at Johnstown, Colo., these documents being used in place of textbooks. I will admit there are some of those things that may not be useful so far as my district is concerned, yet I have a demand for them and send out many thousands.

I make up a list of each of these bulletins and I put on extra clerks to mail out five to eight thousand in my district, which go by franked envelopes. This list calls the attention of the people to the bulletins they may receive, and I send out thousands and thousands of them. I know they are being put to good use. I have requests for these bulletins from school kids. I do not request these documents and do not use them for political purposes, because, as I say, I have never played politics at the expense of the taxpayers.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. CUMMINGS. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. Not only are the agricultural bulletins of which the gentleman speaks of great value to his constituents and to mine, but there are many other valuable publications, such as the accident-prevention publications. Right now I have a call for the bulletins How to Prevent Accidents on the Farm, How to Prevent Accidents in the Home, and Baby Care and literature of that sort. I think there should be discrimination when we condemn Government publications en masse. I have a very high regard for the educative power of printers' ink and doubt whether there is much waste in Government printing.

Mr. CUMMINGS. Every month I get 100 books on how to raise babies, and I mail them all out.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. CUMMINGS. I yield to the gentleman from Pennsylvania.

Mr. RICH. I congratulate the gentleman on the statements he has made about not sending publications out for political purposes, but may I say further that in the last year or two 10 times as many publications have come out of the Government Printing Office as have come out of it in any other one year in the history of this Nation. All the gentleman needs to do to prove this is make an investigation. The Government Printing Office has never before published as many documents as it has in the last year, and this ought to be stopped.

Mr. CUMMINGS. Does not the gentleman honestly believe this is due to the fact we are doing a lot of new things and the people want some information about them?

Mr. RICH. Yes; we are doing too many new things, and that is the trouble. The Government promised there would be some economy in regard to these things, but you are increasing the number of new activities.

The pro forma amendments were withdrawn.

The Clerk read as follows:

NATIONAL BITUMINOUS COAL COMMISSION

Salaries and expenses: For all necessary expenditures of the National Bituminous Coal Commission in performing the duties imposed upon said Commission by the Bituminous Coal Act of 1937, approved April 26, 1937 (50 Stat. 72), including personal services and rent in the District of Columbia and elsewhere; traveling expenses, including expenses of attendance at meetings which, in the discretion of the Commission, are necessary for the efficient discharge of its responsibilities; contract stenographic reporting services; stationery and office supplies; purchase, rental, exchange, operation, maintenance, and repair of reproducing, photographing, and other such equipment, typewriters, calculating machines, mechanical tabulating equipment, and other office appliances and labor-saving devices; printing and binding; witness fees and fees and mileage in accordance with section 8 of the Bituminous Coal Act of 1937; not to exceed $5,000 for purchase, exchange, hire, maintenance, operation, and repair of motor-propelled passenger-carrying vehicles for use outside the District of Columbia; garage rentals; miscellaneous items, including those for public instruction and information deemed necessary by the Commission; and not to exceed $8,500 for purchase and exchange of newspapers, law books, reference books, and periodicals, $2,700,000.

Mr. TABER. Mr. Chairman, I make the point of order against the language beginning with the word "including", in line 11 on page 11, and running down through the word "Commission", in line 13, that it is not authorized by law, is legislation on an appropriation bill, and requires additional duties of the Commission.

The CHAIRMAN. Does the gentleman from Nevada desire to be heard on the point of order?

Mr. SCRUGHAM. Mr. Chairman, Public, No. 48 of the Seventy-fifth Congress, which is the so-called Bituminous Coal Act, in the last paragraph on page 2, reads as follows:

The Commission is hereby authorized to initiate, promote, and conduct research designed to improve standards and methods used in the mining, preparation, conservation, distribution, and utilization of coal and the discovery of additional uses for coal, and for such purposes shall have authority to assist educational, governmental, and other research institutions in conducting research in coal, and to do such other acts and things as it deems necessary and proper to promote the use of coal and its derivatives.

In my opinion, the authorization is clearly given in the paragraph I have just read.

The CHAIRMAN (Mr. JONES). The Chair is ready to rule.

The Chair will call attention to the fact that volume 50, Statutes at Large, page 74, section 2, of the Bituminous Coal Commission Act, the last paragraph, contains this provision:

The Commission is hereby authorized to initiate, promote, and conduct research designed to improve standards and methods used in the mining, preparation, conservation, distribution, and utilization of coal and the discovery of additional uses for coal, and for such purposes shall have authority to assist educational, governmental, and other research institutions in conducting research in coal, and to do such other acts and things as it deems necessary and proper to promote the use of coal and its derivatives.

It seems to the Chair that clearly the appropriation to which the point of order is directed is authorized by the provisions of the paragraph just read.

Mr. TABER. Mr. Chairman, may I be heard further on the point of order?

The CHAIRMAN. The Chair will be pleased to hear the gentleman further.

Mr. TABER. It seems to me the language in this bill is much broader than the language in the enabling act, in that this item may permit action way beyond the range of the enabling act. With reference to particular activities like research with respect to coal, which the Commission may conduct, the Commission undoubtedly has that power; but the language in the provision against which I have made the point of order is not limited to the scope of the act. Under it the Commission may go into any conceivable subject. Therefore, it seems to me this particular language is way beyond the scope of the authorization act. If this language were limited to the scope of the authorization act, of course, it would be in order.

The CHAIRMAN. The Chair is unable to see how broader terms could be used than are used in the enabling act, which reads:

To assist educational, governmental, and other research institutions in conducting research in coal, and to do such other acts and things as it deems necessary and proper to promote the use of coal and its derivatives.

This provision covers not only educational, governmental, and other research institutions, but such other acts as the Commission may deem necessary.

It seems to the Chair the language of the act is fully as broad as the terms embodied in the pending bill, and, therefore, the Chair overrules the point of order.

Mr. FADDIS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FADDIS: On page 11, line 15, strike out "$2,700,000" and insert in lieu thereof $3,600,000."

Mr. FADDIS. Mr. Chairman, in the administration of the Coal Commission the Budget estimate for this year has been cut $300,000, and the estimate asked by the Coal Commission itself has been cut $900,000. I am offering this amendment for the purpose of increasing the appropriation to meet the estimate asked by the Coal Commission.

Mr. Chairman, the money that paid the expenses of the Coal Commission comes from a tax on the bituminous-coal industry itself. It does not come out of the general fund of the Treasury but from a tax of 1 cent per ton paid by the coal operators under the provisions of the Guffey Coal Act. On page 111 of the committee hearings it is shown that from July to October 1937 the revenues of the Coal Commission were $1,259,000. The hearings further show that it is expected the 1 percent tax on coal will produce each year in excess of $4,000,000. Obviously, it is unfair to cut the appropriation for this Commission, which pays its own way, when the appropriations under this bill go throughout the entire United States, and in no other instance does any section of the country pay its own way in respect of these appropriations.

Mr. SNYDER of Pennsylvania and Mr. MAY rose.

Mr. FADDIS. I yield to the gentleman from Pennsylvania.

Mr. SNYDER of Pennsylvania. Did I understand the gentleman to say the total amount received from this tax would be something like $4,200,000?

Mr. FADDIS. The gentleman is correct, and the committee hearings show this to be the estimated revenue annually.

Mr. SNYDER of Pennsylvania. The estimate is that the revenues will be what for 1 month?

Mr. FADDIS. For 4 months, from July to October 1937, the revenues were $1,259,000, based upon the 1-cent tax on coal.

Mr. SNYDER of Pennsylvania. What was the estimate of the cost of running this establishment?

Mr. FADDIS. The estimate they asked to run this establishment was $3,600,000.

Mr. SNYDER of Pennsylvania. Then it will bring money into the Treasury and the Treasury will be better off at the end of the year because of the service of this Coal Commission.

Mr. FADDIS. Yes; but already they have had to discharge a great many inspectors in connection with work of the Coal Commission, because of the threatened curtailment.

Mr. GREENWOOD. Mr. Chairman, will the gentleman yield?

Mr. FADDIS. I yield.

Mr. GREENWOOD. As I understand, a tax is levied upon the volume of production. It is a 1-percent tax on volume.

Mr. FADDIS. That is correct.

Mr. GREENWOOD. And the volume of bituminous coal production amounted to 450,000,000 tons, and 1 percent would be 4,500,000 tons approximately.

Mr. FADDIS. Approximately that; yes.

Mr. GREENWOOD. So if we put the amount back to the amount asked by the Commission, it would still be nearly one and a half million dollars short of the money actually collected by the tax on production.

Mr. FADDIS. Yes; and this is a commission that pays its own way, and it is the only commission that does.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. FADDIS. I yield.

Mr. MAY. The fact is that if there is an annual production of 420,000,000 tons, the revenue would amount to $4,200,000, which is largely in excess of the amount required to run the Commission.

Mr. FADDIS. Yes.

Mr. MAY. And the balance goes into the Treasury, which makes this the only commission in the Government that is self-supporting.

Mr. FADDIS. Yes; and under such circumstances I maintain it is unfair to cut the appropriations of this Commission.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. FADDIS. I yield to the gentleman.

Mr. KELLER. Is it not also true that in view of this idea to reach out and find all the facts with respect to this industry it ought not to be hindered in its working out?

Mr. FADDIS. Certainly not, especially when it is trying to get under way and trying to perform the service that it was intended to perform under the provisions of the act.

Mr. KELLER. I thank the gentleman.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. FADDIS. I yield to the gentleman from Pennsylvania.

Mr. RICH. As you increase the price of coal to the consumer, how do you figure you are going to help the miners and the operators by producing more coal?

Mr. FADDIS. I can answer the gentleman by saying it has helped the miners and the industry.

Mr. RICH. Does not the gentleman know that in Westmoreland County, Pa., you have shut down mines already because of these regulations?

Mr. FADDIS. No; I do not know that. I know there are fewer mines shut down today than there were before the Coal Commission was in operation, so that is not true.

[Here the gavel fell.]

Mr. DIRKSEN. Mr. Chairman, I offer a substitute for the amendment proposed by the gentleman from Pennsylvania.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN as a substitute for the amendment offered by Mr. FADDIS: On page 11, line 15, strike out "$2,700,000" and insert "$2,200,000."

Mr. DIRKSEN. Mr. Chairman, I ask unanimous consent to proceed for an extra 5 minutes.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that he may be permitted to proceed for 10 minutes. Is there objection?

There was no objection.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I wonder if we can reach an agreement to limit debate on this paragraph and all amendments thereto to 20 minutes?

Mr. FADDIS. Mr. Chairman, reserving the right to object——

Mr. MAY. Why not make it 30 minutes?

Mr. RICH. Mr. Chairman, reserving the right to object, quite a number want to speak on this paragraph, and I think we ought to run along with the debate for a few minutes before attempting to fix the time.

I object, Mr. Chairman.

The CHAIRMAN. Objection is heard, and the gentleman from Illinois is recognized for 10 minutes.

Mr. FADDIS. Mr. Chairman, that is the request I was reserving the right to object to.

Mr. DIRKSEN. Mr. Chairman, I make the point that it is now too late to make such a reservation, as there has been intervening business and a discussion of a new motion.

The CHAIRMAN. There were two or three gentlemen on their feet at the time; and if the gentleman states it was his desire to make a reservation of objection, the Chair will recognize the gentleman, although the Chair had announced that there was no objection. Does the gentleman from Pennsylvania state he was on his feet seeking recognition?

Mr. FADDIS. Yes, Mr. Chairman, I was on my feet, and the Chair recognized me by name, but some gentleman continued speaking at the same time.

The CHAIRMAN. The Chair intended to recognize the gentleman on the matter of closing debate generally, as proposed by the gentleman from Oklahoma; but in view of the gentleman's statement, the Chair will put the request again.

Is there objection to the request of the gentleman from Illinois [Mr. DIRKSEN] that he may be permitted to address the Committee for 10 minutes?

Mr. FADDIS. Reserving the right to object, Mr. Chairman, I only spoke 5 minutes on my amendment, and I want some assurance, in view of the circumstances, that those in favor of my amendment will have an equal share of the time. I do not wish to speak any more, but others do.

The CHAIRMAN. Under the rules of the House, the Chair will, as far as it is practicable to do so, recognize gentlemen on each side in as fair proportion as possible. That is the rule under which the Committee operates.

Mr. FADDIS. But this is outside of the rule; and unless I have assurance that some of the men speaking on this amendment and not in favor of the substitute shall have an equal time, I shall have to object to the request.

The CHAIRMAN. The Chair cannot give assurance of that kind.

Mr. FADDIS. Then I object.

The CHAIRMAN. The Chair will undertake to divide the time fairly.

Mr. JOHNSON of Oklahoma. Mr. Chairman, to expedite the matter and at the same time give everyone a chance to speak, I move that all debate upon this section and all amendments thereto close in 40 minutes.

The CHAIRMAN. We will first have to dispose of the unanimous-consent request of the gentleman from Illinois [Mr. DIRKSEN]. Is there objection to the request of the gentleman from Illinois that he have 5 minutes additional?

Mr. FADDIS. Mr. Chairman, I object.

The CHAIRMAN. Will the gentleman from Illinois yield for a motion?

Mr. DIRKSEN. Yes.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 40 minutes.

The motion was agreed to.

Mr. DIRKSEN. Mr. Chairman, there is something very engaging about the naivete of a Member of this House who will stand in this Well and argue that because you can impose a 1-cent tax on the production of coal in this country, it justifies a wide-open expenditure on a coal commission that has really indicted itself before the consumers and the producers of coal in this country today. The record will bear it out. Where was the gentleman from Pennsylvania the other day when I made my statement and impeached that Commission? I say to the gentleman that he better go back and read Friday's RECORD, and there he will see the statement of Commissioner Hosford, the statement of Commissioner Lewis, the statement of Commissioner Greenlee, who confessed themselves. I suggest before you play fast and loose with the taxpayers' money, because it ultimately comes out of the consumer's pocket, that you go back and read the record of the hearings, before making a proposal to enlarge the expenditure by $900,000, so that the Coal Commission can become a springboard for the political machinations in the gentleman's State, in West Virginia, and elsewhere.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. I cannot yield; I have only 5 minutes, and for some reason or other you have curtailed my time.

Mr. MAY. I did not curtail the time.

Mr. DIRKSEN. The most charitable thing that can be said of the Commission and its operation is that it has made a most inglorious and pitiful record thus far, and if the members of this subcommittee could stand in the Well of this House and state what testimony was delivered off the record as well as what appeared in the hearings, it would be a different story.

It is a rather infelicitous custom that we cannot dish up here for the edification of the country and the membership the things that are spoken off the record behind closed doors of the subcommittee of the Committee on Appropriations. If you could get the whole story there could be no defense for even the generous amount now carried in the bill. My amendment, justified by everything that appears in the hearings, suggests that the only way to produce some regeneration in that Commission and make them a little more efficient in behalf of the miners, the consumers, and the producers, that we close up the opening of the money bag and say, "Because we have control of the expenditures we are going to discipline you until you become an efficient Commission and serve the purposes for which you were created." Mr. Chairman, this is not a capricious amendment. I do not want to hamstring the Coal Commission. My State is the third largest coal-producing State in the Union today. I want to see this thing efficiently administered; but when I heard, after that speech on Friday, from someone who had been identified with the Coal Commission, what is going on behind closed doors, then I know there is not a single thing that could be said in their defense. Yes; they have impeached themselves, and now you are going to reach into the Treasury and give them another $900,000 to make it a political quagmire. It is hurting the miners, it is hurting the consumers, it is hurting the producers of coal.

If you want to ruin an industry—and I would remind you that the State of Illinois is one of the great coal-producing States—there is no better way to do it than to give them this extra money. What they need is discipline, plenty of it. The House should exercise its prerogative and make a respectable Government agency out of the Coal Commission instead of the rotten agency that it has been up to this time.

A gentleman came into my hotel last night and sat with me for over 2 hours. I do not know why he did. He said: "Let me tell you the real story; let me tell you how jobs have been bartered down there to influence certain results upon this Hill." I am not going to go into the allegation; it may or may not be true; but when those rumors get around and when men who were once identified with that body go to talking that way in public, Mr. Chairman, it is time we sat up and took notice. Decide whether you will support the proposal of the gentleman from Pennsylvania and give them an additional $900,000 in spite of the best judgment of the Appropriations Committee, or support my proposal to cut the present amount to $2,200,000, which is $500,000 less than the pending bill provides. Support my amendment and you will make a real commission out of the Bituminous Coal Commission. [Applause.]

It seems that the defense of the Commission and the desire to augment their appropriation comes from those States which fared best at the patronage trough. And to you gentlemen who sponsor this amendment for an increase and who may support it, there will come a day of reckoning. What will you say to your consumers who have been crucified on the altar of this political Coal Commission? What will you say to the producers whose mines are idle? What will you say to the miners who are jobless and cry for bread? Will you assuage their disappointment and bitterness by saying that you have given this Commission a fine new downtown building in the Nation's Capital, filled with people drawing lush salaries who not only cannot cooperate with one another but who have squandered away about three million in salaries, only to have a Federal circuit court composed of judges who served the present administration dump over its entire handiwork because it ignored the express provisions of the statute?

Some day there will be an opportunity to really recite the details that have come to my attention, and when that day comes the people will really learn how inefficient, wasteful, and politically minded this Commission has been. If other Government agencies ever attain to the standard of the Coal Commission, then truly the decadence of the Republic has begun.

Mr. MAY. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from Kentucky is recognized for 5 minutes.

Mr. MAY. Mr. Chairman, I am supporting the Faddis amendment, and I am against the Dirksen substitute.

When you talk about creating a commission to play politics and go to criticizing the members of a Government agency that is self-supporting, you should be consistent. I wish the gentleman from Illinois would tell us how he voted on the proposal to cut down the appropriation for the National Labor Relations Board when it was under more criticism in this country than the Coal Commission. The Coal Commission is the representative of both the producers and the consumers of coal.

Mr. DIRKSEN. Does the gentleman want an answer?

Mr. MAY. And coal is one of the most important basic products of America today. The Coal Commission is the representative of 37 coal-producing States of our Union. The Coal Commission may be in disagreement among themselves, but it is not a proper method to undertake to regulate them by destroying them through withdrawing appropriations. Destruction is more than regulation. I had the honor of presiding over the committee at the time that bill was considered by the committee, and I heard the arguments and the admissions of both sides of the House, that it was the first time the Congress had attempted to set up any kind of a new bureau that was self-supporting.

I would remind the gentleman from Illinois that I come from a district that loaded 20,000,000 tons of coal last year.

Mr. DIRKSEN. And you got 143 employees on the Coal Commission.

Mr. MAY. Not at all. I doubt if all Kentucky has over 40 people in the Coal Commission.

Mr. DIRKSEN. Here is the list that shows officially and exactly the number of employees in the Commission and where they come from. It shows how many came from that district.

Mr. MAY. Not from my district. There may be 143 from Kentucky, but I daresay there are more from Illinois than there are from Kentucky.

Mr. DIRKSEN. No; there are not half as many, according to this authoritative list. The gentleman better beware of his facts.

Mr. MAY. Here is a commission acting under an act of this Congress passed when we had our eyes open, our ears open, and when our minds knew what we were doing. We said we would assess 1 cent per ton on the coal produced in this country for the operation of this Commission. Last year 370,000,000 tons of coal were loaded, and at 1 cent a ton this means $3,700,000; yet they want to cut it down to $2,200,000. This agency is self-supporting, yet they want to withdraw its money in order to discipline it. Everybody knows that the racket came up because of the fact that they undertook to fix prices and the courts said they could not do it except upon full hearings. You will remember that when I made a speech on the floor of the House when the first Guffey bill was under consideration I argued that the coal operators could not afford to raise the price to an unreasonable limit because, if they did, electricity, gas, and fuel oil would displace coal, and the market would be very much restricted. I still say that it would be unwise on the part of the Commission to fix a price or attempt to fix it, and I think they have abandoned that idea.

Mr. McCORMACK rose.

Mr. MAY. I will ask the gentleman from Massachusetts to pardon me long enough to say that because of the act of the Appropriations Committee the inspectors cannot function. Their inspection of the production of coal relates to its marketability, whether or not the customer out in Illinois, the Middle West, and the Northwest gets a clean, pure product.

Mr. Chairman, I now yield to the gentleman from Massachusetts.

Mr. McCORMACK. May I suggest to the gentleman from Kentucky that the courts held that the Commission should have held public hearings and made a finding of fact upon the evidence before entering a price schedule, and the court case is confined to that issue at the present time.

Mr. MAY. The gentleman from Massachusetts is clearly correct, and the courts have not decided that the Commission does not have power to fix prices. They did not get to that point but merely reached the conclusion that the Commission should have had further open hearings and made a finding of facts upon the evidence adduced before fixing prices. That is all the court did.

Mr. McCORMACK. I may also say there were some members of the Ways and Means Committee who discussed that matter and the views of those members were the same as the action taken by the court.

Mr. MAY. That is right.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, coming from the State of Pennsylvania I thought at first perhaps the Bituminous Coal Commission could help the miners of that State. In Pennsylvania there used to be 800,000 miners. Today there are but 400,000 miners, and if the operation of the coal mines continues as in the immediate past very shortly we will not have very many miners left.

I am interested in trying to give men jobs, and that should be the primary function of this organization. I question very much that the Bituminous Coal Commission, due to the way it is being operated, will help the miners of this country. I doubt whether we will create more jobs or whether we will not have any jobs for the miners at all.

Members have asked for an increase in the appropriation for the Bituminous Coal Commission, although last year it did not spend the money allocated to it wisely nor judiciously. I defy any Member of Congress who has talked to the members of that Commission to make the statement that this Commission last year spent its money wisely. There is not a member of that Commission who will not tell you that Members of the House of Representatives and of the Senate pestered them to death to put men on the pay roll that they did not know what they could find for the men to do. The money was spent in ridiculous ways. It was wasted. Members requested the Commission to put men on at a good salary. For instance, men were paid $3,500 a year as watchmen, then sat down in one of the hotels and were afraid to go down to report because somebody might see that they had nothing to do. Yet they were good politicians and drew their salary, and no work.

This Commission has laid off 50 men or more since the 1st of January because it did not know what to do with them. I do not criticize the members of this Commission half as much as I condemn the Members of this Congress for giving that Commission money to spend and then pestering them about putting men on the pay roll. It is a damnable outrage, and no justification whatever.

May I say to my friend from Pennsylvania this Commission does not need any more money. It can get along with less money and it will function properly and honestly, and I do not make that statement because I want to hurt anybody from my own State. I want to help the Commission. We want to put the miners to work and I want to help find jobs for the miners in Pennsylvania, but that will not be accomplished by increasing the appropriation for this particular Commission. They will function better with less money rather than with more money.

Mr. Chairman, I feel that the chairman of the Coal Commission honestly wants to function properly. He wants to do the right thing. He has not come in here and asked for this additional appropriation. He does not want and he does not need the money. If this appropriation was cut down $1,000,000 the Commission will still function as Congress intended it to function. Why do we have to get up here and holler for an additional amount of money to put more men on the pay roll of the Government? Let us put them on the pay rolls of the mines. Let us put them on the pay rolls of industry and get them off the Government pay roll. I plead with you to take note that the Commission does not need this money. The members of the Commission do not want it and the Commission itself does not ask for it. I could tell you some inside stories of what happened in our subcommittee, but I want to be fair to this Commission and to the subcommittee and there was more off the record reports than there were on the record.

Oh, I wish Congress would get some sense, sane business judgment, some real constructive attitude for the operation of government. Do it men, before it is too late.

[Here the gavel fell.]

Mr. KELLER. Mr. Chairman, it seems to me we are going wide of the mark in much of this discussion. The soft-coal industry, as well as the coal industry as a whole, is tremendously important. It is an industry that has almost fallen to pieces economically during the past few years. We ought to open our eyes to that fact and find out whether there is a way out of the situation.

This whole subject was discussed quite fully when we were considering the original bill. If we are going to stabilize the coal industry, we ought to do it in view of all the facts in the case. That has not been done as yet, because we have not all the facts available. But this bill provides for getting the facts, and the original bill also provided for just that thing. I have no desire to spend a dollar that will do no good. I am perfectly willing to spend a dollar that will do some good.

Let us get this thing perfectly clear. I do not mean to say that this Coal Commission has functioned ideally at all. I do call attention to the fact, however, that no new commission starting out in an entirely new field can be expected to function without making many mistakes and many blunders. Every man who has had the experience of starting into a business entirely new to him knows that he made many mistakes and afterward profited by them.

We ought to look at these commissions in exactly the same way. If they ask for the amount of money which my friend from Pennsylvania has requested be included in this bill, the money should be appropriated. It will enable them to work unhampered and to come back to the Congress with a report which will show whether the Commission has done its work well or not. If the members of the Commission present facts which justify their work, then we ought to go along with them. But after we have given them their full chance and then they do not justify their existence, I will be just as much against them as any man on the floor of this House.

I say frankly the personnel of the Commission as at present constituted does not suit me. It is not fair to my great State.

The State of Illinois should have a representative on that great Board, because Illinois is the third, sometimes the second, largest coal-producing State in the Union, and it ought to have its chance for self-expression on that Commission. There should be at least one first-class, highly intelligent coal miner on that Commission. There are many such men available. This bill is conceived in the belief that the coal miners are to be benefited as much as the operators. There is a consumers' counsel there to look out for the interest of the people. Only the workers are left out. I insist that Illinois be given representation on that Commission.

I am going to insist that this whole coal stabilization law shall be administered for the benefit of all the people and not for the benefit of the operators alone. I am going to insist when the information is prepared and brought to us that we act on it independently of anybody's recommendation except our own. It is surprising to me to find my good friend from Peoria, Ill., standing up here and by insinuation making a worse charge against the Commission and the operation of it than could possibly be made if he presented the rottenest evidence in the world right here before this House. I do not believe that is fair or worthy of my handsome friend from the State of Illinois.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield to the gentleman for a question.

Mr. DIRKSEN. If my good friend, instead of indulging in a lot of glittering generalities, would just read the record and absorb the facts, he would not make that kind of a speech.

Mr. KELLER. I certainly know the facts as well as the gentleman knows them.

Mr. DIRKSEN. The gentleman is certainly not displaying that knowledge on this floor today.

Mr. KELLER. I am glad I am under no compulsion to accept the gentleman's judgment. The truth of the matter is, I have the largest coal-producing district in the entire United States of America. I was born on the edge of that great coal field—have known the men who developed it from its inception to the present moment. I know what soft coal means to industry, what it means to the men who produce it, and have some idea of what it is to mean in our future economy. I know the record the gentleman refers to and what it really means, which the gentleman shows by his last speech he does not know. His idea of what ails the coal industry as a whole is belied by the very quotation he inserted from the hearings. I suggest the gentleman reread his own speech and study the quotation he cited. It will furnish food for thought. I commend that process to my friend.

[Here the gavel fell.]

Mr. SCRUGHAM. Mr. Chairman, I rise in opposition to the pending amendments.

Mr. Chairman, the wide divergence of opinion which has been displayed during the debate in the argument for and against the figures set by the proposed amendments, is a striking reason for adoption of the amount of $2,700,000 carried in the bill. The committee held hearings for an extensive time, on the requests of the Bituminous Coal Commission which are recorded in 70 pages of the hearings. In addition, we conducted further hearings on the activities of the Consumers' Counsel of the Coal Commission, and this testimony occupies some 15 pages of the hearings. As a result of what I believe was a fair and impartial investigation, the committee came to the following conclusion, which I shall read into the RECORD.

The reduction of $300,000 in the Budget estimate of the Commission is made in the belief that $2,700,000 is sufficient for all operating expenses for the next fiscal year. The organization of necessity was recruited somewhat expeditiously to perform a new function under the law and there have been uncertainties arising out of invalidation of the first law and court decisions under the new law negativing some of the price findings of the Commission. The committee feels that a thorough restudy by the Commission of the personnel in the District of Columbia and in the field, and of other classes of expenditure, with a particular view to improving efficiency and eliminating uneconomical expenditures, will be productive of results beneficial to the Treasury without neglecting the duties which the law requires to be performed. Until the Commission makes such a restudy a definite part of its program, and furnishes more specific data as to its appropriation requirements, the committee does not feel justified in recommending a larger amount than the bill carries.

I ask the support of the House to uphold the findings of the Subcommittee on Interior Appropriations.

Mr. MASON. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I, too, come from Illinois. I believe in facing the facts as they are and not as we would like to believe they are. If the result of the activities of the Coal Commission has been to improve conditions in the mines in Kentucky or in the mines in Pennsylvania, as we have been told today, the Commission certainly has not improved conditions in the mines in Illinois. I, too, come from a coal-producing area of Illinois, and I know miners have been thrown out of employment, their mines have been closed, that we have lost a great many of our markets for coal, and that the price of coal in Chicago, the large city of Illinois, has been increased at the expense of the consumers as a result of the work of this Commission, and particularly as a result of the provisions of the Guffey Coal Act which the Commission is supposed to carry out.

When we passed the Guffey Coal Act, we refused to diagnose the trouble with the sick coal industry. We simply said, "We will prescribe this thing, regardless of the trouble with the coal industry." We overlooked the fact that the coal industry has been suffering for 15 or 20 years as a result of competition from three other commodities that have come in to take the place of coal—namely, gas, fuel oil, and electric power. The Commission has not done what we thought it would do when we gave the soft-coal industry the Guffey Coal Act, and we had better now take cognizance of what is wrong with the coal industry. I say the experience we have had under the Guffey Coal Act has been a bad experience. The Coal Commission has not only made bad mistakes, but it has gone further and made some very rotten decisions. I believe the time has come when the Coal Commission must be disciplined, and the only way to do it is to reduce the amount of its appropriation so it can and will clean house. These are my convictions, as one coming from a coal-producing State.

May I add that the argument that the Coal Commission is self-supporting is a silly, asinine argument, because the Commission is not self-supporting any more than the Agricultural Act is self-supporting, when we put processing taxes on consumers. It is the consumers who are paying this money, not the Coal Commission. Any commission with a special tax to support it is self-supporting, according to that reasoning, and I believe it is very, very poor reasoning.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. MASON. I yield to the gentleman from Kentucky.

Mr. MAY. The gentleman understands, of course, that the bituminous-coal industry is an industry affected vitally by weather conditions. Does not the gentleman know that the moderate weather we have had this year has been largely responsible for coal miners being out of employment?

Mr. MASON. No. I would say that weather conditions constitute less than one-fourth of the trouble in the soft-coal industry and that three-fourths of the trouble is the active competition from gas, oil, and power plants.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. MASON. Yes.

Mr. KELLER. Will the gentleman tell me what proportion of the electric current produced at the present time is produced by coal and what amount by oil and gas?

Mr. MASON. No; I cannot give the gentleman that information, but I do know that the Statistical Bureau has evidence of the fact that what I have just said is true—that three-fourths of the trouble is from such competition.

Mr. KELLER. Will the gentleman let me give the figure?

Mr. MASON. Yes.

Mr. KELLER. It is 6 percent, and no more, according to the Bureau of Standards.

Mr. MASON. I know that the gas piped into the coal fields of Illinois has wrecked the coal fields of Illinois.

Mr. KELLER. Six percent does not wreck any industry.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. MASON. Yes.

Mr. DIRKSEN. There is one redeeming feature in the matter and that is they have a capable research expert there, and if you will bother to read the hearings you will find that he tells you what is the trouble—it is competition.

Mr. MASON. Yes.

[Here the gavel fell.]

Mr. O'NEAL of Kentucky. Mr. Chairman, I rise in opposition to the pending amendments.

Mr. Chairman, as a member of the subcommittee I sat through the entire hearings, and, of course, we went into the matter very carefully. It is a fact that the industry generally wanted a commission to attempt to coordinate their efforts and to bring some order out of the chaotic coal business, and your subcommittee took it to be a fact that it was the will of Congress and the will of the people of this country and the will of the industry that there should be a commission and that it should be furnished with sufficient funds to allow it to function properly. This being in mind, we attempted to find out what sum of money would be proper

to bring about these ends. We knew there had been trouble, we knew there had been disagreements; but, Mr. Chairman, no commission formed of strong men, dealing with highly controversial subjects, could fail to have run into difficulties and to have had misunderstandings.

They came before our committee, and when they left we felt that the Commission had pretty well ironed out their troubles and their difficulties. There were a great many things along administrative lines where there was not harmony, but it was the expressed statement of both sides on the Coal Commission that they were now in accord, and they believed they could function smoothly and to the satisfaction of the public generally.

Then we entered into the question of money. We did not think it was necessary at this time to give them even the full amount that they asked for or the amount the Budget submitted, which was $3,000,000. We cut that amount to $2,700,000, but, Mr. Chairman, we knew also there was impounded $360,000 of the prior appropriation, which in all probability the Coal Commission will have for the year 1939, $3,060,000. We believe when next year comes we will have better information and we will know exactly what is required, but in a spirit of economy, in a spirit of providing enough to do the job, this committee put into this bill $2,700,000 which, added to the $360,000, is over $3,000,000, which should be adequate.

We therefore ask you to vote down the decrease suggested by the gentleman from Illinois and to vote down the increase suggested by the gentleman from Pennsylvania. We believe the committee has worked out a satisfactory amount and that the Commission will function well and satisfactorily.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, the situation with reference to this provision and this Commission is about like this: They have gone ahead and employed more than 50 lawyers and more than 1,100 employees. A large percentage of these employees, I understand, are political employees, drawn here, not for their qualifications or ability to help solve this problem but because certain Senatorial gentlemen thought they might add to their political patronage.

The operation of this Commission has been that they attempted to fix the price of coal to consumers in the eastern district without notice to those consumers. With all of these upward of 50 lawyers they did not have judgment enough to realize that under the law the consumers were entitled to notice.

Now, if we are going to go ahead and have a Commission that employs over 50 lawyers without getting one who knows enough to realize that the consumers should have notice, it is perfectly evident that the Commission is staffed with men not competent to fill the bill, and that it must be given a lesson by cutting down its appropriation.

Mr. FADDIS. Mr. Chairman, will the gentleman yield?

Mr. TABER. I cannot yield, as I have only a moment.

It cannot possibly function either in the interest of the miners or the operators or the public, and it is going to be a total failure, and, as I understand it, the reason the gentleman from Illinois [Mr. DIRKSEN] offered this amendment was to teach this Commission it must employ competent people and do its work in a legal and competent manner.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. DIRKSEN. Is it not true that by the terms of the court decision, a court consisting of three judges, two of whom have been identified with the present administration, the express language of the statute provided that there had to be notice and hearing, and therefore the Commission has gone on since May of last year wholly ignorant of that fact and has dissipated all of this money that was provided for administrative expenses, and now the work will have to be done over under the decision of the Federal circuit court of appeals?

Mr. TABER. That is right, but if they had had one intelligent lawyer among the fifty-odd they employ, they would not be in that boat today. The only way to stop them is to cut them down and make them get somebody who is competent.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN] to the amendment offered by the gentleman from Pennsylvania [Mr. FADDIS].

The question was taken, and the amendment to the amendment was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Pennsylvania [Mr. FADDIS].

The question was taken; and on a division demanded by Mr. FADDIS, there were—ayes 24, noes 49.

So the amendment was rejected.

The Clerk read as follows:

For construction, purchase, and maintenance of transmission lines and purchase of easements and rights-of-way, in carrying out the provisions of an act entitled "An act to authorize the completion, maintenance, and operation of the Bonneville project, for navigation and for other purposes," approved August 20, 1937, to be immediately available, $3,500,000.

Mr. DONDERO. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. DONDERO: Page 12, line 25, after the word "able" and the comma, strike out "$3,500,000" and insert "$1,450,000."

Mr. DONDERO. Mr. Chairman, the purpose of this amendment is to strike $2,050,000 from the bill. The total amount asked for the Bonneville project is three and a half million dollars. The additional sum which I seek to strike out was included in the original request of the Department of the Interior, and after consideration the Director of the Budget reduced that sum to the amount appearing in the original Budget statement.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield to me for a unanimous-consent request?

Mr. DONDERO. I yield.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 20 minutes.

The CHAIRMAN. Is there objection?

Mr. MOTT. I reserve the right to object. I doubt if everyone can be taken care of in 20 minutes, or even 30 minutes. This project is in my State, and I certainly want 5 minutes time.

Mr. TABER. Mr. Chairman, I suggest that the gentleman place the time at 40 minutes.

Mr. JOHNSON of Oklahoma. Then I modify the request and make it 40 minutes.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent that all debate upon this paragraph and all amendments thereto close in 40 minutes. Is there objection?

There was no objection.

Mr. DONDERO. Mr. Chairman, the amount which my amendment includes, being $1,450,000, was the amount appearing in the original Budget statement. No new facts have been brought out and no change of physical or economic conditions has occurred since the original Budget estimate which would justify this change, with one exception. On page 860 of the hearings, in a letter by Mr. Bell, Acting Director of the Budget, to the President of the United States, there is one line, and I quote that line:

Since the transmission to Congress of the 1939 Budget information has become available which indicates the prospect of earlier and more extensive utilization of Bonneville power than was anticipated at that time.

That is the only information in these hearings on which was based the increase in this appropriation from $1,450,000 to $3,500,000. When Boulder Dam was built not a dollar of public money was expended before contracts were signed for power or light sufficient to amortize the amount expended by this Nation over a period of 50 years, with interest at 4 percent, and that included $25,000,000 that was allocated to flood control. Private industry could not operate on this

basis; that is, on a basis of simply having indicated prospective use of power. In addition, if this appropriation is adopted, then in the War Department appropriation bill there will be another appropriation immediately asked for to the extent of $2,800,000 for generating machinery with which to generate the power that will be used or transmitted over the lines proposed to be built by the $3,500,000. If we are ever going to reduce Federal expenses, if we are ever going to make income balance outgo, we better get back on a sound business basis and not appropriate money until we have a reasonably safe enterprise and have contracts signed, or at least a market ready, to buy this power on which we can predicate the expenditure of the three and a half million dollars. I hope the committee will adopt this amendment and hold it down until such time as we can reasonably see that the market is there; then we can sell the power.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. I yield.

Mr. KELLER. Has the gentleman considered carefully the fact that in the case of the Boulder Dam project the great city of Los Angeles, with its tremendous population and its great surrounding area, was in a position to do at that time what it is not at all possible to do at Bonneville at the present moment?

Mr. DONDERO. That may be possible, but I think I ought to call the gentleman's attention to the fact that while the people of Los Angeles and vicinity had power from Boulder Dam they had to pay interest at the rate of 4 percent, whereas in the case of the Bonneville project at the present time the interest is 1.54 plus, but which may be increased later to 3½ percent.

Mr. KELLER. Nevertheless, the gentleman admits the very great difference in population and development between the two places.

Mr. DONDERO. That is quite true, and that is the reason why we should go very carefully before proceeding to spend all this money.

[Here the gavel fell.]

Mrs. HONEYMAN. Mr. Chairman, I rise in opposition to the amendment which proposes to cut the Bonneville appropriation to the extent of $2,000,000. The Administrator of the Bonneville Dam has estimated $3,500,000 as the least amount that will provide for the necessary construction, purchase, and maintenance of transmission lines that will meet the demands that are already being made by the people of Oregon, Washington, and Idaho. The Government has invested to date $51,000,000 at Bonneville, and $42,000,000 of this sum is to be paid from the money that is received from the sale of power. Until contracts are made and the money comes in, this debt cannot be paid. Interest on this debt is fixed at 3½ percent over an amortization period of 40 years, and it is obvious that the debt can only be paid as power is sold. To sell the power it is necessary that we have a means of distributing it so we must have these transmission lines constructed or purchased at once. Delay through curtailment of this appropriation would be disastrous to Bonneville Dam, the project designed as a yardstick for the sale of surplus hydroelectric energy in the Pacific Northwest.

A reason why we must have these transmission lines constructed now is that the Bonneville Act, passed last year, provides that the public will have only until 1941 to organize their districts or municipalities and to get ready to buy current. As originally introduced, the bill granted the public this privilege only until 1940, and I am glad to say that an amendment I offered extending this period an additional year, met with the approval of the committee and final adoption. Formation of these districts is now in progress, and municipal agences are negotiating for use of power. The obvious effect adoption of this amendment would have would be to retard these public endeavors to arouse a doubt in the public mind that the Government is going ahead with the program it authorized and to reduce the period of time in which the public can prepare to benefit from that program.

Mr. CULKIN. Mr. Chairman, will the gentlewoman yield?

Mrs. HONEYMAN. I yield.

Mr. CULKIN. As a matter of fact, the defeat of this item that is carried in the bill, $3,500,000, would defeat the recovery by the United States of this sum?

Mrs. HONEYMAN. Exactly.

Mr. CULKIN. And defer its payment under the proposed amortization? Is not that true?

Mrs. HONEYMAN. Exactly. It would postpone recovery by the United States of any part of the sum that has been allocated to power, and that amounts to $42,000,000.

Mr. DONDERO. I am afraid the gentlewoman misunderstood my statement about interest. Three and a half percent was fixed as the return to the Government, but did not the gentlewoman understand that the rate fixed by the Federal Power Commission was 1.54?

Mrs. HONEYMAN. No; that was the interest rate figured on the cost of the invested money while the dam has been under construction. It has nothing to do with power rates or amortization. It is the interest on the money for a 50-month period while the project was being built and put in readiness to pay its own way. The interest rate on which electric costs will be based is 3½ percent.

Mr. DONDERO. I think the gentlewoman has misunderstood my amendment. I do not seek forever to destroy it, but I do seek at least to delay until such time as you can show a market or contracts for the power; and the records do not show any such indication at the present time.

Mrs. HONEYMAN. The Administrator has testified that he already has many demands for contracts for power. A great many public power districts are being organized throughout the States of Oregon and Washington. We cannot, of course, begin to sell power until we have the facilities for distributing it.

Mr. DONDERO. That may be true, but Acting Director Bell simply said that it was a prospective use of the power without any contract; and I do not think you have a contract signed for one kilowatt-hour, and I say the Government ought to be safeguarded before it expends the money; that is my position in the matter.

Mrs. HONEYMAN. I understand; but, I think, as I said before, delay would be disastrous. The power will be ready in June and there is a market for it. There is a small market for the power very near the dam. When the initial transmission lines are opened up there will be a large market for it nearby. Requests have already been made to the Administrator for more power than the present units at Bonneville can supply. The immediate demand justifies the construction of transmission lines first to Portland, Oreg., and then beyond into a more western section of Washington, and a more western and southern section of Oregon, and for another line into the Yakima Valley in Washington. I might point out right here that consumption of electric energy in the Pacific Northwest has doubled every 5½ years, except in the depression years, and that in another 5½ years 1,600,000 more kilowatts than are now available will be needed. No other power plant is being constructed in that area and Bonneville will only provide 432,000 kilowatts to meet this need.

Mr. MOTT. Mr. Chairman, will the gentlewoman yield?

Mrs. HONEYMAN. I yield.

Mr. MOTT. Notwithstanding the fact that no commitments have actually been made, is not the reason for that the fact that the Federal Power Commission has not yet decided upon the rate and that contracts cannot be made until the rate is established?

Mrs. HONEYMAN. The Administrator cannot enter into any contracts with power districts, municipalities, utility companies, or with industry until that rate is fixed.

Mr. MOTT. Is it not also a fact that applications are already in the hands of the Administrator for approximately 300,000 kilowatt-hours of power?

Mrs. HONEYMAN. Yes; the Administrator has so testified before the committee. This is more than half the ultimate capacity of the plant. It is three times that of the capacity of the generators now in operation. It shows the necessity

of building transmission lines, not tomorrow but now. I urge that the amendment of the gentleman from Michigan be defeated.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I recall the old saying: "Constant dropping of water will wear away stone." That might have been true in the old days if the stone was not too hard, but the Appropriations Committee and the House of Representatives is one of the toughest stones with which I have ever come in contact in all my life. Notwithstanding that fact I am going to do my duty as a Member of Congress so long as I am in the House by trying to cut down governmental expenses, hoping that some day before it is too late we shall come to the point where we can balance the Federal Budget. If that point be in the too-distant future there will not be any America, as we and our forefathers have enjoyed it.

You are asked by this amendment to cut this appropriation $2,050,000. The Budget made its recommendation to the House of Representatives. We have some pretty shrewd men from the States of Washington and Oregon, they are just about the slickest fellows in Congress. Finer fellows I have never met, but goodness knows, they certainly seem able to twist the President and the Budget officer right around their little fingers. Whenever they want something they go after it full force, and it seems as if they get it.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. RICH. My time is too limited to yield to you, sir, for you are one of those good fellows from Washington.

Mr. DOCKWEILER. Will the gentleman yield?

Mr. RICH. If I could not yield to Mr. LEAVY, I certainly could not yield to anybody else.

Mr. Chairman, the highest peak of power consumption in the States of Washington, Oregon, and Idaho was 1,100,000 kilowatts. The private power companies have enough power, plus 40 percent additional, to furnish all the power that the people in those States need, yet we are today constructing at Bonneville and Grand Coulee facilities that will furnish more power than all the present utilities put together can furnish in that locality at the present time. What will you do with the private power companies? You will put them out of business with Government operation. It is a crime.

Notwithstanding the fact that Mr. Ross said he had applications for power, Mr. Ross has not a firm application signed by anybody. Not one. Mr. Ross only has certain county organizations that were formed under the laws of the particular States, which have promised they will take so much. They have no actual consumers signed up. To whom are they going to furnish this power? They are going to furnish the power to the people who are already being furnished sufficient power and the private companies have 40 percent more to take care of their needs. Another colossal Government operation, with the taxpayers' money putting the Government in business in competition with its citizens, socializing and Russianizing our own Government. Besides this appropriation there is an item in the war appropriation bill to increase Bonneville power, the cost to be $2,800,000, making a total for Bonneville of $6,465,000 instead of $1,450,000 for the year, wrecking private power companies and spending the money of our grandchildren.

[Here the gavel fell.]

Mr. PIERCE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the Government has invested in Bonneville over $44,000,000 for navigation and electric power. The only way to get this money back to the Treasury is to build transmission lines to the various markets. An administrator has been appointed, and he has on file applications for more than 300,000 kilowatts. There is installed at Bonneville today 86,000 kilowatts, or about one-fourth the full amount of power needed to supply the present market already asking service.

The interest rate is 3½ percent from now on. The figure of 1.5 referred to by the gentleman from Michigan is the additive amount that is applied to each monthly pay roll when it runs through in order to secure actual cost figures during construction. What the War Department had paid out was increased by this amount. That has been mistakenly construed by different Members on the floor as being the interest rate used in fixing Bonneville electric rates, but that rate will be 3½ percent.

There is no question about the demand for the power. The gentleman from Pennsylvania has made a statement that no use has been found for the power, but he simply ignores the fact that the whole question of the use of power is governed by price. In Winnipeg, where the price is under 1 cent per kilowatt-hour, on the average, there is used four times as much power as is used in Portland, Oreg., and three times as much as is used in Tacoma, with all its cheap power rates. It is simply a question of price. If that power from Bonneville is brought to the people of Portland and vicinity and sold at a low ultimate price, it would take the future installed capacity at Bonneville to supply that city alone, if it is used as it is in Winnipeg. That is the whole question. At any rate the market is assured.

Here is a reimbursable Government investment. Do we want the money returned to the Treasury? If so, we will have to build transmission lines to the various markets. The markets are there, and the people are ready to take the power. Of course, the fight now being made is to prevent cutting the rate structure of the private utilities which might affect the bond and stock issues of the Electric Bond & Share and other allied companies, which own franchises and plants in the Pacific Northwest. This is the reason behind this talk of 1.5-percent interest. The Electric Bond & Share and their satellites and followers out in the lobby are behind this amendment. They are making this fight to prevent a break in the power rate. That is the whole question. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Oregon [Mr. MOTT].

Mr. MOTT. Mr. Chairman, I think if this committee by any chance should adopt the amendment offered by the gentleman from Michigan [Mr. DONDERO], to reduce the appropriation for construction of transmission lines from Bonneville, it would be one of the most inexcusable and costly blunders that the committee could possibly make.

When the Bonneville Dam bill was passed, it was contemplated that transmission lines would be built in order to carry the power generated at Bonneville to the markets, and that these transmission lines would be built at once, so that the power could be immediately sold. The taxpayers of this country have an investment of $44,000,000 in the Bonneville plant, which will be amortized over a period of 40 years at 3½ percent. The only way the Government can possibly amortize this investment is by building transmission lines from the power plant out into the power areas and begin to sell power. No other procedure was ever contemplated by the Congress in enacting the Bonneville Dam Authority bill. If we do not do that our entire investment of $44,000,000 in the Bonneville Dam will be an absolutely idle, useless investment.

The gentleman from Michigan makes the charge that the only statement supporting this appropriation of three and a half million dollars is a single line in a letter of the Director of the Budget to the President submitting the supplemental estimate. If you will look over the testimony printed in the hearings, as given before the committee by Mr. Ross, the Administrator of the Bonneville Authority, you will find abundant evidence in support not only of the three and a half million dollars, the amount named in this bill, but for $6,000,000, which is the amount Mr. Ross asked the committee to report, and the amount which he says is necessary as a beginning for the construction of transmission lines from the power plant into the vast territory where the power is to be sold.

The amount now provided in this bill will take the power lines as far as the city of Portland only, which constitutes not more than 50 percent of the power market of the State

of Oregon which now wishes to use this power from Bonneville. The great power market for Bonneville is up the Willamette Valley in Oregon, which contains nearly half the population of Oregon, as well as up the tributaries of the Columbia River in Washington, into the thickly populated areas of that State. There are power districts now organized all over the States of Oregon and Washington that are clamoring for this power now. The power plant itself has been completed. The only thing that is holding this power back from the people who want it is lack of transmission lines.

As I stated, this three and a half million dollars will bring the lines only a little farther than Portland, and this will barely tap the power market area. The city of Eugene, for example, 75 miles up the Willamette River from Salem, wants to take a great deal of this power. It is now operating its own municipal power plant to capacity. That city wants additional power from Bonneville to distribute to the people over its local distribution system. But unless we build the transmission lines to Eugene this large municipal plant at Eugene will have to construct another plant at a cost of half a million dollars or expand its present facilities by at least 50 percent. We want to make a start. We want to commence now to get this Bonneville power to the people. If you will read the testimony of Mr. Ross you will find that three and a half million dollars is the very minimum with which we can make a start. An amount less than this would not bring the power to any part of the market area, and would be a complete waste of time and money.

Let me repeat, if we do not build these transmission lines the whole investment in Bonneville will be an idle, useless investment and the $44,000,000 that the United States Government has put into that project will be absolutely wasted. Not to build the transmission lines to use the power, not to begin now getting a return on this investment so that we can amortize the investment, would be the most illogical, the most useless and senseless thing that the Congress could possibly do.

I trust nobody will vote in support of the amendment of the gentleman from Michigan to reduce this appropriation. Such a vote would be indefensible even on the part of those who originally opposed the Bonneville project.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Michigan.

Mr. DONDERO. I am not asking that $2,050,000 be stricken from the bill in order to defeat the building of the transmission line, but I am asking that the Government adopt sound business principles the same as private industry would do if it went into a similar business.

Mr. MOTT. I may say for the information of the gentleman that the Government in this regard is adopting and has adopted sound business principles. If we have no more than the original Budget estimate, the power can be brought to no market at all for the next 2 years, and consequently none of it can be sold. To adopt a policy of that kind would be as unbusinesslike as anything that can be imagined.

Mr. DONDERO. You have no contracts for even 1 kilowatt-hour.

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I rise in opposition to the amendment of the gentleman from Michigan. [Applause.] It would seem this action of mine takes the House somewhat by surprise, but I was present at the birth of Bonneville. I know its genesis and I know its purpose. From the beginning I have always stated, and here reaffirm, that Bonneville is a sound navigational and power project.

Mr. MANSFIELD. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Texas, Mr. Chairman.

Mr. MANSFIELD. Is it not a fact that the gentleman from New York favored Bonneville in the rivers and harbors bill, and also favored it in the Bonneville act which was passed last year?

Mr. CULKIN. I have aways favored it. I favor it, too, on the principle that it constitutes what seems to me to be one of the necessary national yardsticks on the price of electricity. At the present time, Bonneville is in the charge of one of the ablest administrators of power and its application to social purposes in the history of the United States. I have heard Administrator Ross before the committee. He is able, he is sane, and his approach to the question is not radical. I may say to the gentlemen who are fearful of his effect on existing investments that he will not destroy such investments but will treat them fairly and will cooperate with them. I believe his recommendation on this proposition is sound from the standpoint of the Government investment at Bonneville. Unless this appropriation carries, and unless these transmission lines, which the Supreme Court of the United States has authorized in a recent decision, are built, the $44,000,000 investment the United States has made in that project will lie dormant. Therefore, I say I am against the amendment of the gentleman from Michigan and for the Budget item as recommended.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Pennsylvania.

Mr. RICH. Before the committee Mr. Ross did not have one word to offer about a demand for power. It was simply a question of taking the market away from corporations already existing.

Mr. CULKIN. I will state to the gentleman from Pennsylvania that when the Bonneville authority bill was before our committee we heard Administrator Ross at great length. I questioned him closely myself as to his experience in similar matters and his attitude toward existing investments in the utility field. His answers in both instances showed him to be sane and rational and that he did not belong to the Lilienthal school. I understand sufficient applications are on file to justify this disbursement and that Administrator Ross recommends it on those grounds. I am willing to take his recommendation, so that the people of the United States may begin to get back the money which they have invested in this project. I respect the gentleman from Pennsylvania but must differ from his conclusions on this question. [Applause.]

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I believe we ought to have this situation clearly in our minds as we approach it. This administrator, Mr. Ross, asked for $3,500,000 before the Budget and was given careful hearing. After the hearings he was given an estimate of $1,450,000, which was sent up to the Congress by the President. Hearings were held, and he asked for just that amount. Later, as I understand, members of this subcommittee of the Committee on Appropriations went to the Budget and procured an additional estimate of $2,050,000, and hearings were held on that estimate. These are some of the facts.

If the power asked were provided, it would take at least double the facilities they will have when they are ready to open up. Power lines can be built twice as fast as the other facilities.

Let us be frank about this matter. In figuring their costs, they have figured approximately 1.8 percent for depreciation and 1.54 percent for interest. You and I know the plant should be given at least a 3.5-percent interest rate all the way through. When General Markham appeared before the Committee on Rivers and Harbors he testified that all facilities other than structures should be depreciated on at least a 7-percent basis. He did not give a rate on structures, but surely they should be depreciated at the rate of 2 percent, which means they will be fully depreciated in 50 years, and that is a long time. It is perfectly apparent that depreciation should be figured at 3.5 percent instead of 1.83 percent, as that is the experience of people. These rates they are asking are too low and the Government will lose money on each operation.

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, if my time were not so limited I should like to take a minute or two to return the tribute and compliment the gentleman from Pennsylvania has paid me, but which I actually do not deserve. He has given me credit to which I am not entitled. If I happen to advocate something which has unusual merit in it and it wins because of its merit I am not personally entitled to any particular credit. Now, that is the situation in regard to Bonneville.

Bonneville is quite a distance from the district in which I live. It is one of the great public power projects in the Northwest and is the first project coming into production. It is partly a navigation, partly a flood control, and, partly a power project.

In June of this year the first two units will be generating power—86,000 kilowatts—but not one foot of line has been built to carry away the power. Bonneville has a potential capacity, before Coulee is finished, of 432,000 kilowatts, and on the completion of Grand Coulee this capacity will be increased 50 percent without any additional expenditure by reason of the regulated flow of the Columbia River from Coulee Dam down to the Pacific Ocean. Coulee Dam is the key dam in the whole great flood control, navigation, reclamation, and power development of that mighty river.

If you really desire the facts upon which to base your vote on the pending amendment, I invite you to examine the hearings before our subcommittee, which will be found on page 185 to page 196 and on page 859 to page 885 of volume No. 1 of the hearings. These hearings are the only evidence we had as a subcommittee, and the only evidence the whole Appropriations Committee had, and that this committee has, upon which we can base intelligent action. They disclose that there is only one way that the United States Government can ever be repaid the investment it has at Bonneville, now that it is ready to produce electrical energy, and that is to transport that energy from the bus bar where generated to the place where it is demanded. These hearings further disclose that there is an existing present demand, the result of direct requests made to J. D. Ross, the administrator, for 250,000 kilowatts of electrical energy, and that the sale of such energy would not displace any existing electrical energy produced in the territory to be served. Therefore I state to you again that the sole purpose of this appropriation of $3,500,000 is to make available to the Bonneville administrator funds to construct power lines to carry the electrical energy to the market and in turn to get receipts that will reimburse Uncle Sam for his investment there. Such reimbursement, let me say, too, is calculated upon the original investment, so much of it as is charged to power and interest at the rate of 3½ percent, not interest at the rate of 1.54271, as has been repeatedly stated by some gentlemen upon this floor during this debate. I know that the gentlemen who have been quoting the figure 1.54271 did so in good faith and in all sincerity.

I know they did it believing they were stating a fact, but they have been misled. Let me say to the gentlemen who have given that figure, the figure has its origin in the private Power Trust of America. It was released by Mr. Philip H. Gadsden in a press release, but not released in such manner that you can charge him with falsehood, though it is so misleading that every opponent of the Government power program seized it at once, thinking they had something that would be detrimental to the project.

Mr. TABER. Mr. Chairman, will the gentleman yield there?

Mr. LEAVY. I just do not have time to yield. I want to prove the statement I have just made, as it is a serious indictment, and if not a fact, I have no right to make it under the cloak of privilege that prevails here.

Here is a press release by Mr. Philip H. Gadsden, chairman of the committe of utility executives, head of the private Power Trust of America, dated February 9, 1938. It reads:

The interest charges set up by the Power Commission are 1.54271 percent against 4 percent set up as the charge by the War Department.

Referring to Bonneville.

Now, mark you, he does not say that that is the interest rate that is going to be charged to repay the bill for construction. He simply says the interest charges set up and the manner in which this is stated leaves the implication that the interest rate mentioned refers to repayment costs.

Here is the proof that he purposely misled some of the fine Members of this House, who really believe the Power Trust can be trusted. Here is a press release by the Federal Power Commission on the same day, a few hours earlier than Mr. Gadsden's release, and the only authority there could be for the misleading statement by Mr. Gadsden.

Mr. DONDERO. What is the date?

Mr. LEAVY. February 9, 1938. It reads as follows and is release No. 380, Federal Power Commission:

The cost to the United States for the use of the money over the 50 months' period from November 1, 1933, to December 31, 1937, representing the principal period of construction, was 1.54271 percent, this being the weighted average rate of interest paid on all money borrowed by the United States during the 50 months' period, including the long-term and short-term financing.

Referring to Bonneville. In other words, the figure given here and quoted on this floor by those in opposition to this project is based upon the misleading premise put out by private power interests who would destroy this public undertaking. This interest rate that has been quoted repeatedly here is the interest rate that the United States paid for the money that went into the project during the period of construction and that is being charged back to the project now.

I regret that my colleagues were mislead, but they are not the first who have been deceived by the Power Trust.

This amendment should be voted down. [Applause.]

Mr. ENGEL. Mr. Chairman, I have no desire to enter into the argument except to say this: I was over in the Appropriations Committee the other day and looked up the average rate of interest that the Government pays upon the national debt. I found that that average rate is 2.55 percent. I would like to know if the gentleman has anything contradicting that?

Mr. KELLER. Mr. Chairman, will the gentleman yield for a question?

Mr. ENGEL. I yield.

Mr. KELLER. Did that apply to short-term loans at less than 1 percent?

Mr. ENGEL. The average rate of interest that we are paying on the entire national debt, the short term and the long term, is 2.55 percent.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. I yield.

Mr. RICH. It seems as if the War Department has one rate of interest and another department has another rate of interest. Does the gentleman think any of these departments know what they are talking about if they give figures of that kind?

Mr. ENGEL. I got these figures from records in the Appropriations Committee within the last week, and if I am right—and I think I am—then the taxpayers of the country are paying the difference between 2.55 percent and the interest rate that is being charged against this project, which is 1.55 percent.

Mr. WIGGLESWORTH. Mr. Chairman, I do not understand that the amendment offered by the gentleman from Michigan [Mr. DONDERO] seeks to undermine the Bonneville project or to deprive the people of the Northwest from any legitimate benefit which there may be from the project. As I understand it, the amendment merely seeks to regulate the rate of construction of transmission lines and transmission equipment so that it shall correspond, on a realistic basis, with the demonstrated and legitimate demand for power.

I am no longer a member of the subcommittee in charge of this bill. I have endeavored, however, to read and digest the hearings on this particular question. If I understand the situation correctly the highest demand for power that has ever existed in the territory which can be economically

served by this project occurred in the year 1937, and amounted to something like 1,100,000 kilowatts, the average demand in that year being only 700,000 kilowatts.

If I understand the situation correctly, there is actually available at this time, under present conditions, an installed capacity of something less than 1,600,000 kilowatts. In other words, if my understanding of the picture is right, we have at this moment, without any additional supply for the territory in question, surplus power available, as compared with the highest known demand to date, of something like 40 percent. We contemplate additional power through Bonneville to the extent of over 430,000 kilowatts and through the Grand Coulee to the extent of almost 1,900,000 kilowatts.

Mr. Chairman, if this is a fair statement of the situation, surely there is something to be said for deferring this expenditure of $2,000,000 for the purpose of additional power in accordance with the suggestion of the gentleman from Michigan [Mr. DONDERO]. No case has been made in terms of proven demand to justify the $2,000,000 under consideration. It seems to me to fall clearly within this classification of items to which the President referred in his first message at this session of Congress, in which he urged Congress to postpone any Federal activity which can be postponed "without harming necessary Government functions or the safety of the Nation from a national point of view."

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield for a question?

Mr. WIGGLESWORTH. I am glad to yield to the gentleman from Idaho.

Mr. WHITE of Idaho. What is the gentleman's proposition? Is it that we should build a line of light carrying capacity that would not have the capacity to carry the output of Bonneville Dam to the point of consumption at Portland? Does the gentleman want to build two lines or build one line?

Mr. WIGGLESWORTH. I am simply suggesting that the rate of construction of transmission lines and transmission equipment, in view of the gravity of the situation by which the Treasury of the United States is confronted and the dangers inherent in that situation for every man, woman, and child in this Nation, should conform to demonstrated demand of legitimate character.

[Here the gavel fell.]

The CHAIRMAN. The time of the gentleman from Massachusetts has expired. The question is on the amendment offered by the gentleman from Michigan [Mr. DONDERO].

The amendment was rejected.

The Clerk read as follows:

For United States maps, prepared in the General Land Office, $10,000, to be immediately available, all of which maps shall be delivered to the Senate and House of Representatives, except 10 percent, which shall be delivered to the Commissioner of the General Land Office for official purposes. All maps delivered to the Senate and House of Representatives hereunder shall be mounted with rollers ready for use.

Mr. RICH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 14, line 7, strike out "$10,000."

Mr. RICH. Mr. Chairman, I have offered amendments to cut out millions of dollars and hundreds of thousands of dollars, and now I have an amendment to cut out $10,000. How many of you gentlemen know what $10,000 is? Let me tell you what this $10,000 is for. You probably have learned that we are publishing maps, great large maps, and that we give each Member of Congress a number of those maps to send out to his constituents, to the schools. That is a fine thing to do, and I am in sympathy with that. Let me tell you the situation we find ourselves in. I had an inventory made of the maps that are in the folding room to the credit of Members of Congress. There are about 5,000 maps down in the folding room now in the House. Over in the Senate there are about 4,700 maps. These are these great large maps and there are 9,700 of them. Do you want to give $10,000 more to get more of those maps to lay in the folding room? You have more maps now than you will send out at the rate you have been sending them out in 2 years. Does not it seem foolish to spend $10,000 for additional maps? I give the committee credit for cutting the amount down from $15,000 to $10,000, but you do not need this $10,000 for these big maps any more than each one of you needs a balloon to fly around in.

Mr. WHITE of Idaho. Does not the gentleman think that the schools of this country ought to have these maps?

Mr. RICH. Yes; and does not the gentleman know what I just said? Cannot I put that through your head? You have them down in the folding room now. Why ask for more?

Mr. WHITE of Idaho. Then let us send them out.

Mr. RICH. Do it and stop asking for more money for more maps.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield to the great gentleman from St. Louis.

Mr. COCHRAN. Does not the gentleman think his speech today is going to clean out that folding room, because by the time it gets out to the country that these maps are in the folding room, every Member of Congress is going to have so many requests for maps he will not be able to fill them. I am afraid that requests will come in here to such an extent that the gentleman will have to spend $100,000 instead of $10,000.

Mr. RICH. And I want to say to the gentleman that I thought he was for economy in Government.

Mr. COCHRAN. I am, and that is why I am trying to save $90,000 instead of your $10,000.

Mr. RICH. The gentleman thinks that this is just political, and that the Democrats will get out all these maps, so that they will get more votes. I want to say that the Democrats have been shooting everything, from the bull to maps, and the first thing you know you will not have anything to shoot. You are shooting the country, and I hope everybody in the country writes the gentleman from St. Louis for maps.

Mr. FITZPATRICK. Is it not a fact that those maps cannot be given out, because they are assigned to Members many of whom are no longer here and many of whom are dead? They cannot be distributed now. The gentleman was going to offer a resolution to fix that.

Mr. RICH. Oh, do not put it onto me.

Mr. FITZPATRICK. The gentleman said that he was willing to do it.

Mr. RICH. Yes; and I am now, and I put it up to the committee to get those maps distributed. Will the gentleman vote to cut out the $10,000?

Mr. FITZPATRICK. Why does not the gentleman bring in his resolution, and why has not he brought it in before?

Mr. RICH. You have had me buried up in a corner room every day since January, and I have not been able to do anything. I want you to do it. The majority party is the one to do it, not me, and you know it. That does not mean that I am not going to keep plugging here, because you Democrats will not do anything; you will not do anything until we clean house. Remember, the people back home will say something to you soon.

Mr. FITZPATRICK. And is it not a fact that the Land Office is one department of the Federal Government that is turning in millions of dollars to the Treasury of the United States?

Mr. RICH. How you gentlemen from New York can come here and blow money as you are blowing it in and then get up here and holler for additional expenditures I cannot see. There will be a day of reckoning.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. O'TOOLE. Mr. Chairman, I move to strike out the last two words. The gentleman from Pennsylvania [Mr. RICH] has been talking here for weeks, but the real purpose

behind the gentleman's remarks should be heeded. Gentlemen on the Democratic side of the House should be admonished. They should listen with rapt attention to this man and realize the plight that he is in, sitting over on the Republican side alone, longing and longing for the days of Denby and Fall, longing for the bag carriers of other years. It is a terrible plight that he finds himself in. Gentlemen, do not laugh at him. Think of the days of glory that he has gone through and think of the state of degredation in which he finds himself today.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. O'TOOLE. Do not laugh at his admonitions. Give him a chance once again to bring the bag carriers back into the lobby. Give him a chance; feel sorry for him. Perhaps his day will come again. Then watch his talk of economy go back into the bag.

Bring back the Daughertys, the Ohio and Washington Courthouse gangs, so that the Nation may be saved. The gentleman's party never believed in giving the country's money and assets away when they could sell them.

Do not shout, gentlemen; the poor G. O. P. is dying. Listen to its mouthpiece, the gentleman from Pennsylvania [Mr. RICH], and you will hear the swan song. Unlike the swan, which sings only at the moment of death, the gentleman croaks through the entire performance. Harken to his beautiful rendition:

> Gone are the days when we were rich and gay
> Gone are the nights when we didn't have to pay,
> Gone are the black bags that we loved so well.
> The G. O. P. must soon be saved or
> We'll be Pussy in the Well.

Mr. TABER. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I do wish this House would take its obligations seriously; I do wish that it would consider the merits of the matters that are presented to it, and that when there are already 10,000 United States maps available to be drawn by the Members that it would come to consider that fact before it authorizes the appropriation of $10,000 for more maps to be drawn out, to be distributed by Members.

Have we no responsibility whatever? Are we not going to come clean with the people who sent us here? Are we to appropriate every cent there is in sight, regardless of the need? Are we to be led off into side lines by those who do not take their responsibility seriously, who talk about extraneous matters when we should be talking about the paragraph we are considering? I do hope that this House will at least show some semblance of responsibility even if it is only on a $10,000 item. It is not the practice today to show signs of responsibility. We have gone absolutely hog-wild in voting for appropriations, regardless.

Every single item that has been objected to has been objected to only for the purpose of protecting the Treasury against unwarranted appropriations, and there has been no justification for failure on the part of the House to cut the items indicated. I hope that on this one a new leaf will be turned and that responsibility will be indicated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The question was taken; and on a division (demanded by Mr. RICH), there were—ayes 20, noes 41.

Mr. RICH. Mr. Chairman, I object to the vote on the ground there is not a quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and one Members are present, a quorum.

So the amendment was rejected.

Mr. ENGEL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, a few moments ago I made the statement that the average interest rate paid on the national debt was 2.55 percent. Thinking I might be mistaken, and we all make mistakes, and recalling where I had seen the figures, I went back to the Appropriations Committee. For the purpose of the record I call the attention of the House to the hearings had on the Treasury Department appropriation bill for the fiscal year 1939 and particularly to the testimony of Secretary of the Treasury Morgenthau found on page 6. He placed in the record at that point tables showing the total amount of public debt and the average interest rate paid on that debt from 1929 to October 31, 1937.

That record shows the average rate of interest paid on the entire national debt each year from 1919 to October 31, 1937. On October 31, 1937, the entire national debt amounted to $36,365,693,736. The total interest computed for the year 1937 to October 31, 1937, was $927,325,190. The average interest rate paid during 1937 was, according to the testimony given before our committee by Mr. Morgenthau, Secretary of the Treasury, 2.55 percent per annum.

The pro forma amendment was withdrawn.

The Clerk read as follows:

Surveying public lands: For surveys and resurveys of public lands, examination of surveys heretofore made and reported to be defective or fraudulent, inspecting mineral deposits, coal fields, and timber districts, making fragmentary surveys, and such other surveys or examinations as may be required for identification of lands for purposes of evidence in any suit or proceeding in behalf of the United States, under the supervision of the Commissioner of the General Land Office and direction of the Secretary of the Interior, $750,000, including not to exceed $5,000 for the purchase, exchange, operation, and maintenance of motor-propelled passenger-carrying vehicles: *Provided*, That not to exceed $5,000 of this appropriation may be expended for salaries of employees of the field surveying service temporarily detailed to the General Land Office: *Provided further*, That not to exceed $10,000 of this appropriation may be used for the survey, classification, and sale of the lands and timber of the so-called Oregon & California Railroad lands and the Coos Bay Wagon Road lands: *Provided further*, That this appropriation may be expended for surveys made under the supervision of the Commissioner of the General Land Office, but when expended for surveys that would not otherwise be chargeable hereto it shall be reimbursed from the applicable appropriation fund, or special deposit.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 14, line 23, after the word "Interior", strike out "$750,000" and insert "$500,000."

Mr. RICH. Mr. Chairman, we are asked to appropriate $750,000 for the purpose of surveying public lands. In the last few years we have been spending on these surveys a lot of money. I am offering an amendment to cut this amount down from $750,000 to $500,000.

I make the statement now that many of the surveys being made today, as well as the surveys which have been made in the last 3 or 4 years, will be obsolete in 10 years from now and the land will have to be resurveyed. I have no doubt about that in my own mind.

Mr. PIERCE. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Oregon.

Mr. PIERCE. Tell us why. That is a new dream.

Mr. RICH. The changes in Government, changes in conditions, changes in the departments, and changes in the personnel will almost demand that the land be resurveyed. I have been in Congress now for 7 years, and when I compare what goes through the minds of Members today and look at what conditions were 3 years ago, I note an entirely different attitude. If we make these surveys and go ahead and spend millions of dollars to make a complete survey of all the land in this country, it would be like we did 10, 15, or 20 years ago. They say they are making this survey now because they were not right then. They are making resurveys.

Why do I stand up here and ask you to cut this amount down? I realize the land should be surveyed, but they will be out of date 10 years from now and we will have to make it all over again. Why keep up a large appropriation for survey purposes if after awhile you will have to lay all of them off? We might keep on a good, select crew that is efficient, but if you appropriate $500,000 every year there is a likelihood that the surveys of a lot of new men will not dovetail into the surveys as made by the Chief Engineer, in which event we would be spending a lot of money for nothing. Better spend $100,000 for each of 20 years than to spend it in 3 years. Your results will be better and more satisfactory.

Mr. WHITE of Idaho. Will the gentleman yield?

Mr. RICH. The gentleman bothers me so much I have to.

Mr. WHITE of Idaho. Does the gentleman know anything about the Government system of marking section corners?

Mr. RICH. Yes; they marked them 10 years ago with wood posts and many of them pulled out. Now they are taking all of those markers out and putting in new ones of concrete, and they will, many of them, disappear.

Mr. WHITE of Idaho. Does not the gentleman know that under the statutes of the United States, when those things were established they were established in perpetuity?

Mr. RICH. Did the gentleman ever see anything stuck in the ground that stayed there permanently? The gentleman has not been able to stick anything in the ground that will stick. The laws you have passed are going to be upheaved and turned over. If you think you are wise enough to stick something into the earth that the frost will not move and that the elements will not change, then you are a bigger bunch of foolish men than I thought you were.

[Here the gavel fell.]

Mr. FITZPATRICK. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Pennsylvania.

Mr. Chairman, the Department requested $1,000,000 and the Budget cut this amount down to $750,000. I recall when the hearing was being held by our subcommittee, the gentleman from Pennsylvania stated, "This is one department that turns money into the United States Treasury." Last year they turned in $7,399,839.94, an increase of $2,205,440.32 over the previous year and well do I recall the statement of the gentleman that they were deserving of more money when they make such a financial return to the Treasury of the United States. Is that correct?

Mr. RICH. Just wait.

Mr. FITZPATRICK. I am surprised to find him standing up here protesting against an appropriation for the Land Office because, as he stated, it is one department that turned in money to the Treasury of the United States.

Mr. Chairman, I hope the amendment offered by the gentleman from Pennsylvania will be defeated.

Mr. VOORHIS. Mr. Chairman, I move to strike out the last word.

In connection with the amendment to strike out the appropriation for the maps it happens that I, myself, do not believe we need these maps, and I would have been glad to vote not to have the maps if it had not been for the last speech made in favor of the amendment. As that speech was being made in criticism of the President of the United States I could not help but think what would have happened if the President had resolutely refused to permit increased expenditures in the last few years. I could not help but think that there would have been people in this Nation who would literally have starved to death. I could not help but realize that as a matter of fact there are some principles of life and government which are paramount and others that are secondary. The paramount principle in a democracy is the right to life of the people.

I should also like to point out the utter unreason of attacking expenditures such as those for the Bonneville Dam transmission lines in the same light and with the same arguments as expenditures from which no return can be expected are attacked. I believe we ought to use some reason about these things. We ought to realize that government today, not through its own fault but because of the difficulties of the economic system generally, is necessarily having to assume burdens it never before has been asked to assume, and that unless government can expend its money in such fashion that there will be legitimate returns, as we may expect from the Bonneville Dam transmission lines, we will necessarily have a difficult time in meeting the fundamental obligations that face government in this day and age.

Therefore my appeal is merely that things of this character shall be judged on their merit and not on the basis of mere howling about matters that are utterly inconsequential.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield for a question about surveying?

Mr. VOORHIS. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Is it not very necessary for the Government in the handling of its oil business and the leasing of land to have such lands located and surveyed?

Mr. VOORHIS. It seems to me obvious it is necessary.

[Here the gavel fell.]

Mr. MURDOCK of Arizona. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, recently we have had before us several appropriation bills. I have been wondering why this particular appropriation bill for the Interior Department calls for so much more opposition than have other appropriation bills. The Member sitting beside me a moment ago whispered that it was because the Interior Department appropriation bill belongs more to the West, and there are a great many Members who feel it is a waste of public funds to spend a thin dime west of the Mississippi River.

On this particular item of appropriation regarding land survey I want to call to the attention of the gentleman from Pennsylvania a bit of history. The rectangular system of land surveys by which the country is blocked off into squares 6 miles square was established by the American Congress even before the Constitution of the United States was ratified. It was established to apply to the lands lying over yonder in the Ohio Valley, just west of the gentleman's State. This was in 1784. The rectangular system of land surveys of townships with 36 sections to a township has spread throughout the entire country. We have a fine system today. I will agree it might have been modified somewhat to advantage throughout the great West, but we have it legally established out there but not actually carried out adequately.

It is true there was some faulty early surveying in my own State. I recall the first survey was made about the year 1876. The measuring was done by a mark on a wagon wheel, and the Apache Indians disturbed the surveyors to such an extent they were not able to do a very accurate job. I want to pay tribute to the surveying parties who laid out the great West and fought off Indians while they were doing their measuring. They have done a good job, considering circumstances.

For instance, let me speak of one permanent thing, the initial point in the State of Arizona, which is a monument on top of a mountain at the junction of the Gila and Salt Rivers. Through this the Gila and Salt River principal meridian passes, running north and south, and through it the Gila and Salt River base line also passes. This is one point that will be there as long as this earth remains. However, although we have the principal meridian and the base line established, about a quarter of the entire area of the State of Arizona is unsurveyed. I have had four or five letters from one of my constituents claiming he has been trespassed upon by the C. C. C. operations, because some of the work of grading got on his land, he says. He cannot establish his claim because he has title to land that is not surveyed. He must survey the land himself if he wants to prove that he has been trespassed upon.

How can we develop the great West if we do not have lands surveyed? This is also true in regard to mining claims. I believe, Mr. Chairman, this is not a waste of public money. We ought to have a larger expenditure of money not only for land surveying but for topographic surveying. We do not have enough knowledge of the land which is ours all through the West.

Therefore, Mr. Chairman, I shall vote to oppose this reduction, because if I could have my way the appropriation would be increased.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. MURDOCK of Arizona. I yield to the gentleman from Pennsylvania.

Mr. RICH. We are spending money for topographical surveys the same as we are for land surveys, and the appropriation is in the bill. May I call attention to this fact, however: The gentleman believes because I am on this subcommittee and making such a fuss that this is the only bill in connection with which I am trying to cut down expenditures. I may say I think as much of the Department of the Interior as I do of any department. When it comes to the

voting, watch my vote. I am against all these radical expansions of the activities of government. We must cut down all Government expansion. I am with the gentleman 100 percent on that. I am against increased expenses not only in the Department of the Interior but in every department of government. They all must economize.

Mr. MURDOCK of Arizona. I am not asking for a radical expansion of a governmental activity in this respect. All I am asking for here is a sane, logical, and necessary carrying on of an old activity. This is a new and growing country of ours and in order to develop properly and scientifically, we need these surveys, and for this reason I am for such land surveys. We need them in my State where at least 25 percent of the land is unsurveyed.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, the gentleman from Arizona [Mr. MURDOCK] has told us that the reason people from the East oppose their appropriations is because we are from the East and they are from the West. I will tell you why it is. No one has ever heard me raise any sectional issue on this floor, North or South, East or West. I have faced every issue on its merits.

The reason you have so much trouble with this Interior Department appropriation bill is because from the beginning to end the merits are not considered, because there are tremendous increases in item after item throughout the bill without regard to the merits. No one has ever heard me discuss anything except the merits of a proposition and the interests of the Treasury, and the reason these items are subject to criticism and debate, as well as amendment, is because you have not come clean, and when clear issues are presented you refuse to vote to cut the appropriation.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. TABER. I refuse to yield. You raised a sectional issue. You stand upon sectional grounds; I stand only upon the interests of the United States as a whole. [Applause.]

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. TABER. If the gentleman cares to explain.

Mr. MURDOCK of Arizona. I want to remind the gentleman that my stand is no more sectional than his own. I try to take a national view. I voted recently for the naval appropriation bill and shall probably vote for the Army bill. When the housing program or the slum-clearance program was up, I supported it because your great cities need such things, while I do not need them in my State.

Mr. TABER. I opposed it because it was bad for the whole country, and I know it is bad, and the results will show it is bad, just like the result in all of these wild expenditures for housing, costing $15,000 and $20,000 to house one family. It is absolutely ridiculous.

Mr. O'CONNELL of Montana. Mr. Chairman, will the gentleman yield?

Mr. TABER. The gentleman from Arizona has supported vicious measures in my part of the country and he is now supporting vicious measures in his own part of the country.

The appropriations for the last 4 or 5 years have been supplemented by tremendous public-works grants for these surveys. They have been absolutely beyond reason and absolutely beyond what anyone had a right to ask. The appropriations carried here now of $750,000 for land surveys are away beyond what they have been, on the average, during the last 15 years.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. TABER. They are not beyond what the grants have made them during the last couple of years, but there is no question but what in my country if anyone has a dispute over his title, he has to look it up and pay for it. Why there should be a different situation in your country, I do not understand. I do not think it is fair to the Treasury that you should expect it. I feel that you should not expect it.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. TABER. No; I cannot yield further for extraneous questions such as the gentleman suggested before. He did not suggest anything with reference to the merits of the situation but tried to suggest something that was extraneous in an effort to confuse the people, just as he tried to raise a sectional issue.

Come clean, I ask you folks, and vote to cut expenses as you should.

Mr. MURDOCK of Arizona. Will the gentleman give me an opportunity to come clean?

Mr. TABER. That is what you should do instead of going out and raising false issues.

Mr. MURDOCK of Arizona. Will the gentleman give me an opportunity to come clean?

Mr. TABER. The gentleman has had an opportunity all the afternoon, and he has not embraced it, because he has not stood up once and come clean to cut an appropriation where a case was made out absolutely to cut it. I think the gentleman should have shown better evidence of good faith.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman [Mr. RICH].

The amendment was rejected.

The Clerk read as follows:

BUREAU OF INDIAN AFFAIRS

SALARIES

For the Commissioner of Indian Affairs and other personal services in the District of Columbia, $522,200.

Mr. COCHRAN. Mr. Chairman, I move to strike out the last word. We have now reached appropriations for the Bureau of Indian Affairs.

Mr. Chairman, if the statements so often made on the floor that the Government has for years been robbing its wards, the Indians, go unchallenged, readers of the RECORD would probably come to the conclusion that they were based on facts. To my mind the best answer to such statements is the official record. Recently during the debate on the Cherokee Indian jurisdictional bill, which was defeated in the House by a record vote, the charge was made the Government robbed this tribe by taking money advanced for payment of lands and used it to transport the Indians to another section of the country. The gentleman from North Dakota [Mr. BURDICK] made the charge the Government defrauded the Indians of $1,111,284.70 and the gentleman from Illinois [Mr. KELLER], who was so appealing in his speech in behalf of the bill, said it was his understanding that Mr. BURDICK correctly stated the facts. I asked the General Accounting Office—which is the Government agency that has all the records—for a report, and I have just received it. It is true the Indians' money was used for this purpose when they were transported to another section of the country, but it is likewise true the Congress not only reimbursed the tribe for the amount taken from the allocation for lands but provided for the payment of interest dating back to 1838.

What was the total amount they received because this money was taken and used to transport the Indians? Let us look at the record again. In all, despite the fact that it was little over a million dollars that was used, in the end Congress was required to appropriate $5,134,931.14. Furthermore, the record discloses that in 1910, $4,105,810.77 of this amount was paid per capita to the Eastern Cherokees. Thus the record again discloses the Government did not rob the Indians as charged. This is only one of many instances where statements not based upon facts are made on the floor when Indian bills are pending.

One of the arguments I made against this bill before offering the motion that brought about its defeat was that it would place the Government at a great disadvantage to show per capita payments of gratuities advanced to the Indians. I insisted this could not be done, and to require the Govern-

ment by law to do so would be taking away from the Government its defense. I was assailed for making this statement. Again the record discloses I was correct.

Mr. Chairman, I feel it will be of benefit to the Members of Congress to read the letter I have just received from the Comptroller General and therefore I insert it as part of my remarks. The letter follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
WASHINGTON, *February 25, 1938.*

Hon. JOHN J. COCHRAN,
Chairman, Committee on Expenditures in the Executive Departments, House of Representatives.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of February 12, 1938, acknowledged February 14, 1938, inclosing a copy of a speech by Hon. KENT E. KELLER with reference to the Cherokee Indian bill (S. J. Res. 64), and requesting certain information relative thereto. You refer particularly to a question by Mr. BURDICK of North Dakota whether the Cherokee Indians were charged the sum of $1,111,284.70, "for driving them across the country and took it out of the Indians' money," and to Mr. KELLER'S reply, in substance, that such was his understanding and you request to be advised as to what the records show with respect to those statements.

The transportation charges in question were incurred in connection with the removal of the Cherokee Indians from east of the Mississippi River to the then Indian Territory, pursuant to the treaty of December 29, 1835 (7 Stat. 478), and supplemental articles thereto dated March 1, 1836 (7 Stat. 488).

Pursuant to the terms of the said treaty there were appropriated by the act of July 2, 1836 (5 Stat. 73), and by the act of March 3, 1845 (5 Stat. 777), sums aggregating $5,498,977, and of that amount the sum of $4,500,000 was appropriated for payment to the Cherokee Nation for their lands east of the Mississippi River and the further sum of $500,000 was to be expended for lands west of the Mississippi River. The total amount of $5,498,977 thus appropriated was set up and carried on the books of the United States Treasury under the heading, "Carrying into effect treaty with the Cherokees." The records indicate that under said appropriations the United States disbursed, among other items, the sum of $1,863,824.61 for expenses in connection with the removal of the Cherokee Indians to the Indian Territory. The major items of such expense consisted of $686,479.06 for transportation; $745,971.88 for provisions; and $92,482 for pay of conductors and other employees. The amount of $1,111,284.70 referred to by Mr. BURDICK appears to have been included in the total disbursed as removal expenses. However, the specific amount cannot be definitely established by reason of the fact it is merged in the total disbursement.

In the case of *The Cherokee Nation* v. *The United States* (40 Ct. Cls. 252), the court gave judgment in favor of the plaintiff and included in the amount of the judgment was an item of $1,111,284.70 with interest at 5 percent per annum from June 12, 1838, until paid, which grew out of apparent improper charge against the 1835 treaty fund in connection with the removal of the Eastern Cherokees to the Indian territory. By the act of June 30, 1906 (34 Stat. 664), there was appropriated the sum of $1,134,248.23, with interest at 5 percent per annum, inclusive of the said amount of $1,111,284.70 recovered in the said judgment, and pursuant to said act there was set up on the books of the Treasury and made available for disbursement for the benefit of the Eastern Cherokees the sum of $1,111,284.70, with interest thereon in the amount of $3,825,751.46. By the act of March 4, 1909 (35 Stat. 938), authority was granted for the payment of additional interest on the said sum of $1,111,284.70 and there was set up on the books of the Treasury the additional sum of $161,324.92, thus making available for disbursement for the Eastern Cherokees a gross amount of $5,098,361.08 growing out of the 1835 treaty, which amount was merged with other moneys due the Cherokee Nation and the aggregate thereof, or $5,134,931.14, was carried on the books of the Treasury under the heading "Judgment Court of Claims, Cherokee Nation." The records indicate that from the said amount of $5,134,931.14, available for disbursement for the benefit of the Cherokee Nation, there was paid per capita to the Eastern Cherokees during the fiscal year 1910 the sum of $4,105,810.77.

It will be seen from the foregoing that the said sum of $1,111,284.70 was apparently improperly charged against the treaty fund but that subsequently the entire amount with interest was set up on the books of the Treasury to the credit of the Indians.

With reference to your request for the total amount of advances made to the Cherokee Indians, which it is assumed refers to the total disbursements made, you are informed that the report of this office on Cherokee Petition, Court of Claims No. L–268, discloses that from various appropriations, funds, and interest on funds made available in connection with treaties between the United States and said Indians, and certain acts of Congress, there was disbursed for the benefit of the Cherokee Nation the sum of $38,380,386.45, of which $38,374,959.05 was disbursed for their direct benefit and $5,427.40 disbursed for their benefit jointly with other Indians. These disbursements were made during the period from July 26, 1794, to June 30, 1930.

In addition to the said amount of $38,380,386.45 disbursed in fulfillment of treaty stipulations, the report of this office on Cherokee Petition, Court of Claims No. L–174, and the supplemental report thereto disclose that the sum of $2,889,776.54 was disbursed by the United States for the direct benefit of the Cherokee Nation of Indians under gratuity or other than treaty appropriations during the period from January 1, 1813, to June 30, 1934. During the same period $12,360,777.58 was disbursed from gratuity or other than treaty appropriations for the joint benefit of the Cherokee and other Indians. A break-down of these joint disbursements, showing the amount chargeable to each tribe, is determined by the Court of Claims, when the matter is before it for consideration, usually on the basis of Indian Office population statistics.

With reference to your further request for a brief statement as to the difference between the provisions permitting the Government to charge off gratuities and advances to all tribes and requiring the Government to show payments per capita, it is assumed that you refer to the gratuity-offsetting provision incorporated in section 2 of the Second Deficiency Appropriation Act of August 12, 1935 (49 Stat. 596), as distinguished from the gratuity provision contained in the Cherokee Indian resolution (S. J. Res. 64).

Section 2 of the aforesaid act of August 12, 1935, provides in part as follows:

"* * * In all suits now pending in the Court of Claims by an Indian tribe or band which have not been tried or submitted, and in any suit hereafter filed in the Court of Claims by any such tribe or band, the Court of Claims is hereby directed to consider and to offset against any amount found due the said tribe or band all sums expended gratuitously by the United States for the benefit of said tribe or band; * * *."

The language in the foregoing is construed to allow gratuitous disbursements made by the United States for the benefit of all tribes, except those listed on page 678 of the hearings before the subcommittee of the House Committee on Appropriations on the second deficiency appropriation bill for the fiscal year 1935, as offsets to be applied to any judgment obtained by an Indian tribe against the United States.

In the offsetting provision in the Cherokee Indian resolution (S. J. Res. 64) it is provided that—

"* * * and to entitle the United States to be allowed and to receive full credit for all sums paid such Indians on account of any of such claims, including such gratuities only in money or property, if any, which heretofore have been paid per capita to the parties plaintiff."

Since no instance is known wherein "gratuities" either in money or property have been paid per capita to any band or tribe of Indians, it would appear that a restriction of this nature contained in a jurisdictional act would tend to eliminate all gratuities that might be allowable to the United States.

Sincerely yours,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

Mr. Chairman, this letter certainly discloses the Indians were fully reimbursed by the Government not only for their lands but also for transporting them to their new homes, and that the House was justified in defeating the bill.

The time has arrived, Mr. Chairman, for the Congress to close these Indian claims, the great majority of which would not be active today if it were not for the attorneys, whose contracts entitle them to large percentages of any moneys recovered. The statute of limitations should no longer be set aside, as they have been so often in the past. The way to stop this litigation is to defeat all bills and resolutions which seek to change jurisdictional acts and authorizing Indians to file suits in the Court of Claims. [Applause.]

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. Yes.

Mr. RICH. The gentleman says the letter comes from the Comptroller General.

Mr. COCHRAN. It comes from the Comptroller General, because the Comptroller General is the only one in the United States who has possession of the records.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. TABER. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 18, line 12, after the word "Columbia" strike out "$522,200", and insert "$508,000."

Mr. TABER. Mr. Chairman, I have offered this amendment to keep the amount of salaries in the Commissioner's office down to last year's figure. We have a story in this bill of continually rising expenditures for the Bureau of Indian Affairs. In 1933 the total appropriations amounted to $27,030,000. The estimates for 1939 are $31,707,000. The appropriations for 1934 were $18,966,000. This is just one

of the ways in which we have had in the Bureau of Indian Affairs a continually rising series of appropriations. There is absolutely nothing whatever to justify it. It seems to be based only upon an increase of general administrative expenses. There is no intimation anywhere that there is any attempt being made or going to be made cutting down; $522,200 is at least $200,000 above what it was in 1931. It seems to be the program of the administration of the Bureau of Indian Affairs to increase its forces steadily. Every single item here under this Bureau is built up and unless the Congress shows a disposition to cut them down they will continually increase, and there will be no escape from an ever-mounting cost of government. There is no excuse for it. The number of Indians in this country is no larger than it has been. The things that are being done for them are absolutely out of line with the needs of the organization, and I hope that we will start in this Bureau in the right way by keeping down to the figures of last year.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I think it is unnecessary to make an argument with reference to this item. Members have not seemed disposed to be swept off their feet by the great flights of oratory on the part of one or two gentlemen on the Republican side of the aisle who have demonstrated that they do not know much about the pending bill. I stated on the floor of the House last Friday when this bill was presented to the House that practically every item in the bill had been cut by the committee below the estimate of the Bureau of the Budget. So I do not propose to waste your time now answering these self-admitted "watchdogs" of the Treasury. I have heretofore stated that some of these items have been cut drastically. The total cut for the Indian Service, including Alaska, is in excess of $1,500,000, and this is one of the items that took a rather drastic reduction. I mean not only that it took a cut below what the overworked Indian Office was asking, but it took a cut of $7,930 below the Budget estimate.

There was transferred from the Division of Education the sum of $7,200, and the same amount was added to this appropriation and taken from the Division of Education. So, in spite of all these lectures on economy and criticisms by these eminent gentlemen across the aisle, who evidently enjoy hearing themselves talk, this committee has made a very creditable showing. I desire to thank Members who have sustained this subcommittee on every roll call and express the hope that Members will again do so in this instance.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. RICH) there were—ayes 7, noes 20.

So the amendment was rejected.

Mr. RICH. Mr. Chairman, I think we should have a quorum present.

The CHAIRMAN. Does the gentleman make a point of no quorum?

Mr. RICH. Mr. Chairman, I will withhold it for the moment.

The Clerk read as follows:

GENERAL EXPENSES

For transportation and incidental expenses of officers and clerks of the Bureau of Indian Affairs when traveling on official duty; for radio, telegraph, and telephone toll messages on business pertaining to the Indian Service sent and received by the Bureau of Indian Affairs at Washington, and for other necessary expenses of the Indian Service for which no other appropriation is available, $35,000.

Mr. TABER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 18, line 20, strike out "$35,000" and insert "$32,000."

Mr. TABER. Mr. Chairman, this is another amendment to reduce to last year's figures this year's appropriations. The committee so far seems to be in favor of increasing the administrative cost of this Department. Is it not time, however, that we began to take stock? I feel that we should call attention to every single one of these increases and show that that seems to be the attempt, bigger and better appropriations designed to protect the deficit in the Treasury. It cannot be because there is need for the money, for it is perfectly apparent that there is not.

I hope this amendment will be adopted.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it is a little tedious to keep this up all day; it is hard work. There are only 35 or 40 Members present, yet this small group is spending the money of the taxpayers, increasing each item in this bill over last year, and every appropriation bill almost that comes before us. It is about time that the people's representatives in Congress realized their responsibility.

I thought a moment ago that I should not call the Members back here at 4:30 at night. My people sent me down here to do my best, and my best is only every ounce of energy I can put into it. If this administration, which is responsible for these things, insists on going ahead at the rate it is going I warn you now that the rest of the time this bill is under consideration I am going to make the Members stay on the floor. You are not going to get away with it; you have got to bring them in here. You now have about 10 minutes to bring them in for the rest of this day. If you do not there will be a quorum call. I will stay here with you until midnight and work, but I am not going to stay here with only 45 men on the floor.

Of all the amendments we have offered today not one has been accepted. So it is apparent you are not going to cut down expenses. You do not have any desire to cut down these appropriations. That, however, does not relieve several of us from doing our best to keep you from increasing them. We want to hold them down at least to what they were last year.

Your President said a year ago that he was going to balance the Budget. You know what he said when it was apparent that it would not be balanced, you know what he said when the increase went to $500,000, you know what he said when the increase was liable to go to $700,000, you know what he said when it was apparent the increase would go to a billion. I tell you that the increase will go to $1,500,000,000 if you are not careful and if you do not stop this reckless increase in expenditures. You and he are responsible.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield.

Mr. FITZPATRICK. Is it not a fact that the committee cut it down $2,490,000 below the Budget estimate?

Mr. RICH. I congratulate the committee. Its members are a bunch of dandy fellows. That, however, is not the point I am trying to drive home. You have got to cut down the Budget. And Congress only can do it, not our subcommittee. Congress is responsible, the Democratic Party who are in the saddle.

Mr. FITZPATRICK. But the gentleman just said we increased the Budget, which is not true.

Mr. RICH. By the time you get through with all the different organizations and increase of Government business, you will have still greater expenses. Did the gentleman hear the statement made the other day that the Navy appropriation bill for 1941 would be $100,000,000 more than the bill for the current fiscal year without any additional Navy appropriation? And that is the increase in but one department. You Democrats increase everything. More expenses, more departments, more government in business; yes, more foolish legislation than any administration ever enacted, to interfere with our freedom and our form of government.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. RICH) there were—ayes 14, noes 46.

Mr. RICH. Mr. Chairman, I object to the vote on the ground there is not a quorum present.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. JONES, Chairman of the Committee of the Whole House on the state of the Union, reported that the Committee, having had under consideration the bill (H. R. 9621), making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, had come to no resolution thereon.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Crockett, its Chief Clerk, announced that the Senate insists upon its amendments to the bill (H. R. 8837) entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1939, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GLASS, Mr. BYRNES, Mr. RUSSELL, Mr. ADAMS, and Mr. HALE to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 9306) entitled "An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ADAMS, Mr. GLASS, Mr. MCKELLAR, Mr. HAYDEN, Mr. BYRNES, Mr. HALE, and Mr. TOWNSEND to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 596) entitled "Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938."

The message also announced that the Senate recedes from its amendment numbered 2 to the said joint resolution.

RELIEF APPROPRIATION

Mr. JOHNSON of Oklahoma submitted a conference report and statement on the House joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes.

EXTENSION OF REMARKS

Mr. RUTHERFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial in a Pennsylvania paper.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. TABER. Mr. Speaker, I ask unanimous consent to extend the remarks I made today with reference to the printing and binding item in the present bill and to include therein a letter from the Public Printer to accompany my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimouse consent to extend my own remarks in the RECORD and to include therein a statement made by the American Federation of Textile Operatives.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

LEAVE OF ABSENCE

Mr. COSTELLO. Mr. Speaker, I ask unanimous consent that my colleague from California, Mr. CHARLES J. COLDEN, may have an indefinite leave of absence.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

EXTENSION OF REMARKS

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD on the pending bill.

The SPEAKER. Is there objection to the request of the gentleman from Arizona?

There was no objection.

Mr. O'CONNELL of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a short statement by the Algic Defense Committee.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

Mr. COFFEE of Washington. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement by Governor Benson, of Minnesota.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

PRIVATE CALENDAR

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to dispense with the calling of bills on the Private Calendar, which would be in order tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALENDAR WEDNESDAY

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. HOOK, for 10 days, on account of important business.

EXTENSION OF REMARKS

Mr. REED of Illinois. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article by David Lawrence.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did, on Saturday, February 26, 1938, present to the President, for his approval, a joint resolution of the House of the following title:

H. J. Res. 591. Joint resolution making appropriations for the control of outbreaks of insect pests.

ADJOURNMENT

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 46 minutes p. m.) the House adjourned until tomorrow, Tuesday, March 1, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs, House of Representatives, will hold a meeting Tuesday, March 1, 1938, at 10 a. m., for the consideration of a building program for the Navy. Very important. Executive session.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Tuesday, March 1, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON THE JUDICIARY

There will be a hearing before Subcommittee No. 2 of the Committee on the Judiciary at 10 a. m., on Tuesday, March 1, 1938, on the bill (H. R. 8892) to change and modify the rules of procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the act of June 19, 1934, chapter 651, by amending sections 412 and 724 of title 28 of the Code of Laws of the United States of America and by adding thereto sections 430B, 430C, and 430D, pertaining to pleading and practice in the district courts of the United States, who may sue and be sued, the selection of jurors, the appointment of court stenographers, and for other purposes. The hearing will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Tuesday, March 1, 1938, at 10 a. m., in room 328, House Office Building, to consider urgent bills.

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds, at 10:30 a. m., on Tuesday, March 1, 1938, for consideration of H. R. 9418.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

The Committee on Immigration and Naturalization will meet Wednesday, March 2, 1938, at 10:30 a. m., in room 445, House Office Building, for the consideration of unfinished business.

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House of Representatives on Wednesday morning, March 2, 1938, at 10:30 a. m., on H. R. 7230, by Mr. PATMAN.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Washington, D. C., on Tuesday, March 8, 1938, at 10 a. m., on House Joint Resolution 463, permitting the transportation of passengers by Canadian passenger vessels between the port of Rochester, N. Y., and the port of Alexandria Bay, N. Y., on Lake Ontario and the St. Lawrence River.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 9, 1938, at 10 a. m., on the following bills: H. R. 9225, authorizing the appointment of 30 principal traveling inspectors by the Secretary of Commerce; H. R. 9368, authorizing the issuance of certain seamen's certificates by inspectors of hulls and boilers.

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Wednesday, March 16, 1938, at 10 a. m., on H. R. 8251, relative to radio operators on cargo vessels.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1101. A communication from the President of the United States, transmitting two drafts of proposed provisions pertaining to the existing appropriation, "Conservation and use of agricultural land resources, Department of Agriculture," fiscal year 1938, which drafts are designed to make available from unexpended balances of said appropriation the sum of $20,000,000 to the Secretary of the Treasury for subscriptions to capital stock of the Federal Crop Insurance Corporation, and the sum of $6,000,000 to the Secretary of Agriculture to cover operating and administrative expenses of said corporation; fiscal year 1939 (H. Doc. No. 531); to the Committee on Appropriations and ordered to be printed.

1102. A communication from the President of the United States, transmitting an estimate of appropriation for the fiscal year ending June 30, 1939, for conservation and use of agricultural land resources, Department of Agriculture, in substitution of the estimate of appropriation under the same head submitted in the Budget for the fiscal year ending June 30, 1939 (H. Doc. No. 532); to the Committee on Appropriations and ordered to be printed.

1103. A letter from the director, national legislative committee, the American Legion, transmitting the financial statement of the American Legion for the first 10 months of 1937; to the Committee on World War Veterans' Legislation.

1104. A letter from the Acting Secretary of the Treasury, transmitting a proposed amendment to section 35 of the act of June 25, 1910 (36 Stat. 699; U. S. C., 1934 edition, title 40, sec. 265); to the Committee on Public Buildings and Grounds.

1105. A letter from the Secretary of War, transmitting the draft of a bill to authorize the Secretary of War to grant easements for rights-of-way for public roads and streets on and across lands acquired by the United States for river and harbor and flood-control improvements, and for other purposes; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 6461. A bill conferring jurisdiction upon the Court of Claims to hear, examine, adjudicate, and enter judgment in any claim which William Franklin Bourland, of the Chickasaw Nation of Indians, may have against the United States, and for other purposes; with amendment (Rept. No. 1857). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MAGNUSON: A bill (H. R. 9658) providing for the payment of wages at the prevailing rates to the employees of certain mail contractors; to the Committee on the Post Office and Post Roads.

By Mr. FULMER: A bill (H. R. 9659) to amend an act entitled "An act authorizing the Director of the Census to collect and publish statistics of cottonseed and cottonseed products, and for other purposes," approved August 7, 1916; to the Committee on the Census.

By Mr. DEMPSEY: A bill (H. R. 9660) to amend an act entitled "An act to eliminate the requirements of cultivation in connection with certain homestead entries," approved August 19, 1935; to the Committee on the Public Lands.

By Mr. LUCAS: A bill (H. R. 9661) to allow possession of migratory game birds lawfully taken; to the Committee on Agriculture.

By Mr. CRAWFORD: A bill (H. R. 9662) to amend section 22 of the act of March 1, 1879; to the Committee on Ways and Means.

By Mr. CHURCH: A bill (H. R. 9663) authorizing the Secretary of War to grant a perpetual easement to the city of Highwood, Lake County, Ill., over certain portions of the Fort Sheridan Military Reservation for the purpose of constructing a waterworks system; to the Committee on Military Affairs.

By Mr. GREEVER: A bill (H. R. 9664) to authorize the survey of Raft Lake on the Shoshone Indian Reservation, Wyo., and appropriating $50,000 therefor; to the Committee on Indian Affairs.

By Mr. PATTON: A bill (H. R. 9665) to amend section 5136 of the Revised Statutes, as amended; to the Committee on Banking and Currency.

By Mr. WENE: A bill (H. R. 9666) to provide for the construction and operation by the Federal Government of a system of new, durable, hard-surfaced toll automobile highways; to provide for the financing of same; relief of unemployment; promotion of public safety; stimulation of

general business; and other purposes; to the Committee on Ways and Means.

By Mr. SUTPHIN: A bill (H. R. 9667) to amend the Federal Reserve Act, as amended, to extend for 2 years the period for which loans made prior to June 16, 1933, to executive officers of member banks may be extended or renewed; to the Committee on Banking and Currency.

By Mr. BOEHNE: Joint resolution (H. J. Res. 604) proposing an amendment to the Constitution of the United States relative to taxes on certain incomes; to the Committee on the Judiciary.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Virginia, memorializing the President and the Congress of the United States to consider their House Joint Resolutions Nos. 26 and 30 with reference to elimination of certain flies injurious to livestock; also to construct a highway bridge across the Potomac River; to the Committee on Interstate and Foreign Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BINDERUP: A bill (H. R. 9668) for the relief of Miles Znamenacek; to the Committee on the District of Columbia.

By Mr. CLARK of Idaho: A bill (H. R. 9669) for the relief of certain individuals in connection with the construction, operation, and maintenance of the Fort Hall Indian irrigation project, Idaho; to the Committee an Claims.

By Mr. CLASON: A bill (H. R. 9670) for the relief of Victor P. Santarsiero; to the Committee on Claims.

By Mr. DITTER: A bill (H. R. 9671) to confer jurisdiction on the Court of Claims to hear and determine the claim of the Publicker Commercial Alcohol Co.; to the Committee on Claims.

By Mr. GUYER: A bill (H. R. 9672) granting an increase of pension to Susan Moore; to the Committee on Invalid Pensions.

By Mr. HILDEBRANDT: A bill (H. R. 9673) for the relief of William C. Willahan; to the Committee on Claims.

By Mrs. HONEYMAN: A bill (H. R. 9674) for the relief of John Borowski, Benjamin H. Hammack, and Eber A. Wean; to the Committee on Claims.

By Mr. LEWIS of Colorado: A bill (H. R. 9675) for the relief of Ben Durham; to the Committee on Military Affairs.

By Mr. RIGNEY: A bill (H. R. 9676) for the relief of the J. L. Simmons Co., Bloomington, Ill.; to the Committee on Claims.

By Mr. SCOTT: A bill (H. R. 9677) for the relief of Robert E. Blair; to the Committee on Military Affairs.

By Mr. SECREST: A bill (H. R. 9678) granting a pension to Nancy Jane Miller; to the Committee on Invalid Pensions.

By Mr. SPENCE: A bill (H. R. 9679) granting a pension to Ann Augusta Deming McKinney; to the Committee on Pensions.

By Mr. TAYLOR of Tennessee: A bill (H. R. 9680) granting a pension to Andrew J. Cross; to the Committee on Pensions.

By Mr. WALTER: A bill (H. R. 9681) to confer the Medal of Honor on Wilbert E. Bruder for services in the World War; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4253. By Mr. CLASON: Memorial of the General Court of Massachusetts, to increase the tariff or duty on certain foreign-made products into the United States; to the Committee on Ways and Means.

4254. By Mr. FORAND: Memorial of the Rhode Island Society, Sons of the American Revolution, urging the enactment of legislation that will create a protective naval force on both the Atlantic and Pacific coasts of the United States; to the Committee on Naval Affairs.

4255. By Mr. KEOGH: Petition of Fairbanks, Morse & Co., New York City, concerning the proposed $30,000,000 rivers and harbors appropriation as outlined in the President's Budget message; to the Committee on Appropriations.

4256. By Mr. LAMNECK: Petition of the American Student Alliance, Ohio State University, Columbus, Ohio, condemning the appropriation bill for armaments; to the Committee on Appropriations.

4257. By Mr. LEAVY: Resolution of the Methow Valley unit of the Washington Prospectors' and Miners' Association, in opposition to any reduction in the tariff on lead and zinc on the basis that such reduction as might be consummated by trade agreement with Canada or any other foreign power would operate to curtail activity in this phase of mining in northwestern United States and consequently result in further unemployment, loss of capital, and distress among domestic producers; to the Committee on Ways and Means.

4258. By Mr. MERRITT: Resolution of the Eastern Federation of Feed Merchants, unanimously and vigorously opposing the proposed reorganization legislation in the interest of maintaining a freely functioning Government; to the Committee on Government Reorganization.

4259. Also, resolution of the Eastern Federation of Feed Merchants, deeply opposing pending wage and hour legislation; to the Committee on Labor.

4260. By Mr. PFEIFER: Petition of the New York Petroleum Industries Committee, Washington, D. C., concerning immediate repeal of duplicating Federal gasoline tax; to the Committee on Ways and Means.

4261. By Mr. SUTPHIN: Petition of the New Jersey Bankers' Association, endorsing Senate bill 3256, extending the time for liquidation of loans to executive officers of the Federal Reserve member banks to June 16, 1940; to the Committee on Banking and Currency.

4262. By the SPEAKER: Petition of the Association of Southern Agricultural Workers, Raleigh, N. C., requesting prompt repeal of its discriminatory taxation on the sale and use of margarines; to the Committee on Agriculture.

4263. Also, petition of the International Typographical Union, Indianapolis, Ind., petitioning the disbandment of the Nazi or Fascist groups in America; to the Committee on the Judiciary.

4264. Also, petition of the San Francisco Post, No. 15, the regular Veterans' Association, San Francisco, Calif., petitioning consideration of their resolution with reference to House bills 8782 and 8948 with reference to the use of the American flag; to the Committee on Military Affairs.

4265. Also, petition of the Central Labor Union, Philadelphia, Pa., petitioning consideration of their resolution with reference to postal employees; to the Committee on the Civil Service.

SENATE

TUESDAY, MARCH 1, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, February 28, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed the bill (S. 1835) establishing a small claims and

conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a bill (H. R. 9404) to provide for the establishment of a commissary or vending stand in the Washington Asylum and Jail, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

Mr. LEWIS. I ask that the roll be called, in order to secure the presence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Calif.	O'Mahoney
Andrews	Davis	Johnson, Colo.	Overton
Ashurst	Dieterich	King	Pepper
Austin	Donahey	La Follette	Pittman
Bailey	Duffy	Lee	Pope
Bankhead	Ellender	Lewis	Radcliffe
Barkley	Frazier	Lodge	Reames
Berry	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Wagner
Clark	Holt	Norris	Walsh
Connally	Hughes	Nye	

Mr. LEWIS. I announce that the Senator from Mississippi [Mr. BILBO] and the Senator from Montana [Mr. WHEELER] are detained from the Senate on important public business.

The Senator from South Carolina [Mr. SMITH] is absent in his State engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from Indiana [Mr. VAN NUYS] is unavoidably detained from the Senate.

The VICE PRESIDENT. Ninety-one Senators have answered to their names. A quorum is present.

UNITED STATES FRIGATE "CONSTELLATION"—PETITION

Mr. RADCLIFFE. Mr. President, I present and ask unanimous consent to have printed in the RECORD and appropriately referred a letter embodying a resolution which I have received from the president of the Society of the War of 1812 in Maryland. It has to do with the return of the United States frigate *Constellation* to Baltimore.

There being no objection, the letter in the nature of a petition was referred to the Committee on Naval Affairs and ordered to be printed in the RECORD, as follows:

SOCIETY OF THE WAR OF 1812 IN MARYLAND,
Baltimore, Md., February 24, 1938.

Hon. GEORGE L. RADCLIFFE,
Senate Office Building, Washington, D. C.

DEAR SENATOR: For over 25 years the Society of the War of 1812 in Maryland has hoped and worked for the return of the United States frigate *Constellation* to Baltimore, and I am now requested by its board to include in this a copy of the following recent resolutions that were passed at its February meeting:

"Whereas the port of Baltimore did furnish and equip the first two warships and the frigate *Virginia*, the first frigate for the Continental Navy, and did also equip and maintain a fleet of 248 registered privateers during the war for American independence; and

"Whereas the port of Baltimore did furnish and equip more warships, including the frigate *Constellation*, the first frigate of the United States Navy, and the State of Maryland did supply more officers for this first United States Navy than any other State in the United States; and

"Whereas during the War of 1812 nearly one-third of the warships that were in the United States Navy had been built in Baltimore, and one-fifth of the officers and one-eighth of the men in the United States Navy at that period were Maryland men: Therefore be it

"*Resolved*, That the Society of the War of 1812 in Maryland again pleads with Congress to save the United States frigate *Constellation* and station her at Fort McHenry, near her birthplace, as a just recognition of the valuable part that was taken by Maryland in founding the United States Navy."

Very truly yours,

JAMES E. HANCOCK, *President.*

REPORTS OF COMMITTEES

Mr. GUFFEY, from the Committee on Commerce, to which was referred the bill (S. 3149) authorizing the Interstate Bridge Commission of the State of New York and the Commonwealth of Pennsylvania to reconstruct, maintain, and operate a free highway bridge across the Delaware River between points in the city of Port Jervis, Orange County, N. Y., and the borough of Matamoras, Pike County, Pa., reported it without amendment and submitted a report (No. 1416) thereon.

Mrs. CARAWAY, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (S. J. Res. 256) to amend the joint resolution entitled "Joint resolution making funds available for the control of incipient or emergency outbreaks of insect pests or plant diseases, including grasshoppers, Mormon crickets, and chinch bugs," approved April 6, 1937, reported it without amendment.

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BORAH:

A bill (S. 3561) for the relief of certain individuals in connection with the construction, operation, and maintenance of the Fort Hall Indian irrigation project, Idaho; to the Committee on Indian Affairs.

By Mr. KING:

A bill (S. 3562) amending the act for the regulation of the practice of dentistry in the District of Columbia, and for the protection of the people from empiricism in relation thereto, approved June 6, 1892, and acts amendatory thereof; to the Committee on the District of Columbia.

By Mr. ANDREWS:

A bill (S. 3563) to amend the Tariff Act of 1930, as amended; to the Committee on Finance.

By Mrs. CARAWAY:

A bill (S. 3564) to authorize the Secretary of War to lend War Department equipment for use of participants in the State high school band tournament to be held at Pine Bluff, Ark., during the month of April 1938; to the Committee on Military Affairs.

By Mr. BERRY:

A bill (S. 3565) for the relief of Martha B. McKean; to the Committee on Claims.

A bill (S. 3566) granting a pension to Fannie Drain; to the Committee on Pensions.

By Mr. McGILL:

A bill (S. 3567) granting an increase of pension to Amanda White; to the Committee on Pensions.

By Mr. TOWNSEND:

A bill (S. 3568) granting a pension to Raymond J. Coffin (with accompanying papers); to the Committee on Pensions.

By Mr. NORRIS:

A bill (S. 3569) granting a pension to Frank Swartz; to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

A bill (S. 3570) for the relief of Ida A. Deaver; to the Committee on Claims.

A bill (S. 3571) for the relief of Maurice A. Smith; to the Committee on Naval Affairs.

By Mr. DAVIS:

A bill (S. 3572) to confer jurisdiction on the Court of Claims to hear and determine the claim of the Publicker Commercial Alcohol Co.; to the Committee on Claims.

By Mr. WALSH:

A bill (S. 3573) for the relief of William J. Pitocchelli; to the Committee on Claims.

By Mr. BORAH:

A joint resolution (S. J. Res. 271) giving consent of the Congress of the United States to the States of Washington,

Oregon, and Idaho, or any two of said States, to agree upon the jurisdiction to be exercised by said States over boundary waters between any two or more of said States; to the Committee on Interstate Commerce.

(Mr. McADOO introduced Senate Joint Resolution 272, which was ordered to lie on the table, and appears under a separate heading.)

WITHDRAWAL OF SHIPPING FROM INTERCOASTAL TRAFFIC

Mr. BYRD obtained the floor.

Mr. McADOO. Mr. President——

Mr. BYRD. I yield to the Senator from California.

Mr. McADOO. I ask unanimous consent to introduce a joint resolution, and request that it be read to the Senate and lie on the table.

The VICE PRESIDENT. Without objection, the joint resolution will be received and read for the information of the Senate.

The joint resolution (S. J. Res. 272) to provide for the temporary operation by the United States of certain steamships, and for other purposes, was read the first time by its title and the second time at length, as follows:

Whereas the American Line Steamship Corporation has reported to the United States Maritime Commission that it will on or about April 1, 1938, withdraw the steamships *California*, *Pennsylvania*, and *Virginia* from the intercoastal service between San Francisco, Calif., and New York, N. Y.; and

Whereas the Maritime Commission has recommended to the Attorney General a compromise of the litigation between the American Line Steamship Corporation and the United States of America, arising out of the termination by Congress of the ocean-mail contracts formerly held by such corporation; and

Whereas the compromise, if consummated on the basis of such recommendations, would result in the acquisition by the United States of the three steamships *California*, *Pennsylvania*, and *Virginia* from such corporation and their withdrawal from the intercoastal trade; and

Whereas the continued operation of such ships in the intercoastal trade for at least 1 year is necessary in the public interest, to permit the Congress to study the problem of their continuance thereafter in that trade: Therefore be it

Resolved, etc., That in the event of the acquisition by the United States of the steamships *California*, *Pennsylvania*, and *Virginia*, now operated by the American Line Steamship Corporation, the United States Maritime Commission is directed, notwithstanding any other provision of law, to operate the said vessels for a period of 1 year from the date of such acquisition, in the same intercoastal service as that in which they are now engaged.

Mr. JOHNSON of California. Mr. President, I understood the Chair to say that the request of the Senator that the joint resolution should lie on the table was agreed to, that there was no objection. I ask that the joint resolution be referred to the Committee on Commerce.

The VICE PRESIDENT. Is there objection to that reference?

Mr. McADOO. Mr. President, I prefer to have the joint resolution lie on the table for the time being. It may be, a little later, that it can be referred to the Committee on Commerce; but I prefer to have it lie on the table for the moment.

Mr. BARKLEY. Mr. President, I merely wish to suggest that a joint resolution of that sort is one which ought not to be passed simply after lying over for a day. It ought to go to the Commerce Committee, and have the necessary investigation. I have no objection to its lying on the table for the present.

Mr. McADOO. That is all I desire. I wish to address the Senate on the joint resolution for a few moments before it is referred, and I do not wish to abuse the courtesy which has been extended to me by my distinguished friend from Virginia [Mr. BYRD].

Mr. JOHNSON of California. Mr. President, the subject matter of the joint resolution is one upon which all of us who come from the west coast are agreed; but it involves details, and involves the various agencies of the Government dealing with the subject, and for that reason I suggested that it be referred to the Commerce Committee.

If my colleague, for any good reason, desires the joint resolution simply to lie on the table and not at present be referred to the Commerce Committee, I have no objection; but I do not want to be put in the position of having this joint resolution, important as it is and involving as it does so much to the west coast, taken up tomorrow, for instance, for final action.

I give notice, therefore, that at the appropriate time I shall move that the joint resolution be referred to the Commerce Committee.

The VICE PRESIDENT. Is there objection to the understanding that the joint resolution shall lie on the table and be subject to a motion to refer it to the Committee on Commerce later on?

Mr. McADOO. Mr. President, I have stated already that I am perfectly willing that should be done, but I desire to address a few remarks to the Senate before the joint resolution is referred. I am perfectly willing that it lie on the table temporarily, as I intended that it should.

The VICE PRESIDENT. Without objection, the joint resolution will lie on the table.

HOUSE BILL REFERRED

The bill (H. R. 9404) to provide for the establishment of a commissary or vending stand in the Washington Asylum and Jail was read twice by its title and referred to the Committee on the District of Columbia.

REORGANIZATION OF EXECUTIVE DEPARTMENTS—AMENDMENT

Mr. REAMES submitted an amendment intended to be proposed by him to Senate bill 3331, the so-called reorganization bill, which was ordered to lie on the table and to be printed.

TRADE AGREEMENTS AFFECTING TARIFFS ON MANGANESE ORES, CONCENTRATES, AND ALLOYS

Mr. MURRAY submitted the following concurrent resolution (S. Con. Res. 24), which was referred to the Committee on Finance:

Whereas the President of the United States in his message to Congress on the 2d day of March 1934 recommending the legislation under which reciprocal-trade agreements are made, said:

"You and I know, too, that it is important that the country possess within its borders a necessary diversity and balance to maintain a rounded national life, that it must sustain activities vital to national defense, and that such interests cannot be sacrificed for passing advantage"; and

Whereas manganese is an essential in the production of steel, both in the uses of peace and war, and is a vital element in maintaining national life in peace or war; and an assured supply is indispensable to national defense; and

Whereas there are adequate deposits of undeveloped manganese ore within the borders of the United States which would be developed if afforded the full protection of the tariff duties set forth in the Tariff Act of 1930: Therefore be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress of the United States in the interest of national defense that the Department of State should refrain from negotiating trade agreements with any nation further reducing the tariffs on manganese ores, manganese concentrates, or manganese alloys; that these items should not be included in proposed trade agreements with the United Kingdom, Canada, or any other country; and, further, that the full duties on manganese ores, manganese concentrates, and manganese alloys as provided in the Tariff Act of 1930 should be restored by proper notice from the Department of State to the Governments of Brazil and Canada, with whom present agreements have reduced those duties, and to all nations receiving most-favored-nation treatment pursuant to those agreements.

INVESTIGATION WITH RESPECT TO TARIFF ADJUSTMENTS

Mr. LODGE and Mr. WALSH jointly submitted the following resolution (S. Res. 242), which was referred to the Committee on Finance:

Resolved, That a special committee of seven Senators, to be appointed by the President of the Senate, is authorized and directed (1) to make a full and complete investigation with respect to the volume and value of all articles imported into the United States from foreign countries during the year 1930 (the year in which the flexible tariff and other provisions of the Hawley-Smoot Act went into effect) and subsequent years, and the extent of the increase or decrease in the volume and value of each article so imported during each such year, and (2) to estimate the extent to which, as a result of adjustments in the present tariff system, employment might be increased and American wage earners protected against the competition of wage earners in foreign countries who are employed under substandard conditions. The committee shall report to the Senate, as soon as practicable, the results of its investigation, together with its recommendations for such tariff adjustments and for such legislation as

it may deem necessary or advisable to place the present tariff system on a sound and equitable basis.

SEC. 2. For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and to act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-fifth and succeeding Congresses, to employ such experts, and clerical, stenographic, and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, and to take such testimony and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $10,000, shall be paid from the contingent fund of the Senate, upon vouchers approved by the chairman of the committee.

UTILIZATION OF MINERALS AND POWER IN NORTHWESTERN STATES

Mr. SCHWELLENBACH. Mr. President, I request consent to submit a Senate resolution, and also ask unanimous consent for its immediate consideration. I have discussed the subject of the resolution with the Senator from Kentucky [Mr. BARKLEY] and the Senator from Oregon [Mr. MCNARY]. It involves simply a matter of obtaining a report from a department, and it does not involve an expenditure of funds.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the clerk will read the resolution for the information of the Senate.

The resolution (S. Res. 243) was read, considered by unanimous consent, and agreed to, as follows:

Whereas the Secretary of the Interior, through the electro-metallurgical section of the Metallurgical Division of the Bureau of Mines, has been making extensive study of electro-metallurgical processes; and

Whereas there are in the State of Washington and other Pacific Northwest States large deposits of minerals which are susceptible of these processes of reduction; and

Whereas with the completion of the Bonneville Dam and the construction of the Grand Coulee Dam sufficient power will be available for the development of the mineral areas in this territory which can be treated by the electro-metallurgical processes; and

Whereas it is desirable that the best processes possible be developed: Therefore be it

Resolved, That the Secretary of the Interior is hereby directed to file with the Senate a statement setting forth the best methods of ascertaining ways and means of utilizing the foregoing mentioned minerals and power.

The preamble was agreed to.

NORTH FORK OF RED RIVER, OKLA. (S. DOC. NO. 153)

Mr. THOMAS of Oklahoma. Mr. President, I desire to submit a request for unanimous consent.

A survey of the North Fork of the Red River in Oklahoma, with respect to flood control and irrigation, has just been completed, and, in order that the result of the survey may be made available for study and consideration, I ask unanimous consent that the report on the so-called Altus project, with illustrations, be printed as a public document.

The VICE PRESIDENT. Without objection, the order will be made.

NATIONAL LABOR RELATIONS BOARD—OPINIONS OF UNITED STATES SUPREME COURT (S. DOC. NO. 152)

Mr. WAGNER. Mr. President, I ask to have printed as a Senate document two decisions on writs of certiorari handed down by the Supreme Court of the United States yesterday, which involve orders of the National Labor Relations Board in respect to company-dominated unions.

The first decision is an opinion in the case of Edward Lauf and Amalgamated Meat Cutters and Butcher Workmen of North America, Local No. 73, petitioners, against E. G. Shinner & Co., Inc., by Mr. Justice Roberts, involving the question of the right of workers to picket; and the second one is an opinion, by Mr. Justice Stone, in the case of the Pennsylvania Greyhound Lines, Inc., and Greyhound Management Co., upholding the National Labor Relations Board, petitioner.

The VICE PRESIDENT. Is there objection to the request of the Senator from New York? The Chair hears none, and it is so ordered.

AGRICULTURAL ADJUSTMENT ACT OF 1938—ADDRESS BY SENATOR SMITH

[Mr. BYRNES asked and obtained leave to have printed in the RECORD a radio address delivered today by Senator SMITH, at Columbia, S. C., explaining the operation of the Agricultural Adjustment Act of 1938, which appears in the Appendix.]

CONDITIONS IN HAWAII—ADDRESS BY SENATOR KING

[Mr. BURKE asked and obtained leave to have printed in the RECORD a radio address on conditions in Hawaii, delivered by Senator KING, Monday, February 21, 1938, which appears in the Appendix.]

THE PATRIOT—ADDRESS BY SENATOR M'ADOO

[Mr. BULKLEY asked and obtained leave to have printed in the RECORD an address on the subject The Patriot, delivered by Senator MCADOO before the Veterans of Foreign Wars, which appears in the Appendix.]

THE GOVERNMENT LAWYER—ADDRESS BY SENATOR M'ADOO

[Mr. NEELY asked and obtained leave to have printed in the RECORD an address on the subject The Government Lawyer, delivered by Senator MCADOO before the Federal Bar Association in Washington, D. C., on February 26, 1938, which appears in the Appendix.]

LOCAL CONTRIBUTIONS TO RELIEF COSTS IN CONNECTICUT

[Mr. MALONEY asked and obtained leave to have printed in the RECORD an article from the Hartford (Conn.) Courant, of February 24, 1938, relative to State and community contributions to relief in Connecticut, which appears in the Appendix.]

STATEMENT OF BERNARD BARUCH AS TO CAUSES OF BUSINESS RECESSION

Mr. BYRD obtained the floor.

Mr. LEWIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Illinois?

Mr. BYRD. I yield to the Senator from Illinois.

Mr. LEWIS. Mr. President, appreciating the generosity of the Senator from Virginia in yielding, I desire to refer to a subject apart from the pending bill, I will ask only for a moment's consideration.

I observe from the public press that a distinguished citizen of America, the Honorable Bernard Baruch, has expressed himself before an appropriate legislative committee to the effect that what might be called the business recession is due, from his point of view, to the existing regulations regarding taxation. Having very great respect for this distinguished former official of the Government, and knowing him to be a patriotic citizen, I beg to diverge from this expression of his at this time and rather revert to the viewpoint which this distinguished officer of the Government, the eminent patriot as well as financier, took on a previous occasion, under conditions exceedingly similar to those of the present time.

I now invite your attention, Mr. President, and that of the Senate for the moment you are kindly indulging me to the fact that the business world seems to be discouraged; there seems to be set upon it something in the form of a depression. There seems to be with it, sir, an idea that the administration, in some form, is responsible for this situation; also there are those who assume that something has transpired in connection with our general legislation, and as a direct result from it, that has produced the present condition of depression and, we might say, of business oppression and to some degree of national discouragement.

Mr. President, I wish for a moment to invite the attention of my fellow Senators to the condition existing in the spring of 1914, which our distinguished fellow citizen, Mr. Baruch, later a director of the War Industries Board, omitted to consider. In March, April, and May of that year there was in this country a sudden depression as to all business, a form of discouragement that seemed to seize the citizen, a general feeling in agriculture and in commerce that something had transpired which removed confidence from the public and had included or introduced, at least, complete discouragement as to all prospects of prosperity.

Mr. President, at that particular time the able gentleman who gave his testimony before the committee yesterday rightfully ascribed as one of the reasons for the condition

then existing the want of confidence and a feeling of terror on the part of the people of the country, caused by what appeared to be the threat throughout the world of what might become a general conflagration of war.

I ask you to consider now that in 1914, in the month of March, there was such depression in business as now exists. We—and I use the word "we" meaning the Democratic administration—had in 1913 come into power, and had been successful in passing remedial legislation. But suddenly in 1914 there came a depression, much to the bewilderment of thoughtful men, who, seeing our conditions, could not understand why we should not continue in the prosperity we were enjoying. The reason, however, was that given by the very able gentleman who gave his testimony yesterday, to whom I have alluded, whom now I beg to quote, whose conclusions I beg to adopt, and point out the parallel.

Europe at that time was in a position of great doubt as to what would transpire upon it. It stood cap-a-pie for war. Just then, sir, at a moment unexpected, a single shot from the event at Sarajevo practically sent itself through the vitals of 12,000,000 human beings, withering them to death, to say nothing of the effect it had upon the business of the world, both in industry and in commerce. Then, sir, followed the real war, as was feared; and, apart from the sale of munitions and some few ships, our business continued in its unfortunate depression, as it might be called, with great discouragement and much anxiety. This continued situation was only relieved by the lending of our money through our banks for war supplies.

How stand we now, sir? Is not that the exact condition? Here are conditions exactly parallel to those of 1914—parallel even in the months of the year. I invite your consideration, sir, of the fact that we are now confronted with Asia all at war, with part of Europe at war, with all of Europe frightened with the prospect that it will be drawn into war, with everything restrained, all money withheld, its orders to our manufacturers necessarily declining; and these, sir, have been multiplying in their gradual recession. Our agriculture has no demand from outside, in the export market, such as ordinarily it should have.

Our financial masters in our community are greatly discouraged, upon the theory that this Government has done something to bring about this condition, and these labor under a misconception in that regard, forgetful of the fact, sir, that we are the only country in the world wholly at peace; that we are the one country of the world quite capable of manufacturing and preparing for all the needs of the world; and, sir, that but for some reason wholly apart from ourselves we would have continued in the advantages that were afforded by these situations.

Now, Mr. President, it is apparent that when we let our country and the world see—I use the word "we" meaning our legislators—that this country will not be drawn into any war, it will not draw itself into any war, it will do everything that will prohibit and prevent any war touching this America, so soon as that fear has been disposed of in the minds of our country, we will have removed the terror that really possesses the general mind of our localities at home and around us in the whole country. Second, sir, it is but a matter of time when the situation of the countries of Europe will be settled among themselves. It is impossible that a general world war shall really break out and continue. Finances prevent it. Conditions of these countries prevent it. Unhappily, there is the threat; but, Mr. President, so soon as it is apparent that affairs in these countries have come to some equipoise and have settled themselves down, this our America will be the land to which all will appeal for every form of supply and every form, sir, of resource that shall resuscitate all our industries and revive their enterprise.

Why should we sit around and allow our citizens who are terrorized and frightened to continue so because of not knowing the facts? We must not carry on this feeling of discouragement. We must not allow to be attributed to the Government wholly and completely a cause for which it is perfectly plain to us it is not responsible.

I take the liberty of inviting my fellow Senators to contemplate the fact that our particular duty at this time is to begin, as far as we can, to educate the country to a realization of the fact that there is no need of this fear. There is no justification of the terror. As a matter of fact, we need only to gather ourselves together in the encouragement of our fellow citizens, that we may see that the enterprise and prosperity that are due America will surely, easily, and early be inherited by us, the inheritance of our deserts, because of the justice of our people toward the world at large.

I thank the Senator from Virginia [Mr. BYRD] for having yielded to me for the moment for this expression.

Mr. BYRNES. Mr. President, will the Senator from Virginia yield to me?

Mr. BYRD. I yield to the Senator from South Carolina.

Mr. BYRNES. In view of the reference by the Senator from Illinois to the statement of Mr. B. M. Baruch before the Special Committee to Investigate Unemployment and Relief, I ask unanimous consent to have printed in the RECORD the statement of Mr. Baruch, so that the Senate may see the statement in its entirety.

The PRESIDING OFFICER (Mr. DIETERICH in the chair). Is there objection to the request of the Senator from South Carolina to have printed in the RECORD the remarks of Mr. Baruch before the Special Committee to Investigate Unemployment and Relief? The Chair hears none, and it is so ordered.

The statement is as follows:

UNEMPLOYMENT AND RELIEF

UNITED STATES SENATE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF,

Monday, February 28, 1938.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator JAMES F. BYRNES (chairman) presiding.

Present: Senators BYRNES (chairman), FRAZIER, LODGE, CLARK, DAVIS, HATCH, and MURRAY; also Alan Johnstone, counsel to the committee.

Also present: Senator PAT HARRISON.

STATEMENT OF HON. BERNARD M. BARUCH, INDUSTRIALIST, NEW YORK CITY

The CHAIRMAN. The meeting will come to order.

Mr. Baruch, we have requested you to appear before the committee to get your views with reference to the matter set forth in the resolution on which this committee is acting.

In the letter that I wrote you advising you of our desire, I informed you of some of the subjects to which we wished you particularly to direct your remarks.

If you have prepared a statement in response to the invitation, we will be very glad if you will read that statement first, then the committee can interrogate you further.

We will be glad to have you proceed.

Mr. BARUCH. Thank you, Mr. Chairman and gentlemen.

I am honored and privileged to testify from my experience on the problem of the economic system under which we live.

This system has been good to me and mine. My father, a scientist, was an immigrant and a refugee from attacks on freedom in another country, to find himself fighting against what he regarded as oppression of the Confederacy in this country. My mother's people had been here since before the Revolution. They were both of a race and religion which have not always been granted liberty and equality of opportunity in other lands. I am as proud of one as of the other. For both of them, and for myself, I feel grateful to the political and economic system which has nourished and honored us, and so confident of its principles that I cannot agree with those who now seem to feel that because it has faltered it has failed. I do not believe that in those essentials it should be condemned in favor of the unproved experiments we see going on in other and less liberal lands. From what I know of those alien countries and of this, I regard our own as the one hope of civilization in a troubled world.

I have been among the first to urge that the lag of our economic and political systems behind the developing complexities and social necessities of modern life must be eliminated. I think I was as early as any to urge economic equality for agriculture, a floor under wages and a ceiling over hours, Federal assumption of a share of the cost of relief, especially by public works, the elimination of unfair trade practices, the principles of social security, and, in general, a point of view best expressed by Woodrow Wilson many years ago:

"In these doubtful and anxious days, when all the world is at unrest and, look which way you will, the road ahead seems darkened by shadows which portend dangers of many kinds, it is only common prudence that we should look about us and attempt to assess the causes of distress and the most likely means of removing them.

"There must be some real ground for the universal unrest and perturbation. * * *

"The Russian revolution * * * was due to the systematic denial to the great body of Russians of the rights and privileges which all normal men desire. * * *

"It is to be noted as a leading fact of our time that it was against capitalism that the Russian leaders directed their attack. * * *

"There are thoughtful and well-informed men all over the world who believe, with much apparently sound reason, that the abstract thing, the system, which we call capitalism is indispensable to the industrial support and development of modern civilization. * * *

"Is it not, on the contrary, too true that * * * many fine men who were actuated by the highest principles in every other relationship of life seemed to hold that generosity and humane feeling were not among the imperative mandates of conscience in the conduct of a banking business, or in the development of an industrial or commercial enterprise?

"And if these offenses against high morality and true citizenship have been frequently observable, are we to say that the blame for the present discontent and turbulence is wholly on the side of those who are in revolt against them?

"Ought we not, rather, to seek a way to remove such offenses and make life itself clean for those who will share honorably and cleanly in it?"

In other words, I agree that our system needed revision but I do not believe that it needs revolution, peaceful or otherwise, and I think there are a few fundamental general principles that should guide us in everything we do.

Since Mr. Wilson wrote that some 15 years ago, we have had an opportunity to study the workings of the Russian plan to do away with the profits system. We have also seen the Nazi and Fascist experiments. We have observed the backwash of these ideas flooding against the shores of the democracies—France, England, and America.

What have we learned from their attempts? I think that much of the Nazi and Fascist upheaval stems from the blunders of the Treaty of Versailles, particularly in its reparation clauses. To avoid facing grim realities, burdens were placed upon the vanquished which disregarded human equations and economic laws as immutable as the multiplication tables. Partly because of this impossible artificial forcing, both the Communist and Fascist systems also adopted measures equally inconsistent with the great natural laws of human and economic nature. In whatever direction we look, the result is not pleasing to observe.

So much of the peace and trade of the world as ever rested on good faith and solemn international agreement is gone. Much of the commerce among nations, where not dwindling, is stimulated by artificial uneconomic devices. Peace hangs by a thread. Whatever hectic activity may have been forced within the nondemocratic nations, externally they are nearly bankrupt. Both international and private morale are at a low ebb. I can see very little of their effect either within or without their own boundaries to recommend their systems to us.

What then have we learned from this history since its beginning at Versailles?

Have we not yet learned that we cannot free ourselves from the ultimate working of the natural economic forces or the inevitable human equations which govern mankind?

I think these experiments show the fundamental principle that should lie at the bottom of everything that we plan or do in combatting this depression. Every action should be designed not to attempt to repeal natural economic laws but to accommodate them to our uses and harness them to our needs. Every action should consider all human equations and not attempt to force divergent humanity into the rigid mold of some social or economic thesis.

From the time man appeared from primordial obscurity as the commanding figure among living things his existence has depended on his ability to accommodate natural laws—to prevail against animals and insects, starvation and disease, war and weather—and above all, his own incredible folly. The lesson that shrieks for recognition throughout all history is that in solving this problem of existence we do not oppose these laws. We apply them. We do not make them our enemies but our allies.

To sail the seas is not to obstruct the law that the "wind bloweth where it listeth." It is to use the wind to take us where we will, no matter where it listeth. Savages crouched in terror before the lightning. Benjamin Franklin harnessed it. We have wisely used and adapted the laws of chemistry and physics but not so wisely have we managed laws governing economics and human nature.

Much progress there has been. No longer do we countenance the ruthless old law of survival of the fittest in social relations. Savages destroyed the weak and the aged. We have progressed from that. But, until a recent day, society was concerned with no more than mere alms to the unfortunate. We have made great strides away from this "little mercy of man." We recognize a responsibility of our national community for all its members. There are some who go much further and say that community responsibility is everything—individual responsibility nothing. That doctrine, I think, ignores the economic law that there is a limit to the burden a community can carry and the human rule that when relieved of individual responsibility man ceases maximum effort.

These are not limits of selfishness. They are limits of natural effectiveness—limits beyond which the lack of responsibility among nonproducers plus the burden on producers slows down all production and makes the real state of the whole community, including the less fortunate, much worse than it was before. I fear that in trying to amend our system we have attempted too much too hastily to keep within these natural limits.

In the field of business economics I sometimes wonder whether we have even stopped to discover what the true governing natural law is. We are blundering among three separate and diverse ideas: (1) Complete government operation of business as in the Fascist states; (2) a recognition that our economy has fallen naturally into great groupings and a determination to use them to our maximum advantage, regulating them to protect the public from exploitation and to prevent abuses; and (3) unlimited competition. The third idea, "survival of the fittest," remains here our law to the full extent of the jungle rule of tooth and fang. Like an ancient fly in amber it is preserved from our elder day in all the pertinent statutes of our books. Our antitrust acts are built on a mandate for ruthless competition as the perfect antidote for the social poison of monopoly. Yet in contemplation of 40 years of the practical application of this attempt to prevent concentrations of economic power which were a natural and unavoidable by-product of our great growth it seems a failure. Never in history has there been such a centripetal phenomenon as our modern concentration of business in a few institutions of overwhelming power.

I think that in this is revealed our backwardness in accommodating the natural laws which govern us to our developing necessities. Should we not reap the full benefits of our natural developments of mass production and mass distribution and by intelligent regulation prevent all abuses? We have not adopted this philosophy. We cling to the doctrine of unlimited competition.

Perhaps it is an aspect of another natural law—the principle of the pendulum. Up to the end of the seventeenth century, there was an ancient and so-called "mercantile" doctrine growing out of the guild system of the Middle Ages. It permitted one form or another of regulation of nearly every business and labor relationship.

With the revulsion against regimentation of mind, body, and spirit that came toward the end of the eighteenth century, this economic philosophy of the Middle Ages was also broken and the pendulum swung to the other extreme of the arc. The doctrine of laissez faire was born. Just as unlimited freedom of thought and political action was preached as the social salvation of mankind, so unlimited business competition was to be the sole solution of the economic problem of every nation. The doctrines of Dr. Quesnay and Adam Smith became an economic religion.

What is unlimited laissez faire? Is it more or less than a complete surrender to the ancient animalistic natural law of survival of the fittest? Is it a doctrine more enlightened than that man can't adapt the law of the winds in sailing the sea? I think not and yet I truly believe that it was the most effective doctrine in developing a country of continental extent, of boundless resource, and unlimited for individual initiative.

But that era ended at about the end of the nineteenth century. In the industrial East, at least, individual initiative had begun to merge into corporate collectivism.

As the years of the twentieth century advanced, our new industrial engine became marvelously efficient. The motors of mass and machine production raced merrily in times of ascending activity to give employment and increased enjoyment of its products to all. But the engine had neither governor nor flywheel. It disgorged tons of output with little regard to the power of its human parts—which were its only markets—to consume its products. When the channels of production clogged with undigested surplus the whole machinery stalled. Its human cogs and ratchets had lost their individual self-sufficiency. When their jobs were gone, they could no longer trek westward. Not only had the old free West vanished, but, in their specialization, they had lost power to conquer it if it had remained.

The peaks of prosperity became higher and steeper, but the valleys of depression grew deeper and wider. The old cushions for depression—new horizons of free land—were gone. But we took little heed of this vast change. We clung to the doctrine of unlimited competition and individual laissez faire long after the conditions to which it was suited had vanished. We did not even attempt to adapt the underlying economic law to our new uses or our new uses to economic law.

The crash of 1929 and the lean years that followed it at last thoroughly awakened this Nation and the world to the startling necessity to temper the raw doctrine of laissez faire with the age-old lesson of our race—that we must not lie down dumbly under the destructive effect of natural laws. We must stand up and apply human intelligence to their adaptation, as mankind did to the glacial age, to flood, fire, famine, and pestilence; to storm and drought and earthquake.

Everywhere in the western civilization this attempt is being made in every guise from communism to fascism. As in all such periods of distress, the tendency is to go too far and at a pace too headlong. It is human nature to do this; to rush from a freezing at the ice of laissez faire—regulate nothing—to a burning at the other fiery extreme of regulate everything. In our country, as I have said, we seem to be undecided whether to try to break our big units up into small ones, or to regulate everything.

To regulate everything in a country of the size and complexity of ours is an infinite task for which there is little if any experience. Woodrow Wilson, in giving instructions for an immense industrial regulation under the stress of war, laid down a rule which at least worked—to leave alone what is being well done, to administer that which is ill.

I think that is a good guide. That seems to me to accord more with natural law. Depressions start and grow from the too great submergence of particular economic areas. Booms burst from the too great advance of others. The submergence of one area, such as agriculture, reduces its buying power and so restricts the principal consuming market of the industrial parts of the machine. Thus a decline begins which can only end with a restoration of balance, either by the elevation of the depressed part or a degradation of all else. Similarly, the too great elevation of any economic area has a precisely equivalent effect. The price of its products gets beyond the reach of its accustomed markets and the only cure is recession until balance is established. Marked recession means misery to millions.

These exaggerated departures both above and below the even line of normal balance, when at one moment we go through the roof and the next go through the cellar, I like to call "uneconomic" areas. It is to clear abuses of our economic power and to those extreme areas rather than to our whole business structure that I think we should apply our efforts.

If anywhere within our ingenuity there are means to prevent abuses of private economic power and the recurrence of these wide swings—these peaks too high and these valleys too deep—can we be satisfied to sweat it out under the ancient doctrine of laissez faire? Every year it becomes more certain that we cannot leave the material welfare of 130,000,000 people to the vagaries of every economic wind that blows.

We have produced in the past 4 years some far-reaching prescriptions on particular fronts but have we done so wisely? Few indeed are the adaptations by man of natural laws that have sprung into being full-fledged. The skepticism of medicine toward any new nostrum may, at times, have been too conservative but the scientists' approach is surely better than the witch doctor's.

Just as I believe that it is better to address only the "uneconomic" areas than to try to shatter this sorry scheme of things to bits and then mold it nearer to the heart's desire, so also do I think that we might take lessons from the patient study of the scientist, and fewer from the miracles of the magician.

I think that we could take a lesson from the British practice of public hearings before nonpolitical mixed commissions addressed to a single subject before devising earth-shaking changes in our economic and political systems. It has its disadvantages, among them being delay, but it seems preferable to the presentation to Congress of full-fashioned, far-reaching statutory innovations.

I do not undertake in this opening statement to talk about specific applications of these generalized conclusions. I prefer to leave details to such questions as you care to ask, but I do want to emphasize one general guiding principle which all that I have said before was intended to develop.

The moving forces of mankind are acquisitiveness, the urge to function as an individual, a yearning for freedom in mind and body, and above all the constant quest of opportunity to advance. These are the attributes of individualism. Difficult as it may seem, I think that the only proper solution of our many problems is one which admits and adapts to our needs this inherent human force. The combination of these separate incentives of the workers among 130,000,000 people are the motors that run our economic machine. In correcting "uneconomic" areas and policing vast concentrations of economic power for maximum public service and minimum abuse we must preserve to the utmost, individual initiative, individual freedom, and in the least possible degree, restrict opportunity for individual advancement. These have ever been, and ever will remain, the dynamos of all our progress. Recently we have taken too little care for this principle.

For what is the alternative to the incentive of the hope of individual gain and advancement? Clearly it is the fear of punishment—compulsion by the state. Perhaps that can make men work grudgingly to share a phantom of equality, but it can never make them work without stint or limit in the hope of getting ahead in life. It cannot possibly create the type and quantity of service and production that we must have to keep alive our body economic, social and political.

To every ability, every investment, every effort we can say, "Yes, you can go ahead and do your best to earn, but the state by regulation, restriction, administration, or taxation is going to take the fruit of your labors to give to others who through whatever cause—weakness, sloth, or misfortune—have not earned as much."

There is an idea abroad that this is a way to share our wealth, but I say it is sharing our poverty, because it removes the steam from our engine of production—the hope of gain. When we have done that, there will be less effort and hence less output. There will be less to go round. The poor will be poorer and the rich less rich. I believe our whole system will collapse in political revolution and economic ruin, because we shall have destroyed its dynamo through failure to recognize the economic and human laws that govern it.

To activate our economy we can rely on the profits system and the hope of gain, or we can try the new European ideas of state regulation and the fear of punishment. We can try either, but we can't try both at the same time. The hope of gain demands more freedom from political domination than is consistent with any fear of punishment. On the other hand, under any governmental domination there can never be sufficient freedom and hope of gain to activate the production and reemployment that we must have. You can have either, but not both at the same time. "America must choose."

If it became clear tomorrow that America has definitely chosen her traditional profits system, forces would be released that would rapidly hasten recovery and reemployment.

In stating these principles I do not mean to convey any idea that I am not in sympathy with most of the great social objectives for which I have myself argued for many years. I believe they can all be attained within these principles. I think, however, that we must cut the coat to suit the cloth. As I said earlier there is a limit in laying burdens on any economy beyond which you get a less rather than greater return by reason of the multiplicity of drains. It is called the law of diminishing returns.

I realize that political officials must do things politically. I know that it is just as cogent for a politician to say of a businessman, "He never had to win an election," as for a businessman to say of a politician, "He never had to meet a pay roll." But there is surely a common ground of mutual sympathy, understanding, and compromise if both keep a clear recognition of essential principles from the violations of which, as I believe, our whole frustration stems.

In this connection, I must frankly say that I do not believe there has been a proper or even a wise cooperation, of all those managing business with those who must finally enact and administer the rules governing the relationships in our complex life, which there must be between government, management, capital, labor, and agriculture. Of course, impossible experiments should be fought. But all approaches to a solution should be more sympathetically considered by those experienced in business who know what the practical workings and results would be. Furthermore, industry must help eradicate its own abuses in the field of finance, public-utilities speculation and relations with labor and the consuming public. It has not done its full share there. If it does not help cooperatively, the job will have to be done by government alone and far less well.

In the difficult tasks covering our whole national and international life in this changing world, our Congress representing all the people, and examining the recommendations of its executives, has a terrific, unceasing task before it. A better mutual appreciation of that responsibility and also of the problems of business would go a long way toward a solution.

Above all, we must work and will work to meet the emergency and the needs of our unemployed. About $20,000,000,000 have been spent. This is a huge sum. Yet important as it is, after all it is wealth that can be remade and replaced. It will sink into insignificance if we have preserved to our people the morale and will to fend for themselves. It is that which has put America in the foreground of the world, and it is that, and that alone, that can now pull America out of this new morass.

The CHAIRMAN. Mr. Baruch, a number of witnesses who have appeared have urged that there must be cooperation between government, capital, and labor. You introduce a new formula, and you say that there must be more cooperation between government and management and capital. What do you mean by the management as differentiated from capital?

Mr. BARUCH. It is a very important differentiation, Senator, because there is a capital that goes into enterprise and there is the management of the enterprise. In many instances the capital doesn't have much to say, that is, the stockholders, but it is the management who really ought to represent everybody but who, I fear in most instances, represent themselves, and they feel that every change is a change for the worse, and perhaps may not be a change for the better, and I think that we have got to consider the four elements, not alone the capital, which is more or less dormant and inactive; and the management, which is very active.

The CHAIRMAN. There can't be any cooperation by capital without cooperation by management?

Mr. BARUCH. No, sir; because the management is directing that capital, and it is a very important element.

The CHAIRMAN. I don't want to enter into a discussion of the general statement that you have been kind enough to present to the committee, but I did advise you that we would like to have your views with reference to the subject of taxation, as affecting this question of unemployment. You have referred to it in your general statement, and we will be glad to have your views on that subject, on taxation.

TAXATION

In considering the application of the principles I have stated in the beginning, we come to the problem of taxation.

I want to make it clear at the outset that I am not arguing for lower Federal revenue until the Budget is balanced. But that is quite a different matter from saying that I believe that rates and forms of taxation cannot be reduced and readjusted with the greatest benefit to all. As I have suggested there is such a thing as the "law of diminishing returns" and I believe we have given it far too little thought in our tax structure. That law sounds pompous. It is very simple. It simply poses the question "At what point does a tax rate on business activity become so high that it retards activity and so diminishes revenue?" Where is the peak load that human initiative will carry?

Perhaps I can illustrate that best by an example. A fisherman makes a catch of say 12 fish a day. When he comes in he gives two fish a day to the elders of the village for the old, lowly, and sick. He needs four a day for himself. He gives a fish or two to the man who thatches his roof and one or two to another man for meat, berries, or vegetables, or to the man who makes coverings for his body and feet.

Then the chief of the elders of the village asks him for three or four fish. He does not like this but he can get along with the eight remaining but he does not have as many fish to expend for thatching his roof, or to get vegetables and clothing. That immediately reduces the employment of the purveyors of

both. Pretty soon he is asked to give so many fish and can enjoy the uses of so few that he will lie in bed until 10 o'clock and catch only what he needs for himself.

The CHAIRMAN. You mean to say that he just comes to the conclusion that he is going to stop catching fish for the village, and makes those boys down there start and get up and catch their own fish?

Mr. BARUCH. Yes, sir.

The village elders get fewer fish and a lower standard of living will result for everyone. No one is helped. Weight a horse too heavily in a handicap and he will break down or, like Sarazen, sulk and refuse to run. Man is like any other animal. If you place too great a burden on him he will not work. That is the law of diminishing returns.

I am having some studies made of the burden of all taxes. That is my own private study, a study of the price of a $1.50 shirt in Cincinnati shows that 31 cents of the price represents hidden taxes in its manufacture and sale.

The CHAIRMAN. Have you got that study?

Mr. BARUCH. I haven't that in front of me, and I am making a study of a man driving an automobile for a certain length of time, and finding out what the hidden taxes are in the purchase and use of an automobile which has become such a great necessity for the men of the lower brackets.

Senator CLARK. What do you mean "the hidden taxes," Mr. Baruch?

Mr. BARUCH. First of all, for instance, there was a process tax, the State taxes, unemployment-insurance taxes, social security, and every form, and there are many taxes. That isn't an income tax.

Senator CLARK. I was just trying to get your definition.

Mr. BARUCH. All forms of taxation, because I think that as long as—I would like to finish it, but as you have started——

Senator CLARK. I would rather that you go ahead.

Mr. BARUCH. I don't believe that real wages have advanced, and I think that they have declined, because I think people have had to pay more for the things, and that is one of the reasons, but, if you will permit me, I will make a note and we will come back to that.

Senator CLARK. I would be very glad to have you.

Senator DAVIS. Aren't there more than 50 different kinds of taxes on a loaf of bread?

Mr. BARUCH. Yes, sir. Well, I have got some men making those studies, and I don't know whether they will be worth anything or not and show anything or not, but I am sorry that I didn't have them in time to present to this committee, but if I do get them before you make your report I will be glad to submit them to the committee for what they are worth.

We have never approached our tax problem from the question, How can we get the greatest possible revenue with the greatest possible encouragement to production and business activity? We have approached it recently with what seems like a precisely reverse purpose, and yet in increased business and production alone lies the solution of our unemployment problem, as well as of our Budget problems. I not only agree with the President that we need a national income of one hundred billions a year, but I think it is well within our possibilities. But whether we get it or not depends altogether on a wise readjustment of our tax structure. The power to tax is the power to destroy. If you destroy the gains incentive, you destroy both activity and revenue. Our need is for both.

I shall not elaborate the copious testimony that you have had here on the necessity for modification of the capital-gains and undistributed-profits tax. Instead of encouraging expansion and activity, which make for increased revenue, they have greatly repressed both. They are the outstanding instance of failure to apply the law of diminishing returns to our problems of revenue and taxation.

I would not completely repeal either tax. If the business of a man is buying and selling securities, his profit from those transactions is income and should be taxed as is all other income. But to tax as income in a single year the growth of capital through many years of work and risk, merely because it was realized in that year, and without regard to losses in other years, is not only unfair and unjust but it works to drive all capital, big and little, into unproductive investment and to take from expansion, increased production, and reemployment the very force which drives them.

I agree completely with so much of the principle of the undistributed-profits tax as prevents tax avoidance through the unproductive accumulation of surplus or the accumulation of surplus beyond the needs of prudent business administration. But that can easily be attacked without paralyzing the expansion of old business and the creation of new industries.

One of our principal problems is technological unemployment and woeful lag of activity in the capital-goods industries. That is where our greatest pool of unemployment resides. That there has been a vast replacement of men by machines is beyond argument. The only possible offset to that is the creation of new industries and the expansion of old ones.

The combined influence of high and unreasonable capital gains and unwise undistributed taxes has almost stopped the development of new enterprises. Financing of new developments is a very risky business. It usually takes a long time and a period of consecutive losses before there are any profits. Under the capital-gains tax the Government, in effect, is saying, "If you lose, you lose it all. If you succeed, we take most of it." Nobody wants to take such risks.

Another way to build a new industry is by plowing back its profits. Under the undistributed-profits tax that way is also almost completely closed.

The third and last way is to build by borrowing, but that avenue is also barred if the borrowing must be paid from profits.

Considering all three effects together, these taxes close all three approaches toward a solution of technological unemployment, which, I think, is our greatest unemployment problem. Our prime necessity right now—the development of new industries—is slowed tremendously by these twin taxes. I think we should exempt small industries and new industries during development and also exempt all expenditures of any corporation for expansion of capital facilities or development of new products or for payment of debt incurred for the same.

The regular income-tax structure should also be given a thorough overhauling to discover its maximum revenue-producing efficiency under the law of diminishing returns.

In the State of New York the same source can be taxed not only by the Federal Government and State government for income, but if you do not happen to come under the incorporated business, you have to pay an additional 4-percent unincorporated business tax. Thus, the maximum reaches as high as 91 percent. But with deductions for State taxes, it will be 81½ percent. That, of course, is outside of municipal levies and all other taxes.

It must be perfectly apparent that nobody will risk much money for the purpose of giving 91 percent or 60 percent or even 50 percent to the Government if he succeeds and cannot charge off his losses if he fails. It simply prevents money from going to work to put people to work and to restore the activity which we call prosperity, upon which we all rely. No man will use his money except upon a chance of profit commensurate with the risk involved.

I am not too greatly impressed by the opinions of British and other foreign economists. Many are most distinguished but their problems are not always our problems. On the question of budgets, taxation, recovery, and social security however, the British experience is longer than our own. And on their application of the law of diminishing returns, I merely submit, for what it may be worth, a chart which I have prepared comparing our income-tax structure with their own.

In considering these charts, we may ask not only how our rates in the higher brackets restrict our own activity but how also the relatively lower rate in Britain enables British capital to develop Britain's export trade when our capital is prevented from doing so by these taxes. What chance has an American exporter compared with other countries, which have lower standards of living and which in addition have either subsidies or lower taxes—both income and death duties, with no gift tax—and particularly what chance has an American investor in export trade against an investor in England where there is no capital-gains tax? American export trade cannot live in such competition.

In our great need for revenue, the tax laws should be designed for increasing employment and revenue and not for revenge, punishment, hatred, regulation, or advancement of any social theory. It is my belief that if they were scientifically revised for the two purposes I mentioned—maximum revenue and maximum recovery—we could make a very great advance.

There is another field that merits most careful study. I refer to death duties. Before I go further, let me say I am not for their repeal. It certainly does not make for expansion of private business or stability of prices and capital values to have liquid assets, and in some cases great industries, in a constant process of crash liquidation or facing it, or at least forced and rapid liquidation, to pay death duties of various kinds. It creates a constantly caving market and a constant diversion of investment money into old rather than into new enterprises. I don't know how much reduction in capital values it has worked, but I submit you figures on how much out of the savings of all people have to be collected in death duties.

According to the Standard Statistics, new money issues of stock and bonds in 1936 were $944,000,000. Total taxes paid and which had to be raised in the open market in competition for liquid capital in that year were $449,000,000, 47 percent of what was raised for death duties.

In 1937 there were $1,369,000,000 of new money issues of stocks and bonds. In that year $376,000,000 were paid against estates, about 25 percent of what was put into new money securities.

It is a great deflationary influence. I am not interested in preserving any unearned wealth to a younger generation, my own or others. But I do think our process of suddenly breaking up enterprises and turning them into instant cash, regardless of conditions, should be studied to find a way to prevent the tremendous retardation it imposes on recovery. After a certain point in developing enterprise curtailment to prepare for death duties sets in. Here we have a law of diminishing development. With the present death duties practically all classes of America's real-estate securities and every other form of asset are for sale.

All you gentlemen have to do is look in the towns and villages in which you live.

Revision of Federal and State tax structures for maximum business activity and at the same time maximum revenue on the law of diminishing returns requires study. I am not here making specific recommendations except as to principles. But I believe that an open hearing in a deliberate inquiry by a mixed commission where economic as well as political tax experts could be heard, could make proposals much improving the present structure and it is hard to excuse our delay in doing that. It is a

matter of public concern of pretty nearly first magnitude. If there is such a thing as science in government, this is where it should be applied. The Treasury is no place for the theories of political Messiahs.

I can't understand why nothing was ever done with the President's request of December 1934, which asked for a general revision of the tax structure to prevent overlapping of levies by the States, the cities, and the Federal Government. I understand it is being studied but how can we make an intelligent approach to this subject unless we have Federal, State, city, and all taxes other than real-estate taxes before us.

I am no Cassandra, but our need for a sane solution of these problems is almost our greatest need in the interests of farmers, workers, and above all, the unemployed. We are so great a consumer that our depression depresses the world. The world's depression in turn will be a clog on the speed of any recovery for which we may hope.

It is my opinion, the new tax measure may be the leading economic event of current history. If it indicates a move toward taking the shackles off of our traditional economy and giving our profits system some leeway to work and solve our problems in accordance with the economy, it will be a tremendous force for recovery—both here and abroad. If, on the other hand, it continues the influences that have retarded our recent recovery, we may push ourselves and the world to lower levels from which it will be difficult for us or any other nation to rescue them. I have been unable to figure out how any man under present taxes can live and save up enough to care for those dear to him whether he makes $1,000 a year or $100,000 or more a year.

I repeat with the greatest earnestness that I believe unemployment can be solved only by a proper readjustment of Federal policy and the tax structure for maximum business turn-over and activity, both nationally and internationally. In this way you will get the greatest Government receipts, the greatest amount of employment, and the greatest sum of money to be used for relief and necessary social work.

I think taxes should be at the highest point possible to get what we can but that point must not go to the extreme of discouraging the doer, worker, or maker from doing, working, or making. Of course, we must search out and eradicate any device for tax avoidance. But we should not use tax avoidance by a few malefactors as an excuse for punishing our whole economic system.

It is interesting to note that the old fortunes vanish. New ones come only because men venture. Old businesses disappear and new ones must be started or we shall sink.

In reference to the income taxes there, I found out that for income derived from stock dividends, the maximum in England is 41 and I think a quarter percent, and ours, of course, it goes up to or can go up above 80.

The CHAIRMAN. Mr. Baruch, with reference to your statement as to the taxes, that you called death duties, have you ever given any consideration to the proposal which was made when the last tax bill was under consideration, that a man be permitted to purchase a life-insurance policy for such an amount as he estimated would be sufficient to pay those death duties, and make the policy, say, payable to the Treasury Department, insofar as the interest of the United States Government showed, and any balance would be paid to his estate, which would enable him during his lifetime to pay premiums to make possible the payment of insurance to cover his estate taxes and prevent the forced sale of property to which you have referred?

Did you ever consider that proposal?

Mr. BARUCH. Yes, sir; it is a very interesting one, and, of course, it has to be followed in all of its implications and all of the avenues to which it may go, and I think that it has much merit to it.

The CHAIRMAN. One other question, before you go on. The statement that you made is that you think that with the unemployment situation, it is essential that the taxes be revised. Now, I am only wondering whether, as you talk of the effect upon business, that you are thinking only of the business situation, and I would like to know whether even unconsciously your views as to the results of high taxes would be affected by your own interests.

Mr. BARUCH. There are two questions there, and I would like to answer one at a time.

The CHAIRMAN. Let me proceed. It seems to me that I recall that you were mentioned in the book that was given a lot of publicity, again, about "Sixty Families," and that might call me to ask whether you would be affected in any degree by the tax situation, and whether even unconsciously it might affect your views on the tax subject?

Mr. BARUCH. I don't think so, Senator, and I think that I am rather inclined to lean backward on that, and it doesn't make any difference to me who says a thing or what the position of the man may be; the great question is, Is he right or is he wrong?

And I think that we ought to examine every statement that is made by any individual, no matter who he may be, from that background.

Personally, if I may be permitted, as long—which may be getting personal—I have got too much pride as a workman in anything that I may say or do, and I want to be right, and I would like to have the future justify me, and I think that it will.

Now, if it doesn't seem too declamatic, I would like to say this: If I thought that the laying down of every dollar in the world I have got on the middle of this table would cure this situation, I would gladly do it, but that isn't going to cure it.

You raise a point about my not thinking too much about business, and I can assure you that I am thinking about the question of getting the tremendous amount of people back to work, and I don't know whether you gentlemen really know how bad it is, and how particularly bad it is on men and women who, when 1929 struck us, were 35 years old or more.

That is really a lost generation, and it is very difficult—you see, 9 years have gone by, and those men are 44 and upward, and some of them up in the fifties, and sixties, and seventies, and what is going to happen to those people?

I see it because so many of them I know personally.

If I had to do it, I would worry less about the younger ones than I would about the older ones, and these men have had positions, and they are able to occupy them, and there can't be any business success unless people are employed, and there can be no happiness to anybody who makes money if everybody around him is unhappy and miserable, and I don't think, Senator, that I am, even unconsciously or subconsciously thinking about it, and I believe that my actions in the past, and my recommendations, and I know that a man of my supposed wealth, my background, and my supposed wealth, is open to that suspicion, but you asked me to come here, and I am going to tell you what I think, and somebody may or may not like it, but I know that what I say I believe to be true, and I think that the future will bear it out.

As long as you referred to this book, I didn't want anybody to ask; I never heard of it until two distinguished men of this administration referred to it, and I was surprised that they did, because an examination of the book will show that it is not based upon fact or truth, and much of it is fiction, and a jumbling together of names and of various events, and it makes it, it seems to me in my hasty glance through it, it makes it appear that a lot of malefactors of great wealth are around, and they are all fooling President Roosevelt.

Well, I don't think that they are fooling the President in any respect, and furthermore, I can't speak for the other 59—I being one of the 60—they can each speak for themselves, but so far as I am concerned, I have examined every statement that he has made regarding me, and his opening statement—he says that my wealth came from speculation—that isn't true; it came from the development of enterprises which I am glad to say still have stood the test of time.

But another thing, as a South Carolinian, coming from your State, Senator, that I have to deny the fact that I have arrived at the time when I can be one of the 60 governing families of America, but it is untrue, I have not arrived, but when he talked about my having $37,500,000, and well, of course, that is sheer nonsense, and I wish that—if he would do the counting again, I would give him one-third of it if he can find one-half of it.

The CHAIRMAN. I regret exceedingly to hear that statement. I have had great pride from the fact that a native of South Carolina could make that grade, and get into the 60 families, and remain a South Carolinian, and remain a Democrat.

Mr. BARUCH. I have remained a South Carolinian Democrat, Senator, but in truth I must say that I am not one of the 60 families.

Now, all through that thing——

The CHAIRMAN. I saw you had that book there, and I am familiar with it, and I have read it, and that is why I asked the question, because I, of course, know that the suspicion would come to some persons that anything that you said might be affected by the fact that you are, and so far as I am concerned, I do not agree with it.

Mr. BARUCH. May I say something else with reference to this book? He makes reference to my activities in the war, and how I gave out $10,000,000,000 contracts; and I never gave out any contracts, all in the statement of facts, and he does say one thing that is true there that I gave very largely to the Democratic Party, and I don't deny that, and I assert it, and I am very glad that I did.

The CHAIRMAN. And so is the party.

Mr. BARUCH. Then it is mutual.

You know a good many statements—here is one of them in here—the Honorable Mr. Pecora brought this out in the testimony—that I received, that I was on the favored list of J. P. Morgan and received 4,000 shares of some stock, and that in that stock there was a profit of $1,000 on each 100, and, of course, Mr. Pecora never gave me an opportunity to say anything, and it was ex parte testimony and it made interesting reading, but the facts are these and I would like to say this: I have taken enough of your time to say this.

This is what the circumstances were. I did have 4,000 shares of stock, and I could have had 40,000, because I had a large interest in the property that Morgan wanted to combine, and on hearing of that I went over and when I asked them what the circumstances were they told me about it, and I said, "That is all right."

I made up my mind that it would be a good thing for me to have them go ahead with it because it would give me an opportunity to sell out my interest that I had had for a long time.

Then, on being asked if I would take some of it, to show my belief in it—I wasn't so keen about it, and finally, in order to show that I didn't have entire lack of faith in it, I took 4,000 shares, but at the time that I took it I obligated myself to buy at that price, and the price in the market, of constituent units that went to make up that, were lower than the price that I paid for it, and they didn't do me any favor, and if there was any favor in it, I did them, and I didn't try to do them any favors; I was trying to help myself.

Finally, it did turn out, and the great madness and delusion of 1929, that people bought everything and anything, and they didn't care what it was, and that people did make a profit, and I didn't make as much as the others did, because I knew that the boom was going to break sometime, but the facts are that I never got in as a favor, from anybody, and when I got in, the price was lower of the things that I bought.

The CHAIRMAN. Does anybody have any questions to ask about taxation?

Senator FRAZIER. You spoke about the British system of taxation. Isn't it a fact that in Great Britain the income taxes are higher than they are here in the United States?

Mr. BARUCH. No, sir. You have got to take into consideration, for instance, even on these charts here, it shows them to get up to $185,000, and they are higher, but in Great Britain, the corporation tax, you subtract from your income tax, and we here, the corporation pays a tax, and we pay a tax on what is received, and there are no capital-gains taxes, the death duties are much lower, and I understand that there are no gift taxes under, I think, 3 years, you can give them before 3 years if not done in contemplation of death, and no capital-gains tax, and those are very important items, when you start in to weigh it. I tried to weigh the whole thing, giving you this, and weigh it so as to give you a better idea of it, but I don't think that this is exact, but I think a study of it will show our system of taxation is greater than theirs. It is much higher.

When you finally get the net, there you only have one tax, and here we have the Federal, and the State, and sometimes the cities, who tax the same thing, and in their estate taxes, they only go up to 50 percent.

The CHAIRMAN. What has been the effect of the difference in the tax in England, and in the United States, with reference to our export trade? Have you seen any evidence of that affecting it materially?

Mr. BARUCH. No; I don't think so, yet.

The CHAIRMAN. Our people engaged in export trade?

Mr. BARUCH. No, sir; I don't think so, yet. I am just telling you what it must be. I will tell you what I have seen. I have seen it in the development of new enterprises. For instance, 25 years ago some engineer came to me with the story about a copper mine, on the island of Cyprus, that had been abandoned 2,500 years ago by the Phoenicians. Well, we finally went into it, and we developed a very large copper property after 20 or 25 years.

Now, it has proved a profitable venture. Now, if that was an Englishman, he could go and sell that out, and he don't pay any capital-gains tax at all. We have to do that, and if the Englishman got his dividend, he would be able to subtract them from his income tax, what the corporation paid on that. If an Englishman had done that, he could have sold that out and gone on to another venture.

I know of some men who found that there was a gold deposit in Guiana, and they couldn't get in there—no landing—so they went in by airplane and took dredges in there by airplanes, and there was some Englishmen and Americans in it, and the Englishman could take a greater risk than the Americans because of the difference that I say.

I only draw attention to this export trade, but it seems to me that it must affect export trade.

It is so hard now, in the confusion, to take any thread and lead it to its end.

The CHAIRMAN. From your experience, and from the information that you now have, what is your opinion as to the immediate future? Can you agree that we have about reached the bottom of this recession, and that we can hope for improvement?

Mr. BARUCH. I think that that depends upon a good many factors, but more upon what tax legislation you put upon the books, for the reasons that I have stated here. If that relieves the burden, that will make people work, get people to work, and that will get them busy, and employ people, and I believe that we will have reached the end of it, but if you don't I feel very dubious about the future.

Senator HATCH. There is one question that I want to ask you in connection with this thought which you have stressed, of putting men to work, which is, after all, the main purpose of the study of this committee, and your thought about the tax problem is that if these corrections are made, capital will expand, and men will be put back to work?

Mr. BARUCH. I think so, sir.

Senator HATCH. Now, the question that I want to ask is, as a result of the studies that you have made, do you think it is reasonable to expect that there will be sufficient expansion in industry and business to reemploy the vast numbers now unemployed?

Mr. BARUCH. I don't know how many, but they will employ a lot. Now I can't tell how much or what other factors may come into the situation but as soon as you do that, you are going to set the energies of men loose and they are going to try to do the various things.

Senator HATCH. At least in your experience——

Mr. BARUCH. No one can guarantee that but it is one of those things that a man feels and knows, and I am willing to back my reputation and make a statement on it, but if I were still in the money-making business I know what effect it would have on me.

Senator HATCH. I know that you can't guarantee that, but I was asking your opinion because I judged this.

Mr. BARUCH. I say, Yes, sir.

Senator HATCH. That you think that that is the only way.

Mr. BARUCH. I know of no other, sir. Of course, we cannot stop relief until business has taken up that slack, and I hope that nobody will understand differently—we have got to go ahead with relief, and I said that I am more sympathetic with the people of old age than the younger ones, because they are the lost generation and we have got to continue that until we see that business does this. If I am wrong about it, or we are wrong about it, and I might say, whatever you do, I have always tried to be for anything that the Congress does in the hope of trying to make it work, because no one is so wise that he can be always correct.

We have got to continue unemployment relief, and there isn't any doubt about it, and the only hope that we have is by decreasing the taxes, to start business and get a greater turn-over, and the result will be, I think, not alone that we will get more employment, and therefore less unemployment, but we will get a larger turn-over of business, and the national income will go up above the $50,000,000,000 that I think it is going to drop to this year.

Does that answer your question?

Senator HATCH. Yes. It is the point that I am particularly interested in, Mr. Baruch, because I judge from the long-range viewpoint you think it is possible for business to expand and develop to where we can reemploy the unemployed now, in gainful private employment?

Mr. BARUCH. Yes, sir.

Senator DAVIS. Has there been any new industries developed during the last 6 years? I mean, industries of any importance?

Mr. BARUCH. I don't happen to know any, Senator. I don't know.

Senator DAVIS. I don't know. Do you think that that is—that the probabilities are that they haven't developed because of the fact that this tax rate is so high?

Mr. BARUCH. If they haven't, I am sure that that is the reason.

Senator HATCH. In my State of New Mexico, we have developed a brand-new industry during the worst period of the depression which is employing practically 1,000 men today in the potash development, which I think you are, perhaps, familiar with.

Mr. BARUCH. Of course, that is a particular thing, Senator, where in view of the foreign situation, and there is a possibility, for instance, in southern California, and perhaps in your State, of developing the growing of rubber, that might be done in certain circumstances.

Senator DAVIS. Do you believe that we should exempt corporations, or individuals, that have great export trade—do you think that we should exempt them from any Federal taxes?

Mr. BARUCH. I didn't get that question.

Senator DAVIS. Those corporations and individuals that are in export trade, are you of the opinion that we should exempt them from Federal taxation?

Mr. BARUCH. Oh, no, sir; not entirely. If you do anything, you would put them on an even basis with the other men, but I wouldn't exempt them; that would be too soft, and it wouldn't be fair.

I think that what we ought to do is to arrive at the point in reference to export trade, Senator, that will put them on an even basis with the Englishman who is engaged in it.

Senator DAVIS. How could we do that?

Mr. BARUCH. Well, it would be easy enough to segregate export trade, the part, for instance, of a corporation that has export trade, and which has not, and I would do it on the basis of perhaps not exempting what they are already doing, and if they are able to compete in the present circumstances, we shouldn't take away from the Government that revenue, but only exempt them to the extent that they can compete further with British capital, and I think it is Great Britain that we have to think about more than any other because Great Britain and ourselves are the only two countries which have exportable capital, and the other countries don't have it.

Senator DAVIS. Do you consider the depression of 1929 due to any large extent to the foreign control of our markets, or of our gold supply?

Mr. BARUCH. I think that the depression of 1929 was due more to a world madness and delusion than anything else, somewhat similar to the tulip craze, and the Mississippi bubble and the South Sea bubble, and the world seems to go mad at different times, and gets delusions of grandeur, or madness against witches, in which they burn hundreds of thousands of people at the stake, or it may take the form, as I say, of war, and it might take the form of one that Peter the Hermit preached, where the whole world went to rescue the tomb of the Savior, or it may take the form and generally does in modern times of great madnesses, and I think much of the legislation which has been directed to two things—first, to prevent incompetency in the sale of securities, and corruption and corrupt practices in the sale of securities, regulation is good, and the laws ought to be strengthened that will protect the public when they are in these great periods of madness as they were, which culminated in 1929, and that we saw in the Florida boom.

That is going to be a difficult thing, but the world has been struck with those things over and over again and whenever it finds itself in that mess, it turns around to look for an alibi, for his own weakness, and his own mistakes, and I made some myself, and then they also look for some catharsis, and Mr.

Hitler has found his in one way, and all of these various people have found different alibis, but going back to your question I think that in 1920, that mad wave of speculation and overdevelopment——

Senator DAVIS. How large an investment does foreign interests have in the United States at the present time?

Mr. BARUCH. Sir?

Senator DAVIS. Do you know how large an investment the foreign investors have in the United States at the present time?

Mr. BARUCH. No, sir.

Senator DAVIS. You discussed here a moment ago something about technological unemployment. I know of a concern that reduced prices considerably because of new inventions, and they have reduced that price to the consumer of their product, and they have displaced probably 10,000 men, that are now past the age of—oh, most of them, I would say the majority of them, are around 50, some of them are over 50 years of age.

It is impossible for these men now to begin to educate themselves in a new trade, or to learn a new trade and the company has reduced the price to the consumer, and now what is the best to do, to reduce the price to the consumer of this particular article that only people that have funds can buy, that is, the great vast majority of these 50,000 that are gainfully employed, or to set that profit aside to take care of these men now that are unemployable?

That is, I mean, to develop new business by reducing the so-called price or to take care of these men that are aged and are unable to get other employment?

Mr. BARUCH. Well, I think that that is what they are trying to do with the Social Security Act. Unfortunately, if you recall, Senator, I said that those are the men that give me greatest thought and concern, those men who were 35 or above, who were caught in this depression and who because they have become specialists in that particular job, when they have technological invention and improvements, they lost that job. Now, I think it is better to cheapen the product to 130,000,000 people.

Senator DAVIS. You think it is better to what?

Mr. BARUCH. I think it is better to cheapen the product for 130,000,000 people, especially if they gave the savings to their 130,000,000 people and lay aside some funds to take care of those people like they used to do in railroad consolidation.

The CHAIRMAN. Mr. Baruch, I asked you to give us your views, particularly with reference to the question of unemployment, and I would be glad if you would do so at this time.

Mr. BARUCH. May I read a memorandum on that?

The CHAIRMAN. Yes; if you have a memorandum, read it.

Mr. BARUCH. I think that will be shorter than anything else.

UNEMPLOYMENT

The principal problem of Congress and the country is to get people back to work again in normal jobs. The relief rolls are no solution of our unemployment problem. There will be no solution until the jobless are absorbed in private industry.

In line with my belief in moving against uneconomic areas, I have always believed in a floor under wages and a ceiling over hours. The first plunge into depression is always accentuated by a lengthening of hours and a lowering of wages. That is deflationary. It is never sufficiently compensated by a lowering of prices to offset its deflationary effect.

If maximum hours and minimum wages are in effect and equable through all industry, the effect on no single competitor is harmful. But if employers are permitted instantly to compete for dwindling business by slashing wages and lengthening hours, more humane employers have no alternative but to follow the same practice or get out of business. This stabilizer of maximum hours and minimum wages on our economic engine seems to me a necessity of our times.

In the shortening of hours to spread work unless weekly wages are maintained, I have never been able to see anything more than a forced contribution to unemployment relief by the class least able to stand it. Of course, for limited periods it is better than wholesale discharges, but it is no cure for the unemployment problem.

I am opposed to setting up an administrative board with power to fix maxima and minima in their discretion in different industries or different localities. I believe that Congress by its own act should set those limits, with reasonable differentials to cover established differences in various production areas. A board should then be permitted, within limits laid down by Congress, to vary the established hours and wages to cover emergencies and unanticipated cases of unusual hardship and to give the flexibility that is necessary in the application of any set rule to the infinite variety of individual cases in a pattern so broad and complex as the industrial fabric of America.

I do not believe that a reasonable wage and hour law under existing conditions would make a vast amount of reemployment. In the great coded industries under N. R. A., I am told that departure from the code wages and hours have been few, and if intrastate commerce is excluded the principal fields where reemployment could be made by a shortening of hours will also be excluded. But still I believe the principle should be observed as an insurance against "uneconomic" areas in labor.

I believe in the principle of collective bargaining and labor representation independent of employer influence, but I believe that the board administering this principle should be in all things judicial and impartial and never regard itself as a pressure bureau for any particular union or form of unionism.

I am not convinced that our Federal policies have been well coordinated and synchronized to make for reemployment.

Take the social security pay-roll tax of upward of a billion dollars on pay rolls. In addition to deducting a tremendous sum from the direct purchasing power of the poorest classes, that tax is a powerful incentive to employers to replace men with machines wherever ingenuity can devise a way, and modern ingenuity is particularly good at that. There can be no doubt of the effect of that to increase technological unemployment. I suggest that the whole social security set-up be restudied and that a tax on machine-hours or even on gross sales rather than on pay rolls would be more logical.

Now, there has never been any argument that automatic machinery does not reduce employment except the argument that new inventions, new industries, and new uses take up the men rendered surplus in the old industries.

But when we come to examine the effect of the undistributed-profits tax and the capital-gains tax on the creation and expansion of new industries, we find that the effect of them on new enterprises is practically to arrest them.

It seems to me that here is a complete stultification of reemployment policy that should have your immediate attention. Its effect may be intangible but it cannot be otherwise than great.

Of course, the solution of the real problem of unemployment covers a far greater field than we have yet skimmed. In 1929, when all except a possibly permanent 3,000,000 were employed, at least fairly satisfactorily, the national income or turn-over was nearly $90,000,000,000. Last year it may have been sixty. This year it may fall below fifty. Yet on the normal increase with increased population from the 1927, 1928, and 1929 levels, our national income should now be nearer one hundred billions than ninety billions, and if it were one hundred billions, unemployment would not be so great a problem as it is now.

I have seen figures tending to show that it would have to be one hundred and twenty billions to employ everybody, but I think those were figures of advocacy. When prosperity is high the activity is so great that anybody who really wants to do so makes a living.

Certainly the real goal to shoot at in relieving the terrible problems of unemployment is that gap between fifty billions and one hundred billions of national income. Government expenditure of two and one-half billions, or even four billions for relief do not begin to cover the ground. I have heard much assertion that reduced Federal relief expenditure of all sorts in 1937 as compared with prior years brought this depression. Here are the figures:

1934	$4,502,404
1935	4,348,941
1936	5,725,682
1937	4,579,197
Average	4,789,056

The total expenditure varied greatly only in 1936 due to the bonus and then by less than one and five-tenth billions. As long as employment lags, we must spend for relief, but Government expenditure isn't the way to cure unemployment. There is only one way to do that—full private expenditure for consumption and investment in the normal proportions as between capital and consumers' goods.

In my judgment, this is not only the key to the whole problem but it is a key that would be so easy to turn that it is a tragedy that it has not been done, and that after almost 4 years we are not as well off as we were after the truly remarkable 1933 recovery as it stood on July 1 of that year.

There is ample money and potential credit in this country to support a much greater activity than that of 1928 and 1929, and the whole basis for such activity is much sounder now than then—a greater shortage of goods, a larger population and demand, a lesser burden of private debt, and a far greater obsolescence and disrepair of every needful thing—enough idle money, idle labor, idle brains to produce plenty for everybody.

The single missing element in a great forward movement is a feeling of security—a belief that money can be spent or invested without confiscation of reasonable profits by inordinate taxation, that American assets will not again be subject to some great arbitrary change in the value of money, that there are to be no further disturbing assaults on business either by some statutory change in the existing business pattern or a general governmental hostility or governmental competitive invasion of existing fields of private enterprise.

At the basis of business is stability of government fiscal policy, and, of course, this means an unmistakable trend toward an eventual balancing of the Budget.

To give the capitalist or profits system a chance to work will require also a fundamental revision of the taxing system on a plan for revenue rather than regulation or punishment and that on the law of diminishing returns.

When I speak of this hesitancy or paralysis of spending and investment I am not talking alone about the hesitation of important capitalists. I am speaking of the hesitancy of every small merchant and manufacturer to embark on more than a closely held program of merchandising or manufacture. I am speaking of

the reluctance of every farmer and worker to spend for consumption more than for the most prudent provision of necessities.

It is the combination of millions of cautions that holds back the spending and development which could do 10 times more for reemployment than any Government action or all the spending for relief in any year of this depression.

Of course all this depends on national policy. If it remains what recently it has appeared to be, there is no hope of reemployment and substantial recovery. If it could be changed along the lines I have tried to indicate, I believe that we would have a rapid and immediate rise in all economic indexes.

I have recently heard some public men reproach business for the alleged failure to step forward and employ the millions of jobless, and intimate that if business doesn't, Government will. In addition to being illogical and unfair, that raises hopes that can never be realized and expresses a promise to unfortunates that never can be fulfilled.

I say it with regret, but I would be less than candid if I failed to express my opinion that unemployment is now traceable more directly to Government policy than to anything that business could or should do and that if those policies are not changed, neither business nor Government can ever solve this most terrible of all our problems.

That is more or less a repetition of the other.

The CHAIRMAN. You have reference, by that last statement, to what you have already said about the effect of these taxes—is that what you had reference to in particular?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. What did you mean by the suggestion that there be levied a tax on machine-hours in connection with the Social Security set-up? Have you thought that out?

Mr. BARUCH. I have talked that over, but it is something that I think ought to be restudied before you change anything, and you gentlemen understand what that means, a tax on the machine-hours.

The CHAIRMAN. How would you levy the tax, on the hours of the machine?

Mr. BARUCH. On the hours the machine worked.

The CHAIRMAN. Instead of levying the tax solely on the man who works, you levy it on the machine that works?

Mr. BARUCH. Put it on the machine, I would put it—it doesn't make any difference what you levy it on, although I don't want it taken out of the labor—I don't want it taken out of the man who operates the machine, but it would come out of the profits of the manufacturer who has gained by the operation of the machines, as against the man.

The CHAIRMAN. If a man installed machines, displacing labor temporarily, and thereby increases his profits it would cause him to contribute out of those profits to this social security, which social security organization has to look after the man who is displaced by these machines.

Mr. BARUCH. That is right, sir.

I am not as great an expert on that subject as I would like to be.

The CHAIRMAN. You have only suggested that it be restudied, and I wondered if you had given any study to it?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. In reading this statement, or in answer to a question, did I understand you to say that you were no longer in active business?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. I have one other question. Wouldn't this tax on machines, would that have the effect of slowing up the installation of machines?

Mr. BARUCH. Well, I don't know. Some people think that it would have, and I think it is worthy of study, and I really haven't come to any conclusion, and you notice in this statement I held it out as something that ought to be studied.

The CHAIRMAN. You wouldn't advocate anything that would prevent or materially slow up the installation of machinery that would enable us to produce this wealth that you say is so essential?

Mr. BARUCH. No; but when you make the incentive, to take it out of labor all of the time, instead of taking it out of its own profits, you are bearing down upon the person who can stand it the least.

The CHAIRMAN. That is a correct statement of it, I think, and it would require some study.

Senator LODGE. Mr. Baruch, have you given any study to the administration of unemployment relief? The system of administration?

Mr. BARUCH. The Social Security Act?

Senator LODGE. No; the system of administering unemployment relief.

Mr. BARUCH. No, sir. W. P. A., and so on?

Senator LODGE. W. P. A. and so on.

Mr. BARUCH. I don't think that I could qualify as an expert, and I wouldn't want to do so.

The CHAIRMAN. Have you got any opinions that you would like to express as to how it might be improved or corrected?

Mr. BARUCH. Yes, sir; I have this feeling about it, that more ought to be done by local communities, because the man in the local communities knows better than anybody else whether the man needs relief, and how much relief, rather than the central authorities, and that is the principal thought that I have on the subject, sir.

The CHAIRMAN. Thank you.

That is, you mean that the local sponsor of a project should be made to contribute more substantially to the cost of it, so that——

Mr. BARUCH. I want—no—he is the man that I thought that we were talking about under unemployment relief, and not about public works, now.

The CHAIRMAN. Well, what the Senator suggested was——

Mr. BARUCH. You asked about unemployment relief; weren't you talking about it?

Senator LODGE. That is right.

The CHAIRMAN. You did not have reference to Works Progress projects?

Mr. BARUCH. No, sir.

The CHAIRMAN. All right.

Senator CLARK. Mr. Baruch, you spoke of a gross sales tax in the statement which you just read. You mean a tax on gross sales of corporations as a whole, and not a sales tax in the ordinary acceptance of a tax which is to be paid directly?

Mr. BARUCH. The work is originated by the concern using the machine.

Senator CLARK. Yes, sir.

Senator DAVIS. Can taxation on machines be used as a mechanism to correct the effects of technological unemployment?

Mr. BARUCH. Well, I was just trying to say I think that it might have a tendency to slow up whatever manufacturers try to do in the way of getting rid of some of his men.

Senator DAVIS. The reason that I asked you that question is because 15 years ago, nearly that much now, I began to advocate that we ought to tax the machines to take care of the unemployed, and especially those who couldn't be employed because of age, and so forth.

Mr. BARUCH. Well, of course, I say these men that are put out of jobs, that don't know anything else, and they are too old to learn anything, have got to be taken care of somehow, and we can't just let them die and stay on the streets, and men who work all of their lives, and they have never had an opportunity to save very much, have they, and I don't know where, but the tax has got to come out of somebody.

Senator DAVIS. I have two trades myself that are good, and when I get out of this job I will have to go and reeducate myself to make my living with my hands, by learning another trade.

Mr. BARUCH. May I suggest to you, sir, that this is a very good trade?

Senator DAVIS. The responsibility in this trade is very much greater than any of the others that I have ever had before.

Mr. BARUCH. All joking aside, I don't see how——

Senator DAVIS. While I sat at the other trade I looked at this and I said—I used to think—"My God, how easy it is for those fellows there"; and here seven men on this committee just racking their brains, and would do just as you have said that you would do, give everything that they have got, if they could settle this unemployment problem.

Mr. BARUCH. I often wonder, when I hear a lot of people that I know, criticizing the Congress, if they realize that every Congressman and every Senator, Member of the legislative body, both sides of the House, have got problems that they have got to see from every side, from every one of their constituents, from every economic angle and viewpoint, and they don't have just one thing, like an automobile manufacturer has got to sell an automobile, or a steel manufacturer has got to sell steel, but they have got to take every idea that comes along, and they have got to take all of these things, and I wonder sometimes how you get through with it.

The CHAIRMAN. The automobile manufacturer, in selling that machine, does a pretty good salesman's job, doesn't he?

Mr. BARUCH. Yes, sir; some of you gentlemen have done a pretty good salesman's job. You know what Lloyd George said, "You can't be a statesman unless you are elected"?

Senator DAVIS. He is a very wise man.

Mr. Baruch, two members of the committee desire to ask you with reference to the statement that you have on the subject of agriculture, and the committee has to adjourn, and I would be very glad if you would come back tomorrow morning, and they also desire to ask you a few questions as to the subject of monopoly, and I have to be on the floor of the Senate, and the other members of the committee, at 12 o'clock, and therefore we will take a recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:50 o'clock a. m., the hearing recessed until 10 o'clock a. m. tomorrow, Tuesday, March 1, 1938.)

UNEMPLOYMENT AND RELIEF

UNITED STATES SENATE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF,

Tuesday, March 1, 1938.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator JAMES F. BYRNES (chairman) presiding.

Present: Senators BYRNES (chairman), HATCH, CLARK, FRAZIER, DAVIS, and MURRAY.

STATEMENT OF HON. BERNARD M. BARUCH, INDUSTRIALIST, NEW YORK CITY (CONTINUED)

The CHAIRMAN. The meeting will come to order.

Mr. Baruch, I asked you to remain over in order that the committee might ask you some questions as to, first, the subject of monopoly, and what effect, if any, it had upon the unemployment situation. I will be glad if you will so state.

Senator HATCH. May I ask the witness a question before he proceeds with this subject?

Mr. Baruch, in connection with your testimony of yesterday, there were several questions that I wanted to ask you. I wonder

if you would prefer going ahead with your complete statement on monopoly and agriculture and then refer to the whole testimony at one time?

Mr. BARUCH. I would prefer that, sir, because some of these questions may be answered.

I made a memorandum here, Mr. Chairman, on the subject of monopoly, but before I read that, I do hope that those who listen to my testimony will also have in mind that original statement of mine because, tied up with it, it has a significance which it has not if it is separated from it.

MONOPOLY

On the industrial and commercial side appear similar aspects of applying the principles I stated at the beginning of my testimony. To the extent that there are abuses in big or little business, let us regulate and drive them out of existence. But to reach a few malefactors or a few chiselers who do not accede to the requirements of the general welfare, let us not throw away the benefits of our economy or burn our house down to kill a few bats in the attic.

For example, there are some holding companies that were created to avoid taxes or to provide for what amounts to minority control of great operating companies. Were the Alleghany and Pennroad holding companies formed for necessary railroad activities or to avoid the rulings of the Interstate Commerce Commission? There are some holding companies in the utilities that resulted in overcapitalization or watering of values on which they endeavor to make the public pay. These things are abuses and should be ruthlessly regulated out of our economy. But there are other holding companies that were set up merely for convenient and legitimate management of purely legitimate business. Of course, they should be supported and encouraged.

We have to distinguish between monopoly (which is such control of price and production as exploits the public) and mere bigness, which through mass distribution and mass manufacture has been one of our greatest blessings in low price, cheap service, and hence increased production and better standards of living than exist elsewhere on the globe.

Some monopolies are natural and unavoidable, like the telephone and utility monopolies. Of course, they must be regulated to prevent exploitation of the public. But since the Government has ample power so to regulate them directly, I have always doubted either the necessity or wisdom of the attempt to regulate them by having Government compete with them. The operation of business rather than the regulation of business smacks too much of what is going on in Russia and Germany. It is a violation of an essential of recovery which is to activate our traditional economic system rather than to restrict it. It is bad from every American point of view. It is a retarder of recovery and reemployment of indefinite but immeasurable effect.

Even the natural monopolies seem to have a way of losing their grip. When I was a boy the railroads were our greatest monopoly. They needed regulation more than any monopolies that ever existed. Here, too, because the Government was inefficient in regulation, it turned to federally subsidized competition. It created artificial waterways.

The studies of the Coolidge Transportation Committee on which I served showed that, except for the Great Lakes waterway, not one inland waterway stands on its own feet economically. They are principally devices for regulating rail rates—some carrying none or little traffic—merely maintained at public expense to do that which Government could do much more cheaply and effectively by direct regulation.

Yet in my long experience I find private competition always catching up with monopolistic or uneconomic practice. Great copper companies controlling production maintained prices too high, thus liberally financing the opening up of African and other mines, which at a reasonable price, could never have developed but which now have broken the hold of the older companies by flooding their markets.

The railroads, resting too long and too indolently on their monopolistic position, now find themselves confronted with the competition of the airplane, the bus, and the truck to a point that just now threatens most of our railroad system if that systerm does not adjust itself to the changed conditions.

Even the efficient and moderate operation of the necessary telephone monopoly is being overtaken by radio, and it occurred to me recently that the much-discussed power and light monopoly, which now seems to be a matter of such concern to government, may find itself regulated by an economic competition more effective than any government or law. The recently announced mass production of Diesel engines at a much cheaper price may make unit power and light installations cheaper for every factory and household than great hydroelectric installations.

As far as hydroelectricity itself is concerned, the march of science and invention has made steam generation more economical in many parts of the country.

Coal used to be considered a monopoly-ridden industry. Electricity, gas, oil, better combustion methods and now perhaps Diesels have cut it down to a stature requiring Federal support to live. The exhaustion of oil reserves may revive it, but I am advised that if any such development gets the price of oil up to where it was a few years ago, gasoline can be more cheaply made by hydrogenation of coal, and the bituminous-coal industry may revive through that alone.

Aside from the laws that man in his ignorance may invent, there is a wonderful balance and protection in the laws that God in His infinite intelligence has provided.

On this whole question of monopoly, I cannot agree with a campaign of attacking our existing business system on a broad front for the sole purpose of breaking it into smaller pieces. I think that will only retard recovery and do no good whatever.

I prefer precisely to define those practices which we regard as monopolistic and then vigorously to prosecute all who overstep those rules.

If there are actual monopolies, they should be broken up. If there are abuses they should be punished and prevented. But if there are advantages in mass distribution and mass production, they should be pushed and encouraged.

Senator DAVIS. The statement that you gave to the committee is not in the record.

Mr. BARUCH. I have eliminated a part of the statement, that part which I did not read.

And, incidentally, we seem to have in Mr. Jackson a young man who probably knows what he wants to do and will know what monopoly is and how it is to be prevented.

The CHAIRMAN. Mr. Baruch, I wish you would present to the committee the response to the other question on agriculture that was submitted to you.

Mr. BARUCH. Before reading these comments or suggestions or criticisms on agriculture, I would like to say this:

That for 20 years we have been talking about putting some legislation on the statute books, but like many men who vote for this bill, and who have not liked some aspects of it, as I do not, I am very glad that it is on the statute books, because it is only by having something direct and written and seeing it work out that we can find out anything, and, personally, I am a little bit tired of talking about it for 20 years and not having anything done, and I am glad that it is here, and I hope that what I have to say will not be looked upon as other than comment, and I think you gentlemen are very fortunate in having Dr. Tolley run it. I think he is a very able fellow who has thought a good deal about it, and that he is an economical man.

AGRICULTURE

On the economic side our two principal problems are unemployment and agriculture. They are problems that must somehow be solved. We cannot go along with a lop-sided economy—half boom, half bust.

I have been giving my attention and effort to the farm problem for 17 years, even since 1921, because it was quite as clear then as it is now that there was too great a disparity between farm and other income to permit a sound, balanced national economy.

We started the chain of events that upset that balance at our very beginning when we adopted a system of protective tariffs that was deliberately intended to subsidize our industry at the expense of our agriculture.

At first, with virgin soil, free or very cheap, agriculture could stand the burden and perhaps it was the best system. But even before the war our chickens were coming home to this roost.

We interfered with natural economic laws when we started this disparity. There are only two possible solutions. One is to knock down the old artificiality of the tariff. The other is to build up a new artificiality to offset it.

Under existing world conditions, only the latter alternative is possible. That always happens when we begin to interpose man-made devices against natural laws. We have to interpose another new invention to save us from the effect of the old one.

The necessity here is to give a boost to farm income to permit the 40 percent of our market which is rural to consume the products of the cities.

After studying many methods and even tentatively approving some, it seems to me that the best, simplest, fairest, and most logical way to do this is by a straight subsidy on the domestic consumption of farm products, leaving marketing and production free.

In the presence of great gluts or surplus creating what I call an "uneconomic" area, an exaggerated low price for farm or other products, I would be willing to try loans on a scaled-down value to tide over an emergency, always keeping the amount of loans below the cost or reproduction.

As such a period approaches, some agency should either commence to buy commodities or lend money on them. This action would have a tendency to steady the entire structure and prevent the mass madness of panicky deflation. I think it advisable to include only raw materials, because I am sure that such a stabilization would spread into manufacture.

Let us take copper for example. A good price for copper is 11 to 13 cents a pound. The "uneconomic" area in American copper would begin about 7½ cents. Some companies could make money at this price, but not many, and not much. If the price goes down to 7 cents, some Government agency should buy copper or lend to the producers at this price on a scale-down, or encourage the lending and buying. There is always a certain portion of the output that will be consumed, and the Government operations would encompass only a part of the output. If the decline continued, the purchases or loans at 6½ cents or 6 cents should continue always operating at a less price as this "uneconomic" area progresses. In this way we would prevent a disastrously rapid decline, or, in other words, cushion the slump.

This would not mean repeal or obstruction of natural economic laws. This would mean working in cooperation with those laws.

The law of supply and demand would work out in the end, because with lower prices two forces would be set in motion—production would lessen and consumption would increase. In this way we would prevent havoc.

If copper went above say 14 cents, then we would be getting into an "uneconomic" area at the top. As such peaks are reached the Government should slow up its expenditure, call its loans, or sell its reserves. It could also use the pressure of the Federal Reserve System and the control of credit.

This is the principle I would apply to farm prices—say cotton. If the Government estimate should indicate a 17,500,000-bale crop and other world production considered with demand indicates a surplus, the price would break. We would be moving into an "uneconomic" area. The Government should prepare for action. When the price of cotton plunges, the Government should buy or lend money on part of the crop, first at perhaps 9 cents and then, if the decline continues, down to 8 cents, 7 cents—always on a scale-down. If the situation were extreme, it might be necessary for the Government to buy 5,000,000 to 6,000,000 bales in all on a scale-down.

When the Government steps in and buys or lends at or below the cost of reproduction, it is safe and sound. This is not valorization. It cushions the drastic operations of the law of supply and demand. This could prevent the impoverishing of the South, the demoralization of planters and workers in the mills. The five or six million bales would have to be absorbed eventually, of course, when the price rises. They would still be a part of the available supply. They would help to prevent excessive planting the next season. They would stabilize an upward shoot.

What happens if you have another 17,000,000-bale cotton crop? The Government might have to buy another 5,000,000 bales, but this time at a still lower price, moving always in line with the natural laws, but never permitting destruction.

The same method could be applied to other crops.

If the new farm bill applies this principle, I am in sympathy with it; but I cannot be sure from its context that this is its principle and I question its more ambitious attempts at all times to control price by controlling marketing and production.

The prices of our principal cash crops are not made in the American market. They are made abroad in world competition. Nothing that we can do here can control them. On the other hand, if by manipulation of production and scarcity we get our prices above the world prices—as must happen if the plan is to succeed—we simply price ourselves out of the world markets for our surplus. We encourage foreign competitive production of wheat, corn (lard), and cotton. Those markets once lost are lost forever. I fear that we have already suffered greatly and permanently by these practices.

Furthermore, it is an untried plan of bureaucratic control of the individual freedom and initiative of 6,000,000 farmers in the nature of valorization. It violates every principle I tried to lay down in my opening statement of accommodating natural laws instead of trying to repeal them and of taking account of human equations in the solution of a great national problem.

As I have said earlier, a straight subsidy seems far simpler.

The proposed plan will not alone sufficiently raise farm income by raising price. A processing tax for benefit payments is inevitable. The hope is of a higher farm income, partly through benefit payments by a processing tax and partly through attempts to manipulate production and marketing. What difference does it make to the consumer whether the higher price he pays comes from a processing tax or from a shortage of food artificially engineered?

I think most consumers would feel much safer and all farmers more happy and comfortable if price, production, and marketing were left free to operate under natural laws and the disparity in farm income made up by a direct tax on domestic consumption. For the Nation and for our political traditions and institutions, I am sure that it would be much safer and more satisfactory. I wish Secretary Wallace and Dr. Tolley the utmost success in trying to make the new farm bill work, but I wish it were simpler and more certain.

There has been a suggestion by Senator McADOO which has been under consideration for a long time and has met with the approval of many practical men—that if we cannot sell our raw cotton abroad because of the use of other fibers we should supply the excess at a lower price to American mills, who will manufacture it and put it into the markets of the world in manufactured form.

Of course, there are many more problems in agriculture—farm tenancy, soil conservation, and unwieldy debt, but if the principal problem of price disparity could be solved many of the others would become less severe.

Now, there is a very great difference between moving in what I call these uneconomic areas and a commodity like copper and an agricultural product. You can stop the production of mines, and you can start them up in a comparatively short time; but I think we ought to apply the principle there because of the large number of workers whose lives and well-being depend upon it. In agriculture the community some day is to pay the price of insurance against shortages of food and clothing; you have a different situation. If it ever happens in this country that a shortage comes, the price of what we will pay for an ever-normal granary, as Mr. Wallace calls it, will, I hope, not be too high; but I am glad to see it so that we can all shoot at it, and can shoot at the problem.

The CHAIRMAN. Just one question. Notwithstanding your comments about the detail, I take it that you are glad that the Congress has passed the farm bill.

Mr. BARUCH. Yes, sir.

The CHAIRMAN. Now, reading the newspapers this morning, several of them had headlines which have interpreted your statement of yesterday:

"New Deal in Democratic Administration Is Responsible for the Unemployment Situation of the Country." I recall nothing justifying a headline of that kind. Did you make such a statement or did you intend to create such an impression?

Mr. BARUCH. I do not think you will find in my testimony of yesterday one single word about a repeal of one single act upon the statute books. The only thing that could be interpreted, that I did say, would be that a continuance of that, lacking a clear statement regarding monopoly and a continuance of the present tax laws, would then place the administration or the Government in that position.

The CHAIRMAN. Do you advocate the repeal either of the capital-gains tax or the tax upon surplus profits?

Mr. BARUCH. I thought I made it very clear yesterday that I did not—but a modification of one.

The CHAIRMAN. Do you know that the House has reported a bill modifying the existing tax laws?

Mr. BARUCH. Yes; and if that bill is not done too grudgingly——

The CHAIRMAN. I beg your pardon?

Mr. BARUCH. I said if that bill is not done too grudgingly, and they will use this leverage to put gas into the car, as it is necessary, by restoring the initiative of those 130,000,000 people that have made America what it is, why they will have done exactly what I have been advocating, and if they have started to do that, they have done exactly what I said they ought to have done, but they have evidently done it without any suggestion from anybody else, other than their own study.

The CHAIRMAN. I simply want to know whether you urge Congress at this time in seeking a solution of this problem, to repeal any of the acts of this administration?

Mr. BARUCH. No, sir; I only suggested a modification in some form.

Senator HATCH. I wanted to continue just a minute along the lines Senator BYRNES interrogated about, in fact, he touched upon the thing that I wanted to ask about, but, adding to that just a little bit I want to turn to your original statement, the first statement made yesterday, and observe on the first page you say this: "I have been among the first to urge that the lag of our economic and political systems behind the developing complexities and social necessities of modern life must be eliminated." And that is your thought?

Mr. BARUCH. Yes, sir.

Senator HATCH. You further say: "I think I was as early as any to urge economic equality for agriculture." That statement is also in line with just what you have said about agriculture?

Mr. BARUCH. Yes.

Senator HATCH. Recognizing the necessity for taking steps along the line which this administration has done to maintain the economic equality of agriculture, or rather to bring it about?

Mr. BARUCH. Yes, sir.

Senator HATCH. And, again, I notice you urge a floor under wages and a ceiling over hours, another objective which the administration has sought to achieve, whether the legislation has been wise or unwise; it is the objective you also seek, isn't it?

Mr. BARUCH. Only by trying can we find out whether it will work or not.

Senator HATCH. Again, you stated yesterday, and you made very clear to me, that you think there is a Federal responsibility for relief and expenditures of that nature. As I recall, you made no definite criticisms of the relief administration at all but did recognize the responsibility of the National Government.

Mr. BARUCH. I think they are learning how to do it better.

Senator CLARK. About the only way they can learn is by experience, is it not?

Mr. BARUCH. The only way I know of.

Senator HATCH. The elimination of unfair trade practices also was pointed out by you yesterday as another objective, and again you urged the principles of social security. As I construed your statement yesterday, Mr. Baruch, I saw nothing in conflict with the objectives of this administration, the things that that Democratic administration has sought to achieve.

Am I correct in that interpretation?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. Mr. Baruch, Senator HATCH made a statement, and one newspaper I saw quoted you as opposing the social-security law. Are you opposed to that? Did you say anything about that?

Mr. BARUCH. Let us look at the record, as a once distinguished Democrat said.

Oh, "I am not convinced that our Federal policies have been well coordinated and synchronized to make for reemployment. Take the social-security pay roll," and so forth. I suggested that the whole social-security set-up be restudied and that a tax on machine hours or even on gross sales rather than on pay rolls would be more logical. I did not advocate a repeal, sir, but only a restudy of it.

The CHAIRMAN. I thought the only suggestion you made was that the tax should not be levied on pay roll, and that you were

suggesting a subject I have been very much interested in, that we might study levying a tax on machines when they displaced men from the pay roll.

Mr. BARUCH. I can cover the whole subject in a practical illustration.

If the administration will proceed as logically and as wisely as they are apparently proceeding—I say "apparently" proceeding—in a revision of the tax laws, having seen the undoubtedly depressing effect upon the activity of our 130,000,000 people—if they do that with everyone and do not make the change grudgingly of what is demanded by the circumstances, there will not be much to complain of, but you have got to turn the energies of those 130,000,000 people loose, otherwise it will be justly said—and it can be justly said—that then the policies of the Government, in my opinion, will be responsible.

I think we are all agreed on that, but evidently they have studied that; they are making some changes the nature of which I do not know, and if they do that with all the bills and all of the laws, why, we will proceed, because it is only through experience, as the Senator said, that we can learn.

The CHAIRMAN. And you are not pessimistic about the immediate future, so far as business is concerned, if the modifications that you suggest should be enacted into law?

Mr. BARUCH. Senator, I would like to make this statement. I do not know whether it will be the closing statement or not, and it is this: That I do not retract anything that I said yesterday, but I want everything that I did say to be connected with my opening statement upon the necessities of our changing life and of the great European experiments that are breaking on our shores. I feel that, as I tried to develop, that the American system will depend on turning loose these 130,000,000 people. If we do that, here is what I think will come, with the other thing that I spoke of, making clearer what a man can do and what he cannot do: If we turn this loose, by changing these tax laws, which, as we see, the administration is tending toward, I do not know to what extent it will go, or to what extent you gentlemen go, you will be bound to have a loosening of the pent-up energies of men; it will let loose the natural urge to function; you will turn loose acquisitiveness; it will result in more business, in new business, in increase of old business. It will mean more employment, more men working at jobs. It will mean a larger turn-over in business. It will mean a larger revenue. It will mean that this increased revenue will furnish increasing rates for railroads, and they, in turn, can employ people, and, in turn, they can buy things. That will increase larger volumes of business. It means that men will be able to make some money out of their jobs or out of their businesses, and will turn loose the housing program that we do not hear much about any more, because people will then have money to buy houses with.

If you have not got a job you cannot buy a house any more than you can buy an automobile. That, in turn, will turn a lot of things loose. You will find business within business increased. You will have a large volume of revenue, a much larger one, with a lessened demand on our resources for relief. That is what I believe, and we will find ourselves where we will be able to approach toward the 80 or 90 hundred billions of national income; and then, if we proceed wisely with this thing, the other objectives of medical care and further education for those who are unable to get it will become possibilities without burdening us too much; and if, in addition, and I am allowing my imagination, gentlemen, to proceed, Secretary Hull and the President, in their international policies, can establish better good will among the people where there will be more international trade and where the lawless nations of the world will become less so because they will have more business on account of the increased international trade and commerce, we will have greater peace; and perhaps with that great volume of trade many of the cautions, the little cautions of the millions that I spoke of yesterday, and many of the fears and doubts may be dispelled, and perhaps the road ahead of us will not be so dark, will not have so many shadows, and perhaps it will be a bright and sunshiny one; but those are the possibilities by action of the Government in the field I have just referred to.

The CHAIRMAN. Mr. Baruch, there has been handed me a statement which I judge is responsible for the statement in some newspapers to which I have referred.

My attention is called to one paragraph in the statement you read yesterday on the subject of unemployment, and in which you said this:

"Of course all this depends on national policy. If it remains what recently it has appeared to be, there is no hope for reemployment and substantial recovery. If it could be changed along the lines I have tried to indicate, I believe that we would have a rapid and immediate rise in all economic indexes."

As I interpret that, you were referring to the suggestions you made on the subject of taxes?

Mr. BARUCH. More particularly I thought I answered that question by what I said just now.

The CHAIRMAN. I simply wanted to call your attention to the language you used, and I assume that it is correct that that probably gave rise to the impression made upon some persons.

Mr. BARUCH. There is no good in our jollying ourselves about this thing and sticking our head in the sand. I keep repeating this, that if we do not change that policy of restriction which we have, I think, happily learned to be unwise, and which was not intended as a restriction, I do not think we will get the results I speak of.

The CHAIRMAN. What do you mean particularly by "restriction"?

Mr. BARUCH. Taxation, particularly.

Senator HATCH. In your testimony yesterday I meant to point out that you did not present a one-sided picture, you did not lay all the responsibility to the Government. I observe on page 14 of your original statement, which I think is a very significant statement: "Furthermore, industry must help eradicate its own abuses in the field of finance, public utilities, speculation, and relations with labor and the consuming public. It has not done its full share there. If it does not help cooperatively, the job will have to be done by government alone, and far less well."

I merely pointed that out to show that you do recognize the responsibility of business and industry to cooperate with the Government, as well as the Government's responsibility to cooperate with business.

Mr. BARUCH. There is no question about it, Senator. And if men who know the effect of business and the laws upon business, do not come along and sit down with the Government's men and try to work out the law, whether it is a good one or bad one, and if they do not work it out—I do not care how stupid one side or the other is—and I do not mean to say they are stupid—business has not done its share. That is all.

It has always held back, business has, and particularly management, has not met the Government and the people who are wanting to make that change in the fullest cooperation.

The CHAIRMAN. I am interested in the statement about management because it has not been suggested by other witnesses. Your thought is that management must cooperate if there is to be any recovery at this time, management as well as capital?

Mr. BARUCH. Yes, sir; management may be hired by capital, but the stockholders sometimes are so scattered that they do not have much to say about it.

The CHAIRMAN. They sometimes know very little about what management is doing?

Mr. BARUCH. Yes, sir.

Senator MURRAY. Mr. Baruch, do you feel that the business of the country showed a lack of good judgment in its attitude toward the labor relations law that was enacted?

Mr. BARUCH. I think they could have cooperated better, sir, I think, if I may put it this way, there is enough fault to go around on both sides.

Senator MURRAY. Do I understand that you feel that there may be some criticism against the present pay-roll tax in connection with the security law?

Mr. BARUCH. No; I said it had the tendency to drive them to machines, and I think it ought to be restudied with that idea in mind.

Senator MURRAY. Then do you think a tax on machine hours would be an advantage over that?

Mr. BARUCH. I offered that as a suggestion, but I have not thought it out enough.

Senator MURRAY. But it would be, I believe, obvious that a tax on pay roll would be penalizing business into employing men. The more men they would employ the more tax they would have to pay, that a tax on machine hours would be an advantage over that.

Mr. BARUCH. It would look so, but in the end somebody has to pay, and it is like all taxes.

Senator MURRAY. Then it is then a matter really of study?

Mr. BARUCH. Yes; it is a matter of study to see what the simplest form of doing it is. I do not know enough about it to say more definitely now.

Senator DAVIS. Did I understand you to say yesterday, Mr. Baruch, that you would give some consideration to the gross income of the corporation for taxes rather than the pay roll?

Senator CLARK. I think you said gross sales; didn't you?

Senator DAVIS. Gross sales, I should say.

Mr. BARUCH. I said perhaps you can make gross sales from that.

As Senator CLARK said, you can get a tax on the gross sales of the concern that put into effect the labor-saving devices. Labor-saving devices come in in spite of us, so we don't have to disturb that, but how are we going to take care of the men and women who are being displaced? They have to be absorbed and paid and given an opportunity by somebody or some tax, somewhere.

Senator FRAZIER. In your agricultural statement, you stated, as I understand it, that you think agriculture must be built up?

Mr. BARUCH. Yes, sir.

Senator FRAZIER. To put it more nearly on a level with business interests.

Mr. BARUCH. Yes, sir.

Senator FRAZIER. In that respect what do you think of the reciprocal-trade agreements that you spoke about in your comments a few minutes ago? Do you think reciprocal-trade agreements have done anything to build up the agricultural situation?

Mr. BARUCH. Well, if it can increase the trade and commerce of the world, but if it does not increase it, it won't be beneficial.

Senator FRAZIER. If it brings in agricultural products in competition with what we produce here at home, it does not give any benefit to the farmer, does it?

Mr. BARUCH. No; but I do not expect that it will do that.

Senator FRAZIER. I believe it has done that.

Mr. BARUCH. Trial and error will try that out.

Senator FRAZIER. Now, in your example of copper, you said if the prices go too high, the Federal Reserve Board should control

the credit. You also spoke about becoming interested in the farm question in 1921. The Federal Reserve System controlled the credit at that time, the 1921 deflation, that is what started the farmer on the down-hill grade, that is, more so than ever before?

Mr. BARUCH. To be candid and frank with you, I think there was an unnecessary deflation at that time. It is critical of friends of mine that were in, but I have to be candid and frank. There was a deflationary pressure at that time that I do not think was justified in the circumstances, and affected all trade and commerce as well.

Senator FRAZIER. It is all right for the Federal Reserve System to control the credit, but if history repeats itself, they do not always control it just right.

Mr. BARUCH. That is the unfortunate part of man. Sometimes he is carried away with general delusions of madness. I found in my 40 years' experience in Wall Street that the public is always wrong. They are always optimistic at the top and pessimistic at the bottom, and I have yet to see the amateur that ever made any money. I have only known one man who died——

The CHAIRMAN. How do they get to be professionals?

Mr. BARUCH. Just like we get to be professional, shall I say, statesmen, Senator?

The CHAIRMAN. By trial and error?

Mr. BARUCH. Exactly, sir.

Senator FRAZIER. You speak about some industries bending to the farmers to give them better prices, and also about the law of supply and demand.

Mr. BARUCH. Yes, sir.

Senator FRAZIER. Do you think the law of supply and demand can apply to farm products as long as the gamblers go in there?

Mr. BARUCH. I think you give an exaggerated importance to those gentlemen, but they do not last.

Senator FRAZIER. They last long enough for somebody to clean up a lot of money out of it.

Mr. BARUCH. I do not see any of them carrying it to their graves. I think the kind of abuses that are so justified—I think I was alongside of you in the magic elevators in North Dakota, where you went in at No. 3 and came out at No. 1. That kind of thing I think can be stopped. I think I have had something to do with passing laws for intermediate credits and that kind of thing. I don't think the gamblers can do much. I do not think they affect much in the commodity or stock markets. I think they are more victims than they are operators. I never operated in commodities myself.

Senator FRAZIER. Yesterday you spoke about the depression or the panic starting in 1929. The Wall Street gamblers were the ones that brought on that depression?

Mr. BARUCH. I think they were the victims of the depression. They got cleaned out anyhow.

Senator FRAZIER. A lot of them made a lot of money out of it. They may have been cleaned out since or have been, but they are the ones that made the money out of the 1929 slump in the market.

Mr. BARUCH. My memory fails to recall one single one that is solvent at the present time.

Senator FRAZIER. But not at the close of the 1929 depression?

Mr. BARUCH. Very few of them escaped with their lives or fronts, or very few of them with their reputations.

Senator DAVIS. Making a survey of the poorhouses of the country they have not found any Wall Streeters there.

Mr. BARUCH. Haven't they?

Senator DAVIS. No.

Mr. BARUCH. You don't know—I do. I do not happen to be one of them, Senator.

Senator FRAZIER. You also spoke, Mr. Baruch, of keeping these loans below cost of production, and you state that the natural laws should never be permitted for destruction, well, anything below. You speak of Mr. McAdoo's farm bill.

Mr. BARUCH. That is an idea that he advocated on the floor of the Senate, but it has been suggested before.

Senator FRAZIER. He also advocated along with the markets or mills here at home, providing cheaper cotton, and so forth. He also advocated cost of production for domestic consumption of farm products, and if anything is going to bring prosperity to the farmers, it is to give them cost of production, and they cannot have it any other way.

Mr. BARUCH. The only trouble is I do not know how to give it to them. I would advocate it if I knew how.

Senator FRAZIER. If the farmer can be given cost of production for home consumption, then he is entitled to the American markets.

Mr. BARUCH. Yes; but I was trying to give it through the processing tax. You and I agree on that.

Senator FRAZIER. We tried that and we found that a good share of it was turned back to the farmer in the lower price he received for his products, so it cannot work out.

Mr. BARUCH. I am not certain that it cannot work out.

Senator FRAZIER. The Department of Agriculture admits that the farmer paid a large part of it in lower prices.

Mr. BARUCH. Somebody remarked, "Baruch, you seem to be pretty sound on economics," but I get cockeyed in agriculture.

Senator FRAZIER. I hope you study this cost-of-production feature of the farm bill that Senator McADOO has. I think it is partly a solution of the situation.

Mr. BARUCH. Senator, you know I was one of the first advocates of the McNary-Haugen bill when it was not so fashionable as it is now to talk about the inequality of agriculture.

Senator FRAZIER. That is a mild proposition nowadays.

Mr. BARUCH. Now, I think the people who fought it would have been glad to put it into effect instead of something else.

Senator FRAZIER. The McNary-Haugen bill was defeated by the business interests of the country—the chambers of commerce of the United States.

Mr. BARUCH. We got it passed twice in the House and the Senate.

Senator FRAZIER. But they got it defeated.

Mr. BARUCH. I think they were very stupid, and I said so at the time.

The CHAIRMAN. These statements that you have made, are they new thoughts of yours? You say you said so at the time. These statements you have made on several subjects, are they new thoughts of yours, or have you entertained them for some time?

Mr. BARUCH. Those principles have been with me for a great many years, Senator.

The CHAIRMAN. You have nothing else to suggest?

Mr. BARUCH. No, sir.

The CHAIRMAN. You say they have been with you a great many years?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. And you are a South Carolina Democrat?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. That is all.

Tables referred to by Mr. Baruch follow:

Estate taxes paid by residents of New York

	Federal	State	Credit (deduct)	Total
$500	0	0	0	0
$2,500	0	0	0	0
$5,000	0	0	0	0
$10,000	0	0	0	0
$20,000	0	0	0	0
$30,000	0	$100	0	$100
$40,000	0	200	0	200
$50,000	$200	300	0	500
$60,000	600	400	0	1,000
$70,000	1,200	500	0	1,700
$80,000	2,000	600	0	2,600
$90,000	3,000	700	0	3,700
$100,000	4,200	800	0	5,000
$150,000	11,300	1,300	$400	12,200
$200,000	19,800	2,300	1,200	20,900
$250,000	28,600	3,800	2,400	30,000
$500,000	80,400	13,300	10,000	83,700
$750,000	141,200	26,300	20,400	147,100
$1,000,000	211,000	42,300	33,200	220,100
$1,500,000	369,800	81,300	64,400	386,700
$2,000,000	543,600	125,300	99,600	569,300
$2,500,000	732,400	174,300	138,800	767,900
$3,000,000	936,200	228,300	182,000	982,500
$4,000,000	1,388,800	351,300	280,400	1,459,700
$5,000,000	1,901,400	490,300	391,600	2,000,000
$6,000,000	2,460,200	639,300	510,800	2,588,700
$7,000,000	3,049,000	798,300	638,000	3,209,300
$8,000,000	3,658,200	967,300	773,200	3,852,300
$9,000,000	4,287,400	1,146,300	916,400	4,517,300
$10,000,000	4,936,600	1,335,300	1,067,600	5,204,300
$20,000,000	11,635,800	3,334,300	2,666,800	12,303,300
$50,000,000	32,335,000	9,334,300	7,466,800	34,202,500
$100,000,000	67,334,600	19,334,300	15,466,900	71,202,100

NOTE.—The New York rates will be reduced 20 percent on July 1, 1938, unless new enactment continues them.

Comparison of estate taxes paid by residents of New York and England

Estate	Amount of tax		Ratio of tax	
	New York	England	New York	England
			Percent	*Percent*
$500	0	0	----------	----------
$2,500	0	$25	----------	1
$5,000	0	100	----------	2
$10,000	0	300	----------	3
$20,000	0	600	----------	3
$30,000	$100	1,200	0.33	4
$40,000	200	1,600	.50	4
$50,000	500	2,000	1.00	4
$60,000	1,000	3,000	1.67	5
$70,000	1,700	4,200	2.43	6
$80,000	2,600	6,400	3.25	8
$90,000	3,700	7,200	4.11	8
$100,000	5,000	9,000	5.00	9
$150,000	12,200	16,500	8.13	11
$200,000	20,900	26,000	10.45	13
$250,000	30,000	37,500	12.00	15
$500,000	83,700	100,000	16.74	20
$750,000	147,100	172,500	19.61	23
$1,000,000	220,100	250,000	22.01	25
$1,500,000	386,700	435,000	25.78	29
$2,000,000	569,300	620,000	28.46	31
$2,500,000	767,900	825,000	30.72	33
$3,000,000	982,500	1,050,000	32.75	35

Comparison of estate taxes paid by residents of New York and England—Continued

Estate	Amount of tax		Ratio of tax	
	New York	England	New York	England
			Percent	*Percent*
$4,000,000	$1,459,700	$1,480,000	36.49	37
$5,000,000	2,000,100	1,950,000	40.00	39
$6,000,000	2,588,700	2,460,000	43.14	41
$7,000,000	3,209,300	3,010,000	45.85	43
$8,000,000	3,852,300	3,680,000	48.15	46
$9,000,000	4,517,300	4,140,000	50.19	46
$10,000,000	5,204,300	4,600,000	52.04	46
$20,000,000	12,303,300	10,200,000	61.52	51
$50,000,000	34,202,500	25,500,000	68.40	51
$100,000,000	71,202,100	51,000,000	71.20	51

Explanation: The English taxes include the 1-percent legacy and succession duties payable by lineal descendants. English currency is translated to American at $5 to the pound.

Amount of estate taxes paid in United States

[000 omitted]

	1935	1936	1937
Federal estate tax (fiscal years)	$140,441	$218,781	$281,636
Credit for taxes paid to States (estimated)	66,000	71,000	71,000
Federal and State estate taxes	206,441	289,781	352,636
Gift taxes, Federal	71,671	160,059	23,912
Total taxes against estates	278,112	449,840	376,548

NOTE.—These figures do not include State estate taxes in excess of the Federal credit, which are not readily procurable, nor State gift taxes, which are levied in only 6 States.

Amount of estate taxes payable in United States

[000 omitted]

	1933	1934	1935
Net estates, after exemptions	$798,246	$882,712	$1,027,774
Total estate taxes payable thereon, except where State taxes exceeded Federal credit	$87,725	$129,150	$197,671
Ratio of tax—percent	10.99	14.63	19.23

NOTE.—The present Federal rates did not become effective until Aug. 30, 1935, so that they are not fully reflected by the 1935 ratio. The present ratio is probably about 24 percent. Of the taxes payable from 1935 estates, the credit for taxes payable to States amounted to 22.22 percent. At the present tax rates (average of 24 percent), the credit would be about 17.8 percent.

Comparison of income taxes paid by residents of New York and England

Net income	Highest rate applicable		Ratio of tax paid	
	New York	England	New York	England
	Percent	*Percent*	*Percent*	*Percent*
$1,000				
$1,500		8.33		1.67
$2,000		25.00		3.12
$2,500		25.00		6.50
$3,000	7	25.00	0.77	8.75
$4,000	8	25.00	2.35	11.56
$5,000	8	25.00	3.40	13.25
$6,000	9	25.00	4.18	14.37
$7,000	13	25.00	5.10	15.17
$8,000	14	25.00	6.10	16.09
$9,000	15	25.00	6.99	17.08
$10,000	16	25.00	7.80	17.87
$12,000	18	30.50	9.26	19.98
$14,000	19	31.87	10.56	21.63
$16,000	20	36.00	11.71	23.17
$20,000	23	36.00	13.70	25.73
$25,000	29	41.50	16.16	28.89
$30,000	31	44.25	18.40	31.45
$40,000	33	47.00	21.82	35.34
$50,000	39	52.50	24.84	38.77
$60,000	47	55.25	27.80	41.52
$75,000	55	55.25	32.44	44.26
$100,000	67	58.00	40.02	47.70
$150,000	70	60.75	49.96	52.05
$200,000	72	63.50	55.45	54.91
$250,000	74	63.50	59.14	56.67
$500,000	80	66.25	68.74	61.46
$1,000,000	84	66.25	75.86	63.84
$2,000,000	85	66.25	80.43	65.05
$5,000,000	86	66.25	85.77	65.77
Over $5,000,000	87	66.25		

Income taxes paid by residents of New York

Net income	Federal tax	State tax	Total tax	Ratio to net income
				Percent
$2,500	0	0	0	
$3,000	$8	$15	$23	0.77
$4,000	44	50	94	2.35
$5,000	80	90	170	3.40
$6,000	116	135	251	4.18
$7,000	172	185	357	5.10
$8,000	248	240	488	6.10
$9,000	320	300	620	6.99
$10,000	415	365	780	7.80
$12,000	602	510	1,112	9.26
$14,000	800	670	1,470	10.56
$16,000	1,044	830	1,874	11.71
$20,000	1,589	1,150	2,739	13.70
$25,000	2,489	1,550	4,039	16.16
$30,000	3,569	1,950	5,519	18.40
$40,000	5,979	2,750	8,729	21.82
$50,000	8,869	3,550	12,419	24.84
$60,000	12,329	4,350	16,679	27.80
$75,000	18,779	5,550	24,329	32.44
$100,000	32,469	7,550	40,019	40.02
$150,000	63,394	11,550	74,944	49.96
$200,000	95,344	15,550	110,894	55.45
$250,000	128,294	19,550	147,844	59.14
$500,000	304,144	39,570	343,694	68.74
$1,000,000	679,044	79,550	758,594	75.86
$2,000,000	1,449,019	159,550	1,608,569	80.43
$5,000,000	3,788,994	399,550	4,188,544	83.77

Explanation: The computation allows for exemption for married taxpayer and Federal credit for earned income.

The New York tax includes the emergency tax of 1 percent. It does not include the unincorporated business tax, which cannot be computed for particular brackets. Based on the 1936 returns this tax adds, on the average, another 0.50 to 0.60 percent.

British income tax and surplus

	Allowances	Highest rate applicable	Tax	Ratio of tax
		Percent		*Percent*
$200	$220		0	
$300	240	8.33	$5.00	1.67
$400	260	25.00	12.50	3.12
$500	280	25.00	32.50	6.50
$600	300	25.00	52.50	8.75
$800	340	25.00	92.50	11.56
$1,000	380	25.00	132.50	13.25
$1,200	420	25.00	172.50	14.37
$1,400	460	25.00	212.50	15.17
$1,600	480	25.00	257.50	16.09
$1,800	480	25.00	307.50	17.08
$2,000	480	25.00	357.50	17.87
$2,400	480	30.50	479.50	19.98
$2,800	480	31.87	605.62	21.63
$3,200	480	36.00	741.37	23.17
$4,000	480	36.00	1,029.37	25.73
$5,000	480	41.50	1,444.37	28.89
$6,000	480	44.25	1,886.87	31.45
$8,000	480	47.00	2,826.87	35.34
$10,000	480	52.50	3,876.87	38.77
$12,000	480	55.25	4,981.87	41.52
$15,000	480	55.25	6,639.37	44.26
$20,000	480	58.00	9,539.37	47.70
$30,000	480	60.75	15,614.37	52.05
$40,000	480	63.50	21,994.37	54.91
$50,000	480	63.50	28,334.37	56.67
$100,000	480	66.25	61,459.37	61.46
$200,000	480	66.25	127,689.37	63.84
$400,000	480	66.25	260,189.37	65.05
$1,000,000	480	66.25	657,689.37	65.77
Over $1,000,000		66.25		

Explanation: The computation is for a married taxpayer (no children) with full allowance for earned income.

The computation does not include the national defense contribution of 4 percent on individual business profits, which cannot be determined.

Note on relation of corporate income taxes to individual income taxes

Comparison of individual income taxes in the United States and Great Britain is not accurate without considering corporate taxes.

In the United States dividends are subject to normal tax and surtax. In Great Britain the taxpayer takes credit for taxes paid by the corporation. To put individual taxes in the two countries on a comparable basis, therefore, corporate taxes should be added to individual taxes in this country.

With corporate taxes included, the highest tax rates applicable to several scales of income, as compared with Great Britain, are as follows (see the attached calculation):

	Highest rate applicable	
	New York	England
Income of—	*Percent*	*Percent*
$300,000	79.2	66.25
$500,000	82.9	66.25
$1,600,000	86.5	66.25
Over $1,000,000	89.3	66.25

Calculation of tax rates applicable to individual incomes when corporate taxes are considered

	Incomes of—			
	150–300	300–500	500–1,000	Over 1,000
Gross income	$210,518	$94,350	$89,183	$91,670
Dividends	$124,593	$62,996	$63,908	$75,884
Ratio percent	59.2	66.8	71.7	82.8
Rate of corporation taxes, Federal and New York percent	20.4	20.4	20.4	20.4
Amount of corporate income applicable to dividend before payment of tax	$156,524	$79,141	$80,286	$95,332
Amount of corporate tax	$31,931	$16,145	$16,378	$19,448
Gross income plus corporate tax	$242,449	$110,495	$105,561	$111,118
Ratio of corporate tax to gross income including tax percent	13.2	14.6	15.5	17.5
Highest individual tax rate applicable percent	76.0	80.0	84.0	87.0
Same, ratio to gross income including corporate tax percent	66.0	68.3	71.0	71.8
Total highest tax rate applicable to individual incomes percent	79.2	82.9	86.5	89.3

Federal expenditures giving stimulation to business by fiscal years

[000 omitted]

	1934	1935	1936	1937
Public works:				
Buildings	$78,706	$58,026	$67,987	$76,249
Highways	267,882	317,357	243,896	350,612
Rivers and harbors	150,732	203,043	223,717	234,962
Reclamation and other	20,193	53,136	55,129	83,713
Boulder Canyon	19,445	23,821	23,913	14,916
Army	38,023	61,299	9,639	19,205
Navy	22,641	115,037	137,608	59,801
Treasury Department	18,929	5,616	35,847	37,200
Department of Agriculture	13,003	15,723	54,900	62,136
Tennessee Valley	11,037	36,149	48,831	41,995
Administration, public works	6,539	14,561	25,255	27,431
Other	10,765	29,242	35,417	46,050
Total	657,894	933,010	962,139	1,054,300
Agricultural aid:				
Payments	289,055	711,819	532,524	527,061
Farm credits	582,607	159,657	188,110	[1] 39,611
Purchase of commodities	40,054	76,571	8,164	4,011
Total	911,716	928,047	728,798	491,461
Other aids:				
Resettlement and subsistence homesteads	2,372	5,424	138,016	209,696
Loans and grants, public works	78,596	137,707	172,116	224,480
Reconstruction Finance Corporation	584,623	[1] 141,927	[1] 238,722	[1] 353,864
Other loans to railroads	70,739	66,231	[1] 127,882	[1] 3,119
Home Owners	192,230	91,651	51,890	37,426
Emergency Housing	389	6,480	24,906	50,734
Federal Deposit Insurance	149,502	498		
Total	1,078,431	166,064	20,324	185,353
Adjusted-service pay	50,000	50,000	1,773,493	556,665
Relief:				
Direct	667,299	1,744,423	487,428	8,390
Work relief	805,123	11,327	1,264,337	1,896,744
Agricultural		80,561	2,882	476
Civilian Conservation Corps	331,941	435,509	486,281	385,808
Total	1,804,363	2,271,820	2,240,928	2,291,418

SUMMARY

	1934	1935	1936	1937
Public works	$657,894	$933,010	$962,139	$1,054,300
Agricultural aid	911,716	928,047	728,798	491,461
Other aids	1,078,431	166,064	20,324	185,353
Adjusted-service pay	50,000	50,000	1,773,493	556,665
Relief	1,804,363	2,271,820	2,240,928	2,291,418
Total	4,502,404	4,348,941	5,725,682	4,579,197

[1] Credit.

NOTE.—Total for 4 years, $19,156,224.

SMALL CLAIMS AND CONCILIATION BRANCH IN MUNICIPAL COURT OF THE DISTRICT

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1835) establishing a small claims and concilation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes, which were, on page 2, line 12, after "costs", to insert "Said jurisdiction shall not include actions for recovery of the possession of real estate, whether or not such actions include a claim for arrears of rent, or personalty, or both arrears of rent and personalty", and on page 7, line 11, to strike out "9" and insert "8."

Mr. KING. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

BUSINESS ADVISORY COUNCIL

Mr. BURKE. Mr. President, will the Senator from Virginia yield to me for a few moments?

Mr. BYRD. I yield to the Senator from Nebraska.

Mr. BURKE. Mr. President, I should like to offer at this time two reports for the RECORD, and before offering them make a short statement in reference to them.

There was organized in 1933 by the Secretary of Commerce, Mr. Roper, the Business Advisory Council. He invited some 60 businessmen from various parts of the country to sit in this council, and it has been in operation since that time. At the present time Mr. W. A. Harriman, chairman of the board of the Union Pacific Railroad, is chairman of the Advisory Council.

This council is divided into a number of groups, one of them being the committee on industrial relations. The chairman of that group is Charles R. Hook, president of the American Rolling Mills Co.; and the vice chairman is John D. Biggers, president of the Libby-Owens-Ford Glass Co. and Administrator of the National Unemployment Census.

This Business Advisory Council has adopted two reports in reference to the National Labor Relations Act and the National Labor Relations Board. They were submitted by the committee on industrial relations to the full Business Advisory Council and unanimously adopted.

Under date of February 10, Mr. Hook and Mr. Biggers, chairman and vice chairman, respectively, of the Industrial Relations Committee, submitted to the President these two reports, with a letter. The first report sets out the fundamental principles essential to industrial peace, and the second report submits five proposed amendments to the Wagner National Labor Relations Act.

I ask unanimous consent that there be printed in the RECORD the letter addressed to the President, and the two reports to which I have referred.

The PRESIDING OFFICER. Is there objection?

There being no objection, the letter and reports were ordered to be printed in the RECORD, as follows:

FEBRUARY 10, 1938.

The PRESIDENT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: We present herewith, at the request of the Business Advisory Council for the Department of Commerce, two reports of its Industrial Relations Committee—the first approved by the council April 8, 1937, and the second approved January 20, 1938, both unanimously.

These reports can be summarized as follows:

FIRST REPORT

The fundamental principles essential to industrial peace should be embodied in a consistent industrial relations policy, fair to employers, employees, and the public. This policy should then be expressed in voluntary action and in State and Federal legislation.

Cooperation is necessary to maintain and increase productivity and employment. Resorts to force are injurious to all concerned.

Every reasonable effort to settle controversies by agreement should be made by employers and employees. Neither should engage in arbitrary activities until all available methods of negotiation, conciliation, and mediation have been exhausted.

Federal and State legislation should encourage and aid the peaceful settlement of labor disputes, making provision for public agencies exercising conciliatory and fact-finding powers and providing the means of voluntary arbitrations.

No controversial activities should be permitted to interfere with public services or jeopardize the national defense.

Employers and employees should be able to exercise the right of self-organization and collective bargaining, free from interference, restraint, or coercion from any source. Voluntary agreements and arbitration awards should be enforceable by law.

Corresponding responsibilities should be imposed on both parties and enforced impartially, with a dominant regard for the public interest.

SECOND REPORT

The National Labor Relations Act, on the basis of experience since July 5, 1935, should be amended to provide assurance that—

(a) Neither the act nor its administration will favor any particular form of bona fide labor organization.

(b) Employees shall be free in self-organization and collective bargaining from interference, restraint, or coercion from any source.

(c) Any party to a labor dispute shall be able to invoke the services of the Board.

(d) The functions of fact-finding prosecution and judicial decision shall be separated and not combined in a single agency.

(e) The rights and obligations of employers and employees and their representatives or organizations shall be more clearly defined by law and made less subject to definition at the discretion of the Board.

We hope that these reports, having been prepared with great care and after extended investigation and discussion and then unanimously approved by the Business Advisory Council, will be given sympathetic consideration by all those charged with the formation of public policy and the administration or revision of Federal legislation. We would appreciate the opportunity to discuss the matters presented with any of those persons whom you may suggest.

Respectfully yours,

CHARLES R. HOOK,
Chairman.
JOHN D. BIGGERS,
Vice Chairman, Industrial Relations Committee,
Business Advisory Council.

REPORT OF THE INDUSTRIAL RELATIONS COMMITTEE OF THE BUSINESS ADVISORY COUNCIL FOR THE DEPARTMENT OF COMMERCE

(Approved by the Business Advisory Council April 8, 1937)

FUNDAMENTAL PRINCIPLES ESSENTIAL TO INDUSTRIAL PEACE

A consistent industrial relations policy for the Nation should be adopted which would be fair to employers, employees, and the public.

This industrial relations policy should—

1. Promote increased employment, rising standards of living, and national prosperity through uninterrupted expansion of industrial production and of business generally.

2. Provide stable and peaceful employment for American wage and salary workers.

3. Provide adequate protection for the general public who are affected by industrial controversies.

4. Avoid industrial conflicts of the type which threaten to undermine the foundations of individual and national security.

Whether such a policy results in voluntary action of the parties themselves, or in State or Federal legislation, immediate action should be taken to assure sound and enduring relations between employers and employees.

Any consideration of industrial relations should be based upon recognition of the fact that the interests of employer and employee are identical from the standpoint of maintaining and increasing productivity and employment. Resort to force by participants or sympathizers in any disagreement or controversy invariably results in serious consequences, not only to the parties themselves but to many others who are in the position of innocent bystanders. The public is vitally concerned with the maintenance of production and employment which is dependent on the continuous and peaceful operation of all business in the interest of an ever-improving standard of living.

In the development of a consistent national industrial relations policy the following are advanced as fundamental principles:

1. In the public interest sound industrial relations require that every effort should be made to prevent interruption of business through strikes or lockouts. Therefore it is the duty of employers and employees to exert every reasonable effort to make agreements or reach understandings concerning wages and hours and to settle all controversies by peaceful means. Neither employers nor employees should engage in strikes, lockouts, or other arbitrary activities unless and until they have exhausted all available methods of negotiation, conciliation, and mediation. This is their minimum public obligation. The public interest, moreover, demands that under no circumstances should activities be permitted which interfere with services essential to the public or jeopardize the national defense.

2. Employees and employers should have the right to organize and bargain collectively through representatives of their own choosing and should be free from interference, restraint, or coercion from any source in the designation of their representatives. This right must carry with it a mutual responsibility for respect of law and the rights of the public.

3. Federal and State legislation should encourage the peaceful settlement of controversies between employers and employees, with equal responsibility for the maintenance of their agreements, and should make provision for the creation of independent public agencies endowed with adequate fact-finding powers and authorized to aid in the settlement of disputes through conference, conciliation, and mediation and through providing the means of voluntary arbitration.

4. Administrative regulations should prescribe that there be no change in the conditions out of which an industrial controversy arises during the period in which legally assured opportunities for settlement are being employed.

5. When industrial controversies have failed of settlement by direct negotiation between the parties concerned either party to such a controversy should be able to invoke the services of the public agencies of conciliation and mediation, and these agencies should be authorized to proffer their services.

6. Agreements voluntarily made and awards resulting from voluntary arbitration should be made enforceable by law.

7. Legislation to aid in the settlement of industrial controversies should impose corresponding responsibilities on the parties and be administered with fairness and impartiality to all concerned and with a dominant regard for the public interest.

In the interest of both employees and employers, it is important that Government should not favor any particular union or any particular form of employee organization.

Regardless of how carefully drawn or impartially administered, no legislation of itself can create that understanding of the mutuality of interests of employer and employee so essential to an economically sound solution of a dispute with respect to wages, hours, and working conditions.

To create this understanding there must be conscientious cooperation on the part of both employer and employee to develop plans which will provide for regular conference by local representatives of management and labor for the purpose of studying the current economic problems of the business.

There can be no effective and lasting accomplishment without much of cooperation, and there can be no cooperation until there is confidence built upon a foundation of understanding.

We recommend prompt proposal and enactment of the necessary Federal and State laws to facilitate this program and bring to all the people the benefits which it envisions.

REPORT OF THE COMMITTEE ON INDUSTRIAL RELATIONS OF THE BUSINESS ADVISORY COUNCIL FOR THE DEPARTMENT OF COMMERCE

(Approved by the Business Advisory Council January 20, 1938)

STATEMENT OF POLICY FOR AMENDMENTS TO THE NATIONAL LABOR RELATIONS ACT

Any labor legislation should recognize that its first objective is to create conditions that will provide for the maintenance and expansion of both business and employment, resulting in an ever higher standard of living. The progress of American industry has been greatly aided by cooperation between employers and employees. Strife has been the exception rather than the rule. Labor legislation should be based upon a recognition of the fact that the interests of employer and employee are identical from the standpoint of maintaining and increasing productivity and employment. Continuance of the cooperative methods through which the prosperity of the American people has been built up, and the further strengthening of these methods, should be the purpose of all legislation in the field of labor.

The fundamental principle of bringing about recognition of individual rights through collective bargaining is sound and should be supported.

Any labor legislation should fully recognize its ultimate influence on the welfare of the three great economic groups concerned, namely, the employee, the employer, and the general public. It should be recognized that Federal labor legislation represents a declaration of an industrial relations policy for the entire Nation and as such it must be so clearly impartial as to secure for itself the confidence, acceptance, and support of the country as a whole.

The National Labor Relations Act has been in effect since July 5, 1935. As a result of the experience with the act and its administration, it is now apparent that this law requires amendments in certain respects in the interests of employees, employers, and the general public.

Certain features of the National Labor Relations Act and the manner in which it has been administered have created a feeling of uncertainty on the part of all groups affected and have had a definitely harmful effect on industrial conditions. We believe that if this act is amended, taking into account the principles set forth in our report of April 8, 1937, it is bound to have a helpful influence on industrial activity. We would like to reemphasize some of the recommendations made in our original report and add some additional comments.

Government or its representatives in the administration of this act should not favor any particular union or form of employee organization. To be effective in the pubic interest any agency of the Federal Government should be completely nonpartisan and impartial. Otherwise it loses the confidence of either or both parties to the dispute.

The National Labor Relations Act should be amended to provide that, in matters of organizing, choosing representatives and bargaining, employees shall be free from interference, restraint, or coercion from any source.

It is recommended that this legislation be amended to provide that any party to a labor dispute should be free to invoke the services of the administrative board. In the public interest this act should prohibit sympathetic strikes and lockouts and activities which will in any way interfere with public services or jeopardize the national defense.

Employers and employees who have reached collective agreements should be protected in the faithful execution of such agreements. No organization violating its collective agreements should be permitted to utilize the administrative machinery created by the National Labor Relations Act.

The board should not be empowered to combine the functions of a fact-finding agency, prosecutor, and a judicial body. Proper amendments should divide these functions.

With the greatly enlarged influence of national labor organizations, the obligations and responsibilities of these organizations and their leaders, including the responsibilities to their own membership, should be embodied in labor legislation and in the policies of administrative boards.

Either in the statute or in the published regulations of the board, the rights and obligations of employers, employees, and labor organizations should be more clearly defined than at present and less should be left to the discretion of the administrative board in individual cases.

In the interest of sound, peaceful, and effective industrial relations we reaffirm the recommendations contained in our report of April 8, 1937, as supplemented herein.

INDUSTRIAL RELATIONS COMMITTEE,
CHARLES R. HOOK, *Chairman.*

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BYRD. Mr. President, in discussing the pending bill, known as the reorganization bill, I wish first to state that there is no Member of the Senate more sincerely anxious for a prompt reorganization of the Federal Government in the interest of economy, simplicity, and efficiency than the Senator from Virginia. There is no Member of the Senate who is more conscious of the extravagance which exists in the bureaus and departments here in Washington, the overlapping activities, the duplicated efforts, and the opportunity which now exists for great savings of public funds.

Mr. President, I make this statement because I desire to have it clearly and distinctly understood that in supporting amendments to the bill I am not endeavoring to obstruct a prompt reorganization of the Federal Government. I recognize the need of it, and I am for it. I am merely endeavoring to have included in the bill a statement of certain fundamental principles and provisions which I think should be embodied in any bill, the purpose of which is to provide for the reorganization of the Government.

FUNDAMENTAL PRINCIPLES

First, I want the Congress to go clearly on record that economy is one of the main objectives of any reorganization of the Government.

Second, there should be no greater power conferred upon the executive branch of the Government than is necessary to accomplish the purpose of a businesslike and thorough reorganization.

Third, I want to see preserved the independence of the General Accounting Office, and I want to see preserved the independence of the various agencies of this Government such as the Interstate Commerce Commission, the Radio Commission, the Power Commission, and other quasi-judicial agencies.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. WAGNER. I wish to ask a question merely for information, because I agree with what the Senator just said. Does the Senator understand that under the provisions of the pending bill these independent agencies may be transferred to some other department and deprived of their independence?

Mr. BYRD. The bill does not provide for that, but this was the original recommendation made by the President and the President's committee.

Mr. President, the very able junior Senator from South Carolina [Mr. BYRNES], in his splendid exposition of the bill yesterday, referred to the authority that was granted to Mr. Hoover, when he was President, for a reorganization of the Federal Government. I wish to emphasize again that the authority given to Mr. Hoover was not the same authority that is asked under the pending bill, because in the law passed during Mr. Hoover's administration it was provided that either branch of Congress by resolution could nullify within 60 days any order issued by the President.

The Senator from South Carolina also referred to the reorganization law which was signed on March 3, 1933, and which was operative for 2 years during the term of President Roosevelt. I was not in the Senate at the time the bill was passed. Had I been, I would have voted for it, because it was represented as being necessary to carry out the campaign pledges of the Democratic Party upon which Mr. Roosevelt was elected President of the United States, with a sacred covenant with the people of America that he would reduce the expenses of Government by 25 percent. The title of the act itself emphasizes the fact that practically the sole purpose of the enactment of the law on March 3, 1933, was economy and a reduction of governmental expenses.

Yesterday I referred to the declaration of standards in the act, and I wish to read the statement again:

> The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically Government expenditures, and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

NO ECONOMY

Mr. President, when that law was enacted the expenditures of the Federal Government were approximately three and a half billion dollars annually. At this time the expenditures of the Federal Government are nearly $8,000,000,000 annually. Yet we are frankly told now, in advance of the enactment of the pending bill, that no substantial economies will result from the enactment of the bill.

Mr. President, I think one of the greatest problems confronting the American people today is that of balancing the Budget. There are some who ridicule the idea, who say it is not necessary and perhaps never will be necessary to balance our Budget. But let us not forget that we will soon enter into the ninth consecutive year of great deficits. I make the statement now, and make it advisedly, that we are no closer to a balanced Budget than we have been at any time since the depression began.

We were told by the President a year ago in his Budget message that the Budget was in balance for the year 1938. All one has to do is to refer to the Treasury statement which is upon the desk of each Senator to see that on February 26 the deficit for the present fiscal year is $1,045,000,000, and I predict that by July 1 the deficit will be approximately $1,750,000,000.

The outlook for 1939 is even worse, because the reduction in revenue occasioned by the present depression will be reflected in that fiscal year. The Budget sent to the Congress by the President anticipates a deficit in the fiscal year 1939, the ninth deficit year, of $1,000,000,000. I predict that that deficit will be nearer $2,000,000,000 for 1939.

I say further that this year the Federal Government is spending as much money as in any previous year, if we eliminate the soldiers' bonus. There are those who think—many citizens think so, and some Senators have told me so—that there has been a reduction in Federal spending. There has not been a reduction in Federal spending. We are spending as much in this fiscal year as we have ever spent, if we eliminate the soldiers' bonus from the years 1936 and 1937.

DISASTERS

Mr. President, I am not the only one who has called attention to the disasters which will happen to this country under a continued deficit. I wish to read what Mr. Roosevelt said on October 19, 1932, at Pittsburgh. He said:

> If in some crisis it (the Federal Government) lives beyond its income for a year or two it can usually borrow temporarily on reasonable terms. But if, like a spendthrift, it throws discretion to the winds, it is willing to make no sacrifice at all in spending, extends its taxing to the limit of the people's power to pay, and continues to pile up deficits, it is on the road to bankruptcy.

That statement was made by the President of the United States over 5 years ago.

On March 10, after he came into office, he said in a message to Congress:

The deficit—

Calling attention to the Hoover deficit—

has contributed to the recent collapse of our banking structure. It has accentuated the stagnation of the economic life of our people. It has added to the ranks of the unemployed * * * and no effective action has been taken. * * *

Upon the unimpaired credit of the United States Government rests the safety of deposits, the security of insurance policies, the activity of industrial enterprises, the value of our agricultural products, and the availability of employment. * * * National recovery depends upon it. We must (act) now, and it is my duty to point out a definite road.

Mr. President, the best way to economize is to eliminate waste and extravagance and overlapping activities and duplicated efforts, and it is an astounding thing to me to hear the President say that only $30,000,000 can be saved by a reorganization of this bloated bureaucracy that we have at Washington when we are spending $14,000 every minute of every day and night, including Sunday. In a space of 4 years we have doubled the number of employees in the city of Washington. In a space of 4 years we have added 50 new agencies of Government, an increase of 60 percent of the agencies that existed on March 4, 1933. I think it is the duty of Congress, if the Government is to be reorganized, clearly and concisely to state that the utmost economy shall be effected in the reorganization of the Government.

As I have said, the easiest way to reorganize is to cut out the useless red tape and economize on administrative expenses. It may be necessary to cut out some of the functions of Government, but certainly the first thing to do is to reduce the administrative costs of Government. I make this confident prediction—that if the bill now before us is passed in its present form, not only will not a single dollar be saved but the cost of Government will increase many millions of dollars. I say that because under it we are creating two new permanent departments, we are creating one Cabinet position, and we are providing for six assistants to the President. We are giving to the President and the heads of departments the power to employ and pay experts and consultants, as many as they desire, and at whatever sums they may desire to pay them, without regard to any other laws passed by Congress.

WILL INCREASE EXPENDITURES

If the bill is passed in its present form, I will stake any reputation I may have gained in connection with the investigation of possibilities for reorganization that it will result in a large increase in our expenditures at a time when a great crisis exists in this country—and no one can deny it—when a need exists for the reduction of expenditures of Government so that we may have a balanced Budget.

Mr. President, I now desire to refer very briefly to the consideration that has been given this legislation by the joint committee of which I am a member. For nearly 6 months this committee considered a confidential memorandum that was prepared by the President's committee. It was not made public. For 6 months it was considered in executive session. The testimony will show that more time was consumed by the members of the President's committee in supporting the theory that the President should have control of the Interstate Commerce Commission, the Federal Communications Commission, the Federal Power Commission, the Federal Trade Commission, the National Labor Relations Board, and those other agencies than to any other part of this legislation. That and the effort to destroy the independent accounting system took nearly the entire time of the committee in the consideration of this bill in executive session.

Then, Mr. President, the former Senator from Arkansas, the late distinguished Senator Robinson, presented two bills, and I think the bill now before us is perhaps the fifth or sixth bill that has been presented. The only public hearings that have been held with respect to the proposed legislation were the hearings held on the so-called Robinson bill, Senate No. 2700.

Mr. BURKE. Mr. President——

The PRESIDING OFFICER (Mr. JOHNSON of Colorado). Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. BYRD. I yield.

Mr. BURKE. In reference to these hearings, after the committee came down to a consideration of the later amended bill, were witnesses called?

Mr. BYRD. The last hearing, I will say to the Senator from Nebraska, was on the bill introduced by the late Senator Robinson, Senate bill 2700. There have been no hearings on other bills. Several other bills have been introduced.

Mr. BURKE. Since all these bills have provided for the immediate death of the independent Comptroller General, would it be unfair to ask whether the one man who has filled that office for the 15 years following the enactment of the legislation by Congress was called before the committee to testify?

Mr. BYRD. He was not, I will say to the Senator.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BYRNES. I think the Senator would yield to me for the purpose of saying that after the bill was introduced by the late Senator Robinson, Senate bill 2700, the only one reported, that thereafter when the Congress met in the extraordinary session the bill introduced by me was introduced, as I stated to the committee, because I had six or seven amendments agreed to by the committee, and I thought it better to introduce a new bill then showing the committee amendments, rather than to go on the floor of the Senate when the bill was taken up for consideration to offer these amendments, when the Senate would not have had an opportunity to see them, and the committee agreed that it would be best that I should reintroduce the bill with the amendments printed as a part of the bill, so that they would be before the Senate, and that was the purpose of introducing the last bill, and there was no reason or justification for having hearings. As a matter of fact, as to the amendments introduced by me, there was little or no controversy in the committee, the Senator from Virginia agreeing with most of the amendments that were then offered by me.

I think the Senator will say with reference to the Comptroller General's office that last summer I stated to him after the 2 weeks of the hearings that any witness that he suggested would be summoned before the committee, and that the Senator from Virginia suggested and did bring before the committee the present Comptroller General and about five of his assistants, the heads of different divisions of the Comptroller General's office. Is that not correct?

Mr. BYRD. That is correct, but that was with reference to the Robinson bill.

Mr. BYRNES. And the Senator will say with reference to the Robinson bill that the change made by me in this bill is the change that the Senator thought an improvement over the Robinson bill, requiring the appointment of the Auditor General by a joint congressional committee, and removable only by it. Though the Senator did not change his attitude at all with reference to the subject, he did think it an improvement.

Mr. BYRD. Mr. President, I will say that any change from the original proposal for the destruction of the General Accounting Office would be an improvement because nothing could have been worse than what was proposed originally.

Mr. BYRNES. The Senator did not ask the committee for hearings upon that suggested change by me.

Mr. BYRD. There was no necessity for asking for hearings with respect to that suggested change. There were quite a number of amendments adopted that the Senator from Virginia was not consulted about at all, and knew nothing about until they were in the bill.

Mr. BYRNES. But the Senator did not ask for hearings upon any of them.

Mr. BYRD. I did not ask for hearings. I am not making any point on that except to state exactly the consideration given to the bill.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. MINTON. I remember reading those hearings, and a great deal of time was spent in hearing witnesses who were objecting to the transfer of the Forest Service to some other department.

Much testimony was taken along that line. Much of the time of the committee was taken up by it. Is there any provision in the bill for such transfer?

Mr. BYRD. There is the broad provision that the President may transfer any activity of any department to any other department.

Mr. MINTON. The particular transfer referred to is not contemplated in the bill itself, is it?

Mr. BYRD. I will say to the Senator that there is no indication in the bill as to what the President shall or shall not do; and, except for one provision to which I shall refer later, the President is given broad power to do practically anything he pleases with respect to the transfer, abolition, retransfer, or regrouping of departments.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BARKLEY. While hearings were held on the Robinson bill, is it not true that the amendments later agreed to by the committee and incorporated in the bill to some extent were amendments made as the result of those hearings?

Mr. BYRD. They may have been.

Mr. BARKLEY. Is it not true also that many of the amendments in the bill are technical, and that no member of the committee, including the Senator from Virginia, as I recall, made any request for hearings upon the amendments suggested by the Senator from South Carolina? That is a fact, is it not?

Mr. BYRD. That is a fact.

Mr. President, I should like to ask that I not be interrupted further, unless there is some special occasion for it, until I have an opportunity to explain my reasons for objecting to the bill as it now stands.

POWER TO THE PRESIDENT

If Senators will refer to page 2, section 2, I should like to invite attention to the following provisions:

> Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish any of the purposes set forth in section 1 of this title, he may, by Executive order, subject to the limitations hereinafter provided.

Subsection (3) on page 3 gives the President the right to:

> Abolish the whole or any part of any agency, or the functions thereof.

I desire to invite the attention of the Senate to the fact that under the provisions of this bill the President can abolish a policy of government; he can abolish a function of government, as set up by Congress. In the original bill presented by the President's committee and considered in secret session, the word "function" was defined, but for some reason that definition has been left out of this bill. I desire to read to the Senate the definition of "function" as contained in a companion House bill, which is now on the calendar of the House, introduced by Representative MEAD. The definition is:

> Any rights, privileges, powers, immunities, duties, authority, or function.

So not only does this bill give the power to the President to abolish agencies of government, to establish new agencies of government, and to rename agencies of government, but it gives him the power to change the policies of government adopted by Congress, in part or in whole. I think that to give the President the authority to abolish or modify, in whole or in part, a function of government, involves a great surrender of power by the Congress. A function of government is a policy of government. Congress is the sole agency to determine a policy of government.

The Senator from South Carolina referred to the fact that under the Constitution it is the duty of the President to see that the laws passed by Congress are faithfully executed; but under the language of the bill the President has the right to set aside laws adopted by Congress. If, within the function of Congress, authority is granted to a department for the spending of money, or for any other purpose, the President can alter or amend that function without securing the approval of Congress.

SURRENDERING MAJORITY RULE

I submit to the Senate that if such broad language is left in this bill, giving the President the right to determine as he sees fit, or to alter or modify the functions of government, then his Executive orders should come back to the Congress for ratification. If that were provided for, I should have no objection whatever to such authority. But I do oppose such a broad grant of authority to the President when there is no provision in the bill for ratification by Congress. If Congress disagrees with any Executive order of the President, all Congress can do is to pass a bill nullifying such an order, and then the President may veto the bill, and a vote of two-thirds of both Houses of Congress is necessary in order to over-ride the veto. So, in effect, what we are doing in this bill is surrendering, for a period until July 1, 1940, the majority rule of Congress, not only over the administrative duties of government, but also over the policies and functions of government. All Congress can do is to pass a bill and, in the event the President vetoes it, to pass it over the veto and that requires a two-thirds majority in both Houses of Congress.

A reorganization of government should be considered in the light of producing the most efficient machinery to perform the policies and functions set forth by Congress.

When I had something to do with the reorganization of the Government of Virginia, as Governor of that State, I did not ask for such vast authority. So far as I know, no other Governor has ever asked for such authority. I submitted my proposals to the legislature of my State; and I never thought of asking—and no other Governor so far as I know has ever thought of asking—for the the power to change, modify, and alter functions and policies of government in addition to the administrative machinery required to perform such functions.

Mr. KING. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. KING. As I understood the Senator, he stated that if this bill should pass in its present form the President would have the authority to change the functions of an organization or to abolish the organization.

Mr. BYRD. Yes.

Mr. KING. Suppose he should change the functions of an organization or bureau of the Government; would not that change be carried into the law permanently, so that the only way such an organization could be restored to its former status would be by an act of Congress?

Mr. BYRD. By an act of Congress, which would be subject to veto.

Mr. KING. In other words, the organization or bureau would not ipso facto revert to the position which it formerly occupied?

Mr. BYRD. That is correct. If the Congress should pass such an act as I have suggested, it would be subject to veto, of course.

I should like to read to the Senate subparagraph 4 of subsection (a) of section 2, on page 3. That provision gives to the President the power to—

> Prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head.

INTERIOR—CONSERVATION

There has been a controversy as to whether the name of the Department of the Interior should be changed to the Department of Conservation. The provision for such change was stricken out of the bill because there was opposition to it. But under the clause which I have just read the President would have the power to change the name of the Department of the Interior to the Department of Conservation, or to any other name he might choose to give it. The

provision I have just read would give the President the power to change the name of any department of the Government, to change all the Cabinet departments, and to prescribe the duties, the functions, and the powers of the executive heads of the departments.

There are certain prohibitions in the bill as to what the President may not do with respect to the issuance of Executive orders. He may not, for example, completely abolish an executive department. An executive department, of course, embraces those with cabinet positions. But the President may transfer 99 percent of the functions of such department to some other department. He may disrupt it and dismantle it, and leave a mere shell of a department remaining, although he may not abolish the department itself.

At the top of page 4, for some reason which I do not know, because I was not consulted about this amendment, there is a provision which protects against abolition and transfer to any other agency the functions exercised by the Engineer Corps of the Army or the Mississippi River Commission in administering laws relating to rivers and harbors or flood control. What is sacred about such activities I do not know. I do not know why the particular activities excepted are the only Executive activities in the whole bill which are exempted from transfer by the President. I know there was presented to the committee from time to time, as the Senator from Indiana has said, the question of the desire of the farmers of the country to have the Forest Service protected from transfer to the Interior Department or the Department of Conservation, or some other department. Other exceptions were asked, but those to which I have referred are the only exceptions adopted by the committee. Why there is any sacredness about the activities and functions of the Engineer Corps of the Army or the Mississippi River Commission, I have never been told.

I now invite attention to subsection 6 of subparagraph (b) of section 2 of the bill, on page 4, which states that the President is not authorized—

> To create or establish any new agency to exercise any functions which are not expressly authorized by law in force on the date of enactment of this act.

In other words, the President is prohibited from creating a new agency to exercise any functions which are not expressly authorized; but he is not prohibited from creating a new agency to perform an existing function. He may create as many new agencies as he pleases, provided they do not exercise new functions.

CREATE NEW AGENCIES

Under subsection (c) of section 2, on page 4, the President would be permitted to make transfers of unexpended balances for purposes other than those originally intended by Congress. I have an amendment to correct that.

Under this bill the President may continue emergency agencies which have a definite date of expiration, provided he merges and consolidates such emergency agencies with some of the regular departments of government.

I desire to discuss very briefly the effect of section 4, on page 7, which is the provision for the 60 days' notice which is to be given with respect to Executive orders.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BYRNES. Did the Senator say that under subsection (c), on page 4, there is provision granting power to the President to continue emergency agencies beyond the period provided by law?

Mr. BYRD. I did not say it was in subsection (c).

Mr. BYRNES. Or anywhere?

Mr. BYRD. I say the President may consolidate, merge, or coordinate an emergency agency of the Government with a regular department or agency, either in whole or in part.

Mr. BYRNES. The Reconstruction Finance Corporation, for example, has the right, for a certain time, to invest money in the preferred stock of a bank. Would the Senator contend, according to his interpretation of the bill, that if such function were transferred to the F. D. I. C., for instance, the F. D. I. C. could exercise that function beyond the time provided in the act giving that power to the Reconstruction Finance Corporation? Will not the Senator agree, as a matter of law, that the function would end with the expiration of the power and that the power could not be exercised by any agency beyond the time fixed by the act of Congress?

Mr. BYRD. I will say to the Senator that if these functions are changed or coordinated or regrouped in whole or in part it would be impossible to unscramble them or ascertain which are emergency functions and which are regular functions of the Government.

Mr. BYRNES. I have given a specific instance. There was no intention on the part of the committee to permit to be done what the Senator contends may be done. I have said that the committee, as the Senator knows, in another place specifically guarded against such a contingency.

Mr. BYRD. That is only in relation to one clause.

Mr. BYRNES. Yes; but when Congress gives to an agency the power for 2 years to invest in the preferred stock of a bank, if the authority is transferred to another organization down the street, which is not given any greater power than was conferred by the Congress, does not the Senator think the power would expire at the end of 2 years?

Mr. BYRD. I repeat that if all the activities of a great emergency agency are separated and turned over to a different agency, as a practical proposition it would be impossible to unscramble them. And furthermore this bill provides for redefining functions. I have an amendment to correct that situation. I hope very much the Senate will accept it.

Mr. BYRNES. I would say there would not be any question about it. I am satisfied, as indicated in the statement which I made, that legally what the Senator contends may be done could not possibly be done. I will be glad to discuss the question with the Senator, but I do not think there is any doubt about it.

Mr. BYRD. I think it can be done; the law is not always obeyed carefully as it should be with respect to Executive orders.

Section 4 has to do with the effective date of Executive orders. An Executive order, of course, has the full force and effect of law and vast power is given to the President to abolish and change functions as well as administrative machinery by such orders. Under the bill they must be submitted to Congress and cannot become operative until 60 days after such submission.

MERELY A NOTIFICATION

Mr. President, that is merely a notification to the Congress, for, if Congress is dissatisfied with an Executive order, all it can do is to pass a bill, and then the President can veto the bill if he chooses to do so, and it will take two-thirds of a majority of both Houses to overcome such a veto. Therefore, so far as giving any power to the Congress in any way is concerned, it gives none, because the President even though action is taken by Congress within the 60 days can then veto the measure passed by Congress, and of course it would have to be passed over his veto, as in the case of any other law.

Mr. President, I will not discuss in any great detail the civil-service section. I can say that I favor many provisions of the civil-service section. I favor extending the civil service as provided in the bill. I desire to touch very briefly, however, upon the appointment of one administrator in place of the present nonpartisan Civil Service Commission.

CIVIL SERVICE

The Senator from South Carolina said yesterday that one administrator appointed for 15 years would be just as independent as is the Comptroller General. I wish to call the attention of the Senate, however, to the fact that the one administrator would be removable at the pleasure of the President. There was in a previous bill a provision that he could not be removed except for malfeasance in office or certain other causes, but that has been stricken out. Under the pending bill he can be removed at the pleasure of the President, whereas the Comptroller General can only be removed by joint resolution passed by Congress. Therefore

there is no similarity as to the independence of these two officials. One can be removed at the pleasure and whim of the President, while the other can be removed only by a joint resolution passed by both Houses of Congress.

Mr. President, I had intended to discuss section 205, on page 15, but yesterday the Senator from South Carolina agreed to strike that section from the bill. That section would have permitted the President to go into any department in Washington, in the event of a vacancy, and to declare a given official to be a policy-determining officer and to make a personal appointment of such official and take him from under the civil service. Under this provision the President would be the sole authority to determine what officers are policy-determining officials.

Mr. BYRNES. Mr. President, the Senator will recall that I said that it would be entirely satisfactory to me to strike out the provision because it would only affect 14 officials in the Government service. Under the definition that the committee provided in the original Robinson bill and which was carried in the bill subsequently introduced by me, an official, first, had to be the head of a department and immediately subject to the Executive, and his position had to be held to be policy making by the President; but in view of statement that there are but 14 officials in the Government service who are not appointed by the President and confirmed by the Senate who would be affected by the provision, I see no reason for carrying it in the bill.

Mr. BYRD. If the provision is to be stricken out, there is no use arguing about it, but I disagree with the Senator's contention that there are only 14 such positions, because the President is the sole judge as to how many there shall be. The Senate has only to read section 205, from which I quote, as follows:

> Any determination by the President that such office or position is policy determining in character shall be final, and the power of the President to make such determination shall expire on June 30, 1940.

So the Executive is the sole judge as to whether or not positions are policy determining, the officials quoted by the Senator from South Carolina to the contrary.

Mr. BYRNES. But the Senator should note the provision that such an official must be the head of a "bureau, division, service, or other similar agency, which is in or under the jurisdiction or control of and is directly responsible to the head of an executive department."

Mr. BYRD. And independent establishments.

Mr. BYRNES. And independent establishments. The head of every independent establishment advised the committee that there were no policy-making positions in their establishments and cannot be because they are quasi-judicial in character.

Mr. BYRD. Where I differ with the Senator is that the President determines whether or not officers are policy determining. It is inconceivable to me that there are only 14 positions in Washington, involving heads of bureaus, divisions, services, or other similar agencies which may be called policy-determining positions. There are hundreds of them, and the President is the sole authority for decision as to whether they are policy determining, and there can be no appeal from his decision.

I do not wish to delay the Senate too long, but I desire now to discuss what is perhaps one of the most controversial features of this proposed legislation. I refer to the question of the abolition of the Comptroller General and the General Accounting Office.

A SIMPLE QUESTION

Mr. President, I will state the matter very simply because the technicalities of our accounting system are great. It requires complex procedure at best to audit and control the expenditure of $8,000,000,000 a year. The General Accounting Office gets 12,000,000 checks every month; 120,000,000 checks must be audited by the General Accounting Office in a year. So the complexities are very great, and it is very easy to get a wrong conception of what is proposed to be done under the pending bill. A simple statement of the question here is, Shall the Congress have an officer responsible only to the Congress to see, before money is spent, that the laws governing appropriations are enforced in the expenditure of money? Shall there be an officer responsible only to the Congress of the United States to see that when an appropriation is made by Congress, such appropriation is expended in accordance with the limitations, in accordance with the restrictions, in accordance with the general laws to regulate the spending of public money, and to make this examination as far as possible before payment is made.

When I began to investigate the matter I was astonished to find that there are 500 general laws governing the spending of money, placing all kinds of limitations upon the spending of money in the different departments. Those laws are in addition to the specific limitations that may be placed in appropriation bills.

There are 500 general laws, any one or group of which must be observed in the event that the will of Congress is carried out with respect to the appropriations which are made.

Mr. President, the General Accounting Office was established in 1921. A bill providing for such an office was first passed in 1920, but was vetoed by President Wilson, not because he did not approve of the purpose of the measure, but because he thought it was unconstitutional, in that while the President was to appoint the Comptroller General he was to be removable by concurrent resolution of Congress. In other words, President Wilson contended that if he was to appoint he should have a voice in the removal of any official. So, in 1921, a year later, a similar bill was enacted, and the constitutional question, in the opinion of Senator Robinson and other very able constitutional lawyers, was satisfied by requiring that the Comptroller General could be removed only by joint resolution of Congress, which the President could either veto or sign, and, therefore, he would have a voice in the removal of the officer.

In 1921 the law establishing the General Accounting Office was enacted. It was the result of labors and efforts of some of the able Members of Congress who are with us today. I will say that the present Vice President of the United States, Mr. Garner, was one of the most powerful advocates of that legislation as it was passed in 1921. He was a member of the conference committee. He spoke in behalf of it on a number of occasions; he took great interest in it. In view of the fact that the Senator from South Carolina yesterday read some votes which were taken in years past I wish to call attention to the vote by which the bill creating the General Accounting Office and setting up an independent audit and control of the expenditures of the Government was passed in 1921.

It was passed in the House of Representatives by a vote of 344 to 9. Among those voting in favor of it were Mr. Barkley, the present distinguished leader of the Senate; Mr. Byrnes, of South Carolina, the present distinguished Senator from South Carolina; the late Mr. Byrns, of Tennessee; Mr. Garner; and others. Then it was passed in the Senate by a unanimous vote. Not a single vote was cast against it.

STRIPPED OF TECHNICALITIES

Mr. President, let me emphasize again the issue before us: Shall we continue to have the Comptroller General with the power to prevent an illegal expenditure before it is made, or shall we abolish the power that he now has, and give to an Auditor General, responsible to Congress, only the power to post audit; in other words, to audit an expenditure after it is made, and report the result to Congress? That is the issue. Stripped of all technicalities, the issue is whether we shall continue the Comptroller General with the power that he now has to prevent an illegal expenditure with the machinery which has been given him, the authority to countersign warrants before the money is available, or whether we shall provide merely for a post auditor to audit the disbursement of money after it is spent. In that event, I submit that if any Department does not obey some legal technicality, Congress will not institute proceedings against such an officer to collect money illegally spent.

I do not mean fraudulently spent. I mean that if the Secretary of Agriculture, for example, does not obey some of the numerous restrictions which may exist with respect to the expenditure of public money, and spends it without regard to those restrictions, I do not for an instant believe that Congress would proceed against the Secretary of Agriculture to endeavor to collect from him a million or two million or five million dollars which was spent honestly, but not in accordance with the law as established by Congress; and that is the clear issue before us.

I desire to read at this point, very briefly, a statement made by Mr. BANKHEAD, now the Speaker of the House of Representatives, when the original bill with reference to the Comptroller General was vetoed by President Wilson. He said:

> Personally, I did not agree with the position taken by the President. This office of Comptroller General which we are seeking to establish is not a constitutional one. It is clearly within the jurisdiction and province of the Congress to establish an office of this character, and it may be that without any constitutional restraint Congress itself could name the official to administer the law. But, be that as it may, it is a safe provision to allow this man who is to perform the great duties of Comptroller General to be absolutely free and independent of any restraint by Executive interference. If he is to exercise the functions of that office independently, if he is to carry out the will of Congress as proposed in this House bill, and protect the Treasury and interest of the taxpayers, he should be free and untrammeled from any sort of interference from any source.

And very much the same sentiments were expressed by a prominent Member of the House, Mr. Sisson. Then Mr. Byrns, of Tennessee, the late Speaker of the House of Representatives, who was very active in the passage of the legislation, said:

> I think that the power—

Now, mark this—

> I think that the power of controlling the expenditures should be under Congress, and under the Congress alone, and we can only secure that independent control of the appropriations made by the Congress by having an official who is directly responsible to the Congress and not responsible to the Executive for his tenure in office.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. Is the Senator of the opinion that the Comptroller General may now be removed by Congress without the approval of the President?

Mr. BYRD. Oh, no; I did not say that. I said that the Comptroller General could be removed only by a joint resolution of Congress; and in that event the President would have the power to veto the joint resolution, and it would have to be passed over his veto, if at all.

Mr. O'MAHONEY. I wanted to be sure that that was made clear. The Senator referred to the veto by President Wilson of the original Budget bill. I think he correctly stated that the original Budget bill provided that the Comptroller General should be removed only by impeachment or by concurrent resolution. As the Senator well knows, a concurrent resolution becomes effective without the approval of the President. President Wilson, therefore, vetoed the original Budget bill because it did not provide Executive control of the Comptroller General; and the bill which was later passed, and signed by President Harding, did provide for Executive participation in the power of removal. So that, under the Budget law creating the General Accounting Office and creating the office of Comptroller General, we have the situation in which an officer who is supposed to be an agent of the legislative body, is, as a matter of fact, under the control of the executive branch of the Government.

Mr. BYRD. The Senator is correct in what he has stated about the reason why President Wilson vetoed the original bill. I have already discussed that matter.

Now, Mr. President, I desire to discuss the powers which are transferred from the Comptroller General and given to a purely executive official, the Director of the Budget.

At the present time the Comptroller General has the power to audit, settle, and adjust accounts of fiscal officers of the Government involving the receipt, disbursement, and application of public funds.

He has direct control of the withdrawal of funds from the Treasury by setting up spending accounts, through the counter signature of warrants, and through the approval of requisitions drawn to place funds in the hands of duly constituted disbursing officers for payments of authorized obligations.

He has indirect control of public funds through advance decisions as to the legality of the proposed use of such funds, and regulations providing for the payment of accounts or claims, and prescribing forms, systems, and procedure for administrative appropriation and fund accounting, and for the administrative examination of fiscal officers' accounts and claims against the United States.

He has the authority to adjust and settle all claims and demands whatever for and against the United States.

He is responsible for the investigation of all matters relating to the receipt, disbursement, and application of public funds; the reporting to Congress of every expenditure or contract made in violation of law, and as to the adequacy and extensiveness of administrative examinations, and also making of recommendations concerning legislation deemed necessary in relation to such matters.

Mr. President, the powers I have just read are practically all taken away from the proposed new officer to be known as the Auditor General, except the power to postaudit, the authority to audit after the money has been spent, and then to report to a committee of Congress after the money has been spent. I repeat that this, in anything short of fraud, will amount to little. If the technicalities and the restrictions placed by Congress were not observed, if no actual fraud were involved, but if it were reported that a certain department had not observed, for example, the law which requires that all purchases be advertised for competitive bids, it is doubtful that the Congress would institute a suit, for example, against the Secretary of Agriculture or any other of our high officials for $1,000,000 or $5,000,000 merely because they made purchases in defiance of the general law which requires that all purchases shall be made by competitive bidding. The point I am endeavoring to make to the Senate is that this officer is the representative of Congress, to see that the laws as passed by Congress with respect to the appropriation of money are obeyed, and that the restrictions adopted by Congress are carried out.

It has been contended that Mr. McCarl, the former Comptroller General, was too autocratic in some of his decisions. I am not arguing that question, because I say that if Mr. McCarl has made mistakes that is no reason to abolish a system of government which has worked satisfactorily otherwise for 17 years. Is the fact that McCarl or anybody else made mistakes a reason to abolish the Comptroller General? That office has been vacant for more than a year. Why is it that the President has not appointed someone of his own choice to take Mr. McCarl's place if he was dissatisfied with the manner in which Mr. McCarl conducted that office?

While perhaps mistakes were made by Mr. McCarl, reasons could be given for many of these mistakes. So far as I have found, the General Accounting Office has been the only controlling and restraining influence in Washington for the past 4 years against the reckless spending of public money. The Comptroller has incurred the animosity, it is true, of many of the departments, because he has prevented them from spending money as freely and promptly as they would have liked to do. I observed from reading the debates that the late brilliant Senator from Arkansas, Mr. Caraway, while a Member of this body, defended Mr. McCarl as Comptroller General, and said that the Comptroller General was just about as popular with the departments as a polecat is at a party, because he had tried to restrain the departments, because he had tried to compel them to obey the law; and now we propose to abolish the office of Comptroller General.

BURDEN OF PROOF

Mr. President, I think the burden of proof rests upon those who desire to abolish the Comptroller General. During the past 17 years $80,000,000,000 of the people's money has been spent under this system without any serious scandal. I do not claim, of course, that the Comptroller General is entirely responsible for that situation, but he has been like a gun behind the door; he has been like a policeman patrolling up and down the streets; he has been a restraining influence to see that money appropriated by Congress shall be spent honestly, and in accordance with the law. A city or a municipality may for years pay the salary of a policeman. He may patrol a given beat; he may not make a single arrest; he may not prevent a single crime; but he is there as a restraining influence.

Under this system $80,000,000,000 has been expended, as I have said, without a serious scandal.

Mr. President, there is one official of this Government who approves of the Comptroller General, and that is Secretary Wallace. I desire to read what he said in a speech he made in New York on November 14, 1935, entitled "America Considers Its Constitution." He made a very able reference to the Comptroller General's office. He said:

> Government does achieve continuity in some matters. We have the office of the Comptroller General, for example, wherein the very able J. R. McCarl sees to it that the executive branch of the Government, whatever the party in power, follows a certain continuity with regard to the auditing and bookkeeping of governmental expenditures. The benefits of this much continuity must be obvious to everyone.
>
> Originally this accounting function was taken care of by a small branch of the Treasury Department. A long succession of statutes testifies to the growth of this function and to its increasing importance to successful government. In 1894 there was a general revision of the statutes dealing with the accounting officers, and in 1921 the new office of Comptroller General was created to consolidate and coordinate the accounting and auditing functions. The unique feature is the 15-year term of office, assuring a high degree of continuity in this particular field. A need impossible to foresee in the eighteenth century became evident in the twentieth and was intelligently met.

When the House of Representatives began the consideration of a bill establishing the office of Comptroller General, the Members of that body were so anxious to make the Comptroller General an entirely independent officer that the bill as passed by the House provided that he should be appointed for life, just as Supreme Court judges are appointed. The Senate then passed the bill containing provision for a 7-year appointment, and in conference the term was made 15 years, without authority to reappoint. The Members of Congress were so anxious to have this man supervise and see that expenditures of the Government were properly made in accordance with the law that the House, led by Mr. Garner, the present Vice President of the United States, provided he should be chosen for life, and it was only in conference, after a stubborn resistance on the part of the House conferees, that the term was changed to 15 years. Now we are asked to give the control powers of that office to the Director of the Budget, who can be removed by the President at will at any time he pleases to remove him, without even assigning a cause therefor.

Mr. President, if the bill should pass in its present form the Director of the Budget will have more power, will have greater authority, than any Cabinet officer in our Government. My attention was called only the other day to an order issued on November 15, 1937, which provides:

> There shall be submitted to the Bureau of the Budget, before submission to the Congress, or any committee or member thereof, the original and one copy of each recommendation or report, concerning proposed or pending legislation (other than private relief legislation) requested from or advanced by any executive department, independent establishment, or other Government agency (including the municipal government of the District of Columbia and Government-owned or Government-controlled corporations) or any officer thereof.

Although Congress may ask a department for some opinion with respect to a bill, that opinion must first be submitted to the Director of the Budget, if this bill shall be enacted, before it can come to the Congress. I shall ask permission to insert the entire order in the RECORD.

(See exhibit 1.)

Mr. BYRD. Mr. President I have communicated with every accountant in the United States of whom I could get any information, and I have asked these accountants whether a real independent audit can be made if some other agency prescribes and installs the system of accounting. Under the pending bill the system of accounting whereby the auditor general, the so-called independent auditor, is to audit, is to be exclusively set up and installed and prescribed by the Director of the Budget. The auditor general will have nothing to do with it. He must audit only the system which the Director of the Budget controls. I am speaking, as Senators understand, as to the division of responsibility between the executive branch and the legislative branch, and when I use the words "the President" I do not mean necessarily the present incumbent of that high office, but I refer to any man who may be President, because if this bill shall be enacted the same situation will continue for many years, no doubt.

It was testified before our committee by the President's committee that the Director of the Budget would naturally carry out everything the President wanted done, that he would obey the President with respect to appropriations. He is the President's man, and the Director of the Budget is always the President's man, just as in the States the director of the budget is the man of the Governor, right under the Governor, just as much under him as his own secretary, and would take orders from him just as his secretary would take orders.

I sent the letter to which I have referred to accountants all over the country, asking them whether or not in their opinion there could be set up a really independent audit if some other agency prescribed the system and methods of accounting.

RECEIVED 1,900 ANSWERS

I received 1,900 answers. One thousand seven hundred and eighty answered that there could be no really independent audit unless the man who did the auditing controlled the methods and prescribed the accounting. Only 116 contended that there could be an independent audit if the auditor general did not have control of the methods of the auditing.

Mr. President, the authority over the methods of accounting is taken away from the Comptroller General and given to the Director of the Budget under the pending bill. At the present time the Comptroller General has the authority to countersign warrants. Before any money can be made available to any department he must countersign the warrant which makes the money available. He must sign the warrant which places the money to the credit of the disbursing officers before it can be available. That gives him the power to see that the laws enacted by Congress are obeyed and carried out. That is the power he has. As I have stated before, I think the General Accounting Office should be reorganized. I think there are many changes which should be made in it. What I am trying to do is to preserve the system of independent auditing and control which was established in 1921, and under which great sums have been spent without a serious defalcation, or without a serious scandal, in the operations of the Federal Government.

I think that when complaint is made about Mr. McCarl, or Mr. Elliott, the present Comptroller General, we should bear in mind that Congress is frequently responsible for the enactment of many laws restricting the appropriations. Some of them go back 100 years and are still on the statute books. It is the duty of the Comptroller General to see that those laws are obeyed, regardless of whether they are good laws or bad laws, because he is the agent of Congress.

Whenever the Comptroller General attempts, as has been charged, to control a policy of the Government, he then is doing something which he has no authority to do. His duty is to see that the laws passed by the Congress, that the restrictions placed upon appropriations, are obeyed by the

spending agencies. That is all he can do. If he attempts to do anything else he is exceeding his authority.

Mr. President, in the amendment I have offered to title 3 of this bill I propose to continue the principle behind the General Accounting Office as it is, but to provide for an appeal from the decision of the Comptroller General to the Court of Claims. I think the fact that there has been no provision for appeal is one of the grounds of the criticism and objection to the Comptroller General. I think there should be an appeal from his decisions. Of course, there is already an appeal insofar as any person outside of the Government is concerned; such a person has the right to go into court. But no appeal can be taken by the head of any department from any decision made by the Comptroller General; and the amendment I have offered is for the purpose of granting a right of appeal from decisions made by the Comptroller General, so that the Court of Claims may determine whether or not the Comptroller General is right or wrong with respect to the decisions he makes.

Mr. OVERTON. Mr. President——

The PRESIDING OFFICER (Mr. BERRY in the chair). Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. BYRD. I yield.

Mr. OVERTON. I understood the Senator from South Carolina to say yesterday that no preauditing was done by the Comptroller General except upon the request of a department, and that as a matter of fact only about 3½ percent of the expenditures of the Federal Government were subject to preaudit. I have not been in the Chamber this morning during the whole time the Senator from Virginia has been speaking, and I should like to know whether he has commented upon that statement. If he has not, I should like to hear what he has to say with reference to it.

Mr. BYRD. I am very glad the Senator has called that to my attention. I was coming to it.

It is true that only a small percentage of the expenditures of the Government are preaudited, because a preaudit is given only when a department requests it. The actual control which the Comptroller General has is the power to sign and countersign warrants making available appropriations to the different departments. If the disbursing officer of a department makes a disbursement which in the opinion of the Attorney General is illegal, it would be charged back to him, and the Comptroller General could deny to that officer any further funds until that particular illegality was corrected, or the money refunded. Like the Senator from Louisiana, when I first investigated this matter I was confused by the idea of the preaudit. As a matter of fact, a preaudit is requested by a department when there is some doubt as to whether the action of the department is proper, and only a small percentage of the disbursements are actually preaudited. The real power, as I have said, is in the preexamination, which is permitted by the Comptroller General, and which is denied in the pending bill, because there cannot be an audit of any funds by the Auditor General under the pending bill except as a postaudit, after the money has been spent.

Mr. VANDENBERG. Mr. President, will the Senator yield to me before he leaves the subject?

Mr. BYRD. I yield.

Mr. VANDENBERG. I wish to submit an actual case to the Senator to see precisely how it would operate under the two relative systems. I understand that when Congress made an appropriation for emergency relief in the Dust Bowl area of the country the President undertook to spend a portion of that money on the planting of some sort of a great belt of trees from the northern boundary of the country to the southern, and that the Comptroller General interrupted the rather amazing adventure with a holding that that was outside the legalized authority of the appropriation.

What I wish to ask the Senator is, first, whether my information thus far is correct, and, second, if it is, what would happen in that same situation under the system which is now contemplated and recommended?

Mr. BYRD. I should be glad to answer the Senator. What would happen is that the Director of the Budget would entirely determine the legality of that expenditure, and the Auditor General, as provided in this bill, would come into the picture only after the money was spent and there was a postaudit.

I am glad the Senator called my attention to that because I had overlooked it.

Mr. BYRNES. Mr. President——

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from South Carolina?

Mr. BYRD. I yield.

Mr. BYRNES. The Senator would not say, in reference to the instance that was cited by the Senator from Michigan, that that rose either under preaudit or advance decision, but was with respect to the question of a transfer of emergency funds by the President for this purpose, and, as proposed, it was disapproved by the Comptroller General. When it was resubmitted with the change in language the Comptroller General approved it and approved the expenditure of a million dollars for that purpose. Later, the reason further amounts were not so spent was that the Congress itself directed further expenditures. I shall be glad to furnish, and later put into the RECORD, the file showing the letter from the Secretary of Agriculture, the action of the Comptroller General, and the amount that was spent.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. O'MAHONEY. The Senator will recall that when the representatives of the General Accounting Office were before the Joint Committee on Government Organization this matter was under examination. It was brought out then, as the Senator has now brought out, that this question of preaudit seemed to be the subject upon which the greatest amount of controversy had developed. It was then, the Senator will recall, that in response to some inquiries which I propounded it was acknowledged by the witnesses from the General Accounting Office that preaudit concerns less than 4 percent of all the cases which are submitted to the General Accounting Office. The Senator recalls that, does he not?

Mr. BYRD. Yes.

Mr. O'MAHONEY. And then the question arose as to whether or not the requirement that vouchers or warrants should be countersigned operated as a restraining influence upon expenditures, and the Senator himself directed some inquiries upon that point.

Mr. President, I think a quotation from the record in that respect is altogether pertinent now. The Senator will recall that, as the result of some interrogations which I had made, it developed from the testimony of Mr. Tulloss, who was the chief of the investigation division of the Comptroller General's office, that a preaudit is a very small part of the work of the General Accounting Office, so I propounded a question, and the following occurred:

Senator O'MAHONEY. Do you participate at all in handing down these decisions which are requested from time to time with respect to the authority to make certain expenditures?

Mr. TULLOSS. Only indirectly. That is not my duty.

Senator O'MAHONEY. That is not part of your function?

Mr. TULLOSS. No.

Senator BYRD. To what extent is the authority to countersign warrants something which gives you the power to enforce your decisions?

Mr. TULLOSS. The warrants, in the Federal sense, are first the appropriating warrants, setting up the moneys available for an advance to a disbursing officer to begin a program under the appropriation.

Senator BYRD. But that money is not available until the warrant is countersigned?

Mr. TULLOSS. That money is not available until the warrant is countersigned; that is true.

Senator BYRD. So that that does give some control?

Mr. TULLOSS. The only condition precedent to the countersignature on an appropriation warrant is that the Congress has made such appropriation.

In other words, it was developed by the testimony before the committee that a countersignature must necessarily be

supplied by the General Accounting Office, if the Congress has made the appropriation, and that, as a matter of fact, this provision of the law does not give the General Accounting Office any power over the expenditures.

Mr. BYRD. Mr. President, the Senator is confusing the appropriation warrant with another warrant that must be signed and placed to the credit of the disbursing officer. There are two warrants that the Comptroller General must sign—one is the warrant which places a general appropriation to the credit of a particular department, and the other the warrant with respect to making the appropriations available for the disbursing officer; and the colloquy to which the Senator refers relates only to the general warrant.

Mr. MINTON. Mr. President——

Mr. BYRD. I should like to answer further the question with respect to preaudit. Again I wish to emphasize that it is precontrol more than preaudit that has prevented illegal expenditures. By means of the precontrol that is given to the Comptroller General under the present law he can prevent an illegal expenditure, by charging it back to the disbursing officer, or by declining to sign the warrant of the disbursing officer. I shall present to the Senate tomorrow a number of instances wherein the Comptroller General has refused to sign disbursing warrants when the particular disbursing officer had not obeyed the law. That is the power to which I referred, and the Senator from Wyoming is confused as between the general warrant and the disbursing warrant.

Mr. MINTON. I should like to ask the able Senator from Virginia, if the question propounded by the Senator from Michigan should arise after this bill were passed whether the Director of the Budget could act as the Comptroller General now acts? In other words, could he pass on the question?

Mr. BYRD. Absolutely.

Mr. MINTON. Then under this bill we do have someone whose authority is comparable to that of the Comptroller General; but I understand the Senator's objection is that he is just the alter ego of the President.

Mr. BYRD. The Senator has made one of his usual remarks about anyone who differs with him.

Mr. MINTON. No; the Senator misunderstands me. I am simply trying to get at the facts.

Mr. BYRD. The fact is that I believe that no President should have this power, and if the Senator had listened to me he would have heard that statement.

Mr. MINTON. I was not intending to reflect upon anyone at all in what I said.

Mr. BYRD. The Senator is trying to claim that I am too prejudiced to discuss legislation that has anything to do with congressional powers.

Mr. MINTON. I did not say the Senator was prejudiced.

> So full of artless jealousy is guilt,
> It spills itself in fearing to be spilt.

All I wanted to find out from the Senator was if the bill we are discussing should pass, whether or not there would be someone under this bill who could exercise the same authority that the Comptroller General exercises, and the Senator said, "Yes, the Director of the Budget could."

Mr. BYRD. Yes. There has been no question about that at any time. The Senator has evidently been out of the Chamber and did not hear what I said with respect to that matter, or if he listened to me I have not been able to make my statement as clear as I endeavored to make it. It is very clear that this power, which I think should be performed by an officer subject to the Congress, is transferred to the Director of the Budget, who is appointed by the President, and I have said that it is not the present President or any other President to whom I am referring, in calling attention to this transfer of power from the legislative branch to the executive branch.

Mr. MINTON. So the power is not taken away. That is the only point I am trying to make clear.

Mr. BYRD. No one ever contended it is taken away, except to transfer the power from a congressional officer to an appointee of the President.

Mr. VANDENBERG. Mr. President, it is constructively taken away, because if the Director of the Budget does not satisfy the President, and he is sufficiently intent upon the matter, as I understand, he can remove him.

Mr. BYRD. Certainly.

Mr. MINTON. Then we get back to the question of whether or not we trust the President.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. O'MAHONEY. I want to return to the subject which was under discussion between the Senator from Virginia and myself before the interruption. The Senator referred to two kinds of warrants. I believe the Senator agrees with me in the interpretation of the law that one warrant, of course, is that to which he referred, and concerning which I read some information from the record; namely, by which the appropriation is set out. The only other way in which there can be any exercise of authority by the General Accounting Office is in passing upon vouchers by the preaudit system, is it not?

Mr. BYRD. Except to sign the administrative warrants and to charge back any illegal expenditures to the disbursing officer.

Mr. O'MAHONEY. I ask the Senator to bear with me while I quote from the committee hearing again. This appears on page 322 of the hearings on this bill. Mr. Tulloss was on the stand.

The following occurred:

> Senator O'MAHONEY. So that any agency, without having obtained the advanced opinion, may proceed and spend the money in the manner in which you have now described?
>
> Mr. TULLOSS. Yes, sir. It is only subject to warrant on the appropriation end and on the advance or payment end. That is, there are two warrants. The appropriation is made available for an obligation by appropriation warrant and available for an expenditure by an accountable pay warrant.
>
> Senator O'MAHONEY. So that to the extent that vouchers are not submitted for preaudit, and the extent that expenditures are made without an advance opinion, the auditing is now conducted upon the basis or according to the plan which you say would be ineffective?

In other words, I will say to the Senator from Virginia that in the case to which I was referring I was merely trying to develop the fact that the preaudit system, upon which such store has been set, is purely a voluntary system which is not required by the law and which developed only because certain disbursing officers sought to protect themselves under their bond and, therefore, submitted questions to the General Accounting Office. Throughout the experience of the Department this practice represents only about 3½ percent of all cases. So, as a matter of fact, it seems to me, in view of the developments, that there is absolutely no ground upon which to contend that the preaudit system, or the countersignature system, has any really substantial effect in preventing expenditures.

Mr. BYRD. I agree with the Senator about the preaudit system, and when he speaks of those who are greatly disturbed about it, I will say that the Senator from Virginia is not one of that number. It is a precontrol system that the Senator from Virginia wants to see continued—the same system which was adopted in 1921—whereby the Comptroller General has the power to prevent an illegal expenditure when it is not made in accordance with the restrictions in appropriation acts passed by Congress.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BAILEY. I have in mind an illustration. In New Jersey there was an institution, on the order of the Greenbelt institution, which undertook to establish a clothing factory. I think the Senator knows the facts. The Comptroller General held that the money was not available for a clothing factory, and that the Congress had not authorized the use of the funds for a clothing factory. Then the officials went back and found a law under the agricultural organization under which a canning factory would be established, and they got the matter by the Comptroller General in that way. Then, when the officials got it by and got the money, they went

ahead and built the clothing factory. My point is that the function of the Comptroller General in that instance was to see that the money was expended for a purpose in contemplation of an act of Congress. Is not that the control to which we refer?

Mr. BYRD. The Senator from North Carolina is exactly right.

Mr. BAILEY. As the result of my experience on the Claims Committee, I will say that the Comptroller General has made a very steady and I think a very fine record of disallowing the unlawful expenditure of money by the administrative officers of the Government.

I have before me a copy of a bill which was passed authorizing and directing the Comptroller General of the United States to credit the account of Philip F. Hambsch with the sum of $572.36, which he had unlawfully disbursed. The office serves the purpose I have mentioned, but it also checks up on all the officers disbursing money; and if a disbursing officer disburses money unlawfully, he is charged with it, and he cannot be relieved until he comes to Congress for relief. Is not that the other function?

Mr. BYRD. The Senator has very accurately stated it.

Mr. BYRNES. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from South Carolina?

Mr. BYRD. I yield.

Mr. BYRNES. The Senator has been under the impression, as I gather from his remarks, that the control to which he refers is exercised by the Comptroller in two ways: First, in respect to the countersignature to a warrant of appropriation——

Mr. BYRD. The Senator did not say that.

Mr. BYRNES. The Senator said there were two warrants, and that was the first.

Mr. BYRD. I referred to the warrant to the disbursing officer.

Mr. BYRNES. I have in my hand a warrant to a disbursing officer. Would the Senator say that the Comptroller ever knows, by anything on this accounting warrant, what the disbursing officer is going to spend the money for?

Mr. BYRD. What the Senator from Virginia says is that should there be a disallowance against a disbursing officer, the Comptroller General, of course, may refuse to sign any further warrants placing money to the credit of that disbursing officer until he either corrects the illegality which has occurred, or makes refund in accordance with the law.

Mr. BYRNES. The Senator and I have agreed that what the disbursing officer does is to send to the Comptroller General a warrant asking for $5,000, to be made available to him for the payment of salaries and expenses. All the Comptroller does is to see whether there is to the credit of salaries and expenses in the Bureau of Foreign and Domestic Commerce more than the $5,000 requested, and if the disbursing officer is not indebted to the United States, the Comptroller General countersigns the warrant and sends it back. Therefore, there is no control by the Comptroller General until after the disbursing officer has illegally spent some money; and the Comptroller General simply exercises a restraint upon the disbursing officer continuing to do business until he satisfies his obligation to the Government.

Mr. BYRD. The obligation is one against his bond; and he cannot obtain any further allotments of funds until whatever he has done illegally has been made good to the satisfaction of the Comptroller General.

Mr. BYRNES. That is all. After he has done something illegal, the Comptroller General may hold up any further allotments of funds.

Mr. BYRD. I have never contended that there was a preaudit of all the expenditures of the Government. Nobody has so contended. If the Members of the Senate think there has been a preaudit of all expenditures before they were made, including the 120,000,000 checks which are issued in a year's time, I have failed to make myself clear. I have never so contended. What I say is that under the present power of the Comptroller General there is control to compel the departments to expend money in accordance with the law. I shall submit tomorrow definite information in detail to sustain that assertion.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. O'MAHONEY. I think the point the Senator has just made probably goes to the heart of the discussion. I do not understand the testimony before the committee as the Senator has described it. Am I to understand the Senator to contend that the General Accounting Office has the power to prevent an expenditure?

Mr. BYRD. It has the power to prevent any expenditure which the Comptroller thinks is being made illegally and in defiance of the restrictions which have been placed upon the expenditure by Congress.

Mr. O'MAHONEY. Is not the Senator mistaken in that statement? Does not the power of the General Accounting Office merely go to the disallowance of a credit to a disbursing officer?

Mr. BYRD. Is not that the same thing? But that is only one of the powers.

Mr. O'MAHONEY. Not at all. Let me read from the testimony on page 330 of the hearings. Mr. Denit was testifying. He said:

> Congress sets up in the appropriation acts a great many limitations, and we do not require the departments to set up accounts for those limitations, but we do say to them that they must prepare their vouchers so that when they come into the General Accounting Office they will show the limitation that the particular item is to be charged against, and we require a summary of that, which is charged on the accounts which we maintain in the General Accounting Office.
>
> So that when you view the picture as a whole, it is, Senator, just what you have in mind, a more or less complete check.
>
> Senator BYRD. Let us take a concrete illustration. Here is a department which is trying to spend an appropriation not in accordance with law. How do you compel that department not to expend it that way and to protect the Government? What is the machinery which enables you to do that?
>
> Mr. DENIT. That is a rather hypothetical case.
>
> Senator O'MAHONEY. You do not find cases of that kind very often, do you?
>
> Mr. DENIT. No.
>
> Senator BYRD. I do not mean any general expenditure, but I mean some expenditure that is being made where there is a requirement that the bids should be advertised, which is not being carried out. What is the machinery available to compel the department to expend the money in accordance with the law?
>
> Mr. DENIT. The only machinery available is to disallow the expenditure.
>
> Senator BYRD. How is it disallowed?
>
> Mr. DENIT. That takes the form of a suspension, possibly in the audit of the account, first, in the Audit Division.
>
> Senator BYRD. Is that authority taken away from the General Accounting Office in this bill?
>
> Mr. DENIT. That authority is taken away from the General Accounting Office in this bill; yes, sir.
>
> Senator O'MAHONEY. When you disallow an expenditure, that simply means that you refuse to give credit upon your books to the department for that particular expenditure?
>
> Mr. DENIT. Yes, sir.
>
> Senator O'MAHONEY. It does not mean, by any means, that the money is saved, because the expenditure has already been made, has it not?
>
> Mr. DENIT. It means that it is saved in this way—that that item is disallowed under the disbursing officer's bond.
>
> Senator O'MAHONEY. I understand all that, but I am talking about the cash itself. The cash has been paid out.
>
> Mr. DENIT. The cash has been paid out; yes, that is right.

So, as a matter of absolute fact, nothing in the present system prevents the disbursement of cash by the Government, and there is nothing in this bill that does not preserve in a perfectly effective manner the control of Congress over expenditures in exactly the same way.

Mr. BYRD. I totally disagree with the Senator from Wyoming. There is ample provision in the present law to prevent illegal expenditure. If the Comptroller General has knowledge of it, he can prevent it. He may refuse to sign the warrant. I am astonished that the Senator thinks there is no machinery for the purpose. What is the complaint against the Comptroller General's office? Why is it complained that he has been holding appropriations if he has not had the power to do it?

Mr. BYRNES. May I say a word concerning this question before the Senator proceeds to another?

Mr. BYRD. Let me finish, please. I call the attention of the Senator from Wyoming to the fact that in the year 1934 there were 83,000 claims against disbursing officers suspended; in 1935 there were 157,000; in 1936 there were 362,000 suspensions; and in those cases restitution was made, except in 1934, 844 were actually disallowed; in 1934, 1,587 were disallowed; in 1936, 3,683 were disallowed. The total suspensions in those 3 years were in the sum of $292,000,000.

Mr. O'MAHONEY. The Senator does not understand that the disallowances of which he speaks operated before the expenditures were made, does he?

Mr. BYRD. They could operate before expenditure if the Comptroller General could have knowledge or suspicion of illegal expenditures, and that he could obtain by the right of preexamination.

Mr. O'MAHONEY. But the point is that it does not operate in that way. The disallowances of which the Senator speaks are merely disallowances upon the books; it is a bookkeeping transaction.

Mr. BYRD. It can operate in that way, but if the auditors of the General Accounting Office have information that an expenditure which is contrary to law is either contemplated or has been made then, they can either charge it back to the disbursing officer or they can actually stop the expenditure. Under the pending bill the Auditor General is prohibited from auditing any expenditure until after it has been made, and he can have no knowledge of any illegal expenditure.

Mr. O'MAHONEY. Does not the Senator acknowledge that the power of which he speaks can only be exercised when the department voluntarily invites a preaudit?

Mr. BYRD. The Senator from Virginia does not acknowledge that, because if the Comptroller General has knowledge of the illegality of a payment his office can disallow it. The auditors are constantly auditing accounts before they are paid. They do not have to have a request from a department. If they have knowledge from any other source, they can stop any illegal expenditure.

Mr. O'MAHONEY. But is not that disallowance merely a declination upon the part of the General Accounting Office to give credit upon its books after the expenditure has been made?

Mr. BYRD. It could be a declination before the credit is placed to the disbursing officer if the Comptroller General had advance knowledge that the expenditure was not to be made in accordance with law.

Mr. O'MAHONEY. Does the Senator not acknowledge that the bill which has been brought in by the committee authorizes the Auditor General to make an examination of every expenditure whenever, in his judgment, the expenditure is being made contrary to law, and to make an immediate report to Congress?

Mr. BYRD. Yes; but there is a vast difference, in that under the pending bill the Auditor General is prohibited from auditing any expenditure until after it is made.

Mr. O'MAHONEY. He does not audit an expenditure now until after it is made, except in 3½ percent of the cases, and then only when the request is voluntarily made by a department.

Mr. BYRD. Examinations are being made constantly. If the Comptroller General has any information, knowledge, or suspicion that a department is going to spend money contrary to law he can refuse to sign the warrant placing the money to the credit of the department.

Mr. BYRNES. Mr. President, will the Senator yield to me?

Mr. BAILEY. Mr. President, I should like to ask the Senator a question.

The PRESIDING OFFICER. Does the Senator from Virginia yield, and if so, to whom?

Mr. BYRD. I yield first to the Senator from South Carolina, and then I should like to conclude.

Mr. BYRNES. I will not ask the Senator any further questions. I think, however, we ought to have an understanding about the matter. The Senator has stated his view that the Comptroller General can exercise control through the medium of two warrants and his authority to countersign the warrants.

Mr. BYRD. Does the Senator deny that he can exercise control in that way?

Mr. BYRNES. It is the Senator's opinion, I understand, that whenever a disbursing officer submits a request in the form of a voucher, as he does for a lump sum under an appropriation, say, for the Bureau of Foreign and Domestic Commerce, by the Comptroller General refusing to countersign he can hold up the expenditure of any money by such disbursing officer, because he is indebted to the Government or for any other reason, and that is a control. Is that right?

Mr. BYRD. Yes; that is a control.

Mr. BYRNES. What else is there?

Mr. BYRD. The other control is that he is auditing expenditures constantly; he is auditing them before they are made; and if he has any information or suspicion that any expenditure is contemplated to be made which is contrary to law he can prevent it.

Mr. BYRNES. Would the Senator agree if the Comptroller refused to countersign an accountable warrant from the Department of Commerce, such as I have described, that the Secretary of the Treasury could overrule him?

Mr. BYRD. No.

Mr. BYRNES. I will read the law to the Senator to show that such action on the part of the Comptroller General does not amount to anything. The law is as follows:

Should there be a delinquency—

In submitting vouchers, or in any other way—

Should there be any delinquency in this regard at the time of the receipt by the General Accounting Office of a requisition for an advance of money, said office shall disapprove the requisition, which said office may also do for other reasons arising out of the condition of the officer's accounts for whom the advance is requested; but the Secretary of the Treasury may overrule the General Accounting Office's decision as to the sufficiency of these latter reasons.

Mr. BYRD. Does the Senator contend that the Comptroller General has no power today to prevent illegal expenditures?

Mr. BYRNES. Today he has absolutely no way by which he can exercise any control, as the Senator from Wyoming has developed, and as was told the Senator from Virginia, except in two ways; and the General Accounting Office told the Senator from Virginia that they did not amount to much, because the proceedings were formal. When an appropriation warrant is submitted to the Comptroller General, all that he does is to look at the law to see whether $10,000, say, has been appropriated. If so, he countersigns the warrant. The other warrant we have just discussed—and no matter what decision he makes upon the accountable warrant, the Secretary of the Treasury can overrule him.

Mr. BYRD. The Senator contends, then, that the present Comptroller General has no power to prevent illegal expenditures?

Mr. BYRNES. He can do nothing except by auditing accounts, as the Senator from Wyoming has said, by a post-audit, unless the department voluntarily asks for a pre-audit. The General Accounting officers themselves told the Senator from Virginia, time after time—and I will put the statement in the RECORD—that the controversy was not important, because they did not have any power to make a pre-audit unless an official of a department voluntarily asked for it.

Mr. BYRD. The General Accounting officers did not tell the Senator from Virginia that. I likewise, if the Senator will permit me, will put into the RECORD an entirely contrary statement from the General Accounting officers as to their power to prevent illegal expenditures.

Mr. BYRNES. If the Senator is under that impression, will he permit me to read to him from the testimony? I will procure it in a moment.

Mr. SCHWELLENBACH. Mr. President, the Senator from Virginia used the word "restitution" in connection with certain figures he gave. What is the meaning of that word?

Does the Senator contend, does he, that in the case of large amounts—I do not remember the figures he used—actual restitution was made?

Mr. BYRD. There could be restitution, of course, where the law had not been observed and that situation had been corrected.

Mr. SCHWELLENBACH. The Senator does not contend that there was actual restitution. He would say that there was an agreement with reference to these items, would he not?

Mr. BYRD. Is the Senator speaking of suspended claims?

Mr. SCHWELLENBACH. In reading from a list the Senator a few moments ago gave several thousand cases where there was restitution. My understanding yesterday was that the Senator from Virginia said that there were only $59,000,000 worth of restitution during the whole period of time.

Mr. BYRD. The Senator from Virginia was speaking of the number of suspensions that were charged back against disbursing officers in the years 1934, 1935, and 1936.

Mr. SCHWELLENBACH. But by agreement they were settled, and it was not a matter of restitution. Is not that correct?

Mr. BYRD. Not all of them were settled; about $3,000,000 were actually disallowed.

Mr. SCHWELLENBACH. And of how much of the $3,000,000 was there restitution?

Mr. BYRD. All of it was restitution. These officers are under bond.

Mr. BYRNES. The question to which I desired to call the Senator's attention was in the testimony of Mr. Elliott, the Acting Comptroller General, at page 287 of the record. I read the question asked by the Senator from Wyoming:

> So that the controversy about preauditing is really only a small matter?
>
> Mr. ELLIOTT. It is not very important. If preauditing was a compulsory matter, then there might be some excuse for it. Here is the idea: When a disbursing officer, or anybody who is interested, sends in for an advance decision or preaudit and he gets it, then he is protected, but it is only on very close questions that they come.

The Comptroller stated that it was not an important controversy.

Mr. ADAMS. Mr. President——

Mr. BYRD. Let me answer, if the Senator from Colorado please, and I hope I can make it clear. I repeat that I have never contended that the Comptroller make preaudits of all expenditures. I have never said that. I admit that only 3 or 4 percent of the accounts have had a preaudit, because that is done upon request of the department.

Mr. BAILEY. Mr. President, let me call the Senator's attention to the fact——

The PRESIDING OFFICER. Does the Senator from Virginia yield; and if so, to whom?

Mr. BYRD. I yield first to the Senator from Colorado.

Mr. ADAMS. Mr. President, I should like to make an inquiry in order to verify or correct my understanding. If a claim goes to the Comptroller General and is disallowed, does that mean that the illegal payment will be restored to the Treasury?

Mr. BYRD. The bond of the disbursing officer is responsible for the illegal expenditure, and the bond can be proceeded against and the money restored to the Treasury.

Mr. ADAMS. To what extent are disbursing officers bonded?

Mr. BYRD. I cannot answer that specifically, but I think they are adequately bonded.

Mr. ADAMS. They are adequately bonded, so that it is a practical matter; and when there is a disallowance of an illegal expenditure, there can be restoration to the Treasury of the amount illegally expended?

Mr. BYRD. It is my understanding that practically all the disallowances made by the Comptroller General have been recovered into the Treasury.

Mr. BYRNES. Mr. President, I did not understand the Senator. Did he say that all disallowances have been collected and covered into the Treasury?

Mr. BYRD. My understanding is that practically all the illegal expenditures made by disbursing officers, except in certain specific instances, have been recovered into the Treasury or the objection has been satisfied.

Mr. BYRNES. Mr. President, of course, I disagree with the Senator, but I do not want further to interrupt him at this time. I will subsequently put into the RECORD a statement concerning that matter.

Mr. SCHWELLENBACH. Mr. President, may I ask the Senator a question?

Mr. BYRD. Yes.

Mr. SCHWELLENBACH. I should like to ask the Senator whether he personally ever heard of anybody who has been able to go to Price, Waterhouse & Co., or Haskins & Sells, or any of the leading accounting firms, during the course of a year's business, and present to them a problem, with the agreement upon the part of any reputable certified public accounting firm that when they came to make an audit of the books at the end of the year they would be bound by any predecision which they gave during the year?

Mr. BYRD. Mr. President, there is a vast difference between a private business and the Federal Government. I think the Senator will admit that.

Mr. SCHWELLENBACH. I asked the question to point out the fact that it is not possible, and every student of accounting in the country recognizes the fact, to go to a concern which is going to make an audit at the end of the year and get any preopinion as to what they are going to hold at the end of the year. That is contrary to every fundamental principle of accounting.

Mr. BYRD. The Comptroller General does not audit at the end of the year. He audits currently.

Mr. SCHWELLENBACH. It does not make any difference. If accountants are operating on a continuous audit system, they will give precisely the same answer.

Mr. BAILEY. Mr. President, I should like to call the Senator's attention to a very interesting exhibit submitted by the Senator from South Carolina [Mr. BYRNES] yesterday, and found in the report of his remarks on page 2510 of the RECORD. There is a list of 19 acts which we have passed to enable the departments and new agencies to avoid being checked by this very Comptroller General, and a list of 5 or 6 which are now pending here.

I take it the job of the Comptroller General has been whittled away; but that is not his fault, and that is not the fault of his office. If he does not have control, why do we find these little clauses buried all through the list of acts submitted by the Senator from South Carolina, relieving the departments of the check and control of the Comptroller General's office? The Senator from South Carolina submitted the list, and I will read it if there is any question about it.

Mr. BYRNES. Mr. President, I did not understand the Senator's statement. He does not mean that I submitted those bills to the Congress, does he?

Mr. BAILEY. No; the Senator submitted the information.

Mr. BYRNES. I submitted them to show that the disbursing officers were relieved from the necessity of paying amounts which had been disallowed.

Mr. BAILEY. Oh, no; these are acts relieving the departments in toto of any responsibility for being checked. Here are the provisions of bills which are now pending.

Mr. BYRNES. Oh! I misunderstood the Senator. I thought he was referring to bills relieving disbursing officers from the necessity of paying amounts that had been disallowed. The Senator means the existing laws, and bills which have been introduced in which the Congress is seeking to remove from the Comptroller General the right to audit accounts.

Mr. BAILEY. I mean the instances in which the Congress has been passing bills prepared by the departments and handed to us with the statement that if we do not pass them we have not very good standing. That is the size of it. Here they are, and now the departments are complaining that the office has been whittled away. Who whittled it

away? Here are the acts submitted by the Senator who is sponsoring this bill.

Mr. BYRD. The Senator from North Carolina is entirely correct. There are 19 departments of the Government which have been entirely exempted from the control of the Comptroller General. Take the case of the Home Owners' Loan Corporation, for example. They allocated and spent, not long ago, forty or fifty thousand dollars to establish a health clinic; and when an effort was made to stop it, it could not be done because they were exempted from the control of the Comptroller General. Nineteen of the departments have been exempted through the efforts of the heads of the departments and by the action of Congress; so, certainly, we should not blame the Comptroller General for not being able to exercise control of the departments when they are specifically exempted by law.

Now, Mr. President, I desire to answer some of the attacks and criticisms which have been made upon the Comptroller General.

Mr. WALSH. Mr. President——

Mr. BYRD. I yield to the Senator from Massachusetts.

Mr. WALSH. If this is an appropriate time, I should like to direct the Senator's attention to the earlier sections of the bill.

As I understand, the President is given power to transfer or retransfer the whole or any part of any Government agency to the jurisdiction and control of any other Government agency. It is provided that in such cases the President shall issue an Executive order, and that within 60 days Congress may act upon the matter. I inquire, first of all, in what way Congress is to act within 60 days. By a bill or joint resolution, of course. Is that correct?

Mr. BYRD. That is correct.

Mr. WALSH. So that if a bill or joint resolution is passed by the Congress objecting to some transfer or retransfer made by the President, if the President sees fit he may veto that bill or joint resolution, and Congress is helpless unless a two-thirds vote is cast in both branches of Congress. Is that correct?

Mr. BYRD. The Senator is correct.

Mr. BARKLEY. Mr. President——

Mr. WALSH. Just a moment. Suppose the President decides, as he has done on at least one other occasion, to issue a blanket Executive order including a large number of transfers or consolidations. Does the Senator know whether or not Congress will have any right to segregate the different provisions of the blanket Executive order, and vote on them separately?

Mr. BYRD. Of course, I assume that Congress could pass a bill nullifying or changing a part of the Executive order; but that bill would be subject to veto.

Mr. WALSH. Very well. Now let us go a step further. Suppose, after the present President goes out of office, we discover that some of these consolidations or reorganizations are not in the public interest. Will not Congress be left in the position of being obliged to enact a bill, which, of course, must be submitted to the President for approval or disapproval? And if any future President—not the present President—vetoes that bill, will it not take a two-thirds vote of the House and Senate to undo the power and authority we are giving through this bill? Is not that correct?

Mr. BYRD. The Senator is entirely correct. Furthermore, as I explained earlier in the day—perhaps the Senator from Massachusetts was not in the Chamber at the time—the President has the right to abolish a function of a department or agency. For instance, under this bill he could abolish the Civil Service Commission.

Mr. WALSH. I notice also that in the bill there are enumerated several bureaus of the Government which are called independent establishments, and I think eight existing departments of the Government are embraced in the words "independent establishments." I notice that the United States Civil Service Commission is not included among them. Will the Senator state why the United States Civil Service Commission, whether it is a commission of three members or of one member, should not be an independent establishment of the Government?

Mr. BYRD. The Senator from Virginia thinks it should be. I did not prepare the bill, however, so I cannot answer the question of the Senator from Massachusetts.

Mr. WALSH. I will state to the Senator that I have offered an amendment to include that Commission among the independent establishments.

Now, let me ask the Senator another question about page 3 of the bill. I read from paragraph (b):

> Nothing in subsection (a) shall be construed to authorize the President (1) to abolish any executive department or independent establishment, the municipal government of the District of Columbia, the Board of Governors of the Federal Reserve System, or the General Auditing Office—

I think we all understand that language—

> (2) to transfer to any other agency all of the functions of any executive department—

Is not the implication that he may transfer to any other agency everything but all of the functions?

Mr. BYRD. He may transfer 99 percent of them.

Mr. WALSH. Yes; he may transfer 99 percent of them. Now the next subsection—

> (3) to abolish or transfer to any other agency any of the functions of the municipal government of the District of Columbia, the Board of Governors of the Federal Reserve System, the General Auditing Office, or any independent establishment.

Of course there is a distinction between the functions of an executive department and the functions of the municipal government of the District of Columbia, the Board of Governors of the Federal Reserve System, the General Auditing Office, or any independent establishment. Does not this language indicate that it is expected and contemplated that most of the transfers which will be made will be of executive departments? I ask that question because the provision here is clear that there is no authority to abolish or transfer to any other agency any of the functions of the independent establishments and the other organizations mentioned.

Mr. BYRD. The Senator is correct.

Mr. President, I shall conclude very shortly.

Mr. GERRY. Mr. President, will the Senator yield?

Mr. BYRD. I yield to the Senator from Rhode Island.

Mr. GERRY. When the discussion was going on a little while ago the Senator referred to the bonding of disbursing officers. Is not one reason for that bonding to induce caution on the part of all disbursing officers? Under the present system, does not the disbursing officer always have in mind the fact that his actions may be reviewed by the Comptroller General, and is not that a very strong deterrent against laxity?

Mr. BYRD. I think the Senator is entirely correct in that statement. Of course, in addition to that, the bond may be proceeded against to make a recovery.

Mr. POPE. Mr. President, will the Senator yield?

Mr. BYRD. I yield to the Senator from Idaho.

Mr. POPE. I have some trouble in my own mind with reference to subdivision (1) of subsection (b), on page 3, where the language is—

> To abolish any executive department.

In subdivision (2) the word "agency" is used generally. Then, in the definition of "agency", on page 7, the Senator will notice that—

> The term "agency" means any executive department—

And so forth. I am wondering what the meaning of "executive department" is on page 3, subsection (b), which the President has no power to abolish or to transfer. My difficulty is that the term "executive department" is used in subsection (b).

Mr. BYRD. It refers to the Cabinet, those who have Cabinet positions.

Mr. BYRNES. Mr. President, the Senator originally said "the 10 executive departments." I think that is the answer.

Mr. POPE. Yes; if there is any definition showing that "executive departments" means the Cabinet positions.

Mr. BYRD. Mr. President, I call attention, furthermore, to the fact that section 2 gives the President the right to transfer to any other agency all the functions of any executive department.

In conclusion, I wish to make a brief reply to some of the charges made against the General Accounting Office. First, it has been charged that they have not made any reports. That is not correct. I desire to exhibit to the Senate the reports which have been made by the General Accounting Office in accordance with the law. They have never been required to make a detailed report of all the auditing of these 120,000,000 checks. I do not know how such a report could be made. But every year a report has been printed, except during the 4 years when they were not printed in accordance with the desire to economize in the printing of reports, permission to that end being given by the Congress. In those years the reports were available for anyone who desired to inspect them.

I have the reports here. Anyone who questions the fact that the Comptroller General has made reports has only to get a copy of them. That office has made a report every year since the office was established, beginning in 1922.

Mr. President, I ask unanimous consent to insert in the RECORD a letter from the Comptroller General outlining in detail the different reports which have been made. They have made a general report, as I have said, for each of the years the office has been in existence. In addition to that, they have made 1,789 reports to Congress, as requested by Congress, and they have made over 200 written reports, which have been requested by the Bureau of the Budget. I shall ask unanimous consent to insert this letter in the RECORD.

(See exhibit 2.)

Mr. BYRD. Mr. President, the statement was made yesterday that the Comptroller General does not audit receipts. I shall ask unanimous consent to insert in the RECORD a statement showing that the Comptroller General does audit receipts just as he audits disbursements. That has been provided in the law, and that has been the custom of the Office since it was established.

(See exhibit 3.)

Mr. BYRD. Another charge was made, namely, that with respect to claims the Comptroller General audited his own accounts. It should be remembered that the General Accounting Office is not a spending agency. It spends nothing. It makes no contracts for the expenditure of public money. Therefore it could not audit its own accounts, because it does not spend any money or contract to spend any money of the Government.

What is referred to as a claim is a controversy which has existed between some department and someone doing business with the Government—a contractor, for instance. Under the law the Comptroller General, after all the facts have been ascertained, after the department has certified to the Comptroller General what it thinks should be paid, and the outside contractor with whom the Government is doing business has done the same, the Comptroller General decides as between these two parties what sum should be paid. That is not an audit. There is no reason for making an audit so far as the Comptroller General's decision is concerned, because he merely acts as a judge, deciding between two parties who are in controversy as to the amount of the claim.

I shall ask unanimous consent to insert in the RECORD an explanation of that matter.

(See exhibit 4.)

Mr. BYRNES. Mr. President, did the Senator say that the Comptroller audits all receipts?

Mr. BYRD. All but the customs receipts, according to the information I have received. I received that information from the General Accounting Office.

Mr. BYRNES. Would not the Senator agree that all the Comptroller General does in auditing is to determine whether or not the disbursing officer has deposited the amount he has collected; that he does not audit any of the collections to determine whether or not the official has collected the proper amount?

Mr. BYRD. Mr. President, I have been furnished by the General Accounting Office with the information I have conveyed to the Senate; and as I have said, I shall ask unanimous consent to insert in the RECORD a statement as to the extent to which they do audit the receipts.

Mr. President, the next charge I desire to discuss relates to the so-called Stitely case. This was a case where a man by the name of Stitely, who was not a disbursing officer, forged certain accounts. The case arose in the National Park Service. It was impossible for the General Accounting Office to discover the forgery, because the General Accounting Office, of course, could only audit in accordance with the requisitions as to how many people were employed in the C. C. C. camps as given to them by the Interior Department.

I shall ask unanimous consent to insert in the RECORD an answer to that charge, and also an answer to the charge that was made that the General Accounting Office had something to do with the Teapot Dome scandal.

(See exhibit 5.)

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CHAVEZ. Referring to the Stitely case, is it not true that notwithstanding the fact that the Department of the Interior had its own G-men to the number of over 800 in order to justify calling the Secretary "Honest Harold," the forgery happened while they were still working for the Interior Department?

Mr. BYRD. That is true.

Mr. CHAVEZ. And that the General Accounting Office had nothing to do with it at all?

Mr. BYRD. The General Accounting Office could not have had anything to do with it, because the General Accounting Office could only audit upon the statements and the requisitions made by the Interior Department as to how many of these people were employed in the particular camps. What happened was that the number was forged by this man Stitely.

Mr. CHAVEZ. Notwithstanding the fact that the Interior Department had over 800 men trying to keep them honest.

Mr. ADAMS. Mr. President, will the Senator yield for a question and for a word about the Stitely case?

Mr. BYRD. I yield.

Mr. ADAMS. Mr. Stitely was a civil-service employee, whose duty it was to make up pay rolls after they were sent to him from the camps. He sent in a regular pay roll in proper form, but forged a subordinate pay roll. Under the arrangements for the payment of the camps the payments were made, not by the Interior Department, but by the War Department. The forgeries were perpetrated upon the War Department and then went to the Treasury Department, and the Comptroller General has already held up $54,000 from the disbursing officer who made the payments on the Stitely claims.

Mr. BYRD. The Senator agrees with me, then, that the General Accounting Office is not responsible?

Mr. ADAMS. Mr. Stitely happened to be in position where he made up pay rolls. He took the pay rolls not to anyone in the Interior Department but to the War Department. He took with him a regular form. He forged the name of one of the certifying officers. He took the forged certification to the second certifying officer, who then put a genuine signature on it, relying upon Stitely, the civil-service clerk, and upon a forged signature of another officer.

So that with these certifications he went to the War Department disbursing officer. The War Department disbursing officer was supposed to have copies of the authentic signatures. The War Department did not check the signatures.

Another thing was done. Stitely forged a letter from the superintendent of the camp directing the War Department to deliver the checks to Stitely. Normally a check, when it is payable to an individual, is either delivered or mailed to

that individual. The War Department had prepared a special form of authorization in order that they might be authorized to deliver checks in lumps. So that Stitely, preparing the pay rolls, forged an authorization in one instance, and in two instances had genuine authorizations to have the checks delivered to him instead of being delivered to the individuals to whom they were payable. The forgery was not detected. There were three copies and the vouchers. One of them should have gone back to the Park Service, one stayed with the War Department, one went to the General Accounting Office. Stitely suppressed the one which should have gone back to the Park Service, so that he covered his tracks at that point. But the imposition was upon the War Department, and then upon the Treasury Department, and the Comptroller General said that, under the rules, if the disbursing officer saw fit to permit anyone to take checks in lump, he did it upon his own responsibility, and fraud having been perpetrated because of the delivery of the checks, the disbursing officer was responsible; and I think it stands in that shape today.

Mr. O'MAHONEY. Mr. President, will the Senator permit me to interrupt at this point?

Mr. BYRD. I yield.

Mr. O'MAHONEY. In furtherance of what the Senator from Colorado has said, it was also true that the War Department delivered the checks to the same person who presented the vouchers, so that a system was permitted to grow up without correction on the part of the General Accounting Office whereby the person who made out the pay roll, who made out the vouchers, who had the opportunity of perpetrating the fraud, was enabled to go to the disbursing officer, and from the disbursing officer receive the checks in payment of those vouchers.

That procedure had been permitted to go on, and there was no interruption of it on the part of the General Accounting Office. Moreover, as the Senator from Colorado has said, that resulted in $54,000 being held up. Let it be clearly understood that that was not held up in the sense that the expenditure was prevented; not at all. The $54,000 was paid out. It is lost to the Government. It cannot be recovered by the Government unless by action upon the bond of the disbursing officer. It is demonstrated that he was at fault, and that the money should be repaid. So that we have not had a system whereby improper expenditures could be stopped in advance.

Mr. BYRD. I understand that the fault was in the administrative audit. Here is the certificate that accompanied these payments to the Comptroller General:

> I certify that the within pay roll in ———, page —, is correct; that it appears from the records in my office that the persons named thereon were legally appointed, and each has performed the services required by law and regulation during the period mentioned; that such services, except as otherwise indicated in the columns of "Remarks," have been performed under my supervision; that no person whose name appears on the within pay roll is paid for any period of absence in excess of that allowed by law; that deductions have been made from the compensation of all employees against whom charges have accrued during the period of the pay roll, and that the determined reasonable value of allowances furnished in kind is stated in every case.

That certificate came to the Comptroller General. How could the Comptroller General go into Virginia, or wherever the camp was located, and find out how many boys were in the C. C. C. camp to whom checks were paid out? So the fault in this matter lies entirely, in my judgment, with the administrative audit in the Interior Department and in the War Department.

Mr. O'MAHONEY. I did not intend to say that the General Accounting Office in this particular instance could prevent fraud.

Mr. BYRD. How can it prevent a forgery?

Mr. O'MAHONEY. It has not prevented expenditures in connection with what is acknowledged to be an absolute fraud.

Mr. BYRD. But the Senator should be fair about this. How can the General Accounting Office prevent a forgery? Banks cannot prevent forgeries.

Mr. O'MAHONEY. I do not think the General Accounting Office could.

Mr. CLARK. Mr. President, if the Senator will yield, I ask the Senator from Wyoming or the Senator from Colorado, either one, whether it is a fact or not that all of Stitely's actions, crimes, thefts, whatever one may be pleased to call them, were committed right under the nose of the seven hundred and eighty-some sleuths, or detectives, or whatever one may be pleased to call them, which the Secretary of the Interior has been maintaining at public expense?

Mr. SCHWELLENBACH. Mr. President, will the Senator yield to me?

Mr. BYRD. I yield.

Mr. SCHWELLENBACH. I was the one who injected the issue concerning this particular case. I think it is extremely unfortunate that some personal antagonism toward either the General Accounting Office or the Secretary of the Interior should enter into the matter. When I presented the matter I did not make the claim that there was any fault on the part of the General Accounting Office. I merely pointed out that the investigation showed that there had been no reconcilement of the accounts of the Park Service since 1933, that there had been no audit of the accounts since 1933, and I pointed that out for one purpose, and one purpose only; namely, that although many persons feel that through the medium of the General Accounting Office we are really getting some check and some audit upon the books of the United States Government, we are not getting that at the present time.

Mr. BYRD. The Senator is confusing the administrative audit within the Department with the audit made by the General Accounting Office, and I am told, and I shall submit the full data to the Senate tomorrow, that there has been a prompt audit of the Interior Department by the General Accounting Office, but what is lagging behind is the audit made by the administrative officials of the Interior Department.

Mr. SCHWELLENBACH. I think anyone who knows anything about accounting will readily understand that we are never going to have any internal audit when we have the combination of internal and external audit by a man who is responsible for some measure of auditing to the Congress, and at the same time has the right to interfere with the actions of the officials of a department.

Mr. BYRD. But the Department must make a requisition. It must state that certain people are employed. No auditing system can be devised which can prevent fraud or prevent a forgery.

Mr. SCHWELLENBACH. I do not claim that the General Accounting Office is responsible because of anything that occurred in connection with the Stitely forgery, but I say that the Government must recognize the common-sense principles of accounting which are recognized by every accountant in the world, that there is responsibility for accountancy on the one side, and there is responsibility for auditing on the other, and we have so mixed them up in this general accounting law that we do not have either one.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BYRNES. Would the Senator agree that under the law the Comptroller prescribes the forms, the system, and the procedure for administrative appropriation and fund accounting in the several departments and establishments, and for the administrative examination of fiscal officers' accounts and claims against the United States?

Mr. BYRD. Even so, Mr. President, he cannot prevent a forgery. Furthermore, the Comptroller General, under the present law, cannot force a department to use the forms he prescribes. As the Senator well knows, there are a number of departments today which have disobeyed the Comptroller General and have refused to install the system of accounting established by the General Accounting Office. The Treasury Department is one of them, and there exists a controversy between the Comptroller General and the Treasury Department. It relates to the system of accounting which

by law the Comptroller General has the right to install, and which the Treasury Department has refused to adopt.

Mr. BYRNES. The law relates to procedure as well as to the accounting system.

Mr. BYRD. I understand that; but I do not believe the Senator thinks the General Accounting Office can prevent a fraud or forgery, when the great banks of the country, which have better auditing systems than any other institution, cannot prevent it. Therefore, I think it is an unjust charge against the General Accounting Office.

Mr. BYRNES. Would not the Senator agree that procedure could be prescribed which would prevent such a situation as arose in the Stitely case?

Mr. BYRD. Mr. President, the Senator well knows—and the reports of the Comptroller General are filled with statements to the effect—that the regulations issued by him are ignored by the agencies and recommendations that have never been read by Congress. The trouble is no one has read the reports. It is said that the Comptroller General has not made reports. As a matter of fact, no one reads the reports. The reports are filled with statements that such and such a department will not obey the law—that they will not install the method of accounting which the General Accounting Office is authorized by law to establish.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BURKE. If it be true, as the Senator from Washington has indicated, that by combining auditing and accounting we are not getting all that we want and ought to have, would it not be entirely possible to amend the present law and retain the benefits resulting from having an independent comptroller rather than abolish the whole system, because some comparatively minor defect may have developed in the system?

Mr. SCHWELLENBACH. Mr. President, may I answer that?

Mr. BYRD. I yield.

Mr. SCHWELLENBACH. The Senator uses the words "independent comptroller." If the Senator knew the first thing about accounting systems, he would not use the words "independent comptroller."

Mr. BURKE. We have an independent Comptroller General.

Mr. SCHWELLENBACH. When the Senator uses the word "Comptroller," he is talking about an officer who is a part of the executive branch of the Government. Where the Senator makes his mistake is in mixing up the words "comptroller" and "auditor." Every student of accounting for years has recognized that when those two kinds of work are mixed up in any business operation good results are not obtained. What we want is an independent audit, but also we want a responsible control by the executive departments.

Mr. BURKE. I was talking, of course, about the Comptroller General being independent of control by anyone in the executive department. That is what we have under the present system. That is what we must retain. If there are some defects in the accounting end, or in the auditing end, or anywhere else, let us apply ourselves to correcting those defects, but not do away with the theory of the present law, under which we have a Comptroller General responsible to Congress, and not subject to control by anyone in the executive department.

Mr. SCHWELLENBACH. I kindly suggest to my good friend, the Senator from Nebraska, that if he studied the most simple principles of accounting, he would know that there must be a separation between the keeping of the accounts and the auditing of those accounts. The desirable thing is to have an independent audit and to have that audit made as quickly and as continuously as possible, and the purpose of this bill is to provide for precisely that thing. The difficulty the Senator meets is that he does not like to give up this word "comptroller." He wants an independent comptroller. If an accounting officer is going to serve the Congress he must be an auditor and not a comptroller.

Mr. BYRD. The name makes no difference. As a matter of fact, this bill does destroy the independence of the present accounting system. It destroys it because it takes away from the officer responsible to Congress the control and the right to prevent illegal expenditures, and gives it to an officer appointed by the President.

Mr. SCHWELLENBACH. That is to the extent of 3½ percent.

Mr. BYRD. The Senator is entirely mistaken about that, I will say to him with all deference. It is not a question of preaudit. I have stated that repeatedly. No one denies that only 3½ percent of the disbursements of the Government are preaudited, because there is no preaudit unless the department requests it.

But it takes away much more than that. It takes away the power to control an illegal expenditure. It takes away the power to prescribe methods of accounting, and gives to the executive official appointed by the President power to prescribe the methods. There will be ample time in this debate, I imagine, to argue such matters.

I desire to complete my statement with respect to the attacks which have been made upon the Comptroller General's office.

It was charged that the Comptroller General was responsible for the Teapot Dome affair. The fact is that the leases with respect to Teapot Dome were made prior to the time the office of Comptroller General was established. As a matter of fact, the Comptroller General has nothing whatever to do with leases or transfers of property. His duties are concerned only with the question of payments.

I have already asked unanimous consent to insert in the RECORD a statement from the Comptroller General with respect to Teapot Dome. I ask that all the statements I am inserting in the RECORD be printed at the conclusion of my address.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD. Another charge made against the Comptroller General is that he was responsible for increasing the cost of Boulder Dam by $1,000,000. I wish to insert in the RECORD a denial of that charge.

(See exhibit 6.)

Mr. BYRD. Mr. President, the firm of Haskins & Sells has been frequently quoted, and I think a statement by this accounting firm has been sent to every Member of the Senate. I desire to insert in the RECORD a statement to the effect that the firm of Haskins & Sells has been illegally employed by the Government, in the judgment of the General Accounting Office, and that vouchers to the extent of $19,000 payable to this accounting firm are now being held up. The firm of Haskins & Sells had been employed to audit the Federal Home Loan Bank, for example. The Secretary of War employed the same firm and paid rates of $25, $50, and $100 a day. The Farmers' National Grain Corporation has paid them $11,866. So, in view of the fact that Haskins & Sells have been injected into the debate, and because their statement has been sent to every Member of the Senate, I shall ask unanimous consent to insert in the RECORD a statement from the General Accounting Office to the effect that the payments claimed by this firm to be due from the Government have been held up by the General Accounting Office.

(See exhibit 7.)

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BYRNES. What the Senator says is that the War Department and other departments of the Government employed the firm of Haskins & Sells, and that the General Accounting Office claims that such employment was not authorized by law. No wrongdoing on the part of Haskins & Sells is involved.

Mr. BYRD. The statement from the General Accounting Office only makes it clear that Haskins & Sells, perhaps, may not be unbiased witnesses with respect to this legislation, because at this time they have a controversy with the

General Accounting Office. However, the firm of Haskins & Sells sent to each Member of the Senate a letter advocating the abolition of the office of Comptroller General.

Mr. BYRNES. I think, in justice to Haskins & Sells, the Senator should say that that letter was not sent by them, but was sent by me to the Members of the Senate, just as Members of the Senate have sent statements to me almost daily with reference to measures of some interest which have been pending. The letter was not sent by the firm.

Mr. BYRD. I have no criticism to make of Haskins & Sells, Mr. President. I merely wanted the Senator to understand that a controversy does exist between Haskins & Sells and the General Accounting Office. So far as I am informed, in response to the question asked by me, 95 percent of the accountants in the United States today approve of the organization of the General Accounting Office as it now exists.

Mr. BYRNES. Will the Senator be kind enough to print in the RECORD the letter which he sent to auditors asking for that information?

Mr. BYRD. I shall be glad to offer the letter. I read it earlier in my remarks.

Mr. BYRNES. I do not think the Senator read all of it. I think it is a very good letter to have in the RECORD to show the statement he made to the auditors. I have a copy of it here.

Mr. BYRD. Mr. President, I will read to the Senate the letter which I sent to a great number of accountants. The letter referred to concerns the question whether or not an independent auditor shall have the right to prescribe the methods and systems of accounting. It is as follows:

UNITED STATES SENATE,
SELECT COMMITTEE ON INVESTIGATION OF
EXECUTIVE AGENCIES OF THE GOVERNMENT,
January 28, 1938.

DEAR SIR: Section 309 of the act establishing the Comptroller General and the General Accounting Office gives to the Comptroller General the authority to prescribe the forms, systems, and the procedure of accounting.

The Comptroller General, as you know, was created in 1921 as an independent official responsible only to Congress to see that all appropriations were expended in accordance with the law, and to make an independent audit of all funds disbursed.

Under the pending reorganization bill the authority to prescribe systems of accounting is transferred to the Director of the Budget, who is appointed and removable at the pleasure of the President.

It seems to me that the very essence of an independent Government auditing system is the independence of the systems of accounting. Under the terms of the reorganization bill the Comptroller General is abolished and a new official known as the Auditor General, responsible to Congress, is established. This official can audit only in accordance with the system of accounting as controlled by the Director of the Budget. Am I correct in assuming that there can be no real independent auditing of the Federal Government unless the system under which the audit is made is likewise kept independent?

I am seeking information and advice and trust you will pardon this circular letter. I shall appreciate it if you will reply by returning this letter marked as designated below, or by writing me your views more fully.

Thanking you, and with best wishes, I am,
Cordially yours,

HARRY F. BYRD.

Should the independent auditor of the Federal Government prescribe and install the systems of accounting?

Yes.—J. L. Pyle, C. P. A., 927 Orange Street, Wilmington, Del.

Later in the debate I shall read to the Senate a large number of very interesting letters received from the leading accountants of the country sustaining and supporting the present system of independent auditing which exists in Washington.

I am sorry to have detained the Senate for so long. I desire to refer to only two more sections of the bill.

The first is the section establishing a new department, to be known as the Department of Public Welfare. I desire to read to the Senate the duties which are placed upon the new department, so as to sustain the statement I made earlier in the day as to the great increase in cost which would result from the enactment of this bill:

The Secretary of Welfare shall administer the laws relating to any agency or function transferred to, or brought within the jurisdiction and control of, the Department of Welfare pursuant to law, which relate to public health and sanitation, the protection of the consumer, education, the relief of unemployment and of the hardship and suffering caused thereby, the relief of the needy and distressed, the assistance of the aged, and the relief and vocational rehabilitation of the physically disabled.

I invite attention to section 501, on page 42 of the bill, which gives to the President and to the heads of the executive departments the right to appoint an unlimited number of persons for the purpose of consultation, investigation, and research, and to fix the compensation of such experts and consultants for temporary periods as may be necessary. I submit that such authority should not be given, but should be controlled in the Budget. Neither the President nor the head of a department should have the right to appoint an unlimited number of experts and consultants for the purpose of research and investigation without prior approval by Congress of such employment.

Mr. President, I ask that the various statements which I have offered for the RECORD be printed at the conclusion of my remarks.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

EXHIBIT 1

Circular No. 344.

BUREAU OF THE BUDGET,
Washington, November 15, 1937.

To the heads of executive departments, independent establishments, and other Government agencies, including corporations:

This circular supersedes all previous Budget circulars and National Emergency Council memoranda concerning reports and recommendations on proposed or pending legislation, and substitutes therefor the following procedure:

There shall be submitted to the Bureau of the Budget, before submission to the Congress, or any committee or member thereof, the original and one copy of each recommendation or report, concerning proposed or pending legislation (other than private relief legislation), requested from or advanced by any executive department, independent establishment, or other Government agency (including the municipal government of the District of Columbia and Government-owned or Government-controlled corporations), or any officer thereof. The submitting agency will then be advised by the Bureau of the Budget as to the relationship of the legislation, or of the report or recommendation thereon, to the program of the President; and when such recommendation or report is thereafter submitted to the Congress, or to a committee or member thereof, it shall include a statement of the advice so received from the Bureau of the Budget.

Before any person in his official capacity as officer or employee of any executive department, independent establishment, or other Government agency (including the municipal government of the District of Columbia and Government-owned or Government-controlled corporations) shall orally advocate or oppose legislation (other than private relief legislation) before any committee of the Congress, he shall, if time permits, ascertain the relationship, upon the advice of the Bureau of the Budget, of such legislation to the program of the President, and his testimony before the committee shall include a statement of the advice so received. If time does not permit the ascertainment of such advice prior to his appearance before the committee, the witness shall make clear to the committee that his testimony does not involve any commitment as to the relationship of the legislation to the program of the President.

By direction of the President:

D. W. BELL,
Acting Director of the Bureau of the Budget.

EXHIBIT 2

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 29, 1937.

Hon. JOHN TABER, M. C.,
House of Representatives.

MY DEAR MR. TABER: I have your letter of March 23, 1937, as follows:

"Title 31, section 53, of the United States Code of Laws, imposes certain duties on the Comptroller General and outlines various reports that he is required to make. There are five different types of reports listed in as many different paragraphs of this section.

"I will appreciate it very much if you will furnish me with a statement showing as nearly as possible the number of various reports that have been made under each of these five paragraphs.

"Please send this to my office at room 1126 in the House Office Building."

During the first 5 years of the existence of the General Accounting Office the fiscal years 1922 to 1926, inclusive, no record was kept of the number of reports made under the subsections of the section to which you refer. The decision and report files of the Office are indexed together, there being no segregation of index cards showing persons or bodies to whom decisions or reports have been trans-

mitted. Due to the time which would be required to examine the many thousands of files for this 5-year period in order to furnish you the information desired and with the understanding that you wish an early reply I have eliminated this 5-year period from consideration in this report except as the information herein given will otherwise indicate. During the 10-year period, fiscal years 1927 to 1936, inclusive, a record of the number of certain reports was kept and enables the furnishing of the figures herein given, which pertain to this 10-year period unless otherwise indicated.

The section to which you refer is section 312 of the Budget and Accounting Act of June 10, 1921 (42 Stat. 25 and 26). For your convenience the five subsections of section 312 will be quoted hereinafter as the information pertaining to them is given.

Section 312 (a):

"(a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President, when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures."

Twenty-two reports have been requested by and made to the President. In addition, information has occasionally been furnished members of the White House staff informally when requested by them.

Complete annual reports, as directed in this subsection, containing a record of the work of the General Accounting Office, and many recommendations have been made, printed, and transmitted to the Congress for the fiscal years 1922 to 1932, inclusive. For the fiscal years 1933 to 1936, inclusive, annual reports containing a record of the work of the General Accounting Office were prepared but retained in the General Accounting Office for public inspection, it having been determined not to have such reports printed and distributed in order to effect a material saving in the appropriations for printing and binding for such fiscal years, under the authority granted by a provision of the Legislative Branch Appropriation Acts for the fiscal years 1933 to 1937, inclusive, which provision as it appears in the Legislative Branch Appropriation Act, 1937, approved April 17, 1936 (49 Stat. 1231), is quoted as follows:

"In order to keep the expenditures for printing and binding for the fiscal year 1937 within or under the appropriations for such fiscal year, the heads of the various executive departments and independent establishments are authorized to discontinue the printing of annual or special reports under their respective jurisdictions: *Provided*, That where the printing of such reports is discontinued the original copy thereof shall be kept on file in the offices of the heads of the respective departments or independent establishments for public inspection."

Supplementing the material and the recommendations contained in the annual reports, there have been transmitted to the Congress 14 special reports making recommendations looking to greater economy or efficiency in public expenditures.

Section 312 (b):

"(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request."

There have been transmitted to the two Houses of the Congress and to the committees thereof 1,789 reports, including special reports ordered by acts of the Congress, in addition to which aid and information have frequently been requested by the committees and furnished by representatives of the General Accounting Office.

It may be mentioned in this connection that much information and drafting assistance have been provided informally for individual Members of both Houses of the Congress in connection with pending or proposed legislation. I believe it accurate to state that such instances have far exceeded in number those when response was pursuant to requests of committees.

Section 312 (c):

"(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law."

Section 312 (d):

"(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers."

Under subsection (c) a few special reports have been made, but due to the lack of any record of the number of them and the long delay which the searching of the records would require no attempt is here made to state the number.

Under both subsections (c) and (d) it appears to have been the practice of the former Comptroller General to report in the annual reports specifically or generally sometimes with general recommendations for the information of the Congress. Such matter and recommendations appear throughout most of the annual reports and there follows for your convenience in this connection citations to pages of certain of the annual reports:

1923 annual report, pages 6, 20, 23, 28, 30.
1925 annual report, pages 3, 12, 14.
1926 annual report, pages 6, 12–15, 22, 40, 41.
1927 annual report, pages IV, 17, 25, 27–29.
1928 annual report, pages VI–VII, 23, 24, 31, 50, 82.
1929 annual report, pages 64, 110.
1930 annual report, pages 57–59, 107.
1931 annual report, pages 57, 61–64, 129.
1932 annual report, pages 18–21, 43, 47, 64.

Section 312 (e):

"(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time."

Approximately 200 written reports have been requested by and furnished to the Bureau of the Budget. There were 36 of such reports made during the fiscal year 1936. Some of these reports were in connection with acts of Congress under consideration by the Bureau of the Budget for the President. In addition, there have been many instances of information and drafting assistance provided for representatives of the Bureau of the Budget by representatives of the General Accounting Office.

I regret that it has not been possible, for reasons heretofore stated, to furnish you more complete information in the time available, but if your purposes require more complete information and, in your view, justify the work and expense of a complete examination of the record files of the office, I shall be glad to have you advise me.

Sincerely yours,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

EXHIBIT 3

Mr. President, the Senate was informed yesterday by the Senator from South Carolina that under the present arrangement no audit is made of receipts of the Government. I infer from that remark that the Senator is under the impression that the General Accounting Office does not audit receipts. For the information of the Senate and for the information particularly of the Senator from South Carolina I call to attention general regulations Nos. 40, 67, 84, and 87 which were promulgated by the General Accounting Office for the sole purpose of requiring a complete accounting for receipts of the Government and documentary evidence relating thereto for the purpose of auditing such receipts. My inquiries have elicited the information that receipts of the Government have always been audited by the General Accounting Office. An accounting for all receipts is required in the form of schedules of collections, certificates of deposit, schedules of certificates of deposit, covering warrants, etc., which, in turn, are required to be accompanied by sufficient detail information to enable the General Accounting Office to determine the nature of the receipts and that there has been a proper application thereof. At present this audit of receipts is secured in connection with the examination of accounts of collecting and disbursing officers and generally it takes place after the money has been covered into the Treasury. Arrangements are now being made, however, which will make possible the audit of receipts prior to the time that such receipts are covered into the Treasury to receipt or spending accounts. In this connection I call to attention particularly paragraphs 5 and 6 of general regulations No. 87, as follows:

"5. The interests of the United States can be best served by requiring, insofar as may be practicable, that all accountable officers deposit daily with personal credit the total amount of collections received by them, and deposits should be accordingly—all applicable provisions of Treasury Department Circular No. 176 of September 2, 1930, as amended and supplemented, to be complied with, of course.

"6. In order to facilitate consideration of, and action upon, the covering warrants in the General Accounting Office, and to avoid delays in making money available for lawful uses, certificates of deposit will contain a reference to the number of the related schedule of collections referred to in paragraph 3. Collections proposed by the administrative office concerned for depositing to appropriations or funds available for expenditure will be reported on separate schedules from collections proposed for depositing in the general fund of the Treasury as miscellaneous receipts, and separate covering warrants issued accordingly."

Anyone reading the regulations mentioned, or even taking the time to inquire, will find that the General Accounting Office is auditing receipts of the Government. I do not know why the Senator from South Carolina would want the Senate to believe otherwise.

EXHIBIT 4

Mr. President, the Senator from South Carolina also made the statement that in the matter of settling claims the Comptroller General, in effect, audited himself. This statement on the part of the Senator leads me to believe that this is another phase of the fiscal administration of the Government with which he is not intimately acquainted. The settlement of claims is made pursuant to the statutory direction to the Comptroller General to

adjust and settle all accounts in which the Government is concerned either as debtor or creditor and was enacted by virtue of the constitutional direction to the Congress to pay the debts of the United States.

Inquiry will disclose that in the exercise of this function the General Accounting Office undertakes no settlement action without first procuring administrative examination of each claim and either an administrative approval or disapproval thereof. The general law requires the Comptroller General to furnish the head of each executive department or establishment concerned with a copy of each settlement made. Thus it will be clearly seen that the present procedure affords opportunity for and contemplates a very close check on the action of the Comptroller General in every settlement made.

The administrative office knows in the first instance the action which it proposed; through the copy of the settlement required by law to be furnished by the Comptroller General it is informed regarding the action taken by the Comptroller General; and in the event that the action of the Comptroller General is not deemed by the administrative office to be satisfactory in all respects, it has the right of appeal.

Under this arrangement I submit that in the settlement of claims the present procedure contemplates a very close check on the action of the Comptroller General, a check which makes altogether untenable the assertion that in the settlement of claims the Comptroller General audits himself.

EXHIBIT 5

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 11, 1938.

Hon. HARRY F. BYRD,
Chairman, Select Committee on Investigation of Executive Agencies of the Government, United States Senate.

MY DEAR MR. CHAIRMAN: I have your letter of January 31, 1938, requesting (1) copies of the annual reports of the Comptroller General for the fiscal years 1933 to 1936, inclusive, the period during which they were not printed; (2) a reply to the following remarks made by Mr. James Roosevelt during the course of his debate with Representative PETTENGILL on the Town Meeting of the Air program of January 20, 1938, "Remember, the Comptroller General did not catch the Teapot Dome scandal. And the Comptroller General did not catch the recent theft of $84,000 from the C. C. C."; and (3) an estimate of the savings to the United States for which the General Accounting Office has been responsible. Your requests will be considered in this order:

1. Attached are copies of the annual reports of the Comptroller General for the fiscal years 1933 to 1936, inclusive, which were not printed because the Comptroller General elected thereby to effect the economy contemplated by the Congress in provisions of law authorizing such election, of which the following provision of the act of February 28, 1933 (47 Stat. 1367) is typical:

"In order to keep the expenditures for printing and binding for the fiscal year 1934 within or under the appropriations for such fiscal year, the heads of the various executive departments and independent establishments are authorized to discontinue the printing of annual or special reports under their respective jurisdictions: *Provided*, That where the printing of such reports is discontinued the original copy thereof shall be kept on file in the offices of the heads of the respective departments or independent establishments for public inspection."

2. (a) The "Teapot Dome scandal" mentioned by Mr. James Roosevelt evidently has reference to the two contracts with the Pan American Petroleum and Transport Co., dated April 25 and December 11, 1922, and the two leases of lands in Naval Petroleum Reserve No. 1 to the Pan American Petroleum Co., dated June 5 and December 11, 1922, which were canceled by order of the courts (6 Fed. (2d) 43: 9 Fed. (2d) 761; 273 U. S. 456), because they were negotiated through collusive action and procured by corruption and fraud which also resulted in the conviction of a former Secretary of the Interior. It is not deemed necessary for the purpose of this statement to review the facts surrounding the negotiation of these contracts. They are extensive and are stated at length in the opinion of the trial court, 6 Fed. (2d) 43. See also 9 Fed. (2d) 761 and 273 U. S. 456.

Stated briefly, the agreements involved the leasing of lands for a consideration to be paid in the form of royalty oils and the exchange of royalty oils for fuel oil and storage facilities—the exchange of property. One of the contracts gave the Government the option to take the equivalent of the royalty crude oil delivered in cash instead of the fuel oil and storage facilities. However, the courts found that no attempt was made to effectuate this option and that as a matter of fact the contracts did not contemplate the payment of any money by either party to the other.

The jurisdiction of the General Accounting Office extends only to the money accounts of the Government involving the disbursement or the collection of its moneys. It has no authority over the Government's real or other property and no authority to receive or settle the Government's property accounts except where disbursement or collection of its moneys is involved and except as provided in the act of March 29, 1894 (28 Stat. 47), as amended (U. S. C., title 31, secs. 89 to 92), to raise a charge against any officer or agent entrusted with certain public property when there is a loss to the Government therefrom accruing by his fault and the charge therefor is certified by certain officials of the Government charged with property responsibility. Section 89, title 31, United States Code, is quoted in full below because of its further importance in that it clearly removes from the accounting officers any authority theretofore exercised to require the forwarding to them of the returns of public property and leaves the receipt and consideration of such returns in the administrative departments and offices:

"Instead of forwarding to the General Accounting Office returns of public property entrusted to the possession of officers or agents, the Quartermaster General, the Surgeon General, the Chief of Engineers, the Chief of Ordnance, the Chief Signal Officer, the Paymaster General of the Navy, the Commissioner of Indian Affairs, or other like chief officers in any department, by, through, or under whom stores, supplies, and other public property are received for distribution or whose duty it is to receive or examine returns of such property shall certify to the General Accounting Office, for debiting on the proper account, any charge against any officer or agent entrusted with public property arising from any loss, accruing by his fault, to the Government as to the property so entrusted to him."

With respect to the lands and royalty oils involved in these leases and contracts, exclusive jurisdiction and control had been granted to other officials of the Government. The Leasing Act of February 25, 1920 (41 Stat. 437), regulates the exploration and mining of public lands and authorizes the Secretary of the Interior to grant permits for exploration and make leases covering oil and gas lands, exclusive of those withdrawn or reserved for military or naval purposes. The act of June 4, 1920 (41 Stat. 812), directed the Secretary of the Navy "* * * to take possession of all properties within the naval petroleum reserves * * * to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, or sell the oil and gas products thereof, and those from all royalty oil from lands in the naval reserves for the benefit of the United States * * *."

Then, May 31, 1921, the President issued an Executive order purporting to commit the administration and conservation of all oil- and gas-bearing lands in the naval reserves to the Secretary of the Interior, subject to the supervision of the President. The courts seriously questioned the authority of the President to confer upon the Secretary of the Interior, by Executive order, the authority which the Congress had lodged exclusively in the Secretary of the Navy by the act of June 4, 1920, *supra*. But whether these grants of authority vested the power to make leases and contracts of the character here involved in the Secretary of the Navy, in the Secretary of the Interior, or in both of them jointly, it is clear that the law vested no power or authority in, and imposed no duty or responsibility on, the Comptroller General with respect to the making of these leases or contracts or the carrying out of their provisions, even if they had been filed in the General Accounting Office or otherwise had come to his attention.

The leases and contracts were not filed in the General Accounting Office and, insofar as I am advised, did not come to the attention of anyone in that office until the Committee on Public Lands and Surveys of the United States Senate began its investigation.

Section 3743, Revised Statutes, as amended (U. S. C. title 41, sec. 20), is as follows:

"20. Deposit of Contracts. All contracts to be made, by virtue of any law, and requiring the advance of money, or in any manner connected with the settlement of public accounts, shall be deposited promptly in the General Accounting Office; * * *." The requirement of this section has always been viewed as requiring the filing in the General Accounting Office of only contracts affecting the money accounts of the Government—not contracts affecting property only. Whether the failure of the Secretary of the Interior to file the leases and contracts in question in the General Accounting Office was with knowledge of this view or was designed to further the "conspiracy, corruption, and fraud" by which the Supreme Court of the United States (273 U. S. 509) stated the transaction was consummated is not known. In this connection, the following is quoted from the opinion of the Supreme Court (273 U. S. 492 and 493):

"Fall and Admiral John K. Robison, personal representative of the Navy in naval-reserve matters, agreed that the proposed contract should be kept secret so that Congress and the public should not know what was being done. [But it is to be said that Robison's motives in this were not the same as Fall's.]"

That the General Accounting Office could have prevented or should have detected the Teapot Dome scandal has never, as far as I am informed, heretofore been suggested. In view of the statutes hereinbefore cited and the facts and circumstances connected with the transaction it would seem to be apparent there is no basis for such a suggestion.

Since the reference to the failure of the Comptroller General to "catch the Teapot Dome scandal" was made in connection with an argument for the return to the executive branch of the Government of the now independent accounting system, it should be remembered that the Teapot Dome scandal was not caught by the executive branch of the Government, even though two Cabinet officers and other high officials participated in the consummation of the transaction, even though the leases and contracts were filed within the executive branch, and even though the Secretary of the Interior, who dominated the negotiations, acted under an Executive order, purporting to grant him authority to be exercised under the supervision of the President.

(b) The "recent theft of $84,000 from the C. C. C.," which Mr. James Roosevelt stated the Comptroller General "did not catch" has reference to the activities of Reno E. Stitely, chief of the voucher unit, National Park Service, Department of the Interior, in connection with the preparation, falsification, manipulation, and submission of pay-roll vouchers, and the conversion of Government checks issued thereon, in the total amount of approximately $87,000, to his own use. The facts are more completely set forth in the report of investigators of the Department of the Interior, printed in the CONGRESSIONAL RECORD of January 19, 1938, pages 747, 748, and 749. In answer to any implication that the theft should have been caught by this office, attention is invited to the fact that Stitely was not a disbursing officer but an employee who inserted fictitious names on the pay-roll vouchers and received, forged, and cashed checks issued as for services rendered by persons who not only did not render the services but, in fact, were not known, and that each of the pay-roll vouchers involved bore a certificate executed by an officer other than Stitely as follows:

"I certify that the within pay roll, in — pages, is correct; that it appears from the records of my office that the persons named thereon were legally appointed, and each has performed the services required by law and regulation during the period mentioned; that such services, except as otherwise indicated in the column of 'Remarks,' have been performed under my supervision; that no person whose name appears on the within pay roll is paid for any period of absence in excess of that allowed by law; that deductions have been made from the compensation of all employees against whom charges have accrued during the period of the pay roll, and that the determined reasonable value of allowances furnished in kind is stated in every case."

The execution of this certificate is, and must be, by its very nature, an administrative duty. It is, and must be, the responsibility of duly designated administrative officials to know the facts to which certificate is made, including the fact that the persons named on a pay-roll voucher are employees and rendered the services for which payment is stated. The Civil Service Commission has just reported that there were 889,550 employees in the executive branch of the Government during the month of December 1937, and, while it has never been suggested that the General Accounting Office should further verify the existence and service of all Government employees for each pay period, the mere mention of the large number of such employees should indicate at once the impracticability of such a suggestion. Aside from the fact that proper administrative supervision and adherence fully to establish administrative accounting procedure would render such a check by the General Accounting Office unnecessary, its cost would be far out of proportion to any probable loss to the United States through such peculations as are here involved.

The report of investigators of the Department of the Interior is to the effect that Stitely's peculations resulted from laxity on the part of adminisrative officials in the carrying out of their administrative responsibilities. In this connection the "comments" of the investigators are quoted:

"The principal reason these defalcations were permitted to continue for such a long period of time (nearly 5 years) can be attributed to the following:

"1. Failure to reconcile accounts payable.

"2. Failure of approving officers to examine the monthly statements of costs and expenditures for any improper charges made against their funds.

"There were at least two methods which would have disclosed any irregularities, namely:

"(a) A reconciliation with the general ledger, which could have been effected by adding to the unencumbered balance the unliquidated encumbrances and unpaid vouchers (accounts payable).

"(b) Ascertain that all vouchers were posted to the allotment ledgers.

"If the above methods had been followed, there remained but one possibility to pass an illegal voucher, namely, negligence on the part of the approving officer to examine the monthly statement of costs and expenditures."

It is believed that if the system of administrative accounts developed and installed by the General Accounting Office in the administrative office concerned had been faithfully followed the peculations of Stitely could have been avoided or early detected.

Pursuant to the provisions of circular No. 27, issued by this office July 21, 1926, and appendix thereto promulgated April 1, 1927, there was developed and installed in the National Park Service, Washington office and offices in the various national parks, a system of administrative accounts, consisting of a general ledger and an allotment ledger. Such system contemplated that there would be maintained a separate allotment account for each purpose for which allotments were administratively approved, according to objects of expenditure under each appropriation. To such allotment accounts would be posted encumbrance documents representing obligations as they were incurred and vouchers in detail as they were administratively audited and approved and prior to being transmitted to a disbursing officer for payment. All vouchers, when so transmitted, were required to be scheduled on Standard Form 1064, Schedule of Disbursements, which was required to be administratively approved and posted to the general ledger accounts to reduce the amount of cash available to the disbursing officer. When the vouchers were paid by the disbursing officer, a copy of the schedule was required to be returned to the administrative office for checking against the records. Also the monthly account current rendered by the disbursing officer was required to be submitted by the disbursing officer to the administrative office for reconciliation with the administrative records, examination, and approval.

In the Stitely case, with respect to Civilian Conservation Corps funds allotted to the National Park Service by the War Department, it is understood that such procedure did not prevail, the procedure being to post the records from monthly accounts current rendered by the disbursing officer, which naturally included all vouchers submitted to and paid by him, thereby eliminating the necessity for and the possibility of an internal check from two independent sources, which would have disclosed vouchers transmitted for payment and not properly audited or recorded in the accounts.

For your possible use in connection with the foregoing, there are attached photostat copies of typical pay-roll vouchers employed by Stitely in his peculations, together with a memorandum of explanation attached to them.

3. An estimate of the savings to the United States for which the General Accounting Office has been responsible.

Through the use of its central debt-file collection system the General Accounting Office has collected, during the fiscal years 1922 to 1937, inclusive, overpayments, illegal payments and indebtedness otherwise due the United States, in the total sum of $51,099,362.15. This amount does not include collections for certain foreign mail services nor receipts from charges for photostats, certificates, sale of waste paper, etc. The total of all collections for the above period is $61,560,933.87.

The amount of $51,099,362.15 represents collections of what, in large part, may be classed as bad debts or debts uncollectible for a considerable period of time. Prior to the creation of the General Accounting Office, in 1921, when the accounting officers of the Government were under the Treasury Department, there was no effective central system for the recording of debts owing to the Government and, therefore, no effective system for accomplishing collection by offset against claims allowable by the Government or otherwise. The General Accounting Office inherited and early obtained records of many debts owing to the Government which under the system established by it proved to be collectible. It is significant to note in this connection that the heaviest collections were effected during the earlier years of its existence, more than 75 percent of the total having been collected during the first 7 years.

An examination of the individual files of the Office in cases reported to the Attorney General for suit has been completed for the period July 1, 1925, to September 1, 1937, and the present status of balances certified due in 957 cases reported to the Attorney General during that period is as follows:

Number of cases	Amount	Disposition or status
221	$363,706.74	Settled or collected in full.
45	362,293.49	Judgments for debtors.
15	190,185.27	Suits discontinued by Attorney General.
2	3,552.89	Solicitor of Treasury directed suit be dismissed.
85	178,312.71	Relieved, private acts of Congress.
106	819,817.59	Judgment for United States; reported uncollectible.
48	262,383.30	$105,853.38 collected.
138	2,826,186.19	$1,858,522.68—compromise settlements.
110	1,122,181.15	Adjusted or otherwise settled by Comptroller General.
187	1,476,220.77	No report from the Attorney General.

Thousands of claims transmitted, with the approval of administrative officials, to this Office for settlement have been found unmeritorious in law or fact and disallowed by the General Accounting Office. Since they bore the approval of administrative officials it can be assumed that in most, if not all, cases they would have been paid if they had not been required to be forwarded to the General Accounting Office for settlement. No record has been kept of the amount of disallowances in such cases but it is safe to say it would total millions of dollars over the period since the Office was created.

During the years 1922 to 1937, inclusive, the General Accounting Office has made 1,975 reports to the Congress and to committees of the Congress, in addition to the Annual Reports of the Comptroller General. Facts and recommendations contained in many of these reports have formed the basis for legislation in the interest of economy and many of the reports have enabled the committees and the Congress to defeat unmeritorious claims asserted through private bills.

The General Accounting Office has furnished numerous reports to the Court of Claims and to the Department of Justice in connection with suits against the Government and such reports have aided in the obtaining of many judgments in favor of the Government. Complete figures in such cases are not furnished because not readily available. However, in one class of suits in the Court of Claims, viz, suits of Indian tribes and bands under enabling acts of Congress, reports of the General Accounting Office, in 43 decided cases, have resulted in the granting of offsets in favor of the United States in the total sum of $15,609,990.22.

The greatest savings to the Government for which I feel the General Accounting Office has been responsible is not represented either by collections or disallowances but by the amounts which might have been spent illegally or otherwise improperly but for the influence, as a deterrent against wrongful spending, of the careful and independent examination of accounts in the General

Accounting Office. Such amounts would embrace payments to higher bidders when a lower bidder met specifications and should have received the award; payments to high bidders on preferential specifications who bid knowing competitors could not meet the specifications; payments for salaries and salary advances beyond those authorized by law; payments for travel accommodations superior to those authorized by law and regulations issued pursuant thereto; payments for traveling expenses not authorized by law; payments of extra allowances and for extra work under contracts when full performance was required for the contract price; and many other types of unauthorized expenditures which, no doubt, would be made by the spending departments and agencies of the Government even though with the best of motives and intentions.

With respect to the inability of this Office to give more definite figures or estimates of savings it has effected I may explain that the General Accounting Office has never maintained any staff of statistical or publicity employees to place it in a position to prove the value which has resulted to the Government through the proper performance of its independent functions. It has not sought publicity. It has not engaged in propaganda work and has never sanctioned the voluntary engaging in any such work by any of its employees. It has not regarded these things as necessary but has held constantly to the use of its appropriations exclusively and economically for the performance of the functions imposed upon it by law.

I trust the foregoing information may constitute an adequate response to your questions. I shall be glad to furnish you any further available facts if you will indicate your wishes.

Sincerely yours,

(Signed) R. N. ELLIOTT,
Acting Comptroller General of the United States.

EXHIBIT 6

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 9, 1938.

HON. HARRY F. BYRD,
Chairman, Select Committee on Investigation of Executive Agencies of the Government.

MY DEAR SENATOR: Your letter of January 26, 1938, requests that you be informed what the records of this office show concerning the accusation made by James Roosevelt in connection with his radio debate with the Honorable SAMUEL B. PETTENGILL in New York City on January 24, 1938—that action in the General Accounting Office had caused a loss or extra cost to the Government of $1,000,000 in completing the Boulder Dam project. The statement of James Roosevelt was made in response to a question and the question and statement appear in the Appendix of the CONGRESSIONAL RECORD (CONGRESSIONAL RECORD, p. 328, vol. 83), as follows:

"MAN. Mr. Roosevelt, could you give us an example of a case in which the office of the Comptroller General seriously interfered with the efficient administration of the executive branch of the Government?

"Mr. ROOSEVELT. I thought somebody might ask that, so I have prepared the answer. [Laughter.] On January 15, 1935, there was prepared an order for changes in the plans and specifications for the powerhouse at Boulder Dam. I think you have all heard of that. A copy of the order was submitted to the Comptroller General on January 24, 1935. On July 29, over 6 months later, the Comptroller General advised that the payment under the order should not be made because of certain stipulations. In the meantime, on April 29, the contractors wired the Secretary of the Interior that the work on the powerhouse would be shut down unless the change order was received. On May 1 the contractors indicated that they would not proceed further without a written order. In the meantime no word from the Comptroller General. So to meet the emergency, after repeated efforts to secure action by the Comptroller General, the Secretary of the Interior did issue an emergency change order. On August 5 the contractors withdrew their acceptance of that change order. Then the contractors finally having heard from the Comptroller General, were paid for the work performed by them, and instead of being paid $2,461,000 they had to be paid $3,461,000, or a million dollars more than the amount which they had agreed to accept for the work under the original change order and which they would have done the work for if the Comptroller General had spoken up in proper and efficient time. In other words, it cost the Government $1,000,000 extra at Boulder Dam." [Applause.]

The Order for Changes described by Mr. James Roosevelt as having been prepared January 15, 1935, evidently is Order for Changes No. 14, wherein certain officials of the Reclamation Service and of Six Companies, Inc., proposed that a net sum of $2,461,000 should be paid and that other valuable concessions should be made to the Six Companies, Inc., over and above the contract price stipulated for constructing the powerhouse and dependent features at Boulder Dam under contract of March 11, 1931 (No. 11r–633.) The Order for Changes actually is dated November 15, 1934. It is signed by Reclamation Service officials and was accepted by Six Companies, Inc., January 5, 1935.

This Order for Changes No. 14 was not approved by the Secretary of the Interior and no mention thereof whatsoever was made in the Secretary's letter of January 24, 1935. On the contrary, in the letter of January 24, 1935, the Secretary requested a decision from the former Comptroller General as to whether there was any authority for releasing the Six Companies, Inc. from certain charges aggregating $22,106 per month which the contract of March 11, 1931, imposed upon the Six Companies, Inc., and which the Government would have to assume—or lose benefits of corresponding or greater value—if the terms of the contract with the company should be modified to release it from the charges.

The first information received in the General Accounting Office from the Interior Department that there existed any Order for Changes No. 14 or that the questions presented in the Secretary's letter of January 24, 1935, had relation to Order for Changes No. 14, and what that relation involved, was received in February and March 1935, through formal submissions as well as through informal conferences with officials of the Reclamation Service. From the information received in February and March 1935, and information since presented from the Interior Department, it appears that the Order for Changes No. 14 covered a claim first presented to Reclamation Service officials on March 31, 1934, by Six Companies, Inc., for alleged new and revised work on the powerhouse and dependent features, the said work having been represented to the General Accounting Office as having been substantially all performed during the 2 or 3 years preceding the presentation of the claim therefor of March 31, 1934, to the Interior Department.

Concerning Mr. James Roosevelt's statement that payment of an extra million or $3,461,000 had to be made under this Order for Changes No. 14 due to the delay of the former Comptroller General of the United States in rendering his decision, you are informed that records of the contract and of accounts presented to the General Accounting Office from the administrative office and which now are on file here show that it was under Order for Changes No. 17, dated April 29, 1935, under which payments of $3,461,000 were made to the Six Companies, Inc.

This Order for Changes No. 17 was not approved by the Secretary of the Interior until December 20, 1935, and no information as to said Order for Changes No. 17 nor as to intervening Orders for Changes Nos. 15 and 16 of February 15, 1935, was vouchsafed to the former Comptroller General of the United States until months after rendition of his decision of July 29, 1935.

What did come to the attention of the General Accounting Office in March 1935 were quoted remarks of the Secretary of the Interior appearing in the daily papers that "evidence of violation of law by Six Companies, Inc., constructors of Boulder Dam has reached such proportions that he had ordered his chief departmental investigator to take personal charge of the case."

When the Order for Changes No. 17, of April 29, 1935, finally was approved by the Secretary of the Interior on December 20, 1935, and thereafter was submitted to the General Accounting Office, while it was found to embrace substantially the work of the power house and dependent features, the unit quantities, the rates per unit, the extensions as well as the description of work performed were different and there was no matter in said Order for Changes No. 17, which had been previously questioned by the Secretary of the Interior and presented in his letter of January 24, 1935, to the former Comptroller General for decision.

In order that you may be fully informed of the question presented and of the sequences and grounds of action under the former Comptroller General, commencing with the receipt in the General Accounting Office of the letter of January 24, 1935, from the Secretary of the Interior, I have caused the records to be assembled from the settled files and careful reexamination to be made of the memoranda of conferences and of the data submitted.

The details are set forth below to permit of convenient reference.

The letter of January 24, 1935, from the Secretary of the Interior was received in the General Accounting Office on January 25, 1935, and is as follows:

JANUARY 24, 1935.

"The honorable the COMPTROLLER GENERAL.

"MY DEAR MR. COMPTROLLER GENERAL: On March 11, 1931, the United States made a contract (11r–633) with the Six Companies, Inc., of San Francisco, Calif., for the construction of Boulder Dam, power plant, and appurtenant works. The contract provided that the work should be completed March 21, 1938. It is now expected that the work on Boulder Dam proper will be completed in March 1935, and on the Boulder Dam power-plant building by July 1, 1935. The Six Companies will be delayed in completing various remaining portions of the work included in its contract by normal progress on the Babcock and Wilcox contract, dated July 9, 1932 (12r–3286) for the installation of the penstock pipes to the power plant, which the latter company has not agreed to complete until January 9, 1938. On account of this delay the Six Companies, Inc., are asking to be relieved in some manner when the dam and powerhouse are completed in July, of certain fixed charges and costs designated as follows:

"(a) The standby charge of $17,106 per month for construction power.

"(b) Five thousand dollars per month rental charge for land occupied by company buildings in Boulder City.

"During the progress of construction on the dam, on December 14, 1932, the Six Companies, Inc., signed, and the Secretary of the Interior approved, change order No. 5. This change order was executed pursuant to article 3 of the contract. It covered 59 items of work in which there was a decrease in the estimated amount of work to be accomplished computed at $1,743,685, and

an increase of $2,088,427, with a total net increase in cost on the work amounting to $344,742. Included in this change order is the placing of concrete around the power penstock pipes being installed by the Babcock & Wilcox Co. under its contract.

"The original contract with Six Companies, Inc., contemplated the using of the rock walls of the tunnel for conveying water from the intake towers to the power-plant units. The engineering board for Boulder Dam decided that the internal pressure from the water in the tunnels might result in failure, and it was decided to line the tunnels with heavy manganese steel pipe. The furnishing of this pipe and the placing of it is covered by the contract with the Babcock & Wilcox Co., of New York. The work provided for in this contract must be completed by January 9, 1938. In change order No. 5 the Six Companies, Inc., agreed to place the concrete around these penstock tunnel pipes as a part of the work to be accomplished under the change order which modified its contract for the construction of the dam, power plant, and appurtenant works. The pouring of the concrete around the steel lining installed in the penstock tunnels is a separate item in the specifications attached to change order No. 5 and might be considered independent of the work on Boulder Dam and the power plant.

"On October 28, 1930, the United States entered into a contract (Ilr-620) with the Nevada-California Power Co. and the Southern Sierras Power Co., jointly and severally, whereby the power companies agreed to furnish and deliver electrical energy for use in connection with the construction of the Boulder Dam and for incidental purposes. The power companies agreed to deliver to the United States 15,000 kilowatts of energy at the dam site, which required them to build a power transmission line from San Bernardino, Calif., to the Boulder Dam. The rate to be charged for power was a readiness-to-serve charge of $17,106 per month plus an energy charge of 6 mills per kilowatt-hour. The contract provided that power should be ready for delivery about June 25, 1931, and that the readiness-to-serve charge should begin on that date. In the contract with the Six Companies, Inc., it was provided in paragraph 36, among other things, that—

"'Beginning with the date when power is first used * * * the contractor will be charged monthly for such power as is used by the contractor at the following rates:'

"Then follows a statement of rates exactly the same as that provided in the contract between the United States and the power companies. Subdivision (b) of paragraph 36 of the contract with Six Companies provides:

"'When power becomes available from the power plant at the Hoover Dam, the Government will terminate the contract with the Southern Sierras Power Co. and the Nevada-California Power Co. and will thereafter serve power to the contractor from the Hoover power plant. The contractor will be charged monthly for such energy as is received from the Hoover power plant at the rate of 6 mills per kilowatt-hour and no readiness-to-serve charge will be required.'

"There is no provision for termination of the monthly readiness-to-serve charge except the one providing for use of power from the power plant at the dam. Power cannot be served to the contractor from the Boulder power plant before January 1, 1936. It may be several months later, depending on the storage supply of water and the completion of the installation of power units.

It has been proposed by the Six Companies that it will pay this monthly readiness-to-serve charge for 2 months after July 1, 1935, providing the United States assumes the liability for such charge after that date until power is ready for delivery from the Boulder power plant. This assumes that the dam and power plant building will be completed on July 1, 1935.

"It is desired to direct your attention to the second problem which involves the payment of rent for certain areas in Boulder City set aside for use of the Six Companies, Inc., for which it would be charged $5,000 per month during the entire period to the date of final acceptance of the work under the specifications. Paragraph 34 of the contract with Six Companies, Inc., provides that certain areas in the town site will be set aside for use as a camp site for the Six Companies, Inc., which will entitle it to connect with the city water supply and enjoy other municipal privileges. This paragraph also provides that:

"'For the use of the land set aside for the contractor and for the municipal services and facilities made available for the benefit of the contractor and his employees, the contractor will be charged at the rate of $5,000 per month for and during the entire period from the date when the water system for the town is first put in operation to the date of final acceptance of the work under these specifications by the Government, such charge to also cover the contractor's proportionate part of the cost and expense of operation and administration of the town.'

"The work under the specifications will be completed, if the present plans are carried to fruition, by July 1, 1935. Change order No. 5, executed by the Six Companies, Inc., which required, among other things, the pouring of concrete around the penstock pipes will extend the date of final acceptance of the work until the penstock pipes are completed by the Babcock & Wilcox Co. during 1937. The work of placing concrete around the power penstock pipes is not work provided for under these specifications, i. e., the specifications attached to the contract as originally made for the construction of Boulder Dam and power plant, but is being placed under the specifications attached to change order No. 5. It would appear, therefore, that the Six Companies could not be charged with the $5,000 per month rental after July 1, 1935, if by that time the work under the original specifications was completed.

"The originals of all of the contracts and the change order referred to in this letter are in your files. The time of the termination of the payment by Six Companies, Inc., of the readiness-to-serve charge of $17,106 per month, and the time when the $5,000 rental charge shall terminate, are fiscal matters, and therefore it is recommended that you consider the request of the Six Companies concerning these payments and advise me of the administrative action I should take.

"Sincerely yours,

"HAROLD L. ICKES,
"Secretary of the Interior."

On Tuesday afternoon, January 29, 1935, Mr. Roy R. Gill, vice president of Morrison-Knudsen Co., Inc., one of the Six Companies, called at the General Accounting Office on behalf of the Six Companies, Inc., and asked for a conference on the questions submitted by the Secretary of the Interior in the letter of January 24, 1935. Mr. Gill at that time was understood as spending most of his time in Washington, D. C., making contacts in the Bureau of Reclamation and elsewhere, and seemed to be well informed as to the plans and attitude of the Bureau of Reclamation.

The conference was arranged for 2:30 p. m., Wednesday, January 30, 1935, at which time Mr. Morrison and Mr. Gill, another official of Six Companies, Inc., and Mr. George Ober, a Washington, D. C., attorney, conferred with an attorney of the General Accounting Office. Mr. Morrison disclaimed at this conference having actually seen the letter of Secretary Ickes of January 24, 1935, but stated he had received information as to its contents from officials of the Interior Department. He said that his company was only asking to be relieved of the charges of $22,106 per month as of September 1, 1935, that being the date by which it was then expected they would be able to complete their contract other than that part involved under Change Order No. 5, relating to the Babcock & Wilcox contract for the installation of penstock pipes to the power plant which probably would not be completed before January 1938.

It was explained to the officials of Six Companies, Inc., that they could not be recognized properly as parties to the questions submitted by Secretary Ickes for decision in his letter of January 24, 1935. (See sec. 8, act July 31, 1894, 28 Stat. 207, as amended by the Budget and Accounting Act, par. 3, 31 U. S. C. 74, providing for advance decision by the Comptroller General of questions involving a disbursement presented by the head of an executive department, etc., and making the decision controlling on the General Accounting Office in passing upon the account containing said disbursement). Also, that the matter involved apparently the Government having to assume the charges of $22,106 per month about 2 years earlier than under the basic contract if it were held the Six Companies, Inc., were entitled to be relieved from their payment, and that there was no evidence presented of any consideration for such a modification of the contract.

It was pointed out at this conference too, that the matter of relief from monthly charges as presented seemed one not necessarily requiring or permitting of a decision under the statute until the date of completion actually arrived whether it should prove to be July 1, 1935, as suggested in the Secretary's letter, or September 1, 1935, as suggested by the officials of Six Companies, Inc., or at some substantially later date as proved to be the fact; also, that if it was the desire of Six Companies, Inc., to submit evidence to prove consideration or on the matter of time at which there would be actual completion, such evidence would be accorded appropriate consideration. It was also explained at the conference that all the pertinent contracts involved, those of other companies affected as well as their own, and the various approved change orders and orders for extras issued thereon, involving hundreds of items, necessarily would have to be considered in arriving at a decision.

At the close of the conference the representatives of Six Companies, Inc., intimated that change order No. 14 then was in contemplation but that Six Companies, Inc., would not agree to such change until they received assurance that they would be released from the two charges aggregating $22,106 per month on which decision was requested in the letter of Secretary Ickes of January 24, 1935. This informal statement on the part of Six Companies, Inc., officials was the first notice to this office that the questions presented by the Secretary of the Interior had anything to do with change order No. 14 or that such an order for changes was in contemplation.

On February 1, 1935, a letter was received in the General Accounting Office, as follows:

FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS,
DIVISION OF INVESTIGATIONS,
Washington, D. C., January 31, 1935.

Hon. J. R. MCCARL,
Comptroller General of the United States.

MY DEAR MR. MCCARL: In connection with an investigation being conducted by this division it is necessary that we have two photostatic copies of the original contract between the Government and the Six Companies, Inc., on the Boulder Dam project. This contract was signed on March 11, 1931.

If it will be of any assistance in this matter we will be very glad to have the contract photostated here in the Interior Building. The need of this is urgent and we will appreciate anything you can do to facilitate this request.

Very truly yours,

LOUIS R. GLAVIS, *Director.*

The nature of the investigation to be conducted was not disclosed to the General Accounting Office until, in March 1935, press reports thereon appeared in local papers of which extracts are set out below in proper sequence.

The officials of Six Companies, Inc., or some of them who participated in the conference with an attorney of the General Accounting Office on January 30, 1935, imparted to Reclamation Service personnel that they had given information to this Office concerning Order for Changes No. 14. At any rate, there was received in the General Accounting Office on February 4, 1935, the following letter:

FEBRUARY 2, 1935.

THE COMPTROLLER GENERAL OF THE UNITED STATES.

MY DEAR MR. COMPTROLLER GENERAL: Further reference is made to my letter addressed to you January 24, 1935, regarding the completion of Six Companies, Inc., of its contract for the construction of Boulder Dam, power plant, and appurtenant works.

The practical application of the procedure proposed by the Bureau of Reclamation is embraced in the enclosed copy of proposed Order for Changes No. 14, which no doubt you will wish to consider in connection with the questions raised in the letter of January 24, 1935. Also enclosed at this time is copy of Commissioner Mead's memorandum of December 18, 1934, which explains the details of the plan proposed.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

In order to supplement what was said by Commissioner Mead in his memorandum of December 18, 1934, attached to the Secretary's letter of February 2, 1935, he called personally in the General Accounting Office on February 28, 1935, for a conference and on March 6, 1935, there was received directly from him an 8-page memorandum dated March 5, 1935, explaining why the terms of the contract had not been strictly observed in connection with changes in drawings and extra-work orders, also stating in his paragraph 10 that Six Companies, Inc., "in the preliminary negotiations, was asserting unreasonable claims for additional compensation in an amount approximately $1,000,000 in excess of what is finally set out in detail in Order for Changes No. 14." The Commissioner urged certain equities he seemed to think warranted releasing the Six Companies, Inc., from its legal obligation under its contract to pay the $22,106 monthly charges which were questioned in the Secretary's request for decision of January 24, 1935. The Commissioner also offered to present additional pertinent documents, if and when same should be requested and made it apparent what really was involved insofar as he was concerned was the settlement of the unliquidated claim first presented by the Six Companies, Inc., nearly 1 year previously on March 31, 1934, relating to extra work, much of which had been performed long prior thereto.

In the meantime the Washington Sunday Herald of March 3, 1935, carried an article indicating the character of investigation being made under the direction of Mr. Glavis, as follows:

"P. W. A. Administrator Harold L. Ickes last night said 'evidence of violation of law by the Six Companies, Inc., constructors of Boulder Dam, has reached such proportions' that he has ordered its chief departmental investigator to take personal charge of the case.

"The chief investigator, Louis Glavis, will leave next week for the site of the $47,025,000 power and irrigation project on the Colorado River.

"Mr. Ickes asserted that 'according to special agents who have examined pay rolls of the Six Companies, Inc., they show many thousands of violations of the law which prohibits contractors from permitting anyone to work more than 8 hours a day on Government projects.'

"The companies' office records were seized early last week by the United States district attorney for Nevada, who alleged the firms had been maintaining two sets of pay rolls, one for examination of P. W. A. auditors and one for their own use.

"Mr. Ickes announced at the time that he and Mr. Glavis had turned the case over to the Department of Justice after former employees of Six Companies complained to him that Federal labor laws were being violated.

"Mr. Ickes decided tonight, however, to send Glavis to Boulder City to direct the investigation.

"Mr. Glavis will leave for Las Vegas, N. Mex., early next week, after going from here to Chattanooga, Tenn.

"The investigation into Boulder Dam came just as a special Federal grand jury was completing an inquiry into alleged irregularities on another P. W. A. irrigation project in Willacy County, Tex.

"Evidence was presented regarding an alleged unauthorized change of specifications so as to require use of some 500 miles of wooden pipe on the project, which originally called for no pipe at all. Hearing of testimony has been completed and an early report is expected from the jury."

The matter as it thus had developed in March 1935, for decision of the former Comptroller General—still upon a very incomplete showing of pertinent data and with an investigation of asserted illegal transactions underway which it is understood continued on for months—was substantially upon broader grounds than in the letter from the Secretary of January 24, 1935, although, with all the development, no evidence was presented of any legal consideration for releasing Six Companies, Inc., from its contract obligations for the charges aggregating $22,106 per month, as to which the request for decision of January 24, 1935, was specifically directed. The matter also was one which the administrative department, with its more complete knowledge of the facts, had been unable to satisfy the Secretary upon after considering the same for approximately 1 year. In these circumstances the former Comptroller General caused personnel of this office to be assigned to examine and compare the many items of Order for Changes No. 14 with items covered by the 13 prior voluminous change orders and extra work orders which theretofore had issued covering hundreds of items. This work of examination and comparison required several weeks and was completed as rapidly as could be done compatible with the performance of other required duties.

About the time this work had been completed and at a time when the investigation under Mr. Glavis was understood as nearing completion the local papers began carrying articles concerning serious labor troubles at Boulder Dam and other articles indicating the work could not possibly be completed within the limits of time upon which the request for decision of January 24, 1935, was predicated. The Washington Evening Star of July 23, 1935, and the Washington Daily News of July 24, 1935, reported 800 workmen then on strike at the Boulder Dam project and reports were received in the General Accounting Office which indicated over 70,000 violations of the 8-hour laws alone in connection with the Boulder Dam project.

Furthermore, the Court of Claims had held in *Mullett* v. *United States* (21 Ct. Cls. 485), that the United States might not recover on the ground of mistake a payment made under a decision of law by the Comptroller of the Treasury to whose duties in rendering decisions the former Comptroller General had succeeded. The Court of Claims likewise had held in *Lonawill's case* (17 Ct. Cls. 288, 291); in the *Charles case* (19 Ct. Cls. 316, 319), etc., that it is the duty of the Government accounting officers to withhold approval of doubtful claims or of those as to which reasonable grounds appear for suspecting fraud or irregularity, thus leaving the parties to such remedies as the Congress may have seen fit to provide in the courts and reserving to the Government opportunity of having judicial scrutiny of the claims and of making defense. These rules are the subject of more extended comment in my letter of November 17, 1937, to the Honorable James F. Byrnes of which you were furnished with a copy. Having proper regard for these settled rules and the equivocal circumstances recited above, the former Comptroller General rendered his decision of July 29, 1935, as follows:

"Sir: Your letter of January 24, 1935, requested decision whether Six Companies, Inc., may be relieved at an earlier date than provided in the above contract for certain fixed charges and costs designated as follows:

"'(a) The stand-by charge of $17,106 per month for construction power.

"'(b) Five thousand dollars per month rental charge for land occupied by company buildings in Boulder City.'

"The release of the Six Companies from the payment of the stand-by charge for power merely would result in the assumption by the Government of that monthly charge which the contract provides shall be borne by the Six Companies, Inc., and which it manifestly was contemplated would be borne by Six Companies, Inc., in arriving at the contract price. In arriving at the contract price it also was contemplated the $5,000 per month rental item would be charged against Six Companies, Inc., for the period which the contract specifies.

"Although not referred to in your letter of January 24, 1935, there appears to have been issued an order for changes No. 14, dated November 15, 1934, containing a provision at page 9 thereof, as follows:

"'Two months after the end of the calendar month in which work covered by specifications No. 519, and orders for changes heretofore issued, including this order for changes No. 14, has progressed to such a stage, as determined by the contracting officer, that further work under the contract is dependent on the progress of the United States and/or other contractors in the erection of the penstock pipe and/or power-plant machinery, the contractor will be relieved of payment of the monthly readiness-to-serve charge for power as provided in paragraph 36 of specifications No. 519, and the monthly charge for use of land set aside for the contractor in Boulder City and for municipal services and facilities made available for the benefit of the contractor in Boulder City as provided in paragraph 34 of specifications No. 519, will be reduced to such extent as the contracting officer shall deem equitable for the area and facilities then to be used by the contractor.'

"In the first paragraph of this Order for Changes No. 14 it is recited that the changes were ordered pursuant to articles 3 and 4 of contract. A copy of the said order was transmitted to this office by your letter of February 2, 1935, with which you enclosed also a copy of Reclamation Commissioner Mead's memorandum of December 18, 1934, and a copy of a memorandum from Acting Chief Engineer S. O. Harper, dated January 15, 1935, relating to such order. Subsequently another memorandum of eight pages, prepared by Reclamation Commissioner Mead, on March 5, 1935, undertaking to support the Order for Changes No. 14 was furnished informally to this office.

"It has been stated by officers of Six Companies, Inc., and by officials of the Reclamation Service that all of the work had been completed on the approximately 100 items covered by the Order for Changes No. 14 prior to the drafting of said order as of November 15, 1934, and the schedule of price changes attached to the order shows the contract price would be increased thereby in the gross amount of $2,724,703, against which appear decreases on certain

items in the amount of $263,560, the net increase in contract price which would result thus being $2,461,143.

"This gross increase of $2,724,703 shown in the contract price does not appear to embrace the stand-by charge items aggregating $22,106 per month proposed to be released for the balance of the periods fixed in the contract, which items, if remitted as proposed, would result apparently to increase the net profits otherwise realizable under the contract by the Six Companies in a sum of approximately $300,000.

"Not only has there been presented the question of relieving the Six Companies, Inc., from the stand-by charges of $22,106, which would correspondingly increase the charge against appropriated funds, and of paying a net additional sum of $2,461,143 under Order for Changes No. 14, but in the memorandum of Commissioner Mead of December 18, 1934, it is suggested that it is thought permissible to comply with the request of Six Companies, Inc., to be relieved of '(a) Hold-back on completed work, $2,653,045.'

"The contract contains specific provisions governing adjustments in specifications and drawings, changes, changed conditions, and extras in paragraph 10 of the specifications and in articles 2, 3, 4, and 5. These provisions are exclusive of any other mode of adjustment, and before any payment would be authorized from appropriated moneys there must be filed documentary records showing compliance therewith.

"Article 16 of the contract specifies the circumstances under which payments may be made and when the retained percentages may be released. No deviation therefrom is authorized.

"The blanket order for changes No. 14, drafted after the work was done, does not, of itself, constitute proper basis for payment. It is not clear that many items of the additional work should not have been let through competitive bids or, if priced properly for fixing by negotiation, that they should not conform more closely to prices fixed in the contract for similar work. Both as to the Order for Changes No. 14 and as to similar blanket orders previously issued it is necessary to require that all of the individual writings and orders except the two already submitted with Commissioner Mead's memorandum of March 5, 1935, be submitted to this office since they involve changes and adjustments of the contract work which purport to affect Government claims or liabilities under appropriated funds.

"Aside from what has been said herein, any question involving final settlement and release of the retained 10 percent of progress payments necessarily involves consideration, also, of any possible indebtedness of the Six Companies, Inc., to the United States. In this connection it is understood that there have been conducted investigations under your chief investigator which developed evidence of law violations on the part of the Six Companies, Inc., which would result in money penalties or claims accruing to the United States. It is understood such investigations have been completed and, accordingly, it is requested that the detailed findings and your conclusions thereon be furnished here for consideration in connection with the questions which have been referred for decision."

The records before this office do not show whether the Secretary of the Interior was informed at the time of his letter of January 24, 1935, to the former Comptroller General, of the relation between the questions he presented therein to the proposed order for changes No. 14 which his subordinates and officials of Six Companies, Inc., then had been negotiating over practically a 10-month period. It seems likely he would have supplied the former Comptroller General with that pertinent information had it then been within his personal knowledge.

However the facts may be on that point it appears amply demonstrated that the Secretary acted properly in withholding his approval to the attempted releasing of Six Companies, Inc., from its contract obligations upon the basis of mere conjecture as to future happenings and without legal consideration. Had he acted otherwise his action apparently would have been open to setting aside in the courts in a suit by the United States, it being settled the head of an executive department may not modify a contract without consideration and against the interests of the United States (*United States* v. *American Sales Corporation*, 27 F. (2d) 389; 32 F. (2d) 141, certiorari denied; *American Sales Corporation* v. *United States*, 280 U. S. 574). An official of the Government is not authorized to give away or remit a claim due the Government. This rule is grounded on sound public policy and is not to be weakened (*Pacific Hardware Co.* v. *United States*, 49 Ct. Cls. 327, 335). Also see *Pan-American Petroleum & Transport Co.* v. *United States*, 273 U. S. 456, and *Mammoth Oil Co.* v. *United States*, 275 U. S. 13).

The same rules of law which prevented the Secretary of the Interior from according the arrangement his official approval were equally effective to control the decision of the former Comptroller General, and furthermore it is submitted that on the record and the facts which were before the former Comptroller General he would have stultified himself and, in my opinion, would have merited severe censure had he reached any other decision than the one which he did reach. No court in the land probably could be found which would enter a judgment against or require a payment by the United States on such a record as that presented to the former Comptroller General, and yet had he approved such an arrangement in his official capacity his action would have permitted payment forthwith from appropriated moneys and would have been closed either to reexamination in the General Accounting Office or to judicial review in the interests of the United States except on grounds of fraud (*Mullett* v. *United States*, 21 Ct. Cls. 485), whereas the judgment of a Federal trial court not only would be open to review on appeal or petition for certiorari by the United States but could not be paid until special appropriation therefor had been made.

Were it an actual fact, therefore, that the Six Companies, Inc., had to be paid $1,000,000 more, as charged by Mr. James Roosevelt, by reason that the former Comptroller General did not render his decision of July 29, 1935, at an earlier date, it is not perceived how the former Comptroller General is in any way responsible. His decision was the only decision he properly could have rendered and was rendered as promptly as could be done upon so momentous a matter after even a skeleton of the real facts were presented to him. Whatever extra cost, if any, may have resulted from delay would appear chargeable to the subordinates in the Interior Department who are reported to have had the claim of Six Companies, Inc., involved in Order for Changes No. 14, under consideration from March 31, 1934, until first brought to the attention of the former Comptroller General upon an incomplete record in February and March 1935 at a time when widespread relations of law were openly charged against the claimant, Six Companies, Inc., by the Secretary of the Interior himself, thus making the claimant's every transaction properly an object of suspicion.

The records which have been presented to this office do not appear upon reexamination to show any basis for the assertion that the Six Companies, Inc., had to be paid $1,000,000 more than the amount which they had agreed to accept for the work under the original change order and which they would have done the work for if the Comptroller General had spoken up in proper and sufficient time. That would be tantamount to saying that by reason of vexation at the action of the former Comptroller General the Secretary of the Interior had been prevailed upon in December 1935 to approve Change Order No. 17 so that it would include the "unreasonable claims for additional compensation in an amount approximately $1,000,000 in excess of what finally was set out in detail in Order for Changes No. 14," which were mentioned in paragraph 10 of Commissioner Mead's memorandum of March 5, 1935, and at page 13 above. Personally I am unwilling to conjecture or believe that claims which were established to be unreasonable and without legal basis would be approved by the present Secretary of the Interior or submitted to this office as valid claims.

This office apparently has not been furnished a copy of Order for Changes No. 17 of April 29, 1935. The Adjustment of Compensation schedule dated September 20, 1935, purporting to cover all the work ordered under Order for Changes No. 17, and which was accepted by Six Companies, Inc., on October 26, 1935, and was approved by the Secretary of the Interior on December 20, 1935, upon the basis of and in reliance upon which payment allegedly was made of $3,461,000, has been examined. There appear in this schedule photostatic copies of statements of extra-work items corresponding in description titles with similar photostatic copies attached to Order for Changes No. 14, which the Secretary did not approve. These statements were so reduced in the photostatic process before submission to this office as to be extremely difficult of comparison on audit and the schedule itself is so drawn as not necessarily to bring to attention the repetition. However, a comparison of the unit quantities of rates, of extensions, and specifications shows material differences accounting for the entire balance of $3,461,096.67 approved by the Secretary for payment thereon. I will not burden this letter, already unduly long, by a tiresome recitation of the differences in the items, rates, specifications, etc., a comparison of the first item on each of the photostats being sufficient to demonstrate the nature of differences, as follows:

	Estimate to accompany Order for Changes No. 14	Estimate to accompany Order for Changes No. 17
Item No.	9	9a.
Work or material	Excavation: Common for foundation of dam, powerhouse, and cofferdams.	Excavation: Common for foundation of dam, powerhouse, and cofferdams.
Quantity increase	242,223 cubic yards	261,708 cubic yards.
Unit price	$2.20	$2.20.
Amount increase	$532,891 (correctly extended would be $532,890.60).	$575,757.60.

You will observe that the difference or increase correctly computed is $42,867 more under Order for Changes No. 17 than it would have been under No. 14 by reason that the cubic yardage removed is represented as 19,485 cubic yards greater under Order for Changes No. 17, which difference, at $2.20 per cubic yard, is $42,867.

Summarizing, it thus appears:

(1) Order for Changes No. 14 was not submitted to the General Accounting Office until February 4, 1935, and then only in connection with the prior request for decision as to relieving the contractor from substantial charges under its contract.

(2) The decision of July 29, 1935, held there was no authority to relieve the contractor of those charges.

(3) Order for Changes No. 17 did not purport to relieve the contractor from these substantial charges, and was stated and administratively approved by the Secretary of the Interior for different quantities of work under changed specifications and for different prices than stated in Order for Changes No. 14; and

(4) The time which elapsed while the matter was pending in the General Accounting Office for decision had no connection with the prices determined upon in order for Changes No. 17.

It will be understood that the General Accounting Office has not an engineering or inspection force to check directly in the field

what work actually was performed. The approval of payments in the General Accounting Office under Order for Changes No. 17 was in reliance on the facts administratively reported, which showed a proper and valid consideration for the payments, without being accompanied by any questionable proposals for releasing Six Companies, Inc., from its valid obligations under its contract. If the facts so reported by the administrative officials were untrue, which I have no reason to suppose, then the matter now would seem for reopening and collection of the proper amount from the Six Companies, Inc., or from whomsoever may be found responsible.

EXHIBIT 7

GENERAL ACCOUNTING OFFICE,
Washington, February 24, 1938.

Senator HARRY F. BYRD,
Room 209, Senate Office Building:

There are attached copies of correspondence from the files of this Office which disclose some of the occasions on which Haskins & Sells were employed to render auditing or accounting services for agencies of the Government.

(1) Farm Credit Administration, in connection with funds advanced by the Reconstruction Finance Corporation for crop-production loans. The total amount of fee is not disclosed in the attached memorandum but may be ascertained if you deem it necessary.

(2) The Federal Home Loan Bank Board, for services in setting up regional banks, where the fee amounted apparently to $4,560.72. The letter to the Department of Justice dated July 24, 1935, refers also to the balance due Haskins & Sells on account of services rendered to the Farm Credit Administration as above.

(3) Agricultural Adjustment Administration, for the purpose of making test audits of certain rice mills. In this case you will note that employees of Haskins & Sells were employed as individuals, and that the rate of pay was around $20 per day.

(4) The Cotton Stabilization Corporation, as will be noted from the letter, retained Haskins & Sells for audit work. The amount of fee paid is not known.

(5) The Secretary of War employed Haskins & Sells for the purpose of making a survey of the cost accounting and determination of overhead at one of the arsenals. In this case you will note that the rates paid were $25, $50, and $100 per day.

(6) Farmers' National Grain Corporation employed Haskins & Sells for general auditing work, and the Federal Farm Board proposed to bear a part of the fee of $11,866.

(7) Joint select committee under authority of section 1 of the District of Columbia Appropriation Act approved June 29, 1922, employed Haskins & Sells for making a study of the fiscal relations between the District of Columbia and the United States. The fee paid in this case is not known.

If you need further cases, I shall try to find them for you. Those submitted at this time are all that the record supports. I know of others, however, which are not included and which for that reason will require me to investigate to secure information with respect thereto.

Very truly yours,

J. DARLINGTON DENIT,
Chief, Accounting and Bookkeeping Division.

GENERAL ACCOUNTING OFFICE,
Washington, September 25, 1934.

In re A–51437.

The COMPTROLLER GENERAL:

In compliance with request contained in your first endorsement of September 15, 1934, the attached papers and the following report are submitted for use in connection with the attached letter of September 10, 1934, from the Governor, Farm Credit Administration, wherein, with reference to various exceptions taken in the audit of the accounts of J. B. Walker, Farm Credit Administration, for the period February 19, 1932, to May 26, 1933, covering the payment of various administrative expenses in connection with crop-production loans made from the funds made available to the Secretary of Agriculture by the Reconstruction Finance Corporation under section 2 of the act of January 22, 1932 (47 Stat. 5), as amended, it is stated that it was understood that the Secretary of Agriculture acted in accordance with an opinion of the Attorney General, dated February 27, 1933, that disbursements authorized by or through him from the involved funds were subject to the laws and regulations generally applied to the disbursements of funds of the United States only to such extent as he (the Secretary) in his discretion might prescribe.

In the audit of these accounts the exceptions taken were based upon transactions apparently not made in accordance with the laws and regulations covering the expenditure of Government funds, in accordance with the instructions contained in A–51437–O. M. of November 10, 1933.

The basic letter refers specifically to two groups of suspended payments, one involving those made to Haskins & Sells for services and expenses incurred in connection with the development of accounting procedure for crop-production loans and in connection with the Reconstruction Finance Corporation, and the other involving printing procured in the District of Columbia and field printing.

Credit for the aggregate sum of $19,362.63 paid to Haskins & Sells on vouchers 7, 701, 2175, 2319, 7740, 10092, 14465, 17871, 22026, 26207, 31086, 33584, and 45180 was withheld for the reason that the payments were in contravention of section 5 of the act of April 6, 1914 (38 Stat. 335, with citation to 1 Comp. Gen. 93, 252), and decision A–53936 of April 6, 1934.

Credit for the aggregate sum of $167.90 paid on vouchers 78, 97, and 44083 for printing procured in the District of Columbia and not from the Government Printing Office or contracted for by the Public Printer was withheld under the ruling in 9 Comp. Gen. 534.

Credit for the sum of $55 paid on vouchers 36012 and 36579 for printing procured in the field was withheld for authorization from the Joint Committee on Printing and for an administrative certificate that the work was urgent or necessary to have done elsewhere than in the District of Columbia for the exclusive use of the field service. In this connection it appears that the authorization of the Joint Committee on Printing dated July 13, 1934, authorizing the allotment of an amount not to exceed $12,500 in lieu of all previous authorizations for the Emergency Crop Loan Section, Farm Credit Administration, referred to in A–52481–O. M. of August 20, 1934, authorizes the removal of the relative objection to these two vouchers.

Numerous additional exceptions were taken in the audit on account of incomplete vouchers, apparent duplicate payments, missing invoices, telegrams, etc. Vouchers 258, 1095, 1332, 3237, and 3277 are submitted as a typical group.

E. W. BELL,
Chief, Audit Division.

MAY 16, 1934.

Hon. J. R. MCCARL,
Comptroller General of the United States, Washington, D. C.

Reference: A–53936.

SIR: We acknowledge your letter dated May 11, 1934, sustaining the refusal to certify for payment a voucher in our favor for $4,560.72 for services rendered and expenses incurred in connection with our employment by the Federal Home Loan Bank Board.

Your letter states that the refusal to certify for payment was based upon the provisions of section 5 of the act of April 6, 1914 (38 Stat. 335), prohibiting the expenditure of appropriated funds for compensation or payment of expenses of accountants or other experts in inaugurating new or changing old methods of transacting business of the United States, and that we were chargeable with knowledge of this statute and performed the services in contravention of its terms at our own risk (1 Comp. Gen. 252). We respectfully submit that our employment was not in contravention of the provisions of the act of April 6, 1914, and in support of our position we submit the following for your further consideration:

The case referred to in your letter (1 Comp. Gen. 252), which was decided on November 8, 1921, is not comparable, in our opinion. In that instance we were employed by the War Department of the United States to conduct a survey and report on existing methods of accounting then in use by Government-owned arsenals, and it developed that no specific appropriation was available for such employment. The circumstances in the instant case are entirely different. In this case we were employed by a newly created executive department of the Government known as the Federal Home Loan Bank Board, established by the act of July 22, 1932, to assist in the organization and establishment of 12 regional banks, which were to be private corporations and not agencies of the United States.

The first important duty of the Board, as provided by the statute, was to organize and establish said 12 regional banks, to be known as Federal home-loan banks. The principal purpose of the proposed banks was to relieve distressed home owners throughout the Nation. The situation with which the Board was confronted was very serious and required immediate attention, and in our opinion was tantamount to a national emergency. In order to meet the situation the Board was vested with broad powers by the act of July 22, 1932, and by the provisions of section 19 it was given full authority to "determine its necessary expenditures under this act and the manner in which they shall be incurred, allowed and paid." Furthermore, a special appropriation of $250,000 for the fiscal year ending June 30, 1933, was made available for salaries, travel, and subsistence expenses, etc., together with expenses preliminary to the organization and establishment of said regional banks.

It is evident that the Board could not function without immediate assistance, at least until it could become properly organized. Nevertheless, it was charged with specific duties, the execution of which could not be deferred. These duties did not involve inaugurating new, or changing old, methods of transacting business of the United States. The important duty was to relieve widespread distress. Our employment by the Board was merely to render assistance in executing such specific duties preliminary to the organization and establishment of the 12 regional banks, particularly as to the plan whereby these banks could function expeditiously. At the time of our employment the Board did not have any regular employees, and we were employed until the Board could, and did organize its own regular permanent staff.

It will be observed that our employment and the attending circumstances were wholly within the authority of the Board. It might be well to state for the record that the Federal Home Loan Bank Board consists of five members who were appointed by the President of the United States, by and with the advice and consent of the Senate. From its early history the United States Court of Claims has consistently held the presumption in favor of the legality of an official act of a duly constituted officer of the United States, and we respectfully refer you to several decisions rendered by said court which we believe support our position:

John E. Recside et al. v. *United States* (December term 1866)

"What is that public exigency which requires delivery of articles, or performance of service, which justifies dispensing with the advertisement? Who is to decide whether it exists? * * * Must every seller * * * decide at his peril whether the exigency exists or does not? If he decides right he gets his pay, provided the Court before he sues years afterward, knowing as little about the exigency as he did, should agree with him in opinion. If he happens to be unfortunate in these respects, the United States gets his property and he gets their maledictions in return. The incongruity and injustice of such a doctrine are too glaring and apparent to require refutation."

John A. Thompson et al. v. *United States* (December term 1873)

"But there is a difference between those powers which are expressly defined by statute and those which rest upon the discretion confided by law to an officer or his superiors. The distinction that should be made seems to be that where a statute expressly defines the powers, it is notice to all the world; but where a statute confides a discretion to an officer, a party dealing with him in good faith may assume that the discretion is properly exercised * * *."

Franklin Rivers et al. v. *United States* (decided April 3, 1893)

Congress appropriated money for the purchase of the printing material of the Congressional Globe and directed that the property shall be placed in the custody of the Public Printer. He having no place wherein to store it, left it in the claimants' building with their consent. Claimants sued to recover rent for the period during which the property remained in their building, and the court allowed the claim, notwithstanding that an earlier act prohibited the rental of buildings in the District of Columbia. The Court stated:

"A public officer cannot bind the Government by contract unless authorized by law, but such authority may be implied by statute."

"The act of June 20, 1878 (20 Stat. L. 208), which declares that certain printing material of the Congressional Globe shall be placed in the custody of the Public Printer, made it his duty to provide for its preservation and implied an authority to procure a building."

"The act of March 3, 1877 (19 Stat. L. 363, 370), which prohibits the rental of buildings in the District of Columbia, does not extend to implied contracts or lease arising from the acts of public officers in the performance of their duties."

Lamport Mfg. Supply Co. v. *United States* (decided May 28, 1928)

"The courts will assume that an officer, in the performance of an official act, not only took all necessary preliminary steps required but acted within the circumference of his authority. There is a presumption in favor of the legality of his official act (*U. S.* v. *Coe.*, 170 U. S. 681, 697), which must be overcome by satisfactory proof that the officer exceeded his powers * * *."

The language of the Supreme Court (*U. S.* v. *Coe*, 170 U. S. 681, 697) follows:

"He who alleges that an officer entrusted with an important duty has violated his instructions must show it."

In conclusion, we believe that the Court's rulings to which we have referred sustain our position:.

I. The President of the United States requested Congress to relieve the distress caused by the world-wide depression, and pursuant to the President's request, the Federal Home Loan Bank Board was created.

II. The principal duty of the Board was to relieve Nation-wide distress, and in order to carry out this duty, immediate and preliminary steps were necessary and as such were provided for in the act of July 22, 1932.

III. The Board acted wholly within the circumference of its powers which were expressly defined by the statute and those which rested upon the discretion confided by law. In the case of *Franklin Rives et al.*, decided April 3, 1893, the Court held that a prohibition does not extend to implied contracts arising from acts of public officers in the performance of their duties. We believe it was the duty of the Board to organize expeditiously in order to relieve distress and for this specific purpose we were employed to assist.

IV. We believe that the Board's act, whereby we were employed, is in conformity with the rule cited by the Court in the case of *Lamport Mfg. Supply Co.*, decided May 28, 1928: "The courts will assume that an officer, in the performance of an official act, not only took all necessary preliminary steps required but acted within the circumference of his authority." To which may be added the Supreme Court's language: "He who alleges that an officer entrusted with an important duty has violated his instructions must show it."

V. The services rendered by us were not in contravention of the provisions of the act of April 6, 1914, since they were not in connection with inaugurating new or changing old methods of transacting business of the United States or the District of Columbia.

Respectfully,

HASKINS & SELLS.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 24, 1935.

Re: *Charles C. Croggon, William H. Bell, Edward Fuller, Raymond C. Reik, Trading Under the Name of Haskins & Sells*, v. *the United States* (Ct. Cls. No. 43024)

The honorable the ATTORNEY GENERAL.

SIR: There has been received a copy of the petition filed May 28, 1935, in the above-entitled cause, wherein the plaintiffs seek recovery of the sum of $4,560.72, alleged to be due for services and expenses incurred by plaintiffs in devising and preparing accounting forms and prescribing procedure thereunder for the conduct of operations of the Federal home-loan banks, such services being rendered to the Federal Home Loan Bank Board under an employment agreement dated on or about August 30, 1932.

In reply to your request dated June 12, 1935, relative to the matter, you are advised that the Federal Home Loan Bank Board, submitted to this office in December 1934 for preaudit a voucher in favor of Haskins & Sells for $4,560.72 "for professional services rendered and expenses incurred in the preparation of forms for the financial records of the Federal home-loan banks, and of instructions relating to the use thereof." This voucher was returned by this office to the Federal Home Loan Bank Board without certification for the reason that the services for which payment was proposed were in contravention of section 5 of the act of April 6, 1914 (38 Stat. 335). (See 1 Comp. Gen. 93, id. 252.) The voucher was resubmitted for preaudit and after careful consideration of the facts and the law in the case it was held in decision dated April 6, 1934, A-53936, that the employment of a firm of accountants in this case was in contravention of the act of April 6, 1914, supra, and that payment therefor was not authorized. Upon the claimant's request for reconsideration the decision of April 6, 1934, was adhered to in decisions of May 11 and June 16, 1934, A-53936. Copies of these three decisions are enclosed.

It is stated in the petition that the plaintiffs have been engaged as partners in the practice of accountancy in the city of Baltimore, Md., under the firm name of Haskins & Sells, by virtue of a partnership agreement entered into June 1, 1929. Just what relationship, if any, exists between this partnership of Haskins & Sells, of Baltimore, and the firm of Haskins & Sells, certified public accountants, with executive offices at 15 Broad Street, New York, N. Y., and "offices in the principal cities of the United States * * *," is unknown. This office has disallowed credit in the accounts of J. B. Walker, disbursing officer, Farm Credit Administration, for payments aggregating $19,362.63, made to Haskins & Sells, 15 Broad Street, New York, N. Y., for professional services and expenses incurred in connection with the development of an accounting procedure for crop production loans made by the Secretary of Agriculture under the act of January 22, 1932 (47 Stat. 5).

These payments were for services rendered by Haskins & Sells, of New York, N. Y., during the period February 1, 1932, to March 3, 1933, or prior to Executive Order No. 6084, of March 27, 1933, transferring control of the funds for crop-production loans to the Farm Credit Administration, effective May 27, 1933. It appears from the vouchers involved that there was no written agreement between the Crop Production Loan Office and Haskins & Sells, but that the payments were made on verbal instructions from the office of the Secretary of Agriculture to the effect that the rate of compensation was to be $25 per day and that expenses were to be paid. Credit for the payments was disallowed in the accounts of J. B. Walker for the same reason that this office refused to certify for payment the voucher for $4,560.72, which sum the plaintiffs now seek to recover in the present suit; that is, that section 5 of the act of April 6, 1914, 38 Stat. 335, specifically prohibits the use of appropriated moneys for payment for services or expenses of accountants or their experts in inaugurating new or changing old methods of transacting business of the United States, unless authority for employment of such services or payment of such expenses is stated in specific terms in the act making provision therefor. See in this connection *Consolidated Supply Co.* v. *United States* (59 Ct. Cls. 197).

If it is determined that there is such affiliation between the New York firm of Haskins & Sells and the plaintiffs in the instant suit to justify such action, it is recommended that a counterclaim be filed in this case for the sum of $19,362.63, it appearing that there is no authority for such payment "stated in specific terms" in either the act of July 22, 1932 (47 Stat. 741), appropriating $250,000 for the Federal Home Loan Bank Board for the fiscal year ending June 30, 1933, from which appropriation it was proposed to pay the voucher for $4,560.72, nor in the act of January 22, 1932 (47 Stat. 5), allocating for expenditure by the Secretary of Agriculture in making crop-production loans, $50,000,000 of the $500,000,000 appropriated by joint resolution of January 27, 1932 (47 Stat. 14), for the purposes of the Reconstruction Finance Corporation.

Vouchers covering the illegal payments made to Haskins & Sells, of New York, N. Y., by J. B. Walker, are as follows:

Voucher No. 7, March 1932	$1,002.75
Voucher No. 701, April 1932	1,748.37
Voucher No. 2175, May 1932	177.90
Voucher No. 2319, May 1932	1,751.05
Voucher No. 7740, July 1932	2,027.25
Voucher No. 10092, July 1932	1,719.94
Voucher No. 14465, August 1932	1,865.19
Voucher No. 17871, September 1932	1,941.97
Voucher No. 22026, October 1932	1,774.60
Voucher No. 26207, November 1932	1,774.39
Voucher No. 31086, January 1933	1,266.50
Voucher No. 33584, February 1933	1,154.46
Voucher No. 45180, May 1933	1,158.26
Total	19,362.63

Certified copies in support of the suggested counterclaim will be furnished upon your request therefor.

Respectfully,

J. R. MCCARL,
Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 16, 1934.

HASKINS & SELLS,
15 Broad Street, New York, N. Y.

GENTLEMEN: Reference is had to your letter of May 16, 1934, requesting further consideration of the decision of this office of April 6, 1934, to the Federal Home Loan Bank Board, and, also, of the decision of May 11, 1934, to you, sustaining the refusal to certify for payment a voucher in your favor for $4,560.72 for professional services rendered and expenses incurred in the preparation of forms for financial records of the Federal home-loan banks and instructions relating to the same, such services being rendered to the Federal Home Loan Bank Board. Your present submission repeats in some detail arguments previously made to the effect that you are entitled to payment because of the emergency which existed at the time of the organization of the Federal Home Loan Bank Board. You suggest, also, that the work did not consist in inaugurating new methods of business, but as the Federal home-loan banks had not been functioning previously, the business methods to be followed by them cannot be considered other than new methods of business so far as the Government is concerned. I find nothing in your submission which would warrant any change in my previous decisions on this matter to the effect that payment for such services would be in contravention of section 5 of the act of April 6, 1914 (38 Stat. 335).

Your letter of May 19, 1934, requests an oral hearing to discuss this matter. In that connection, you may be advised that the procedure in this office is such that its decisions are not based upon personal or oral hearings, but upon applicable statutory provisions, record facts, and matters presented in writing, to form a permanent record.

Respectfully,

J. R. MCCARL,
Comptroller General of the United States.

OCTOBER 24, 1933.

The COMPTROLLER GENERAL:

There are forwarded herewith two vouchers submitted by the Agricultural Adjustment Administration for preaudit. The vouchers cover proposed payments for the temporary services of 10 accountants procured from Haskins & Sells, and Peat, Marwick, Mitchell & Co. for the purpose of making test audits of certain rice mills. The services were obtained under letter of authorization of September 12, 1933, issued to Charles Reitell, chief accountant, Licensing and Enforcement Section, which reads, in part, as follows:

"You are authorized to employ not to exceed four consulting accountants, with headquarters at New Orleans, La., for a period not to exceed 30 days and at salaries not in excess of $20 per diem when actually employed, to be paid on personal-service vouchers, citing this letter of authority, and to authorize in each case a per diem not to exceed $5 in lieu of actual expenses for subsistence and all fees or tips to waiters, porters, or stewards in accordance with the Standardized Government Travel Regulations, while engaged in official travel within the States of Louisiana, Texas, and Arkansas."

This authorization was amended September 15 to include the services of such additional accountants as might be necessary, and again on October 4, after the performance of the services, to increase the rate authorized from $20 to $23.55 per day. This letter change was apparently for the purpose of fixing such a basic rate as would give a net rate of $20 after a deduction of 15 percent. Copies of the authorizations are attached to the vouchers.

Section 10 (a) of Public, No. 10, Seventy-third Congress, approved May 12, 1933, provides as follows:

"The Secretary of Agriculture may appoint such officers and employees, subject to the provisions of the Classification Act of 1923 and acts amendatory thereof, and such experts as are necessary to execute the functions vested in him by this title; and the Secretary may make such appointments without regard to the civil-service laws or regulations * * *."

Doubt has arisen whether the vouchers may be certified for payment to the accounting firms in view of the provision in the authorization of September 12 relative to payment on personal-service vouchers, apparently in contemplation of direct employment. Instructions are also requested whether any question need be raised due to the increase in the basic compensation originally authorized. In this connection attention is invited to A-50896-O. M., dated September 27, 1933.

E. W. BELL,
Assistant Chief of Division.

NOVEMBER 13, 1933.

CHIEF, AUDIT DIVISION:

The authorization was for direct employment and payments for personal services of such employees may be made only to the employees themselves upon vouchers signed by them. The rate of compensation originally fixed at $20 per day may not be increased in view of the provisions of section 7, act of March 3, 1933 (47 Stat. 1515), but as the rate of compensation for these experts was not established by any existing law, schedule, regulation, Executive order, or departmental order prior to the act of March 20, 1933, the $20 rate is not subject to a 15-percent reduction (12 Comp. Gen. 655; 13 id. 3). The papers are returned.

R. L. GOLZE,
Acting Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, September 11, 1933.

HASKINS & SELLS,
506 Hibernia Bank Building, New Orleans, La.

GENTLEMEN: There has been received your letter of August 19, 1933, stating that in connection with your audit of the accounts of the Cotton Stabilization Corporation as of July 31, 1933, you transmit a detailed schedule supporting a debit balance of $500,373.60 as "Account receivable—Due from Treasurer of the United States," the balance representing unpaid claims for refunds of storage, insurance, interest, etc., to the Cotton Stabilization Corporation in connection with delivery of cotton to the American National Red Cross under Public Resolution No. 33 of July 5, 1932, and the act of February 8, 1933, Public, No. 329. You request that this schedule be examined by this office in all its details and that its correctness be confirmed or that you be advised of any exceptions thereto.

The claims or applications for funds filed by the Corporation upon which payment has not been authorized, are being considered by this office with a view to determining the correctness of the amounts claimed and the authority for the payment of the same. It is obvious that under such circumstances it is not possible to advise you at this time as to the correctness of the figures given in your schedule. The examination and audit of the claims will be proceeded with as expeditiously as possible and when that has been done, payment of such amounts as may be found due will be forthwith authorized. Prior to such action being taken, however, there is no basis for advising you of the correctness of the figures given in your schedule and after payment shall have been made to the Corporation, it is assumed you may obtain the information you desire from the records of the Corporation.

Respectfully,

J. R. MCCARL,
Comptroller General of the United States.

HASKINS & SELLS,
CERTIFIED PUBLIC ACCOUNTANTS,
New Orleans, August 19, 1933.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D. C.

DEAR SIR: In connection with our audit of the accounts of the Cotton Stabilization Corporation as of July 31, 1933, we enclose a detailed schedule supporting a debit balance of $500,373.60, indicated by the records of the Cotton Stabilization Corporation as "Accounts receivable—Due from Treasurer of the United States." The above debit balance represents unpaid claims for refunds of storage, insurance, interest, etc., due to the Cotton Stabilization Corporation in connection with delivery of cotton to the American National Red Cross under Public Resolutions No. 43 and No. 329 of the Seventy-second Congress of the United States.

Please examine this schedule in all of its details and confirm the correctness of same direct to us, or advise us of any exceptions that you may take thereto.

A stamped and self-addressed envelope is enclosed for the convenience of your prompt reply, for which we thank you in advance.

Yours very truly,

HASKINS & SELLS.

Approved.

THE COTTON STABILIZATION CORPORATION,
By ———, *Treasurer.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 6, 1926.

HON. CHARLES L. UNDERHILL,
Chairman of Committee on Claims,
House of Representatives.

MY DEAR MR. UNDERHILL: Complying with your request of February 17, 1926, for a report of H. R. 2893, entitled "A bill for the relief of Haskins & Sells," I have the honor to submit the following:

It appears that on May 13, 1920, the Secretary of War addressed the Office of the Chief of Manufacture directing "a thorough survey of the cost accounting and determination of overhead at one of the arsenals with a view to ascertaining whether or not changes are necessary to insure accuracy in estimating and final determination of cost;" and that on May 18, 1920, the Chief of Ordnance addressed Haskins & Sells advising them that it was desired to secure the services of a district manager and such assistants as might be necessary in connection with work to be done by said firm in regard to the cost-accounting system at Rock Island Arsenal.

The services were to be paid for as follows:

(a) For the services of a district manager $100 a day and necessary expenses.

(b) For the services of a supervisor $50 a day and necessary expenses.

(c) For other assistants $25 a day and necessary expenses for each.

The report on the first part of the work contemplated was submitted under date of November 20, 1920, and payment therefor in the sum of $24,626.05 was made December 2, 1920, by Capt. N. H. Strickland, a disbursing officer of the Army. And claim was submitted to this office for $3,500 covering the so-called "system report." This claim was disallowed because of the pro-

visions of section 5 of the act of April 6, 1914 (38 Stat. 335), which reads:

"That no part of any money appropriated in this or any other act shall be used for compensation or payment of expenses of accountants or other experts in inaugurating new or changing old methods of transacting the business of the United States or the District of Columbia unless authority for employment of such services or payment of such expenses is stated in specific terms in the act making provision therefor and the rate of compensation for such services or expenses is specifically fixed therein, or be used for compensation of or expenses for persons aiding or assisting such accountants or other experts, unless the rate of compensation of or expenses for such assistants is fixed by officers or employees of the United States or District of Columbia having authority to do so, and such rates of compensation or expenses so fixed shall be paid only to the person so employed."

For the same reason a charge of $24,626.05, the amount paid by Captain Strickland, was certified against Haskins & Sells, and said amount now stands charged against them on the books of this Office.

There appears to be no question but that the services of the accountants engaged were actually rendered and that said services were rendered at the request of the War Department. On the other hand, it is apparent that, in view of the express prohibition in the statute quoted, supra, it was not within the authority of the Chief of Ordnance or the Secretary of War to order or contract for such services, and Haskins & Sells were chargeable with notice of the provisions of said statute.

It is suggested that if it is the judgment of your committee that the claim for $3,500 should be allowed, the bill should provide also for relief from the charge of $24,626.05 now standing on the books of this Office, as said charge arose out of the same transaction as that referred to in the bill now before your committee.

For your information there is transmitted herewith copy of decision of this office of November 8, 1921 (1 Comp. Gen. 252), sustaining disallowance of the claim for $3,500.

Sincerely yours,

J. R. McCARL,
Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, September 15, 1930.

The CHAIRMAN, FEDERAL FARM BOARD:

SIR: There has been received your letter of September 5, 1930, as follows:

"The Farmers' National Grain Corporation, of Chicago, a Delaware corporation, is a national grain marketing association, organized and operating under the auspices of the Federal Farm Board. Its stockholders are and must continue to be farmer-owned cooperative grain handling associations eligible under the Agricultural Marketing Act and complying with the provisions of the Capper-Volstead Act.

"In February and March 1930, the Grain Corporation at the instance of the Farm Board became active in the purchase of wheat, which subsequently was sold to the Grain Stabilization Corporation, another institution organized pursuant to the provisions of section 9 of the Agricultural Marketing Act. The bookkeeping and accounting facilities of both of these concerns, which were newly set up, proved inadequate to care for the volume of business which they were suddenly called upon to handle, in consequence of which some apprehension was felt for the safety of the Government's funds invested in these transactions. In March, as a matter of precaution, it was deemed advisable to verify the accounts of the Farmers' National Grain Corporation. Thereupon that Corporation employed the firm of Haskins & Sells, of Chicago, to audit its books, records, and accounts and this work later was extended to include the books, records, and accounts of the Grain Stabilization Corporation. The action taken was with the knowledge of the Federal Farm Board but not at its instigation.

"There is attached hereto a copy of an account, dated July 5, 1930, rendered to the Farmers' National Grain Corporation by Haskins & Sells, covering professional services in connection with this audit in the amount of $11,866. It will be observed that a portion of the expense may be a proper charge against the Grain Stabilization Corporation.

"It is the view of the officers of the Farmers' National Grain Corporation and the Grain Stabilization Corporation that, because the Federal Farm Board benefited as a result of this audit, and undoubtedly the funds of the Government were further protected thereby, it should defray a portion of the total expense involved. The Federal Farm Board recognizes the nature and extent of the advantages resulting to it from the audit and for that reason is willing to pay one-half of the account rendered by Haskins & Sells, if such a procedure is permissible under the provisions of existing law.

"I desire to inquire whether an expenditure of the kind contemplated herein is one which may be properly authorized from the public funds appropriated for the use of the Federal Farm Board."

By section 7 of the Agricultural Marketing Act of June 15, 1929 (46 Stat. 13), the Federal Farm Board is authorized to make loans from the revolving fund to assist in effecting merchandising of agricultural commodities, the construction or acquisition of marketing facilities, etc., the formation of clearing-house associations, and other purposes, the loans to be subject to certain limitations therein provided. Section 9 of the same act provides that the Board may recognize as stabilization corporations such corporations as may meet and comply with the requirements therein set forth, and with respect to financial dealings and money transactions between the Board and such stabilization corporations, the section further provides:

"(c) Upon request of the advisory committee for any commodity the Board is authorized to make loans from the revolving fund to the stabilization corporation for the commodity for working capital to enable the corporation to act as a marketing agency for its stockholders or members as hereinbefore provided. Not less than 75 percent of all profits derived by a stabilization corporation each year from its operations as such a marketing agency shall be paid into a merchandising reserve fund to be established by the corporation. No such payment shall be required whenever the fund is in such amount as, in the judgment of the Board, constitutes a sufficient reserve for such operations of the corporation. Out of the remainder of such profits for the year the corporation shall repay any outstanding loan made under this subdivision and the accrued interest thereon, or if all such loans and accrued interest have been fully repaid, then it may distribute a patronage dividend to its stockholders or members. Such patronage dividend shall be paid to each stockholder or member on the basis of the total volume of the commodity or its products for the year marketed for his account through the corporation.

"(d) Upon request of the advisory committee for any commodity the Board is authorized to make loans from the revolving fund to the stabilization corporation for the commodity to enable the corporation to control any surplus in the commodity as hereinbefore provided and for meeting carrying and handling charges and other operating expenses in connection therewith. The Board shall require a stabilization corporation to establish and maintain adequate reserves from its profits from its surplus-control operations before it shall pay any dividends out of such profits. All losses of the corporation from such operations shall be paid from such reserves, or if such reserves are inadequate, then such losses shall be paid by the Board as a loan from the revolving fund. Any amounts so loaned for payment of losses shall be repaid into the revolving fund by the corporation from future profits from its surplus-control operations. Any stabilization corporation receiving loans under this subdivision for surplus-control operations shall exert every reasonable effort to avoid losses and to secure profits, but shall not withhold any commodity from the domestic market if the prices have become unduly enhanced, resulting in distress to domestic consumers. Stockholders or members of the corporation shall not be subject to assessment for any losses incurred in surplus-control operations of the corporation.

"(e) A stabilization corporation shall keep such accounts, records, and memoranda, and make such reports with respect to its transactions, business methods, and financial condition as the Board may from time to time prescribe; shall permit the Board to audit its accounts annually and at such other times as the Board deems advisable; and shall permit the Board, upon its own initiative or upon written request of any stockholder or member, to investigate the financial condition and business methods of the corporation."

There is nothing in these provisions of law, either in specific terms or by necessary implication, indicating any intent that the Board should contribute in any way to defray the expenses of stabilization corporations except by making loans as provided by law. As to the particular matter involved in the submission, subsection (e), supra, would indicate that it is within the power of the Board to require stabilization corporations to keep and render such accounts and reports with respect to their financial transactions and condition as will reflect the true status of the loans made by the Board, the expenses of keeping and rendering such accounts and reports to be borne, not by the Board but by the corporations.

Also, there is no authority under the act of June 15, 1929, or any other law relating to the expenditure of public funds for the Board to contribute to the payment or to assume any part of the expenses dealt with in the submission on the basis that the Board received benefits from the audit made by the public accountants. Section 4 of the Agricultural Marketing Act provides that the Board may appoint, in accordance with the Classification Act of 1923, as amended, and subject to the civil-service laws, such officers and employees as are necessary to execute its functions; and, as to expenditures, the same section provides that they shall include only such as are necessary to execute such functions. Taking into consideration these provisions of law, as well as the provisions of section 14 of the act providing for an audit by this office of the accounts relating to the administrative expenses of the Board, and for an examination, also by this office, of the books and accounts of the Board with respect to transactions under the revolving fund, it is not believed that it was the intent of the Agricultural Marketing Act to permit the use of public funds for the purpose proposed in your submission.

Accordingly, in specific answer to the question submitted, I have to advise that there is no authority of law for the Federal Farm Board to assume any part of the expenses of the audit made of the financial transactions of these corporations by a firm of public accountants.

Respectfully,

J. R. McCARL,
Comptroller General of the United States.

HARRIS TRUST BUILDING,
Chicago, Ill., July 5, 1930.

(Offices in the principal cities of the United States of America and in London, Paris, Berlin, Shanghai, Manila, Montreal, Habana, Mexico City)

FARMERS NATIONAL GRAIN CORPORATION, FISHER BUILDING, CHICAGO.
To HASKINS & SELLS, Dr.

For professional services rendered and expenses incurred in connection with the following:		
Assisting in writing up, posting, and balancing books of the Farmers National Grain Corporation (which at that time included all the bookkeeping transactions of the Grain Stabilization Corporation)		$5,302.87
Verification of the warehouse receipts and other evidence of title to the grain held by the various custodian banks as of Mar. 15, 1930:		
Services	$4,160.72	
Expenses	270.62	
		4,431.34
Audit of your accounts and those of the Grain Stabilization Corporation from date of incorporation to Mar. 31, 1930, and in preparation of our reports thereon, dated Apr. 11 and 29, May 27, and June 10, 1930:		
The Farmers National Grain Corporation		1,571.07
The Grain Stabilization Corporation:		
Services	$2,555.85	
Expenses	43.45	
		2,599.30
		13,904.58
Less 15 percent of service charges		2,038.58
Total		11,866.00

Amended bill.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, December 14, 1922.

The honorable the SECRETARY OF THE TREASURY.

SIR: I have your letter of December 12, 1922, relative to an inquiry of the accountants Haskins & Sells representing the Joint Select Committee on Fiscal Relations of the District of Columbia and the United States as to certain balances on the ledgers of the Treasury Department with relation to the District of Columbia.

The balance reported as upon the auxiliary ledger No. 3 is of two amounts of $75,000 each, and pursuant to the act of July 11, 1919 (41 Stat. 103), sections 8 and 9, these items were charged against the District of Columbia. The act of July 11, 1919, shows that the items relate to certain advances of $75,000 for the support of schools and a balance from $400,000 advanced for the payment of interest on funded debt and current expenses of the District of Columbia. Insofar as book entries were made pursuant to the original enactments under which the funds were advanced, I am of opinion the settlement No. 10351 made March 31, 1921, by the Auditor for the State and Other Departments was authority to make the necessary entries in adjustment accordingly and that the same may now be done.

The debit balance of $250,000 reported is understood to appear on the books of the Treasury as advanced under accountable warrants, but that no entries appear as to that accountability. A credit item of $440,353.43 is understood to be a balance arising from a certificate of audit No. 222799 of June 24, 1881. A debit balance of $116,775.68 is reported as being in the account of "G. J. Lydecker, Major, Corps of Engineers, Increasing the Water Supply of Washington, D. C.," and is understood to be based upon audit certificate No. 268099 of February 18, 1889. These three items will be made the matter of investigation of the records and accounts of this office and such information as may be necessary to obtain from the records and accounts of the District of Columbia, and according to the information thus obtained you will be advised further therein.

Respectfully,

J. R. MCCARL,
Comptroller General.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

ENROLLED JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938, and it was signed by the Vice President.

Mr. BURKE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Calif.	O'Mahoney
Andrews	Davis	Johnson, Colo.	Overton
Ashurst	Dieterich	King	Pepper
Austin	Donahey	La Follette	Pittman
Bailey	Duffy	Lee	Pope
Bankhead	Ellender	Lewis	Radcliffe
Barkley	Frazier	Lodge	Reames
Berry	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Wagner
Clark	Holt	Norris	Walsh
Connally	Hughes	Nye	

The PRESIDING OFFICER. Ninety-one Senators having answered to their names, a quorum is present.

ENCROACHMENT OF JAPANESE ON ALASKAN FISHERIES

Mr. BONE. Mr. President, I am impelled to make a few observations about a condition which is attracting unusually wide interest in the press of the country and has been the subject of hundreds of editorials. I refer to the controversy between American fishermen and Japanese fishermen in Alaskan coastal waters. That controversy has assumed rather dangerous proportions in recent months, and is the subject of negotiations between our Government, through its State Department, and the Japanese Government in an effort to iron out the difficulties and secure the withdrawal of Japanese fishermen from these coastal waters.

The Associated Press recently carried the report that the State Department is about to reach some agreement with the Japanese Empire regarding respective fishing rights of Americans and Japanese in the Bering Sea and Bristol Bay off the Alaskan shore. All those who are interested in preserving for America a resource more important than Alaska's gold will be glad to learn that the State Department is making some progress with this problem. I am awaiting with interest Secretary Hull's release of the facts with regard to the negotiations that have been going forward.

I am also advised directly by the State Department that negotiations with Japan have been going forward.

The Seattle Chamber of Commerce recently checked up on the value of all Alaska products during the period 1867 to 1937, inclusive. It may surprise you, Mr. President, to know that, while the value of gold produced in Alaska during that period was $488,566,000; the value of salmon was $1,000,755,000; and that the value of all of the fisheries products was $1,127,397,000, as compared with $757,599,000 for all mineral products.

The State Department has taken a deep interest in what is going on today in China and has made strong representations to the Japanese Government with regard to affairs in the Orient. At the same time that the United States has been sending many so-called stern notes to Japan—which notes have not at all stemmed the tide of Japanese aggression—the State Department has been most considerate of the Japanese in their exploitation of the fisheries resources of Alaska.

Regarding China, the State Department was unwilling to believe the polite statements of the Japanese diplomats as to the good and peaceful intentions of Japan in China, but for a long time accepted without question the equally polite assertions of the Japanese that they really are not doing any commercial fishing in Alaskan waters.

I do not know much about fishing, and perhaps some of you gentlemen could instruct me, but I have been advised by

experts that the presence of surface gill nets strung for 2 miles would be some indication that a boat is preparing to catch a commercial quantity of fish, and that the fish sought are salmon, which run close to the surface. Like the State Department, I should like to believe the Japanese statements that they are merely engaging in a "survey and experimental operations," but, on the other hand, I cannot disbelieve my fellow citizens who have taken photographs of huge quantities of salmon on the deck of a Japanese cannery ship. Alaskan eyewitnesses have long assured the State Department that the Japanese are really catching fish in large quantities, but the State Department, being reassured from Tokyo, wrote letters saying there was really nothing at all to be alarmed about.

A letter to me from Secretary Hull, dated June 19, 1937, states:

> Information available here indicates that the salmon run has not yet started this year, and that the Japanese vessels in the Bristol Bay area are engaged in crab-catching operations and are not injuring the salmon run.

Letters similarly reassuring—at least reassuring to Japan—were written by Bureau of Fisheries officials.

I know that the sons of the sea who go into Alaskan waters every year to fish must have felt much better when the Secretary informed them that the Japanese were really not hurting the salmon run at all. However, those who perhaps know more about fishing than members of the State Department's staff have advised me that the Alaskan salmon industry will be extinguished if the Japanese inroads are not curbed. They assert that the Japanese throw nets across the mouths of rivers and virtually bottle up the entire run of the salmon, preventing the fish from going up to spawn.

After repeated urgings by the fishermen and the heads of fishing interests of Alaska and of the Pacific coast, the State Department finally sent an investigator, Mr. Leo D. Sturgeon, to make a report. I have not seen Mr. Sturgeon's findings, but I know what they must be. There is no question that Mr. Sturgeon found that the Japanese are actively engaged in exploiting the Alaskan salmon resources.

On June 14, 1937, the following radiogram was sent by J. N. Gilbert to Archie Shiels, Pacific American Fisheries, Inc., Seattle:

> En route here on *Starr* last night. Captain Tronson, mate of the *Christensen*, and United States Steamboat Inspectors Clark and Neumacker give following information regarding Japanese fishing: Operations are conducted from point near Amak Island to a point off Ugashik (a distance of about 125 miles), and that gear is strung throughout this area at one time, showing extent of effort being conducted. Trawl gear being used, which will take any and all types of fish except salmon. Christensen says he has seen a trammel net being used with 1,500 feet between floats. This is a three-part gill net, and would take salmon in quantities if properly operated. Ships are from 4,000 to 14,000 tons with tenders ranging from 50 to 125 feet each carrying dories for setting and picking up gear. Account tonnage in use and scope and kind of operations in evidence, feel certain that crab fishing is incidental to cod and salmon being taken. Father Hotovitzky advises natives report evidence of tents and empty food containers with Japanese markings well inshore of Bering side opposite Cold Bay. Am asking Daly wire you what information he may have.

This is only typical of many letters and telegrams received showing the extent and kind of operations of the Japanese fishing vessels.

The Japanese are extremely secretive about their operations in Alaskan waters. Is that because they have something to conceal, or are they merely catching crabs, as they assert? The United States Commissioner of Fisheries, Frank T. Bell, reports that he was refused admittance to Japanese boats, except to go into the cabins. He was not permitted to view their operations. Fishermen report that as soon as they approach Japanese boats, the Japanese pull in their gear and return to the mother ship, and cloak their operations with invisibility. The State Department has relied a good deal on information conveyed by the Coast Guard; but practical fishermen say that the Japanese are very wary of the Coast Guard, and as soon as a Coast Guard boat comes near they stop their operations.

The following radiogram from F. L. Daly to Pacific American Fisheries, Inc., at South Bellingham, is in point:

> June 16, 1937. Reporting *Hakuyo Maru* fisheries boat fishing about 5 miles offshore between Cape Greig and Ugashik River with two small tenders. As our boat drew near the tenders pulled in their gear and returned to mother ship, which hoisted them on board. By the time our boat got alongside they could not see what kind of gear they were using. Forward deck of mother ship had a canvas roof. Men were seen working at sliming tables, but could not see what kind of fish were being cleaned. Also observed two large crab-fishing steamers with numerous tenders fishing off Port Moller.

The Japanese are smart, and pull in their gear fast; but they were not smart enough and fast enough to avoid the observations of an airplane party that flew over their ship on July 7, 1937. The observers in the ship were Arthur C. Farlow, Pacific Coast manager for the J. Walter Thompson Co., advertising agents; Aubin R. Barthold, Alaska Packers' Association; H. B. Friele, general manager, Nakat Packing Co.; Chester Carlsen, president, Copper River and Prince William Sound Fishermen's Union; Harry Stuhr, delegate of the Alaska Fishermen's Union; and Ralph Stavery, airplane pilot. These observers found the Japanese fleet several miles offshore. Mr. Friele saw four large Japanese boats, and he estimates that the pile of fish on one of the boats was about 20,000, and these were unmistakably salmon.

The Japanese Government blandly states that no Japanese boats are "licensed" to catch salmon in Bristol Bay; but perhaps that is like the China situation. There really is not a formal war going on there. Perhaps the Japanese are engaging in an unlicensed war on the Alaskan salmon.

I have warned the State Department that it would be well to take positive action now, to prevent later serious complications. The fishermen who go to Alaskan waters to obtain salmon are a hardy lot, and they are not readily going to permit aliens to come over into their fishing grounds and deprive them of their living. They have made this statement categorically to the State Department. The longshoremen of our Pacific coast have likewise advised the State Department that unless definite and positive action is taken they will act in their own way, by refusing to load or unload ships destined for Japan. This would cause far more complications from an international viewpoint than an effort by the State Department now definitely to settle this problem.

In view of the expressed resentment of the United States in regard to the Chinese situation, and the vigorous notes thereon to Japan, and in view of this Government's condemnation of Japan in definite terms as a violator of the Nine Power Treaty and the Kellogg-Briand Pact, would it not be well to act with similar zeal in connection with the Alaskan salmon fishery? In the case of Alaska, however, the State Department is much more safe in proceeding, because it will have the people of the United States back of it. There is no question that while our people are intolerant of any steps that may plunge us into a war on foreign soil over issues that do not greatly concern us, they are insistent on the protection of this country's own Territories and resources.

I quote from an article in the Seattle Star of November 8, 1937:

> Alaskan fishermen and west coast maritime unions were reported to be joined in a move to boycott Japanese ships in reprisal for the invasion of salmon banks off the Alaskan coast by Japanese fishing fleets.

The actual beginning of reprisals has been delayed, pending receipt of information about results of State Department negotiations with Japan.

We hear a great deal about international law when it is convenient to apply it. The Japanese are pleased to invoke the 3-mile limit, and say that they are entitled to fish anywhere in the world outside a line 3 miles offshore from any coast. There is no fixed international law on that subject; but, in any event, such law may be changed. The Japanese have not been noted for adhering to international law. Our Government should not be too ready to admit the sanctity of the so-called 3-mile limit. This rule grew up from the

fact that cannon range formerly was about 3 miles, and the theory was that nations could claim jurisdiction of waters as far out as they could defend them.

I do not care to go into any long discussion of international law, which is a nebulous thing at best, and applicable only to the extent to which individual nations are able to enforce it. However, I do want to refer to a few of many authorities who agree that the so-called 3-mile limit has no general force.

Dr. A. P. Daggett, of Bowdoin College, writing in the American Journal of International Law, volume 28, at page 693, says:

> The whole subject of territorial waters was brought sharply to the attention of students of international law by the efforts made to formulate a convention on the subject at the Codification Conference of 1930. The conference failed in its object. One major reason was the inability to agree on the width of the belt of territorial waters.

Dr. Daggett reported that the Committee of Experts for the Progressive Codification of International Law in its observations said:

> Some states, however, appear to hold strongly to the claim of sovereign rights over more than 3 miles of territorial waters, particularly on the ground of historic rights or geographical or economic necessity; this claim is admitted by some and disputed by other states.

Dr. Daggett asks, and rightly:

> How can general principles (such as the 3-mile limit) be applied to such diverse industries as the halibut and mackerel fisheries, to say nothing of the oyster, whale, and seal fisheries?

And, I add, how can a general principle, such as the 3-mile limit, based on an obsolete theory of range of cannon, apply to such a problem as the Alaskan salmon fishery, which is unique in that the industry is perpetuated only by conservation methods applied not only at sea but in inland waters exclusively under the jurisdiction of the United States?

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. BONE. I yield to the Senator from Illinois.

Mr. LEWIS. I call the attention of the able Senator, knowing his interest in the subject, to the fact that when I was honored to be one of his predecessors as a Representative at Large from the State of Washington, I was a minority delegate to the conference which was held in London touching the general subject matter which the Senator is now ably discussing; but it was the sealing fishery which was the object of consideration at that time.

Referring to the statement of the Senator from Washington that the doctrine of the 3-mile limit, which is supposed to be a doctrine of international law, is promptly suspended whenever the subject matter is one of difference and apart from that which caused the 3-mile limit to be prescribed at its very early origin, what would the Senator say as to the proper solution? Would he leave it to the State Department to make a new regulation or would he submit the matter openly to Congress for some specific act? I would like to have his views, and that is why I interrupted him.

Mr. BONE. Later on in my rather brief remarks I shall refer to a resolution and a bill which I now have pending. I shall also refer to the actions of the Norwegian Government as a typical example of a government claiming jurisdiction far from its coastal waters, a distance far greater than the 3 miles. I realize that in dealing with the seal fisheries of Alaska, to which the able Senator from Illinois has referred, the case was settled by the negotiation of a treaty, and, as I recall, Japan was a party to that treaty. The settlement was accomplished through the ordinary processes of international law by treaty. I will in part answer the Senator's inquiry further in my remarks.

Mr. LEWIS. I am quite sure that will meet the doubt I had in my mind as to the court the Senator would think most available and most effective.

Mr. BONE. I think that Japan so far has refused to negotiate in this matter, and its status is uncertain. Our fishermen take the position that there is nothing to negotiate; that the salmon are solely the product of American activities. They are spawned in American streams. All the conservation activities which make a run of salmon possible are the result of American activities. They are not like fish which swim in the open sea and spawn in the open sea. Salmon come out of American rivers, and this fact makes it more difficult for the State Department, because Japanese fishermen seem to assert that salmon are open-sea fish, whereas they would not exist and there would not be great salmon runs were it not for American rivers affording spawning grounds.

Thomas W. Fulton, the well-known British authority, goes so far as to say that "the United States more than any other power has varied her principles and claims as to the extent of territorial waters." This quotation is from his work, The Sovereignty of the Sea, page 650.

In the case of *Pinkney* v. *The Hungarian* (41 Fed. Rept. 110) the Court said that—

> There are rights recognized by the laws of nations over the sea in the nation whose territory is upon it. The extent of these rights—that is to say, how much of the sea they cover—has been uncertain. Some nations claim a marine league; others more, even up to 30 leagues. Perhaps the best way of stating it is that every nation has the right to control so much of the seas adjacent to its shores as is necessary for all purposes of revenue or of defense (1 Kent, Comm. 28; *Queen* v. *Keyn*, L. R. 2 Exch. Div. 81).

I leave this subject of marginal sea limits, except to say that Great Britain, the United States, Norway, Japan, Mexico, Argentina, Uruguayan Republic, Union of South Africa, Australia, Sweden, Russia, Denmark, Spain, Portugal, France, Italy, Ecuador, and other nations have at various times and in various connections claimed the right to exercise and have exercised control of marginal seas beyond the 3-mile limit.

As recently as July 12, 1935, the King of Norway issued a royal decree reaffirming the exclusive rights of Norway in the Westfjord, a bay between Lofoten Islands and the mainland on the northwestern coast of Norway. This decree says in part that jurisdiction is taken over the waters involved—

> On the basis of ancient well-established national titles of right; by reason of the geographical conditions prevailing on the Norwegian coasts; in safeguard of the vital interests of the inhabitants of the northernmost parts of the country; and in accordance with the royal decrees of the 22d February 1812, the 16th October 1869, the 5th January 1881, and the 9th September 1889.

I cannot state exactly how far out to sea the Norwegian decree reaches, but it is far beyond the 3-mile limit, because the line of demarcation is drawn between points 4 miles outward from the outermost island or rock which is not washed over by the sea. The zone is not merely within a line following the coast line and 4 miles outward from it, but because of the conformation of the land it takes in a huge area that would generally be considered high seas under the 3-mile-limit rule.

If any Senator is at all curious, I shall be glad to show him a map supplied by the Norwegian Government, showing the coastal waters claimed by the Norwegian Government to be exclusively under the jurisdiction of that Government, and the irregular line goes out apparently very many miles from shore.

While the authorities agree that 3 miles is the minimum of the jurisdiction of any nation over the sea washing its shores, there is no agreement on the maximum of such jurisdiction.

Delegate DIMOND, of Alaska, has introduced a bill in the House and I have introduced an identical bill in the Senate, Senate bill 2679, to protect and preserve the salmon fishery of Alaska. The State Department has recommended against the bill. Nevertheless, this bill is worth considering, and it can be enforced if this country desires to enforce it. Such a law is not unprecedented.

The United States Congress by Public Law 238, an act to protect the revenue of the United States and to provide measures for the more effective enforcement of the laws respecting the revenue, to prevent smuggling, to authorize customs enforcement areas, and for other purposes, took jurisdiction over the high seas adjacent to but outside customs waters to prevent the hovering of vessels intending to conduct an unlawful traffic with the United States. The act

extended jurisdiction 62 miles out from the coast by the following language:

Only such waters on the high seas shall be within a customs enforcement area as the President finds and declares are in such proximity to such vessel or vessels that such unlawful introduction or removal of merchandise or persons may be carried on by, or to, or from, such vessel or vessels. No customs enforcement area shall include any waters more than 100 nautical miles from the place or immediate area where the President declares such vessel or vessels are hovering or are being kept and, notwithstanding, the foregoing provision shall not include any water more than 50 nautical miles outward from the outer limits of customs waters.

This law was enforceable by a provision for boarding suspected vessels, examining them and their merchandise, and bringing them into port.

There is also the possibility of declaring Alaskan territorial waters a strategic area for defense purposes, inasmuch as there is always a close tie-up between Japanese commercial vessels and their Government. In fact, one of their boats that has been doing so-called experimental fishing for salmon in Bering Sea is a naval vessel. It is reported that the Japanese have taken very careful soundings of all the Alaskan waters. These soundings would be of much value to them for naval operations.

I note a recent article in the Seattle Post-Intelligencer by Herbert H. Hillshire, correspondent, who recently returned from 4 years' travel in the Orient. He tells about Japanese fishing boats which never smell of fish, and which are equipped with engines sufficiently powerful to make them valuable for mine laying and other war purposes.

I quote Mr. Hillshire:

A Japanese fishing boat recently limped into Manila Bay, reconnoitered for a week, was visited by local Japanese dignitaries, then dropped anchor in prohibited waters, directly under the guns of our fortress on Corregidor Island.

An American officer notified the captain he could not remain and on his visit discovered the broken-down fishing smack was practically new and totally devoid of any fish odor.

The craft, my informant continued, limped out of the bay, but a Navy plane dispatched some time afterwards to see where the smack was headed, discovered the vessel rushing furiously on at 20 knots an hour toward Japan.

Inquiry was raised as to what fish, worth catching for commercial use, could swim so fast that a brand-new craft, doing 20 knots an hour, was required to pursue it.

Officers studying the puzzle realized that a few such smacks contacting a supply vessel situated in far-off waters, could bring back at top speed enough mines to bottle up the American Fleet in the harbor of Manila.

Mr. Hillshire tells of so-called Japanese "fishermen"—in uniform and fully armed—landing on Babuyan Island in the northern Philippines, and resisting arrest by local law officers who objected to this armed landing.

No doubt there are great difficulties involved in solving the fisheries issue between Japan and the United States. However, there are much greater difficulties involved in temporizing, because that might lead fishermen and the longshoremen and others interested to take a course of action which might involve this country in difficulties beyond what would be experienced in meeting the Alaskan problem head-on.

Many hotheads are calling for bold action by the United States in connection with the Chinese invasion and the violation of so-called United States rights in China. We can well afford to act with coolness and circumspection in connection with China, and to withdraw all our troops and ships from actual war areas. We do have a legitimate interest in fish which can be spawned only in our own rivers, which interest should be protected. By directing our efforts in the proper direction, we can save for this country a resource much more valuable than any possible trade with China.

Mr. WALSH. Mr. President, did the Senator say he favored the withdrawal of American naval ships from Chinese waters?

Mr. BONE. I favor the withdrawal of Americans from actual battlefields and from war areas over there.

Mr. WALSH. I misunderstood the Senator.

Mr. BONE. If I had had a house on the Gettysburg battlefield I would not have remained there while the shells were flying between the Union and Confederate Armies and then claimed I had a right to remain there. I would have gotten out until the firing had ceased.

Mr. WALSH. Who was the Senator quoting as favoring the withdrawal of American vessels from Chinese waters?

Mr. BONE. I favor the withdrawal of American nationals from actual war zones and battlefields, or from Chinese waters, which are actual battlegrounds, while fighting is going on.

Mr. WALSH. I thought the Senator made some reference to naval vessels.

Mr. BONE. No; I am talking about the withdrawal of Americans from actual battlefields such as Gettysburg was, only these are battlefields of foreign powers. There is plenty of territory where Americans may safely circulate in a country as big as China without deliberately remaining on battlefields where they may easily be killed in the other fellow's quarrel and possibly plunge us into war as a result.

Mr. WALSH. I do not disagree with the Senator in that. I understood him to quote someone as favoring the withdrawal of vessels, and I merely wanted to know whether I understood him correctly.

Mr. BONE. My reference was purely to war zones; that is, to actual battlefields.

Mr. LEWIS. Mr. President, will the Senator yield to me?

Mr. BONE. I yield.

Mr. LEWIS. I fear the able Senator from Massachusetts, the eminent chairman of the Naval Affairs Committee of the Senate, had in his mind a thought which the Senator from Washington did not quite get. I am sure the Senator from Washington did not mean to intimate that he was in favor of the withdrawal of the American forces while they were assailed and under fire from Japan; that he would not indicate they should withdraw while under attack or threatened with attack.

Mr. BONE. Oh, no. I think they ought to withdraw before they are in position where they may surely be killed. If a battle is proceeding on the street and I can move across the street and be safe, I will move. China is a very large country. If by moving a few miles out of a war zone one can save his life and possibly prevent a war, I should certainly be in favor of him moving a few miles to safety and thereby indicate that he had what we commonly call a little horse sense.

Mr. WALSH. What the Senator is indicating is that in the event of trouble in any part of the world American nationals should remove themselves rather than become involved?

Mr. BONE. They can move a few miles, or a few blocks, from the actual fighting, precisely as a Member of this body would remove himself from a street corner here if a brawl were going on at that point, although he might move only to the next block, where he would be safe. He would not have to move out of the city of Washington to effect his own safety, but by so doing he would demonstrate intelligence and consideration for those innocent persons who might be dependent upon him.

Mr. President, I hope that in spite of the unfavorable report of the State Department the Committee on Foreign Relations will give consideration to a somewhat similar bill that has been offered in the House by Mr. DIMOND and to the bill offered by me in the Senate.

Let me digress to say to my good friend the Senator from Massachusetts, the chairman of the Naval Affairs Committee, that the position I have taken in respect to the removal of our nationals from war zones which are actual battlefields is the position taken by the Veterans of Foreign Wars, an organization with which the Senator, I am sure, is familiar.

I hope also that the Senate committee will give further consideration to Senate Resolution 98, which I introduced March 24, 1937, and which is in the nature of a declaration of policy by the Senate, which has a right to voice in advance its view of what position this country should take in an international matter.

That resolution reads:

Resolved, That the Secretary of State is requested to take all necessary steps as quickly as possible to safeguard from aggression by Japanese fishermen, and to secure recognition of, the special rights of the United States in the salmon fisheries in Alaskan extraterritorial waters.

That the Secretary of State is requested to enter into negotiations with the Imperial Japanese Government to this end.

I do not know what has been done by the State Department, but I do know that to date no apparent progress has been made in halting the Japanese invasion of the Alaskan salmon fisheries. Passage of this resolution would serve notice on Japan of the interest of the Senate in this subject.

The Japanese Government has in effect said to this Government, "We won't negotiate regarding taking of salmon in Bering Sea, because we have a right to take all we want, and there is nothing to negotiate about."

Considering this arbitrary attitude, there seems no alternative for this country but to take single-handed action to protect its fisheries. If it does so, I have no doubt Japan will immediately become willing to negotiate, and we will achieve a satisfactory settlement.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point a copy of Senate Resolution 98 and Senate bill 2679, being the resolution and the bill to which I referred during my remarks.

There being no objection, the bill and the resolution referred to were ordered to be printed in the RECORD, as follows:

A bill (S. 2679) to protect and preserve the salmon fishery of Alaska, and for other purposes

Be it enacted, etc., That it is hereby declared to be the policy of Congress to protect and preserve the salmon fishery of Alaska and to prevent the depletion thereof by illicit fishing operations carried on in the waters adjacent to the coast of Alaska.

SEC. 2. The salmon which are spawned and hatched in the waters of Alaska are hereby declared to be the property of the United States, and it shall be unlawful for any person, firm, or corporation to fish for, take, or catch any of said salmon in the waters adjacent to the coast of Alaska, except under such reasonable rules and regulations as the Secretary of Commerce may provide. Jurisdiction of the United States over the waters adjacent to the coast of Alaska for the necessary protection and preservation of the salmon fishery shall extend, subject to all valid treaties, in all cases outward from the coast of Alaska a distance of 4 leagues, and in addition thereto to all the waters adjacent to the coast of Alaska, east of the international boundary in Bering Sea between the United States and the Union of Soviet Socialist Republics, the depth of which is less than 100 fathoms, and which the President has found and declared to be salmon-fishery law-enforcement areas as hereinafter provided.

SEC. 3. (a) Whenever the President finds and declares that in any place or within any area on the waters adjacent to any part of the coast of Alaska any vessel or vessels hover or are being kept off the coast of Alaska for the purpose of catching or taking Alaska salmon which are en route to the lakes, rivers, or other inland waters of Alaska to spawn, such place or area so found and declared shall constitute a salmon-fishery law-enforcement area for the purposes of this act. Only such waters shall be within a salmon-fishery law-enforcement area as the President finds and declares are in such proximity to such vessel or vessels that the area so defined is used or is likely to be used by such vessel or vessels for the fishing for, taking, or catching of Alaska salmon. No salmon-fishery law-enforcement area shall include any waters more than 100 nautical miles from the place or immediate area where the President declared such vessel or vessels are hovering or being kept, and, notwithstanding the foregoing provision, shall not include any waters more than 4 leagues from shore unless said waters are less than 100 fathoms deep, or any waters lying west of the boundary between the United States and the Union of Soviet Socialist Republics in the Bering Sea. Whenever the President finds that within any salmon-fishery law-enforcement area the circumstances no longer exist which gave rise to the declaration of such area as a salmon-fishery law-enforcement area, he shall so declare, and thereafter, and until a further finding and declaration is made under this subsection with respect to the waters within such area, no waters within such area shall constitute a part of such salmon-fishery law-enforcement area.

(b) At any place within a salmon-fishery law-enforcement area the several officers of the Coast Guard or Customs, or of the United States Bureau of Fisheries, or United States marshals or their deputies, may go on board of any vessel and examine the vessel and any merchandise or person on board, and bring the same into port, and, subject to regulations of the Secretary of Commerce, or of the Secretary of the Treasury, or the joint regulations of both, it shall be their duty to pursue and seize or arrest and otherwise enforce upon such vessel, merchandise, or person the provisions of law which are made effective thereto in pursuance of subsection (a), in the same manner as any of such officers are or may be authorized or required to do in like case at any place in the United States or Alaska by virtue of any law respecting the salmon fishery of Alaska.

SEC. 4. No salmon caught, taken, or packed in contravention of the provisions of this act shall be brought within the United States and, if any such salmon shall be so brought in, the same shall be seized and forfeited to the United States.

SEC. 5. If the vessels of any other nation shall be used in the capture, taking, or packing of Alaska salmon in contravention of the provisions of this act, a claim for the value of the salmon so taken or packed and the damages occasioned thereby shall be presented by the Government of the United States to the government of such other nation, and in event of nonpayment thereof the Government of the United States shall take appropriate action for the collection of such claim and may withhold, in partial or entire satisfaction thereof, any sum due from the United States to such other nation on any account whatsoever.

SEC. 6. Any person, company, corporation, or association violating any provision of this act shall, upon conviction thereof, be punished by a fine not exceeding $5,000 or by imprisonment for a term of not more than 90 days in jail, or by both such fine and imprisonment. Every ship, boat, seine, net, trap, and every other gear and appliance used or employed for fishing for, catching, or taking, or packing Alaska salmon in any of the waters adjacent to the coast of Alaska over which the United States has jurisdiction, in violation of the provisions of this act, and all fish taken therein or therewith shall be seized by the officers of the Coast Guard or Customs, or of the United States Bureau of Fisheries, or by the United States marshals or their deputies, and shall be sold under the direction of the court in which the forfeiture is declared at public auction, and the proceeds thereof, after deducting the expense of sale, shall be disposed of as other fines and forfeitures under the laws relating to Alaska. Proceedings for such forfeiture shall be in rem under the Rules of Admiralty.

SEC. 7. It is intended that this act shall supplement and not repeal any of the laws now in force relating to the salmon fishery of Alaska.

Senate Resolution 98

Resolved, That the Secretary of State is requested to take all necessary steps as quickly as possible to safeguard from aggression by Japanese fishermen, and to secure recognition of the special rights of the United States in the salmon fisheries in Alaska extraterritorial waters.

That the Secretary of State is requested to enter into negotiations with the Imperial Japanese Government to this end.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

The PRESIDING OFFICER (Mr. HERRING in the chair). The question is on agreeing to the first amendment of the committee.

Mr. BURKE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Calif.	O'Mahoney
Andrews	Davis	Johnson, Colo.	Overton
Ashurst	Dieterich	King	Pepper
Austin	Donahey	La Follette	Pittman
Bailey	Duffy	Lee	Pope
Bankhead	Ellender	Lewis	Radcliffe
Barkley	Frazier	Lodge	Reames
Berry	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Wagner
Clark	Holt	Norris	Walsh
Connally	Hughes	Nye	

Mr. LEWIS. I reannounce the absences of Senators as stated by me upon the previous roll call this morning and the reasons assigned at the time.

The PRESIDING OFFICER. Ninety-one Senators having answered to their names, a quorum is present.

Mr. BYRNES. Mr. President, I do not desire to make a lengthy statement at this time, but I ask unanimous consent to have printed in the RECORD a statement by Mr. George P.

Auld, published in the New York Times of February 6, 1938, entitled "Business Accounting for Government."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times of February 6, 1938]

BUSINESS ACCOUNTING FOR GOVERNMENT—PROPOSED REALLOCATION OF COMPTROLLER GENERAL'S DUTIES REGARDED AS A MOVE IN THE RIGHT DIRECTION

TO THE EDITOR OF THE NEW YORK TIMES:

The exact provisions of the proposals now before Congress for the reorganization of the Federal system of audit and accounting control are not widely known and their purport has been the subject of considerable misconception. As a former financial officer of the United States Government, and as chairman last year of a special committee of the American Institute of Accountants on Federal Reorganization, I have been interested to make a study of the matter.

Under the Budget and Accounting Act of 1921 there now exists an office of Comptroller General, the incumbent of which is appointed for 15 years by the President with confirmation by the Senate. He is in all other respects independent of the Executive and is ineligible for reappointment. This one officer exercises several executive functions, under a range of authority in practice much broader than that of any corporation controller, and also the legislative function of postaudit, similar to that commonly exercised in the business world by independent public accountants.

DUTIES SHIFTED

The proposed plan as contained in the Byrnes bill (text of November 1937) provides for a reallocation of the duties of the Comptroller General to conform more closely to the principles of American business organization. This would be accomplished by two principal means:

1. By transferring to the Director of the Budget, under the Executive, the operating functions of countersigning Treasury warrants and rendering advance decisions with respect to the uses of appropriations, sometimes referred to as "precontrol," the settlement of accounts and claims, and the prescribing of administrative accounting procedures in the several executive departments and establishments; and also by releasing to the various operating departments such powers of operating control as may now be exercised by the Comptroller General, either legally or by custom, over such matters as the suitability of materials for the purposes for which required, and the methods of their procurement.

The powers thus to be transferred to the Director of the Budget are generally those functions of administrative approval that are exercised by a corporation comptroller and the powers to be released to other operating officials, for exercise within the limitations of the general objects of expenditure and their amounts as authorized by Congress in the appropriation acts, are those commonly assigned to corresponding operating officials of a business concern.

2. By lodging the function of audit after expenditure (postaudit) in an auditor general to be appointed by and solely responsible to the Congress. In that connection the bill provides for the creation of a joint congressional committee on public accounts, intended to provide Congress with an effective instrument of review through the holding of hearings on the audit reports. Under this plan the auditor general would act in a capacity analogous to that of the independent public accountant, who is usually appointed as auditor of a corporation by the directors or stockholders, and who prepares a report relating to his audit for transmittal to the stockholders.

CHECK ON EXPENDITURE

The auditor general would also be required to report on any expenditures which he deems to have been unwisely or improvidently made and any procedures deemed to be inadequate for full protection against loss of revenue.

To this provision the duty of reporting on any accounting procedures within the administrative departments which he deems inadequate might well be added so as to bring the Auditor General's duties still further into line with the responsibilities ordinarily assumed by independent public accountants.

It is apparent that the Comptroller General, as now constituted, has several diverse and incongruous functions, some of which appear incompatible with the Constitution. He has extensive operating powers without responsibility for operating results, and he audits his own acts.

Illustrating this condition in one of the several areas of his administrative authority, claims aggregating $166,000,000 were paid in 1936 on his certificate, without subsequent audit by any other office.

A comparable situation would be found in a corporation if the controller of accounts were to be made independent of the president; if he were then to be granted additional executive powers over other operating departments and, on top of that, were to audit all transactions after their consummation. Or, the other way around, we may imagine the independent public accountant who audits the corporation's books being empowered to direct the account keeping and settlement of claims against the company, and further given a veto over operating acts and methods connected with planning and procurement.

CONTROL PRINCIPLE LOST

To any businessman such a form of organization in a large-scale industrial, commercial, or financial enterprise would be unthinkable. Nor, I believe, could any public accountant fail to condemn it for its failure to preserve the principle of accounting control. When an official audits his own acts the principle of control is violated and he has become possessed of practically irresponsible powers.

Businessmen have long said that what government needs is efficient business methods. Today there are some who believe that what would be judged by business standards to be superfluous red tape must be preserved for the protection of the public purse. The fact is not generally known that substantial internal controls are provided within the administrative departments themselves by the requirement that fiscal officers be bonded and by a segregation of administrative functions, as a result of which the various steps involved in planning and procurement are checked from one responsible officer to another.

Obviously the effectiveness of controls of this sort, whether in government or in business, must depend in considerable part on the standards of character and conscience of the personnel. On this point informed persons would find it hard to suggest where there is to be found, either in business or in the public service of any nation, a higher general standard of personal fidelity than that prevailing in our Federal service.

With such existing internal controls, both tangible and intangible, it seems as unnecessary as it is illogical to permit an official, whose special qualifications should be those of a professional auditor, to intervene in operating matters and wield extraneous powers duplicating and overriding the functions of those who have to answer for operating results.

JACK-OF-ALL-TRADES

If the Comptroller General would make comprehensive postaudits of all Government accounts and promptly render annual reports thereon, as is done by accounting firms for corporations, undue concern about the integrity of the public accounts would be unnecessary. This he has not done, and seemingly he will be unable to do it if his energies are to be dissipated in trying to function in capacities outside his proper field.

It is true that in those capacities he has effected minor savings in out-of-pocket expenditures. But whether these savings represent real economies is another question. The real test is whether, taking everything into account, an arrangement that requires the Comptroller General to be a jack-of-all-trades has raised, or on the contrary has lowered, the standard of economy and efficiency of operation of the Government as a whole.

A fuller exposition of the pending plan may be found in the recommendations on which it is based, as contained in a report published in the newspapers of January 13, 1937, by a committee of three distinguished authorities on public administration—Louis Brownlow, Luther Gulick, and Charles E. Merriam. On January 19, 1937, the recommendations were mentioned in a news release by the president of the Chamber of Commerce of the United States in the following language:

"About the proposal to change the Comptroller General into an auditor general, the chamber's position is very definite. As the report of the President's committee points out, in 1934 the chamber went on record for this change through a referendum vote on a recommendation of its committee on Federal expenditures."

The plan plainly deserves sympathetic consideration on its merits.

GEORGE P. AULD.

NEW YORK, *February 2, 1938.*

Mr. BYRNES. I also ask permission to have printed in the RECORD the letter from Haskins & Sells, certified public accountants, dated February 7, 1938, which was referred to by me earlier in the day.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NEW YORK, *February 7, 1938.*

Hon. JAMES F. BYRNES,
Chairman, Select Committee on Government Organization,
United States Senate, Washington.

DEAR SENATOR BYRNES: The undersigned members of this firm, all of whom are members of the American Institute of Accountants, have given consideration to the accounting and auditing features of the reorganization plan contained in the Byrnes bill (S. 2970, text of November 1937), and venture to express to you herein our views on the proposed legislation, which we have approached wholly as a professional problem requiring a professional opinion.

By the proposed legislation it appears to us that the accounting and auditing functions and organization of the Federal Government would be brought generally into line with the principles of American business organization. We favor its adoption, taking the liberty to mention herein some supplementary matters of detail, in harmony with the general objects of the bill, which we think deserve consideration for possible inclusion in the bill.

The Byrnes bill, as we understand it, provides for a reallocation of the duties of the present office of Comptroller General whereby (1) his present operating functions relating to fiscal control, payment of claims, and methods of procurement will be returned to

the executive department for exercise by the Director of the Budget and other operating officials, acting in capacities corresponding to the Comptroller and other operating officers of a corporation who report to the President thereof and (2) his post-audit functions will be performed by an auditor general to be appointed by and solely responsible to the Congress in a capacity analogous to that of an independent public accountant who audits the accounts of a corporation.

This reallocation of the functions of the Comptroller General seems to us logical, and, if we may judge from the experience of American business, it should provide adequate fiscal control, while avoiding undue multiplication of operating controls having a tendency to hamper operating efficiency.

With respect to accounting and auditing functions, there is a considerable similarity between the organization problems of the Government and those of industry. In industry, sound practical reasons are recognized for including among the normal functions of the executive or management the maintenance of systems of accounting and accounting control, the power of contracting and procurement, and the authority to make disbursements under restrictions imposed by law and by charter and by the stockholders or directors. On the other hand, the function of auditing or examining the acts of the executive officers as reflected by the accounts normally comes after the contracting, disbursing, and accounting have been completed, and this post-audit function is customarily performed by an independent auditor whose report is transmitted to the stockholders. There appear to be sound and important practical reasons, of the kind found in industry, why a similar separation of the functions mentioned should be applicable to government.

In any large-scale business enterprise it would rarely be suggested as a workable permanent arrangement that the independent auditors who make the annual post audits of accounts should also be placed in a position of controlling the accounts themselves, of paying claims against the company, and of exercising a power of prior approval as to regularity, necessity, or suitability of expenditures contemplated by the management. Such an arrangement, which we understand now prevails in the Federal Government, is open to grave objections. A basic fault lies in the fact that the auditor thereby audits his own acts. Moreover, the auditor's primary responsibility of making a prompt and comprehensive post audit is an exacting one, and any combination of functions tending to divert his efforts to the solution of administrative problems should be avoided.

Under the present system the authority of the Comptroller General appears to place him astride of the administrative departments, exercising jurisdiction as to matters of fact and of law both prior to and after procurement and expenditure. Such a system tends toward the development of a duplicated organization of administrative and technical specialists for dealing with questions of interpretation of the appropriation acts and of the suitability of contemplated objects of procurement. It seems questionable whether an organization of this kind could function effectively under an official whose special qualifications should presumably be those of a professional auditor. If an adequately developed and competent organization of this type could in fact be created, it seems doubtful whether its cost would be justified. As an organization outside of the administrative departments which are held responsible for operating results, it seems to us questionable whether by direct intervention it could aid effectively in the proper conduct of the Government's business.

In our opinion it is a sound principle of organization that officers charged with operating responsibilities should have corresponding authority to take action in the interval between the time of authorization of expenditures by Congress and the time of the post audit which will bring their acts under the scrutiny of Congress. We believe that the Congress is entitled to assume that the administrative and fiscal officers of the United States Government are, as a class, persons of intelligence and probity, and that such officers, with their careers at stake, may be trusted within the natural interval of independent executive responsibility conscientiously to exercise the judgments and perform the acts arising out of that responsibility. Such assumptions are normally made and such risks are normally taken throughout industry.

At the same time there are provided in well-managed industrial concerns all suitable and reasonable safeguards such as are known to public accountants as systems of internal control and such as are taken into consideration by them in determining the necessary character and detail of a postaudit. It would appear that in the Government service such systems are generally provided within the administrative departments themselves, through the exercise, in the various steps of a transaction involving expenditure, of the respective functions of operating executives, of departmental law officers and of procurement, disbursing and accounting officers. In normal circumstances it would seem that under such a system the likelihood of grossly improper action passing unchallenged within the executive branch itself would not be great.

Similar effective controls relating to receipts where and to the extent that they may not now exist should be and we assume could be introduced by the executive departments concerned; we understand that the accomplishment of this purpose is intended by the provision in the bill that the auditor general shall report to the Budget Director and to the Congress "any procedures which he deems to be inadequate for full protection against loss of revenue." We think that this provision might well be amplified so as to require the auditor general to report on any accounting or other administrative procedures within the executive departments which he deems to be inadequate for protection against losses due to improper expenditures. Similar responsibilities of recommendation could in our opinion usefully be placed upon the auditor general with reference to the form and content of financial statements rendered by the executive departments and agencies, including recommendations looking to the ultimate preparation of balance sheets reflecting the various categories of property and assets of the Government.

In considering the proposed organization it seems worth while to emphasize the importance and value of that part of the plan that provides for a practically current postaudit of receipts and expenditures. The application of such a plan should assure the exaction of a prompt accountability to Congress with reference to the acts of administrative and executive officers. Prompt knowledge by Congress of any irregularities should result in a process of continuous cure. Where warranted it is to be presumed that the processes of justice would be invoked. In cases involving relatively minor exceptions arising from disputed interpretations of the appropriation acts or otherwise, prompt passage of clarifying legislation governing future expenditures might be expected, and it would seem unlikely that during the pendency of such legislation, practices questioned by the auditor general would be continued by the administrative agencies concerned.

We approve of the provision in the bill requiring the auditor general to render to Congress by March 1 of each year a complete report of audit of all agencies of the Government for the preceding fiscal year, and further requiring him to report to the Budget Director and to Congress any expenditures which he deems to have been unwisely or improvidently made.

We are impressed with the potential value of the provision for the creation of a congressional joint committee on public accounts, which through its hearings on the audit reports, should prove to be an effective instrument of review by the Congress. We also approve of the provisions that the auditor general and the assistant auditor general shall be appointed for 15 years, shall be ineligible for reappointment and shall be retired at the age of 70.

It would appear desirable that provision be made for an annual independent audit of the expenses of the auditor general's office.

With the addition of certain supplementary provisions which we have recommended in the body of this letter, we repeat that the plan of accounting and auditing organization of the Federal Government, as contained in the Byrnes bill, meets with our approval as certified public accountants.

Yours very truly,

ARTHUR H. CARTER.
ARTHUR B. FOYE.
WM. H. BELL.
GEORGE P. AULD.
W. M. COURSEN.
A. R. PORTERFIELD.
A. S. VAUGHAN.
F. BOWMAN.
ANDREW STEWART.

Mr. BYRNES. With reference to the subject of preaudit, I desire to read, so that they may be printed in the RECORD, certain questions and answers appearing in the hearings upon the bill.

I read first from page 286, from the testimony of Mr. Elliott, the Acting Comptroller General:

Senator O'MAHONEY. I was not inquiring at the moment about the detail of the preaudit, but is it not a matter of fact that the law itself does not, as it stands now, require a preaudit?

Mr. ELLIOTT. It does not require it, but it authorizes it whenever they ask for it. All of this preaudit that is done is done at the request of somebody who is interested, in order that he may safely pay a bill.

At page 287 Mr. Elliott stated:

Mr. ELLIOTT. Yes. When a person who is authorized by law to ask for one of these advance decisions comes in there and asks for it, he gets it. Now, as I understand it, in round numbers there is about 3½ percent of the claims preaudited.

* * * * * * *

Senator O'MAHONEY. So that the controversy about preauditing is really only a small matter?

Mr. ELLIOTT. It is not very important. If preauditing was a compulsory matter, then there might be some excuse for it. Here is the idea: When a disbursing officer, or anybody who is interested, sends in for an advance decision or preaudit, and he gets it, then he is protected, and it is only on very close questions that they come.

Mr. E. W. Bell, the Chief of the Audit Division, General Accounting Office, testified at page 313:

Mr. BELL. As to the preaudit, that has been entirely voluntary. We have attempted to cooperate with the departments, giving them what they have asked for, and in no case have we made preaudit compulsory, or in no way have we asked them to send in for a preaudit.

Senator BYRD. Do you believe that the General Accounting Office should have the power of preaudit? Is that essential in the proper operation of the Bureau?

Mr. BELL. Yes; I think they should have that power, but I think it should be left to the administrative office as to whether they want to ask for the preaudit.

There are certain types of vouchers that a preaudit will be most helpful on, and in other cases I would not recommend a preaudit.

I read from page 314:

Senator O'MAHONEY. So that whether or not there is preaudit in any department depends rather upon the decision of that department than upon your decision?

Mr. BELL. It depends entirely upon their decision as to whether they want it.

Senator O'MAHONEY. So that if any department, regardless of any exemption, or any agency, regardless of any exemption, decided not to submit to preaudit, there would be no objection to their failing to send the vouchers up?

Mr. BELL. Absolutely no objection.

Senator BYRD. If you had any suspicions, of course, that they were not carrying out the law, you would, of your own accord, preaudit them, would you not?

Mr. BELL. No; I do not think we would do it under those circumstances. So far as I know, we do not have the authority to tell them to send them in for preaudit. It has been entirely on a voluntary basis.

Mr. Tulloss, Chief of the Investigations Division of the Office of Comptroller General, testified as to countersigning appropriation warrants, on page 320, as follows:

Senator BYRD. So that that does give some control?

Mr. TULLOSS. The only condition precedent to the countersignature on an appropriation warrant is that the Congress has made such appropriation.

At page 322, Mr. Tulloss testified as follows:

Mr. TULLOSS. There has been no change in the auditing practice of the Government, you might say, in its whole history, in that respect. They may have advance decisions or they may have preaudit. That has always been true, so far as I know, but that is a matter of administrative election. It is not required.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. MINTON. Does the Comptroller General have to countersign each and every check issued by a disbursing officer?

Mr. BYRNES. Oh, no! The countersignature on the warrant could be handled by a $1,800 clerk. When the warrant is sent from the Treasury to the Comptroller's Office, the warrant sets forth the appropriations by the Congress for the department. The Comptroller must examine the law and see whether the expenditure is authorized by law. If the law authorizes, for example, $1,000,000 for salaries and expenses, and the voucher and the warrant which are submitted by the Treasury call for $1,000,000, the Comptroller puts his signature on the warrant, and it goes back to the Treasury Department. The Treasury Department then credits on the books $1,000,000 for salaries and expenses for that year. This procedure takes place before anything else is done.

If the Department wanted for the month of July, the first month of the fiscal year, $100,000 of the total appropriation of $1,000,000 made available for its disbursing officer, the disbursing officer's warrant would be sent for $100,000, so that he would have the $100,000 to disburse. The Comptroller General can only look to see whether the $100,000 is less than the $1,000,000 appropriated for the year. He sees that $1,000,000 is appropriated. If the amount of the warrant is within the amount appropriated, the Comptroller General must countersign the warrant. He does not look at a single statement to find out who is going to get the money or how much he is going to get. My statement is in accordance with the testimony of the Acting Comptroller General.

Mr. Denit, Chief of the Accounting and Bookkeeping Division of the General Accounting Office, testified, at page 32 of the hearings, as follows:

Mr. DENIT. Now, preaudit of vouchers, as we are conducting it in the General Accounting Office today, does not in any sense impede administrative action. The expenditure is already made. There remains to be done only the payment of the cash. In other words, the administrative office has proceeded to the point of incurring an obligation. That may be for services or may be for materials. The materials have been delivered, the services have been rendered, the voucher has been stated. It is administratively examined and approved for payment. But before the payment of the cash is actually made that voucher comes to the General Accounting Office for what we have described here as a "preaudit."

I now read from page 327:

The CHAIRMAN. And you do not think it practical to preaudit every one of them, do you?

Mr. DENIT. No; you could not very well preaudit the foreign accounts . Of course the activities of the Government extend over such a large geographical area that it would be almost impracticable to preaudit all its expenditures. I would not advocate that.

The following is from page 328:

Senator O'MAHONEY. So that any discussion or dispute which we may have with respect to the relative merits of the preaudit and the postaudit, so far as preaudit is concerned, refers to a comparatively small proportion of the work now being carried on by the General Accounting Office?

Mr. DENIT. That is right.

Senator O'MAHONEY. It, therefore, follows that the bulk of the work of the General Accounting Office is now postaudit, and has been so from the beginning?

Mr. DENIT. Yes, sir.

Senator BYRD. What value do you attach, Mr. Denit, to the authority that the General Accounting Office has to require preaudits as affecting the proper carrying out of the law by the different departments in their expenditures? Suppose that authority was taken away from the General Accounting Office and placed in an executive branch of the Government.

Senator O'MAHONEY. But they do not have the authority.

Mr. DENIT. The General Accounting Office has not authority to require it.

Thus an official of the Comptroller General's office states that they, the General Accounting Office, have no authority to require preaudits.

Senator BYRD. They cannot require a preaudit if they want to?

Mr. DENIT. No, sir.

Senator BYRD. But they can accomplish the same purpose by refusing to countersign the warrants, can they not?

Mr. DENIT. No; the matter of countersignature of warrants is not related to the matter of the preaudit of vouchers.

I now read from page 330:

Senator O'MAHONEY. When you disallow an expenditure, that simply means that you refuse to give credit upon your books to the department for that particular expenditure?

Mr. DENIT. Yes, sir.

Mr. President, I do not desire to make any comment at all, but I did want to include in the RECORD the questions and answers referred to by the Senator from Wyoming as they appear in the printed hearings.

CONSTRUCTION OF SUPERHIGHWAYS—REFERENCE OF BILL

Mr. BARKLEY. Mr. President, it had been hoped to take up and dispose of the motion of the Senator from Tennessee [Mr. MCKELLAR] to discharge the Committee on Banking and Currency from the further consideration of Senate bill 3428, relating to the construction of roads, and have the bill referred to the Committee on Post Offices and Post Roads. However, the Senator from Tennessee is engaged in the Appropriations Committee and is not able to be present. So we cannot dispose of the motion now. Under the circumstances, I am ready to have an executive session or recess.

Mr. BULKLEY. Mr. President, can it not be agreed to dispose of the motion of the Senator from Tennessee the first thing in the morning?

Mr. BARKLEY. That would be entirely satisfactory to me, but the Senator from Massachusetts [Mr. WALSH] desires to address the Senate tomorrow on the pending bill. If it is agreeable to him, we can pass on the motion in the morning.

Mr. WALSH. I should like to inquire about how long it will take to dispose of the motion?

Mr. BULKLEY. I hope it will not take very long. I myself do not care to speak more than 10 minutes.

Mr. BARKLEY. It is one of those matters which have got to be disposed of, because neither committee knows how to proceed until action is had on the motion.

Mr. WALSH. Could it not be disposed of tonight?

Mr. BARKLEY. As I have said, the Senator from Tennessee is engaged in the Appropriations Committee and cannot be here. So the motion has to go over until tomorrow; but I think it can be disposed of in a very short time. It is merely a question of jurisdiction as between two committees.

Mr. WALSH. The distinguished leader from Kentucky is so accommodating to and considerate of me I certainly will yield to any suggestion he may desire to make.

Mr. BARKLEY. I think it will take a very little time to dispose of the motion in the morning.

Mr. WALSH. With the understanding that I will have the floor at the beginning of the session in the morning, I will yield the floor for the purpose of having considered the motion of the Senator from Tennessee dealing with the determination of the committee to which a particular bill shall be referred.

Mr. BULKLEY. I thank the Senator from Massachusetts very much indeed.

STATUS OF FOREST SERVICE UNDER REORGANIZATION BILL

Mr. POPE. Mr. President, in the address of the Senator from Virginia [Mr. BYRD] this morning he referred to Secretary of Agriculture Wallace and to a statement which he had made in 1935 relating to the General Accounting Office. I desire to place in the RECORD, as part of my remarks, a statement issued by the Secretary of Agriculture on February 16, 1938, with reference to the Senate reorganization bill. I wish first to read one paragraph of that statement, and then to ask a question of the Senator from South Carolina [Mr. BYRNES]. In the statement issued by the Secretary of Agriculture on February 16 he said:

> Under the bill as reported to the Senate there is no implication requiring or inducing any further consideration of the transfer of any agricultural functions from the Department of Agriculture to any other department. In the term "agricultural" I would include among others the functions of the Forest Service, the Bureau of Biological Survey, and the Soil Conservation Service.

The question I desire to ask the Senator from South Carolina is whether he agrees with the statement of the Secretary of Agriculture that there is no implication in the reorganization bill relating to the transfer of the Forest Service to any other Department?

Mr. BYRNES. Mr. President, the statement of the Secretary of Agriculture is exactly correct. There is not any such implication; no one can read any implication into the provisions of the bill and it was not intended that there should be any such implication. One reason that prompted the Senator from South Carolina, on his own motion, to move to strike out that section was the argument that the presence in the bill of the provision for the establishment of a Department of Conservation did give rise to an implication, and, because those who held the view that there should be no such implication convinced me of the righteousness of their position in that regard, at the last meeting of the committee, I moved to strike it out of the bill, and it was unanimously stricken out. There is not any question of the accuracy of the statement of the Secretary of Agriculture.

Mr. POPE. To those who are interested in the opinion of the Secretary of Agriculture with reference to the reorganization bill, I desire to read just one more sentence from the Secretary's statement:

> The governmental reorganization bill as it stands in S. 3331, as reported, is, in my opinion, a long step forward toward making democracy an efficient agency for the general welfare. I hope that all those who have been especially concerned about agriculture and conservation in governmental reorganization will give it their wholehearted and vigorous support.

I read that for the reason that many of the Western States are tremendously interested in this question. If I thought there was any implication or any likelihood at all of any such transfer of the Forest Service, I would not be able to support the bill. I am convinced, in my own mind, and satisfied that this bill does not carry any such implication, and, as the Secretary states, there is no danger of any such transfer.

Mr. BYRD. Mr. President, I should like to remind the Senator from Idaho of the fact that the President's committee has recommended that under the regrouping of departments the Forest Service and other conservation activities be put under the Department of the Interior or the Department of Conservation. Here is the language:

> To administer the public lands, parks, territories, and reservations, and enforce the conservation laws with regard to public lands and mineral and water resources, except as otherwise assigned.

This report has been endorsed by the President.

Mr. POPE. I am entirely familiar with that report, and that is exactly why I am making the statement now. I have assurances that are entirely satisfactory to me that the statement of the Secretary of Agriculture is accurate and that whenever the report may have been and whatever the message the President may have been with reference to it, the present situation is that there is absolutely no danger. I have received assurances which are entirely satisfactory.

Mr. BYRD. Mr. President, will the Senator take the Senate into his confidence and tell us where those assurances have come from?

Mr. POPE. I am not at all sure that I am justified in doing so. I have talked with the Secretary of Agriculture and the Secretary has given me assurances from the very highest sources that we are entirely safe.

Mr. BYRD. Under the provisions of the bill the President has the right, of course, to make the transfer and he endorsed the report that recommended a transfer.

Mr. BYRNES. Mr. President, regardless of any report of the President's committee, I moved to strike that section from the bill because of the implication in it. The committee struck it from the bill because there was an implication in it, in order that there should be no implication by this bill of any congressional intent in any way as affecting that subject.

Mr. POPE. That is my understanding.

Mr. BURKE. Mr. President, does the Senator from Idaho have any doubt that the present head of the Interior Department was very greatly interested in taking over the Forest Service of the Department of Agriculture?

Mr. POPE. I cannot answer the Senator's question. I have understood that he was interested in the matter.

Mr. BURKE. The Senator is not able to give us any information as to when the present head of the Department of the Interior abandoned that purpose and intent, if he ever had it?

Mr. POPE. I do not know whether he ever had it or not; I heard that he was interested; but I will say to the Senator that I am entirely satisfied—and if I were not, I would discuss it some length—I am convinced that there is no danger whatever of any such transfer.

Mr. BURKE. I have no doubt the Senator from Idaho is very determined to keep the Forestry Service where it is?

Mr. POPE. Yes, sir.

Mr. BURKE. I have no doubt of that at all.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. POPE. I yield.

Mr. CLARK. Is the Senator from Idaho aware that the official lobbyist for the Interior Department designated by the Secretary of the Interior to appear before congressional committees made the flat statement at the last session of Congress before the House Committee on Public Lands that it was the intention, indeed, that it was almost an accomplished fact, that the Forest Service should be transferred from the Agricultural Department to the Department of the Interior?

Mr. POPE. I do not know anything about the official lobbyist of that Department or any other, but the assurances given me satisfied me in regard to the matter.

Mr. BARKLEY. Mr. President, in regard to that let me say that, no matter what the attitude of the Department of the Interior or the Department of Agriculture may be on the subject, nobody can transfer anything to anybody else from anybody except the President of the United States. I do not think it is fair to say that the proposed transfer was an accomplished fact, because it could be accomplished only by the President of the United States, and I am quite satisfied that it was not accomplished. It was not what the French call a fait accompli.

Mr. LEWIS. Mr. President, if I may be pardoned, I think I may be able to remove these difficulties. I introduced a bill to transfer the Forest Service to and amalgamate it with what was then called the Interior Department, as the eminent Senator from Nebraska [Mr. BURKE] correctly de-

scribes it, and the Senator from Missouri [Mr. CLARK] correctly approves the fact; but subsequently the matter came before Congress, at least in some temporary form. Later there was other legislation which changed the form of the Interior Department and transferred that part of the Department which would have taken charge of forestry completely to another branch; and the bill now no longer pends. Therefore, the able Senators need not give themselves deep concern as to the present danger from such bill for amalgamation.

Mr. POPE. I ask unanimous consent that the entire statement of the Secretary of Agriculture to which I have referred may be printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

WALLACE ISSUES STATEMENT ON SENATE REORGANIZATION BILL

Secretary Henry A. Wallace today issued the following statement concerning the governmental reorganization bill S. 3331, as reported to the Senate:

"The governmental reorganization bill as it stands in S. 3331 as reported is, in my opinion, a long step forward toward making democracy an efficient agency for the general welfare. I hope that all those who have been especially concerned about agriculture and conservation in governmental reorganization will give it their wholehearted and vigorous support.

"Under the bill as reported to the Senate, there is no implication requiring or inducing any further consideration of the transfer of any agricultural functions from the Department of Agriculture to any other department. In the term 'agricultural' I would include, among others, the functions of the Forest Service, the Bureau of Biological Survey, and the Soil Conservation Service.

"Furthermore, with uncertainties cleared away, I am sure we can make rapid progress in coordinating related functions in different departments. As I see it, this interdepartmental coordination has two aspects.

"One has to do with planning. Fortunately, the reorganization bill provides for an over-all planning agency which would be directly responsible to the President and which would be so manned and so physically located as to be no more under the dominance of one department than another. It is my belief that through this agency the President would be enabled to coordinate the planning functions of other departments and agencies in a harmonious manner with the agricultural, conservational, and land-use planning work in the Department of Agriculture. Similarly, planning in connection with any nonagricultural functions which would continue to exist in the Department of Agriculture would, through this central set-up, be coordinated harmoniously with the basic planning work of related functions existing in other departments.

"Another phase of interdepartmental coordination has to do with administration procedures, and current policies. The Farm Credit Administration and the Department of Agriculture some months ago established a permanent interdepartmental committee to coordinate programs and policies as they affect these two agencies working for rural welfare. The committee is only started but already it promises real benefits. I see no reason why a similar method could not be used in coordinating the agricultural, conservational, and land-use activities of any other department with those of Agriculture, or of coordinating the nonagricultural activities of this Department with related work in other departments.

"However the Government is organized, there will be need for cooperation and coordination. The problems with which Government deals are too complex and interrelated to forego such cooperation and coordination. I know that the officials of this Department will be glad to see removed the uncertainties which unquestionably have been a handicap to full concentration of energies on their tasks.

"It seems to me that the present status of the governmental reorganization bill and its likelihood of passage should be welcomed by all sincere friends of agriculture, conservation, and the general welfare."

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of several postmasters.

Mr. HARRISON, from the Committee on Finance, reported favorably the following nominations:

Frank J. Duffy, of Arizona, to be collector of customs for customs collection district No. 26, with headquarters at Nogales, Ariz. (reappointment);

Thomas Temple Hoyne, of Chicago, Ill., to be comptroller of customs in customs collection district No. 39, with headquarters at Chicago, Ill. (reappointment);

William H. Bartley, of Montana, to be collector of customs for customs collection district No. 33, with headquarters at Great Falls, Mont. (reappointment); and

William Jennings Bryan, Jr., of Los Angeles, Calif., to be collector of customs for customs collection district No. 27, with headquarters at Los Angeles, Calif., in place of Alfred A. Cohn, resigned.

Mr. BYRD, from the Committee on Finance, reported favorably the nomination of I. Walke Truxtun, of Norfolk, Va., to be collector of customs for customs collection district No. 14, with headquarters at Norfolk, Va. (Reappointment.)

The PRESIDING OFFICER (Mr. HERRING in the chair). The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the calendar of nomination is in order.

THE JUDICIARY

The legislative clerk read the nomination of Elwood Hamilton, of Kentucky, to be judge of the United States Circuit Court of Appeals for the Sixth Circuit.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of James O. Carr to be United States attorney for the eastern district of North Carolina.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

DEPARTMENT OF JUSTICE

The legislative clerk read the nomination of Robert H. Jackson, of New York, to be Solicitor General.

Mr. BARKLEY. Mr. President, I understand that the Senator from Vermont [Mr. AUSTIN] desires to address the Senate on this nomination. It is not, therefore, convenient to take it up at this time.

Mr. WAGNER. Mr. President, I did not hear what was said by the Senator from Kentucky. Mr. Jackson comes from New York.

Mr. BARKLEY. I say I understand that the Senator from Vermont [Mr. AUSTIN] desires to address the Senate on this nomination, and does not desire to do so at this hour. I understand that it will take an hour or two to dispose of this matter, and I do not think it is proper to try to do it today.

Mr. WAGNER. I just wanted to have the majority leader understand that, as representing the State of New York, I am interested in this nomination; that is all.

Mr. BARKLEY. Yes; I understand.

Mr. LEWIS. Mr. President, that might be said, sir, of nearly every appointment sent in to the Senate; it is of interest to New York. [Laughter.]

Mr. BARKLEY. I will say to the Senator from New York that we will shortly agree on a time when we can take up this nomination, perhaps tomorrow, but I do not want to say so at this moment.

Mr. AUSTIN. I thank the Senator from Kentucky.

The PRESIDING OFFICER. Without objection, the nomination will be passed over.

That concludes the calendar.

WILLIAM JENNINGS BRYAN, JR.

Mr. McADOO. Mr. President, I ask unanimous consent for the present consideration of the nomination of William Jennings Bryan, Jr., to be collector of customs for customs collection district No. 27.

The PRESIDING OFFICER. Is there objection to the request of the Senator from California? The Chair hears none. The nomination will be read.

The legislative clerk read the nomination of William Jennings Bryan, Jr., of Los Angeles, Calif., to be collector of customs for customs collection district No. 27, with headquarters at Los Angeles, Calif.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. McADOO. I move that the President be notified of the confirmation of this nomination.

The PRESIDING OFFICER. The question is on the motion of the Senator from California.

The motion was agreed to.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 15 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 2, 1938, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 1 (legislative day of January 5), 1938

UNITED STATES CIRCUIT COURT OF APPEALS

Elwood Hamilton, of Kentucky, to be a judge of the United States Circuit Court of Appeals for the Sixth Circuit.

UNITED STATES ATTORNEY

James O. Carr to be United States attorney for the eastern district of North Carolina.

COLLECTOR OF CUSTOMS

William Jennings Bryan, Jr., to be collector of customs for customs collection district No. 27, with headquarters at Los Angeles, Calif.

HOUSE OF REPRESENTATIVES

TUESDAY, MARCH 1, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, before whose face generations rise and fall, our earnest prayer is that Thou wilt incline our hearts toward Thee. Be with us when we need guidance, when we crave friendship, and when tempted and in need of strength. Blessed Lord, may we be too generous to be stopped by prejudice. Across all barriers bless us with that magnanimity of soul which is the foundation of brotherhood; it is the minstrel of eternal goodness; it cleanses with its sacrificial sweetness. Hold us to the realization that the eye of the Lord is upon them that fear Him and upon them that hope in His mercy. We would exclaim our loving devotion to Him whose holy face is set in eternal compassion which peers forth from the shadows of the glorified cross. Evermore enrich us with His redeeming, transforming power. In His name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H. R. 9361. An act to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes.

The message also announced that the Senate had passed, with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 8947. An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1939, and for other purposes.

COMMITTEE ON LABOR

Mrs. NORTON. Mr. Speaker, the Committee on Labor held a meeting this morning and the chairman appointed a subcommittee to reconsider the wage and hour bill and report back to the full committee within 2 weeks. This subcommittee will meet at 10:30 tomorrow morning in the House Office Building, room 429, the room of the Committee on Labor, and invites any Member of the House to come before it to discuss with it a wage and hour bill.

EXTENSION OF REMARKS

Mr. SNYDER of Pennsylvania. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address I delivered before the Reserve Officers' Association of the United States, and also a radio address on national defense.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

COMMITTEE ON THE JUDICIARY

Mr. SATTERFIELD. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may be permitted to sit during the sessions of the House for the remainder of the week.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. SNELL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SNELL. Mr. Speaker, nearly every time a Member of the minority refers to the destructive policies of the New Deal toward honest business someone on the other side rises and asks, "Do you want to go back to the conditions that prevailed in 1932?"

I wish to say to the House and the country we are much nearer those serious economic and business conditions at the present time than the average man realizes. I am wondering if the average person appreciates the fact that the carloadings of this country in the last week of November 1937 were exactly the same as they were in the last week of November 1932. Carloadings have been considered by all the best indicator of business conditions in this country. What is even more prophetic than this condition in November 1937 is the fact that during the first 6 weeks of 1938 the carloadings of the country were less than they were in the first 6 weeks of 1932. There are many other basic industries that are much nearer the 1932 level than you think they are. I specially refer at this time to residential building. I believe this is definite proof that if we are going to get back to normal conditions in this country we must do something to change the attitude of the present administration toward the constructive business of the country.

In this respect I want to call to the attention of the Members the statement made by Mr. Baruch, of New York, before Senator BYRNES' committee on yesterday. He states, without reservation, that it is the present vacillating policy of the New Deal toward business that is the primary cause of the increased unemployment at the present time. As I have made this statement many times I am greatly pleased to have it backed up by such a distinguished Democrat and personal friend of the President as Mr. Baruch. His statement cannot in the least be considered partisan, and I trust it will have some influence on the President and his New Deal advisers. [Applause.]

EXTENSION OF REMARKS

Mr. STACK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an enlightening and clarifying article on the recent discussion on the floor of the House between the gentlemen from New York, Mr. SIROVICH and Mr. BARRY, and myself. The article referred to will appear in next Friday's RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter I have received from the Railroad Retirement Board.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including the devastating arraignment by Bernard Baruch of the New Deal financial and economic policies. Mr. Baruch is one of the foremost financiers and economists in the Nation, an intimate of the White House, a contributor to the Democratic campaign fund, and an outstanding American citizen, who knows whereof he speaks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including a short resolution adopted by the Board of County Commissioners of Allegheny County, Pa., which endorses the amendment introduced by me to the United States Housing Act of 1937.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks at this point in the RECORD and include a letter from President Roosevelt regarding the issuance of Abraham Lincoln stamps.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, the letter to which I have reference is as follows:

THE WHITE HOUSE,
Washington, February 28, 1938.

Hon. EDITH NOURSE ROGERS,
House of Representatives, Washington, D. C.

MY DEAR MRS. ROGERS: I have your letter of February 15, suggesting that provision be made for a postage stamp in the current series bearing the portrait of Abraham Lincoln.

The records disclose that the likeness of Lincoln has been used on one or more of our postal issues continuously since 1866, in the form of adhesive stamps, postal cards, or stamped envelopes. Since 1932 his portrait has been employed only on the no. 5 size postal card. These facts are mentioned as evidence that the martyred President has not been neglected in the designing of the postal issues.

The substitution of the likeness of Washington for that of Lincoln on the 3-cent stamps of the current series was required, under the increased postage rates effective in 1932, because of the desire to have the portrait of the first Chief Executive on the denomination intended for use on first-class letters. This change was, however, authorized primarily as a temporary expedient until a new regular series of postage stamps was issued.

A revision of these stamp designs is now in progress, and you may be assured that the likeness of Abraham Lincoln will be assigned to one of the denominations in the new series.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT.

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address I recently delivered on the subject of conditions in Germany.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent that at the conclusion of the legislative program of today I may be permitted to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

COMMITTEE ON WAYS AND MEANS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to file a report on the revenue bill and that the minority may have the same privilege with respect to filing minority views.

Mr. SNELL. Mr. Speaker, reserving the right to object in order that I may ask the gentleman a question, when is it the plan of the majority to bring that bill up on the floor for consideration?

Mr. DOUGHTON. We expect to take it up Thursday. I may add we are trying to get the report ready so it will be available tomorrow, in order that Members may familiarize themselves with the report and have an opportunity to make some study of what is contained in the bill.

Mr. SNELL. Does the gentleman believe Members can familiarize themselves in 24 hours with a matter it has taken the gentleman's committee a year to study?

Mr. DOUGHTON. We expect to have 12 hours of general debate. I believe Members can read the report with tomorrow, tomorrow night, and Thursday until 11 o'clock in which to do so. I hope the gentleman can read it in that time.

Mr. SNELL. It seems to me we ought to be given a little more time for the consideration of the reports, especially the majority report, because this is one of the most important matters to come before the House in a long time, as the gentleman realizes. I have no disposition to interfere with the prompt consideration of the bill, or even attempt to do so, but I do feel we ought to have ample time to consider it, and one day is a pretty short time.

Mr. RAYBURN. Mr. Speaker, reserving the right to object, may I say it is not the intention to begin reading the bill for amendment before next week?

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. RICH. Mr. Speaker, yesterday Mr. Baruch was before a Senate investigating committee and made these statements:

Unless the administration's policies are drastically changed, "there is no hope of reemployment and substantial recovery." * * *.

Baruch said the administration's policies, more than anything business "could or should do," were responsible for unemployment in the present recession.

If those policies are not changed, neither business nor Government can ever solve this most terrible of all our problems. * * *

I have heard recently some public men reproach business for the alleged failure to step forward and employ the millions of jobless, and intimate that if business doesn't, Government will.

In addition to being illogical and unfair, that raises hopes that can never be realized, and expresses a promise to unfortunates that never can be fulfilled.

[Here the gavel fell.]

RELIEF APPROPRIATION

Mr. WOODRUM. Mr. Speaker, I call up the conference report on the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

The Clerk read the conference report.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 596) making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendment of the Senate numbered 3; and agree to the same.

The committee of conference report in disagreement amendment numbered 2.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

ALVA B. ADAMS,
CARTER GLASS,
KENNETH MCKELLAR,
CARL HAYDEN,
JAMES F. BYRNES,
FREDERICK HALE,
J. G. TOWNSEND, JR.
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 596) entitled "Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938," submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report with respect to each of such amendments, namely:

On No. 1: Strikes out the language, inserted by the Senate, authorizing under the appropriation the prosecution of projects for the production of materials for fertilizer for distribution under conditions determined by the sponsors of such projects under a State law.

On No. 2: Reports in disagreement the proviso, inserted by the Senate, waiving the requirement of the Emergency Relief Appropriation Act of 1937 as to the distribution of the appropriation made in the joint resolution and apportionment of the same during the remaining months of the present fiscal year.

On No. 3: Accepts the action of the Senate in striking out the proviso, inserted by the House, with respect to the limitation of the use of the appropriation in the employment of aliens.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

Mr. WOODRUM. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, my understanding is that amendment No. 2, which was left in disagreement, has been dropped by the Senate, so the conference report is a complete report on the bill.

Mr. WOODRUM. That is correct, I will say to the gentleman from New York.

Mr. TABER. This leaves the bill just as it came from the House Appropriations Committee, without any amendments, the one adopted in the House or the two adopted in the Senate.

I want to emphasize at this point the fact that always we are being drawn into passing legislation these days as emergency legislation. The administration hardly ever proposes any bill and has hardly made any suggestion in the last 5 years without calling it emergency legislation.

In this great depression that it has brought about through its unsound legislation, it has created a situation where it has had the administration, the House, and the Senate in a panic, and it has persuaded them to pass this additional emergency appropriation, a joint resolution which in my opinion would not have been passed in any other way than as an emergency proposition.

I hope sincerely that when we come to consider any relief appropriations for the fiscal year 1939, the House and the Senate and the President will endeavor to have it considered not as a piece of emergency legislation, not with the idea of continuing and prolonging the depression and the relief problem, but with the idea of trying in some possible way to help solve the problem.

Mr. WOODRUM. Mr. Speaker, I yield 5 minutes to the gentleman from Wisconsin [Mr. BOILEAU].

Mr. BOILEAU. Mr. Speaker, I would like to ask the gentleman from Virginia the reason for disagreement to Senate Amendment No. 1. I understand that is the agreement between the House and Senate conferees.

Out in many sections of the country there have been many so-called lime or marling projects in which the lime or marl has been provided for the farmers in order to increase the fertility of their soil. The farmers pay a reasonable price for it, and I do not know of any single project that has been as popular in the rural sections of the country as these lime or marl projects. It is my understanding that this amendment would permit a continuation of these projects.

It seems the Comptroller General has ruled that these projects are not authorized by existing law. Although personally I disagree with the Comptroller General, nevertheless his word is binding, and as a result, these projects have been stopped, although the Department of Agriculture and the farmers and everyone connected with them consider them very worth while and something that should be continued. I understand the amendment referred to was for the purpose of permitting this to be done.

Does the gentleman from Virginia or the conferees feel that the program was not justified, or just what was the position of the conferees in turning down this amendment?

Mr. WOODRUM. I will say to the gentleman that this matter was not brought to the attention of the committee of either the House or the Senate. The amendment, as the gentleman knows, was put in the bill on the floor of the Senate.

The conferees received a great many very vigorous protests from their sections of the country against the amendment. The Works Progress Administration did not favor it and the committee felt that inasmuch as this is an emergency matter that legislation of the kind proposed in the amendment should not be put into the bill, which is an emergency matter. We did not want to clutter up the bill with things that might be controversial and that we would have plenty of time to consider when it comes up in connection with the regular appropriation.

Mr. BOILEAU. That is the point I wanted to bring out. There are many Members of Congress who have gone down to the Works Progress Administration and were told that the Works Progress Administration did want to continue these lime or marl projects. The gentleman from Virginia now states that they have opposed this amendment.

Mr. WOODRUM. I say they opposed putting it in this bill.

Mr. BOILEAU. I wonder if they are giving us the runaround here? I do not deny the gentleman's statement, but it does seem strange to me that a man in Works Progress Administration should tell us they are for it and put all the blame on the Comptroller General, when the gentleman from Virginia now tells us that Works Progress Administration tells the conference committee they do not want it.

I am also advised, although I have not personally taken it up with the officials of the Department of Agriculture, that many of my colleagues from Wisconsin have done so, and they have been told by prominent officials in the Department of Agriculture that they believe this to be a good project and that they would like to see it continued.

It is one of the things that is very aggravating—to have these fellows in these departments give Members of Congress the run-around and pass the buck on to somebody else. As a matter of fact, I believe existing law would justify the continuation of these projects, because the law we passed last year provided for such projects as were in existence at a certain time—I have forgotten exactly the time—and at that time these limings were being carried on. The gentleman advises us that the Works Progress Administration now opposes these?

Mr. WOODRUM. I think a more correct statement would be that the Works Progress Administration did not want to see the amendment put into this bill. I would not go so far as to say that they approve this type of project or disapprove it, or would, if we had a hearing upon it. The Works Progress Administration did not want to see any amendment placed on this bill that was of a controversial nature, because this is an emergency measure, and they need the money today.

Mr. BOILEAU. The gentleman says the conference committee received many protests from all over the country. Will the gentleman state whether he received any protest from a single farmer in the United States?

Mr. WOODRUM. I do not know whether they were farmers. Many were businessmen.

Mr. BOILEAU. I call the attention of the House to the fact that, whatever program has been carried out in that respect, we are hopeful that when this new appropriation comes for the next fiscal year we will be able to have these liming and marl projects carried out, because there is nothing in our part of the country which is so thankfully received. Did the gentleman make the statement that the Senate has receded from its position on amendment No. 2, on

the so-called Woodrum amendment, making it unavailable to this particular bill?

Mr. WOODRUM. The Senate did recede from that amendment. That is a matter of record. They did that yesterday.

Mr. BOILEAU. They passed the bill and receded from their own amendment?

Mr. WOODRUM. Yes. Mr. Speaker, I move the previous question on the report.

Mr. FISH. Mr. Speaker, I demand a division on that.

Mr. WOODRUM. Then, Mr. Speaker, I ask for the yeas and nays upon the adoption of the conference report. If there is to be a division, let us have a record vote.

The SPEAKER. The previous question has not been ordered. Does the gentleman from New York demand a division upon the previous question?

Mr. FISH. No, not on the previous question.

The SPEAKER. The question is on ordering the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

Mr. FISH. Mr. Speaker, on that I demand a division.

The House divided, and there were ayes 77, noes 4.

Mr. FISH. Mr. Speaker, I make the point of order that there is no quorum present and I object to the vote upon the ground that there is no quorum present.

The SPEAKER. The gentleman from New York makes the point of order that there is no quorum present. The Chair will count. [After counting.] Ninety-three Members present, not a quorum. This is an automatic call. The question is on agreeing to the conference report. The Clerk will call the roll.

The question was taken; and there were—yeas 342, nays 9, not voting 78, as follows:

[Roll No. 27]

YEAS—342

Aleshire	Connery	Ford, Calif.	Johnson, Okla.
Allen, Pa.	Cooper	Ford, Miss.	Johnson, W. Va.
Amlie	Costello	Frey, Pa.	Jones
Anderson, Mo.	Cox	Fries, Ill.	Kee
Andresen, Minn.	Cravens	Fuller	Keller
Arends	Crawford	Fulmer	Kelly, Ill.
Arnold	Creal	Gamble, N. Y.	Kelly, N. Y.
Ashbrook	Crosser	Gambrill, Md.	Kennedy, Md.
Atkinson	Crowe	Gavagan	Kennedy, N. Y.
Bacon	Crowther	Gearhart	Keogh
Barden	Culkin	Gehrmann	Kerr
Barry	Cullen	Gifford	Kinzer
Barton	Cummings	Gilchrist	Kirwan
Bates	Delaney	Gildea	Kitchens
Beam	Dempsey	Gingery	Kniffin
Beiter	DeMuth	Goldsborough	Knutson
Bell	DeRouen	Gray, Ind.	Kocialkowski
Bernard	Dickstein	Gray, Pa.	Kopplemann
Bigelow	Dies	Green	Kramer
Bland	Dirksen	Greenwood	Lambertson
Bloom	Disney	Greever	Lambeth
Boehne	Dixon	Gregory	Lamneck
Boileau	Dockweiler	Griffith	Lanham
Boland, Pa.	Dondero	Guyer	Lanzetta
Boren	Doughton	Gwynne	Larrabee
Boyer	Douglas	Haines	Lea
Bradley	Dowell	Hamilton	Leavy
Brewster	Doxey	Hancock, N. C.	Lemke
Brooks	Drew, Pa.	Harlan	Lesinski
Brown	Driver	Harrington	Lewis, Colo.
Buck	Duncan	Hart	Lewis, Md.
Buckler, Minn.	Dunn	Hartley	Lord
Bulwinkle	Eaton	Havenner	Luce
Burch	Eberharter	Healey	Luckey, Nebr.
Caldwell	Edmiston	Hendricks	Luecke, Mich.
Cannon, Mo.	Eicher	Hennings	McCormack
Carlson	Elliott	Hill	McFarlane
Carter	Engel	Holmes	McGranery
Case, S. Dak.	Englebright	Honeyman	McGrath
Casey, Mass.	Evans	Hope	McKeough
Celler	Faddis	Houston	McLaughlin
Champion	Farley	Hunter	McLean
Chandler	Fernandez	Imhoff	McReynolds
Church	Fish	Izac	McSweeney
Citron	Fitzgerald	Jacobsen	Maas
Clark, Idaho	Fitzpatrick	Jarman	Magnuson
Clark, N. C.	Flaherty	Jarrett	Mahon, S. C.
Claypool	Flannagan	Jenckes, Ind.	Mahon, Tex.
Cluett	Flannery	Jenkins, Ohio	Mapes
Cochran	Fleger	Jenks, N. H.	Martin, Colo.
Coffee, Nebr.	Fletcher	Johnson, Luther A.	Martin, Mass.
Collins	Forand	Johnson, Lyndon	Mason
Massingale	Patton	Schaefer, Ill.	Teigan
Maverick	Pearson	Schneider, Wis.	Terry
May	Peterson, Fla.	Schuetz	Thom
Meeks	Peterson, Ga.	Schulte	Thomas, Tex.
Merritt	Pettengill	Scott	Thompson, Ill.
Michener	Pfeifer	Scrugham	Thurston
Mills	Phillips	Secrest	Tobey
Mitchell, Ill.	Pierce	Seger	Tolan
Mitchell, Tenn.	Plumley	Shafer, Mich.	Transue
Moser, Pa.	Powers	Shanley	Treadway
Mott	Rabaut	Shannon	Turner
Mouton	Ramsay	Sheppard	Umstead
Murdock, Ariz.	Randolph	Simpson	Vincent, B. M.
Murdock, Utah	Rayburn	Sirovich	Vinson, Fred M.
Nelson	Reece, Tenn.	Smith, Maine	Voorhis
Nichols	Reed, Ill.	Smith, Va.	Wallgren
Norton	Rees, Kans.	Smith, W. Va.	Walter
O'Brien, Ill.	Reilly	Snell	Warren
O'Brien, Mich.	Rich	Snyder, Pa.	Weaver
O'Connell, Mont.	Richards	Somers, N. Y.	Welch
O'Connell, R. I.	Rigney	South	Wene
O'Connor, N. Y.	Robertson	Sparkman	White, Idaho
O'Day	Robinson, Utah	Spence	White, Ohio
O'Leary	Robsion, Ky.	Stack	Whittington
O'Malley	Rockefeller	Starnes	Wigglesworth
O'Neal, Ky.	Rogers, Mass.	Steagall	Williams
O'Neill, N. J.	Rogers, Okla.	Stefan	Wolcott
O'Toole	Romjue	Sumners, Tex.	Wolfenden
Pace	Rutherford	Sutphin	Wolverton
Palmisano	Sacks	Swope	Woodruff
Parsons	Sadowski	Taber	Woodrum
Patman	Sanders	Tarver	Zimmerman
Patrick	Satterfield	Taylor, S. C.	
Patterson	Sauthoff	Taylor, Tenn.	

NAYS—9

Cole, N. Y.	Kleberg	Short	Wadsworth
Cooley	Reed, N. Y.	Thomas, N. J.	West
Hoffman			

NOT VOTING—78

Allen, Del.	Curley	Kvale	Rankin
Allen, Ill.	Daly	Long	Ryan
Allen, La.	Deen	Lucas	Sabath
Andrews	Dingell	Ludlow	Smith, Conn.
Biermann	Ditter	McAndrews	Smith, Okla.
Binderup	Dorsey	McClellan	Smith, Wash.
Boykin	Drewry, Va.	McGehee	Sullivan
Boylan, N. Y.	Eckert	McGroarty	Sweeney
Buckley, N. Y.	Ferguson	McMillan	Taylor, Colo.
Burdick	Garrett	Maloney	Thomason, Tex.
Byrne	Gasque	Mansfield	Tinkham
Cannon, Wis.	Griswold	Mead	Towey
Cartwright	Halleck	Mosier, Ohio	Vinson, Ga.
Chapman	Hancock, N. Y.	O'Connor, Mont.	Wearin
Clason	Harter	Oliver	Whelchel
Coffee, Wash.	Hildebrandt	Owen	Wilcox
Colden	Hobbs	Poage	Withrow
Cole, Md.	Hook	Polk	Wood
Colmer	Hull	Quinn	
Crosby	Johnson, Minn.	Ramspeck	

So the conference report was agreed to.

The Clerk announced the following pairs:

Until further notice:

Mr. Rankin with Mr. Ditter.
Mr. Vinson of Georgia with Mr. Andrews.
Mr. Mansfield with Mr. Oliver.
Mr. Drewry of Virginia with Mr. Halleck.
Mr. Taylor of Colorado with Mr. Allen of Illinois.
Mr. Sullivan with Mr. Tinkham.
Mr. Sabath with Mr. Hancock of New York.
Mr. McAndrews with Mr. Clason.
Mr. Mead with Mr. Burdick.
Mr. Boylan of New York with Mr. Withrow.
Mr. Maloney with Mr. Hull.
Mr. Gasque with Mr. Johnson of Minnesota.
Mr. McMillan with Mr. Kvale.
Mr. Smith of Connecticut with Mr. Poage.
Mr. Dingell with Mr. Biermann.
Mr. Colmer with Mr. Harter.
Mr. Owen with Mr. Ludlow.
Mr. Allen of Louisiana with Mr. Smith of Oklahoma.
Mr. Cartwright with Mr. Daly.
Mr. Thomason of Texas with Mr. Whelchel.
Mr. Long with Mr. Colden.
Mr. Ramspeck with Mr. Sweeney.
Mr. Deen with Mr. Ferguson.
Mr. Wilcox with Mr. Quinn.
Mr. McGehee with Mr. Allen of Delaware.
Mr. Griswold with Mr. Dorsey.
Mr. Buckley of New York with Mr. O'Connor of Montana.
Mr. Garrett with Mr. Byrne.
Mr. Wood with Mr. Sirovich.
Mr. Binderup with Mr. Polk.
Mr. Crosby with Mr. Smith of Washington.
Mr. Curley with Mr. Towey.
Mr. Harrington with Mr. Wearin.
Mr. Hobbs with Mr. Eckert.
Mr. Cole of Maryland with Mr. McClellan.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. FLETCHER. Mr. Speaker, my colleague from Ohio [Mr. MOSIER] was unavoidably detained. If he had been here, he would have voted "yea" on the conference report.

EXTENSION OF REMARKS

Mr. MAAS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein a radio address by the gentleman from California [Mr. IZAC].

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

THE REVENUE BILL

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. MCCORMACK] and the gentleman from Ohio [Mr. LAMNECK] may have until 12 o'clock midnight in which to file their views on the tax bill, and that the Committee on Ways and Means may have until 12 o'clock midnight to file the report on the revenue bill.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the Committee on Ways and Means may have until 12 o'clock midnight to file a report on the revenue bill; and he further asks unanimous consent that the gentleman from Massachusetts [Mr. MCCORMACK] and the gentleman from Ohio [Mr. LAMNECK] may have until 12 o'clock midnight in which to file their views on the tax bill. Is there objection?

There was no objection.

THE RELIEF BILL

Mr. TABER. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. TABER. Mr. Speaker, I just want to call attention to the fact that on the vote that was just taken with reference to the so-called $250,000,000 relief bill the issue was not the passage of the bill, but simply the conference report eliminating amendment No. 1 of the Senate and the alien amendment that was passed in the House.

EXTENSION OF REMARKS

Mr. NICHOLS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a very short half-page letter from a schoolboy in my own district.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. SNELL. Mr. Speaker, I ask unanimous consent to extend the remarks I made earlier in the day.

The SPEAKER. Without objection it is so ordered.

There was no objection.

Mr. EATON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by inserting a brief statement by the president of the New Jersey State Chamber of Commerce on business conditions in the State at the present time.

The SPEAKER. Without objection it is so ordered.

There was no objection.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1939

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9621, the Interior Department appropriation bill, 1939, with Mr. JONES in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose yesterday there was pending an amendment offered by the gentleman from New York [Mr. TABER], on page 18, line 20.

Mr. RAYBURN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I ask unanimous consent to proceed out of order for the purpose of making an announcement.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. It is the hope of the Committee that this bill may be completed today, but that hope is not based very solidly, I fear. I do, however, make the announcement that this bill must be completed before the House adjourns on tomorrow, and I hope that Members on both sides of the aisle will endeavor to keep a quorum present in order to be certain that we may not have a late session tomorrow night.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 24, noes 77.

So the amendment was rejected.

The Clerk read as follows:

For advertising, inspection, storage, and all other expenses incident to the purchase of goods and supplies for the Indian Service and for payment of railroad, pipe-line, and other transportation costs of such goods and supplies, $720,000: *Provided*, That no part of this appropriation shall be used in payment for any services except bill therefor is rendered within 1 year from the time the service is performed.

Mr. TABER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 18, line 25, strike out "$720,000" and insert in lieu thereof "$650,000."

Mr. TABER. Mr. Chairman, I have offered this amendment to reduce the cost of this particular item, which covers supplies for the Indian Service.

Since January a year ago the combined index of prices has dropped from 91 to 82, according to the weekly statistics of the Department of Commerce. Why we should be increasing this amount instead of reducing it at a time when the market price for supplies is lower is beyond comprehension.

I hope the House will consider this item carefully and vote to reduce it.

Mr. SNELL. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from New York.

Mr. SNELL. Does the gentleman mean to say this bill carries more for this item for the next fiscal year than for last year?

Mr. TABER. Why, last year the item was carried at $700,000, and this year it is carried at $720,000 at a time when Fisher's combined index of prices of all supplies has dropped from 91 to 82.4.

Mr. SNELL. This is one of the regular departments of the Government?

Mr. TABER. Yes.

Mr. SNELL. And the statement generally made that the only increases involve emergency items is not a true statement?

Mr. TABER. Oh, no. The regular administrative expenses are increased step by step. I have called attention to that as each item of this bill has been reached.

Mr. SHORT. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Missouri.

Mr. SHORT. Is it not true that most of these Indian items are far in excess of those last year?

Mr. TABER. Most of them are, especially the administrative items, for which there is no excuse under any circumstances.

It seems to me this item, with the reduction I have proposed, would provide more supplies and pay for more services at the reduced prices prevailing today than the item carried last year of $700,000. I propose to cut it $50,000, which is a very moderate cut below last year's figure, when you take into consideration a reduction in prices of better than 10 percent which generally prevails today. There can be no possible excuse for failure on the part of the committee to cut this item that amount.

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the gentleman, I regret to say, does not know what he is talking about in this instance. He has been discussing supplies, and this has nothing to do with supplies. No supply item is included in this at all. This item covers the transportation of everything in the Indian Service, including all the new activities.

If the gentleman will turn to page 56 of the hearings he will find out that this particular item has nothing to do with supplies. This item deals with transportation for the Indian Service in connection with all its new activities.

The Indian Service was very frank to say that there would probably be a deficiency, even with this appropriation. There was a deficiency last year of $15,000.

May I read just one paragraph of the evidence presented to the committee?—

The 1938 appropriation is $700,000, and we estimate a deficit of $15,000.

We are putting into use during the next fiscal year 150 additional beds at Talihina, 75 additional beds at Tahlequah, both in Oklahoma; 141 additional beds at Fort Defiance, and about 10 beds at Rapid City, S. Dak. There are four large hospital units that have just been opened or will be completed in a short time and placed in operation.

In addition to that, we have expanded some of our day schools, and the freight on those supplies will require the $25,000 that we are estimating as an increase.

There is not a word in here about supplies. It covers only transportation; and the gentleman, as usual, so far as this bill is concerned, is in error.

Mr. ENGEL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think this particular item making appropriations for Indian Affairs illustrates beautifully how we can increase the appropriations for the running of the Government from year to year.

I have compiled the figures on this item and I find the following facts to be true:

From the first day of the first term of George Washington in 1789 to 1825 this Government spent $7,722,264 on Indian Affairs. From 1826 to 1876 we spent $157,987,943. From 1877 to 1916, or to the date America entered the World War, we spent $458,792,339. This makes a total of $624,502,546 spent on Indian Affairs from 1789 to 1916.

From 1917 to 1937, or the last 20 years, we spent $728,324,589. If we include $87,921,744 emergency funds allotted by the President to Indian Affairs and $32,273,587 appropriated in 1938, and $30,263,118 contained in the appropriation bill for 1939, we find that we will have spent from 1917 to and including 1939 or in the last 22 years, $878,783,038. In other words, we have spent during the last 22 years for Indian Affairs $254,270,492 more than was spent from the beginning of the constitutional Government in 1789 down to the beginning of the World War in 1917. We find that the total amount appropriated from 1789 to and including 1939 for Indian Affairs will be $1,503,285,584. There are 2,973,776 square miles or a total of 1,903,216,640 acres of land without water in the United States. We find we have paid the Indians nearly 80 cents for every acre of land in the United States, including the Rocky Mountains and other mountains. Thomas Jefferson paid Napoleon $15,000,000 for 565,166,080 acres contained in the Louisiana Purchase, or approximately 2.6 cents an acre. We paid the Indians nearly 80 cents an acre or more than 25 times the amount per acre we paid Napoleon for Louisiana, having had to purchase Louisiana twice, and Indian Affairs are still costing us more than $30,000,000 a year. It is time to call a halt and ask ourselves, "Where do we go from here?"

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The amendment was rejected.

The Clerk read as follows:

For expenses of organizing Indian chartered corporations, or other tribal organizations, in accordance with the provisions of the act of June 18, 1934 (48 Stat. 986), as supplemented and amended by the acts of June 15, 1935 (49 Stat. 378), May 1, 1936 (49 Stat. 1250), and June 26, 1936 (49 Stat. 1967), including personal services, purchase of equipment and supplies, not to exceed $3,000 for printing and binding, and other necessary expenses, $80,000, of which not to exceed $20,000 may be used for personal services in the District of Columbia: *Provided*, That in the discretion of the Secretary of the Interior, not to exceed $3 per diem in lieu of subsistence may be allowed to Indians actually traveling away from their place of residence when assisting in organization work: *Provided further*, That no part of this appropriation shall be available for expenditure in that part of the State of New Mexico embraced in the Navajo Indian Reservation, and not to exceed $15,000 shall be available for expenditure in said State.

Mr. TABER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 19, line 18, strike out the entire paragraph.

Mr. TABER. Mr. Chairman, I offer this amendment for the purpose of striking out a provision which provides funds to incorporate various Indian tribes and all that sort of thing under the provisions of the Howard Indian Act, which was passed in 1934. This has had, as I understand it, a very demoralizing influence on the Indians.

At the request of the people from New Mexico, the proviso beginning in line 6 of page 20 was adopted—that no part of the appropriation shall be available for organizing corporations in the Navajo Indian Reservation, and not to exceed $15,000 shall be available for expenditure in that State.

It is perfectly evident that if we want to get away from the baneful influences of that act of 1934 we must stop appropriations for that purpose. This committee has reduced the figure by $50,000, but if we are going to make real progress in solving the Indian problem in an American way we ought to stop the corporation activities under this act.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not care to make an extended argument about this matter, but this is not a legislative or a policy-making committee, and the question of the Wheeler-Howard Act is not before the committee at this time. Congress has authorized this expenditure by an overwhelming vote. Only 88 Members voted against the Wheeler-Howard Act at the time it passed the House. As long as this is the law, the committee felt the law ought to be carried out.

The appropriations for defraying the expenses of organization in 1936 were $150,000; 1937, $160,000; 1938, $130,000; and 1939, $130,000. This year the committee has made a reduction of $50,000, which is a rather drastic reduction. In no year has Congress provided the maximum authorized by the 1934 act. Two supplemental acts have been passed since the Indian Reorganization Act was passed by this Congress—one extending the act to the Indian natives of Alaska and the other extending the act to the Indians of Oklahoma, and authorizing a further appropriation of $2,000,000 for loans to the Indians.

Exclusive of the Indians of Oklahoma and the Indians of Alaska, 189 tribes with a population of 130,000 Indians are under this act. There are 28 groups in Oklahoma that have been brought under this act. On October 1, 1937, there were 71 tribes with a population of 92,000 which had adopted a constitution and bylaws, and 41 tribes with a population of 40,147 had been granted charters. As of the same date, 117 tribes with a population of 159,986 had not adopted the so-called bylaws, but 22 of them, with a population of more than 16,000, were in process of formulating or voting on a constitution and bylaws.

As one Member who has never been overenthusiastic about the Wheeler-Howard Act, it is only fair to remind you that not a single tribe which voted to accept the act and has adopted a constitution and bylaws or has received a charter has asked to have its action rescinded. That fact speaks for itself. On the other hand, the committee was advised by the Indian Office that a number of groups voting against the act in the first instance have asked an opportunity to vote on it again. The claim has been made by some of the tribes that the reason for the rejection of the act at the first opportunity to vote was because of the adverse propaganda

spread by traders and others outside the Government service. Therefore, the evidence presented the committee would indicate that the Indians themselves, or at least a majority of them, actually want this act.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The amendment was rejected.

Mr. BURDICK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BURDICK: On page 19, line 5, after the word "including," strike out "pay of judges of Indian courts."

The CHAIRMAN. The Chair may state that paragraph has been passed, and an amendment can be offered to it only if unanimous consent is given to return to that paragraph.

Mr. BURDICK. Mr. Chairman, I ask unanimous consent to return to the first paragraph on page 19 for the purpose of offering an amendment.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not like to object, but the paragraph has been read and the gentleman was sitting here and did not offer his amendment. I do not like to object if the gentleman insists, because I want to be perfectly fair with the gentleman.

Mr. BURDICK. I do not know that it would do any good to offer the amendment, but I would like to present it.

Mr. JOHNSON of Oklahoma. I will not object, Mr. Chairman.

The CHAIRMAN. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

Mr. BURDICK. Mr. Chairman, in regard to the Indian courts that are now established in all the Indian country where the procedure under the Wheeler-Howard Act has been adopted, I wish to say there is no authority in law for the establishment of these codes, either criminal or civil. They were never authorized by Congress, and when the matter was presented to the House Committee on Indian Affairs it was not even considered. At that time representatives of the Bureau of Indian Affairs made the statement they would promulgate a code anyhow, whether or not adopted by the Congress. Since that time there have been set up in the Indian country courts known as Indian courts, where jurisdiction has been assumed over criminal and civil matters, and they apply a long code giving a more definite description of the criminal violations than can be found in the general codes of the United States.

If this were a question of having some jurisdiction over offenses when no other court has jurisdiction, I would not object, but the Federal courts of the United States are amply clothed with power and jurisdiction over any offense committed by an Indian or a white man if committed in the Indian country. By "committed in Indian country" I mean committed upon an allotment or upon tribal lands or upon lands thrown open to the public which they have not taken. Today every Federal court in the United States has authority and power to relieve from any depredations of criminal or even civil character if committed in the Indian country.

Today they have under arrest American Horse, a grandson of one of the greatest chiefs of the Sioux Tribe. He has been found guilty in a criminal court of Indian jurisdiction, to which this Congress never at any time gave authority. His offense consisted of speaking against the spread of the procedure authorized under the Wheeler-Howard Act. He was brought into an Indian court, convicted, and imprisoned. The case now is being taken to the Federal court in South Dakota on the constitutional question of whether the Bureau has a right to set up arbitrarily, by the will of the Commissioner and by no other man's will, a criminal code under which the rights of these Indians are to be determined. I say this code is unconstitutional, and there is not a lawyer in the House who does not know it to be so.

I say to you it is unconstitutional and there is not a lawyer in this House who does not know this. Think of the idea that because a man wants to oppose the spread of a program, or just because he does oppose a program, he can be brought into an Indian court, where a law has been manufactured by this Department, and there sentenced under the mandate of that court.

I say we are doing a wrong thing in this Congress to appropriate any money anywhere for the support of a court that has no standing within the borders of the United States. [Applause.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, the gentleman has made a very splendid argument, and I sympathize with him in any particular matter he may have in mind where an injustice has been done. However, his statement that there is no law for the appointment of these judges is undoubtedly an error. If the gentleman will read the Snyder Act he will find there is full authority. I have the act before me, and it reads as follows:

For the employment of Indian inspectors, supervisors, superintendents, clerks, field matrons, farmers, physicians, Indian police, Indian judges—

Will the gentleman listen to this?—"Indian judges"—could it be any plainer?—

and other employees.

So the gentleman's argument that there is no law for the appointment of these judges falls flat, because it is specifically authorized under the Snyder Act.

Mr. BURDICK. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. In just a moment.

With respect to the statement in regard to the need of these so-called judges that this is one thing that more Indians are in favor of than any other one thing I know. It has been a vast help to them in self-government. These so-called Indian judges, in fact, are not judges at law. Few, if any, of them are lawyers, but they are outstanding Indians that the Indians themselves select. They have confidence in these leaders, and they select them. They are paid the enormous salary of from $180 a year to $300 a year, most of them getting $300. The Indians want them, and they select them and approve them.

The situation with respect to the enforcement of liquor laws on the reservation, as well as the drug laws, has become a very serious one, and the Indians themselves asked for this, and there has been a wonderful improvement under this organization, and I certainly hope that Members on both sides of the aisle will not give serious consideration to the elimination of this item.

Mr. BURDICK. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes; I yield to the gentleman.

Mr. BURDICK. Does the gentleman mean to tell the Members of this Congress that the Congress ever authorized the Commissioner of Indian Affairs or the Department of the Interior to build a criminal and civil code for the regulation of the lives of the American Indians?

Mr. JOHNSON of Oklahoma. I am not saying that, and I have not said that, but I do say that these so-called judges are doing a very splendid work.

I have just made the statement that they are not lawyers. Very few, if any of them, are lawyers. I am not familiar with the case the gentleman has cited, but about 99.9 percent of the work of these judges is in enforcing the liquor and drug laws on the reservations, and they are doing a tremendously important work.

Mr. BURDICK. Mr. Chairman, will the gentleman yield further?

Mr. JOHNSON of Oklahoma. Yes; I will be pleased to yield.

Mr. BURDICK. The gentleman knows, as a matter of fact, that an Indian judge operates under this Indian code, and all their authority or power is derived from this Indian code. Therefore, if there was no authority to build this code in the first instance, we would have no right to appropriate money for them to interpret or enforce a thing that never existed.

Mr. JOHNSON of Oklahoma. I may say to the gentleman that is not involved in this item. The gentleman has made a good speech, and, in the main, I agree with him, but that question is not involved here at all.

Mr. BURDICK. You are appropriating money for them.

Mr. JOHNSON of Oklahoma. Not for that purpose.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield.

Mr. KNUTSON. Is the House to understand from the gentleman's remarks that these Indian judges will suppress traffic in liquor and narcotics?

Mr. JOHNSON of Oklahoma. That is what they are doing in a great many instances; yes.

[Here the gavel fell.]

PAY FOR INDIAN POLICE AND JUDGES

Mr. CASE of South Dakota. Mr. Chairman, I move to strike out the last two words.

The remarks of the gentleman from North Dakota [Mr. BURDICK] with respect to the case of Chief Ben American Horse concerns a matter which probably deserves a great deal of consideration by the Congress and by the Indian Affairs Committee. The facts are reported, as stated, that American Horse, an Indian with a fine personal record, was arrested and was tried and was fined on the charge of having talked against the organization of the Pine Ridge Indians under the Wheeler-Howard Act, and, if those are the facts, in all probability that judgment will be reversed when it goes to the appeal court.

It is a case in which I am very much interested. Constitutional freedom of speech is involved. I feel an injustice was done, and I feel that many of the Indians who served on that court would probably agree with this statement as they give the matter further consideration. At the same time, so far as striking out this appropriation item is concerned, I think we should keep this thought in mind:

If we want to revise the legislation under which these law-and-order codes are promulgated, that is one thing, and I think we should give some attention to that, but as to an appropriation—

For maintaining law and order on Indian reservations, including pay of police, pay of employees engaged in the suppression of the traffic in intoxicating liquors, and pay of the judges of the Indian courts—

certainly there should be an appropriation.

I think that the gentleman from North Dakota [Mr. BURDICK] confuses unintentionally and would leave the impression that these law-and-order codes are a part necessarily of the Wheeler-Howard Act or the Reorganization Act. That is not the fact. We had and have Indian courts and Indian police entirely independent of the Wheeler-Howard Act, and these law-and-order codes can be promulgated and are being promulgated on reservations where the Reorganization Act has not been adopted and put into force. So there is no real connection between the Wheeler-Howard Act and this particular appropriation item.

If the law-and-order codes situation should be revised, let it be revised by definite, deliberative, legislative act and not by denying an appropriation to regular employees and activities that existed before the adoption of the Wheeler-Howard Act and that exist now. I think the amendment should be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota.

The amendment was rejected.

Mr. DONDERO. Mr. Chairman, I move to strike out the last word. The bill before the House, making appropriations for the Interior Department for the year 1939, shows a decrease of about $8,000,000 over the bill for last year. That ought to furnish a spark of encouragement to those who are economy-minded on this floor, and it ought not to be distasteful to the most liberal minded in this House. Economy has been absent too long from this Chamber, but in view of the record that has been made in the last 27 years in this Nation, there is more reason for economy such as is exemplified by the work of this committee on this appropriation bill in cutting it down some $8,000,000. I just want to occupy a few moments in giving to the Committee a few facts which have come to my attention regarding the cost of government in this country over what it was in 1910.

In 1910 the Federal Government cost $693,617,000, while in 1937 it cost $8,105,000,000, or an increase of 1,068 percent. In 1910 the per capita cost of the Federal Government was $7.52, and in 1937 it had risen to $62.69, or an increase of 735 percent. The public debt in 1910 was $1,146,000,000, and in 1937 it was $36,424,000,000, or an increase of 3,075 percent. The per capita debt of the Federal Government in 1910 was $12.69, and in 1937 it had grown to $281.63, or an increase of 2,120 percent. In 1910 you could buy a four-cylinder Packard limousine for $5,550. In 1937 that had been reduced so that you can now buy an eight-cylinder Packard, No. 120, five-passenger sedan for $1,075, or a decrease of 80.6 percent.

The automotive industry, the greatest industry in this Nation today, has during the last 27 years been producing a better product at a greatly reduced price and at the same time has increased employment and wages to the laboring man.

We might well ask the question, Does business need regulating or does Government need regulating? when we view those facts. Government should put its own house in order before it finds fault with business—large or small. In my State of Michigan the Federal tax payment by the people of that State in 1910 was $5,361,000, but in 1937 it had risen to $323,748,000, or an increase of 5,938 percent.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. Yes; I yield to the gentleman from Pennsylvania.

Mr. RICH. I thank the gentleman for his congratulations, on behalf of the committee. The committee worked hard to get this bill to what it is, but since we have a deficit now of over a billion dollars, and the year has 4 months yet to go, does not the gentleman think we ought to cut down Government expenses still more, if we are going to accomplish the goal that the President said we would accomplish a year ago in striving to get a balanced Budget?

Mr. DONDERO. I think the gentleman, like many other Members of this House, myself included, is becoming greatly concerned about where we are going and whether or not we are going to be able to extricate ourselves from the tremendous national debt we now face. I hope we can do it, but it will not be and cannot be done as long as the tremendous cost of Government continues, nor as long as a policy of spending and wasting public money continues. [Applause.]

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn and the Clerk will read.

The Clerk read as follows:

Vehicles, Indian Service: Not to exceed $470,800 of applicable appropriations made herein for the Bureau of Indian Affairs shall be available for the maintenance, repair, and operation of motor-propelled and horse-drawn passenger-carrying vehicles for the use of employees in the Indian field service, and the transportation of Indian school pupils, and not to exceed $190,000 of applicable appropriations may be used for the purchase and exchange of motor-propelled passenger-carrying vehicles, and such vehicles shall be used only for official service, including the transportation of Indian school pupils.

Mr. RICH. Mr. Chairman, I move to strike out the last word, and ask unanimous consent to revise and extend my remarks during the day.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. RICH. Mr. Chairman, we are asked here for $470,000 for the transportation of the Indian children to school. I call the attention of the Committee to just what we have been doing in the Indian Service, and then I want to know whether they think we ought to continue on as we have been in the past or whether we need curtailment. The information I am about to give is taken from the hearings on the Interior Department appropriation bill, 1939.

In the fiscal year 1934 we spent for the Indian Service $21,246,246.67; in 1935 we spent $20,583,979; in 1936, $30,019,065; in 1937, $29,735,410.05; in 1938, $33,878,639.85. During those 5 years the emergency relief fund given by the President amounted to $87,921,744, so that in the 5 years we have spent for the Indians $223,384,984.57.

For the 13 years from 1920 to 1933 we spent $267,866,382.57. To put it another way, in the 5 years just ended we spent an average of $44,876,996.91. This, divided by the total number of restricted or ward Indians, who number 225,000, means a per capita amount paid for the Indians of $198. Taking this by the total number of Indian population in the country, 340,000, means an annual average of $131 on every Indian in the country. An exorbitant price for the Indian Service, and annually increasing.

I believe the Indians need advice; they need counsel; they need guidance, especially those who are unable to take care of themselves; but if we conduct the Indian Service in the future as we have during the past 5 years more and more Federal funds will be required for, as Mr. Collier himself says, instead of the Indian becoming self-supporting he must be supported, and the Indian population is increasing, not decreasing. Therefore your cost is annually increasing.

Mr. Collier makes the statement that we need a reorganization of the Indian Bureau. I agree with him. He would like to make such a recommendation, and he states that he is going to publish a book of his own before he leaves the Indian Service, stating how the Indians should be handled in order to make the cost decrease instead of increase each year.

Oh, with the present system we have and the enormous cost of $131 per each Indian per annum for the past 5 years, it seems to me something should be done in reorganization of this Bureau and it should be handled in a good business way and politics should be eliminated.

[Here the gavel fell.]

By unanimous consent the pro forma amendment was withdrawn.

The Clerk read as follows:

Compensation to non-Indian claimants, Pueblo Indian lands, New Mexico: The unexpended balances of appropriations heretofore made for compensation to non-Indian claimants, Pueblo Indian lands, New Mexico, are hereby continued available for this purpose until expended.

Mr. TABER. Mr. Chairman, I move to strike out the last word for the purpose of asking the chairman of the committee a question. This appropriation is continued available until expended. How much does it amount to? I refer to the language on page 23 between lines 8 and 12.

Mr. JOHNSON of Oklahoma. The unexpended balance is $3,000.

Mr. TABER. And how much is paid out of that each year?

Mr. JOHNSON of Oklahoma. Last year we made the original appropriation of $3,071; that is all that is involved, $3,071.

Mr. TABER. Does not the gentleman regard it as bad practice to continue appropriations available until expended? Would not the Committee feel that if it were carried along for a year or two, or something like that, that it would be better practice?

Mr. JOHNSON of Oklahoma. Under some circumstances that unquestionably would be better practice; but, as I recall, the matter could not be settled during the current year and that must be expended next year. It is simply a useless task to reappropriate it next year.

Mr. TABER. The gentleman means that it runs right along?

Mr. JOHNSON of Oklahoma. Yes.

By unanimous consent the pro forma amendment was withdrawn.

The Clerk read as follows:

For the acquisition of lands, interest in lands, water rights and surface rights to lands, and for expenses incident to such acquisition, in accordance with the provisions of the act of June 18, 1934 (48 Stat. 985), including personal services, purchase of equipment and supplies, and other necessary expenses, $500,000, together with the unexpended balance of the appropriation for this purpose for the fiscal year 1938, of which not to exceed $20,000 shall be available for personal services in the District of Columbia: *Provided*, That within the States of Arizona, Colorado, New Mexico, and Wyoming no part of said sum shall be used for the acquisition of land outside of the boundaries of existing Indian reservations: *Provided further*, That in addition to the amount herein appropriated the Secretary of the Interior may also incur obligations and enter into contracts for the acquisition of additional land, not exceeding a total of $500,000, and his action in so doing shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof, and appropriations hereafter made for the acquisition of land pursuant to the authorization contained in the act of June 18, 1934, shall be available for the purpose of discharging the obligation or obligations so created.

Mr. TABER. Mr. Chairman, I make the point of order against the language contained in the proviso on page 24, line 23, on the ground that it is legislation on an appropriation bill and is not authorized by law.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. JOHNSON of Oklahoma. I admit that it is legislation, but it is very desirable and will permit this land to be purchased in an orderly way. As long as we are going to purchase land it was felt that the Indian Office should have the privilege of purchasing it in an orderly manner; otherwise it will have to cease these operations.

Mr. TABER. Frankly, I do not think they should be authorized to purchase it. That was just what I felt as I read the hearings. They wanted $100,000 to spend and the right to obligate the Government for $400,000 for the purchase of land. That is going pretty strong, regardless of any merits the matter may have.

Mr. Chairman, I insist upon the point of order.

The CHAIRMAN. The Chair is ready to rule.

This proviso, beginning in line 23, on page 24, and extending through line 8, on page 25, authorizes the Secretary of the Interior to incur obligations and to enter into contracts for the acquisition of additional land not exceeding a total of $500,000.

Practically the same language was ruled upon last year when the Interior Department bill was before the Committee of the Whole and the bill contained a similar proviso. This proviso at that time was held to be subject to the point of order that it was legislation on an appropriation bill.

The Chair, therefore, sustains the point of order to this proviso.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I desire to refer to this appropriation for $500,000 with which to purchase land for the Indians. If you were to ask Members representing the States in which they are purchasing these lands, or at least the Representatives of most of the States in which they are trying to purchase this land, which will be taken off the tax rolls of the State, practically every one of those Members will tell you they do not want the Government to come into his individual State and buy land for the Indians. At least, they so express themselves to me. Some of the Members do not want to get up and make such a statement on the floor of the House but desire me to make the statement for them. They do not want the Government to come into their individual States. They would like to have their States exempted from this part of the service.

There certainly must be some reason why this legislation was placed on the statute books. They not only wanted $500,000, but they requested a considerably larger sum. I congratulate the committee on the fact it has limited the appropriation to $500,000. According to the law, we could appropriate $2,000,000 a year. As I stated, I give the subcommittee credit for that cut.

Mr. Chairman, the States, as a general rule, do not want this legislation. Therefore, why should we as a Congress continue these annual appropriations for this purpose?

Mr. GREEVER. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Wyoming.

Mr. GREEVER. Of course, I have not spoken to the gentleman about this item nor to anyone else, but it was brought to my attention this morning. I was told that these lands were proposed to be bought, but I do not find anything in the hearings about where they are to be bought and I would like to have this information.

Mr. RICH. Only the Commissioner of Indian Affairs can answer where they are going to purchase these lands. He does not give us any information and that is the reason I wanted this contractual obligation for $500,000 next year to be stopped.

Mr. GREEVER. I would like this information if some member of the committee can tell me. I want to know where in the hearings there is set out just where the lands are located that it is proposed to be bought. I would like to have this information.

Mr. RICH. I will have to refer my colleague to the chairman of the Subcommittee on Appropriations because I am not Indian enough to explain that. The chairman of the subcommittee might be able to give the gentleman this information.

Mr. GREEVER. I just wanted to know at what page it appeared in the hearings, because I have not been able to find it.

Mr. JOHNSON of Oklahoma. I may say that the information presented to the committee was to the effect there were thousands of landless Indians throughout the West and Middle West. Many of these Indians had patents forced upon them, most of whom have lost their land. They are today a charge upon society. The idea of the Indian Office is to sell them lands, permit such Indians to go on the lands and assist them in helping themselves.

Answering specifically the question as to the States in which the land is proposed to be purchased, I may say there are only four States in the West that are exempted, those States being Arizona, Colorado, New Mexico, and Wyoming. In those States lands cannot be purchased for that purpose. Does that answer the gentleman's question?

Mr. GREEVER. Land cannot be purchased outside of the boundaries of existing reservations. Of course, lots of land is privately owned by white settlers within the boundaries of these reservations.

Mr. JOHNSON of Oklahoma. That is correct. The Indians themselves are in many instances anxious to buy this land inside of Indian reservations.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. Mr. Chairman, I appreciate what the gentleman from Pennsylvania [Mr. RICH] has said regarding the attitude of many of the inhabitants of these Western States, such as Arizona, who, of course, do not want to have private property taken off the tax rolls and placed under the control of any governmental department. On the other hand, there are now privately owned lands within the limits of, say, the Navajo Indian Reservation, that could be purchased under this provision. Of course, the private owners of these lands would be duly paid for the same. I take it, by this provision land could be purchased within the limits of the Indian reservation and the land so purchased would be used properly by the Indians. This would help solve the evil of checkerboard ownership which has bothered us so much.

Mr. RICH. They would not necessarily have to purchase land within the confines of any Indian reservation. They may go anywhere.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, may I call the attention of the committee to page 119 of the hearings so far as this particular item is concerned and I desire to read two or three words:

Mr. JOHNSON. How, with a contractual authorization of $500,000 and an estimate of $500,000 for 1939, do you expect to continue your administrative force?

Mr. DODD. With that authorization, Mr. Chairman, and about $110,000 required for overhead costs, the contractual authorization automatically will be reduced from $500,000 to $390,000.

This indicates that to buy $390,000 worth of property they are spending for administrative and overhead expenses, $110,000.

I just call attention to this fact.

The pro forma amendments were withdrawn.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. CRAWFORD: Page 24, beginning on line 11, strike out the paragraph.

Mr. CRAWFORD. Mr. Chairman, I do not care to be heard. I offer the amendment and ask for a vote.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. CRAWFORD].

The amendment was rejected.

Mr. DONDERO. Mr. Chairman, I ask unanimous consent to revise and extend the remarks I made earlier in the day.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read as follows:

For the purpose of encouraging industry and self-support among the Indians and to aid them in the culture of fruits, grains, and other crops, $240,000, which sum may be advanced to Indians for the purchase of seeds, animals, machinery, tools, implements, and other equipment necessary, and for advances to Indians having irrigable allotments to assist them in the development and cultivation thereof, in the discretion of the Secretary of the Interior, to enable Indians to become self-supporting: *Provided*, That the expenditures for the purposes above set forth shall be under conditions to be prescribed by the Secretary of the Interior for repayment to the United States on or before June 30, 1944, except in the case of loans on irrigable lands for permanent improvement of said lands, in which the period for repayment may run for not exceeding 20 years, in the discretion of the Secretary of the Interior: *Provided further*, That except for the Navajo Indians in Arizona and New Mexico not to exceed $25,000 of the amount herein appropriated shall be expended on any one reservation or for the benefit of any one tribe of Indians: *Provided further*, That the Secretary of the Interior is hereby authorized, in his discretion and under such rules and regulations as he may prescribe, to make advances from this appropriation to old, disabled, or indigent Indian allottees, for their support, to remain a charge and lien against their land until paid: *Provided further*, That not to exceed $15,000 may be advanced to worthy Indian youths to enable them to take educational courses, including courses in nursing, home economics, forestry, and other industrial subjects in colleges, universities, or other institutions, and advances so made shall be reimbursed in not to exceed 8 years, under such rules and regulations as the Secretary of the Interior may prescribe: *Provided further*, That not to exceed $75,000 of the amount herein appropriated, together with $50,000 made available for this purpose under this head in the Interior Department Appropriation Act for the fiscal year 1938, and hereby continued available for the same purpose for the fiscal year 1939, may be advanced, under such rules and regulations as the Secretary of the Interior may prescribe, to the Navajo Tribe of Indians for the purchase, feeding, sale, or other disposition of sheep, goats, and other livestock belonging to the Navajo Indians.

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph that it is legislation on an appropriation bill and requires additional duties of the Secretary of the Interior. I call the attention of the Chair to the language beginning at the end of line 18 and running through the entire proviso; to the proviso beginning in line 5 on page 29; to the proviso beginning on page 29, line 10; and to the proviso beginning on page 29, line 17. Every one of these is subject to a point of order, because each of them requires additional duties of the Secretary of the Interior and is legislation on an appropriation bill.

I make the point of order against the entire paragraph, Mr. Chairman.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. JOHNSON of Oklahoma. I do not care to be heard on it, Mr. Chairman.

The CHAIRMAN (Mr. JONES). The Chair is ready to rule.

It seems to the Chair the proviso beginning on page 29, line 5; the second proviso, beginning on line 10; and the third

proviso, beginning on line 14, are all subject to a point of order, being legislation on an appropriation bill. The point of order is made to the entire paragraph, and, with these items included, the entire paragraph is subject to the point of order.

The point of order is therefore sustained.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Oklahoma: Page 28, after line 10, insert a new paragraph as follows:

"For the purpose of encouraging industry and self-support among the Indians and to aid them in the culture of fruits, grains, and other crops, $240,000, which sum may be advanced to Indians for the purchase of seeds, animals, machinery, tools, implements, and other equipment necessary, and for advances to Indians having irrigable allotments to assist them in the development and cultivation thereof, in the discretion of the Secretary of the Interior, to enable Indians to become self-supporting: *Provided*, That not to exceed $75,000 of the amount herein appropriated, together with $50,000 made available for this purpose under this head in the Interior Department Appropriation Act for the fiscal year 1938, and hereby continued available for the same purpose for the fiscal year 1939, may be advanced to the Navajo Tribe of Indians for the purchase, feeding, sale, or other disposition of sheep, goats, and other livestock belonging to the Navajo Indians."

Mr. TABER. Mr. Chairman, I make the point of order against the amendment that it is legislation on an appropriation bill, not authorized by law. I make the point of order particularly to that part of the amendment which relates to advances to the Indians having irrigable lands. There is no authority for that provision.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order? Unless the gentleman has something to say in favor of the point of order, the Chair is ready to rule. If the gentleman wishes to make a statement the Chair will hear it.

Mr. JOHNSON of Oklahoma. If the Chair is ready to rule, I do not wish to be heard on the point of order, Mr. Chairman.

The CHAIRMAN. The Chair is ready to rule.

The point of order is made to that provision of the amendment which authorizes advances to Indians having irrigable allotments, to assist them in the development and cultivation thereof, in the discretion of the Secretary of the Interior.

Referring to title 25, United States Code, section 13, under the heading "Expenditure of appropriations by Bureau of Indian Affairs," the Chair finds that the Bureau is authorized to spend—

such moneys as Congress may from time to time appropriate, for the benefit, care, and assistance of the Indians throughout the United States for the following purposes.

Among these purposes are listed the following:

General support and civilization, including education.

For industrial assistance and advancement and general administration of Indian property.

For extension, improvement, operation, and maintenance of existing Indian irrigation systems, and for development of water supplies.

It seems clear to the Chair the appropriation is authorized under the terms of that act, and the point of order is, therefore, overruled.

Mr. RICH. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. RICH to the amendment offered by Mr. JOHNSON of Oklahoma: In the third line of the pending amendment strike out "$240,000" and insert "$115,000."

Mr. RICH. Mr. Chairman, I call your attention to the fact the Bureau is asking for $240,000 in this item. Of this money, $125,000 is going to be used to set up a slaughterhouse on an Indian reservation. You have talked about Government in business, and all of you who are interested in putting the Government in business are naturally for this amendment.

However, you will vote for my amendment if you want to keep the Government out of business.

It seems to me that when they come in here and ask the membership of this committee to build slaughterhouses on Indian reservations they are going very far afield of our duties, and I therefore ask you to vote for my amendment which will strike out the $75,000 for a slaughterhouse and also the $50,000 they have carried over from the appropriation of last year, or a total for slaughterhouse and cold storage of $125,000.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield for a question?

Mr. RICH. I yield to the gentleman from South Dakota.

Mr. CASE of South Dakota. If I understood the gentleman's amendment offered to the pending amendment correctly, all the gentleman would do would be to reduce the $240,000 to $115,000. The amendment would not do anything with respect to the proviso which permits the $75,000 to be used for a slaughterhouse.

Mr. RICH. That was stricken out on a point of order, as I understand it.

Mr. CASE of South Dakota. No; the amendment that was submitted included the proviso relating to the $75,000 and the effect of the gentleman's amendment would be simply to reduce the total amount to $115,000 and the $75,000 would still be available for a slaughterhouse.

Mr. RICH. Mr. Chairman, may I submit a parliamentary inquiry without having it taken out of my time?

The CHAIRMAN. It will be taken out of the gentleman's time unless the gentleman obtains unanimous consent.

Mr. RICH. Mr. Chairman, we have had no opportunity to read the amendment and I am desirous of knowing whether the proviso with respect to a slaughterhouse was placed back in the bill by the pending amendment.

The CHAIRMAN. Without objection, the gentleman from Pennsylvania may propound a parliamentary inquiry without having it taken out of his time.

There was no objection.

The CHAIRMAN. If the gentleman is referring to the last proviso, that is included in the amendment that is offered, with the exception that the authority to make rules and regulations and the legislative features of the paragraph have been taken out.

Mr. RICH. Then I shall offer another amendment striking out that provision.

I want to call this situation to the attention of the committee. It is high time you stopped putting the Government in business. Did you read what Mr. Baruch said yesterday? He is one of the great Democrats of this country. He does not want the Government entering into all kinds of business. He states that the legislation we have passed in the last 4 or 5 years has been ruinous to the country. You men ought to know that it is ruinous to the country. I cannot do anything more, but I appeal to you to strike this slaughterhouse from this bill. Will you do it? If you do not support my amendment, then you are for the Government in the slaughterhouse business.

Mr. JOHNSON of Oklahoma. Mr. Chairman, this is a very important item. This is another item for the benefit of the Indians on this reservation who are in great need. This is an item for the purpose of reducing the 1,000,000 sheep on this reservation. Evidence disclosed before our committee that there are in excess of 1,000,000 sheep on the reservation and the grazing of these sheep is causing the soil to be washed down into Boulder Dam. The situation is quite serious. The reservation will not carry 1,000,000 sheep, and the question is what are you going to do with them. The committee thought it would be good economy to build not a slaughterhouse, as the gentleman stated, but simply a cold-storage plant, and to reduce the number of sheep by permitting the Indians to kill the runts that are not capable of being fattened for the market. Under the present system only the best sheep are permitted to be sold on the market. This means the runts go back into the herd for breeding purposes and every year you are breeding your sheep downward and getting a poorer grade of sheep.

This is a serious situation out there. This is an economical effort on the part of the committee to better the situation of the Indians, to make a real contribution to soil conservation and to establish a cold-storage and processing plant in order to assist the Indians in helping themselves.

Mr. MURDOCK of Arizona. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I do not want to prolong this debate unduly, but I believe I would be neglectful of my duty here as a Representative of the State of Arizona if I did not oppose this amendment. This is a very vital matter in my part of the West, but it has more than a mere local interest; it has a national significance.

The Navajo Reservation is one of the largest Indian reservations in America. It has on it about 44,000 Indians, about two-thirds of that number being in the northeastern section of Arizona and the other portion in the adjoining part of New Mexico. I wish I had the words to make clear to you the real situation that exists here. From time immemorial we have spoken of the Indian as a vanishing race. The Navajo is an increasing race. They are increasing in numbers very rapidly. Ten years ago they were relatively a rich people per capita. They are a nomadic people. They live on their flocks and herds, mostly sheep. They make the splendid Navajo blankets which are without peers in that art. They have overgrazed their land, and they must cut down on their flocks. The reduction program which we have already required of them is cutting to the very quick. I know positively that there are many of these Indian families that have been cut down in their allotments so low they do not have enough sheep to support themselves according to the ancient tribal customs they have had of grazing their sheep and living in this nomadic fashion.

We must help them improve their flocks. We must give them all that science has to offer by way of new grazing possibilities, and supplement that with irrigation and cultivation projects, else we will have a greater problem on our hands of taking care of these Indians, if we make it impossible for them to take care of themselves. Furthermore, in addition to this humanitarian consideration, in my judgment, the Government's self-interest dictates our most serious attention to Navajo land.

Mr. CASE of South Dakota. I notice that $50,000 was made available for this purpose in the last appropriation bill, to which is to be added $75,000 now appropriated. Can the gentleman say whether that $50,000 has been used?

Mr. JOHNSON of Oklahoma. Will the gentleman yield to me for the purpose of answering that?

Mr. MURDOCK of Arizona. Yes.

Mr. JOHNSON of Oklahoma. The $50,000 has not been used. The Indian Office advised that because of the fact that they could not do the job in an efficient manner for $50,000, it was felt that the Indian Service could not in good faith start the undertaking; and it would not be good business to start on a plan of that kind and be forced to come back to Congress and say they could not make a go of it on that amount of money, and we thought they did the proper thing in not using the $50,000. We were assured that that was not enough to make a start.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes.

Mr. RICH. In the Committee it was revealed that they would not use any part of that $50,000 because they could not build this slaughter shop, and they wanted $125,000 before they would start. When they had the $50,000 why did not they see what they could do to help out the situation the gentleman talks about? But no, they wanted to build a slaughter shop.

Mr. JOHNSON of Oklahoma. I just explained that they could not do the job with $50,000. They knew they could not make a respectable showing to this Congress and did not propose to waste the $50,000 when they could not use it economically; and the committee, or at least some members of the committee, commended the Indian Affairs Office for not spending the $50,000.

Mr. RICH. How had the Indians always killed their sheep? They knocked them in the head and then stuck them and skinned them and then they used the meat. Why did they not do that if they wanted to get rid of these runts?

Mr. JOHNSON of Oklahoma. In the first place, they had to buy these sheep.

Mr. RICH. They had $50,000 to start with.

Mr. JOHNSON of Oklahoma. And they cost approximately about $2 a head, and then they have to fatten them, and that costs an additional amount.

Mr. HILL. Mr. Chairman, will the gentleman yield?

Mr. MURDOCK of Arizona. Yes.

Mr. HILL. The gentleman from Pennsylvania [Mr. RICH] says that the Government must not go into business. Is it not a fact that these Indians are the wards of the Government and that we owe them this duty?

Mr. MURDOCK of Arizona. That is correct.

Mr. JOHNSON of Oklahoma. And is it not a fact that every dollar is reimbursable to the Government and that the Government does not lose a dime?

Mr. MURDOCK of Arizona. Yes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The amendment was rejected.

The CHAIRMAN. The question is on the Committee amendment.

The question was taken; and on a division (demanded by Mr. RICH) there were—ayes 49, noes 10.

Mr. RICH. Mr. Chairman, I make the point of order that there is no quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twelve members present, a quorum.

So the amendment was agreed to.

The Clerk read as follows:

Industrial assistance (tribal funds): For the construction of homes for individual members of the tribes; for advances to them for the purchase of seed, animals, machinery, tools, implements, building material, and other equipment and supplies; and for advances to old, disabled, or indigent Indians for their support and burial, and Indians having irrigable allotments to assist them in the development and cultivation thereof, to be immediately available, $28,000, payable from tribal funds as follows: Rocky Boy, Mont., $3,000; Truxton Canyon, Ariz., $25,000; and the unexpended balances of funds available under this head in the Interior Department Appropriation Act for the fiscal year 1938, and the act of June 27, 1932 (47 Stat. 335), are hereby continued available during the fiscal year 1939: *Provided*, That the expenditures for the purposes above set forth shall be under conditions to be prescribed by the Secretary of the Interior for repayment to the United States on or before June 30, 1944, except in the case of loans on irrigable lands for permanent improvement of said lands in which the period for repayment may run for not exceeding 20 years, in the discretion of the Secretary of the Interior, and advances to old, disabled, or indigent Indians for their support and burial, which shall remain a charge and lien against their land until paid: *Provided further*, That advances may be made to worthy Indian youths to enable them to take educational courses, including courses in nursing, home economics, forestry, and other industrial subjects in colleges, universities, or other institutions and advances so made shall be reimbursed in not to exceed 8 years under such rules and regulations as the Secretary of the Interior may prescribe: *Provided further*, That all moneys reimbursed during the fiscal year 1939 shall be credited to the respective appropriations and be available for the purposes of this paragraph: *Provided further*, That funds available under this paragraph may be used for the establishment and operation of tribal enterprises when proposed by Indian tribes and approved by the Secretary of the Interior, and revenues derived therefrom shall be covered into the Treasury to the credit of the respective tribes: *Provided further*, That the unexpended balances of prior appropriations under this head for any tribe, including reimbursements to such appropriations, may be advanced to such tribe, if incorporated, for making loans to members of the tribal corporation under rules and regulations established for the making of loans from the revolving loan fund authorized by the act of June 18, 1934 (25 U. S. C. 470).

For an additional amount to be added to the appropriations heretofore made, for the establishment of a revolving fund for the purpose of making and administering loans to Indian chartered corporations in accordance with the act of June 18, 1934 (48 Stat. 986), and of making and administering loans to individual Indians and to associations or corporate groups of Indians of Oklahoma in accordance with the act of June 26, 1936 (49 Stat. 1967), $400,000, of which amount not to exceed $20,500 shall be available for personal services in the District of Columbia, and $100,000 shall be available for personal services in the field, for purchase of

equipment and supplies, and for other necessary expenses of administering such loans, including not more than $2,500 for printing and binding.

For the development, under the direction of the Commissioner of Indian Affairs, of Indian arts and crafts, as authorized by the act of August 27, 1935 (49 Stat. 891), including personal services, purchase and transportation of equipment and supplies, purchase of periodicals, directories, and books of reference, purchase and operation of motor-propelled passenger-carrying vehicles, telegraph and telephone services, cost of packing, crating, drayage, and transportation of personal effects of employees upon permanent change of station, expenses of exhibits and of attendance at meetings concerned with the development of Indian arts and crafts, traveling expenses, including payment of actual transportation expenses and not to exceed $10 per diem in lieu of subsistence and other expenses of members of the Indian Arts and Crafts Board, serving without other compensation from the United States, while absent from their homes, not to exceed $2,500 for printing and binding, and other necessary expenses, $41,000, of which not to exceed $16,000 shall be available for personal services in the District of Columbia: *Provided*, That no part of this appropriation shall be used to pay any salary at a rate exceeding $6,000 per annum.

Mr. RICH. Mr. Chairman, I move to strike out the last word. I call the attention of the Committee to the fact that for the expenditure of $400,000 in this item they have an overhead in the Indian Department in Washington, D. C., of $120,000 to administer the fund. If anyone thinks that is economy in Government, I would like to have him explain it to me in detail. It is certainly ridiculous that $120,500 should be spent in administering the distribution of a fund of $400,000. Why permit it? Can you see that it is unreasonable, it is exorbitant?

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not care to make any further answer than to say that this is another item that was drastically cut by the committee. This item was cut $100,000, and we think that is a very good showing.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes.

Mr. RICH. Does not the gentleman believe that the administration here in Washington should be cut if they have to use $120,000 to administer a fund of $400,000?

Mr. JOHNSON of Oklahoma. But the gentleman has forgotten that a million dollars has been heretofore appropriated.

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn, and the Clerk will read.

The Clerk read as follows:

For an additional amount, to be added to the appropriations heretofore made, for the establishment of a revolving fund for the purpose of making and administering loans to Indian chartered corporations in accordance with the act of June 18, 1934 (48 Stat. 986), and of making and administering loans to individual Indians and to associations or corporate groups of Indians of Oklahoma in accordance with the act of June 26, 1936 (49 Stat. 1967), $400,000, of which amount not to exceed $20,500 shall be available for personal services in the District of Columbia, and $100,000 shall be available for personal services in the field, for purchase of equipment and supplies, and for other necessary expenses of administering such loans, including not more than $2,500 for printing and binding.

Mr. CASE of South Dakota. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CASE of South Dakota: Page 32, line 5, after the words "Indians of," insert "South Dakota and."

Mr. CASE of South Dakota. Mr. Chairman, the purpose of this amendment is simply to accord to the Indians of South Dakota the same opportunity to make loans from this revolving fund that is offered to the Indians of Oklahoma. Under the Reorganization Act the loans are limited to Indian chartered corporations. Under the so-called Oklahoma Act, loans from the revolving fund are made to corporations of 10 or more Indians, or to individual Indians.

The Indians on reservations which have not incorporated as a whole reservation under the Reorganization Act are deprived of borrowing from this fund. The Oklahoma Act specifically provided that the Indians of Oklahoma might incorporate in groups of 10 or more and that individual loans might be made. My amendment is merely to provide that the Indians of South Dakota shall have the same opportunity as is afforded the Indians of Oklahoma.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I make a point of order against the gentleman's amendment. The gentleman well remembers that originally the Indians of Oklahoma did not come under the Wheeler-Howard Act.

Mr. DOWELL. Mr. Chairman, I make the point of order that the point of order comes too late.

The CHAIRMAN. Is the gentleman from Oklahoma discussing the point of order or the amendment?

Mr. JOHNSON of Oklahoma. I am discussing the point of order, Mr. Chairman.

The CHAIRMAN. The Chair will state to the gentleman that the point of order comes too late.

Mr. JOHNSON of Oklahoma. Then, Mr. Chairman, I make the observation that the Indians of South Dakota have not come in under the Wheeler-Howard Act. If they want to come in under the Wheeler-Howard Act and get a portion of the funds, they should do like the Indians of Oklahoma did.

As I started to say, originally the Oklahoma Indians thought they were against the Wheeler-Howard Act but they came in under it. The Indians of South Dakota should do the same if they want to take advantage of this provision, but they are not entitled to share in these privileges unless they do.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield.

Mr. CASE of South Dakota. We have a number of Indian reservations in South Dakota; there are five in my district. Some of them have come in under the act and some have not. Those that have not are, of course, excluded from borrowing from the revolving fund.

Mr. JOHNSON of Oklahoma. The gentleman's amendment, as I understand it, would permit any of the Indians of South Dakota to come in under this benefit of the act.

Mr. CASE of South Dakota. There is no reason for discriminating against the Indians, allowing some to get loans and others not.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota.

The question was taken; and on a division (demanded by Mr. CASE of South Dakota) there were—ayes 22, noes 28.

So the amendment was rejected.

Mr. CASE of South Dakota. Mr. Chairman, I make the point of order there is not a quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and nineteen Members are present, a quorum.

The Clerk read as follows:

For the development, under the direction of the Commissioner of Indian Affairs, of Indian arts and crafts, as authorized by the act of August 27, 1935 (49 Stat. 891), including personal services, purchase and transportation of equipment and supplies, purchase of periodicals, directories, and books of reference, purchase and operation of motor-propelled passenger-carrying vehicles, telegraph and telephone services, cost of packing, crating, drayage, and transportation of personal effects of employees upon permanent change of station, expenses of exhibits and of attendance at meetings concerned with the development of Indian arts and crafts, traveling expenses, including payment of actual transportation expenses and not to exceed $10 per diem in lieu of subsistence and other expenses of members of the Indian Arts and Crafts Board, serving without other compensation from the United States, while absent from their homes, not to exceed $2,500 for printing and binding, and other necessary expenses, $41,000, of which not to exceed $16,000 shall be available for personal services in the District of Columbia: *Provided*, That no part of this appropriation shall be used to pay any salary at a rate exceeding $6,000 per annum.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I call the attention of the Members to the fact that in order to get someone to teach the Indians arts and crafts they had to go down to Old Mexico. Think of it! Going into Old Mexico to find someone who could teach the American Indians how to make arts and crafts. That is what the present administration of the Bureau of Indian Affairs has done. I am for Americans first, last, and all the time, even to the first men on American soil, the American Indian. There certainly are American Indians who can get

this $7,000 salary. Why go to Mexico when we have good Americans who can qualify for the position?

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not care to make an extensive statement with reference to this matter, but it was discovered that one gentleman in connection with this work had spent a few years doing special work in old Mexico. For this reason, it seems, he should have the condemnation of the distinguished gentleman from Pennsylvania who, of course, sees no good in any part of the Indian Service. It seems, however, that this particular individual does know something about arts and crafts, and I have the word of Mr. Dodd, Assistant Commissioner of Indian Affairs, that he is the best expert in this line that could be found.

He felt they were very fortunate in getting him.

Mr. RICH. Will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield to the gentleman from Pennsylvania.

Mr. RICH. The source of my information with reference to this man being from Mexico came from the gentleman from Oklahoma [Mr. JOHNSON] himself.

Mr. JOHNSON of Oklahoma. There is no question about the fact the gentleman spent some time in Mexico. That fact was brought out in the hearings. The committee did not try to cover up anything. The fact is they are doing a good job in teaching the Indians to be self-supporting.

[Here the gavel fell.]

The pro forma amendment was withdrawn.

The Clerk read as follows:

EDUCATION

For the support of Indian schools not otherwise provided for, and for other Indian educational purposes, including educational facilities authorized by treaty provisions, care of Indian children of school age attending public and private schools, and tuition and other assistance for Indian pupils attending public schools, $5,957,165: *Provided*, That not to exceed $20,000 of this appropriation may be used for the support and education of deaf and dumb or blind, physically handicapped, or mentally deficient Indian children: *Provided further*, That $60,000 of this appropriation shall be available for subsistence of pupils in reservation and nonreservation boarding schools during summer months: *Provided further*, That not more than $15,000 of the amount herein appropriated may be expended for the tuition (which may be paid in advance) of Indian pupils attending vocational or higher educational institutions, under such rules and regulations as the Secretary of the Interior may prescribe: *Provided further*, That formal contracts shall not be required, for compliance with section 3744 of the Revised Statutes (41 U. S. C. 16), for payment (which may be made from the date of admission) of tuition and for care of Indian pupils attending public and private schools, higher educational institutions, or schools for the deaf and dumb, blind, physically handicapped, or mentally deficient: *Provided further*, That not to exceed $10,000 of this appropriation may be used for printing and binding in authorized Indian-school printing plants: *Provided further*, That no part of any appropriation for the Bureau of Indian Affairs shall be available for expenses of travel for the study of educational systems or practices outside the continental limits of the United States and the Territory of Alaska.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I desire to call the attention of the members of the committee to some facts pertaining to the subject of Indian education. I have tried heretofore to call your attention to the great expense connected with the Indians.

Education is pertinent, but we ought to do it from an economical standpoint. I call attention to the fact that in my home community we have a schoolhouse which takes care of 125 pupils up to the eighth grade. The cost of operation is about $5,500 a year, or $44 for each pupil. We think we have good public schools and good teachers.

May I call attention to some of the schools under the supervision of the Indian Bureau? Let us take the Aneth School, in the Navajo area. The cost of construction of the building to house 19 students was $28,252.51. During the year 1935–36 it cost $4,771.30 to run the school, or an average of $251 per pupil.

Let us take the next one at Crystal. The total cost of construction of building was $54,450.16. The operating cost last year was $7,967.85. There were 33 pupils. The average cost was $241 per pupil.

Here is another one at Denehotso. Cost of construction, $94,294.57; operating cost last year, $8,303.98. It cost an average of $246 to educate the 24 pupils at that school.

Here is another one at Kin Lee. Total cost of construction, $53,125.39. Operating cost last year, $47,319.53. It cost on an average $333 for each of 142 pupils attending that school.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from New York.

Mr. FITZPATRICK. Do the figures which the gentleman is giving include the cost of construction of the building?

Mr. RICH. No. My figures include only the cost of operation for 1 year and do not include the cost of building.

I cite these figures to show how much we spend to build a school building out there. It is very expensive. In my own home town we spent $30,000 to build a school for 125 children. You are doing more for the Indians than you are doing for your own people back home, and they are well taken care of. In our effort to give an education to the Indians it is costing three, four, or five times as much.

What are your taxpayers in New York going to say? What are they going to say to you when you give these Indians an education costing so much—much more than you pay for your own children?

Mr. FITZPATRICK. May I say that in the State of New York we spend $137 for each pupil. What does the gentleman's State spend?

Mr. RICH. The State of New York spent $134. That is the highest cost of any State in the Union.

Mr. FITZPATRICK. We have the best system of education, too.

Mr. RICH. If the State of New York spends $134, that is about half as much as it is costing to educate some Indian pupils.

Mr. FITZPATRICK. What is the average cost for all the Indian pupils throughout the United States?

Mr. RICH. If you will look over the record for the Navajo area, the gentleman will find it cost a whole lot more than it cost to run the schools in the State of New York. The State of Pennsylvania ranks as good if not better than the State of New York, and in that State it only costs $107 per pupil. I understand that down in Alabama it only costs $25 a pupil. In my home town, as I stated, it cost $44 for each pupil. Here you are spending up to two and three hundred dollars to educate these Indians, eight or nine times as much as our own children.

Mr. Chairman, there is no rhyme or reason for the overhead which is involved in the education of these Indians. I cannot do any more than call this to your attention.

Mr. FITZPATRICK. The gentleman wants to be fair?

Mr. RICH. Surely.

Mr. FITZPATRICK. Can the gentleman give us what it costs on the average throughout the entire United States to educate the Indians?

Mr. RICH. No. I have not the figures here.

Mr. FITZPATRICK. Do not pick out one particular place, which may be 40 or 50 miles away from a community. They may have to have a bus and driver to bring in the teachers from a distant part of the country and things of that kind. I understand there are some twenty or thirty thousand Indians without any education at all.

Mr. RICH. Then let us give those twenty or thirty thousand Indians some education and not spend three or four hundred dollars apiece on a few of them.

Mr. FITZPATRICK. Give us the average. Do not pick out one particular section. That is the proper way and the fair way. I know the gentleman wants to be fair.

Mr. RICH. I have not figured it out and I cannot give it to you. If I could, I would. May I call attention to Navajo Mountain. Does the gentleman know where that is?

Mr. FITZPATRICK. The gentleman may explain where it is.

Mr. RICH. I do not know where it is. The cost of construction of the school out there was $32,301.59. The operating cost last year was $4,523.83. The average cost for the 10 pupils was $452.

[Here the gavel fell.]

Mr. CRAWFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, as a member of the Indian Affairs Committee of the House, having been appointed to that committee subsequent to the passage of the Wheeler-Howard Act, I have had many questions come up to which I have not had a satisfactory answer. In connection with the educational provisions of this bill I notice from the hearings that in some places 95 percent of the Indian children are still unable to speak English, and this after many millions of dollars have been spent down through the years.

When we study this fact in connection with some of the charges which have been made by Indians as to the administration of the Wheeler-Howard Act—and I hold in my hand a copy of charges prepared by Mrs. Alice Lee Jemison, Washington representative of the American Indian Federation—and which have been more or less refuted by the Commissioner of Indian Affairs, I wonder if a situation may develop through the cross-currents of that act as related to education, assuming the statements of Mrs. Jemison are partially true, that may in years to come create a class hatred and a disrespect for our institutions and the Anglo-Saxon religion that may at a subsequent time lead to more or less crime among our Indians.

I have looked over the very large figures just presented by the gentleman from Pennsylvania. I am not so uneasy about the amount of money spent per pupil, provided the Indian children are educated into being genuine American citizens who will respect our laws and protect our institutions and our form of government. If the charges which have been made against the administration of the Wheeler-Howard Act in connection with educational activities are true, half true, or even 25 percent true, I wish there were ways to establish the facts. When these matters are heard before the Committee on Indian Affairs, one person makes a statement and another one refutes it. I do not know of any practical way for us to establish the truth. I assume this statement I hold in my hand is available to all Members of the House. If after analyzing it we should find there is anything at all true in it, we should certainly do something. If radicalism is being taught under the administration of the Wheeler-Howard Act, as it is claimed, this practice should be done away with. It seems to me the Committee on Appropriations has a great deal to do with the funds for providing such teaching. Let me say it another way. If radical tendencies are to exist any place in our Government, they should be the kind of radicalism that has been shown by the Federal Bureau of Investigation, in that Mr. Hoover and his capable aides have used some radicalism in eliminating some of the dangerous characters we have in this country.

Mr. FLETCHER. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Ohio.

Mr. FLETCHER. Does the gentleman mean to say the Commissioner of Indian Affairs cannot tell the Committee on Indian Affairs the right answer to these questions?

Mr. CRAWFORD. As a member of that committee, I have not had a satisfactory answer on that matter at any time.

Mr. FLETCHER. Does the gentleman mean representatives of the Bureau evade the answer?

Mr. CRAWFORD. Refutations are made in the most vague manner, as I understand the word "vague."

Mr. FLETCHER. May I say it would seem to me the cost of education of these Indians is excessive as compared with the cost of education throughout the United States. There certainly ought to be some means of finding out why this expense is excessive.

Mr. CRAWFORD. This is what you are up against as a practical proposition. Indians come in and make statements with reference to these teachings that are being carried on in the Indian schools under the Wheeler-Howard Act. Then the head of the Bureau of Indian Affairs makes a statement contrary to that. Whose statement are you going to take—that of the Indians or that of the man in charge of such matters at the Office of Indian Affairs?

Mr. FLETCHER. Cannot a break-down be obtained as to the items entering into the overhead of this activity?

Mr. CRAWFORD. Does the gentleman mean as to the cost of education?

Mr. FLETCHER. Yes.

Mr. CRAWFORD. No; the appropriations do not come before the Committee on Indian Affairs. Let me repeat, Mr. Chairman, that what I am interested in primarily is that when we do educate Indians or white people we drill into them those principles of life which go toward making a law-abiding citizen, one that has respect for constituted authority, local, State, and National. When one makes a study of the growth of crime in this country he finds that it has developed into a great organized industry with agents and supporters everywhere. It is time we gave some very serious thought to this institution we call our school system. If we are to permit to be taught disrespect for our religious institutions and those pertaining to our form of government we may rest assured there will be a great need for more jails, penitentiaries, insane asylums, and reformatories than we have ever made use of heretofore. Incidentally, we will need more good men in the Bureau of Investigation as the institution of crime grows and spreads its wings over our people.

CRIME BARONS HATE THE G-MEN

Mr. Chairman, the American people today are agreed that there shall be no compromise with crime. With an annual crime bill more than twice as large as the cost of operating the Federal Government for the current year, it is no time for mollycoddling. Neither is it a time for sniping at law-enforcement officers conscientiously striving to overcome the forces of evil and endeavoring to make the United States a safe place in which men, women, and children can travel the streets and the highways without fear of being pounced upon by some creature of the underworld.

I repeat, if radical tendencies are to exist any place in our Government it should be the kind of radicalism shown in the last few years by the Federal Bureau of Investigation in its relentless drive to minimize in America the rule of the hoodlum and the gangster.

Without question more has been done by the Federal Bureau of Investigation than by any other group to smash organized gangsterism, to keep down the annual crime toll paid by American citizens in life, agony, and money, and to focus attention of the youth of the Nation on those terse words "crime never pays."

The G-men, as they are popularly known, have come to be loved by law-abiding citizens and hated by the parasites of crime, and because J. Edgar Hoover, Director of the F. B. I., has turned the national spotlight on the criminal who gluts himself on the ill-gotten gains of his craft at the expense of honest citizens, and because Mr. Hoover has streamlined criminal warfare, there are those who would and do speak disparagingly of his activities.

It is my desire at this time to call the attention of the House to the splendid work carried on by the Federal Bureau of Investigation and to defend Mr. Hoover against one of the latest attacks against his activities. The matter referred to appears editorially in the current issue of the Journal of Criminal Law and Criminology, a Chicago publication of the American Institute of Criminal Law and Criminology, whose self-styled objective is "to further the scientific study of crime, criminal law, and procedure, to formulate and promote measures for solving the problems connected therewith, and to coordinate the effort of individuals and of organizations interested in the administration of certain and speedy justice." Were it not for the fact that certain newspapers have given print to excerpts from the editorial, I would not consider the unwarranted and inconsistent features involved as worthy of our consideration.

Appearing on a page facing the previously mentioned objectives of the institute and written over the signature of Newman F. Baker, the editorial attack begins by quoting some terms which Mr. Hoover has so aptly applied to the criminal. Among them are "scum from the boiling pot of the under-

world," "public rats," "lowest dregs of society," the "octopus of the underworld," and many other terms. Whatever can be accomplished by publicly castigating the chief G-man for so ably labeling criminals is not plain in the editorial, but a person needs to be struck but once with the fangs of one of these serpents of Satan to have his own vocabulary of bolder and more stinging indictments against the criminal.

NO LAVENDER-AND-LACE PROPOSITION

Surely we have not reached a point in our dealing with the criminal, to whom the word "consideration" is foreign, where we must adopt select soft-toned phraseology in discussing his activities. He has become more daring and certainly should not object to having more daring terms applied to him. With an approximate increase of nearly 100,000 in the Nation's major crimes last year over 1936, it is certainly no time for Mr. Hoover and his G-men or any other police group, to revert to a lavender-and-lace role in dealing with criminals, irrespective of what Mr. Baker and his experts in criminology might believe should be said.

Admitting that Mr. Hoover's utterances "served a useful purpose in debunking the 'Robin Hood' type of outlaw," Mr. Baker has an editorial feeling that the Hoover utterances now "are working real harm to his own Department."

Jerking the criminal from behind the shadow of the underworld and revealing him in his true form—"public rat," to quote Mr. Hoover—may have this harmful effect, it may eventually reduce the underworld population in one manner or another to the extent that some of the G-men may lose their jobs from scarcity of work due to diminishing ranks of criminals. That would be too bad, even for the income for the professional services of the criminologists.

Apparently the Department of Justice, under which Mr. Hoover works, has not noticed any bad effects on the F. B. I. from Mr. Hoover's efforts to stir up public indignation against the underworld and maladministered parole systems. Neither have I heard of any Members of Congress receiving complaints of that nature from their constituents.

It is no secret that Mr. Hoover has condemned in no uncertain terms the loose and lax parole systems in operation in many States. One has only to look at the roll of martyrs of the Federal Bureau of Investigation and then refer to the records of the warped-brained gunmen whose pistols left in their wake dead Federal officers and then widows and orphans to realize that there is foundation for Mr. Hoover's urge for a clean-up of the parole system. That record alone—G-men shot in their tracks while attempting to protect society and enforce the laws which the United States Congress enacted—would not only cause the blood to course faster through the veins of the chief G-man but should cause every Member of this Congress to get behind him to a man in his effort to excavate and obliterate the underworld.

PAROLEES KILL FEDERAL BUREAU OF INVESTIGATION AGENTS

I would like to call the attention of Congress to the fact that since 1925, 11 agents of the Federal Bureau of Investigation have been killed in line of duty. The first G-man to become a victim was Edwin C. Shanahan, who was shot down by Martin Durkin, a confirmed criminal. In the Kansas City Union Station massacre, Agent R. J. Caffrey and the Kansas City chief of police and two of his detectives were killed in an ambush of paroled convicts headed by the desperado "Pretty Boy" Floyd. Two gunmen, Richetti and Miller, who participated in the ambush, were paroled men, and Floyd was an escaped prisoner. Agents W. Carter Baum, Herman Hollis, and Samuel P. Crowley all met death at the hands of thrice-paroled "Baby Face" Nelson. Agent Wimberly Baker was mortally wounded by two paroled convicts. Agent Truett E. Rowe was shot by Guy Osborne, a criminal with a probationary sentence to his credit.

Thus we see that 5 agents of the Federal Bureau of Investigation have been mowed down in gunfire of 7 paroled convicts, leaving 4 women widows and 6 children rendered fatherless. Is it any wonder Mr. Hoover identifies the crime dogs in plain, understandable American terms? When he sees the prime of youth enlisted in the services of their country in the war against crime, murdered by paroled convicts, is it any wonder he is ambitious in his drive against a too loose parole system?

HOOVER AND FIRST OFFENDERS

Mr. Baker falsely and unjustly labels Mr. Hoover as "the chief exponent of the catch 'em and hang 'em method of dealing with criminals." Had he taken the same pains to delve into the statements of Mr. Hoover as he did in culling from those speeches a few of what he termed "mosaics," he would have found Mr. Hoover saying in his December speech in New York:

> There is no fault whatever to find with any parole system that honestly releases the first offender after he has served a definite period of time and then closely supervises his activities in a proper way after his release so that he may remake himself into a respectable citizen.

And to further quote from Mr. Hoover:

> No efficient law-enforcement officer anywhere ever uttered one word against the legitimate use of parole, against the true theory of parole, against the efficient administration of parole as it really is intended to be—that of regenerating the first offender.

These statements I have quoted were made by Mr. Hoover before a public assembly. They were available to the press and, no doubt, appeared in the papers. Apparently Mr. Baker, in launching his own gum-shoe detective campaign to run down phrases used by Mr. Hoover which the criminal might abhor, has strained at a gnat and swallowed a camel.

THIS IS NOT CONSISTENT

Assuming the role of the great exponent of the parole system, Mr. Baker's hurt feelings at some of Mr. Hoover's remarks about "that filth encrusted scandal, the parole problem" is not consistent with previous writings in that same publication and by an officer of the same institute for which he speaks.

In a previous issue of that magazine Mr. Henry Barrett Chamberlin, president of the Institute of Criminal Law and Criminology—the organization of which Mr. Baker is secretary—stated:

> In some States parole administration is a farce. In others it is so interwoven with politics as to be a menace. * * * One of the difficulties has been the secrecy as to method, the political appointments of incompetents, and the failure to realize that it is time to break down the traditional attitude of secrecy and give intelligent, constructive general information, keeping in mind that the basic idea is to guard the interests of society rather than cater to the convenience and comfort of the parolee.

Mr. Hoover never made a more stinging indictment of parole administration than that.

In his discussion Mr. Chamberlin does some unmasking himself with his summary of the Illinois parole problem by stating—

> Approximately one-half of the men paroled violate parole within a 3-year period after release from the institution. These figures do not agree with published statistics calculated upon a false basis.

The editorial attacking Mr. Hoover attempts to strengthen his point by quoting a resolution of the American Prison Association reaffirming its belief in parole as the method of releasing offenders, but the writer does not include the quotation of the president of that same American Prison Association who said—

> Just so long as dangerous or habitual criminals are turned loose in the community after serving a very brief term for a serious offense, whether by mistaken judgment of the parole authority or by political or other pressure, just so long will danger to the community and antagonism toward the parole system exist.

G-MAN'S CRITICS OUTNUMBERED

Thus we find the writer of the critical editorial outnumbered by his own forces on the subject of criticism of maladministration of parole—on the one hand by a high officer of the association he himself quotes, and on the other by the president of his own organization.

There must be no alliance between the criminal and the political officeholder, and I am glad we have a man at the head of the Federal Bureau of Investigation who has had the intestinal fortitude to fearlessly and openly wage an unceasing campaign against parole abuse.

Police records are replete with instances of parole abuses. Yet we will have criticism heaped upon our heads because we point a finger at the parolee who commits a crime after his release and because we overlook the parolee who has made good. It is not the paroled men with determination in their hearts to make good who provoke the wrath against the system. It is the men who should not have been paroled in the first place that leave a besmirched trail from the prison door that makes the going all the more hard for the man who wants to go straight upon his release under parole.

THE DILLINGER EXAMPLE

John Dillinger was out on parole when he started a trail of bank robberies that led across Ohio, Indiana, Michigan, and Illinois. Clyde Barrow was a parolee when he killed a deputy sheriff and two highway policemen in Texas. Alcide Benoit was on parole when he killed a State trooper in my own State. Alton Hansen had been paroled twice when he killed two officers in Montana. Jack Printz was paroled and a month later killed an officer in Colorado.

The Ninety-first Annual Report of the Prison Association of New York contains some statistics worthy of serious thought in consideration of the parole problem. That association obtained information from 133 different institutions, and it found that 42 institutions had no parole officers for 12,182 parolees, and 36 institutions had 1 parole officer each—or a total of 36—for 8,566 parolees. The most any one institution had was 9 parole officers, and they had under them 6,148 parolees. Further study of the findings of the association reveals that there were 191 parole officers supervising 46,613 parolees.

It has been estimated by the Prison Association of New York that not more than six or seven States and the Federal Government have what can be termed suitable and scientific methods.

The root of our evil is not a matter of Federal jurisdiction. When the people of the States become sufficiently aroused to jam the brakes on the machinery by which a felon with a previous record may be carelessly paroled, and when parole systems are divorced from politics, then we may find reason to be more soft-spoken about turning men with criminal records back onto society.

MAIL-ORDER PAROLES

The need for a uniform system of parole management is apparent. Criminals no longer confine their activities to one city or one State. They have adapted their activities to the speed and range of the automobile and of the airplane. A criminal might be subject to parole in one State while in another he would be ineligible. The systems of the various States have differed broadly in recent years. In one State, for instance, there is no parole board, and all prisoners, except life-termers, are subject to parole at the expiration of their minimum sentence, at the will of the Governor. Another State has a board that meets once a month to consider paroles, but has no parole officers, and its only method of contacting the parolee is by mail. Another State has nearly 3,000 men on parole, with 1 man to supervise them—by mail. Another State has a board, but the secretary makes the prison visits and keeps in touch with the parolee—by mail. From these systems one can readily understand why Mr. Chamberlin referred to parole statistics "calculated upon a false basis." Sincere parole-system enthusiasts would have us believe the record of parolees who go bad after their release is extremely low. Without uniform parole records it is impossible to definitely prove a low rate.

Until some other system of checking on parolees is adopted other than that of no supervision or contact at all or that of merely mail correspondence with them, I am inclined to take the word of the persons who are hired to protect society from the criminal. The chief of detectives in one of our southern cities said, "Sixty percent of the time of our department is spent in running down crimes committed by paroled convicts and 65 percent of the above-mentioned crimes are committed by paroled, former, or escaped convicts." The attorney general in a western State comments, "The present parole system is not working. It fails to protect society and fails to rehabilitate the criminal." According to published reports Mr. Chamberlain, head of the institute whose organ criticizes Mr. Hoover's attack on the parole system, himself estimated in a study that 50 percent of all parolees resume criminal careers.

THE GOVERNMENT RECORD SPEAKS

From an official United States Government publication, Uniform Crime Reports, in the current issue we find figures showing that 13,602 persons were convicted in 23,869 crimes. This record further shows that 2,802 of these criminals were recipients of paroles on various occasions during their careers of lawlessness and in 1,014 cases they were thereafter arrested before the expiration of their parole period. In other words 36.2 percent of the paroles extended to these major criminals were violated by the recipient. In addition there were 1,126 persons who apparently lived within the law during the parole period but who were arrested subsequent to the expiration of the parole. This indicates that 76.4 percent of the 2,802 major criminals who were given paroles were subsequently arrested either while on parole or after expiration of the parole period. The report further shows that with reference to the 1,014 individuals arrested while on parole, the records indicate that two-thirds of them were charged with murder, rape, robbery, kidnaping, and other felonies.

With these undisputable figures in his possession I say it is no wonder Mr. Hoover lets his enthusiasm for better parole regulations wax bold and I commend him for it.

G-MEN HIGHLY TRAINED

The editorial to which I have referred inquires, "Where does he [Mr. Hoover] get his authority to speak as a criminologist?" Personally I have never seen the title affixed to Mr. Hoover's name in either the United States Government Manual or the Official Directory. I would rather think of him and his G-men as fearless, hard-hitting crime crushers than have them labeled with all the three-dollar words known to the professors. Mr. Hoover is a career man in Federal service. He joined the Department of Justice over 20 years ago and with energy and ambition worked his way tc the position he now holds. His associates are all highly trained men—83 percent either having had legal training or were experienced accountants before entering the Bureau. Of the investigative personnel 533 of the 680 agents have university degrees, and of this group 293 have 1 degree, 233 have 2 degrees, 14 have 3 degrees, and 3 have 4 degrees.

The G-men's unit may only be a drop in the bucket, as the editorial writer infers, but that group has been placed in the peculiar position of being the agency assigned to rout out and be brought face to face with the most heartless, cold-blooded, reptilious monsters that ever preyed upon the American people.

It is one thing to sit in a swivel chair and split hairs over technical titles and draw unjustified inferences, and it is still another thing to go out with your men and actually corner these creatures of crime. The F. B. I. belongs to the latter school.

And in final reference to Mr. Baker's grossly misleading editorial charge that there is resentment among local police units, let me read to you a part of a resolution adopted at the recent convention of the International Association of Chiefs of Police. They resolved:

> That the membership of this association go on record hereby as endorsing fully the splendid and outstanding work of the said J. Edgar Hoover and the Federal Bureau of Investigation during the past year and thanking him for his fine assistance.

This should conclusively refute another of the idle claims as published.

CRIME BARONS MUST GO

With a record of one criminal homicide in the United States every 39 minutes in 1937, with some citizen robbed every 9 minutes, and with someone's car stolen every 2½ minutes, it is time we put a stop to coddling criminals. It is not a time to sit on the side line and shout, editorially or otherwise, for law-enforcement agencies to split their ranks.

With a 1937 record of 1 out of every 97 persons falling the victim of a serious crime, we shudder with fear as we wonder what member of our family or what friends will be the prey pounced upon in the 1938 conquest of the crime barons.

Neither the G-men nor any other police agency should pull their punches until America is rid of criminals. As legislators we must cooperate and determine to take the profits out of crime as well as out of war. The criminal is already an invader of our home soil, and the felon is as ruthless in pouncing upon innocent victims and as inconsiderate of the lives of women and children as any heartless group of air-raiding warriors ever thought of being.

The pro forma amendments were withdrawn.

The Clerk read as follows:

Reindeer Industry, Alaska: For an investigation, under the direction of the Secretary of the Interior, of the property and reindeer to be acquired for the natives in Alaska, as authorized by the act of September 1, 1937 (50 Stat. 900), $25,000, to be immediately available: *Provided*, That this appropriation shall be available for personal services in the District of Columbia (not exceeding $5,000) and elsewhere, and for traveling and all other expenses incident to such investigation.

Mr. DIMOND. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DIMOND: On page 58, line 10, change "$25,000" to "$50,000."

Mr. DIMOND. Mr. Chairman, under the so-called Reindeer Act which was passed by Congress and approved by the President in the summer of 1937, an appropriation was authorized of not to exceed $2,000,000 for establishing a reindeer industry in Alaska for the benefit of the natives. The act authorizes the purchase of all the reindeer owned by others than natives of Alaska, the holding of them by the United States for the benefit of the natives, and ultimately the distribution of the reindeer among the natives. The act also provides that under the direction of the Secretary of the Interior the industry shall be established, which of course, would include limited marketing facilities, particularly in Alaska. The Reindeer Act is wise and statesmanlike. It was thoroughly debated on the floor of the House and finally passed and approved by the President.

When request was made of the Subcommittee on Appropriations this year for an appropriation of $1,000,000 to carry out the purposes of the act, the appropriation was denied for that purpose, and instead we find the language now in the bill, with an appropriation of $25,000, which, I understand, is intended to permit the Secretary of the Interior through the Office of Indian Affairs to make the necessary round-ups and general investigations in order to submit to the committee at the next session of Congress a more detailed plan. I have conferred with the representatives of the Office of Indian Affairs about this matter, and they say in order to do a good job and to be able to furnish the information the committee requires more than $25,000 will be necessary. Therefore, I ask that the amount be increased from $25,000 to $50,000. The fact that I offer this amendment does not mean that I agree with the action of the subcommittee in denying the full sum of $1,000,000 which was requested, and which was approved by the Bureau of the Budget. In fact, it is a tragedy that the full sum asked for is not in the bill now. The prompt appropriation of the entire amount authorized would ultimately result in marked economy and would end promptly and forever the distressing conditions which now exist particularly in Seward Peninsula with respect to the ownership of reindeer and the use of the available range. In my judgment, no further investigations of the subject are necessary, and the money so to be used for investigations should rather be used to carry out the purposes of the act. But it appears that further information is desired, and to secure that information with the degree of detail required it will be necessary to have round-ups of the reindeer on a scale not otherwise required, thus necessitating the employment of many herders as well as the compilation of a mass of detailed statistics, all of which will require money. From my personal knowledge of conditions I am convinced that $25,000 will not be sufficient to do the job in such comprehensive fashion as will produce the data desired by the subcommittee, and therefore I am reluctantly asking that the amount be increased to $50,000, in order that there may be no further delays.

As soon as the proposed amendment which is now under consideration is disposed of, I shall offer another amendment to provide that the herders and other personnel may be employed for the purposes described in the paragraph without regard to civil-service laws and regulations. The contemplated employment of additional personnel will be temporary. Many and probably most of the people to be employed will be native herders of reindeer. How the Civil Service Commission can prescribe an examination to qualify or select native reindeer herders is beyond my knowledge. Such a selection of reindeer herders through an examination of the Civil Service Commission would be impracticable if not impossible. So the only sensible thing to do is to waive the civil-service rules and regulations for these particular employees of the Government.

The only reason why I am not now asking for $2,000,000 or $1,000,000 to carry out the purposes of the Reindeer Act is because I realize that in the present temper of the House such an amendment would be defeated. Therefore I ask, instead, for an increase from $25,000 to $50,000 of the amount set up to make the investigations required. But it is to be hoped that before the bill is finally passed at least $1,000,000 will be included therein to carry out and fulfill promptly the intent and purpose of Congress in passing the Reindeer Act, and thus at once turn all of the reindeer in Alaska over to the natives of the Territory, and make a wide distribution of the reindeer among all of the natives of Alaska who can make proper use of them.

Mr. JOHNSON of Oklahoma. Mr. Chairman, there is no objection to the amendment. The committee is of the opinion that $50,000 is the minimum that can be used for this purpose, and feels, further, that the committee is entitled to a complete and exhaustive study of the situation so we may have definite information on which to act next year.

Mr. TABER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, on this first occasion anyone has had the temerity to attempt to increase one of these appropriations, we have the spectacle of the ranking member of the subcommittee agreeing to accept the increase instead of standing by the subcommittee's own report and the action of the Committee on Appropriations. How it can take $50,000 to get any kind of a report on the situation of these reindeer that would be satisfactory, how any such amount can possibly be required, is beyond all reason. I hope the members of the committee will reject this amendment and stick to the original amount recommended by the subcommittee and the full Committee on Appropriations.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Alaska.

The question was taken; and there were (on a division demanded by Mr. TABER)—ayes 33, noes 13.

Mr. TABER. Mr. Chairman, I object to the vote on the ground a quorum is not present.

The CHAIRMAN. The gentleman from New York [Mr. TABER] makes the point of order there is not a quorum present; the Chair will count. [After counting.] One hundred and two Members are present, a quorum.

So the amendment was agreed to.

Mr. DIMOND. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DIMOND: Page 58, line 14, strike out the period, insert a colon and the following: "*Provided further*, That the Secretary of the Interior may employ personnel under this authorization without regard to civil-service laws, rules, and regulations, and the Classification Act of 1923 as amended."

Mr. TABER. Mr. Chairman, I make the point of order against the amendment that it is legislation on an appropriation bill.

The CHAIRMAN. Does the Delegate from Alaska desire to be heard on the point of order?

Mr. DIMOND. No, Mr. Chairman. I understand it is subject to a point of order.

The CHAIRMAN. The Chair is of the opinion that the amendment would be legislation on an appropriation bill and therefore sustains the point of order.

The Clerk read as follows:

Expenses of tribal councils or committees thereof (tribal funds): For traveling and other expenses of members of tribal councils, business committees, or other tribal organizations, when engaged on business of the tribes, including supplies and equipment, not to exceed $5 per diem in lieu of subsistence, and not to exceed 5 cents per mile for use of personally owned automobiles, and including visits to Washington, D. C., when duly authorized or approved in advance by the Commissioner of Indian Affairs, $50,000, payable from funds on deposit to the credit of the particular tribe interested: *Provided*, That, except for the Navajo Tribe, not more than $5,000 shall be expended from the funds of any one tribe or band of Indians for the purposes herein specified: *Provided further*, That no part of this appropriation shall be available for expenses of members of tribal councils, business committees, or other tribal organizations, when in Washington, for more than a 30-day period, unless the Secretary of the Interior shall in writing approve a longer period.

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph that it is legislation on an appropriation bill and not authorized by law.

The CHAIRMAN. Will the gentleman cite the language he objects to?

Mr. TABER. I do not believe there is any authority for it, and there is language in the provision that creates additional duties for the Secretary of the Interior, referring to lines 1 and 2 on page 64. There is no authority for any of it, as I understand.

Mr. JOHNSON of Oklahoma. Mr. Chairman, to what portion of the paragraph does the gentleman object?

Mr. TABER. The paragraph is designed to let the Secretary of the Interior permit these Indians to take a junket to one place or another and to come to Washington or go anywhere else and to deplete the funds of the tribe. It also gives him a chance to let them spend all the money without any authority of law whatever.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not desire to be heard on the point of order. As I understand, the matter against which the gentleman raises a point of order is at the bottom of page 63.

The CHAIRMAN. The gentleman from New York makes a point of order against the entire paragraph on the ground it is an appropriation unauthorized by law.

Mr. TABER. There is no authorization for any of it.

The CHAIRMAN. The Chair sustains the point of order.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Oklahoma: Page 63, line 8, insert:

"Expenses of tribal councils or committees thereof (tribal funds): For traveling and other expenses of members of tribal councils, business committees, or other tribal organizations, when engaged on business of the tribes, including supplies and equipment, not to exceed $5 per diem in lieu of subsistence, and not to exceed 5 cents per mile for use of personally owned automobiles, and including visits to Washington, D. C., when duly authorized or approved in advance by the Commissioner of Indian Affairs, $50,000, payable from funds on deposit to the credit of the particular tribe interested: *Provided*, That, except for the Navajo Tribe, not more than $5,000 shall be expended from the funds of any one tribe or band of Indians for the purposes herein specified."

Mr. TABER. Mr. Chairman, I make the point of order against the amendment that it is not authorized by law and that it creates additional duties for the Commissioner of Indian Affairs and, generally, that the entire matter is unauthorized.

Mr. JOHNSON of Oklahoma. Mr. Chairman, this is authorized under the Snyder Act, and I call attention to title XXV, section 13, which clearly authorizes this expenditure.

The CHAIRMAN. Does the gentleman from Oklahoma have any authorization of law that he can call attention to with respect to tribal councils making business trips to Washington? This does not seem to be included in the section to which the gentleman has called attention, although the Chair has read the provision hurriedly.

Mr. JOHNSON of Oklahoma. I call the attention of the Chair to the last paragraph of the section, "and for general and incidental expenses." It is certainly necessary for the Indians to come to Washington, under a broad interpretation of this law, to take part in the administration of their affairs. This item has been in the bill from year to year and there has never been any question raised about it.

The CHAIRMAN. The Chair is ready to rule.

The item to which the point of order is leveled includes—

Expenses of tribal councils or committees thereof (tribal funds): For traveling and other expenses of members of tribal councils, business committees or other tribal organizations, when engaged on business of the tribes, including supplies and equipment, not to exceed $5 per diem in lieu of subsistence, and not to exceed 5 cents per mile for use of personally owned automobiles, and including visits to Washington, D. C., when duly authorized or approved in advance by the Commissioner of Indian Affairs—

And so forth. The item to which attention has been called in the last paragraph of section 13, title XXV, United States Code, includes the following language:

And for general and incidental expenses in connection with the administration of Indian affairs.

It does not seem to the Chair that this language is sufficient to include the various items that are included in the amendment offered by the gentleman from Oklahoma, and the Chair therefore feels constrained to sustain the point of order.

The Clerk read as follows:

For construction, improvement, repair, and maintenance of Indian reservation roads under the provisions of the acts of May 26, 1928 (25 U. S. C. 318a), and June 16, 1936 (49 Stat. 1521), $1,000,000, to be immediately available and to remain available until expended: *Provided*, That not to exceed $11,200 of the foregoing amount may be expended for personal services in the District of Columbia: *Provided further*, That not to exceed $100,000 of this appropriation shall be available for purchase, lease, construction, or repair of structures for housing road materials, supplies, and equipment; and for quarters for road crews; but the cost of any structure erected hereunder shall not exceed $7,500.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Oklahoma: Page 64, line 13, after the statute reference, strike out "$1,000,000" and insert "$1,500,000."

Mr. JOHNSON of Oklahoma. Mr. Chairman, in offering the pending amendment I desire to make it plain that I am not presenting this as a committee amendment, but upon my own responsibility. The facts presented the subcommittee were so overwhelming in showing the dire need for additional funds from every possible standpoint that I feel justified in offering this amendment. Evidence was brought before the subcommittee that road conditions in the Indian reservations are deplorable, that need for road building is probably the greatest of the many needs in the Indian Service. Yet in spite of those facts, the Bureau of the Budget, for some reason unknown and unexplained to our committee, cut the estimates for roads in Indian reservations from $3,000,000 expended during the current year to $1,000,000 for the next biennium. I have personally visited several of those reservations, and have gone over some of these so-called trails and roads and know first hand something about the urgent needs for road improvement. Yet the Indian Service took the greatest cut of any department in the matter of funds for road building. The subcommittee having heard the evidence decided that the Budget's estimates in this particular ought to be increased considerably. There were some of us who thought it should be placed back to the amount appropriated last year which, as I stated, was $3,000,000. Others thought it ought to be increased to $2,000,000. Finally because of the pressing need to curtail expenses, a need that all Members recognize fully, the subcommittee agreed on the sum of $1,500,000 for roads for the entire Indian Service. This represents only one-half of the amount appropriated last year for that vast area representing more square miles than the combined area of two or three eastern States.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Oklahoma. Yes.

Mr. MURDOCK of Arizona. Has the gentleman ever attended a Hopi dance at Walpai or one of those sky cities in Arizona?

Mr. JOHNSON of Oklahoma. No; I have never had the pleasure of attending one of those functions.

Mr. MURDOCK of Arizona. In August when thousands of people attempt to go there, they find themselves marooned on these boggy roads in that part of the State. That is one illustration of what the gentleman is saying.

Mr. JOHNSON of Oklahoma. I am sure that is true. On the other hand, in the hot, dry, dusty summertime, I am told that in many reservations the roads and trails are something terrible. For that reason a majority of the subcommittee felt that we ought to have at least 50 percent of the amount that was expended for the same purpose last year. However, in the full Appropriations Committee, by a very close vote, as a matter of economy, this item was cut $500,000. This amendment, I again remind you, simply proposes to put it back to 50 percent of the amount appropriated last year, as recommended by the subcommittee.

Permit me to remind Members that recently four mayors came down to Washington from four great American cities and, after much discussion, told the President, the Congress, and the country what was needed to end this business recession. It is significant that every suggestion they made was a proposal for something for the big cities. Members from great rural sections have been glad to support the housing program for the cities, and I am unable to believe that you Members from the city districts are going to join in this move to practically eliminate the road building on Indian reservations. Here is an opportunity to do something for the folks away out from the cities in the rural sections, who are unable to help themselves. The situation is not only deplorable so far as roads are concerned, but more than 10,000 landless Indians, with no other income, worked on the roads in question last year, and when you eliminate this appropriation you force many of those Indians on relief. You are not going to make a great saving. Do not kid yourselves into thinking that you are making an appreciable saving. We know if this $500,000 is expended on a road program that it will be a permanent contribution to the country and at the same time keep 10,000 landless and needy Indians at work. Gentlemen, upon my own responsibility, I offer this amendment and tell you that every dollar and more is needed. I ask you to adopt the pending amendment.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. O'NEAL of Kentucky. Mr. Chairman, I rise in opposition to the amendment. I would appreciate it very much if the Committee would listen to the facts with reference to this increase over the Budget allotment. The appropriation for this purpose last year was $3,000,000. The Budget cut the appropriation to $1,000,000. The subcommittee increased it to $1,500,000, but the full Committee on Appropriations reduced it on my motion to $1,000,000, the amount the Budget authorized. This amendment, not offered by the committee—and the gentleman did not say that it was—increases the amount by $500,000, and for what? Increases it for roads in Indian reservations. It is too bad, as the gentleman from Arizona [Mr. MURDOCK] said, that the people going to a Hopi dance have to go over a dusty road. That is very tragic.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. O'NEAL of Kentucky. Not until I get through. It is very sad that some of our wealthy travelers have to ride over a dusty road going to a Hopi dance. There are only 300,000 Indians in the country and one-third of them are in Oklahoma. In this time of needed economy, when many of the Indians are nomadic, when many are not living on reservations, when many of them are herders, not farmers, where they might need roads from the farm to the market, it is proposed by this amendment to spend this extra half million dollars. The gentleman from Oklahoma [Mr. JOHNSON] wants to spend another $500,000 on roads through Indian reservations. If we have no better ideas of economy than to take a half million dollars more to build roads in Indian reservations, when most of them do not need them, what is the future of our country?

I cannot imagine how we could spend money more ridiculously than by putting more on roads in Indian reservations. The only remark the gentleman made by way of argument that I think should be considered is the matter of relief. In this, however, the President's Budget is competent to know where it should spend money for relief, and they did not choose to spend it on building roads on Indian reservations. We have measures for relief funds. The money so appropriated will go to those who need relief. If the argument the gentleman makes is sound, why cut the appropriation a dime; why not give them $3,000,000, because the gentleman from Oklahoma says that if you cut off anything you are going to increase the relief burden? There are C. C. C. camps on Indian reservations, all kinds of help and aid are given to the Indians. The President, through the Bureau of the Budget, has said that $1,000,000 is enough this year; so why should we at this time, when the Nation is threatened because of its financial condition, why should we expend in Oklahoma and the other Indian States another half million dollars to provide roads and trails on Indian reservations?

I ask you not to be confused. The Appropriations Committee put in the bill $1,000,000. The pending amendment is offered by the gentleman from Oklahoma to increase the amount by $500,000. If you vote against this amendment you are voting to sustain the Appropriations Committee. If you vote for the amendment you are denying support to the Appropriations Committee and giving it to the gentleman from Oklahoma.

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it is with a considerable degree of reluctance that I oppose anything advocated by my colleague upon the subcommittee, the genial gentleman from Kentucky [Mr. O'NEAL]. He usually carefully weighs matters, and he usually, I think, decides the matters right; but in this particular instance I think he is wrong. The subcommittee of nine members heard all the evidence in reference to this item and came to the conclusion that the item for roads upon Indian reservations should be $1,500,000; that would make it just 50 percent of what it was last year. We so reported the bill to the full committee; and there, upon the motion of the gentleman from Kentucky, the amount was reduced to $1,000,000, as he here stated. As has been stated by the acting chairman of this subcommittee, it was a very close vote.

Personally, I think the House would make a mistake, and a serious mistake, to reduce this item to $1,000,000. Let us look at it, first, from this angle: If you will turn to page 591 and the four following pages of the hearings you will get the whole story about this road appropriation on Indian reservations. There are 200 Indian reservations, located in 22 States; there are thousands of miles of roads on these reservations.

These roads are, generally speaking, the crudest kind of highways; many of them are scarcely wide enough for a vehicle to travel one way upon them. Miles of them go through the forests, over the mountains, some having grades as much as 16 to 20 percent and it is a reasonably safe assertion to say that one-half of the highway mileage upon the Indian reservations of this country is in such a poor condition or so poorly constructed that it is not usable the year round. This is the result of a policy of parsimony on the part of the Government in denying sufficient money to build decent, usable highways on the Indian reservations. It has reflected itself in retarding the development of the Indian and has resulted in forcing the Indian to sell his

products of the soil and the forest substantially below their present market worth because of the expense incurred in getting them off the reservation and onto the market.

Now the hearings disclose that with $3,000,000 allowed during this fiscal year 1938 for Indian roads, there was a new mileage constructed of 1,476 miles; old roads were improved to the extent of 879 miles; roads were gravelled to the extent of 597 miles; there were 193 bridges constructed; there were 207 old bridges repaired; there were 2,272 culverts constructed and what is most significant of all, there were 10,783 Indians actually employed in manual labor in this construction work. Only 30 percent of the entire sum appropriated went for the purchase of supplies, materials, engineering, and general overhead. In the vast highway programs going on throughout the various States in the Nation, I doubt if a like result can anywhere be shown, in actual return, both for creating jobs and building roads.

Seventy cents of every dollar of this money goes to employ some poor Indian who, if he did not get the money, would be on relief and drawing money directly from some other governmental subsistence activity for doing nothing.

The bill as reported provides only $1,000,000 for building highways upon lands that in the aggregate exceed in area three of the average States of the Union. My State alone spends $20,000,000 a year upon highways. The sum in this bill represents 33⅓ percent of the expenditures for each of the last 4 years on Indian reservations, as the record will show. It will mean throwing out of employment something like 6,000 Indians who last year were dependent upon this money as a means of livelihood. It will deny to them, and to the whites that have to go upon the reservations, even the crudest type of roads to travel over. The products of the Indian must be sold below market value, because of the exorbitant cost to get it from the reservation to market.

A number of Members are objecting to the administration cut in highway funds generally. I am not going to discuss this matter one way or the other now, except to say that that cut is nothing like the cut made in the Indians' highway fund. They are to receive only 33⅓ percent of what they had last year and for several years preceding. Thus next year they will have to do without 66⅔ percent of what they had the last several years. I think this would be a serious mistake and place upon the Federal Treasury the added burden of caring for the Indians on a dole.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield for a brief question?

Mr. LEAVY. I yield.

Mr. JOHNSON of Oklahoma. Is it not true that this committee cut enough off of other items to more than take care of this road item and still leave the bill $1,500,000 below the Budget estimates so far as the Indian Service is concerned?

Mr. LEAVY. The gentleman is correct.

Mr. JOHNSON of Oklahoma. We cut $100,000 off of one item, $50,000 off another item, $1,000,000 off the reindeer in Alaska. The committee felt that the item for roads on Indian reservations was more important than some of the other items in the bill.

Mr. O'NEAL of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. LEAVY. I yield.

Mr. O'NEAL of Kentucky. We have heard a lot about the poor, mistreated Indians, but in this bill alone we are providing $30,263,000 by way of gifts to the Indians.

Mr. LEAVY. The gentleman's figures may be right. I am not here, however, defending every item in this bill; however, from the figure the gentleman gives there must be deducted more than $1,500,000 of money belonging to the Indians.

Doubtless we have made mistakes in some of the items, but I think we would make a very serious mistake if we attempted to economize upon this worth-while item.

Mr. O'CONNOR of New York. Will the gentleman yield?

Mr. LEAVY. I yield to the gentleman from New York.

Mr. O'CONNOR of New York. The gentleman said there were 6,000 of these Indians working on roads.

Mr. LEAVY. Yes; 10,783.

Mr. O'CONNOR of New York. What did those Indians work at, if anything, before the Government went into the relief business? Did they work?

Mr. LEAVY. I would say they generally did work.

Mr. O'CONNOR of New York. At what?

[Here the gavel fell.]

Mr. O'CONNOR of New York. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. O'CONNOR of New York. What did they work at, if anything?

Mr. LEAVY. May I say to the gentleman from New York that Indians are very much like white people. I have a reservation or two in my own district. A few of them are just simply worthless and never will work, but a lot of them are anxious to be constructive and helpful.

The average native American Indian measures up well with the average American white man. He is desirous of bettering his condition. He is willing to work to do that. He desires to own a home, to rear a family in wholesome surroundings, to educate his children, and to have the advantages of modern conveniences and comforts. He has a fine spirit of gratitude and displays a splendid patriotism. Those of us who know the lot of the Indian are convinced that he has been more sinned against by his white brothers than perhaps any other race in the history of the world. I do not hesitate to say that, taken as a whole, the American Indian is a fine individual.

Before the depression came in my section of the country the Indians worked in the lumbering industry and in the forests, on their farms, and generally followed the pursuits of their white neighbors.

Mr. O'CONNOR of New York. What happened to those industries that they did not continue to furnish work?

Mr. LEAVY. Sawmills by the score closed down in 1933, and there was none to buy the products of the farms.

Mr. O'CONNOR of New York. Of course, there never were many such industries in Oklahoma where most of the Indians are. Will the gentleman answer this further question? He may not be able to answer it now without computation. It pertains to the per capita expense of the 300,000 Indians to the Government as compared with our entire population. Such figures might be interesting.

[Here the gavel fell.]

Mr. O'CONNOR of New York. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

Mr. BURDICK. Mr. Chairman, I object.

Mr. LAMBERTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I want to testify, first of all, to the great confidence we have in the gentleman from Kentucky. I usually vote with him and I am very proud to vote with him ordinarily. Nine times out of ten I would do that with my eyes shut, but I am not with him on this.

I have three little Indian reservations in my district, and the county commissioners asked me to help provide sufficient money to do a proper amount of work on these roads on the Indian reservations. The commissioners told me they did not have enough money as it was. That was when they were getting $3,000,000. My commissioners were told the Bureau did not have sufficient money.

The Budget cut this to $1,000,000, the subcommittee raised it to $1,500,000, and the Committee on Appropriations put it back to $1,000,000. I am not going to discuss the merits or demerits of that proposition, although I think the gentleman is justified in requesting this increase, and I am

going along with the gentleman from Oklahoma [Mr. JOHNSON], so far as this increase is concerned.

Mr. Chairman, this $500,000 is not the thing involved here. This is the first time the President's general animosity toward Federal aid to roads has evidenced itself. This is where we get the first show-down on the President's apparent opposition to Federal aid for roads. I have been amazed, and some of you have been, in the last couple of weeks that this proposed superhighway is getting an ear at the White House. The main point about these superhighways is they will all be built out of Washington. There will be no more Federal aid and Federal supervision of roads if this new tendency prevails.

This is the first show-down on whether the President's recommendation to do away with Federal aid for roads will prevail. This has been carried by the Budget into the Indian Service and into the Park Service. They also cut the Park Service. It will evidence itself soon also in the appropriation bill for the Department of Agriculture when the appropriation for the Bureau of Roads is brought up here for consideration.

Mr. LEAVY. Will the gentleman yield?

Mr. LAMBERTSON. I yield to the gentleman from Washington.

Mr. LEAVY. Is it not a fact that the cut in the Indian Service for roads is much greater than that made in the other road cuts?

Mr. LAMBERTSON. Yes. It is even greater than in the Park Service and greater than the cut in the general Federal aid. This is the first time we have faced it in any tangible form.

I thought when the President proposed this last summer it was a part of his psychology and politics. I thought he would know we would not stand for it, and that after he knew the House would not stand for it, it might justify other expenditures. I am going to read into the RECORD seven or eight great big irrigation projects that the President started with emergency relief money. I will put them in the RECORD.

[Here the gavel fell.]

Mr. BURDICK. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, there is more real suffering among the Indian citizens of this country on practically every reservation, with the exception of one or two, than there is among the white people. After listening to what has been said here this afternoon you would think that whenever we furnish relief for Indian citizens we are making a contribution to the American Indian. You are paying no more for relief to the Indians in this country than you are to the people generally. We forget that these Indians are citizens of the United States the same as all the rest of us. If they participate in relief, we always have some Member willing to get up on the floor of the House and tell us how much we have given to the Indians. That is unfair. If we can provide useful work for these Indians when they want to work let us do it by acts of Congress of the United States.

The gentleman from New York wanted to know what these Indians were doing before they went on relief. I will tell him what they were doing.

They were raising livestock, they were farming, and they were raising gardens until the drought struck them. For the last 7 or 8 years they have had no crops. They have had the poorest land in the United States. If the land they occupied had been any good, the white men would have taken it away from them long before now. Since they occupy the poorest land in the United States, they occupy that belt of land where the drought has struck the hardest.

There are some peculiar anomalies in American literature and American life. Those who know the least about a subject seem to be full of information upon it. The man who wrote Silver Threads Among the Gold, which makes tears come to the eyes and makes the ties of home a little stronger, was divorced three times himself. The man who wrote Home Sweet Home never had a home of his own. The fellow who gets up on the floor to talk about Indians does not have one in his district, and he would not know one if he saw him.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. There seems to be a general impression that Indians have been used for work on highway building only as a matter of relief, and that only during the last few years. This is not correct. I may say to the gentleman from New York that in 1906 and the years following, when the road was built to the Roosevelt Dam, which was constructed in the years from 1906 to 1911, so-called wild Apache Indians were put to work, and they built the Apache Trail. During the construction of that road a boulder rolled upon Al Seiber, formerly the greatest Indian scout in the West, and killed him. The great scout, at that time an aged and crippled man, took upon himself as road foreman the physical hazard instead of ordering the Indian workmen to take the risk. In other words, he gave his life for those Indian laborers. So appreciative were these Apache laborers that they dug down into their pockets, if they had any pockets, and shelled out money to build a monument to Al Seiber. It stands to this day near the Roosevelt Dam.

Mr. O'CONNOR of New York. I was not at first sure the distinguished gentleman from North Dakota was referring to me when he alluded to people talking about what they knew not. In passing I might say I would not be surprised if we did not have more Indians on our reservations in New York State than does the gentleman's so economically successful Commonwealth. We have at least seven tribes. I was not talking against Indians, and I will admit I do not personally know any who wield a tomahawk. I subscribe to their having been ravished by the white man's civilization. But this is why I asked the question as to what they worked at before the Government put them on a job. I was just curious—that is all. I could not qualify as an expert on Indian lore.

Now, patiently, may I ask the gentleman if he has ever computed how much the Government spends on these 300,000 Indians each year, and has he ever compared that sum with the amount spent per capita on all the people in the North, the South, the East, and the West who are not Indians?

Mr. BURDICK. Yes; I have done that; and most of the money that is spent by the Government in collecting these Indians on reservations is taken from the Indians' own money and not from the Treasury of the United States. If the gentleman admits he does not know anything about Indians, he has no right to talk about them now.

Mr. O'CONNOR of New York. I was not talking about Indians, I was merely asking about them. How much is spent on them?

Mr. RICH. I can give the gentleman that information. In the past 5 years there has been spent on Indian Affairs a total of $223,384,984.57, or an average per year of $44,676,996.91. This includes the five annual appropriations and emergency funds allotted. Dividing this amount by the number of restricted Indians, 225,000, it amounts to $198 a year per Indian. Dividing it by the total number of Indians in the country, 340,000, it is $131 per Indian. Some Indians, I would say.

Mr. O'CONNOR of New York. Well, at that ratio, the Government would annually spend on all its inhabitants the stupendous sum of $19,110,000,000.—Q. E. D.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Is it not a fact that the sum which has just been mentioned was used up by a lot of bureaucrats who are not doing anything to help the Indians?

Mr. BURDICK. This is taken out of the Indians' own money, put into the Treasury of the United States.

[Here the gavel fell.]

THE NEED FOR INDIAN ROADS

Mr. CASE of South Dakota. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I do not think anybody acts in bad faith in the matter of this amendment, no matter on which side

he may be lined up, but I believe that sometimes we do lack information on the Indian problem. I confess I am just as ignorant when they get to talking about things that relate to docks and seaports as I find some people are when they talk about things in the Indian country.

There are about 350,000 Indians in the country, living on reservations with an area of approximately 60,000 square miles. This means that the total area of the Indian reservations in the country is more than the area of States like Illinois, Alabama, or Georgia. The bill proposes $1,000,000 for all the road work on these Indian reservations, the total area of which is more than the area of the States of Illinois, Georgia, or Alabama. The amendment proposes to increase it to a million and a half, which then will only be one-half of what was appropriated last year.

This money is primarily to be spent for the building of what you would call secondary roads. The Indian reservations do not have county highway funds such as the average community has for the building of secondary roads. The building of the roads this money will make possible will mean there will be more roads for doctors to use in getting out to Indian homes. It will mean it will be possible to get supplies out to the Indians or let the Indians come in to the agencies, and those of you who know the Indian country know how serious this matter is.

Some suggestions has been made about C. C. C. camps for the Indians. It is true there are a few of them, but they are so tied down by restrictions that they do not provide work for all who need it.

I can take members of the committee to Indians who are living today, in the middle of winter, in tents, on dirt floors, and facing tuberculosis and all kinds of diseases because doctors cannot get to them. I have seen Indian families where children have come into the world and old Indians have been forced to die without the benefit of medical attention, because the roads and trails in the Indian reservations are such that doctors and nurses cannot get to these people. If you reduce this appropriation to a million dollars, when it was $3,000,000 last year, it means no new roads will be built. There will be funds sufficient only to carry on maintenance work. It means practically no new construction in any of the Indian reservations. In all justice, I ask that the amendment be supported.

Mr. O'NEAL of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. CASE of South Dakota. I yield to the gentleman from Kentucky.

Mr. O'NEAL of Kentucky. Will the gentleman give us the basis for such a statement as that there will be no roads built? That did not appear in the testimony.

Mr. CASE of South Dakota. I am sorry there is no basis for it in the hearings because I made my statement on definite authority. I called the Indian Office yesterday and talked with the Commissioner and asked him if this would mean the end of construction, and also asked him what it would mean in relation to the particular reservations. He replied that maintenance alone would practically absorb the fund if reduced to the million, which is readily understandable when the area is recalled.

Mr. O'NEAL of Kentucky. Would not the gentleman's sympathetic appeal be just as true for $5,000,000 or $10,000,000 or $1,000,000 or $1,500,000?

Mr. CASE of South Dakota. I think that is hardly correct, since the appropriation was $3,000,000 and you are proposing to cut it to $1,000,000 this year.

The road work in the Indian Office is supervised by competent engineers. The engineer for the road work out of the St. Paul, Minn., office is a former professor of engineering in the State University of South Dakota, and former State highway engineer, J. Maughs Brown. The road work that is being constructed is done according to good engineering specifications, and, in all fairness, we ought not to cut this more than 50 percent from last year.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. CASE of South Dakota. I yield to the gentleman.

Mr. WHITE of Idaho. Is it not a fact that secondary roads are needed to move the produce from the Indian lands to the market? Wheat and grains and other farm products are produced, and is it not necessary to have a large production from these Indian lands so that they may support the Indians?

Mr. CASE of South Dakota. Of course, it is necessary to have roads in order to put the Indians on a self-supporting basis.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. JOHNSON].

The question was taken; and on a division (demanded by Mr. WHITE of Idaho) there were—ayes 36, noes 30.

Mr. RICH. Mr. Chairman, I object to the vote on the ground there is no quorum present.

The CHAIRMAN. The gentleman from Pennsylvania makes a point of order that there is no quorum present. The Chair will count. [After counting.] One hundred and twenty-three Members are present, a quorum.

Mr. RICH. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. JOHNSON of Oklahoma and Mr. RICH.

The committee again divided; and the tellers reported that there were—ayes 45, noes 37.

So the amendment was agreed to.

The Clerk read as follows:

CONSTRUCTION AND REPAIR

For the construction, repair, or rehabilitation of school, agency, hospital, or other buildings and utilities, including the purchase of land and the acquisition of easements or rights-of-way when necessary, and including the purchase of furniture, furnishings, and equipment, as follows:

Mr. BOREN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BOREN: Page 65, line 3, after the colon, add: "Shawnee, Okla., addition to Indian Sanitorium, $150,000."

Mr. TABER. Mr. Chairman, I reserve a point of order against the amendment. Is there any legislation authorizing this expenditure?

Mr. BOREN. I am not familiar with any specific authorization.

Mr. TABER. Mr. Chairman, I make the point of order there is no legislation authorizing this expenditure and therefore it is legislation on an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma have anything to say on the point of order, or can the gentleman refer to any statute authorizing the expenditure?

Mr. BOREN. Not specifically. The foundation of this amendment is based on the general law that permits extensions of these hospitals and buildings.

The CHAIRMAN. May the Chair ask the gentleman from Oklahoma whether the institution for which he offers this addition is a going institution at the present time?

Mr. BOREN. It is a going institution, and on page 55 of the bill, Mr. Chairman, provision is made for operating the institution.

The CHAIRMAN. Is other provision made in this bill for the institution?

Mr. BOREN. For the maintenance and operation; yes. This amendment is for additional facilities.

The CHAIRMAN. Are there some buildings there at the present time?

Mr. BOREN. Yes; there are six or seven buildings there now and the purpose of this amendment is to improve those buildings.

The CHAIRMAN. Is this for the purpose of constructing a new building or for repairing a building already there?

Mr. BOREN. It is an addition to the present building, providing sleeping porches, sewer facilities, and so forth.

The CHAIRMAN. The point the Chair would like to have specific information about is whether there is a sanitorium

there at the present time or is this a completely new building?

Mr. BOREN. There is a sanitorium there at the present time, Mr. Chairman, and the intent of the amendment is to provide, in addition to the present sanitorium, sleeping porches and sewer facilities, and so forth, for the existing building.

The CHAIRMAN. The Chair would like to have the gentleman state specifically whether this is an addition to an existing building. If that is the fact, it would make a difference in the ruling of the Chair on the point of order.

Mr. BOREN. That is the fact, Mr. Chairman, and the word "building" should be pluralized, because there are about seven buildings there now.

The CHAIRMAN. The Chair overrules the point of order.

Mr. BOREN. Mr. Chairman, I am asking here for $150,000 to improve the facilities and to provide additional facilities in a tuberculosis sanatorium.

This is the only Indian tuberculosis sanatorium in the center of our State. It is a going institution, and on page 55 you make an appropriation of $100,000 for the maintenance of this large institution that serves 21 Indian tribes.

The reason the maintenance appropriation is so small is because there are nine doctors on the staff who are $1-a-year men and who serve the institution free. The land is available there——

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. BOREN. Yes.

Mr. RICH. The gentleman states this is on page 55?

Mr. BOREN. I say that on page 55 of the bill an appropriation is made for operating the institution.

Mr. RICH. Mr. Chairman, we are on page 65 of the bill, and we cannot go back to that page.

The CHAIRMAN. No; the amendment is offered at page 65 of the bill.

Mr. BOREN. So that the gentleman may understand the reference I made, I simply indicated the appropriation made for maintenance on page 55 was a small appropriation for a big institution, because there are nine doctors in the city of Shawnee that are on that staff who are dollar-a-year men. This institution needs facilities for the purpose of increasing their ambulant quarters. The hospital is the best Indian hospital in the United States, and is the only one that has the very best surgical facilities for lung collapsing and that sort of thing.

Mr. RICH. How many beds are there in that hospital?

Mr. BOREN. There are 39 men and 29 women, I believe.

Mr. RICH. How many patients are there?

Mr. BOREN. Facilities for about 65, but always more than that, and usually a hundred or more on the waiting list.

Mr. TABER. How much capacity is there there?

Mr. BOREN. That is all the capacity, but there are always two or three more patients than capacity, and applications for at least a hundred more patients than capacity. This could be relieved a great deal if some of the patients could be taken out of the bedfast ward and put into what is known as the ambulant ward, but at the present time in the ambulant ward the facilities are not very good. They have very poor bath and toilet facilities. Many of these buildings were built in 1906; all I think, except one, and these ambulant wards were not constructed for the purpose of hospitalization. The toilets and baths are in the basement of the buildings. The buildings are old and are developing into fire traps.

Mr. RICH. Did the gentleman have the approval of the Indian Bureau for the construction of this hospital?

Mr. BOREN. I have a letter from Mr. Zimmerman, which winds up with this statement:

> We hope eventually to obtain funds for providing the facilities we agree are needed.

This year I asked Mr. Zimmerman—my committee was in executive session, and I was unable to appear before the gentleman's committee—to request $250,000. He indicated he would request $150,000. I asked Mr. Dodd the next day why he did not make such a request, and he said, "We want what funds we can get for emergency programs this year."

Mr. RICH. Then this is not an emergency program. We find ourselves short of funds now, and we are only trying to take care of emergency. Did the gentleman get the Budget officer's approval of this?

Mr. BOREN. I did not. That is departmental responsibility. But this certainly is an emergency. Men and women are dying because the hospital has no facilities to admit them and others unable to properly reach a definite cure.

Mr. RICH. If the gentleman will get by that subcommittee, he is certainly a bird, because that committee is not going to do anything that the Budget does not recommend.

Mr. BOREN. I am not asking this subcommittee to do anything they do not believe to be right.

I know that my request is just and extremely conservative. The committee should appropriate $300,000 for these additional facilities, but realizing the need for economy I am asking for only half what should be used.

The men's ambulant quarters need remodeling and fireproofing. It is an old building, built in 1906, and originally used as a school dormitory. The toilet and bath facilities are archaic and insanitary and all located in the basement. In this ward a sleeping porch should be added along with the other needed improvements just pointed out.

Time does not permit me, under the rule, to bring you all the real facts. The women's ambulant ward is in exactly the same condition as the men's building.

The institution also needs semiambulant wards for both men and women and an occupational therapy building.

There is one other need I want to point out, Mr. Chairman, if you will grant me another minute. Twenty-five attendants are housed in fire traps and inadequate quarters, so that they are subject to early contraction of the dread disease.

This Committee knows that I do not sponsor unworthy projects. I have never been on this floor in an attempt to grab an unnecessary allotment for my district and have always opposed the grab-bag methods. I am not speaking in any personal or selfish sense. I am speaking for a cause, and a very worthy cause.

Gentlemen, I absolutely know that this Committee would give $150,000, yes, even $300,000, if they could see this institution and its need. See it as I have seen it and as Mr. Collier and Mr. Zimmerman have seen it.

A great doctor with a great staff, a marvelously successful institution, and hundreds of tubercular Indians need this small appropriation to a great cause.

I hope I have convinced this Committee. If need be, I will go before the Senate committee, but this Committee can see justice, surely, and I ask for only half the need.

Mr. SCRUGHAM. Was this matter ever presented to the subcommittee on the Interior appropriation bill for its consideration?

Mr. BOREN. I cannot answer that question beyond the explanation already given. I have personally presented the case to the various members of your committee, and the record does indicate that the Department met their responsibility in the matter. Both Mr. Collier and Mr. Zimmerman are thoroughly familiar with and admit this need.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired. The question is on the amendment offered by the gentleman from Oklahoma.

The question was taken; and on a division (demanded by Mr. BOREN) there were—ayes 27, noes 35.

So the amendment was rejected.

The Clerk read as follows:

> For administrative expenses, including personal services in the District of Columbia and elsewhere; not to exceed $2,500 for printing and binding; purchase of periodicals, directories, and books of reference; purchase and operation of motor-propelled passenger-carrying vehicles; traveling expenses of employees; rent of office and storage space; telegraph and telephone tolls; and all other necessary expenses not specifically authorized herein, $204,000; in all, $1,745,000, to be immediately available and to remain available

until June 30, 1940: *Provided further*, That not to exceed 5 percent of the amount of any specific authorization may be transferred, in the discretion of the Commissioner of Indian Affairs, to the amount of any other specific authorization, but no limitation shall be increased more than 10 percent by any such transfer. All interchanges under this authorization shall be reported to Congress in the annual Budget.

Mr. RICH. Mr. Chairman, I make the point of order to the language beginning on page 68, line 23, down to the end of the paragraph. It is legislation on an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. JOHNSON of Oklahoma. Mr. Chairman, I would like the gentleman from Pennsylvania to point out the language specifically he refers to as being legislation.

The CHAIRMAN. It is to the language on page 68, beginning in line 23 with the words "*Provided further*", down to the end of the paragraph.

Mr. RICH. It imposes additional duties upon the Commissioner of Indian Affairs.

Mr. JOHNSON of Oklahoma. Certainly there is no new legislation here, with the possible exception of the last sentence in that paragraph. This question was raised last year against the exact wording of this amendment, minus the last sentence to which I referred, and it was held in order by the presiding officer. I refer the gentleman to page 4603 of the RECORD, May 14, 1937.

Mr. RICH. Mr. Chairman, we are not dealing with last year; we are dealing with the present time.

Mr. JOHNSON of Oklahoma. That is an important precedent, as the gentleman ought to know, and I again call his attention to the RECORD. The RECORD speaks for itself.

Mr. RICH. Let the Chair decide that.

The CHAIRMAN. The Chair is ready to rule.

The gentleman from Pennsylvania makes the point of order that the proviso beginning in line 23 on page 68 provides an expenditure not authorized by existing law. The particular language of this proviso was the subject of a point of order last year as shown by the RECORD of May 14, 1937, page 4603. The language is very clear and specific and is exactly the same as the language carried in last year's bill with the exception of the last sentence, which reads:

All interchanges under this authorization shall be reported to Congress in the annual Budget.

It seems to the Chair that the last sentence is clearly subject to a point of order.

The Chair, therefore, sustains the point of order against the proviso beginning in line 23 of page 68.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Oklahoma: Page 68, after line 23, insert: "*Provided further*, That not to exceed 5 percent of the amount of any specific authorization may be transferred, in the discretion of the Commissioner of Indian Affairs, to the amount of any other specific authorization, but no limitation shall be increased more than 10 percent by any such transfer."

Mr. RICH. Mr. Chairman, I make a point of order against the amendment and would like to be heard on the point of order.

The CHAIRMAN. The Chair will be glad to hear the gentleman.

Mr. RICH. Mr. Chairman, this clearly constitutes legislation on an appropriation bill. The Chair certainly is not going to permit legislation to be placed in this bill at this time.

The CHAIRMAN. The Chair is ready to rule.

In the Interior Department appropriation bill last year a similar proviso was included:

But not more than 10 percent of any specific amount shall be transferred to any other amount, and no appropriation shall be increased by more than 15 percent.

The gentleman from New York [Mr. TABER] made a point of order against the proviso on the ground that it called for additional duties on the part of the Secretary of the Interior and was not authorized by law.

The gentleman from Tennessee [Mr. COOPER], who was presiding as Chairman of the Committee of the Whole, overruled the point of order in the following language:

The gentleman from New York makes the point of order against the language appearing in the proviso beginning on line 10, page 40, on the ground that it is legislation on an appropriation bill and that it adds additional duties to the Secretary of the Interior.

The Chair is of opinion that the language included in this proviso, fairly construed, would mean an exercise of the discretion of the Secretary of the Interior that should properly be exercised by an executive officer of the Government. Certainly, if the specific items or duties here referred to were set out specifically and separately, there could be no doubt that they would be proper duties and functions to be discharged by the Secretary.

The Chair feels that a fair construction is that he should have the right in the exercise of his discretion to perform these duties in the manner indicated. The Chair does not feel that it is legislation on an appropriation bill in violation of the rules of the House, and therefore overrules the point of order.

In view of that decision, the Chair feels that the point of order should be overruled.

Mr. RICH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RICH. Has the Chair made its ruling? I did not hear it. I would like to be recognized before the ruling is made.

The CHAIRMAN. The Chair has ruled, but the Chair will hear the gentleman again briefly on the point of order.

Mr. RICH. The Chair is referring now to legislation that was acted on in the past and a decision rendered by someone who was presiding over the Committee of the Whole.

Mr. Chairman, I am speaking to the present occupant of the Chair in connection with the pending appropriation bill.

The CHAIRMAN. May the Chair call the attention of the gentleman from Pennsylvania to the fact that the decision the Chair just rendered was based on a similar decision on a similar appropriation bill for the same Department last year?

Mr. RICH. Yes; but Mr. Chairman, I do not want the decision of the Chairman of the Committee of the Whole on the Interior Department bill last year; I want the decision of the present Chairman of the Committee of the Whole, the gentleman from Texas. You are the individual who is responsible for ruling on this bill. I have faith in you, I have faith that you will render a just decision on this point of order; and I do not want the decision of any other man. I know that when the present occupant of the chair reads that paragraph he will come to the conclusion that it is legislation on an appropriation bill.

The CHAIRMAN. The Chair may say that the decision rendered by the gentleman from Tennessee last year is clearly in point and it seems to the Chair to be logical; therefore, the Chair overrules the point of order.

The question is on the amendment offered by the gentleman from Oklahoma [Mr. JOHNSON].

The amendment was agreed to.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 68, line 22, strike out "$1,745,000" and insert "$1,200,000."

Mr. RICH. Mr. Chairman, all I want to do at this time is call attention to the fact that if you want to reduce this item $545,000 at this point in the bill you may do so and feel assured that the Bureau of Indian Affairs will use the money appropriated in this bill at the most advantageous points. That Department will not make cuts where it does not believe they can be made.

Here is an opportunity to cut down an item of expense.

Mr. JOHNSON of Oklahoma. Mr. Chairman, this is another item that has been drastically cut below what the Indian Office said was the minimum needed for construction of hospitals and Indian schools throughout the entire United States.

The Indian Office asked the Budget, so I am advised, for $3,000,000 as the minimum urgently needed for construction

of Indian schools and hospitals. Evidence was brought before our committee that there are some Indian schools that have had little or no construction for 10 to 20 years. The record will show that there were some Indian schools in Oklahoma, for example, which have had very little construction of any kind for 40 years. It is a deplorable fact that there are some Indian schools at this time actually in a dangerous condition. It would be a tragedy if one of these schools were blown down or fell down and crippled little children.

The committee analyzed the hearings very carefully, and although I am sure it would have liked to make the entire appropriation of $3,000,000 that is so badly needed, it did make available only $1,800,000 for all the Indian schools and hospitals in the entire United States, including Alaska, for the next year. That amount is without doubt the minimum that should be spent for construction purposes next year, and I am confident that the gentleman's amendment will and ought to be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was rejected.

The Clerk read as follows:

When, in the judgment of the Secretary of the Interior, it is necessary for accomplishment of the purposes of appropriations herein made for the Indian field service, such appropriations shall be available for purchase of ice, for rubber boots for use of employees, for travel expenses of employees on official business, and for the cost of packing, crating, drayage, and transportation of personal effects of employees upon permanent change of station.

Mr. TABER. Mr. Chairman, I make a point of order against the paragraph beginning with line 9, page 71, and ending with line 16, page 71. It is legislation on an appropriation bill; it requires additional duties on the part of the Secretary of the Interior and is not authorized by law.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I do not care to be heard.

The CHAIRMAN. The Chair sustains the point of order.

The Clerk will read.

The Clerk read as follows:

Salaries and expenses: For the Commissioner of Reclamation and other personal services in the District of Columbia, $115,000; for travel and other necessary expenses, $35,000, including not to exceed $15,000 for printing and binding; in all, $150,000;

Mr. LAMBERTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the President in his message to the Congress on the 3d of January recommended that we eliminate and postpone everything possible so far as the appropriation of money was concerned. The President has started a great many projects that will run into millions and millions of dollars before they are completed. He started these projects from money which was appropriated for work-relief purposes. I read into the RECORD from the hearings the projects that received their initial appropriation from relief money by the President of the United States:

Mr. LAMBERTSON. Will you mind putting in the record also what projects have started with emergency funds?

Mr. PAGE. I can supply that for the record.

PROJECTS INITIATED WITH EMERGENCY FUNDS

Construction of the following projects was initiated with allotments from emergency funds:

Arizona, Gila; California, All-American Canal, Central Valley; Colorado, Fruitgrowers Dam (reconstruction); Idaho, Upper Snake River storage; Montana, Buffalo Rapids, Frenchtown; Nevada, Humboldt, Truckee River storage; Oregon, Burnt River, Stanfield; Texas, Colorado River, flood control; Utah, Hyrum, Moon Lake, Ogden River, Provo River, Sanpete; Washington, Grand Coulee Dam; Wyoming, Kendrick (Casper-Alcova).

Mr. Chairman, hundreds of millions it will take to complete these things that the President started with money taken from the work-relief fund.

Mr. WHITE of Idaho. Will the gentleman yield?

Mr. LAMBERTSON. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Does the gentleman know that we appropriated $3,300,000,000 in 1 year for relief?

Mr. LAMBERTSON. That does not have any bearing on this situation. That has nothing to do with these appropriations for the Reclamation Service. I have not said anything about the Park Service. I have not said anything about the Sky Line Drive and the Natchez Trace, the St. Louis Jefferson Memorial, and a hundred other things that he started with relief money. He has at the same time been urging us to hold down everything in the way of appropriations, yet this year the Budget has recommended more money to continue all of these things which he started. He puts the balancing of the Budget into our lap.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. LAMBERTSON. I yield to the gentleman from New York.

Mr. FITZPATRICK. The gentleman would not want to discontinue now projects on which millions of dollars have been spent.

[Here the gavel fell.]

Mr. LEAVY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I know the Members are getting tired and are eager for us to get along with the bill. We are just now entering upon the consideration of reclamation in this bill.

Reclamation naturally means much to my section of the country. Unfortunately—and I say this advisedly, basing it on my experience in the short time I have been a Member of the House—the Members of the House from the East, the Middle West, and the South, who have not been to the far West, do not understand reclamation and what it means to the national wealth. If they did understand it, their viewpoint would be quite different, I am sure. In making the short presentation I will make in the next 4 or 5 minutes I hope to show that it is not a case of adding wealth to the West and subtracting wealth from other sections.

It is rather a case of national development and national enrichment. First, it must be recalled that every dollar of money appropriated for national reclamation since 1902, when the act became effective, is appropriated either in the nature of a loan or directly out of the revolving fund, which fund has been maintained and was created out of moneys derived from the sale of public lands in the Western States and royalties from oil. That is not all. The record of repayments made during the 36 years that public reclamation has been in effect discloses the remarkable fact that 98.5 percent of all current charges for construction have been repaid by projects brought into existence, and the further extraordinary fact that 99.3 percent of all charges for public moneys expended in the reclamation department for the operation and maintenance of existing reclamation projects have been repaid. It is true that moratoriums on payment of both maintenance and construction charges have been granted during the last 5 years of the depression, but practically every dollar involved in these moratoriums will be repaid to the Federal Government. I challenge the critics of reclamation to point to any other governmental activity—State, National, or municipal—or even any private industry when taken as a class, where such a remarkable financial record has been made.

Mr. Chairman, I ask unanimous consent that at this point I may insert in the RECORD two short pages of figures from the Honorable William A. Sullivan, commissioner of insurance of the State of Washington, which demonstrates that every time we locate a new family in the West we add to the wealth in the East. This one item of insurance, alone, proves that two out of every three dollars we create in new wealth, and use for insurance, finally goes east of the Mississippi River.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. LEAVY. Mr. Chairman, these tables are as follows:

Net premium income as reported Dec. 31, 1936

	Total premiums	Washington companies	Companies west of Mississippi River	Companies east of Mississippi River
Fraternal life-insurance business	$2,049,050.40	$145,026.75	$906,279.95	$997,743.70
Ocean marine business	974,531.82		280,507.14	694,024.68
Life-insurance business [1]	40,856,028.44	2,445,267.40	4,610,146.26	33,800,614.78
Miscellaneous business:				
Casualty companies	9,914,362.07	2,240,354.18	2,057,139.24	5,616,868.65
Fire companies	4,310,758.04	721,217.45	650,004.01	2,939,536.58
Fire-insurance business:				
Stock companies	4,890,707.41	306,486.75	453,821.68	4,130,398.98
Mutual and fraternal companies	1,417,055.13	814,677.55	318,432.18	283,945.40
Title-insurance business	569,178.51	569,178.51		
Total	64,981,671.82	7,242,208.59	9,276,330.46	48,463,132.77
Reinsurance in unauthorized fire and marine companies	700,543.36			700,543.36
Total	65,682,215.18			49,163,676.13

[1] Includes annuities.

NOTE.—Washington companies' business is not included in the column designated "Companies west of Mississippi River."

Net losses paid as reported Dec. 31, 1936

	Total losses	Washington companies	Companies west of Mississippi River	Companies east of Mississippi River
Fraternal life-insurance business	$1,589,800.35	$151,472.40	$626,694.86	$811,633.09
Ocean marine business	567,501.72		130,951.67	436,550.05
Life-insurance business	11,321,475.04	567,685.77	1,107,576.24	9,646,213.03
Miscellaneous business:				
Casualty companies	3,911,517.32	787,595.68	943,577.60	2,180,344.04
Fire companies	1,648,861.27	223,565.42	262,691.92	1,162,603.93
Fire-insurance business:				
Stock companies	2,437,272.34	102,136.77	183,036.66	2,152,098.91
Mutual and fraternal companies	521,322.37	307,946.73	150,457.11	62,918.53
Title-insurance business	6,849.44	6,849.44		
Total	22,004,599.85	2,147,252.21	3,404,986.06	16,452,361.58
Reinsurance in unauthorized fire and marine companies	322,675.25			322,675.25
Total	22,327,275.10			16,775,036.83

NOTE.—Washington companies' business is not included in the column designated companies west of Mississippi River.

Let me give you briefly some figures which you will find in the hearings on page 237. There are 700,000,000 acres of land lying west of the one hundredth meridian, more than 33⅓ percent of the total area of the United States. This is all in an arid or semiarid region.

Mr. LAMBERTSON. Mr. Chairman, will the gentleman yield?

Mr. LEAVY. I want to finish my statement, then I will yield, if I have time.

Agriculture cannot be carried on successfully in that great region without water. Of the 700,000,000 acres of land only 20,000,000 are now developed through irrigation. If we developed every acre of land for which we have water we could develop only 30,000,000 acres. Less than 5 percent of all that vast region can ever be brought into the production of agricultural crops. The total area would be less than the State of Iowa. We have 12,000,000 people living in this region. We are falling far short now of actually meeting our needs in agricultural production. To illustrate, we opened one project last year. Let me show you how anxious the American people are to be on a farm, where they can be sure they can at least earn their own subsistence. The project I referred to as being opened last year was at Klamath, Oreg. Sixty-seven homes were available, and there were over 3,000 Americans asking to have these 67 homes. One thousand five hundred of the applicants were ex-service men, and they were given a preference, but more than 1,300 of them had to be denied the right to have a home of their own, to say nothing of 1,500 other families. Is it not in keeping with a wise national policy to permit, insofar as the water of the West will allow, the building of new homes there and taking off the dole millions of Americans in all parts of the Nation? [Applause.]

[Here the gavel fell.]

The pro forma amendment was withdrawn.

Mr. DIMOND. Mr. Chairman, I ask unanimous consent to revise and extend in the RECORD the remarks I made today in support of the amendment offered to page 58 of the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Alaska?

There was no objection.

Mr. RICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RICH: On page 72, line 11, after the word "all", strike out "$150,000" and insert in lieu thereof "$50,000."

Mr. RICH. Mr. Chairman, I appreciate that offering amendments to this bill is like throwing water on a duck's back. No action whatever is taken when it comes to cutting down appropriations, but when somebody offers an amendment to increase the amounts carried in the bill we are all good fellows. We are the best bunch of good fellows I have ever seen in my life when it comes to spending the other fellow's money. You can hardly wait until you get your pay check day after tomorrow.

Let us see the situation with which we are faced. The genial gentleman from Washington is a fine fellow, but he thinks we do not like him. Well, we do, but we do not want him to wreck us in the East. Let us look at what we are doing. In his State we are putting in the Grand Coulee Dam, by reason of which 1,200,000 acres of land will be put into cultivation. Down in Arizona several hundred thousand acres will be placed in cultivation.

Up in Colorado and in other States additional acres of ground are being put into cultivation, when at the same time you are supporting the Department of Agriculture here in Washington and are paying them big money to do what? To take land out of cultivation. It is the most ridiculous, absurd thing you can think of, to stop production on land already in cultivation and then go out to the States of Washington or Oregon and put into cultivation land that is going to cost $176 an acre to irrigate, even before the brush is cut off it.

Mr. LEAVY and Mr. PIERCE rose.

Mr. RICH. I yield to the gentleman from Washington.

Mr. LEAVY. Does the gentleman know that Dr. Bennett, in charge of soil conservation, recently gave us the statement that annually we are losing by soil erosion 700,000 acres of land?

Mr. RICH. Is it one of the New Deal professors who gave you that information?

Mr. LEAVY. No.

Mr. RICH. Of course, I do not have any stock in these New Deal professors. We have had too many of them. We do not want any more of them. We want to get rid of them and get some practical farmers. They are the ones to whom we want to talk when it comes to getting new land into cultivation.

Now, I will yield to the gentleman from Oregon.

Mr. PIERCE. Is not the gentleman aware that the lands involved in practically all of these irrigation projects produce crops that do not come into competition with the crops of the lands that go out of cultivation?

Mr. RICH. When we passed the Bankhead cotton bill we killed the cotton farmers of the South. All of our export trade in cotton was destroyed. Now the farmers down there want to raise the dairy products we raise in Wisconsin, Minnesota, New York, and Pennsylvania.

You gentlemen want to put this brushland into cultivation, land that is no good under the sun, and you would do this at a cost of $180 an acre. For what purpose? To put out of cultivation good agricultural land and good dairying land that we have in Pennsylvania and in other States—when we would sell you our best farms for $180 an acre.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was rejected.

The Clerk read as follows:

Administrative provisions and limitations: For all expenditures authorized by the act of June 17, 1902, and acts amendatory thereof or supplementary thereto, known as the reclamation law, and all other acts under which expenditures from said fund are authorized, including not to exceed $100,000 for personal services and $15,000 for other expenses in the office of the chief engineer, $20,000 for telegraph, telephone, and other communication service, $5,000 for photographing and making photographic prints, $41,250 for personal services, and $7,500 for other expenses in the field legal offices; examination of estimates for appropriations in the field; refunds of overcollections and deposits for other purposes; not to exceed $15,000 for lithographing, engraving, printing, and binding; purchase of ice; purchase of rubber boots for official use by employees; maintenance and operation of horse-drawn and motor-propelled passenger vehicles; not to exceed $20,000 for purchase and exchange of horse-drawn and motor-propelled passenger-carrying vehicles; packing, crating, and transportation (including drayage) of personal effects of employees upon permanent change of station, under regulations to be prescribed by the Secretary of the Interior; payment of damages caused to the owners of lands or other private property of any kind by reason of the operations of the United States, its officers or employees, in the survey, construction, operation, or maintenance of irrigation works, and which may be compromised by agreement between the claimant and the Secretary of the Interior, or such officers as he may designate; payment for official telephone service in the field hereafter incurred in case of official telephones installed in private houses when authorized under regulations established by the Secretary of the Interior; not to exceed $1,000 for expenses, except membership fees, of attendance, when authorized by the Secretary, upon meetings of technical and professional societies required in connection with official work of the Bureau; payment of rewards, when specifically authorized by the Secretary of the Interior, for information leading to the apprehension and conviction of persons found guilty of the theft, damage, or destruction of public property: *Provided*, That the Secretary of the Interior in his administration of the Bureau of Reclamation is authorized to contract for medical attention and service for employees and to make necessary pay-roll deductions agreed to by the employees therefor: *Provided further*, That no part of any sum provided for in this act for operation and maintenance of any project or division of a project by the Bureau of Reclamation shall be used for the irrigation of any lands within the boundaries of an irrigation district which has contracted with the Bureau of Reclamation and which is in arrears for more than 12 months in the payment of any charges due the United States, and no part of any sum provided for in this act for such purpose shall be used for the irrigation of any lands which have contracted with the Bureau of Reclamation and which are in arrears for more than 12 months in the payment of any charges due from said lands to the United States;

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph that it is legislation on an appropriation bill and contains items not authorized by law.

I call the attention of the Chair to the language on page 72, line 22, "examination of estimates for appropriations in the field," and at the bottom of the page, "for lithographing, engraving, printing, and binding," and in line 20 of the same page, "for photographing and making photographic prints," and then at the top of page 73, "purchase of rubber boots for official use by employees," and in the middle of the page, at line 12, "and which may be compromised by agreement between the claimant and the Secretary of the Interior or such officers as he may designate," giving him authority to do things that the law does not authorize.

On these grounds, Mr. Chairman, I make a point of order against the entire paragraph.

Mr. SCRUGHAM. Mr. Chairman, the provisions objected to, in effect, are limitations on the appropriations which follow. If they were not set forth at this point of the bill, it would be necessary to carry the language for each one of the dozen or more appropriations which follow and to which this paragraph applies. This is certainly within the rule which authorizes limiting the amount and setting forth the purposes for which the appropriations are to be expended.

The CHAIRMAN. May the Chair ask the gentleman from Nevada if there is any authority of law for the language on page 73, line 12, "and which may be compromised by agreement between the claimant and the Secretary of the Interior or such officers as he may designate"? In the opinion of the Chair, this is not a limitation; and the Chair would like to know the provision of law which covers this.

Mr. SCRUGHAM. Mr. Chairman, I cannot cite any specific law, but I believe this is in accordance with common practice in bills of this character.

The CHAIRMAN. May the Chair ask the gentleman from Oklahoma [Mr. JOHNSON] if he has in mind any section of law which would apply with respect to the language on page 73, lines 12 to 14? It seems to the Chair the other items are incidental to the powers that are granted, but this particular provision, it seems to the Chair, would require some authority of law.

Mr. JOHNSON of Oklahoma. No, Mr. Chairman, I have not any specific provision of law in mind, but we have an amendment prepared to meet the point.

Mr. TABER. Mr. Chairman, would the Chair hear me with respect to another item?

The CHAIRMAN. The Chair would be pleased to hear the gentleman from New York.

Mr. TABER. The item to which I call attention is on page 72, at line 22, "examination of estimates for appropriations in the field." This is the item under which they have these congressional junkets without any authority of law.

The CHAIRMAN. The Chair may state to the gentleman there does not seem to be anything in the language that states it shall be used for that purpose.

Mr. TABER. That is what it is used for.

The CHAIRMAN. And, certainly, there might be some duties covered by that language.

Mr. TABER. There is no authority for that at all.

The CHAIRMAN. As the Chair understands the language, it would authorize the Bureau to use this money in the examination of estimates for appropriations in the field which might be essential. The Chair, of course, does not know what further use may have been made of the fund.

Mr. TABER. I do not believe the Bureau would be authorized to make appropriations or to examine estimates. The only thing the Bureau can do is to get together its estimates and submit them to the Budget. They would not have any authority to do anything that would be implied here, and the language would be entirely subject to some such thing as I have referred to.

I also call the attention of the Chair to page 74, the first proviso, lines 1 to 5. That is clearly subject to a point of order and is clearly legislation on an appropriation bill.

The CHAIRMAN. The Chair is of opinion that that is subject to a point of order. As to the other provision the gentleman was discussing, of course those examinations of estimates should be done by the Bureau. However, simply because the language might be administratively construed to include other things, would not make it subject to the point of order. The activities the gentleman wishes to eliminate might be reached by a proviso in the form of limitation if the gentleman did not want it to cover the particular thing that he has mentioned.

The Chair is of opinion that the paragraph is subject to the point of order for two reasons. First, page 73, line 12, after the word "works", the language—

and which may be compromised by agreement between the claimant and the Secretary of the Interior, or such officers as he may designate.

Then, going down to the last line on page 73, after the colon, the language:

Provided, That the Secretary of the Interior in his administration of the Bureau of Reclamation is authorized to contract for medical attention and services for employees and to make necessary pay-roll deductions agreed to by the employees therefor.

For these reasons the Chair sustains the point of order.

Mr. SCRUGHAM. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. SCRUGHAM: Page 72, beginning with line 12, insert the following:

"Administrative provisions and limitations: For all expenditures authorized by the act of June 17, 1902, and acts amendatory thereof or supplementary thereto, known as the reclamation law, and all other acts under which expenditures from said fund are authorized, including not to exceed $100,000 for personal services

and $15,000 for other expenses in the office of the chief engineer, $20,000 for telegraph, telephone, and other communication service, $5,000 for photographing and making photographic prints, $41,250 for personal services, and $7,500 for other expenses in the field legal offices; examination of estimates for appropriations in the field; refunds of overcollections and deposits for other purposes; not to exceed $15,000 for lithographing, engraving, printing, and binding; purchase of ice; purchase of rubber boots for official use by employees; maintenance and operation of horse-drawn and motor-propelled passenger vehicles; not to exceed $20,000 for purchase and exchange of horse-drawn and motor-propelled passenger-carrying vehicles; packing, crating, and transportation (including drayage) of personal effects of employees upon permanent change of station, under regulations to be prescribed by the Secretary of the Interior; payment of damages caused to the owners of lands or other private property of any kind by reason of the operations of the United States, its officers or employees, in the survey, construction, operation, or maintenance of irrigation works, payment for official telephone service in the field hereafter incurred in case of official telephones installed in private houses when authorized under regulations established by the Secretary of the Interior; not to exceed $1,000 for expenses, except membership fees, of attendance, when authorized by the Secretary, upon meetings of technical and professional societies required in connection with official work of the Bureau; payment of rewards, when specifically authorized by the Secretary of the Interior, for information leading to the apprehension and conviction of persons found guilty of the theft, damage, or destruction of public property: *Provided further*, That no part of any sum provided for in this act for operation and maintenance of any project or division of a project by the Bureau of Reclamation shall be used for the irrigation of any lands within the boundaries of an irrigation district which has contracted with the Bureau of Reclamation and which is in arrears for more than 12 months in the payment of any charges due the United States, and no part of any sum provided for in this act for such purpose shall be used for the irrigation of any lands which have contracted with the Bureau of Reclamation and which are in arrears for more than 12 months in the payment of any charges due from said lands to the United States."

Mr. TABER. Mr. Chairman, I make the point of order against the amendment upon the ground that it is legislation upon an appropriation bill, that it includes items not authorized by law, as, for instance, $5,000 for making photographic prints, not authorized by law in line 20 and in line 22, provision for examination of estimates for appropriations in the field, which is not authorized by law; $15,000 for lithographing and engraving, not authorized by law; the purchase of ice, the purchase of rubber boots for official use by employees, not authorized by law.

The CHAIRMAN. The Chair is ready to rule. This amendment provides for all expenditures authorized by the act of June 17, 1902, and acts amendatory thereof or supplementary thereto, known as the reclamation law, and all other acts under which expenditures from said fund are authorized, and so forth. The Chair thinks that the items to which the gentleman from New York objects specifically are incidental to the main purpose of carrying out the reclamation law. These incidental items it seems to the Chair are necessary to carry out the major purposes of the reclamation law, and the Chair, therefore, overrules the point of order.

Mr. TABER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. TABER to the amendment offered by Mr. SCRUGHAM: Strike out the words "examination of estimates for appropriations in the field."

Mr. TABER. Mr. Chairman, this is the item under which members of committees of Congress are accustomed to travel and go out on junkets and look over projects of one kind or another. To my mind, the language is clearly subject to the point of order, and I had hoped that it would be so ruled. I believe there has been a great deal of travel along this line, and I think it is time that we cleared our skirts and stopped it. I hope the Committee will adopt this amendment and that we shall put an end to that type of junketing.

Mr. SCRUGHAM. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. SCRUGHAM. Does the gentleman know of any expense of a Member of the House for travel that was charged to this particular item? I do not.

Mr. TABER. I do not know. I do not know of any other purpose it will serve.

Mr. SCRUGHAM. Then what is the purpose of making the statement?

Mr. TABER. I know that that is the item under which they use money for that purpose.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. JOHNSON of Oklahoma. The gentleman is again in error. That has not been used for any such purpose.

Mr. TABER. It is my understanding that it has.

Mr. JOHNSON of Oklahoma. Where does the gentleman get his information? The gentleman should be fair with the House.

Mr. TABER. It is my understanding that is the place where expenses of committees that go investigating around the country are paid.

Mr. JOHNSON of Oklahoma. The gentleman is simply suspicious that perhaps some money is used out of this item. It could be, but it has never been.

Mr. TABER. Then it ought to go out so that it could not be used.

Mr. JOHNSON of Oklahoma. This committee certainly has never abused this item. No member of this committee has, so far as I know, ever used a dime out of this fund to visit Indian reservations.

The CHAIRMAN. The question is on the amendment to the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 10, noes 50.

So the amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Nevada.

The amendment was agreed to.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. JONES, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, had come to no resolution thereon.

PERMISSION TO ADDRESS THE HOUSE

Mr. HARRINGTON. Mr. Speaker, I ask unanimous consent that on tomorrow after the disposition of the legislative business of the day and previous special orders that I may be permitted to address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. RAYBURN. Mr. Speaker, the gentleman from New York [Mr. DICKSTEIN] had a special order to speak this afternoon, but he says he does not care to use it. He has asked me to request that he may be permitted to address the House for 15 minutes tomorrow after the disposition of the legislative business for the day and other special orders

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

EXTENSION OF REMARKS

Mr. WHITE of Idaho. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD and to include therein a treatise on the commodities zinc and lead, a treatise prepared by Jackson Hoagland, research editor of the Mining Journal. I have an estimate, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

Mr. O'CONNOR of New York. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made in the Committee of the Whole today displaying my "expert" knowledge on Indian affairs.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to include in the remarks I made earlier this afternoon some brief quotations which somewhat interpret what I had to say.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted as follows:

To Mr. BIERMANN (at the request of Mr. HARRINGTON), indefinitely, on account of illness.

To Mr. CURLEY, indefinitely, on account of important business.

ENROLLED BILL AND JOINT RESOLUTION SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill and a joint resolution of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 9361. An act to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes.

H. J. Res. 596. Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval a joint resolution of the House of the following title:

H. J. Res. 596. Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

ADJOURNMENT

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 53 minutes p. m.) the House adjourned until tomorrow, Wednesday, March 2, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs, House of Representatives, will hold a meeting Wednesday, March 2, 1938, at 10 a. m., for the consideration of a building program for the Navy. Very important. Executive session.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m. Wednesday, March 2, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON THE JUDICIARY

There will be a hearing before the Committee on the Judiciary at 10:30 a. m., on Wednesday, March 2, 1938, on the bill (H. R. 8892) to change and modify the rules of procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the act of June 19, 1934, chapter 651, by amending sections 412 and 724 of title 28 of the Code of Laws of the United States of America and by adding thereto sections 430B, 430C, and 430D, pertaining to pleading and practice in the district courts of the United States, who may sue and be sued, the selection of jurors, the appointment of court stenographers, and for other purposes. The hearing will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

The Committee on Immigration and Naturalization will meet Wednesday, March 2, 1938, at 10:30 a. m., in room 445, House Office Building, for the consideration of unfinished business.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House of Representatives on Wednesday morning, March 2, 1938, at 10:30 a. m., on H. R. 7230, by Mr. PATMAN.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries, 219 House Office Building, announces the following schedule of hearings:

Tuesday, March 8, 1938, 10 a. m.:

H. J. Res. 463. Permitting the transportation of passengers by Canadian passenger vessels between the ports of Rochester and Alexandria Bay, N. Y., and the St. Lawrence River.

Wednesday, March 9, 1938, 10 a. m.:

H. R. 9225. Appointment of 30 traveling inspectors, Bureau of Marine Inspection and Navigation, Department of Commerce.

H. R. 9368. Issuance of certain seamen certificates by inspectors and assistant inspectors of hulls and boilers.

H. R. 8982. To amend Public Law 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

Thursday, March 10, 1938, 10 a. m.:

H. R. 9526. Settlement of accounts of deceased officers and enlisted men of the United States Coast Guard.

H. R. 8715. Conveyance of certain lands of the Mahon River Light Station Reservation to the State of Delaware for State highway purposes.

Tuesday, March 15, 1938, 10:30 a. m.:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938, 10 a. m.:

H. R. 8251. Relative to radio operators on cargo ships.

Thursday, March 17, 1938, 10 a. m.:

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 23, 1938, 10 a. m.:

S. 992. To make electricians licensed officers after an examination.

Wednesday, March 30, 1938, 10 a. m.:

H. R. 8840. Overtime compensation for customs officers and radio inspectors.

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 12, 1938, 10 a. m.:

H. R. 6797, H. R. 8596, and S. 2307. Fish-cultural stations in the States of Oregon, Washington, and Idaho.

Tuesday, April 19, 1938, 10 a. m.:

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

1106. Under clause 2 of rule XXIV, a communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Department of the Interior for the fiscal year 1939 in the sum of $350,000 (H. Doc. No. 533) was taken from the Speaker's table, referred to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DOUGHTON: Committee on Ways and Means. H. R. 9682. A bill to provide revenue, equalize taxation, and for

other purposes; without amendment (Rept. No. 1860). Referred to the Committee of the Whole House on the state of the Union.

Mr. KERR: Committee on Public Buildings and Grounds. H. R. 8654. A bill to amend the act entitled "An act authorizing the Secretary of the Treasury to convey to the city of Wilmington, N. C., Marine Hospital Reservation," being chapter 93, United States Statutes at Large, volume 42, part 1, page 1260, approved February 17, 1923; without amendment (Rept. No. 1862). Referred to the Committee of the Whole House on the state of the Union.

Mr. KERR: Committee on Public Buildings and Grounds. H. R. 9418. A bill to amend an act entitled "An act authorizing the Secretary of the Treasury to convey to the Board of Education of New Hanover County, N. C., portion of marine-hospital reservation not needed for marine-hospital purposes," approved July 10, 1912 (37 Stat. 191); without amendment (Rept. No. 1863). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mrs. O'DAY: Committee on Immigration and Naturalization. H. R. 2609. A bill for the relief of Sabatino Leo; without amendment (Rept. No. 1859). Referred to the Committee of the Whole House.

Mr. MAY: Committee on Military Affairs. S. 300. An act authorizing the President of the United States to appoint Sgt. Samuel Woodfill a captain in the United States Army and then place him on the retired list; without amendment (Rept. No. 1861). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DOUGHTON: A bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes; to the Committee on Ways and Means.

By Mr. LANHAM (by request): A bill (H. R. 9683) to amend the act of June 25, 1910, relating to the construction of public buildings, and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. SACKS (by request): A bill (H. R. 9684) to establish a Racing Board in the District of Columbia; to provide for the licensing of horse-racing meets where the pari-mutuel system of wagering thereon may be conducted; and to levy a license fee and tax on same; to the Committee on the District of Columbia.

By Mr. BOYKIN: A bill (H. R. 9685) to amend the act entitled "An act to establish a Civilian Conservation Corps, and for other purposes," approved June 28, 1937; to the Committee on Labor.

By Mr. RIGNEY: A bill (H. R. 9686) to provide an indemnity fund, in lieu of official bonds, for meeting losses now covered by such bonds of postal employees; to the Committee on the Post Office and Post Roads.

By Mr. MAY: A bill (H. R. 9687) to establish a United States postgraduate medical and surgical college and research institute, to provide properly trained medical, surgical, and health personnel for the military, naval, and Public Health Services, to coordinate and improve health research activities of the Federal Government, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. BOEHNE: A bill (H. R. 9688) to extend the times for commencing and completing the construction of a bridge across the Ohio River between Rockport, Ind., and Owensboro, Ky.; to the Committee on Interstate and Foreign Commerce.

By Mr. O'CONNELL of Montana: A bill (H. R. 9689) to regulate interstate commerce in goods produced under conditions exposing employees to the hazards of silicosis and related dust diseases; to the Committee on Labor.

By Mr. DICKSTEIN: A bill (H. R. 9690) to deny United States citizenship to persons who believe in any form of Government for the United States contrary to that now existing in the United States; to the Committee on Immigration and Naturalization.

By Mr. CELLER: A bill (H. R. 9691) to protect veterans' preference under the civil-service laws; to the Committee on the Civil Service.

By Mr. MAY (by request): A bill (H. R. 9692) to amend an act entitled "An act authorizing the conservation, production, exploitation, and sale of helium gas, a mineral resource pertaining to the national defense and to the development of commercial aeronautics, authorizing the acquisition, by purchase or otherwise, by the United States of properties for the production of helium gas, and for other purposes," approved September 1, 1937; to the Committee on Military Affairs.

By Mr. VOORHIS (by request): Resolution (H. Res. 425) appointing a select committee of the House of Representatives to investigate the trial and conviction of former Representative John H. Hoeppel, and for other purposes; to the Committee on Rules.

By Mr. GIFFORD: Resolution (H. Res. 426) authorizing additional clerk hire to the Committee on Expenditures in the Executive Departments of the House of Representatives; to the Committee on Accounts.

By Mr. BARRY: Resolution (H. Res. 427) creating a select committee of the House of Representatives to investigate and report on the raw materials necessary to industrial life in the United States; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRY: A bill (H. R. 9693) granting a pension to Sarah J. Hopper; to the Committee on Invalid Pensions.

By Mr. COSTELLO: A bill (H. R. 9694) for the relief of Barbara Kosick; to the Committee on Claims.

By Mr. DIES: A bill (H. R. 9695) for the relief of Mrs. Clyde Thatcher and her two minor children; to the Committee on Claims.

By Mr. ROBSION of Kentucky: A bill (H. R. 9696) for the relief of Dr. B. L. Pursifull, Grace Pursifull, Eugene Pursifull, Ralph Pursifull, Bobby Pursifull, and Dora Little; to the Committee on Claims.

By Mr. TAYLOR of Tennessee: A bill (H. R. 9697) for the relief of Augusta Brassil; to the Committee on Claims.

Also, a bill (H. R. 9698) for the relief of Harvey R. Cooper; to the Committee on Claims.

By Mr. WELCH: A bill (H. R. 9699) for the relief of Charles Donaldson Cameron; to the Committee on Naval Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4266. By Mr. COLMER: Memorial of the Jackson County Post, No. 160, American Legion, Department of Mississippi, memorializing the Congress to pass Senate bill 2206 and House bill 5233, placing enlisted men of the Coast Guard in the Coast Guard Reserve under certain conditions; to the Committee on Naval Affairs.

4267. By Mr. CONNERY: Resolution of the Italian-American Civic Association, Lawrence, Mass., protesting against the signing of trade agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4268. Also, resolution of the Ladies' Auxiliary to La Legion Franco-Americaine, Unit No. 1, Lawrence, Mass., protesting against any concession in the wool schedule in the proposed trade-pact agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4269. Also, resolution of the Andover Post, No. 2128, Veterans of Foreign Wars, Andover, Mass., opposing any readjustment of the tariff law in the proposed trade-treaty agreement with Great Britain; to the Committee on Foreign Affairs.

4270. Also, petition and resolution of the Lawrence High School Teachers' Association, Lawrence, Mass., protesting against any concessions in the wool schedule in the proposed trade-treaty agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4271. Also, resolution of the Arlington Athletic and Social Club, Lawrence, Mass., protesting against any concessions in the wool schedule in the proposed trade-treaty agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4272. Also, resolution of the Polish St. Michael's Benevolent Society, Lawrence, Mass., protesting against the signing of trade agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4273. By Mr. DONDERO: Petition of citizens of Rochester, Oakland County, Mich., protesting against the imposition of a tax of 1 cent a gallon on fuel oil, believing such a tax would be exceedingly discriminatory, and urging the deefat of such a tax; to the Committee on Ways and Means.

4274. Also, petition of citizens of the city of Leonard, Oakland County, Mich., protesting against the erection of a monument in the Capital City, Washington, to Robert G. Ingersoll; to the Committee on the Public Lands.

4275. By Mr. LUTHER A. JOHNSON: Petition of F. L. Cole, president of Wortham Civic Club, Wortham; F. R. Hill, president, Fairfield Business and Civic Club, Fairfield; and McNeill Drumwright, president of the Teague Chamber of Commerce, Teague; all of the State of Texas, opposing a reduction in funds for Federal highway aid; to the Committee on Roads.

4276. By Mr. MERRITT: Resolution of the Columbia Democratic Club of Queens County, urging the President of the United States to declare a national holiday to be known as Democracy Day, so that we, the people, may show our respect for our Government; to the Committee on the Judiciary.

4277. By Mr. SHAFER of Michigan: Petition of K. K. Ward, of Vermontville, Mich., and 121 other citizens of the Third Congressional District of Michigan, favoring enactment of House bill 6704, known as the Shepherd-Hill Universal Service Act; to the Committee on Military Affairs.

4278. By the SPEAKER: Petition of the Strathmoor Townsend Club, No. 5, Detroit, Mich., with reference to House bill 4199, concerning general welfare; to the Committee on Ways and Means.

4279. Also, petition of the San Francisco County Workers' Alliance, San Francisco, Calif., petitioning consideration of their resolution with reference to House Joint Resolution 523, concerning foreign relations; to the Committee on Foreign Affairs.

4280. Also, petition of the San Francisco County Workers' Alliance, San Francisco, Calif., petitioning consideration of their resolution with reference to the Thomas J. Mooney pardon; to the Committee on the Judiciary.

SENATE

WEDNESDAY, MARCH 2, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Tuesday, March 1, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (H. R. 9361) to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes, and it was signed by the Vice President.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Calif.	O'Mahoney
Andrews	Davis	Johnson, Colo.	Overton
Ashurst	Dieterich	King	Pepper
Austin	Donahey	La Follette	Pittman
Bailey	Duffy	Lee	Pope
Bankhead	Ellender	Lewis	Radcliffe
Barkley	Frazier	Lodge	Reames
Berry	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Wagner
Connally	Hughes	Nye	Walsh

Mr. BARKLEY. I announce that the Senator from Mississippi [Mr. BILBO] and the Senator from Montana [Mr. WHEELER] are detained from the Senate on important public business.

The Senator from South Carolina [Mr. SMITH] is absent in his State engaged in delivering a series of lectures on the recently enacted farm bill.

The VICE PRESIDENT. Ninety-two Senators have answered to their names. A quorum is present.

THE SPECIAL COMMITTEE TO INVESTIGATE CONDITIONS IN THE MERCHANT MARINE—RESIGNATION OF SENATOR MALONEY

The VICE PRESIDENT laid before the Senate the following letter from the junior Senator from Connecticut [Mr. MALONEY], which was read and ordered to lie on the table:

UNITED STATES SENATE,
Washington.

To the PRESIDENT OF THE SENATE:

It is not convenient for me to serve on the Special Committee to Investigate Conditions in the American Merchant Marine, recently created by Senate Resolution 231, and I, therefore, tender my resignation as a member of the said committee.

Respectfully,

FRANCIS T. MALONEY.

MARCH 2, 1938.

REPORT OF INTERSTATE COMMERCE COMMISSION—AMENDMENT OF MOTOR CARRIER ACT, 1935 (S. DOC. NO. 154)

The VICE PRESIDENT laid before the Senate a report of the Interstate Commerce Commission, submitted pursuant to law, recommending the enactment of legislation to amend the Interstate Commerce Act, as amended, by amending certain provisions of part II of said act, otherwise known as the Motor Carrier Act, 1935, and embodying a draft of such proposed bill, which was referred to the Committee on Interstate Commerce and ordered to be printed.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a letter in the nature of a petition from Martin Weissploz, of Washington, N. J., praying for a reduction in the tax on fuel oils, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the Negro Welfare League, of San Francisco, Calif., protesting against the enactment of legislation imposing a tax on fuel oil used for power purposes, which was referred to the Committee on Finance.

He also laid before the Senate papers in the nature of petitions from the League of the Aged (65 and over), Cincinnati, Ohio, praying for the repeal of that portion of the Social Security Act pertaining to the collection of funds from employers and employees to create old-age pensions at the age of 65, which were referred to the Committee on Finance.

He also laid before the Senate a postal card from O. O. Hootman, of Compton, Calif., relative to measures to bring about world peace, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a resolution adopted by the county convention of the San Francisco (Calif.) Workers'

Alliance, favoring the prompt enactment of legislation authorizing the President of the United States to suspend economic relations with Japan, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a resolution adopted by the county convention of the San Francisco (Calif.) Workers' Alliance, favoring the prompt enactment of the joint resolution (H. J. Res. 527) to amend the joint resolution entitled "Joint resolution providing for the prohibition of the export of arms, ammunition, and implements of war to belligerent countries; the prohibition of the transportation of arms, ammunition, and implements of war by vessels of the United States for the use of belligerent states; for the registration and licensing of persons engaged in the business of manufacturing, exporting, or importing arms, ammunition, or implements of war; and restricting travel by American citizens on belligerent ships during war," approved August 31, 1935, as amended by the joint resolution approved May 1, 1937, which was referred to the Committee on Foreign Relations.

He also laid before the Senate resolutions adopted by the county convention of the San Francisco (Calif.) Workers' Alliance, favoring the taking of appropriate legislative action looking to obtaining pardons and the immediate release from prison of Thomas J. Mooney and Warren K. Billings, which were referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by Admiral Joseph M. Reeves Post, No. 11, of Livermore, and Panay Post, No. 169, of San Diego, both of the Regular Veterans' Association in the State of California, favoring the enactment of legislation for the benefit of the enlisted and retired enlisted personnel of the regular armed forces of the United States, which were referred to the Committee on Military Affairs.

He also laid before the Senate a resolution adopted by Pomona Grange, No. 3, Patrons of Husbandry, of Chester and Delaware Counties, at Phoenixville, Pa., favoring the prompt enactment of such tax and other legislation as will relieve depressed business and agricultural interests of the country, which was ordered to lie on the table.

REPORTS OF COMMITTEES

Mr. THOMAS of Utah, from the Committee on Education and Labor, to which was referred the bill (S. 531) to provide compensation for disability or death resulting from injury to employees of contractors on public buildings and public works, reported it with an amendment and submitted a report (No. 1417) thereon.

Mr. ADAMS, from the Committee on Public Lands and Surveys, to which was referred the resolution (S. Res. 240) to investigate the question of the creation of the Petrified Forest National Park (submitted by Mr. ASHURST February 28, 1938), reported it without amendment; and, under the rule, the resolution was referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that that committee presented to the President of the United States the following enrolled bills:

On February 23, 1938:

S. 3452. An act to extend the lending authority of the Disaster Loan Corporation to apply to disasters in the year 1938.

On February 25, 1938:

S. 2215. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto; and

S. 2381. An act to amend the Criminal Code by providing punishment for impersonation of officers and employees of Government-owned and Government-controlled corporations.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. FRAZIER:

A bill (S. 3574) to provide for the safety of American citizens and to prevent unnecessary wars; to the Committee on Foreign Relations.

By Mr. GLASS and Mr. McADOO:

A bill (S. 3575) to provide for the regulation of bank holding companies and affiliates, and for other purposes; to the Committee on Banking and Currency.

By Mr. McADOO:

A bill (S. 3576) for the relief of Barbara Kosick; to the Committee on Claims.

By Mr. THOMAS of Oklahoma:

A bill (S. 3577) for the relief of James Roubidoux; to the Committee on Indian Affairs.

A bill (S. 3578) granting a pension to the regularly commissioned United States deputy marshals of the United States District Court for the Western District of Arkansas, including the Indian Territory, now the State of Oklahoma, and to their widows and dependent children; to the Committee on Pensions.

By Mr. REYNOLDS:

A bill (S. 3579) for the relief of Claud J. Adams; to the Committee on Military Affairs.

A bill (S. 3580) for the relief of William Thomas Genobles; to the Committee on Naval Affairs.

A bill (S. 3581) granting a pension to Sopronia Page; and

A bill (S. 3582) granting a pension to Gaston H. Wilder; to the Committee on Pensions.

By Mr. BERRY:

A bill (S. 3583) to authorize the coinage of 50-cent pieces in commemoration of the seventy-fifth anniversary of the Battles of Chickamauga, Lookout Mountain, Chattanooga, and Missionary Ridge; to the Committee on Banking and Currency.

By Mr. HAYDEN:

A bill (S. 3584) for the relief of G. E. Maxwell; to the Committee on Claims.

By Mr. RUSSELL:

A bill (S. 3585) for the relief of Phil S. Wade; to the Committee on Claims.

By Mr. PEPPER:

A bill (S. 3586) for the relief of Gibbs Gas Engine Co. of Florida, a corporation; to the Committee on Claims.

By Mr. SHEPPARD:

A bill (S. 3587) for the relief of Mr. and Mrs. P. F. Nixon, parents of Herschel Lee Nixon, deceased minor son; to the Committee on Claims.

A bill (S. 3588) to amend article (b), title 46, section 599, United States Code, Annotated, act of June 26, 1884 (ch. 121, art. 10, 23 Stat. 55), as amended June 5, 1920 (ch. 250, art. 32, 41 Stat. 1006), so as to authorize allotments of wages by seamen; to the Committee on Commerce.

A bill (S. 3589) to amend the act of March 2, 1899, as amended, to authorize the Secretary of War to permit allotments from the pay of military personnel and permanent civilian employees under certain conditions (with accompanying papers); and

A bill (S. 3590) to amend an act entitled "An act for making further and more effectual provision for the national defense, and for other purposes," approved June 3, 1916, as amended by the act of June 4, 1920, so as to make available certain other officers for General Staff duty; to the Committee on Military Affairs.

By Mr. WALSH:

A bill (S. 3591) for the relief of the heirs of Thomas McGovern, deceased member of the National Home for Disabled Volunteer Soldiers; to the Committee on Claims.

A bill (S. 3592) for the relief of Samuel Weinstein, Jr.; to the Committee on Naval Affairs.

By Mr. PITTMAN:

A bill (S. 3593) authorizing the appointment and retirement of William B. Barber as a first lieutenant, United States Marine Corps; to the Committee on Naval Affairs.

By Mr. GUFFEY:

A bill (S. 3594) to transfer, assign, and convey to the Commonwealth of Pennsylvania a certain tract of land, con-

taining about 6½ acres, situate in Tinicum, Delaware County, Pa.; to the Committee on Public Lands and Surveys.

By Mr. PEPPER and Mr. WALSH:

A bill (S. 3595) to authorize the purchase and distribution of products of the fishing industry; to the Committee on Commerce.

By Mr. COPELAND:

A bill (S. 3596) to amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims; to the Committee on Commerce.

By Mr. BONE:

A joint resolution (S. J. Res. 273) relating to the sale of souvenirs in public buildings and parks, and for other purposes; to the Committee on Public Buildings and Grounds.

TEMPORARY ASSISTANT CLERK, COMMITTEE ON THE JUDICIARY

Mr. ASHURST submitted the following resolution (S. Res. 244), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Committee on the Judiciary hereby is authorized to employ an assistant clerk to be paid from the contingent fund of the Senate at the rate of $1,440 per annum until the end of the present session.

ROSALIE HOOPER

Mr. COPELAND submitted the following resolution (S. Res. 245), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Rosalie Hooper, sister of Virgil M. Healy, late a private of the Capitol Police under supervision of the Sergeant at Arms a sum equal to 6 months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

FAREWELL RECEPTION TO MINISTER MACWHITE—ADDRESS BY SENATOR LONERGAN

[Mr. WALSH asked and obtained leave to have printed in the RECORD remarks made by Senator LONERGAN on Sunday, February 27, 1938, on the occasion of the farewell reception tendered by the Calvert Club, Washington, D. C., to Hon. Michael MacWhite, Envoy Extraordinary and Minister Plenipotentiary of the Irish Free State, which appears in the Appendix.]

DEMOCRACY UNDER ROOSEVELT—ADDRESS BY JOSEPH B. KEENAN

[Mr. MCGILL asked and obtained leave to have printed in the RECORD an address entitled "Democracy Marches Forward Under Roosevelt," delivered by Hon. Joseph B. Keenan, assistant to the Attorney General, at the annual banquet of the Kansas Democratic Club, on February 22, 1938.]

SUPER TOLL HIGHWAYS—INTERVIEW WITH HUBERT HOLLOWAY

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a radio interview on the question of super toll highways with Hubert Holloway, representing the American Automobile Association, which appears in the Appendix.]

NEW JERSEY OYSTERS AND CHAMPAGNE

Mr. SCHWELLENBACH obtained the floor.

Mr. SMATHERS. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from New Jersey?

Mr. SCHWELLENBACH. I yield.

Mr. SMATHERS. Mr. President, the interstate cheese contest which has been waging here for some time has now given way to an oyster contest. Through the courtesy of our distinguished colleague from Rhode Island [Mr. GREEN] yesterday Senators were afforded an opportunity to make the acquaintance of the delicious oysters from Rhode Island, which were enjoyed by everyone. Thus I find that the prowess of my State of New Jersey has been challenged. The Rhode Island oyster festival of yesterday has actuated a constituent of mine, Mr. F. F. East, one of the largest oyster producers in America, to send me a telegram requesting Senators not to form an opinion as to whether the Rhode Island oyster is better than the Maryland or Virginia oyster until they have had a chance to test the Maurice River oysters of New Jersey. He advised me that next Thursday he will send to the Senate restaurant several barrels of New Jersey oysters.

The Senator from Rhode Island says that the Rhode Island oyster is better than the Maryland oyster because it comes from the cold waters of Rhode Island. New Jersey is halfway between Maryland and Rhode Island; and whatever advantages the oyster derives from cold water or from warm water the New Jersey oysters possess them all.

Everybody knows that New Jersey's Maurice River section produces the finest oysters in the world. And everybody should know that the Renault champagne produced in the sunny vineyards of the great Garden State of New Jersey is the finest in America.

So to prove that the Maurice River oyster is the best in captivity, to prove that New Jersey's Renault champagne is the best in America, and to demonstrate their beneficial effects when taken internally and in collusion, I intend to arrange a demonstration in the Senate restaurant and the press restaurant of the Senate Thursday, March 10.

On behalf of two of New Jersey's industries, I invite Senators, their ladies, and the Members of the Senate press gallery to participate.

Mr. GREEN. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Rhode Island?

Mr. SCHWELLENBACH. I yield.

Mr. GREEN. Mr. President, I feel that I can gratefully acknowledge the invitation of the Senator from New Jersey. "Imitation is the sincerest flattery." I did not feel obliged to offer any inducement to my fellow Senators to eat the oysters from Rhode Island, but a bottle of champagne, no doubt, will make the oysters from New Jersey palatable. Just as a storekeeper sometimes offers a bottle of hair restorer to a purchaser of a half dozen bars of soap, so the Senator from New Jersey offers New Jersey champagne to those who will eat New Jersey oysters. As for the relative temperature, personally, I prefer oysters from either cold water or warm water. These wishy-washy compromise oysters are neither one thing nor the other, but, no doubt, have their claim to recognition. I intend to taste them, but their merit will have to be demonstrated. I accept the invitation which the Senator from New Jersey kindly offers.

CONSTRUCTION OF SUPERHIGHWAYS—REFERENCE OF BILL

Mr. BARKLEY. Mr. President, if no more "oysters" desire recognition, I should like to make a statement in connection with the matter pending before the Senate.

When the Senate recessed yesterday, it was tentatively understood that the motion made by the Senator from Tennessee [Mr. MCKELLAR] to transfer the Bulkley road bill from the Committee on Banking and Currency to the Committee on Post Offices and Post Roads would be taken up the first thing today; but, inasmuch as the Senator from Washington [Mr. SCHWELLENBACH] has been recognized and desires to speak now, I wish to say that at the conclusion of his address I hope we may dispose of the motion made by the Senator from Tennessee.

The VICE PRESIDENT. Will the Senator from Kentucky permit the Chair to make a statement in that connection?

The Senator from South Carolina [Mr. BYRNES] is in charge of the bill now before the Senate, known as the reorganization bill. The Chair assumed that the Senator from South Carolina would know the wishes of the organization and of the leader of the majority, the Senator from Kentucky [Mr. BARKLEY]. The Senator from South Carolina telephoned the Chair this morning and asked if he would not recognize the Senator from Washington [Mr. SCHWELLENBACH]. The Chair told the Senator from South Carolina, other things being equal, that he would.

That is the status of the matter with reference to the Chair. If the Chair had known that it was desired to lay aside the pending business temporarily today, he would have conferred with the Senator from South Carolina on the matter.

Mr. BARKLEY. Mr. President, the Vice President was not in the chair when the Senate recessed yesterday. The Senator from Massachusetts [Mr. WALSH] desired to speak on the reorganization bill, but did not wish to go on as late as the hour of recessing yesterday afternoon. He agreed to yield today to enable this motion to be passed upon, assuming, of course, that it would be agreeable to the Senator from South Carolina to do that, since it would take only a few moments. The Senator from Massachusetts is not now present in the Chamber, however, and, of course, we can not wait any longer.

Mr. BYRNES. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. BYRNES. I did not know that the Senator from Massachusetts desired to have the floor the first thing today, although he spoke to me, and told me he did not want to speak yesterday, but wanted to speak today, he did not state that he desired to be recognized the first thing today.

Mr. BARKLEY. There is no trouble about it.

Mr. BYRNES. The Senator from Massachusetts is not here at present. At the conclusion of the remarks of the Senator from Washington [Mr. SCHWELLENBACH], if it meets with the wishes of the Senator from Kentucky, I shall be glad to ask unanimous consent that the unfinished business be temporarily laid aside for the purpose of disposing of the matter in which the Senator from Tennessee [Mr. MCKELLAR] and the Senator from Ohio [Mr. BULKLEY] are interested.

Mr. McKELLAR. After the speech of the Senator from Washington [Mr. SCHWELLENBACH]? That will be entirely satisfactory.

Mr. BULKLEY. Mr. President, that will be very satisfactory to me.

Mr. BARKLEY. The only reason for urgency is that whichever committee is to have jurisdiction of the bill ought to know it.

Mr. BYRNES. I agree to that.

Mr. BULKLEY. Mr. President, may we have unanimous consent to have that done at the conclusion of the remarks of the Senator from Washington?

The VICE PRESIDENT. If any Senator makes that request, the Chair will put it.

Mr. BULKLEY. I make the request.

The VICE PRESIDENT. The Senator from Ohio asks unanimous consent that at the conclusion of the remarks of the Senator from Washington [Mr. SCHWELLENBACH] the Senate temporarily lay aside the unfinished business and take up the motion of the Senator from Tennessee [Mr. MCKELLAR] to discharge the Committee on Banking and Currency from the further consideration of Senate bill 3428, and refer it to the Committee on Post Offices and Post Roads. Is there objection? The Chair hears none, and it is so ordered.

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. SCHWELLENBACH. Mr. President, I desire to address the Senate for a short time, limiting my remarks to the provisions of title III of the bill. As the Members of this body know, title III refers to accounting and auditing.

Let me say at the outset that I am rather hesitant in discussing this question in view of the fact that it has been discussed by Members of this body who have occupied executive positions in their States, and who have had much more experience than have I in governmental matters. However, as I view the question involved, it is purely a question of accounting, purely a question of proper accounting practices, and during my life I have had some experience in the study of accounting problems.

The first question with which I am confronted is whether or not the ordinary principles of bookkeeping should be applied in the management of governmental affairs. Upon that question I desire to quote a few of the statements which have been made during the past few years by numerous authorities in the United States in reference to our General Accounting Office and with reference to the system which we have in our Federal Government for the control of our accounts.

I desire first to quote from a statement made by Mr. George P. Auld, who was chairman of a special committee of the American Institute of Accountants, which made a study of this legislation. Mr. Auld wrote a letter, which was inserted in the RECORD yesterday at the request of the Senator from South Carolina [Mr. BYRNES], in which he said:

> A comparable situation would be found in a corporation if the controller of accounts were to be made independent of the president; if he were then to be granted additional executive powers over other operating departments and, on top of that, were to audit all transactions after their consummation. Or, the other way around, we may imagine the independent public accountant who audits the corporation's books being empowered to direct the account keeping and settlement of claims against the company, and further given a veto over operating acts and methods connected with planning and procurement.

In October 1934, prior to the suggestion of any legislation of this kind by the President, the Chamber of Commerce of the United States appointed a special committee which studied the question of whether or not the Federal Government's method of bookkeeping was proper. The committee was headed by Matthews Sloan as chairman. Mr. Sloan is the president and chairman of the board of the Missouri-Kansas-Texas Railroad Co., a director of the Chrysler Corportion, the Continental Can Co., the Irving Trust Co., and a number of other prominent corporations in the country. The other members of the committee were George H. Baldwin, executive vice president of the Bisbee-Baldwin Corporation, director of the Savannah Electric & Power Co., and a number of other corporations; A. J. Brosseau, manufacturer, of New York, president of Mack Trucks, Inc.; R. E. Campbell, department-store executive, of Lincoln, Nebr.; Philip H. Gadsden, public-utility executive; Lammont du Pont; Fred W. Sargent, railway executive, president of the Chicago & North Western Railway Co.; and W. F. Willoughby, economist, of Washington, D. C.

It may seem rather strange that I should be quoting from a report which originated among this particular group of individuals, but I hope the fact that it was written by this group of individuals will not prejudice the consideration of the report. In 1934 they said:

> Accounting and auditing are the means whereby the information necessary for the understanding and control of financial operations can be obtained. There is considerable confusion regarding the proper dividing line between governmental accounting and auditing. Accounting is the recording of claims by or against the Government and then having these credited or charged to the proper items as set up in the books.
>
> An auditor is essentially an agent of the legislature. All expenditures must be authorized by the legislature, yet that body has no satisfactory means of knowing whether its mandates have been carried out unless it has some permanent checking agency. This agency should be the auditor—an officer entirely independent of the administration and concerned not so much with accounting and accounting methods and the fidelity of fiscal operations as with propriety of expenditures and serving as a legislative agent to point out to that body unwise and improvident expenditures or inefficient procedure.

Then, in their recommendations or conclusions they say:

> Distinction should be made between accounting, which is a function of the administration, and auditing proper, which is essentially of legislative concern.
>
> The functions of the present office of Comptroller General should be limited to those of an auditor general as legislative agent; that is, concerned primarily with the propriety and advisability of expenditures and fiscal operations rather than their fidelity.
>
> There should be a General Accounting Office under the control of the President; this office should have the responsibility of reorganizing the accounting system, standardizing accounting, and incorporating those modern features which will afford the data indispensable for a satisfactory periodic check-up and control of fiscal operations.

I desire now to read briefly from the letter from Haskins & Sells which was placed in the RECORD yesterday by the Senator from South Carolina [Mr. BYRNES]. I do not think anyone familiar with business operations in this country will deny the fact that Haskins & Sells is one of the leading accounting firms of the country. They rank alongside of Price, Waterhouse & Co. and other leading auditing concerns in the United States. They say:

> With respect to accounting and auditing functions, there is a considerable similarity between the organization problems of the Government and those of industry. In industry, sound practical reasons are recognized for including among the normal functions of the executive or management the maintenance of systems of accounting and accounting control the power of contracting and procurement and the authority to make disbursements under restrictions imposed by law and by charter and by the stockholders or directors. On the other hand, the function of auditing or examining the acts of the executive officers as reflected by the accounts normally comes after the contracting, disbursing, and accounting have been completed, and this post-audit function is customarily performed by an independent auditor, whose report is transmitted to the stockholders. There appear to be sound and important practical reasons, of the kind found in industry, why a similar separation of the functions mentioned should be applicable to Government.

I now wish to refer to some other authorities upon this question of the relationship between the accounting practices of industry and the accounting practices in government. In a book entitled "Public Finance," written in 1936 by H. C. Lutz, we find this:

> A second defect * * * is the failure to distinguish between the comptroller and the auditor functions. In the Federal system * * * both * * * are performed by the same official or under his direction * * * it is easy to understand why the error was made in 1921. It is not so easy to understand why this error should have been perpetuated so long * * *. In consequence the administration has been hampered by * * * decisions of an official beyond the control of the Executive, while there is no present provision for independent criticism of the comptroller activities.

In a book entitled "The Budget in Governments of Today," by A. E. Buck, written in 1934, we find this:

> The Comptroller General is in a dual position, performing certain functions which are essential to complete Executive action, and others which, for theoretical and practical reasons, are prerogatives of the legislature. His duties are not only inconsistent in this respect, but they are illogical as well, since he virtually becomes the auditor of his own accounts.

There are in many States of the Union similar questions which have been submitted, and uniformly the States which have worked out this problem have decided in favor of a system like that presented in the pending measure.

The Supreme Court of the United States in the case of *Springer* v. *Philippine Islands* (277 U. S. 189) had this to say:

> Legislative power, as distinguished from executive power, is the authority to make laws but not to enforce them or appoint the agents charged with the duty of enforcement. The latter are executive functions * * *. It (the legislative power) must deal with the property of the Government by making rules and not by enforcing them.

The Brookings Institution, which, despite the fact that in every instance when it has been employed by a State government in the United States has made a recommendation similar to the pending measure, appeared before the committee, through its representative, and testified against these provisions of the bill. The Brookings Institution itself specifically, in its report to the Select Committee to Investigate the Executive Activities of the Government, pointed out the difficulties with which we are confronted because of the fact that we have placed these dual powers in the Comptroller. They say this:

> In the actual administration of the existing system, no little confusion has arisen with respect to the functions of the Comptroller General. The clear-cut distinction which has just been made with respect to the division of authority and responsibility between the executive and legislative branches has been blurred by the facts (a) that the Comptroller General as head of the General Accounting Office has come to be regarded by many as an administrative officer as well as a final auditor, and (b) that as auditor he reviews acts of administrative officers to determine their legality.

Mr. BAILEY. Mr. President, may I ask the Senator a question?

Mr. SCHWELLENBACH. Certainly.

Mr. BAILEY. The act under which we are operating provides for a Comptroller General, holding office 15 years, appointed by the President, who serves as an agent of the Congress, and cannot be removed at the will of the President; but the measure before us provides for the appointment of an auditor general, who could be removed at the will of the President. Of course, if he is removed at the will of the President he ceases to serve as agent of the Congress. So I think the question strikes much more deeply than the mere matter of auditing, or the method of auditing. The question here is, Whether we shall have someone looking over the accounts and making the audit who is not removable at the will of the President. I should like to hear the Senator upon that just a little. Is not that the real issue?

Mr. SCHWELLENBACH. Mr. President, I may answer the Senator in this way. I think he looks much more closely to the form than to the substance. The fact of the matter is—and I will demonstrate it before I get through—that we have not a Comptroller General who provides any information to the Congress, or is of the slightest use to the Congress. We are acting under a delusion and a snare if we think we have someone who represents us. Before I conclude I will demonstrate that the Comptroller General has been absolutely useless. Giving the Comptroller General credit for everything else in the world, because of the fact that he has this dual function, he has not been supplying any information, and I do not think that stands very well for Members of this body to raise a question upon the technical side of the matter, and say that we must not give up this Comptroller General who represents us. He just does not represent us, and does not do the Congress of the United States the slightest semblance of good.

Mr. BYRNES. Mr. President, will the Senator from Washington yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. Did the Senator from North Carolina say that the auditor general could be removed by the President?

Mr. SCHWELLENBACH. Yes.

Mr. BYRNES. I was not following the Senator. I hope the Senator answered that under the explicit provisions of the bill he could be removed only by the Congress. Congress would appoint him and by the Congress alone could he be removed.

Mr. SCHWELLENBACH. The Senator from North Carolina was so positive about it that for the moment I did not care to argue about the question.

Mr. BAILEY. Mr. President, let us consider that question. The Budget Director can be removed at the will of the President.

Mr. SCHWELLENBACH. Was the Senator talking about the Budget Director?

Mr. BAILEY. No; I was not. I was under a misapprehension. I am now talking about the Budget Director, but I was not.

Mr. SCHWELLENBACH. In the original question the Senator was talking about the auditor general?

Mr. BAILEY. Yes.

Mr. SCHWELLENBACH. He could not be removed, as I understand, by the President.

Mr. BAILEY. The auditor general could not be removed, but the Director of the Budget could be removed.

Mr. SCHWELLENBACH. Yes.

Mr. BAILEY. Very well.

Mr. SCHWELLENBACH. That is perfectly proper, is it not? Anyone who has the slightest understanding of the administrative set-up in business knows that the man who is responsible should have the right to remove the man who is in charge of accounting.

Mr. BAILEY. There may be a difference of opinion as to that, but I do not think the argument would turn on whether a man had a knowledge of business.

Mr. BYRNES. Mr. President, if the Senator from Washington will yield——

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. I call the attention of the Senator from North Carolina to page 28 of the bill, where it is specifically provided that the auditor general shall hold office for 15 years, that he "may be removed at any time by concurrent resolution of the Congress after notice and hearing, when, in the judgment of the Congress, the Auditor General or the Assistant Auditor General has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude," and only under those circumstances.

Mr. BAILEY. Does the Senator interpret that as fully implying that the auditor general would not come within the rule that where the term is not fixed, and the conditions of the term are not fixed, the President may remove?

Mr. BYRNES. But the term is fixed at 15 years, and the construction of the committee was that the President would have no more power to remove the auditor general than he would have the power to remove the clerk of the Committee on Appropriations of the Senate.

Mr. BAILEY. Very well. Now, I will ask the Senator another question. Would he be willing to accept an amendment making it perfectly clear, and insert the language that was used and has been approved by the courts in connection with the members of the Federal Trade Commission? Would the Senator object to making that clear? He states the intent of the committee. Would he be willing to accept an amendment to make that intent perfectly clear?

Mr. BYRNES. I shall be delighted to confer with the Senator from North Carolina about the matter and submit to his judgment whether, when the Congress creates a legislative office, the incumbent to be appointed solely by the Congress, and to be removable only by the Congress, there can be the slightest doubt on earth that no branch of the Government other than the Congress can ever interfere with that official. I submit to the Senator that I am in hearty accord with the opinion of the committee, that we might as well fear that the President could remove the clerk of the Senate Committee on Appropriations. That being so, I would not like even to cast doubt on the matter, or intimate that the Congress thought that the President could remove in any way an agent of the Senate of the United States or of the House of Representatives.

Mr. BAILEY. I am in doubt about the language. The provision is that the auditor general may be removed at any time by a concurrent resolution of the Congress, and so on, after notice and hearing, but it does not so fix the term of his tenure that the implication is not rather firm with me as I have indicated it.

Mr. BYRNES. It provides he shall hold office for 15 years.

Mr. BAILEY. Suppose we should insert here the language that was used in connection with the Federal Trade Commission as to the tenure of office; that would make it perfectly clear. This is the language from the Humphrey case:

> Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office.

Would not the Senator agree to insert a provision, with reference to the Comptroller General, that he shall not be removed otherwise?

Would the Senator agree to that?

Mr. BYRNES. No; I would not because the members of the Federal Trade Commission are appointed by the President, and because they are appointed by the President it is necessary to insert the language the Senator has read; but the auditor general would not be appointed by the President, he would be appointed by the Congress, and I would not even by intimation admit that the President of the United States could interfere with any agent appointed by the legislative branch of the Government and removable under the law only by the legislative branch.

Mr. BAILEY. We are driving at the same thing.

Mr. BYRNES. We are.

Mr. BAILEY. That if we should create this office, the auditor general should continue to be the agent of the Congress and removable only by the Congress upon the terms laid down in the bill.

Mr. BYRNES. That is correct.

Mr. BAILEY. The Senator will agree with me that we should make that absolutely clear.

Mr. BYRNES. Absolutely. I do not wish to take more of the time of the Senator from Washington, but I wish to say that our objectives are the same. After giving careful thought to the question I am satisfied that we have done just what the Senator wants to have done. I should be delighted to talk with him about it.

Mr. BAILEY. While we are on this particular subject let me say that the pending bill also provides for the appointment of one man to serve 4 years.

Mr. SCHWELLENBACH. Mr. President, I do not yield for a general discussion.

Mr. BAILEY. I thought we were engaged in a sort of general discussion of the bill at this time.

Mr. SCHWELLENBACH. No; at this time I do not wish to discuss anything but title III. I am limiting my discussion to that. I think the Senator understands that if we begin to discuss the bill in general considerable time will be consumed.

Mr. BAILEY. I shall bring that up later.

Mr. BYRD. The Senator from Washington referred to the Brookings Institution. Is it the opinion of the Senator that the Brookings Institution opposes the present method of accounting?

Mr. SCHWELLENBACH. No. I said that despite the fact that the Brookings Institution was entirely inconsistent in its position with respect to this bill as compared with the position taken with respect to State governments, the Institution did include in its report the statement which was read.

Mr. BYRD. It may interest the Senator to know that representatives of the Brookings Institution appeared before the committee and admitted that they were in error with respect to the recommendations concerning State governments, and that any future recommendations on their part would be in harmony with the system which is now in effect in the Federal Government.

Mr. SCHWELLENBACH. I made the statement and gave the quotation to show that despite what the Brookings Institution may have said before the committee, their own report made to the select committee of which the Senator from Virginia is chairman, pointed out the precise defects in the present system. Their own conclusion is contrary to that particular portion of their report made to the select committee.

Mr. POPE. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. POPE. What is the date of the report to the special committee from which the Senator read, in which the Brookings Institution then condemned what they apparently later approved?

Mr. SCHWELLENBACH. It simply shows 1937. I do not know the exact date.

Mr. POPE. When did they appear in favor of the present system?

Mr. SCHWELLENBACH. The situation is, I may say to the Senator from Idaho, that the Brookings Institution has always taken the position which this bill takes. They have been employed by a number of State governments, I think 10, and they have always taken that position. They were employed by the select committee to make a study of the Federal Government reorganization, and made a very complete and detailed report upon many phases of Federal activity. Among the phases was this report on the financial administration of the Federal Government from which I read. In that report they themselves pointed out what I referred to, which I consider a defect in our system of accountancy.

Mr. POPE. My question is, When did they change their minds on that point, as the Senator from Virginia has indicated?

Mr. SCHWELLENBACH. I do not think it would be quite fair to them or to the Senator from Virginia to say that they changed their minds after they made this report. I think they probably had changed their minds before they made this report, but in the report they pointed out precisely this defect. I do not wish to be unfair to them or to the Senator from Virginia.

Mr. BYRD. If the Senator will permit me, I will say that they never changed their minds with respect to the General Accounting Office. The only change they made was with respect to the States, which they now think should be conformed to the principle in effect in the General Accounting Office of the United States Government. So far as concerns the methods in effect in the General Accounting Office, the Brookings Institution has always favored the arrangement which now exists.

Mr. NORRIS. Mr. President, I am very much interested in the opinion of the Brookings Institution. I could not hear the statement made by the Senator from Virginia, and I do not know whether or not he has made an explanation concerning it. I should like to ask him what the explanation is, if any, on the part of the Brookings Institution as to their recommending one method with respect to the States and a different method with respect to the Federal Government.

Mr. SCHWELLENBACH. The explanation that they make is that they have always been wrong before and now they are right.

Mr. NORRIS. When did they experience that change of heart?

Mr. SCHWELLENBACH. May I ask the Senator from Virginia this question? When was the last State recommendation made by the Brookings Institution? Does the Senator know?

Mr. BYRD. I do not have the exact date. Of course, Mr. President, there is quite a difference between a State administration and a Federal administration.

Mr. NORRIS. Oh, yes; I realize that. I am asking the question for information. I want to know what the difference is, and why.

Mr. BYRD. From the very beginning of the establishment of the General Accounting Office the Brookings Institution has favored the principle upon which the General Accounting Office and the Comptroller General have been established. At one time they advocated a slightly different system in connection with the State administration, and I think their reason for that was because the State administration's expenditure of funds, as the Senator well knows, is vastly different from that of the Federal administration. But now the Brookings Institution within the last several years have advocated that all State governments establish the same principle of accounting which now exists in the Federal Government. They have never changed in any way whatever with regard to the General Accounting Office as established in 1921.

Mr. SCHWELLENBACH. Mr. President, I now wish to discuss this question for a few minutes simply from the point of view of bookkeeping. Why are books kept? There are many who believe that books are kept simply for the purpose of catching someone, or preventing the embezzling of funds, or something of that kind. Books are kept in order that those who are charged with the responsibility of administration, whether it be in a small corporation, a large corporation, a private business, a partnership, or a government, either State or Federal—books are kept in order that those who are charged with the responsibility of administration may know what is going on. Many bookkeepers, many accountants, many auditors assume the attitude that it is their task, not to assist in the administration of a business or a government but to put as many stones in the way of administration as they can possibly think up, and that if they are not acting in the role of trying to catch somebody all the time they are not performing their duties and are not carrying out their responsibilities.

I wish to read a few very simple statements upon this question. First I want to read from a book entitled "Internal Audit Control," by C. Aubrey Smith, certified public accountant, State of Texas. He has this to say:

> The development of business organization to its present size and complexity has brought in its wake a demand, previously unheard of, for summarized and detailed information as to internal operations and company properties. This information obviously is to be used by executives and departmental heads as a basis for judging future policies of the company. It is important, therefore, that these reports be prepared promptly and reflect accurate data if they are to serve any useful purpose. The securing of satisfactory internal factual data is generally acknowledged as an accounting function. The passing of judgment as to the accuracy of accounting information is decidedly an auditing function.

I now wish to read from a book entitled "Higher Accountancy," written by William Rodney Thompson, certified public accountant of the city of New York, as follows:

> An accounting system is merely a means to an end—not an end in itself. If this is constantly remembered by the accountant when he is engaged in designing, or installing, an accounting system, much of the criticism made by business executives that systems of accounting are so much red tape will be removed.
>
> The books of accounts are merely a tool for the businessman, increasing his power to control the details of his business. Where the business is small and the transactions simple, the accounting system need not be more than elementary. Yet I have seen elaborate systems installed which were unsuitable merely because they were so elaborate.

In a little book entitled "Financial Hand Book," written by Robert H. Montgomery, who was a member of the firm of Lybrand, Ross Bros. & Montgomery, one of the nationally recognized accounting firms of the United States, we find this language:

> Supervision of the current details in connection with handling and recording of cash receipts and disbursements will be successful only in proportion to the completeness of the safeguards thrown around the handling of the cash, to the efficacy or otherwise of the accounting records in requiring prompt and correct entries and in providing internal check thereon, and to the extent to which the financial manager is in touch currently with the actual conditions, through the filing with him of periodical reports and the following up of unusual or unsatisfactory situations.

Mr. Montgomery in his book further makes the distinction between the comptroller and the auditor. He says this in reference to the comptroller:

> The comptroller should have a close and intimate knowledge of the business and its operations. He may be a member of the executive committee. His position in the corporate organization should be as follows:
>
> 1. He should be responsible to the president.
> 2. He should be a member of the operating committee. * * *
> 3. He should have full and sole authority to prescribe accounting methods. * * *
> 4. He should be held responsible for the accuracy of the accounts and of financial and statistical statements and reports. * * *
> 5. His administrative authority, other than to prescribe methods, should not extend beyond the accounting department. * * *
> 6. He should advise and cooperate with the officials of the company and heads of the various departments. * * *

Mr. MINTON. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. MINTON. From the Senator's study of the functions of the comptroller, would the Senator say that his functions are exclusively executive?

Mr. SCHWELLENBACH. That is precisely the point I am making. There is a very definite distinction between accounting and auditing. When the Congress passed the act in 1921, it thought it was getting an audit upon the financial affairs of the Government; but, because of the fact that the two functions of accounting and auditing have been combined, it has been impossible to get either. Before I get through, I shall demonstrate that because of this we do not have an efficient comptroller, and we certainly do not have an efficient auditor.

Mr. MINTON. Under the act of 1921 we have the comptroller functions and the auditing functions all in the hands of one man.

Mr. SCHWELLENBACH. Yes.

Mr. MINTON. In other words, he is exercising the executive function and the legislative function.

Mr. SCHWELLENBACH. He is attempting to exercise both; and, because he has both, he cannot exercise either.

Getting back to Mr. Montgomery's work on finance——

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield to the Senator from Illinois.

Mr. LEWIS. I was occupied elsewhere during the early part of the Senator's remarks. I should like to know to what particular feature of the bill the Senator is addressing his observations. Will the Senator be good enough to let me know to what particular feature or portion of the bill he is addressing himself, and whether he is seeking to sustain it or to amend it?

Mr. SCHWELLENBACH. I am addressing my remarks exclusively to title III. That is the part of the bill which refers to auditing and accounting. I am limiting my discussion to title III.

Coming back to the quotation from Mr. Montgomery, discussing the question of audits, he says:

> The purpose of this section is to present to financial executives the salient features of internal and external audits, and to furnish a brief description of the procedure ordinarily followed by auditors in making audits.
>
> PURPOSES OF AUDITS
>
> The chief purposes of audits are:
> 1. To ascertain the actual financial condition and earnings of concerns. * * *
> 2. To detect fraud or errors.
> In addition, there is the moral effect of an audit, tending to keep the work of the office staff sharply up to date.
>
> INTERNAL AUDITS
>
> Internal audits are those made by the concern's own salaried auditor. The scope of such audits is usually generally limited to the verification of the statements prepared by the accountant or bookkeeper of the concern, and to the determination that transactions have been correctly recorded by other employees. The staff auditor is also expected to be on the lookout for irregularities and to make suggestions for the prevention of losses.
>
> * * * * * * *
>
> INTERNAL AND EXTERNAL AUDITORS
>
> The distinction between staff and professional auditors is that the external or professional auditor has, through his contact with diversified industries and institutions, assimilated a fund of knowledge which he is able to draw upon and apply advantageously to each new case on which he is engaged. Ordinarily the internal auditor is limited in experience to the procedure followed by the particular industry in which he is employed. Secondly, the professional auditor, being responsible to external authority, is in a position to take a more impartial view of conditions than is the staff auditor whose policies may be dictated by his superior officer in the company.

Mr. Montgomery makes precisely the distinction which has been made in criticism of our system. Under the act of 1921 the Comptroller General has the right to prescribe accounting systems, methods, and practices. Everybody who has studied the question of accounting recognizes that an independent auditor should be impartial, whether he represents the stockholders or whether he represents the general public, as the private outside auditor does, or whether he represents the Congress, as an auditor general should do. He should not be called upon to pass judgment upon his own methods of accounting which he has laid down.

I desire to read from an English book written by Ernest Spicer and Ernest Pegler entitled "Practical Auditing." It says:

> The advantages of a professional audit of a company's accounts from the point of view of the shareholders are manifold. It has already been pointed out that it is impossible for individual shareholders to be familiar with the details of all the various businesses in which they may be interested as shareholders; moreover, the articles of companies do not as a rule permit individual shareholders to have access to the books and accounts; and consequently the shareholders as a body are entirely dependent on the auditor appointed by them, whose duties are to examine the books and accounts of the company and report to them on every balance sheet laid before the company in general meeting. In addition, the audit acts as a check upon the directors and as a precaution against fraud on the part of employees, whilst the auditor is often able to render valuable assistance by reason of his expert knowledge in matters of account and finance generally, though it is not his province to offer advice unless he is asked for it.
>
> In this connection, the functions of the auditor as apart from the accountant should be distinguished. It is commonly the custom, particularly with the smaller classes of companies, to arrange for the auditor to prepare the final accounts. If he does this, it should be remembered that he acts in his capacity as accountant, under the instructions of the directors and not in his capacity as auditor appointed by the shareholders. He may perform other duties than that mentioned in his capacity of accountant, but in all instances of importance it would seem advisable that he should acquaint the shareholders that he is acting in this manner as well as in the capacity of auditor. It would then be for the shareholders to decide whether he shall continue so to act or not. This particularly applies to cases where the auditor also writes up the books of the company.

In other words, these English authors point out that if the independent auditor does give advice as to the method of keeping the company's books, he is acting not as an auditor, but as an accountant, and that he should in his report advise the shareholders that he is mixing his duties, and give them the right to determine whether or not they want him to continue.

Yesterday, when the Senator from Virginia [Mr. BYRD] was speaking, I raised the question about the attitude of the ordinary reputable accounting firms. If one calls in an accounting firm such as Price, Waterhouse & Co., Lybrand, Ross Bros. & Montgomery, Haskins & Sells, or any one of the nationally known accounting firms, knowing that they are going to make an audit of his books at the end of the year, and submits a question to them, asking for advice beforehand, he cannot get them to give him advice. In the middle of the year a question may come up, and a man may not know whether or not a certain procedure is proper practice. He cannot go to one of these accounting firms and ask for a prejudgment or an opinion on the question.

I wish Senators could see the letters which accounting firms write in response to such requests. We talk about the diplomatic letters written by the State Department, which say nothing. The letters of accounting firms in response to such requests say less than nothing. The accounting firms positively refuse to give advice in advance. They look upon such procedure as unethical. One has no more right to go to an auditing firm and ask for a prejudgment on a question than he would have to go to a judge and ask the judge for a prejudgment in a case which may be coming before him next month. That distinction is recognized by every individual who has ever written upon the subject of accounting, and it is recognized by every individual who has experience with accounting and auditing.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. O'MAHONEY. When the auditor gives an opinion in advance the auditor becomes a party to the action, does he not?

Mr. SCHWELLENBACH. Yes; and that is the reason why accounting firms will not do it.

Mr. O'MAHONEY. Thereby depriving the auditor of the opportunity of making an independent judgment after the expenditure has been made.

Mr. SCHWELLENBACH. The Senator is absolutely correct. That is the reason why we have the present situation in our General Accounting Office and why it is wrong. Our present system is fundamentally wrong and absolutely opposed to every principle of accounting which has been recognized by anybody who has studied the subject of accounting.

In this regard I desire to read from an editorial which appeared in the Journal of Accountancy in March 1937, at page 163:

> The fact is that many people find it difficult to distinguish between the "audit" of vouchers presented for payment, which up to this time has been a function of the Comptroller General of the United States, and the independent audit of accounts after the transactions have taken place. Both functions are necessary; but in private business the first one is usually undertaken by officials working as a part of an organization, while the second is usually the function of the professional certified public accountant. * * * Regular accounting control of receipts and expenditures would presumably be provided in the internal machinery of each of the administrative departments—all of them, in a sense, subject to the coordinating authority of the Treasury Department where complete control accounts would be maintained. The auditor general would be free to carry on a continuous postaudit on all transactions and would be required to report to the Congress any irregularities which he might discover. The proposal seems to be in accord with the general practice of business; and while

many certified public accountants are not familiar with the peculiar conditions of government administration, it is safe to say that all are in favor of businesslike methods in government.

This precise question was considered many years ago when the English system was set up. Because of the fact that the quotations are so definite and so much in point, I desire to read one or two quotations from statements made by the men who were in charge of setting up the English system.

The first is from Edward Romilly, who was chairman of the board of audits of the House of Commons. Mr. Romilly had this to say about audit in a letter to the Select Committee on Public Moneys in 1857:

The duty of an auditor of public accounts should be to pass in review the acts of an accountant after those acts have been completed. He should ascertain whether the rules laid down for the guidance of the executive officers, in respect to the receipt and expenditures of public money, have been duly observed, and he should point out and record any deviations from those rules that may have been remarked in the course of the examination of the account under consideration. His functions cannot properly begin until those of the departments whose receipts and payments he has to check have ceased; that is, until the receipts and payments have been made and recorded and this record has been duly transferred over to him for examination.

The more strictly this duty of the auditor is confined within these limits, and the more speedily the functions of the auditor follow those of the accountant, provided the functions are not allowed to interfere with each other, the greater will be the security to the public. Any interference, direct or indirect, on the part of the auditors, previously to payment being made and recorded, cannot but lessen the responsibility of the accountant. It also renders the auditor incompetent to express an opinion on acts which he has himself advised and sanctioned.

I wish to read a statement by Mr. Charles Macaulay, who was secretary of the board of audit of the House of Commons, in the evidence submitted by him to the Public Accounts Committee, the statement having been made in 1865:

The whole of our experience as appropriation auditors (he represented the board as saying) tends to satisfy us that we ought to have no further communication with the executive departments than may be necessary for the purpose of obtaining information. Whatever tends to associate us directly or indirectly with the pecuniary transactions of the government, cannot but tend to damage the credit of the reports in which we are required to submit those transactions to the judgment of Parliament. We conceive therefore that we should never be required to advise, to control, or to remonstrate. We ought not to be invited to discuss questionable points with the departments, or to aid them in the conduct of their business. Our functions should be neither preventive nor corrective, but simply detective. We should be instructed to try the accounts and vouchers of the several departments by the requirements of the legislature, and to bring under the notice of Parliament any expenditure that might in our opinion be opposed to those requirements. It may no doubt sometimes appear to us that the expenditure which it will thus be our duty to report is justifiable or even commendable, but we should keep all such opinions to ourselves. It should be no part of our business to acquit or to condemn but simply to report to Parliament every infraction of the law relating to the appropriation of the public moneys, leaving it for the executive departments to give such explanations as they might think fit, and for the House of Commons to pronounce the sentence.

On this point I wish to quote very briefly from an article by Walter Lippmann. I should like to say that apparently in this article, for one time, he was on just one side of the question and did not, as he usually does, stay on both sides of the question in the same article. He said this on February 15 in the New York Herald Tribune:

Though the intention was excellent—

He was referring to the intention back of the adoption of the 1921 act—

Though the intention was excellent, the result was not. Congress got nothing out of the Comptroller except the illusion that it had a watchdog on guard. It never got any report from its own agent on what had really happened to its appropriations. All it has had was the meaningless knowledge that nothing had been spent which this one overworked and necessarily bewildered official had not approved.

Surely it must be clear that if Congress is to hold the Executive truly accountable, it must receive independent reports on what has actually been done with the money. There must, as the accountants say, be an audit made by an agent of Congress. We have no audit today. For, since the Comptroller may decide in advance how the money is to be spent, his reports are simply reports approving the correctness of his own decisions. An audit to be any good at all must be made by someone who had nothing to do with the original decision. For if he had anything to do with it, he is already committed, and what he says has no value as an independent examination.

Let us look at what we get from the Comptroller General. The Senator from Virginia [Mr. BYRD] brought in yesterday a number of reports of the Comptroller General. I have not read all of them, but I have read the 1937 report, and I wish that every Member of this body would read that report of the Acting Comptroller General—it would not take very long—and ask himself the question as he reads it, Is this report of any value whatsoever in assisting the Congress to ascertain whether or not the accounts of the Government have been properly kept during the last year?

If any business organization in the world hired a firm of accountants to audit its books at the end of the year and that firm rendered a report containing a lot of stuff that was not of the slightest semblance of value and printed it for them, I venture the statement that they not only would not hire that firm again but they would refuse to pay the bill submitted by the firm for the report. There never was an auditor in the history of the world who made a report that was so useless for the purpose for which it was intended as the 1937 report of the Acting Comptroller General. It does not contain anything of any value. He is supposed to report as to irregularities. On page 79 of the report we find the irregularities which the Comptroller General submits to the Congress of the United States. They consist of what? A Coast Guard default at Curtis Bay, Md., involving a shortage of $614.53.

I have much respect for the employees of the Government, but nobody can tell me that the Comptroller General, with all his staff—and we spend between five and eight million dollars a year for the expense of his office——

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. Does the Senator mean that the one to which he has referred was the only irregularity reported?

Mr. SCHWELLENBACH. That is the only irregularity reported in the 1937 report.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRD. I think, in justice to the Comptroller General, the Senator should refer to the fact that 1,975 reports were made to the Congress.

Mr. SCHWELLENBACH. Yes; 1,975 were submitted. That was referred to yesterday, and I know what they are. I wrote to the Comptroller General and obtained from him a report, about which I should like to tell the Senate. I got one of those 1,975 reports, and let me tell the circumstances. In 1934, for the Grand Coulee Dam in the State of Washington, the Reclamation Bureau bought some hardware from Wells & Wade, a hardware company of Wenatchee, Wash., about 50 miles away. It was in the spring of 1934. Included in the bill was a charge of $1.85 for a hasp, which the hardware company had failed to deliver. So the question reached the Comptroller General's office, and in the fall of 1935 the Comptroller General, after giving the matter due consideration, decided that the Wells & Wade Hardware Co. should be penalized $175 for failure to provide the hasp. The amount then due was $450 less $175, or $275. Wells & Wade did not think that was right, but they sent in a check to the Comptroller General's office for $175. They had furnished the goods, and then they sent a check for $175, but they protested against it. The Comptroller General made a decision in the matter, and in the fall of 1935, a year and a half after the transaction, the Comptroller General finally decided that the $175 penalty was too great and that it ought to be only $25. I wish Members of the Senate could have read the opinion on the subject. One might think that it was an opinion of the Supreme Court dealing with some important fundamental question of government. In the fall of 1935 the Wells & Wade Co. thought they were going to get their money back, not merely payment for the hardware but the $175 they had sent in. The first I heard of it was in May 1937, when they sent me the file, which was

about 6 inches thick, of the correspondence back and forth between the Comptroller General's office and this little hardware company in Wenatchee.

They never had received the money; they did not even receive reimbursement for the $175 they sent in. So I got a report from the Comptroller General, one of the reports to which the Senator refers. They make reports to Congress; they make reports to Members of the Congress. I got one of them saying that, 10 days before, they had sent the certificate down to the Treasury Department and that the check would be forthcoming. They may have sent it down 10 days before or they may have done it at the time I called it to their attention. Taking the position that they have a right to control these accounts, that is the way the Comptroller General spends the money of his office, and instead of giving us a report which would be of some value they give us a report pointing out only one irregularity for the year 1937.

I should like to call the attention of the Members of the Senate to the fact that in this report are stated the collections of the Comptroller General's office, but in their report as to collections they mix up the various collections in a way that no accountant I ever heard of would mix them up. They just indicate under "cash" disbursing officers and sureties, so much; gasoline tax, so much; improper payments to Army and Navy personnel, so much; improper payment to civilian personnel, so much; and so forth. There is no segregation of accounts by the Comptroller General's office so that when they make a report to the Congress we can tell how much they have saved for us upon settlements and how much they have collected, for, as a part of their duties, they are also a collecting agency.

A great deal was said here yesterday about the Government being saved upon bonds because of the fact that the Comptroller General refused to approve certain accounts. Does anyone here believe that any surety company or any bonding company is going to pay any bill when the propriety of payment is merely a matter of judgment as between the disbursing officer and the Comptroller General's office? Bonds of that kind are not written. There is not a bonding company in the world which would write a bond protecting against decisions of that kind. Our officers are bonded. They are bonded by surety companies. They have comparatively small bonds—ten, twenty-five, or even $100,000—but those bonds do not provide in their penalty clause that the surety company will pay against mistakes of judgment upon the part of the officials. Those bonds are written against embezzlement. They are fidelity bonds. All this talk about bonding companies being subjected to liability because of decisions of the Comptroller General's office, and the Government collecting money because of such decisions, has no basis, because bonding companies would not write a bond upon that sort of a basis.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. Before the Senator passes the question of collections, the Senator having that report, I call attention to the fact that while the grand total of collections is shown as $5,187,000, as a matter of fact only $161,000 of that amount is for recoveries on account of suspensions and disallowances.

Almost $4,000,000 of it is the result of a settlement made by the Comptroller in connection with the transportation of foreign mails, merely offsetting what we owe foreign governments and what foreign governments owe us. It does not mean that $5,000,000 was collected from the suspension or disallowance of accounts. Only $161,000 of the amount is attributable to that.

Mr. SCHWELLENBACH. That is the criticism I was making of the report. Any auditor who was making a report which would be of some value to us would have specifically set forth that we secured this much through settlement of accounts. We secured something else from another method. We have collected, merely as a collecting agency, certain amounts. But they show a big figure of $5,000,000 without pointing out the fact—and, unless the report is carefully examined, it cannot be discovered—that only $161,000 of it came in the method which we ordinarily think would be the method in which an accountant or an auditor making a report to the Congress would set up the terms of the report.

Day before yesterday the Senator from South Carolina [Mr. BYRNES] pointed out the fact that the receipts of the Government were not audited; and yesterday the Senator from Virginia [Mr. BYRD] placed in the RECORD a report—I was not able to find it in the RECORD this morning, however—showing that the receipts had been audited. I desire to refer to the report which I mentioned a few minutes ago, from the Brookings Institution. The part I am about to read is found on page 69 of report No. 5. In reference to the receipts of the Government, the report says:

> The purposes of this procedure are (1) to provide accountability for every collection made, (2) to furnish information required for properly crediting the accounts of the Treasury and administrative agencies, and (3) to provide the proper basis for an accounting to Congress by all administrative and financial officers. Under present regulations none of these purposes is properly fulfilled, owing to the fact that the Comptroller lacks information in respect to the total amount with which to charge the Treasurer of the United States.

Then over on the next page they say:

> Through failure to require administrative officers to report their accounts receivable to the General Accounting Office there is no record in that office of the Government's outstanding accounts. Thus the financial record it maintains is not complete in respect to the Government's available resources, and there is no single source from which the true state of the Government's accounts receivable can be obtained.

Mr. BYRD. Mr. President, the Senator, of course, is aware that 19 agencies of the Government have been exempted from the General Accounting Act. Therefore it is impossible to get a complete report, because 19 agencies, including some of the largest spending agencies of the Government, have been exempted.

Mr. SCHWELLENBACH. The answer to that statement is that in this particular part of the Brookings Institution's report they are referring to receipts.

Mr. BYRD. That is true as to the customs receipts. No one has alleged that the General Accounting Office audit the customs receipts, but they do audit the other receipts.

Mr. SCHWELLENBACH. The point I make is that so far as the accounting system is incerned, unless we have all the information we have not any information worth having. An account which gives 99.9 percent of the information is no more valuable than if it did not give any.

Mr. BYRD. I think all the agencies of the Government should be subject to the control of the General Accounting Office; but the Congress has exempted 19 of them. That is not the fault of the Comptroller General.

Mr. SCHWELLENBACH. The Senator knows, so far as this particular part of the Brookings Institution report is concerned, that they were not referring to that. In other parts of the report they did refer to it, but they were not referring to it in this particular part of the report. They were referring to the receipts of the Government and pointing out that, because of lack of regulations on the part of the General Accounting Office, they did not get all the information.

Mr. BYRD. The Senator knows, too, that time and time again the departments have refused to obey the regulations established by the General Accounting Office; and a number of these reports are filled with statements that certain departments have refused to obey the regulations of the General Accounting Office, especially the Treasury Department.

Mr. SCHWELLENBACH. I am going to discuss that question. Since the Senator raises the point, I will discuss it next.

I think the fact, as the Senator points out, that a number of these agencies have been exempted by the Congress itself from the control of the General Accounting Office is a significant one. We think of the General Accounting Office as representing us. We think of it as our agent to represent us in the handling of the financial affairs of the Govern-

ment. Congress itself in 19 instances, however, has demonstrated that it did not have confidence in the General Accounting Office, because Congress itself has specifically exempted these 19 organizations from its control.

I know, and the Senator from Idaho [Mr. POPE] knows, the discussion we had when the crop-insurance bill was up last year. The Senator from Idaho knows that in the committee I took a position critical of the idea that the crop-insurance organization should be exempted from the supervision of the General Accounting Office; and yet, when we took up the matter of the payment of indemnities by the crop-insurance organization, we became thoroughly convinced that if the General Accounting Office had control of those payments the organization never would sell any insurance, because insurance cannot be sold to a man if he is going to have to wait a year or two to get his money when he has a loss. Congress itself in 19 instances has demonstrated that Congress knew that the General Accounting Office was doing things it should not do, and that under certain acts we should exempt the organizations referred to in the acts from the provisions of law relative to the General Accounting Office.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. The Senator will agree that that was because of the assumption and the exercise of control by the General Accounting Office, and not because the Congress wanted to avoid auditing. The pending bill provides for the auditing by the auditor general of every agency and every corporation.

Mr. SCHWELLENBACH. If the pending bill is enacted, it will mean that institutions like the crop-insurance organization and all the rest of the institutions will be subject to an audit, and Congress will be able to know what happens to them. At the present time, because of the fact that the General Accounting Office has injected itself into the matter and has made it impossible to transact business, Congress has been willing to say, "We are sorry; we should like to have an audit of these 19 institutions, but we know they cannot operate if there is such an audit. Therefore we give up, and we will not have any control, and we will not have any audit."

Mr. BYRD. Mr. President, the exemption of these 19 agencies may have been caused by the lobbying of the heads of the agencies, who did not desire to have any control of their expenditures by the General Accounting Office.

Mr. SCHWELLENBACH. All I know about is this one. I was on the subcommittee which considered the crop-insurance bill, and there was not any lobbying on the part of anybody in connection with it. I raised the question when we went over the bill, and when we got to talking about it I remember that I made the statement that insurance companies sell their policies because of the fact that they make quick settlements. I used this illustration:

"We often hear of the widow who was handed a check on her insurance policy when the husband who jumped out of the tenth-story window passed the fifth story." [Laughter.]

The insurance companies take pride in the fact that they make their settlements the next day, and we knew that we could not sell crop insurance to any farmer in the United States if the General Accounting Office would hold up the payments for a year or 2 years or 3 years, as they usually do, and there was not any lobbying upon the part of anybody in connection with the matter.

Mr. POPE. Mr. President——

Mr. SCHWELLENBACH. I yield to the Senator from Idaho.

Mr. POPE. The Senator will also recall that at that time there were thousands of farmers whose benefit payments had been held up by reason of delay in obtaining the approval of the General Accounting Office. I think there was not a Senator present there who did not have a number of such letters. In my case I have had literally hundreds of letters of that kind; and upon inquiring to find out why those payments had not been made, I ascertained that the General Accounting Office had not yet gotten around to making a decision with reference to some disputed point in connection with the claim. That was the thing we had in mind at the time, which caused us to put in the crop-insurance bill the provision to which the Senator has referred.

Mr. BYRD. Mr. President——

Mr. SCHWELLENBACH. I yield to the Senator from Virginia.

Mr. BYRD. The last crop-control bill had in it a provision that all the expenditures made should be completely exempted from the control of the General Accounting Office; and I offered an amendment, which was adopted, which struck out of the bill that particular provision. The crop-insurance organization was completely exempted from all control of the General Accounting Office as the bill was originally proposed by the Senator from Idaho [Mr. POPE], and it was amended on the floor of the Senate so as to strike out that exemption.

Mr. POPE. Mr. President, if the Senator will yield——

Mr. SCHWELLENBACH. I yield.

Mr. POPE. The reason for that was that the bill now before us was coming up for consideration, and it was hoped that it would remedy that situation. Otherwise there would have been no disposition on my part and that of the others who were interested in the bill, I think, to eliminate such a provision because of the almost infinite trouble we had had in having payments made to farmers by reason of the action of the General Accounting Office in attempting to make a decision on some disputed point.

Mr. BYRD. Mr. President, will the Senator answer, then, why it was that Secretary Wallace so highly commended the Comptroller General and so highly commended the General Accounting Office in a speech which he made in New York?

Mr. POPE. That was back in 1935.

Mr. BYRD. The crop-control laws were in effect at that time.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. In the hearings there is a letter from Secretary Wallace, with a statement from him made only last summer, which certainly is not a very high endorsement of the present official.

Mr. SCHWELLENBACH. I ask unanimous consent that the pertinent part of the letter be placed in my remarks at this point.

The PRESIDING OFFICER (Mr. OVERTON in the chair). Is there objection?

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

> Title III, relating to the over-all accounting and auditing functions of the Government, presumably will be reviewed in detail by the agencies primarily concerned with such responsibilities. Apparently this title of the bill will, in substance, make effective the recommendations contained in the report of the President's committee. These recommendations contemplate, on the one hand, the elimination of conflicting jurisdictions and, consequently, provision for effective exercise of the executive responsibility for administrative management and, on the other hand, the establishment of an independent audit and of effective organization for the legislative consideration of the results of such audit. These recommendations are directed toward increased efficiency in the operation of the business of the Government, an objective with which this Department is of course in accord.

Mr. SCHWELLENBACH. While we are discussing the question of delays by the General Accounting Office, I may say that it has not been possible for the committee in charge of the bill to secure information directly from the General Accounting Office as to how far behind they are. But they have gathered up what seem to me to be some rather typical examples of how far behind they are. First there is information secured from the Commissioner of Accounts and Warrants of the United States Treasury, that the latest accounts settled by the General Accounting Office for the Chief Disbursing Officer of the Treasury Department were settled March 31, 1935. Settlement of the accounts of the Department of Justice disbursing officers is from 1 to 2 years behind. Settlement of the Navy disbursing officers'

accounts is 1½ years behind. The Army disbursing officers' last settlement was in January 1936. Settlement of the accounts of the disbursing officer of the District of Columbia is 2 years behind.

Mr. BYRD. Mr. President, does the Senator hold the General Accounting Office responsible for the fact that the disbursing officer of a department is behind?

Mr. SCHWELLENBACH. It is the General Accounting Office that is behind in making the study of the accounts necessary to settle them.

Mr. BYRD. The Senator said that the disbursing officer of the Navy Department was behind.

Mr. SCHWELLENBACH. No; in settling the claims and credits of the disbursing officers of these various departments the General Accounting Office is behind to the extent I have indicated.

I wish to say to the Senator from Virginia that I am not the least bit critical of the personnel of the General Accounting Office. I merely believe the system to be wrong, and I think the most capable man in the world would never be able to operate under a system such as theirs. I am not criticizing the General Accounting Office in the sense that the Senator feels I am. I am not criticizing them at all. I do not think they can operate under the system, because it is fundamentally unsound.

Mr. BYRD. Mr. President, if the Senator will permit, at the conclusion of his remarks I should like to insert in the RECORD a statement from the Comptroller General as to exactly the status of the auditing of the different accounts. The statement will call attention to the fact that, in addition to the exempted agencies—and for what reason they are exempted I do not know—there are other agencies which refuse to obey the regulations imposed by the Comptroller General. Those agencies are the Alien Property Custodian, the Electric Home and Farm Authority, the Federal Deposit Insurance Corporation, the Federal Farm Mortgage Corporation, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, the hospital funds of various services, the insular government funds in the United States Treasury, except Virgin Islands, the Smithsonian Institution trust funds, the Tennessee Valley Associated Cooperatives, and the War Finance Corporation.

I entirely agree with the Senator that if we have this system it should be an all-inclusive system, and many of the faults and objections the Senator has to it are due to the fact that by reason of these exemptions, and by reason of the fact that some of the agencies are refusing to obey the regulations, confusion exists such as that to which the Senator has referred.

Mr. SCHWELLENBACH. I have no objection to the information referred to by the Senator going into the RECORD at the end of my remarks. My reaction to the Senator's remarks is that the country has the feeling that the Federal Government has an accounting system, and that the money which the people pay in taxes is being properly accounted for and being properly audited, that the Congress has a liaison between themselves and the governmental departments. The more instances the Senator points out showing failure of departments to comply, the more I am impressed with my original thought, that there is something wrong with the system, and that the system itself will have to be changed.

Mr. BYRD. What is wrong with it, I think, is that the system has been weakened when it should have been strengthened.

Mr. SCHWELLENBACH. At this point I desire to read some illustrations which I think present one of the reasons why this condition exists. I first wish to refer to one submitted by Secretary Cordell Hull, who, as Senators know, was once a Member of Congress. Secretary Hull stated:

> It would normally be supposed that a Cabinet officer who has formulated a program of activity, estimated the cost thereof, explained the program and the cost in the minutest detail to the Bureau of the Budget and the Appropriation Committees of Congress, and has been granted an appropriation to cover that cost so guarded in its appropriating text as to insure the expenditure in accordance with the intent of Congress, could be depended upon to carry out that intent, to make his decisions with confidence, and ultimately to find that his accounts for expenditures so made were acceptable. This is not now the case, however. Instead, there has grown up in the past years a condition in which an administrative officer has no assurance whatever that any decision he may make which has resulted in the expenditure of public money may not be pronounced wrong by a decision of the Comptroller General, made perhaps several years after the expenditure has been made, and a subordinate who has expended the money so authorized be held responsible for refunding it to the Government. This condition has had the effect of creating great uncertainty on the part of administrative officers, delays in action, continuous apprehension on the part of administrative officers and all officers having financial responsibilities, heavy and unnecessary expense to the Government, and in many instances serious injustice to faithful employees. It has also had the effect of slowing up administrative activities in order that a multitude of individual cases might be submitted to the Comptroller General in advance to guard against an adverse decision upon the accounts when eventually they reach his office for audit.
>
> No fault is to be found with strict rules in regard to expenditure of public money, but they should be promulgated in advance of the expenditure and should not be changed until the accounts for those expenditures have been settled. Furthermore, there can be no efficiency in administration and no economy in administration unless the administrator shall be empowered to make his decisions, confident that they will stand and that expenditures authorized by him, if they conform to reasonable rules laid down in advance, will be approved when accounts are audited.

Secretary Hull then cited a number of cases which were hurriedly collected in response to the request of the committee. The first case involves an appropriation to the department for "such miscellaneous expenses as the President may deem necessary." For more than 50 years the State Department appropriation has carried such an item. Despite the fact that the discretion is vested in the President in unmistakable terms, the Comptroller General has undertaken to review the decisions of the President and to disallow items. Secretary Hull reports that—

> • • • the Department • • • is no longer able, with any degree of certainty that its action will be approved, to meet unusual and unforeseen items of this character.
>
> Almost every year it is necessary for the Department in submitting its estimates to request changes in the language of the various appropriations to meet not only the needs of the service, but the original intent of Congress in granting the appropriation, and which intent has been nullified by disallowances by the Comptroller General's Office.

I shall now give some other examples. In 1935 Congress passed an act providing for feed and seed loans to farmers, authorizing deductions of not to exceed 75 cents for recording and registering any mortgage which might be given. South Carolina passed an act 2 months later authorizing the clerk of the county court to charge 75 cents for the recording of mortgages on loans from any corporation set up for this purpose, "or the Government of the United States or any department, agency, instrumentality, or officer thereof." In printing the bill the word "or" preceding the words "the Government of the United States" was misprinted to read "of." Loans under the act were made by the Farm Credit Administration, and the mortgages were registered under the act of South Carolina, but the Comptroller General held that the 75-cent fee, which had already been deducted, could not be paid to the county clerk, since the Farm Credit Administration was not a corporation, and hence the county clerk in South Carolina was not authorized by the South Carolina law to charge the fee. The misprint in the statute was pointed out to the Comptroller General by the Farm Credit Administration, and a reconsideration asked, but he replied that it would make no difference whether the law read "of" or "or", and he refused to reconsider.

In 1932 the Comptroller General ordered the Navy to discontinue the practice of permitting those bidding on contracts for the building of battleships, destroyers, and other naval vessels to submit alternative designs, a practice which was specifically authorized by law in 1886, and which the Department had followed with the full knowledge of Congress since 1883. The Department considered this practice essential to the development and constant improvement in the building of naval vessels, since it enables the Department to utilize the highly skilled technicians of shipbuilding firms.

The Comptroller General ruled against this practice on the ground that it restricted competition. He suggested that the Department obtain from outside sources a number of designs to supplement those prepared by Navy engineers, and then select the best one and to advertise for bids—a good illustration of the willingness of the Comptroller General to tell the departments how to do their work.

These are just typical of cases showing the feeling upon the part of the Comptroller General's office—and when I reach this part of the discussion I am critical of the Comptroller General—that because of the fact that the law gives him the right not merely to audit the accounts but also to prescribe the methods of accounting, he can control the executive operations of the Government. I think the statement in the report of the Brookings Institution which I read a few minutes ago pretty well discloses the reason. It states:

> The clear-cut distinction which has just been made with respect to the division of authority and responsibility between the executive and legislative branches has been blurred by the fact (a) that the Comptroller General as head of the General Accounting Office has come to be regarded by many as an administrative official as well as a final auditor.

The Comptroller General himself certainly has come to regard himself as an administrative officer, and that fact has made it impossible for him to function as a final auditor.

If we are to have proper operation of the affairs of government we must have confidence in the executive branch of the Government to do the executive work of the Government. We have a right, we have a positive duty, to have a constant audit, to have our auditors constantly on guard so that we may know the facts, and so that if the executive branch of the Government does not perform its function, Congress will be in a position to protect against such failure.

There was a great deal of discussion last year about the separation of powers in the Government as between the executive, the legislative, and the judicial divisions. This bill presents precisely the same question, and the peculiar thing is that those who last year were so anxious that the Congress should do nothing with reference to the judiciary are the ones who are now urging that the Congress should continue a practice, which has existed for 16 years, of interfering with the executive functions of the Government.

There has been some discussion as to all the money that the Comptroller General has saved for the Government. It is not possible, I may say, or at least it has not been possible for those particularly interested in this bill, to find out the exact figure. However, we have partial figures which are available to us as a result of the efforts of the chief disbursing officer of the Treasury Department. About half of our Federal expenditures go through the office of the chief disbursing officer of the Treasury Department. Public-debt matters do not. From the year 1936 on, relief matters were not included. The Post Office and the Army and the Navy, as I remember, were not included. But we have the figures of about half of our expenditures.

In 1935, $4,102,000,000 went through this Office. Suspensions and disallowances by the General Accounting Office to February 12, 1938, were $95,000,000. The total amount of suspensions and disallowances cleared by explanations submitted to the General Accounting Office during the period from July 1, 1934, to February 12, 1938, was $89,000,000 out of the $95,000,000.

Collections deposited into the Treasury amounted to $16,271.98 out of transactions amounting to $4,000,000,000.

In 1936, $4,452,000,000 went through this Office. There were suspensions and disallowances of $33,000,000. Of those, $24,000,000 were cleared by explanations. There were actual collections of $19,335.13.

Mr. BYRD. Mr. President, is the Senator reading only the disbursements that go through the Treasury Department?

Mr. SCHWELLENBACH. Yes; I explained that. As I understood, the committee has not been able to get all the information with respect to that.

Mr. BYRD. As I stated yesterday, the total suspensions covering all departments in the past 3 years amounted to $292,000,000, and $3,000,000 was disallowed. Fifty-four million dollars has been collected.

Mr. SCHWELLENBACH. But that $54,000,000, the Senator will concede, includes collections which were made with respect to foreign air-mail contracts and matters of that kind.

Mr. BYRD. The $51,099,000 does not include collections in connection with the foreign air mail. The $51,000,000 is exclusive of collections from the foreign air mail.

Mr. SCHWELLENBACH. It is very difficult to find out the exact figures in view of the way the books are kept at the General Accounting Office and in view of the reports which are made. We know, however, so far as that half of our funds are concerned upon which we have been able to have a check, that they have collected $16,000 out of $4,000,000,000.

Mr. BYRD. Would not the Senator just as lief take the records of the General Accounting Office as those of the Treasury Department? There seems to be a conflict between the two. I will relate to the Senator an experience I had with respect to the reports of the General Accounting Office. I asked the Resettlement Administration with respect to the cost of certain homestead projects in the State of Virginia, as the Senator will recall, and the reply was $3,700 per home unit. At the request of the committee they were investigated by the General Accounting Office, and the cost was found to be $8,000 per home unit. I inserted both reports in the CONGRESSIONAL RECORD, and asked for an explanation from the Resettlement Administration, but have never received it.

Mr. SCHWELLENBACH. The Senator is not going to get me to engage in a discussion of the Resettlement Administration.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. BYRNES. The Senator from Washington referred to the alleged collection of $54,000,000. I ask the Senator from Virginia to furnish the Senator from Washington a breakdown showing those collections to determine whether or not they are from suspensions and disallowances, or from other causes, because we have not been able to procure that information.

Mr. SCHWELLENBACH. I shall be glad to do so. My unwillingness to accept the figures of the General Accounting Office rises chiefly from the fact that in their annual report for 1937, in which they report collections, they do so in such an unbusinesslike manner, and in a way so contrary to any rules of accounting or auditing, that I cannot find it possible to have confidence in any figures they submit. I should be glad if the Senator from Virginia now or later would be able to supply that information.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. HATCH. We have been hearing a great deal in condemnation of various policies of the Government.

Mr. SCHWELLENBACH. Does the Senator mean in the Senate or elsewhere?

Mr. HATCH. Elsewhere. Perhaps I shall comment on that later. The Senator said he was not going to be drawn into a defense of the Resettlement Administration. It occurred to me that perhaps that statement might be implied as a condemnation of the entire Resettlement Administration. I am quite sure the Senator did not mean that.

Mr. SCHWELLENBACH. I may say that so far as certain portions of the work of the Resettlement Administration are concerned I think they have done a very fine job.

Mr. HATCH. Such as the rehabilitation work with respect to individual farmers.

Mr. SCHWELLENBACH. I have consistently supported the Resettlement Administration. So far as its method of keeping books is concerned, I happened to be in the Appropriations Committee last year and the year before when the Resettlement Administration presented its figures, and I could not help but feel that there again it seemed to me we

had another illustration of the necessity of having a proper division of authority in the Government so that the executive branch will do the accounting work and the Congress will do the auditing work.

There is nothing in the reports we receive from the Comptroller General which will tell us of any discrepancies in the accounts of any of the departments. We do not get information as to the financial systems. We do not get it in such condition as to be able to know what is going on in the Government. The more criticism I hear of these departments the further I am driven to the conclusion that we must change the system, and that we must have an auditor representing the Congress who can and will obtain for us this information.

Mr. HATCH. I merely started to observe that I was certain as to the Senator's position, knowing how fair he is on all matters, and that he did not desire even to concur in a blanket indictment or condemnation of any of the agencies of the Government.

Mr. SCHWELLENBACH. I thank the Senator and I appreciate the fact that he has cleared up the record on my behalf.

Mr. President, I have discussed this matter for a long time and I appreciate the patience of the Senate in giving me so much time. I feel that the problem is fundamentally a very simple one. The question concerning this problem is one which has been answered by every accountant who installs an accounting system in any business in this country. There is the closest similarity between the necessity for a division of this authority in private business and the division of this authority in the Federal Government. I do not see how anyone who is interested in businesslike methods of government can dispute the fact that the change which is presented in this bill must be adopted.

Mr. BYRD. Mr. President, I renew my request that the statement of the Comptroller General as to the status of the auditing of the various accounts be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 7, 1938.

HON. HARRY F. BYRD,
Chairman, Select Committee on Investigation of Executive Agencies of the Government, United States Senate.

MY DEAR MR. CHAIRMAN: In compliance with request in your letter of February 1, 1938, that I advise you "as to the status of the audit of the several departments generally, and in particular, the extent to which it is not current with respect to the several agencies of the Government," I have to submit the following:

Since the disbursements for most of the departments and establishments are made by the Division of Disbursement, Treasury Department, it is not practicable to give a report as to the status of the audit with respect to the individual departments and establishments. Hence this report will be as to the status of the audit of the accounts as a whole.

GENERAL AUDIT

At the close of business January 31, 1938, there was a total of 6,365 accounts which were classed as "unaudited." Of this number 5,250 accounts were received subsequent to October 1, 1937.

The average number of general accounts audited per month during the last 3 months is 3,555 accounts.

Approximately 2,800 checking accounts and 12,000,000 checks are received monthly for reconciliation. The Treasury Department requires from 30 to 90 days to state a check account, whereas the disbursing officers render their statements of depositary accounts within 10 to 30 days after the close of each month. It can readily be seen that, although the disbursing officers are submitting their reports promptly to this office, no action can be taken until the statements of checking accounts and paid checks are received from the Treasurer of the United States.

All disbursements made prior to December 1, 1937, from funds appropriated by the emergency relief appropriation acts have been audited with the exception of 12,844 vouchers reflecting disbursements made during the period November 21 to 30, 1937—approximately only 2 percent of emergency expenditures for that month—and these will be completed within the next few days. Moreover, the audit has been completed for more than 50 percent of such disbursements made during the period December 1 to 10, 1937.

The audit of expenditures from regular appropriations included in all accounts received in this office prior to August 1, 1937, has been completed with the exception of 71,436 vouchers, representing approximately 10 percent of 1 month's receipts of this class of expenditures.

There are now in this office 2,327,409 vouchers which are subject to audit under the general audit procedure but which have not yet been audited. This represents the volume of receipts for approximately 2 months, and the volume of audit for approximately 1½ months. These vouchers were included in accounts received as follows:

Prior to Aug. 1, 1937 (6 months)	71,436
Prior to Sept. 1, 1937 (5 months)	103,241
Prior to Oct. 1, 1937 (4 months)	151,620
Prior to Nov. 1, 1937 (3 months)	185,368
Subsequent to Nov. 1, 1937 (less than 3 months)	1,815,744
Total	2,327,409

At present the audit is incomplete on only four disbursing officers' accounts which have been in this office more than 6 months. The completion of the audit of one of these accounts has been delayed due to investigation of irregularities, two pending the receipt of additional information necessary to a proper audit, and one due to the unusual accounting and auditing problems presented because of the size and scope of the account. All of these particular accounts were received subsequent to February 1, 1937.

One exception to the general condition must be noted, however. There were approximately 25,000,000 payments totaling approximately $1,281,000,000 made by the Agricultural Adjustment Administration during the fiscal years 1934 to 1937 under rental and benefit agreements which remain unaudited because the supporting contracts have never been transmitted to this office. (See p. 532, subcommittee hearings on independent offices appropriation bill 1939.)

ACTIVITIES NOT RENDERING ACCOUNTS

I believe it also to be pertinent at this time to invite your attention to the fact that the following agencies are not rendering accounts to the General Accounting Office as required: Alien Property Custodian, Electric Home and Farm Authority (partial), Federal Deposit Insurance Corporation, Federal Farm Mortgage Corporation (partial), Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, hospital funds of various services, insular-government funds in United States Treasury, except Virgin Islands, Smithsonian Institution (trust funds), Tennessee Valley Associated Cooperatives, Inc., various special deposits, War Finance Corporation.

TRANSPORTATION AUDIT

There are on hand approximately 24 months of Federal Surplus Commodities Corporation unaudited freight accounts. They are exceedingly involved and must be handled with the most painstaking care, because on many of the vouchers thus far audited there have been found very substantial overpayments, which, of course, must be recovered. It is hoped to complete the audit of these accounts within a year. Beginning July 1, 1937, these payments were placed on a preaudit basis.

There are on hand approximately 17 months of unaudited War Department freight accounts. It is hoped to bring this work fairly current in 9 months.

There are on hand approximately 7 months of unaudited War Department passenger accounts. It is a practical certainty that this work will be brought current in 3 months.

The work of auditing transportation vouchers which are submitted for audit before payment is almost current.

POST-OFFICE ACCOUNTS AUDIT

This work is current.

Postal accounts for the quarter ended December 31, 1937, from 14,548 Presidential post offices and 30,329 fourth-class post offices, and money-order accounts for the months of October, November, and December 1937, from 4,540 first- and second-class post offices are in course of audit and will be completed during the period February 10 to March 22.

There are 4,807 accounts of deceased postmasters on hand, all in process of settlement. It takes from 1 to 3 years to close this class of accounts, as extensive correspondence is often required before collection of balances due the United States can be effected.

There were received from the Post Office Department on January 4, 1938, 7,256 postal-savings accounts for the month of September 1937. The audit and settlement of these will be completed about February 15, or 42 days after receipt.

Accounts (169) for the December quarter 1937 for sales of internal-revenue stamps have not been received. Accounts for September quarter 1937 were completed December 29, 1937.

Accounts for sale of migratory-bird hunting stamps during September quarter 1937 to number of 113 were completed January 11, 1938. Accounts for the December quarter 1937 have not been received.

Accounts from 4,540 post offices for sale of United States savings bonds during the month of October 1937 were received January 14, 1938. There are 2,374 accounts on hand, the audit and settlement of which will be completed by February 10, 1938.

FIELD AUDIT

In addition to the accounts audited in Washington as above reported, certain accounts are required to be audited in the field preliminary to final settlement thereof by the General Accounting Office in Washington. The field audit in general covers the detail

transactions in local or regional offices, such as loans, collections, etc., whereas the accounts covering the expenditures and miscellaneous receipts incident to administration are audited in Washington. This field audit is largely current, that is, a large part of it is as current as it is practicable to be made. Some of these audits are necessarily restricted to fiscal-year operations and are made annually or on an annual basis and are current as of the close of the fiscal year, with the following exceptions:

The accounts of the Maritime Commission involving operations of vessels are audited on a voyage basis and are not available for audit for from 6 to 18 months after completion of the voyage. Of the 38 voyages completed by the Merchant Fleet Corporation, 35 are available for audit. Of the 111 voyage accounts completed under the supervision of the Maritime Commission, 26 are now available for audit.

Audit of the loan accounts of the Federal Farm Mortgage Corporation is in arrears with the exception of those of the regional offices at Columbia, S. C., and Springfield, Mass., but it is expected that the accounts of the other regions will be completed within the year.

The agricultural marketing revolving fund, administered by the Farm Credit Administration (formerly the Federal Farm Board), was last audited as of December 31, 1935. Auditors will be assigned to the duty of bringing the audit of this fund to a current date within the near future.

The field audit of customs accounts is necessitated by failure of the Treasury Department to render complete accounts and it has been the practice in the auditing of the local customs transactions to perform such duties in conjunction with other assignments in the locality, which is true in a large measure with reference to other field audits. Such practice, the large volume of work involved, and the pressure of emergency matters has tended to delay the customs audit, which could otherwise have been made promptly in Washington if the accounts were rendered as required by law. There are 49 customs headquarters ports at many of which the audit is current. In many of the small ports the audit is from 2 to 4 years in arrears, but practically all customs accounts are now under assignment to be brought current during the calendar year. There are certain minor exceptions involving remote ports that are not visited until all other ports have been completed.

I shall be pleased to furnish any additional information you may request if available,

Sincerely yours,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 8947) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1939, and for other purposes, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. LUDLOW, Mr. BOYLAN of New York, Mr. O'NEAL of Kentucky, Mr. DALY, Mr. JOHNSON of West Virginia, Mr. TABER, and Mr. DITTER were appointed managers on the part of the House at the conference.

TREASURY AND POST OFFICE DEPARTMENTS APPROPRIATIONS

The PRESIDING OFFICER (Mr. BROWN of Michigan in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 8947) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1939, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. McKELLAR. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GLASS, Mr. McKELLAR, Mr. TYDINGS, Mr. HAYDEN, and Mr. BRIDGES conferees on the part of the Senate.

CONSTRUCTION OF SUPERHIGHWAYS—REFERENCE OF BILL

Mr. LOGAN. Mr. President——

The PRESIDING OFFICER. The Chair will state that under the previous order of the Senate the motion of the Senator from Tennessee [Mr. McKELLAR] that the Committee on Banking and Currency be discharged from further consideration of Senate bill 3428, and that the bill be referred to the Committee on Post Offices and Post Roads, is now before the Senate.

Mr. BULKLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Johnson, Calif.	O'Mahoney
Andrews	Davis	Johnson, Colo.	Overton
Ashurst	Dieterich	King	Pepper
Austin	Donahey	La Follette	Pittman
Bailey	Duffy	Lee	Pope
Bankhead	Ellender	Lewis	Radcliffe
Barkley	Frazier	Lodge	Reames
Berry	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Wagner
Connally	Hughes	Nye	Walsh

The PRESIDING OFFICER. Ninety-two Senators having answered to their names, a quorum is present.

Mr. McKELLAR. Mr. President——

The PRESIDING OFFICER. Previous to the roll call there was an understanding that the Senator from Kentucky [Mr. LOGAN] might have the floor for a short time.

Mr. McKELLAR. That is entirely agreeable to me.

NATIONAL DEFENSE

Mr. LOGAN. Mr. President, I should not feel like asking the indulgence of the Senate for a few minutes if it were not for the fact that I take very little time of the Senate. For that reason I may with propriety insist on placing in the RECORD matter which ought to be there. I assure Senators who are interested in other matters that I shall take not more than 10 minutes.

I have received so many letters——

Mr. WALSH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Massachusetts?

Mr. LOGAN. I yield.

Mr. WALSH. I desire to raise a point of order, but I do not wish to take the Senator from the floor.

The PRESIDING OFFICER. The Senator will state it.

Mr. WALSH. Last night before adjournment I was recognized and had the floor, and it was agreed that I should proceed this morning. At the request of the leader and out of courtesy to him, I said that I would permit the Senator from Tennessee [Mr. McKELLAR] and the Senator from Ohio [Mr. BULKLEY] to proceed with the determination of the question as to the disposition which should be made of the so-called post-roads bill. I said to the leader that I was happy to grant that request, because he had been so courteous to me in not insisting on the continuance of my speech yesterday.

This morning for the first few minutes I was temporarily absent, expecting the two Senators to whom I had yielded to take the floor, but the Senator from Washington [Mr. SCHWELLENBACH] was recognized by prearrangement with the Vice President, and the Senator from Washington occupied the floor for an hour and three-quarters to discuss certain features of the reorganization bill.

I find myself still waiting, and the Senator from Kentucky [Mr. LOGAN] has been recognized. I am wondering when I shall get back on the floor, having had it last night.

I am also informed that the Senator from Ohio [Mr. BULKLEY] and the Senator from Tennessee [Mr. McKELLAR] cannot proceed with the subject matter in which they are interested unless they obtain unanimous consent to lay aside the pending measure.

Mr. McKELLAR. That has already been done.

Mr. WALSH. When was that done?

Mr. McKELLAR. That was done this morning. I understand the Senator from Kentucky will take only a few minutes.

Mr. LOGAN. I shall take only about 10 minutes. I could have been through by this time.

Mr. WALSH. I desire to be courteous, and I try to be; but I insist that some regard ought to be had for agreements entered into on the floor and that Senators ought to refrain from communicating with the occupant of the chair in order to be recognized when another Senator has the floor. I desire to enter my protest against such practice.

Mr. BULKLEY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BULKLEY. I desire to ask unanimous consent that the Senator from Massachusetts shall have the floor on the convening of the Senate tomorrow.

Mr. WALSH. I thank the Senator, but will arrange to take the floor whenever I can be recognized later in the day. I want no favors, but when I have the floor I believe I should have the right of being allowed to yield to Senators who may request the floor while I have it. I am protesting Senators being recognized, while I have the floor, without my approval.

Mr. LOGAN. Mr. President——

Mr. BARKLEY. Mr. President, will my colleague yield to me?

Mr. LOGAN. I yield.

Mr. BARKLEY. I think it is fair to the Senator from Massachusetts to make a statement, which I made in part earlier in the day. There was an understanding yesterday when the Senate recessed, a little earlier than usual, that the Senator from Massachusetts should have the floor this morning. The Senator from Massachusetts had agreed that the Senator from Ohio [Mr. BULKLEY] and the Senator from Tennessee [Mr. MCKELLAR] might have the floor the first thing today, in order to dispose of a motion, which has been pending for several days, with reference to the reference of a bill. In the meantime the Senator from South Carolina [Mr. BYRNES], who is in charge of the reorganization bill, had arranged with the Vice President to recognize the Senator from Washington [Mr. SCHWELLENBACH]; and when we arrived this morning that was the situation. The Chair recognized the Senator from Washington, which was entirely agreeable to me, but which did not conform to the understanding we had yesterday afternoon. It is one of those things which occur now and then. Nobody in particular is at fault, but the Senator from Massachusetts did have an understanding with us yesterday afternoon that he would be recognized this morning. I am sorry the plan has been interfered with, and I want to help the Senator in any way I can to get the floor at any time he wants it, and when it is most advantageous to him to have it.

Mr. WALSH. I think the record will show that I am not in the habit of insisting on any special time to discuss any measure.

Mr. LOGAN. Mr. President, I am not at all responsible for the question which arises at the present time as to who should have the floor. If I had my way about it, there would be many who desire to obtain the floor who could not do so. But I cannot have my way about it. This morning when I came to the Senate Chamber I asked who was to be recognized and was informed that the Senator from Washington [Mr. SCHWELLENBACH] had asked for recognition. I was assured that after he had completed his speech I would be recognized next. Then the unanimous-consent agreement entered into it. The Senator from Ohio and the Senator from Tennessee, although they did not have the power to consent, did consent that I might obtain the floor and take about 10 minutes. So my speech starts at this point, and not with what has gone before.

Mr. President, I have received so many letters from the clergy and laity, as well as resolutions of Christian organizations, protesting against the program for national defense as outlined by the President in his recent message that I have concluded to express my views regarding the matter.

It is not my intention to deliver a speech intended to influence the Congress or any Member thereof, but I have been so deeply disappointed at the attitude of Christians in this Nation on the question that I hope, perchance, I may call their attention seriously to the probable harm they are doing to their own cause and to the Nation.

Those who have written me, so it seems, are not acquainted with world affairs or with history. If they were, they could not take the position, in good conscience, which many of them assume. I have no unkind word to say about any Christian who takes the position that the United States should not carry out a policy of national defense which would make our country secure. When the facts are placed before them, those who are not fanatics on the subject will see that their attitude may destroy the very cause in which they believe.

I may say that I am sufficiently old-fashioned to believe in the Bible. I believe in the God of Moses, Abraham, Isaac, and Jacob. I believe sincerely that Jesus Christ was divine and that through His suffering and death He made possible the salvation of man. I believe in His teachings as found in the four Gospels when interpreted, as I am quite sure it was His intention to have them interpreted. Since I was a youth I have sought in my humble way, and perhaps feebly, to help spread abroad throughout the world the Christian religion. I believe it is only through following these teachings, so simple and so easily understood, that eventually the world may become a fit abiding place. I believe that it is through the instrumentality of men who are His followers that this achievement may be brought about.

I believe in churches and church organizations, regardless of creed. Believing those things and remaining steadfast in my faith, I cannot subscribe to a policy which, in my judgment, eventually will destroy the Christian religion to such an extent that through long ages man will have to establish these principles again in a benighted world.

Christianity has had its trials and its bright and dark days. Had it not been for Charles Martel at Poitiers in A. D. 732, the Arabs would have completed their destruction of all those nations who held to the faith which I have above expressed. If there were Christians in that day who railed against preparations for national defense, they were in exactly the same position as are the Christians in America today who protest against our making adequate preparations to defend our country.

I do not want war. I hope that I may never see another war. I have greater reasons than most men to hate war, and yet I am proud that there has not been a war since early colonial days in which my family, down to the present generation, has not made sacred some spot in our Nation with blood shed in defense of the things which have made our Nation great. While I abhor war to the innermost depth of my soul because it brings death and destruction and misery, there are things that are worse than these. I would much prefer that my sons should be found among the dead who might die defending the sacred things in our national life than that they should be denied the right to worship God according to the dictates of their own conscience, or the right to life, liberty, and the pursuit of happiness. There are worse things than war. If the Congress should listen to the earnest and sincere pleadings of those Christians in the Nation who protest against adequate national defense, the result can easily be foretold. It would mean war at no distant date—a war ending in the destruction of Christianity and our religious institutions, as well as the destruction of our freedom as we have known it during the life of our Nation.

Recently, that clear-eyed journalist, Dorothy Thompson, in writing of the condition of affairs between Germany and Austria, took occasion to say:

> The issue in the Germanic world, precipitated by the events in Austria, is not even, in the first line, the issue of Austrian independence. It is whether the Germanic world is to be Christian or pagan, whether the church of Christ in Germany is to be a universal church, open to all men, and representing universal principles, or whether it is to be a mere instrument of German racialism.

Let me call the attention of my Christian brethren throughout America to the things that have recently hap-

pened to Christianity, and which are happening today throughout the world. Christianity has been losing ground rapidly in recent years. Just a few years ago the 200 millions in Russia were devout Christians, but today the name of God has been deleted from the language; their great cathedrals and churches have been despoiled, and no longer is the holy name of Christ one that commands respect. It has not been so long ago that Germany was one of the outstanding Protestant Christian nations. It was Germany that brought about the Reformation. And where is Christianity today in Germany? It is not allowed to exist. Even in Italy the churches must function under the iron heel of a dictator. And there is Spain where the Old Church spread the message of Christianity throughout the world, and is now prostrate, its temples destroyed, its priests and its nuns mistreated. We could point to similar treatment of Christians closer home; but the movement is away from Christianity.

That is not the darkest picture. The nation of Japan hates Christianity and has always maintained a malicious attitude toward those who believed in the doctrines of Christianity. Japan is now a nation gone mad. It is taking over China. When that task is completed—and it appears that the democracies of the world, perhaps influenced largely by those who believe themselves good Christians, will allow this war-mad nation to accomplish its purpose with China—Japan will control one-third of the entire population of the world. It will be a pagan Japan, and while I grant to that nation the full right to have any religion which it pleases, under her leadership one-third of the population of the earth will be haters of Christianity; and Japan is a mad nation.

Where do we look for Christian nations today? Great Britain and the United States of America are the important ones, although some of our South American republics still maintain their belief in Christianity. Even Great Britain, with her long traditions of freedom and democracy, is forced to enter into some arrangements—I know not what—with dictators to protect herself against destruction. The United States of America is the richest Nation on earth, and while the man who does not think much may say to himself that we are safe against the aggressions of outside nations, I must say to him, in response to that thought, that he is wholly wrong. If the United States shall listen to the voices of those well-meaning Christians who believe that we should do nothing in this war-crazed world except to sit idly by without preparation for defense, I point them to the fate of China and Ethiopia. I know that we are not safe, and there are no other means of protection save to prepare our national defense so that we may successfully stand against the world when we are attacked, as we will be some day. When that time comes, if we are not prepared, we may expect the destruction of our churches, cruel and inhuman treatment of our Christian people, the burning of our cities, the devastation of our whole land, and eventually subjection to the will of some foreign dictator who with his armies and navies can make us do his bidding. I am unwilling even to take a chance that such may happen.

It may be that my political life will be the forfeit for my saying what I have said today, but that is a matter of small moment. I would count myself unfaithful to the trust that has been imposed in me if I should listen to the voices of those who beseech me to leave our people in a position where they may be the easy prey of those who are not bound by the laws of God, who do not believe in the teachings of Christ, and who adhere to the doctrine that "might makes right." It is hard to have our Christian people sending up their prayers against the Nation, which we all love, when they ask in their churches and in their prayer meetings that God will direct the United States Congress to leave America unprotected and helpless in a mad world. If they believe they are following the teachings of the Christ when they are led to protest against adequate national defense, I must disagree with them. They are but expressing the hopes and the prayers of the Communists who believe in no God. They are not Communists, and neither do they believe in such a doctrine, but the heart of every Communist in America and throughout the world rejoices when the Christians of this Nation advise their Congress to do nothing about national defense.

When Christ selected His agents to spread abroad in a turbulent world His message He did not seek men who were afraid. Neither did He seek those who were unwilling to make any sacrifice for the spread of His gospel. He selected men like Peter, a young, stalwart man, who could look an angry mob in the face and not be subdued; men like James and John, whose names He changed to Boanerges, which means the sons of thunder. Thomas was another who, when Jesus was going back to Jerusalem where His life was sought, offered to go along with Him so that he might die with Him. Even Judas was no coward, because at the very time of the crucifixion he went before the angry Sanhedrin and threw the 30 pieces of silver at their feet and told them he had betrayed innocent blood. No one would call Paul a pacifist. At that time the Christian religion needed men who were willing to suffer and die for the cause. I believe we have them now, if they know that the religion of their fathers is threatened.

Mr. President, the United States must bear aloft the torch of Christianity, and if that torch is to remain undimmed, America must be prepared to repel every aggressor from whatever direction he may come. At the risk of displeasing my good Christian friends whom I have tried to serve and help, I shall vote for a navy large enough to protect every city on any of our coasts, and I shall vote for an army large enough and with sufficient equipment to destroy every aggressor who may reach our shores.

CONSTRUCTION OF SUPERHIGHWAYS—REFERENCE OF BILL

Mr. McKELLAR. Mr. President, several days ago I entered a motion with reference to Senate bill 3428, to provide for financing certain self-liquidating public works, to provide additional facilities for the national defense, to aid in the relief of unemployment, to stimulate business recovery, to promote the public safety, and for other purposes. The motion was to discharge the Committe on Banking and Currency—to which, in my judgment, the bill had been erroneously referred—from its further consideration, and to refer it to the Committee on Post Offices and Post Roads.

The bill in question is indeed a bill to promote public works, but its only purpose is to build toll roads in the country. It proposes to build several toll roads going east and west, and several more going north and south, at places to be hereafter designated.

Mr. President, as we all know, the Constitution of the United States provides that—

> The Congress shall have power • • • to establish post offices and post roads.

Post roads may be established only under this constitutional provision. As I recall, the Good Roads Act of 1916 was the first legislation which provided for Federal aid to a general system of roads in the United States. From 1916 or 1917, when the act actually went into effect, the rule has been uniform, and so far as I have been able to find, not a single exception has been made to it, that all road bills have been referred to the Committee on Post Offices and Post Roads. Every year innumerable road bills have been introduced, every one of which has been referred to the Committee on Post Offices and Post Roads. So far as I have been able to ascertain, not one of them has been referred to the Committee on Banking and Currency, or to any other committee than the Committee on Post Offices and Post Roads.

Not only that, Mr. President, but on January 10 of this year I introduced a bill to provide for the formulation of a plan for the construction of certain highways through the United States. That bill in substance provides that a commission shall be created, composed of engineers or others learned in road work, to examine into all the facts concerning what are known as superroads, and to make a report to Congress; and, incidentally, they were authorized to build a road from the city of Washington to the city of New York.

somewhat as an experiment. That location was selected because it is said by road authorities that there is more traffic along a line between Washington and New York, and between New York and Boston, than any other place in the country; in other words, that a superroad would be more needed along that line than anywhere else in the country. For that reason, an experimental four-lane road was provided for.

It is useless to go into the merits of those bills at this time, and I do not propose to do so. There is but one question involved, and that is to which committee bills of this nature should be referred. I did not ask that the bill introduced by me should be referred to the Committee on Post Offices and Post Roads. It was not necessary for me to do so. The bill went to that committee as a matter of course.

Mr. BORAH. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Tennessee yield to the Senator from Idaho?

Mr. McKELLAR. I do.

Mr. BORAH. If these roads are built, I think the question of national finance in connection with them will become a very vital matter.

Mr. McKELLAR. I think it will, too, if the roads are built. The Senator is entirely correct about that; but I am sure the Sentor would not want first to authorize the building of the roads as toll roads, and afterward have the Government finish them as free roads.

I will say to the Senator that the only two countries in which superroads have been built are Italy and Germany. They have not a regular system of such roads. In Italy it was at first undertaken to make the roads toll roads, like those provided for in the bill introduced by the Senator from Ohio; but the roads soon had to be turned into free roads.

On February 9, a month later than the time I introduced my bill, the Senator from Ohio [Mr. BULKLEY] introduced the bill now under discussion, and had it referred to the Committee on Banking and Currency. That bill provides for an expenditure of something like $8,000,000,000. That is quite a large sum. As every Senator knows, I think without a single exception, if we were to build a system of toll roads, innumerable bills would be immediately introduced to declare them free roads. Not only that, but it seems to me that whatever we do ought to be done upon careful examination by men learned in the art of road building, by engineers, and that a report should be made by them before we undertake to embark upon an $8,000,000,000 appropriation, or authorize an appropriation of $8,000,000,000 for roads.

Mr. President, in the natural course of business the bill which I introduced was referred to the Bureau of Public Roads. I have here a letter dated February 5, 1938, from the Acting Secretary of Agriculture, Mr. Wilson, of which I desire to read merely the last paragraph:

> If there is need for special transcontinental highways, such as those proposed by S. 3211—

It will be remembered that that bill merely provides for a commission to examine into and determine the matter, and the Secretary says this about it:

> If there is need for special transcontinental highways, such as proposed by S. 3211, for special highways in any particular section of the country, or for a higher type of highway facility along the northeastern seaboard, which appears to us most likely to be needed, such need will be clearly indicated by the traffic and other data which these surveys will provide without the additional expense which would be incurred by setting up a new commission which could only duplicate the work already being done.
>
> Upon reference of the matter to the Bureau of the Budget, as required by Budget Circular 344, the Acting Director thereof advised the Department, under date of February 19, 1938, that, "The legislation proposed by S. 3211 would not be in accord with the program of the President."

Mr. President, earlier in the letter the Acting Secretary takes the position that such a system of roads would undo our present system of roads. Those were the very questions which arose in my mind before introducing the bill which I introduced. Therefore, it seemed to me that a commission ought to be established to determine whether or not these superroads should be built.

What in the world the Committee on Banking and Currency has to do with such a project I cannot imagine, except to finance it. That would be quite an undertaking. There is not any doubt about that—$8,000,000,000! If we should authorize the expenditure of $8,000,000,000, as proposed in the bill to which I refer, I think probably it would take a supercommittee to finance it. Certainly we ought not to go into such a project without having accurate information regarding it. In any event, this bill ought to be referred to the same committee to which all road bills have been referred.

As I am informed, without a single exception all road bills have been referred to the Post Office and Post Roads Committee. It is the committee to which such bills should go in view of the constitutional provision. That is the orderly way to proceed in this matter; and I can see no possible reason for referring the bill to the Banking and Currency Committee. If the transaction is a financial one, the bill ought to go to the Committee on Finance rather than to the Committee on Banking and Currency. It do not know what the Committee on Banking and Currency would have to do with it.

Mr. President, those are the facts. It happens that I am a member of the Committee on Post Offices and Post Roads. It also happens that 30 days before the bill of the Senator from Ohio was introduced, I had introduced a somewhat similar measure along the lines I have suggested, merely providing for a commission to give the Congress intelligent information upon which to act, rather than to build a system of superroads which might take the place of our present splendid road system. We now have superhighways running out of almost all the large cities in the country; but, whatever the merits of the case, the bill ought to go to the proper committee, and that committee is the Committee on Post Offices and Post Roads.

I ask Senators to consider the matter; and, if they think the bill should go to that committee, I hope they will so vote.

Mr. BULKLEY. Mr. President, unfortunately the Senator from Tennessee has not read Senate bill 3428 very carefully, because he refers to appropriations of $8,000,000,000; and, of course, there is in the bill no reference to any such amount as $8,000,000,000; nor is there an authorization of any appropriation except the amount required to finance the capital stock of a Federal corporation which the bill proposes to set up.

What is the rule of the Senate about the reference of bills to committees? It has been very clearly stated very recently by the Vice President. I refer to March 4, 1935, when there was a discussion between the Senator from New York [Mr. COPELAND] and the Senator from Montana [Mr. WHEELER] about the reference of a bill to the Committee on Interstate Commerce. The Vice President stated:

> The Senator from New York undoubtedly understands there is no rule of the Senate with regard to the reference of Senate bills introduced. The Senator from New York may introduce a bill that properly should be referred to the Committee on Irrigation; but if he asks that it be referred to the Committee on Finance, it will go to the Committee on Finance. There is absolutely no rule of the Senate regarding the reference of bills except that all appropriation bills must be referred to the Committee on Appropriations.

Mr. President, that subject was discussed last June when the senior Senator from Nebraska [Mr. NORRIS] introduced a bill relating to flood control, but also relating to certain other matters. Some members of the Committee on Commerce made the very contention the Senator from Tennessee is now making; they said that all bills relating to flood control had theretofore been referred to the Committee on Commerce. Notwithstanding that contention, the Vice President held that the bill introduced by the Senator from Nebraska covered several subject matters, that there was no overlapping jurisdiction of committees, and that the Senator from Nebraska had the right to the courtesy of having the bill referred to the committee which he designated in introducing the bill. There was some difference of opinion expressed on that occasion, but no action was ever taken to deprive the Committee on Agriculture and Forestry of jurisdiction of that bill, and the Committee on Agriculture and

Forestry still holds the bill, notwithstanding the fact that there are many precedents for the reference of flood-control bills to the Committee on Commerce.

I do not know whether or not it is true that all road bills have been referred to the Committee on Post Offices and Post Roads. The Senator from Tennessee says so, and I will not undertake to controvert his statement. It is very probably true. But Senate bill 3428 is in no sense primarily a road bill; it is a bill for financing public works. It is not the purpose of the bill to authorize the vast expenditure of sums which would not otherwise be spent. It is rather to relieve unemployment, to create spending in a way to reduce the charges on the W. P. A., and provide that public works shall be done in a manner that will give the Government and the people of the country a real value for the money that is spent.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. McNARY. I regret that I am not more conversant with the Senator's bill. I realize we are not discussing its merits at this time particularly, but does it not contemplate the construction of roads in one large national system?

Mr. BULKLEY. Yes; it does.

Mr. McNARY. Is it or is it not true that these are to be post roads?

Mr. BULKLEY. There is no reference in the bill to post roads, and there has been no demand from the Post Office Department for additional facilities. I might say, incidentally, that even the bill introduced by the Senator from Tennessee makes no reference whatever to post roads.

Mr. McNARY. I am merely making an inquiry. I assume that the roads would be post roads in character?

Mr. BULKLEY. I do not think there would be any prohibition against the mails being carried over the roads, if they should be built; but that is not part of the purpose stated in the bill at all.

Mr. McNARY. The Senator makes the point, at least he offers the suggestion or assertion, that the contemplation he has in mind is the relief of unemployment.

Mr. BULKLEY. Yes; and that is what the bill states.

Mr. McNARY. Is the Government to finance these various roads to the extent of several billion dollars? I think the Senator from Tennessee mentioned eight billion. Is the Government to put up the money?

Mr. BULKLEY. The $8,000,000,000 has nothing to do with the bill except that someone has guessed that if a complete system of roads should be built all over the country, it would ultimately cost about $8,000,000,000. I neither support that nor controvert it; I do not know.

Mr. McNARY. Whatever the sum may be, is it the Federal Government that is to advance the money for the purpose of constructing these superhighways, the money to be returned to the Government through the exaction of tolls and charges?

Mr. BULKLEY. Not exactly that.

Mr. McNARY. Will the Senator discuss that for a moment?

Mr. BULKLEY. That is a very important point in the structure of the bill, and that is the very point which makes it necessary under the precedents to refer the bill to the Committee on Banking and Currency.

The bill provides for the set-up of a corporation, the entire stock to be owned by the United States Government, and the corporation is to be authorized to proceed with the construction of roads, to sell its bonds, and to charge tolls and deal in excess property to finance the operation. The Government would guarantee the bonds.

Insofar as the rule of the Senate relating to the reference of bills is concerned, there are controlling precedents. The Reconstruction Finance Corporation bill was referred to the Committee on Banking and Currency, the Home Owners' Loan Corporation bill was referred to the Committee on Banking and Currency, the Federal Housing Administration bill, which, of course, had nothing to do with either banking or currency, but provided for a Government-owned financing corporation, was referred to that committee. The precedent is well established both in the Senate and in the House that all bills providing for Government financing corporations shall go to the Committee on Banking and Currency.

Mr. BRIDGES. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. BRIDGES. Did the Senator say that the United States Government will guarantee the principal and interest of these bonds?

Mr. BULKLEY. That is correct.

Mr. BRIDGES. Then, actually it would involve the expenditure of $8,000,000,000 of Government funds, would it not?

Mr. BULKLEY. The Senator can make his guess that it would cost $8,000,000,000. I have no idea how much it would cost, and I have no idea whether the entire system will be built, because the bill does not provide that the designated authorities must go ahead and build the entire system. I do not desire to be drawn into a discussion of the merits of the bill, and I take it the Senator from New Hampshire does not care to go into a discussion of the merits of the bill; but the financing is exactly the same as that under the Reconstruction Finance Corporation, the Home Owners' Loan Corporation, and the Federal Housing Administration, the bills creating all of which came out of the Committee on Banking and Currency. No similar legislation has ever been considered by the Committee on Post Offices and Post Roads.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. BARKLEY. If I understand the bill, it would set up a corporation with a capital of $100,000,000.

Mr. BULKLEY. That is correct.

Mr. BARKLEY. Which is to be furnished by the Secretary of the Treasury.

Mr. BULKLEY. That is correct.

Mr. BARKLEY. To be subject to call as needed. Then the corporation is authorized to issue bonds not exceeding $2,000,000,000.

Mr. BULKLEY. That is correct.

Mr. BARKLEY. For the purpose of constructing the highways contemplated in the bill, and the bonds are to be guaranteed by the Government of the United States, like farm credit bonds, and Home Owners' Loan Corporation bonds, and the Federal Housing Administration bonds, and other bonds which have been issued by the corporations created by Congress for the purpose of financing their operations.

Mr. BULKLEY. That is correct.

Mr. BARKLEY. The fact that this is a road operation does not change the requirement that there must be a financial set-up in the Treasury.

Mr. BULKLEY. That is the primary object of the bill, of course.

Mr. BARKLEY. And of course, whether these superhighways are ever constructed or not will depend upon the ability of the Treasury, or the corporation set up under the proposed law, to sell its bonds to the public.

Mr. BULKLEY. Yes; the corporation would have to sell its bonds to the public, and the instruction given to the corporation is—

> In order to provide additional facilities for the national defense, to aid in the relief of unemployment, to stimulate business recovery, and to promote public safety, the corporation is authorized to prepare plans and specifications—

And so forth. There is not a word in the bill about post roads.

Mr. BARKLEY. So far as the amount involved is concerned, as I read the bill, the maximum amount which could be involved in a Government guaranty of bonds would be $2,000,000,000.

Mr. BULKLEY. That is correct.

Mr. BARKLEY. So that any more than that is purely a matter of fancy or guesswork.

Mr. BULKLEY. That is correct.

Mr. WAGNER. Mr. President, I wish to ask the Senator from Ohio whether it is not true that we passed in 1932 a

bill, which became a law, which authorized the Reconstruction Finance Corporation to make loans for the construction of self-liquidating public projects?

Mr. BULKLEY. Yes; the Senator is correct.

Mr. WAGNER. The bill was referred to the Committee on Banking and Currency, hearings were held upon it, and it was reported from that committee.

Mr. BULKLEY. And it would have been considered very extraordinary if it had been referred to any other committee. Of course, it was reported by the Committee on Banking and Currency.

There are many bills which relate to more than one subject matter. It is assumed that when a Senator endorses on a bill the committee to which he desires to have it referred, he is acting in good faith, and if his endorsement is in line with the purposes of the bill, we must allow Senators reasonable latitude in selecting committees. That courtesy was accorded to the Senator from Nebraska last summer when he introduced his flood-control bill, notwithstanding the fact that flood-control bills previously had been, I think, almost uniformly referred to the Committee on Commerce. There is no doubt the Senator's bill contained some matter which justified its reference to the Committee on Agriculture and Forestry. If I recall correctly, the Senator from Nebraska at that time admitted that a reference of the bill to the Committee on Commerce would have been proper, but he thought reference to the Committee on Agriculture and Forestry was preferable, and the Senate accorded him the courtesy of having the bill considered by the committee to which he thought it ought to go.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. McNARY. In 1917 or 1918, when the Muscle Shoals project was first presented to the Congress, the bill embodying that project was referred to the Committee on Agriculture and Forestry upon the theory that the main purpose was to provide for the manufacture of nitrates in time of war and fertilizer in time of peace.

Referring to the bill the Senator from Ohio has mentioned as having been introduced by the Senator from Nebraska, that bill contemplated not only flood control but power development, and the Senator from Nebraska stated at that time that he had particularly in mind power development. Therefore, the jurisdiction could have been committed to either of two committees; first, the Committee on Commerce, as it related to flood control; secondly, to the Committee on Agriculture and Forestry, as it related to the development of power. Oftentimes we have bills of which two or more committees may reasonably have jurisdiction.

Mr. BULKLEY. That is quite correct.

Mr. McNARY. There ought to be some latitude allowed in the matter of reference to a committee by a Senator. However, I do not think any Senator by the expression of an opinion can overcome the wish of the Senate, which ought to be our guide in the matter of deciding jurisdiction of one committee over another.

Mr. BULKLEY. There is no rule of the Senate compelling any bill to go to any particular committee, except in the case of the Committee on Appropriations. The House rule requires the Speaker to refer bills impartially. If we had such a rule in the Senate this bill would naturally be referred to the Committee on Banking and Currency.

Mr. McNARY. We have two kinds of rules. One is a written rule. The other is a rule which has grown out of usage, supported by long practice and precedents, which has all the effect and all the value of a written rule. I concede that the written rule has reference only to appropriation bills. Because of the usage throughout the years, supported by all the precedents that have been established from time to time in the sessions of the Congress, the Presiding Officer and the Members of the Senate have supported the idea that a bill should be referred to the committee that naturally has jurisdiction. So we have a usage which rises to the same degree of importance and strength as a written rule.

Mr. BULKLEY. The Senator is making my speech for me.

Mr. McNARY. I beg the Senator's pardon. I did not want to "mess" things up.

Mr. BULKLEY. That is quite all right. I am glad the Senator supports what I am saying, because the natural committee to which a bill dealing with such a governmental organization should be referred is the Committee on Banking and Currency. No bill having such a purpose in view has ever been referred to any other committee. A bill identical with the bill I introduced, S. 3428, was introduced in the House by a member of the Committee on the Post Office and Post Roads with the expectation that it would be referred to the Committee on the Post Offices and Post Roads. The House Member was not permitted to endorse the bill for reference to that committee. It was subject to the impartial judgment of the Parliamentarian, and it was referred to the Committee on Banking and Currency.

There has been no contest over that reference in the House. So that, whatever the rule may be, whether the rule be that a Senator may endorse a bill and control the selection of the committee to which it is referred, or that the parliamentarian has the authority to refer it to the committee to which it naturally should go, we arrive at the same result in this case.

There is a further consideration which, however, should not be too greatly stressed. I rest on the two propositions which I have suggested. In addition, I wish to make a statement concerning the history of the bill. The bill was introduced on February 9. There was nothing secret about it. It was well noticed in the public press. The Committee on Banking and Currency proceeded to handle the bill without any undue haste, but, having its regular meeting on the following Tuesday, the 15th of February, it took up this bill and appointed a subcommittee to consider it. On Wednesday, February 16, the subcommittee met, considered the bill, ordered hearings to be held on it, and authorized the chairman of the subcommittee to call witnesses.

During all that time we had no objection whatever from the Senator from Tennessee, or from any member of the Committee on Post Offices and Post Roads. I never heard from him until the 17th of February.

Mr. McKELLAR. Mr. President, the Senator does not want to be inaccurate about that. The Senator from Ohio told the Senator from Tennessee that he had introduced this bill and that it had been referred to the Committee on Banking and Currency, and he suggested that we undertake to work out some way of handling it. I may be mistaken in my recollection of what the Senator said, but I understood the Senator from Ohio to say that nothing would be done until some conclusion could be reached with respect to an adjustment of the matter. Therefore, my motion to change the designation of the committee was not made until I learned that the Senator was going forward with hearings.

Mr. BULKLEY. Mr. President, I reiterate my statement, which the Senator has not denied and will not deny. The bill was introduced on February 9. There was no secrecy about it. It was widely known. It was very widely commented upon in the newspapers. The Committee on Banking and Currency took its first action on the bill on February 15, when it appointed a subcommittee. On February 16 there was a meeting of the subcommittee and hearings were ordered, and it was not until February 17 that we heard the first word from the Senator from Tennessee in objection.

Mr. McKELLAR. Oh, no; the Senator heard from me before that. When I heard that a road bill had been assigned to the Committee on Banking and Currency I immediately went to the Senator from Ohio and told him that I was going to make a motion to have it transferred to the Committee on Post Offices and Post Roads, to which, in my judgment, it belonged, and the Senator asked me not to go forward with it, as we might reach an adjustment with respect to it, and on that assurance I did not submit the motion until later.

Mr. BULKLEY. I am sure the Senator does not mean to misstate the situation. Does the Senator mean to say that he ever spoke to me before he brought the matter up on the floor of the Senate?

Mr. McKELLAR. Oh, yes.

Mr. BULKLEY. Never. Wait a minute. Perhaps we are talking about two different things.

Mr. McKELLAR. I do not know if the Senator is.

Mr. BULKLEY. I talked to the Senator before he made his motion to discharge the Committee on Banking and Currency, but not before he rose to ask unanimous consent to have the reference changed. On February 17 he rose in the Senate and asked unanimous consent to have that done, to which I objected, and I am sure the Senator from Tennessee will not contend that he ever spoke to me before that time. In any event, he never did.

Mr. McKELLAR. No; I do not so contend. The Senator is correct with respect to that matter. That, however, is a different matter. The Senator will not deny that when he spoke to me about it he asked to have the matter go over without prejudice until we could pass upon it. Surely the Senator will not deny that.

Mr. BULKLEY. I do not deny that. But the Senator has denied certain things set forth in my statement concerning the sequence of the bill, and he is in error about that, because all of those actions were taken, and they are all of record, before we first heard objection from him. The Senate Committee on Banking and Currency had proceeded in good faith to deal with the bill before we heard from the Senator from Tennessee.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. NORRIS. Perhaps what I am about to suggest has been discussed in my absence. I have not heard all the discussion. I should like to ask the Senator first if it is not true that all road bills, up to the time of the introduction of the bill under discussion, have been referred to the Committee on Post Offices and Post Roads?

Mr. BULKLEY. So far as I know that is true; and I have so stated.

Mr. NORRIS. That being true, I am wondering if the question of constitutionality did not originally enter into the consideration. The Constitution, as I remember, expressly authorizes Congress to build post roads. There might have been a question of constitutionality connected with the bill, and I am wondering whether that entered into the question of the reference of the bill.

Mr. BULKLEY. Mr. President, I hardly think so, but I respectfully suggest that the Constitution does not relate itself to committees of the Senate.

Mr. NORRIS. Oh, no.

Mr. BULKLEY. A committee might report the bill, or the Senate might act on a measure without any report from a committee.

Mr. NORRIS. Of course, the Constitution says nothing about committees, but if there is a matter with respect to which we are going to legislate, and there is question concerning the authority of the Congress to do it, then, inasmuch as there is a constitutional provision that post roads should be established by Congress, a bill dealing with post roads would naturally go to the Committee on Post Offices and Post Roads.

Mr. BULKLEY. I am in exactly the same position that the Senator from Nebraska was in last June. He drew a bill which might appropriately have gone to any one of two or three committees.

Mr. NORRIS. I heard what the Senator said with respect to that bill. There was an additional reason connected with that matter, however.

Mr. BULKLEY. I agree with the Senator about the reason. I think it appropriately went to the Committee on Agriculture.

Mr. NORRIS. However, when the first bill dealing with the subject came to the Senate 20 years ago I was at that time chairman of the Committee on Agriculture and Forestry. The then Senator WADSWORTH was at that time chairman of the Committee on Military Affairs. The House bill had been handled by the House Military Affairs Committee. When the bill came to the Senate I suggested that it go to the Committee on Military Affairs. I was not anxious to have my committee take jurisdiction of the bill. But Senator WADSWORTH rose in the Senate and said that the bill ought to go to the Committee on Agriculture and Forestry. I could see how it might very appropriately have gone to either committee. Because of what was involved in the bill, it could have gone to either committee. After some debate in the Senate it was agreed that the bill should go to the Committee on Agriculture and Forestry. I remember saying at that time that, while I would rather have the bill follow the same course that it followed in the House, if the bill was referred to the Committee on Agriculture and Forestry, we would do the best we could with it. That was the beginning of the legislation that is now known as the T. V. A. legislation. It brought about the establishment of the Tennessee Valley Authority 15 or 20 years afterward.

Mr. BULKLEY. Although another bill introduced by the Senator from Nebraska, among other things related to the subject of flood control, legislation concerning which has always before been referred to the Committee on Commerce, he thought and the Senate thought it was appropriate for it to go to the Committee on Agriculture and Forestry, notwithstanding a long line of precedents that flood-control legislation should be dealt with by the Committee on Commerce.

Mr. NORRIS. That is true. If the Senator will permit me, the precedent had already been established by the Senate. The bill which I then introduced, and which I was contending should go to the Committee on Agriculture and Forestry, was almost on all fours with the bill which had gone to the Committee on Agriculture and Forestry, and which had been enacted into law.

Mr. BULKLEY. And that precedent is absolutely on all fours with the present case.

Mr. NORRIS. I do not understand the matter quite in that way. I will say to the Senator that I have no prejudice against the bill going to the Committee on Banking and Currency.

Mr. BULKLEY. I hope not.

Mr. NORRIS. I am merely trying to call attention to what I think might originally have been the reason why road bills were referred to the Committee on Post Offices and Post Roads, because of the constitutional provision. While I do not think there would be any such question now, at that time there might have been a serious question whether the bill was constitutional if we had made no reference to the purpose of setting up post roads. That objection is probably passé now.

Mr. BULKLEY. I think both the Senator and I have voted for bills which have been held to be unconstitutional, and we have not felt guilty on that account. This bill, however, does not say a word about post roads. It says nothing about post offices. It has in contemplation a work-relief program and a self-liquidating Government corporation. The precedent is unbroken that the Banking and Currency Committee has had jurisdiction of all such bills.

Mr. NORRIS. If the Senator will permit me to interrupt him again, I agree with the Senator. I think the constitutionality of the bill would not be affected. I think we undoubtedly have the authority suggested.

Mr. BULKLEY. I am sure of it.

Mr. NORRIS. If the object of the bill were to build post roads there would be no doubt whatever about its constitutionality. If that be the object to be attained, the committee which has jurisdiction over post roads ought to have control of the bill.

Mr. BULKLEY. That is a consideration which might very well be taken under advisement.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. BARKLEY. My recollection is that when the Government inaugurated the policy of making contributions to the

States for the purpose of building roads, requiring dollar-for-dollar matching, Congress took the position that any road which might become a post road or any road over which mail might be transported in the future would be a post road, or might be a post road, although not a post road at the time of the improvement or the construction of the highway itself.

The question whether Congress can build roads regardless of whether or not they are post roads might be related somewhat to the policy of Congress in improving rivers and harbors, which are not mentioned in the Constitution, but which are agencies of commerce. For a long time Congress has been engaged in the improvement of rivers and harbors as agencies of commerce. Congress might do the same thing with respect to highways over which mail was never carried, if such highways were agencies of commerce in the same sense that a river or a harbor is an agency of commerce, the one agency being artificial and the other natural. So the question of the omission of the words "post offices and post roads" in the authority of Congress need not limit the power of Congress in the construction of any arteries of commerce or travel which might be thought desirable.

Mr. BULKLEY. It need not; and, in addition, the question of national defense is specifically mentioned in the bill. Surely Congress has the right to authorize national roads for national defense.

Mr. BARKLEY. So far as I am personally concerned, I have no interest in this motion. I happen to be a member of the Committee on Banking and Currency, which has dealt with all bills setting up Government corporations, whether they were to build homes, or to loan money to corporations or to individuals engaged in industry, or for any other purpose.

I think consideration must be given to the primary and fundamental question, which is that if anything is ever to be done in the way of building a road, there must be financing of the operation. A Government corporation must be set up. The corporation must issue bonds to be guaranteed by the Secretary of the Treasury and by the Government. The financing of itself is not a road-building operation, although it is primarily necessary to be done if any roads are to be constructed under the Senator's bill.

Mr. BULKLEY. That is quite correct; and that is the purpose of the bill.

Mr. BARKLEY. I am satisfied that either committee will give this matter earnest and careful consideration. The bill might appropriately go to either committee, just as was the case with the bill referred to by the Senator from Nebraska [Mr. NORRIS].

The Senator from Ohio and I a year ago introduced a flood-control bill, which involved the creation of seven regions for the purpose of building all sorts of flood-protection devices, such as reservoirs and levees, for the purpose of conservation, and for other purposes. That bill was referred to the Committee on Commerce, and not improperly so, I will say. Then the Senator from Nebraska introduced his bill along the same line, creating seven regions for the same purpose, but with a slight variation in language, and his bill was referred to the Committee on Agriculture and Forestry.

Mr. BULKLEY. The Senator from Nebraska added some further purposes to his bill.

Mr. BARKLEY. Yes; there were more purposes in it, and it went to the Committee on Agriculture and Forestry.

Either committee could properly have jurisdiction, because there were various things in both bills which might, if left alone, have gone to one committee and not to the other, but when all the elements were combined, either committee might have had jurisdiction.

In the actual construction of roads under the plan which has heretofore been in operation, the Committee on Post Offices and Post Roads undoubtedly would have had a larger claim to jurisdiction, because the money was appropriated directly out of the Treasury by Congress for the purpose of building roads. No financial operation was necessary. In order to carry into effect the purpose of the bill now before us, there must be a large financial operation—a large-scale banking operation, in other words—which involves the issue of bonds, the guaranty of bonds, and setting up the machinery of a private corporation in a sense, yet with all the stock owned by the Government of the United States.

Mr. BULKLEY. Of course.

There is one further point which I ought to make very clear to the Senate. My bill contemplates no interference whatever with the operations of the Committee on Post Offices and Post Roads in respect to Federal aid to State projects, which has been going on for many years. My bill is not intended to be a substitute for any part of that program, or in any way to interfere with it. My bill provides for a superhighway system financed by a Government corporation, created under the same jurisdiction and in the same general outline as provided in bills which the Banking and Currency Committee has reported several times before, which no other committee has ever had or claimed jurisdiction to report.

Mr. DUFFY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. DUFFY. I did not hear all of the Senator's statement. Am I to understand that the status of the bill is that hearings already have been commenced by a subcommittee of the Banking and Currency Committee?

Mr. BULKLEY. Yes; and in good faith, too. Hearings were ordered before any objection was ever made to the reference of the bill to the Banking and Currency Committee.

Mr. DUFFY. When two committees claim jurisdiction, and either one might properly have jurisdiction, if one of the committees has assumed jurisdiction in accordance with a reference which has been made, and has begun hearings, it would seem to me proper that the matter be left with that committee, rather than sent to the other committee.

Mr. BULKLEY. I certainly think the Banking and Currency Committee is entitled to that courtesy.

Mr. WALSH. Mr. President, unless this matter is terminated soon, I feel that I should take the floor and make my speech on another subject. After having had the floor last night, I have been waiting since 12 o'clock today to begin my speech.

Mr. BULKLEY. I am more than happy to accommodate the Senator. I did not intend to take as much time as I have taken, and I have done so only because I have been obliged to yield to other Senators.

I now yield the floor.

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee.

Mr. McNARY. Mr. President, this seems to be a jurisdictional fight, and therefore I suppose it may be called a free-for-all.

Seriously, if I were not embarrassed or estopped by the rules of the Senate from making a motion at this time, I should suggest that the bill be referred to the Committee on Agriculture and Forestry, which, in my judgment, is the proper committee to handle the bill.

The Bureau of Roads has had jurisdiction over the construction of all the post roads which have been developed, as well as the roads and trails of the national forests. It has the only machinery for the construction of roads; it has the only equipment which is necessary for road construction. This in a very large sense—in fact, I might say wholly—is a Federal undertaking, and as such the Bureau of Roads will be called upon to construct these highways if the bill should ever pass.

Mr. BULKLEY. Mr. President, that is not the provision of the bill.

Mr. McNARY. I do not know what the provision of the bill is, but I naturally suppose the work would fall to the bureau to which I have referred, because it is the only Federal bureau which can construct roads, which has the engineers, the facilities, and the necessary equipment. So, whatever the provisions of the bill may be, the actual work will fall to that agency, which is fitted to perform it. I think that is sufficient answer to the observation made by the Senator from Ohio.

Of course, Mr. President, with millions of dollars invested by the Government in road equipment and facilities for the construction of highways, with the machinery and the force which is under the control of the great structure which was erected years ago to carry on road construction, that agency would be employed to do this particular work, if this bill ever becomes a law. That being the case, it is my judgment that the committee that really ought to consider this bill, the committee upon whom the jurisdiction should be conferred, is the Committee on Agriculture and Forestry.

I find myself unable, because of the parliamentary situation to move to substitute the name of the Committee on Agriculture and Forestry for the Committee on Post Offices and Post Roads. The parliamentary status, if I have it clearly before me, is that a motion has been made to discharge the Committee on Banking and Currency from the further consideration of the bill and that it be referred to the Committee on Post Offices and Post Roads. I am unable at this time to move that it be referred to the Committee on Agriculture and Forestry, but will have to bide my time and wait until the pending motion shall be either voted up or down, at which time I advise my colleagues that I shall move that this particular scheme, this very large and unusual plan, shall be referred for consideration to the proper committee, namely, the Committee on Agriculture and Forestry.

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee.

Mr. McKELLAR. I suggest the absence of a quorum.

Mr. FRAZIER. Mr. President, will the Senator from Tennessee yield to me to permit me to make a few remarks before a quorum is called?

Mr. McKELLAR. Very well; I withdraw the motion for the present.

Mr. FRAZIER. Mr. President, I do not like to disagree with my eminent friend, the chairman of the Committee on Post Offices and Post Roads. I have been a member of that committee for many years, and I am also a member of the Committee on Banking and Currency and a member of the Committee on Agriculture and Forestry. Since becoming a Member of the Senate it has always been my idea with reference to general bills that the Senator who introduced a bill could refer it to whatever committee he desired. That is the way I have done. I remember that on one occasion the Banking and Currency Committee took exception to a bill which I had introduced being referred to the Committee on Agriculture and Forestry, and even went so far as to have that committee discharged and to have the bill referred to them, although, as I thought, at least, and as I still think, it was an agricultural bill.

But, in view of the fact that I have already taken the stand that Senators could send bills introduced by them to whatever committee they desired, I feel on this occasion, inasmuch as the bill has been referred to the Committee on Banking and Currency at the suggestion of the Senator who introduced it, a subcommittee has been appointed, and hearings have been started, that I shall be forced to vote against the motion of my friend, the Senator from Tennessee.

Mr. McKELLAR. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk proceeded to call the roll, and Mr. ADAMS answered when his name was called.

Mr. McADOO. Mr. President, before the roll is called I should like to say a word.

The PRESIDING OFFICER. Does the Senator from Tennessee withdraw the suggestion of the absence of a quorum?

Mr. McKELLAR. Mr. President, a Senator's name has been called and the Senator whose name was called has answered. So, I do not think I can withdraw the suggestion. The Senator from California may proceed after the roll call shall have been concluded.

The PRESIDING OFFICER. The clerk will resume the calling of the roll.

The legislative clerk resumed and concluded the calling of the roll, and the following Senators answered to their names:

Adams	Connally	Hughes	Pittman
Andrews	Copeland	Johnson, Calif.	Pope
Austin	Dieterich	Johnson, Colo.	Radcliffe
Bankhead	Donahey	La Follette	Reames
Barkley	Duffy	Lodge	Reynolds
Berry	Ellender	Logan	Russell
Borah	Frazier	Lonergan	Schwartz
Bridges	George	Lundeen	Schwellenbach
Brown, Mich.	Gerry	McAdoo	Sheppard
Brown, N. H.	Gibson	McGill	Shipstead
Bulkley	Gillette	McKellar	Smathers
Bulow	Glass	McNary	Thomas, Okla.
Burke	Green	Maloney	Thomas, Utah
Byrd	Guffey	Miller	Townsend
Byrnes	Hale	Milton	Truman
Capper	Hayden	Minton	Tydings
Caraway	Herring	O'Mahoney	Vandenberg
Chavez	Hill	Overton	Wagner
Clark	Hitchcock	Pepper	Walsh

The PRESIDING OFFICER. Seventy-six Senators having answered to their names, a quorum is present. The question is on the motion of the Senator from Tennessee.

Mr. McKELLAR. Mr. President, just a word before the vote is taken. The present law provides that "all public roads and highways, while kept up and maintained as such, are post routes." That is the definition in the United States Code as to highways, and there cannot be any doubt about the highways proposed by the pending bill being post routes.

Mr. President, one further word and I shall have finished. The cost of these proposed roads, as shown by Mr. Holloway in an interview on super toll highways on March 1, 1938, a copy of which I have in my hand, shows that they will cost $325,000 a mile, without tunnels or bridges. By a simple calculation, the cost of the entire system would be somewhere in the neighborhood of $8,000,000,000. I am not arguing the merits of the question, but the bill ought to go before the committee that is accustomed to handling such matters. Mr. President, I ask for the yeas and nays on the motion.

Mr. McADOO. Mr. President, I should like to make a very brief observation. The Senators who are leading the controversy on each side are very warm personal friends of mine and I dislike very much to have to take a position one way or the other. I know that if this bill were referred to either committee it would be properly considered, but the fundamental question involved in the measure is not that roads are to be built under the jurisdiction of any particular committee or any particular department; the purpose of the bill is fundamentally financial. It sets up a corporation, the purpose of which is to issue bonds, a certain amount of capital stock being provided by the Government. It is the corporation itself which is to make the surveys and determine from time to time what, if any part, of the proposed highways shall be constructed. At this stage of the proceedings it is essentially a financial operation.

If it is financial in its essence, then the bill has been properly referred, and such reference, in my opinion, does not take from the jurisdiction of the Committee on Agriculture and Forestry or the Committee on Post Offices and Post Roads. I do not think it interferes with them in the slightest degree.

So far as the suggestion of the distinguished Senator from Oregon [Mr. McNARY] is concerned, that the Agricultural Department has the facilities and machinery for constructing roads, that does not at all touch this question. The corporation proposed by the bill, if authorized, may let much of the work to contract; it may not be necessary to use any machinery of the Government in direct construction. All such matters are foreign to the immediate question under consideration as to whether or not the Congress is going to authorize the formation of a corporation to do the things outlined in the bill.

Essentially, I repeat, at this stage of the proceedings it is a financial question. Therefore, it seems to me that the reference to the Committee on Banking and Currency has been entirely appropriate.

SEVERAL SENATORS. Vote!

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee that the Committee on Banking and Currency be discharged from the further consideration of Senate bill 3428, and that the bill be referred to the Committee on Post Offices and Post Roads.

Mr. McKELLAR. On that question I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BRIDGES. Mr. President, a parliamentary inquiry. What will be the effect of votes "yea" and "nay" on this question?

The PRESIDING OFFICER. Answering the inquiry of the Senator from New Hampshire, all those favoring discharging the Committee on Banking and Currency from the further consideration of Senate bill 3428 and referring it to the Committee on Post Offices and Post Roads will, when their names are called, vote "yea." Those opposed will vote "nay." The clerk will continue the roll call.

The legislative clerk resumed the calling of the roll.

Mr. AUSTIN (when his name was called). Mr. President, may we have the question stated?

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee [Mr. McKELLAR] that the Committee on Banking and Currency be discharged from the further consideration of Senate bill 3428, and that it be referred to the Committee on Post Offices and Post Roads.

The clerk will resume the calling of the roll.

The roll call was resumed.

Mr. TOWNSEND (when his name was called). On this question I am paired with the senior Senator from Mississippi [Mr. HARRISON]. If he were present and voting, he would vote "yea," and if I were at liberty to vote I should vote "nay." I withhold my vote.

The roll call was concluded.

Mr. LOGAN. I have a general pair with the senior Senator from Pennsylvania [Mr. DAVIS]. I am advised that he has not voted. As I do not know how he would vote if he were present, I withhold my vote.

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST], the Senator from North Carolina [Mr. BAILEY], the Senator from Washington [Mr. BONE], the Senator from West Virginia [Mr. HOLT], and the Senator from Indiana [Mr. VAN NUYS] are unavoidably detained from the Senate.

The Senator from Mississippi [Mr. HARRISON], the Senator from New Mexico [Mr. HATCH], the Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LEWIS], and the Senator from Nevada [Mr. McCARRAN] are detained from the Senate on departmental matters.

The Senator from South Carolina [Mr. SMITH] is absent in his State, engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from Mississippi [Mr. BILBO] and the Senator from Montana [Mr. WHEELER] are detained on important public business.

The Senator from Utah [Mr. KING] is detained in an important committee meeting. I am advised that if present and voting he would vote "yea."

Mr. AUSTIN. The Senator from Pennsylvania [Mr. DAVIS] and the Senator from North Dakota [Mr. NYE] are detained on official business.

The Senator from North Dakota [Mr. NYE] has a general pair with the Senator from Illinois [Mr. LEWIS].

The result was announced—yeas 38, nays 36, as follows:

YEAS—38

Bridges	Ellender	Johnson, Calif.	Pittman
Brown, N. H.	George	La Follette	Russell
Bulow	Gerry	Lodge	Sheppard
Burke	Gibson	Lonergan	Thomas, Okla.
Byrd	Glass	McGill	Thomas, Utah
Byrnes	Green	McKellar	Truman
Caraway	Guffey	McNary	Tydings
Chavez	Hale	Miller	Vandenberg
Clark	Hayden	Milton	
Connally	Hill	O'Mahoney	

NAYS—36

Adams	Capper	Hughes	Radcliffe
Andrews	Copeland	Johnson, Colo.	Reames
Austin	Dieterich	Lundeen	Reynolds
Bankhead	Donahey	McAdoo	Schwartz
Barkley	Duffy	Maloney	Schwellenbach
Berry	Frazier	Minton	Shipstead
Borah	Gillette	Overton	Smathers
Brown, Mich.	Herring	Pepper	Wagner
Bulkley	Hitchcock	Pope	Walsh

NOT VOTING—22

Ashurst	Hatch	McCarran	Townsend
Bailey	Holt	Murray	Van Nuys
Bilbo	King	Neely	Wheeler
Bone	Lee	Norris	White
Davis	Lewis	Nye	
Harrison	Logan	Smith	

So Mr. McKELLAR's motion was agreed to.

WITHDRAWAL OF SHIPS FROM INTERCOASTAL TRAFFIC

Mr. WALSH obtained the floor.

Mr. McADOO rose.

Mr. WALSH. Mr. President, the distinguished Senator from California did me the honor this morning to telephone me——

Mr. McADOO. Mr. President, if the Senator from Massachusetts will allow me to make a statement, I think I can relieve him of any apprehension.

Mr. WALSH. Very well.

Mr. McADOO. I asked the distinguished Senator from Massachusetts this morning if he would yield the floor to me for approximately 10 minutes to enable me to discuss a matter of exigent importance to my State. He explained the situation to me and was gracious enough to say that if the matter did not take too long he would be glad to yield for that purpose. The session today is so far advanced that I wish to withdraw the request, and thank the Senator from Massachusetts for his courtesy in the matter. At the same time, I desire to ask unanimous consent that as soon as possible after the convening of the Senate tomorrow I may have the opportunity of speaking for 15 minutes on the matter I have in mind, which is of very great importance. It relates to the question of intercoastal shipping.

I ask unanimous consent that I may be permitted to do that.

The PRESIDING OFFICER. Without objection, it is so ordered.

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. WALSH. Mr. President, I send to the desk an amendment to the pending bill, which I ask to have stated.

The PRESIDING OFFICER. The Chair will state to the Senator from Massachusetts that there is a committee amendment pending.

Mr. WALSH. What committee amendment is pending?

The PRESIDING OFFICER. The first committee amendment, on line 17, page 7, of the bill.

Mr. WALSH. Does the committee intend to press its amendments first?

Mr. BYRNES. Mr. President, of course it was the intention to take up the committee amendments first.

Mr. WALSH. Are there many committee amendments?

Mr. BYRNES. There are certainly five or six committee amendments printed in the bill, as will be seen by reference to it. If the Senator from Massachusetts desires, however, I will agree that we shall take up his amendment at any time that will be satisfactory to him.

Mr. WALSH. I can discuss the amendment without taking it up at this time.

Mr. President, I desire to address myself to title II of Senate bill 3331.

Title II contains the provisions relating to civil service and classification. Sections 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, and 211 are embraced in this title, and all of

them are embraced under the title "Civil Service and Classification."

Probably there is no part of the bill which is of greater importance than this title. Certainly there is no part of the bill in which more citizens are interested, and with which they are more immediately concerned than this title.

Mr. President, the provisions of this title affect in a special and intimate manner every person in the United States. It affects the hopes and the aspirations and possibly the conceptions of governmental justice to every boy and girl in the United States who in the future may seek to enter the public service.

All proposals contained in the pending bill with reference to the reorganization of our existing civil-service system are all of them far-reaching and most extraordinary in character. They are suggested on the theory that it will result in extending civil service and the merit system "upward, outward, and downward," as well as to obtain "constructive personnel administration and development of a career service." No one quarrels with these objectives.

The question at issue is not with respect to the purpose sought in this proposed reorganization of the Civil Service Commission, but with respect to the means and methods which are provided for in the pending bill. On this question there is a wide and fundamental disagreement. Already Nation-wide organizations that are deeply interested in all legislation, such as the American Federation of Labor, speaking for organized labor, the National Grange, speaking for the farmers, and the United Civil Service Employees, have protested the proposal to abolish the present Civil Service Commission and substitute a one-man agency. Brookings Institution, which has made a profound study of this problem at the request of the Special Committee of the Senate on Government Reorganization, has raised serious objections to many of the features of the plan embodied in this bill.

LET US CONSIDER EXACTLY WHAT THIS BILL PROPOSES

First. The bill proposes to abolish the present Civil Service Commission and to create in its place a Civil Service Administration. A single civil-service administrator is to head this new agency and is to be vested with all the functions, all the power, and all the authority of the present Commission and, in addition, to be given a power not now enjoyed by the Commission; namely, the power to make rules. Under the present law this power rests with the President. As a matter of practice, under existing law the rules are recommended by the Civil Service Commission and approved by the President. I repeat, it is important to remember that the administrator is to have full and complete power, without approval of President or the Congress, to make such rules and regulations as he alone sees fit (p. 10, lines 4 and 5).

Second. The bill creates a civil-service advisory board, to be composed of seven Presidential appointees who are to meet regularly not oftener than four times per year and are to be paid $50 per day whenever they meet . The law provides that upon request of four of the seven they may meet oftener than four times a year. Indeed, if they saw fit, they might remain in continuous session, but they cannot be paid more than $1,500 each a year, which would seem to indicate they could not sit more than 30 days a year. Later I will discuss the authority, if any, that is vested in this advisory board (sec. 203).

Third. The bill authorizes the President, prior to June 30, 1940, to designate any office or position in the Government service as "policy determining in character," and having so designated it, the President may fill this office with any appointee he chooses without any reference to civil service or merit. Such appointees must, however, be confirmed by the Senate (sec. 205).

This is to be eliminated by the agreement made to accept my amendment to strike this provision out.

Fourth. The bill confers upon the President discretionary authority—without any time limit—to "cover into the classified civil service any offices or positions in any agency of the Government" except positions for which by existing law Senate confirmation is requisite.

It is to be especially noted that this extension of the classified civil service is not mandatory but is merely authorized. The extent to which it will be extended rests entirely with the present President or any future President. The incumbent of any office or position hereinafter covered into classified civil service must be one who "has served with merit for not less than 6 months" and who must further pass such noncompetitive examinations as the Civil Service Commission prescribes (sec. 206).

Fifth. The bill authorizes the President to extend the provisions of the Classification Act of 1923, which was limited to offices within the District of Columbia, to any office or position anywhere in the Government service with, however, a long list of various specific exemptions (pp. 19, 20, 21, and 22) relating primarily to particular classes of Government employees who by act of Congress have been heretofore specifically exempted from the Classification Act, such as, for instance, post-office employees whose salaries are fixed by statute.

It should be noted that this extension of the Classification Act is not made mandatory, but is merely authorized and rests entirely in the discretion of the present or future Presidents (sec. 209).

Furthermore, the President is authorized to exclude by Executive order, from the provisions of the Classification Act, offices and positions in various categories which the bill sets forth (pp. 23, 24) and to which the Classification Act would not be feasible to apply.

It is these five proposals that we are called upon to consider.

It is intended that my amendment will leave in the bill, but under the authority of the present Civil Service Commission instead of under a civil-service administrator, the authority extended to the President to cover into the classified civil service all those who are not now in that service. It is to be noted, however, that it is not mandatory, and also that the power extends beyond the present President, which is not the fact with respect to some of the other provisions in the bill.

The amendment which will be presented later will merely, throughout the title I am discussing, eliminate the words "Civil Service Administrator" wherever they appear and substitute the words "Civil Service Commission," and it will also strike out of the bill the provision as to the advisory board.

IMPORTANCE OF ISSUE

Before taking up the detailed consideration of these proposals, let us briefly consider the importance of the question at issue.

There are 841,000 employees in the executive branch of the Government service, all of whom are directly affected by this proposed reorganization. The annual pay roll of these employees amounts to more than one and one-half billion dollars. In addition to this enormous army of employees, there are those in the judicial branch and in the legislative branch of the Government service whose retirement system is administered by the present Civil Service Commission. There are at least three offices in the legislative branch of the Government which have their rates of pay fixed by the Civil Service Commission.

In my opinion, no feature of the reorganization bill is of greater importance than this which deals with the question of the future status and future welfare and, I might add, future rights of these 841,000 employees.

It is not necessary for me to remind Senators that every one of these employees is deeply interested and concerned in the proposed legislation. Not one of them knows the day when he may be on trial. Not one of them knows when some question may be raised as to his rights under the civil-service law, and it is not to be wondered at, therefore, that they should look askance and with hesitancy upon the setting up of a one-man administrator in substitution of a committee of three members to pass judgment on their cases.

Mr. BORAH. Mr. President, how many employees of the Government did the Senator say were covered?

Mr. WALSH. As of July 1, 1937, there were 841,000 employees in the entire civil service. Of that number, 532,000 are classified and 309,000 not classified.

Mr. BORAH. How many are not under civil service?

Mr. WALSH. About 309,000. I think it now appropriate that we should have a very brief description of the Civil Service Commission, its organization and its functions.

Mr. CONNALLY. Mr. President, let me ask the Senator a question. The Senator states there are a million employees in the Government service. Does that include the Army and Navy?

Mr. WALSH. It does. Employees who are under and outside the civil-service law and employees in the legislative branch, the judicial branch, and the Army and Navy constitute 1,100,000.

Mr. CONNALLY. There are over a million employees of the Government?

Mr. WALSH. Yes; including about 300,000 in the Army and Navy. There are 309,000 who are not under civil service.

HISTORY OF CIVIL SERVICE COMMISSION

Mr. President, let us now consider briefly the history of the Civil Service Commission. The Civil Service Commission was established in 1883, to consist of a board of three members "not more than two of whom should be adherents of the same party." By this act of Congress there was initiated a merit system of appointment to the Federal service. The original act has never been changed in these particulars.

For a long period the Commission was almost exclusively an examining agency, and this continues to be its principal function. It now holds examinations for approximately 1,700 different types of positions and in recent years has examined annually more than half a million applicants. In the fiscal year of 1936, 780,885 persons were examined and 57,407 appointments were made. In the last fiscal year—1937—843,000 persons were examined and from the certified civil-service lists about 53,000 appointments were made. In recent years the functions of the Commission were broadened to include administration of Federal retirement systems, as set up under four separate retirement statutes, and administration of salary standardizations and control in the departmental service and certain other offices in Washington.

More than that, since President Wilson's day the Commission has had one woman among the members, who, I assume, was named for the purpose of having the large number of female employees in the Government service feel that there was a representative of their sex to whom they could go when issues arose which affected their rights under the civil-service law.

It is proposed to do away with the present long-continued Commission of three members. It is proposed to do away with the bipartisan character of the Commission, and it is proposed to do away with the possibility of a female member of the Commission, or, if a female shall be chosen as administrator by the President, to do away with a male member of the Commission. I submit, is that advisable? Certainly it is not unless some very good reasons are advanced for such action.

REASONS URGED FOR ABOLISHING COMMISSION AND SUBSTITUTING THEREFOR A SINGLE ADMINISTRATOR

Mr. President, let us now consider the reasons advanced for abolishing the present Civil Service Commission and substituting therefor a single civil-service administrator.

The proponents of the plan to abolish the Civil Service Commission and substitute therefor a single civil-service administrator defend it with the claims—and I am now summarizing from their report:

First. The old type of civil-service administration was concerned primarily with protecting the service against patronage. It played a negative, passive, protective role little concerned with the problems of building up a vigorous, able, personnel administration.

Second. The administration of our Government requires, in place of the old negative, passive, nonconstructive role, an administration to deal with problems of recruitment, training, advancement, working conditions, compensation, and retirement, so that Government may build a career system which may attract and hold in the service of the Government a full share of men and women of outstanding ability and character.

I may say at this point that if there is anything in the provisions of the bill which will do that, we will retain it.

Third. The central administrative difficulty at present is the use of a commission for this executive function. Under the present situation the Chief Executive has no single administrative officer to whom he can turn for technically informed advice and vigorous action in the management of personnel problems of America's greatest employer.

Can it be said that the Chief Executive has no technical adviser to whom he can turn, when there are three members of the Commission whom he can remove at will, and in whose place he can appoint three technical advisers? He will be in exactly the same plight with one administrator that he is in today with the three, if it can be said that he is in a plight. He can remove also at will the one administrator.

If the personnel is wrong, who is to blame? Certainly Congress is not to blame. If there is lack of a man of initiative and strength and character to advise the President, who is to blame, and how long has that condition existed?

Fourth. In substituting a single administrator for the present Civil Service Commission no essential protections that exist under established law are removed. Of course, that is conceded.

Fifth. The present Commission in reality serves at the will of the President and is responsible to Presidential dictation and hence the one-man agency will be no more subservient than the present Commission.

Sixth. The powers of the civil-service law are essentially executive powers, and in order to secure "undivided responsibility and efficient management" these powers ought "to be placed in the hands of the Chief Executive."

In one breath it is argued that a one-man administrator, with a long term of office will be independent of the Executive and therefore preferable to the present Commission, and in the next breath they argue that the powers under the civil-service law are Executive powers and these powers ought "to be placed in the hands of the Chief Executive" and the present reorganization bill seeks to accomplish that purpose.

Now, Mr. President, I submit that these contentions provide a very flimsy excuse for the abolition of the present Commission and the substitution of a new one-man agency. Let us consider these arguments one by one.

ANSWERS TO CLAIMS OF PROPONENTS

First, it is said that the Commission has played a negative and passive role. Let us concede that this is so. But is it the fault of the system? Is it the fault of the Commission, or is it due to limitations upon their authority and upon the powers which now exist through law or Executive order? It is perfectly simple to have a powerful and effective Commission with ample authority, if Congress sees fit to confer the authority upon the Commission and if the Executive exercises the power he now has. If the fault is in the personnel of the Commission, the President has the power to remove them. If the fault is in the lack of initiative and their lack of extending the merit system, the fault is in the Congress. What Member of the Senate has not heard debated again and again on this floor the suggestions for incorporating in new bureaus and departments application of the civil-service law, only to have the proposed amendments rejected?

If the fault is in the personnel on the Commission, the President has the power to remove them. If the fault is in the lack of initiative and the lack of extending the merit system, the fault is in the Congress. What Member of the Congress has not heard debated again and again on the floor of the Senate the suggestion for incorporating the civil-service law in the measures providing for new bureaus and

departments which are being set up, only to have the proposed amendment rejected?

I myself had the experience on the last day of the first session of this Congress to come on the floor with the conference report on the housing-authority measure, the bill in which the distinguished Senator from New York [Mr. WAGNER] was so interested, and in order to secure its passage, I was obliged to agree to have included in the measure the provision that civil-service rules should apply only with respect to employees receiving $1,980 or less. Again and again we have actually placed in statutes prohibitions against persons being under civil service. We have written right into the law that the civil-service laws and regulations shall not apply. Yet the poor Civil Service Commission is asked why it has not expanded and why it has not broadened and enlarged the service. The answer is they have no power to do so. The Civil Service Commission cannot put a human being under civil service unless Congress says so. And the President cannot, except in a very limited degree, which I will explain. But those provisions of this measure which meet with my approval will to a large extent place a large number of employees under civil service.

Mr. President, I call attention to another important feature of this bill.

RULES

Under existing law the President, and not the Civil Service Commission, fixes the rules governing civil-service administration. The pending bill proposes to confer upon the new civil-service administrator this power to fix the rules. Should we blame the present Commission for rules or lack of rules which are beyond their power to make? If in order to obtain all of the objectives cited in this bill for a merit system and a career service, Congress deems it expedient to transfer from the President to some other agency the authority to make the rules, that can be accomplished very simply by an amendment to the present Civil Service Act to transfer to the present Civil Service Commission the power to make the rules.

Is it in the interest of democratic government to vest in one officer, nonelected and nonresponsible by appointment to a President or by confirmation by a particular Senate, the power to make rules independent of approval by any elective officer, President, or Congress?

In this age and time with movements to run away from everything democratic in the world, and the concentration of power in the hands of a few and away from control by the electorates, it is proposed that we shall give away the right to make the rules, without review by the President, without approval by the President, without his knowing anything at all about them. This right will go on for 15 years, no matter who is President. If the contention is true that no President can remove him, he can snap his finger at Congress and at the President and say, "I will make whatever rules I please. I have the authority."

Have we not again and again on the floor of the Senate protested against bureaucratic control, the delegation of legislative power to departments to make rules having the strength of law?

At least the President is responsible now for the civil-service rules. He is a duly elected official. Now it is proposed that one administrator, by himself, advising with whom he pleases, not consulting with anyone, by writing his name to a document can make rules for the entire personnel of the Government service, and those are the rules which will determine what action shall be taken when a veteran of the World War comes pleading before the civil-service administrator and saying, "I have been denied my right to have preference given me by the rating board." Those are the rules which will guide the administrator in passing upon the complaint of a woman or a man in any branch of the Government who may think there has been unfair discrimination and unfair rating of their experience and their examination.

NONEXTENSION OF CLASSIFICATION ACT COMPLAINT

One of the complaints with the present system is said to be the failure to extend the provisions of the Classification Act to the field service. Is the Civil Service Commission to blame for this failure? Not at all. The Commission has no authority to make any extension of the Classification Act. This power rests entirely with the Congress. The Commission has in its annual report year after year recommended to Congress this extension. Is the Commission to be charged then with failure to extend the merit system when the power has remained dormant and nonexercised in the Executive to extend it? The Commission has no authority to extend the merit system.

The proponents of the present proposals are heard to say the processes of the present Commission are slow and cumbersome and that the Commission inadequately meets the present needs of a largely expanded Government service.

COMMISSION CRIPPLED

Mr. President, one way to limit the activities of the Civil Service Commission is to limit its appropriation. One way to cripple the Commission is to starve it to death. Congress has been appropriating for the present Commission $2,000,000 a year—last year the total was $2,350,000. In the past 5 years while the Government personnel has been increasing by leaps and bounds; while the problems in personnel have doubled and tripled; while so many other Government agencies have been necessarily expanded to meet new demands on the Government service, appropriations for the Civil Service Commission have increased approximately 10 percent, and as I pointed out earlier, last year the Commission conducted examinations for more than 800,000 persons which was 300 percent more than 5 years ago. As a matter of fact, the independent offices appropriation bill which passed the Senate a few days ago, reduced the appropriation for the Civil Service Commission $150,000 over last year.

In general there are three major classes of employees affected by the Civil Service Commission. I am not going to claim that the Civil Service Commission is perfect. It has had its faults, and I am going to point out some of them. First is the classified list in connection with which they conduct hearings and make the ratings. From all I have heard I would give them 100 percent in respect to that. There they are left alone. There they are free. There their hands are untied. There there is no one whispering in their ears. Ask any Member of the Senate to say if he knows of a single instance in which the Civil Service Commission in the performance of its duty in making up the classified list have been negligent in their duty, been guilty of any injustice, or done anything other than what is honorable and fair and entitled to our commendation.

I come to class 2, noncompetitive examinations. The department head under law applicable to certain bureaus says, "I want John Brown to have a noncompetitive examination." You and I have sometimes been shocked when we heard of someone being appointed under a noncompetitive examination. This is a weakness in the system, for it eliminates competition. It is possible to use indirect influence. Someone is sent to the Commission by a department head who suggests, "We want this man. You have the power to hold a noncompetitive examination under the law, and fill this position." Here is only one man to consider, and he has an advantage.

The third is the appointment and the selection of postmasters by a method which I am not going to defend either. That has been done under Executive order and not under any act of Congress whatever. The terms and manner of conducting the examination have been fixed by an Executive order. The real function of the Civil Service Commission is merely to advise the President of the ratings of the various applicants in a given locality.

I wish to call attention to the fact that in respect to the main work and the chief work of the classified civil service, its record is commendable, and notwithstanding the volume of work in the last 5 years there has been no commensurate

increase in the appropriation to this body. I marvel at their ability to meet all the problems with which they are confronted with an appropriation of only $2,350,000. They have $2,350,000 with which to secure efficient employees in the Government, $2,350,000 with which to provide equitable and honest and open and free competition in seeking employment in the Government. They have $2,350,000 to answer all the grievances, and to take care of all the appeals that come from all the Government employees.

I repeat, there has been an increase of 300 percent in the number of persons to be examined. The number of persons examined last year was 843,000, and 53,000 appointments were made in 1 year. There has been an increase of only 11 percent in 5 years in the appropriation for this Commission.

In the meantime we have passed laws placing under the jurisdiction of the Commission nearly all the retirements in the Government civil service. Four distinct retirement laws have been passed giving the Commission jurisdiction over the retirement of large numbers of Government employees.

Mr. President, I now pass to another subject of complaint.

PRESIDENT CAN NOW OBTAIN TECHNICAL ADVICE

Let us consider next the claim of the proponents that under the present situation the Chief Executive has no single administrative officer to whom he can turn for technically informed advice and vigorous action. If this be true, where lies the fault? I submit that the fault lies not with the system, but with the personnel. If the President is not able to rely on the present Commission for technically informed advice and vigorous action, then he should replace the present Commissioners with men upon whom he can rely.

PRESIDENT HAS UNDIVIDED RESPONSIBILITY

Mr. President, let us consider another argument advanced by the proponents for abolishing the Commission—their contention that the President has always had the power to discharge individuals within the executive branch and always had the power to exempt any positions from civil service; that these are essentially executive powers; and, therefore, that in order to secure undivided responsibility and efficient management these powers ought to be placed in the hands of the Chief Executive. Is this any argument for abolishing the Civil Service Commission? Is the creation of a one-man civil-service administrator, appointed for a term of 15 years, empowered to make his own civil-service rules, a device for placing undivided responsibility and efficient management in the hands of the Chief Executive? Indeed, we are told that the purpose of making the tenure of this new civil-service administrator 15 years is to place him beyond the control of the Executive and is to make him independent.

IF DESIRABLE, INDEPENDENCE IS NOW POSSIBLE

Mr. President, if independence from control of the Chief Executive is a desirable objective, that may be easily accomplished by making the tenure of the Civil Service Commissioners 15 years and providing for their removal only for cause. I am not arguing in favor of that course. I am not debating that question at this time. I am simply pointing out that the question of independence from the Chief Executive, or the question of cooperation and close control by the Chief Executive, is a matter, first, of the statutory provisions that Congress enacts, and, second, of the character and caliber of the appointees made by the Chief Executive. It is not a question of whether it is one man or a board of three.

The fact of the matter is, however, that the provisions of the pending bill for a 15-year term for the civil-service administrator does not in reality guarantee permanency of tenure or independence of Executive control. It is purely a mirage.

FIFTEEN-YEAR TERM—NO PROTECTION

Mr. President, this section of the bill in its original form authorized the President to remove the administrator for "inefficiency, neglect, or malfeasance in office." These words have been eliminated from the revised bill in its present form.

It should not be assumed that the omission of any words expressly authorizing the President to remove the administrator thereby puts him beyond the reach of Presidential removal and thereby makes his 15-year term secure. Such is not the fact. The fundamental power and authority of the Executive to remove an Executive appointee of an executive agency is now well established.

It was established by the Supreme Court in the Oregon postmaster case—the Myers case—with which Members of the Senate are familiar.

The Humphreys Federal Trade Commission case, decided by the Supreme Court, rests on an entirely different footing. In the Humphreys case the Court held that the Federal Trade Commission was a quasi-legislative and quasi-judicial body, and hence members of the Commission appointed for a fixed tenure and confirmed by the Senate could not be removed by the President without cause, as the act specified certain definite findings of a President in order to effect removal.

The civil-service administrator proposed to be created by this bill is an executive agency—an Executive appointee—in precisely the same legal position as a postmaster, and hence any President at any time may remove the civil-service administrator if he sees fit so to do.

WHAT IS THE PUBLIC LOSS IF COMMISSION IS ABOLISHED?

Mr. President, what do we lose if we abolish the board of three and put in its place a single administrator? We lose, first of all, the bipartisanship. We lose, second, the judgment of three persons, reached after deliberation, and discussion and substitute therefor the judgment of one man. The Civil Service Commission is not just an administrative body but is legislative, in the promulgation of regulations; judicial, in the rating of papers; and has some executive and administrative functions as well. But it is not purely administrative. It is a service organization serving the entire Government, and this is a different thing from the idea of personnel directors of each independent agency with one administrator. When you come to a body to serve all of the Government it seems better procedure to have a commission.

The Civil Service Commission's first function, as defined in the Civil Service Act, is to aid the President in preparing rules for the government of the civil-service system under the Civil Service Act. The Commissioners recommend to the President the rules and he promulgates them. The Commissioners also serve as a quasi-judicial body in that it conducts hearings on appeal matters involving ratings in examinations, allocations of positions under the Classification Act of 1923, retirement cases under four different acts including the regular Civil Service Retirement Act, the Panama Canal Zone Act, the Alaska Railroad Act, and the Legislative and Judicial Retirement Act passed at the last session of the Congress. The Commissioners have quasi-legislative functions in that they promulgate regulations that are subordinate to the rules and the act. Another duty is to the extent of the powers granted by congressional enactment, the adoption of policies with respect to admission requirements to examinations and other features of its work.

As a matter of practice the present Commission meets every day at 2 o'clock to hear whatever cases may be before it. At that time the Commission sits in a semijudicial capacity and hears individual cases relating to rating, classification, promotion, and retirement, and also groups of citizens who are interested in some phase of its work; and Members of Congress frequently appear before the Commission and conduct hearings. How can all these duties and this opportunity for individuals and persons with complainants or grievances, Members of Congress, and so forth, get a quasi-judicial hearing with a one-man administrator? What is really likely to happen is that a second or third deputy will have to see these people, hear their cases, and some other method provided for settlement. Yet it is now proposed that all these functions be placed in the hands of one man.

ADVANTAGE OF THREE MEMBERS

It removes the suspicion and possible accusation that the civil service is being administered by an officer of racial, religious, political, or sectional prejudice, because one man rather than three persons represents different groups of our

citizens. It removes in all probability the possibility of a woman being named, or having anything to do with the administration of the civil-service system. The single administrator deals in all of the affairs of the civil service being administered, whether by a man or by a woman, whereas under the existing commission, both sexes are represented, since President Wilson held office.

Mr. President, I submit that if we wish to insure public confidence in our civil-service system, we are more likely to achieve this under a Commission of worthy and qualified appointees functioning with adequate authority and adequate appropriations, than we are by turning the entire system over to the control of a single individual.

Precisely the same arguments that are here advanced for the appointment of a single administrator would apply with equal force to the administration of the Social Security Act, for which Congress created a board. It would apply with equal force to a dozen or more agencies of the Government in which administration has been lodged with a commission, but of which it could be argued that a single administrator would be more efficient and effective.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. VANDENBERG. It is obvious that the thing to which the Senator recently referred, namely, delegating functions to deputies will happen, and it is also obvious that the bill anticipates it, because subsection (d) of section 201 specifically permits the administrator "to delegate to any officer or employee of the administration any functions vested in the administrator." So what is really proposed is that this tremendous power be handed over to a subaltern clerk.

Mr. WALSH. I thank the Senator for his contribution.

Let me get to another matter. What Senator here has not had some employee in the Government service come to him and claim prejudice has been exercised against him? Sometimes it is said to be based on religion; sometimes on politics; sometimes because he belongs to a particular fraternal organization, or some other organization. In an organization of the Government dealing with all these problems, let us make it clear that no man who comes from the military group, no man who comes from any racial group, no man who comes from any religious group, and no man who comes from any political group, will dominate and control a tribunal before which all these things must be heard and determined, and in which there must be absolute impartiality.

We may not have absolute impartiality with a commission of three, but we at least may hope and expect that in a body of three there will be someone who will be actuated by a desire to do the fair thing and the right thing. At least, he can inform the public of his position and that of his colleagues.

If I may be pardoned a personal allusion, Mr. President, a few years ago a special friend of mine became the Governor of the State of Massachusetts. The first vacancy he had occasion to fill was that of civil-service commissioner. He wrote to me on the subject. I had been Governor for two terms. I said that in my judgment, among all the offices in the State of Massachusetts, there is none so important as that of the chairman of the civil-service commission. It is the one office to which every man, woman, and child has a right to look for absolute justice in his ambition to be employed by the government, to be protected by the government if he renders good service, and to be given all the rights which the law extends to employees. In reply to the inquiry of my friend the Governor of Massachusetts, I said that in my judgment the civil-service commissioner of the State is the school teacher of the whole State, that he should preside with impartiality and fairness, and that he should have a wide scope of knowledge of the many problems and questions which arise in connection with the examination of applicants. In my opinion, it is almost humanly impossible to expect all these qualities to be possessed by one individual. We shall be more likely to have a sprinkling of them in three individuals than in one.

I have referred to the fact that if we have one administrator, in all probability, there will be no woman representative on the Commission.

Are not the women employees of the Federal Government entitled to have one member on this Commission? And if the women are entitled to a representative, the men are also entitled to a representative. Should not the minority have the right to have one member on this Commission? When a little girl in one of the departments says that some official is criticizing her or insulting her, she has a right to whisper her real grievance in the ear of a minority member of the Commission; and if there is a woman member of the Commission, she has a right to go to that woman for protection.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. VANDENBERG. It is quite obvious that the bill not only does not anticipate the appointment of a woman to such a position, but prevents it, because in subsection (a) of section 201 the only reference is to "his executive and administrative qualifications," and to "his actual experience," "his knowledge," and so forth.

Mr. WALSH. The Senator thinks the use of the word "his" implies that the administrator should be a man rather than a woman?

Mr. VANDENBERG. Surely.

Mr. WALSH. I am inclined to agree.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. McNARY. Has the Senator the figures as to the number of female employees coming under the Classification Act?

Mr. WALSH. I am sorry to say I do not have all those figures. My information is that 159,500 of the employees of the Federal Government are women. I know the proportion is much smaller than that of men.

CONSTRUCTIVE PERSONNEL ADMINISTRATION

Mr. President, the proponents of a one-man administrator in place of the present Civil Service Commission talk about constructive personnel administration and the necessity of dealing with problems of recruitment, training, advancement, and working conditions. All of these suggestions are, of course, within the realm of the broad question of improvement of the Government service but many of them are necessarily outside the realm of the Civil Service Commission, and, as far as the pending bill is concerned, are similarly outside the realm of the civil-service administrator. Many of these questions are necessarily within the realm and the domain of the separate departments of the Government. It is one matter to examine and certify as to applicants for employment in the Government service, but it is quite a different matter to deal with questions of advancement within the service and assignment and transfer from one post to another. Each Government department today has its own personnel officer. Some of them are doing a good job and some of them probably are not, but I submit that a proper personnel officer within a department can deal far more constructively with the internal personnel problems of the department than any commission or administrator, or separate agency on the other side of the city.

In an endeavor, however, to coordinate these activities and to relate them to the Civil Service Commission, we have today a Council of Personnel Administration, created by an Executive order in a previous administration and continued in effect to the present day.

COUNCIL OF PERSONNEL ADMINISTRATION

Mr. President, what is the Council of Personnel Administration? It is composed of the heads of the 10 executive departments and of the heads of the independent establishments named in the order. Each of these agencies is authorized to appoint individual employees to represent them on the council. The president of the Civil Service Commission is designated by the Executive order as chairman of

the council. The council is given authority to make fact-finding studies and to prepare specific plans for the improvement of personnel administration in the Federal service.

The civil-service advisory board, provided for by sections 203 and 204 of the pending bill, is given no more authority than is now possessed by the existent Council of Personnel Administration, and the presumption is that this advisory board would be composed of persons outside Government employ.

I am informed that this Council of Personnel Administration meets frequently and has subcommittees in more or less continuous session studying various aspects of their problems. Very little is heard about this council. Nothing has been said about this council in the report presented to us on the pending bill. The bill itself contains no mention of it. The bill itself contains no provision for it. The bill as drawn is broad enough so that the Executive, if he saw fit to do so, could continue the council, or, its having no existence other than an Executive order, he might discontinue it. But as it stands it is a mechanism for dealing with many of the personnel problems—a medium for betterment of the service.

PRESENT AUTHORITY OF PRESIDENT TO EXPAND CIVIL SERVICE

Under existing law the Civil Service Commission has no power to enlarge the merit system and the President very little.

The President has the power to enlarge and broaden the merit system only with respect to (1) those kinds or classes of positions which were in existence at the time of the passage, in 1883, of the Civil Service Act, except positions subject to confirmation by the Senate and except positions of mere laborers; (2) those positions to which the President has since been given the authority by Congress to make appointments; and (3) those positions which the President by Executive order has exempted from the merit system.

As illustrations of these three classes or groups of positions that are cited under group (1) positions of Chinese, Japanese, and Hindu interpreters, private secretaries to Cabinet officers and to members of boards and commissions, administrative assistants to the heads of some of the departments, and so forth; under group (2), positions under some of the relief acts, like W. P. A., and so forth; and under group (3), many of the positions in the Bureau of Foreign and Domestic Commerce and Bureau of Air Commerce, both in the Department of Commerce.

In this connection it is to be remembered that a committee of the Senate which investigated the death of the late Senator Cutting recommended that the positions in the Bureau of Air Commerce in the Department of Commerce be placed under civil service. I understand the President has been thinking of doing this.

The Attorney General has rendered an opinion to the effect that the President may not bring within the classified civil service any positions which have been specifically exempted by Congress by authorizing the heads of departments to make appointments without regard to the civil-service laws.

CREATION OF CIVIL-SERVICE ADVISORY BOARD

Mr. President, an incident of the plan proposed in the pending bill to abolish the present Commission and to substitute a single administrator is the proposed creation of a seven-man part-time advisory board (secs. 203 and 204).

An examination of this proposal leads me to the conclusion that it is intended as an empty gesture to the friends of the present Civil Service Commission and those who believe in the principle of a real and effective and efficient commission.

The bill sets up this board on a bipartisan basis, with a chairman and vice chairman and a secretary and such employees as may be necessary. Board members are to be compensated at the rate of $50 per day when they attend meetings and they are to meet at least four times a year.

What are the duties of the board? It is authorized to confer with the civil-service administrator. It may advise him. It may make recommendations to him and to the President and to Congress. The board will make an annual report of its own activities, and if the President or Congress directs, but not otherwise, the board may make investigations. Mark you, the board is without authority to initiate any investigations.

What authority is conferred upon the board? The answer is that the board is without a particle of authority.

I submit that this advisory board, meeting for a few days—four times a year—would serve very little useful purpose. It is a useless appendage, a fifth wheel to the coach.

The seven part-time members, when they conferred with the one-man administrator, would be largely dependent upon what he told them and very likely handicapped by what he did not tell them. The periodical board meetings would be devoted to trying to find out what was going on. It would be a debating society.

If such an advisory board were to be a watchdog of any real use in overseeing the civil service relating to every branch of the Government service, the board would need a set of regional offices with full-time representatives and would need an investigating staff and authority to investigate, and would need to maintain direct contacts with the entire administration of the merit service and with all the Government departments.

Mr. President, all these things the present Civil Service Commission has. The present Commission is available and accessible every day in the year to the officers of the Government and to Government employees, to Members of Congress, to representatives of organized labor, to members of the press, and to all interested citizens.

A civil-service commission, if it is to be effective, must know what is going on not only within its own organization but throughout the service. One way of learning what is going on is to meet daily and consider cases, particularly appeal cases. Another way is to be available to hear people who have complaints or urge reforms.

This proposed part-time advisory board meets none of these specifications.

If we are to retain the present Civil Service Commission, then obviously there is no need to create this new advisory board.

But I am inclined to believe that even were Congress to substitute for the present Commission a single-headed civil-service administration, that even then this advisory board, as constituted in this bill, would be of no real value.

The amendments which I have offered include striking out sections 203 and 204 in their entirety.

Mr. TOWNSEND. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MALONEY in the chair). Does the Senator from Massachusetts yield to the Senator from Delaware?

Mr. WALSH. I yield.

Mr. TOWNSEND. Can the Senator tell us the number of persons who compose that personnel council to which he referred?

Mr. WALSH. It is officially made up of the heads of the 10 executive departments and several independent establishments. These officials have designated their personnel officers to represent them, and in addition representatives from all establishments attend and participate in the work of the council. As many as 40 sometimes attend and there are 10 subcommittees.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. McNARY. Let me inquire of the Senator when that Executive order was issued and by whom?

Mr. WALSH. I have a copy of the order before me. I will say that it was issued by a Republican President.

Mr. McNARY. I thought that Republican Presidents were generally pretty wise.

Mr. WALSH. President Hoover issued the Executive order. It is very proper that the Senator should call my attention to the matter. There are some commendable things done by Republicans at times.

Mr. President, I do not know that I need to say any more tonight. I know the distinguished leader [Mr. BARKLEY] is

anxious to take up another matter. I may desire the floor for a few minutes in the morning, with the permission of the Senate, to make a summary of what I have said. It will take me but a very short time.

Mr. President, there remains for me to briefly discuss the two sections of the bill under part II that I desire to have retained in the bill. They are (1) extension of civil service, and (2) extension of the Classification Act to the field service.

EXTENSION OF CIVIL SERVICE

Beginning with the R. F. C., established during the Hoover administration, Congress has pursued a policy of excluding temporary and emergency agencies from the Civil Service Act of 1883 and the Classification Act of 1923. Even the Federal Employment Service, a permanent agency, was so excluded.

The Securities and Exchange Commission and the Social Security Board were not excluded.

There are 25 agencies in the executive department of the Federal Government all of whose employees are outside the competitive classified service. In addition, many employees are outside the competitive classified service in most of the departments and independent agencies.

Employees in the executive branch of the Government totaled 841,000 on June 30, 1937. Of this total, 532,000 are directly under civil service, and 309,000 are listed as wholly outside civil service.

The pending bill (sec. 206) proposes to authorize the President to cover into the classified civil service any offices or positions in any agency of the Government, except offices or positions to which the appointees are subject to confirmation by the Senate.

I am in entire accord with this proposal. I raise no objection to it whatever, except to point out that it does not in any sense guarantee the extension of civil-service protection to the very large number of Government employees outside the civil service. It does not automatically put these positions under civil service. There is nothing mandatory about it. It merely confers upon the President discretionary authority to do this insofar as he sees fit.

There are adequate safeguards against covering into the civil service and giving permanent tenure to any unfit present holders of Government jobs. It is provided that if and when positions now outside civil service are brought under it the occupant of the position shall not thereby acquire classified civil-service status until he has served with merit, as certified by his superior, for at least 6 months, and further he must pass a suitable noncompetitive examination.

This question of extending the civil-service rating and civil-service protection and permanence of tenure to employees and positions now outside the service—to substitute a merit system for the spoils system—is entirely distinct from the proposal to abolish the Commission and substitute a single administrator.

There is no real relationship between the two proposals. Retention of the present Commission with its present powers and functions does not impede in the slightest degree the extension of the merit service if Congress sees fit to confer upon the President the authority to extend it and the President elects to exercise the authority so conferred.

EXTENSION OF CLASSIFICATION ACT TO FIELD SERVICE

The Classification Act of 1923 which set up a plan for grading salaries and regulating promotions in the Government service was specifically limited in its application to employees within the District of Columbia.

In the committee report, accompanying the present bill, it is said that "a major weakness of the civil-service system has been the failure to extend the Classification Act of 1923 to the field employees."

There have been intimations that this failure to extend the Classification Act lay at the door of the Commission, reflected upon the Commission and was indicative of the Commission's weakness or inefficiency.

The facts are that the blame, if blame there be, rests entirely upon Congress and upon the Executive. It requires an act of Congress in order to extend the provisions of the Classification Act of 1923 to the field service. The Civil Service Commission in its annual reports has repeatedly recommended and urged the extension. Congress has not seen fit to follow the recommendation.

The present bill does so—section 208—to a limited extent and with this proposal I am in hearty accord. The bill authorizes the President to extend the Classification Act to the field services, with various exceptions that I need not enumerate. They will be found listed on pages 23 and 24 of the bill.

The extension is not made mandatory. It will rest entirely with the President to do as he sees fit. It is not in any way related to or dependent upon the abolition of the present Civil Service Commission and the substitution of a single administrator.

If, as in the bill now before us, Congress itself is to specifically exclude certain particular field services from the extension to them of the Classification Act of 1923, I do not see any valid reason why, as to the remainder, the extension should not be made mandatory rather than permissive. But I will not argue that question now.

Mr. President, I yield the floor.

Mr. BYRNES obtained the floor.

Mr. BARKLEY. Mr. President, if the Senator from South Carolina will yield, I desire to say that, unless we can proceed with an executive session, so far as I am concerned, the Senator from Massachusetts may finish his remarks this evening. I understand, however, that the Senator from South Carolina desires to make a statement.

Mr. BYRNES. I had intended to make a statement, but if the Senator from Massachusetts desires to continue, I certainly will not stand in the way.

Mr. WALSH. I think I will let my presentation end with what I have said, and, if the debate shall be prolonged, I may find another opportunity to speak for a few moments.

Mr. BYRNES. If the Senator is going to proceed tomorrow, I should like to make some remarks with reference to a matter which was touched upon by him earlier in the day. I will not do so at this time, however, if the Senator from Massachusetts desires to continue.

I wish to make a statement with reference to what was previously said by the Senator from Massachusetts in my absence from the floor. I asked for a copy of the transcript of the notes of the Official Reporter and find that, as a result of a statement made by the Senator from Massachusetts, the Senator from Kentucky made a statement with reference to an agreement under which the Senator from Massachusetts was to have the floor this morning. The Senator from Kentucky stated this morning that I had requested the Vice President to recognize the Senator from Washington [Mr. SCHWELLENBACH]. That is true. I simply wish to say to the Senator from Massachusetts and to the Senate that I was not a party to any agreement; I knew nothing about any agreement that the Senator from Massachusetts was to have the floor. I knew yesterday, after the recess was taken, that the Senator from Massachusetts stated he desired to speak today, but I had no intimation that he then had the floor, and that there was an agreement that he should have the floor. This morning when I learned that the Senator from Washington was ready to deliver his address, I communicated with the Vice President and asked him if he had any requests for recognition. The Vice President stated he had no such request. I then told him that the Senator from Washington desired to be recognized. That is my only connection with it. Had I known that the Senator from Massachusetts was entitled to the floor, I would not have made the request. When I came to the floor the Senator from Kentucky advised me that yesterday he had an understanding with the Senator from Massachusetts. I explained to him then what had happened between the Vice President and me. The Senator from Kentucky turned around to see if the Senator from Massachusetts was in the Chamber. I told him at the time that I knew the matter could be arranged with the Senator from Washington. The Senator from Kentucky did not see

the Senator from Massachusetts present, and, I suppose, that is why he did not make the statement. Certainly, however, I had no information as to the Senator from Massachusetts having the floor, because yesterday when the consideration of the unfinished business was suspended, I left, and was in the rear of the Chamber or in the cloakroom talking, and did not know that the Senator from Massachusetts had agreed with the Senator from Kentucky that he should be recognized this morning.

Mr. WALSH. Mr. President, perhaps I was a little too critical; but I do not speak very often in this Chamber. I try to speak only when I have something to say on a question in which I am particularly interested. I had sent to the press gallery, thinking that I would have the floor early in the morning session, a brief summary of the statement which I intended to make upon the floor. I have been wondering during the afternoon if I would not have to let Senators read my remarks in the morning newspapers without my making them at all.

I think, if I may presume to say so—and I am not referring to the Senator from South Carolina—that, after all, in this Chamber we ought to be considerate of one another's rights and considerate of the Senator who has the floor and when he yields to another Senator, as I did yesterday, and a controversy arises the next morning, it ought to be settled expeditiously, and the Senator who is entitled to the floor ought not to be required to wait for hours in order to proceed when he has the right to the floor.

I accept the explanation of the Senator from South Carolina. I could not conceive of him or any other Senator calling the Vice President up and asking him to recognize another Senator if he knew that another Senator had the floor, as the RECORD discloses in this instance. But I accept in good faith just what the Senator has said, namely, that he has acted in good faith; but I hope it will not happen to me again and will not happen to any other Senator.

Mr. BYRNES. Mr. President, I wish to reiterate that my only purpose in calling the Vice President, as is the custom, was to ask if he had made any agreement to recognize a Senator. Had I known that the Senator from Massachusetts had an agreement with the Senator from Kentucky to have the floor, I never would have gone to the trouble of asking the Vice President to recognize the Senator from Washington. The Vice President knew nothing about the agreement and immediately said that he had made no promises.

Mr. BARKLEY. Mr. President, it was not a private conversation between the Senator from Massachusetts and me; it was a matter of public record and public discussion on the floor. The RECORD contains a reference to it. The Senator from South Carolina was not present at the time; neither was the Vice President, and they knew nothing about it.

Mr. BYRNES. I was just going to say that I only learn now that it is in the RECORD. The Vice President did not know that, and I did not know it. I regret to say that I do not always know in the morning what appears in the RECORD; I am not so conversant with it as perhaps I should be.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORT OF A COMMITTEE

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nomination of Zoe Anderson to be postmaster at Ruth, Nev., in place of C. E. Hutton, resigned, which was ordered to be placed on the Executive Calendar.

The PRESIDING OFFICER (Mr. HILL in the chair). If there be no further reports of committees, the clerk will state the nominations on the calendar.

SOLICITOR GENERAL—ROBERT H. JACKSON

The legislative clerk read the nomination of Robert H. Jackson, of New York, to be Solicitor General, the nomination having at a previous executive session been passed over.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to this nomination?

Mr. McNARY. Mr. President, may I say to the able leader that it is 12 minutes after 4 o'clock? I understand there will be considerable discussion concerning the nomination now before the Senate. May we not agree upon some hour tomorrow to take it up and consider it?

Mr. BARKLEY. I had an understanding with the Senator from Vermont [Mr. AUSTIN] that we would take up this nomination at 4 o'clock this afternoon. Of course, it is a little after 4 o'clock, but it is too early for the Senate to recess or adjourn. I do not see any reason why we cannot go on with it now, and, if no conclusion is reached this evening, we can take it up again tomorrow.

Mr. McNARY. I did not know that the Senator had such an understanding with the Senator from Vermont.

Mr. BARKLEY. I had the understanding that the nomination would be proceeded with this afternoon. That is why the Senator from Massachusetts [Mr. WALSH] desisted from his address. So I hope the Senate will proceed with the nomination.

Mr. AUSTIN obtained the floor.

Mr. NORRIS. Mr. President, may I interrupt the Senator?

Mr. AUSTIN. I yield to the Senator from Nebraska.

Mr. NORRIS. I suggest that the other nominations on the calendar be considered. It will take only a minute to dispose of them—and then that the Senator from Vermont be recognized.

Mr. AUSTIN. Very well.

The PRESIDING OFFICER. Without objection, the clerk will state the next nomination on the calendar.

CUSTOMS SERVICE

The legislative clerk read the nomination of Frank J. Duffy to be collector of customs for customs collection district No. 26, with headquarters at Nogales, Ariz.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of William H. Bartley to be collector of customs for customs collection district No. 33, with headquarters at Great Falls, Mont.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of I. Walke Truxtun to be collector of customs for customs collection district No. 14, with headquarters at Norfolk, Va.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Thomas Temple Hoyne to be comptroller of customs for customs collection district No. 39, with headquarters at Chicago, Ill.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk read the nomination of Willis F. Coffey to be postmaster at North Portland, Oreg.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Jeremiah W. Dingess to be postmaster at Huntington, W. Va.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That concludes the calendar, with the exception of the nomination of Mr. Jackson.

Mr. BARKLEY. I ask that we now return to the consideration of that nomination.

SOLICITOR GENERAL—ROBERT H. JACKSON

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination of Robert H. Jackson, of New York, to be Solicitor General?

Mr. AUSTIN. Mr. President, the leader of the majority has been very courteous to me as to the time for considering and discussing the question of the confirmation of the nomination of Mr. Robert H. Jackson, of New York, to be Solicitor General. I announce that I cannot conclude what I have to

say by 5 o'clock, and I trust the majority leader will continue to treat me with the generosity he has exhibited up to this point, and will let a recess be taken at 5 o'clock, so that the executive session may be completed tomorrow when the Senate convenes, and not have this matter put off until everyone is tired and a great many Senators are absent.

I should not detain the Senate for a discussion of this appointment if I did not think it involved fundamental questions of importance for Senators to consider, and especially for the people of America to consider at this special juncture in our history.

By way of clearing the decks and preventing any misunderstanding, I desire to say that I have no lack of confidence whatever——

Mr. CLARK. Mr. President——

Mr. AUSTIN. I yield to the Senator from Missouri.

Mr. CLARK. A great many Senators are interested in the discussion of the Senator from Vermont. I suggest to the occupant of the chair that he instruct the pages to cease running up and down the aisles, and request Senators and others who are in the rear of the Chamber to retire to the cloakrooms for discussion, because many of us would like to hear what the Senator from Vermont has to say.

The PRESIDING OFFICER. The Senate will be in order; and Senators desiring to engage in conversation will kindly retire to the cloakrooms.

Mr. AUSTIN. Mr. President, as I was about to say, I do not lack confidence in the ability of the American people to govern themselves. My faith has not been shaken by the events of the past few years; and the great issue which I think is obvious today regarding the course to be taken in the immediate future does not cause me apprehension or fear that the American people will fail to solve the problem properly and safely.

In contesting the nomination of Mr. Jackson I recognize his ability, his high character, and his eminently pleasant personality. I desire also to say that the performance of the function of the Senate in advising and consenting to the appointment of a great administrative officer of our Government as it has so far proceeded, and as I am entirely confident it will proceed, should give assurance to the people of America that we have regard for constitutional limitations, and that we realize the responsibility of the United States Senate in the selection of the person who shall perform the duties of Solicitor General. Even the conduct of the hearings, the examination of witnesses, and the consideration of testimony by the committee, should hearten the people of America to believe, despite evidences to the contrary, which I intend to discuss, that the Senate is saying to them that we do not wish to depart from the limitations which are laid down in the Constitution for their protection. That is to say, we have given the impression to the American people, and to business in particular, that we intend to depart from the limitations of government, and to create an entirely different form of government than that which the people originally intended to create, and which I believe they want today.

We have regard for the limitation upon the power of the President with respect to the appointment of great administrative officers when we step forward and challenge the appointment, and interrogate the appointee, and develop the position he took upon the very grave question, Where are we going with our Government today?

In what I have to say regarding this appointment I desire to have it clearly understood that I cast no reflections upon the character or the personality or the competency of the appointee. On the contrary, if I were called upon to testify as a result of the brief acquaintance had with him as a member of the committee, I should say that I admire his honesty; I think he is entirely courageous; and if we are intending as a Congress to proceed along the line of centralization of power in Washington, the transfer of authority from the States to the Federal Government without any amendment to the Constitution, and the regimentation of the lives and activities of the people, he is the type of man to place in a high office which may ultimately land him on the bench of the Supreme Court, for he has sincerely expressed his views in respect to those subjects, not only upon the public platform but also before the committee.

Naturally the issue became somewhat localized when the subject of monopolies was taken up. I shall refer to that subject now, for it is one of the things I desire to get out of the way in the introduction of what I intend to say. I am no more for monopolies than is Mr. Jackson. I commend his zeal, as an Assistant Attorney General of the United States, in prosecuting and securing the conviction of any person or corporation that is violating the antitrust laws, or the Federal Trade Commission Act, or the Clayton Act, or the Robinson-Patman Act, or any other of the laws of the United States which are designed to "manicure the nails" of any rapacious person or corporation. Mr. Jackson, however, did not confine himself to the activities of his office. I do not complain, or criticize, or use his activities as an Assistant Attorney General in the prosecution of monopolies as any cause at all for opposing the confirmation of his nomination.

But in the very beginning of a great depression which prostrates the business of the United States—and when I say "the business of the United States" I mean the activities, not of the 60 families or of the 200 corporations which this appointee has characterized as autocrats, but of the people who live beside the streams on the mountainsides all over the United States, those who are operating the machinery of production, those who are undertaking to raise and provide food and clothing and shelter for the 130,000,000 people of the United States—when we are entering upon a decline in business of such velocity that all the billions of money which we have expended in order to stimulate the Nation's business have been entirely wasted and lost, and we find the number of unemployed as great as it was when we started the program, or greater, no Attorney General or Assistant Attorney General of the United States should from the public platform tell the people of the United States that there is a little group of malefactors in this country who are entirely to blame for the depression. I say he has no right to create factions and hatreds, and to anathematize all the great industries which he classifies as "big business" as monopolies, unless they are guilty, or he has reason to believe they are guilty, of violating the antitrust laws of the United States, and even then the question of propriety would enter.

Whether or not the cause of the depression is the rapacious acts of 200 corporations, whether or not they are guilty of violation of the antitrust laws of the United States, does not enter into the duty of the Assistant Attorney General of the United States to such an extent that he must from the platform tell the people of the United States that in our economic system that is the cause of the depression.

Let us assume that every one of these corporations is guilty, or at least that there is sufficient color of guilt to incite their prosecution. Let us assume—which is contrary to the truth, as I shall later show—that prosecutions have been started against some of them; I am ready to say that as a policy of government and as part of the performance of our duty as a Congress, representing the people, we must deal with monopoly. Thus immediately the atmosphere may be cleared so far as one question is concerned, and we may approach close fighting upon what is really the serious issue before the American people today; namely, assuming that we are going about the job of preventing, so far as possible, unfair trade practices, abuse of the freedom upon which we pride ourselves under our Government, by what method shall the objective be accomplished?

As a Congress, shall we listen to the voices of Cabinet officers and administrative officials on the platform shouting to the people that the misdeeds of monopolies are the cause of their distress, and making statements to the people which would lead them to believe that regulation has entirely failed, that in the future no hope lies in regulation, and that the only course to pursue is such a concentration of power in Washington over every activity of business that the Government may, for example, require all business to be licensed, and so that there may be no room for activity and freedom

in the performance of the Nation's business except in the payment of debts?

Mr. President, it is a grave question. We see on the one side the trend evidenced by the N. R. A., the A. A. A., the Bankhead Cotton Control Act, the Tobacco Control Act, the vesting of power in the President of the United States to coin money and regulate the value thereof, the vesting in the President of the United States of the power to fix tariffs within certain limitations. We have seen in the Guffey-Vinson Coal Act control, indirectly, over the hours and wages of labor, and the price of a great necessity such as coal, and the end has not been reached, for there is pending today before a subcommittee of the Committee on the Judiciary of the Senate, under hearing, a bill which would completely regiment all corporations engaged in interstate commerce, and even corporations which are not engaged in interstate commerce but which happen to come into competition with one which is so engaged. Power would be given over every single activity in which they participate.

After enumerating the conditions—and they are extremely stringent—which Congress directly lays down for permitting corporations to do business in the United States, then a great basket of power is handed to a Federal commission to promulgate rules and regulations which will carry out the purposes set forth in the preamble of the measure, and that preamble comprehends the rights of people engaged in business.

Mr. President, in the study of the question whether the nomination to the office of Solicitor General should gain the advice and consent of the Senate, the nominee's views upon this grave issue now before the American people, as to whether we shall continue the trend toward a totalitarian state, or whether we shall go along with the Federal system of a government of limited powers should be considered. We should consider what is the nominee's attitude toward principles which lead, in my opinion, to a totalitarian government. We have a duty to the people of the United States to perform, and that is to say by our voices and by our votes on which side of this question we stand.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. O'MAHONEY. My attention was diverted for a moment from the remarks of the Senator, and I was under the impression that perhaps the Senator might have been referring to a measure which is before a subcommittee of which he and I are members. Was I correct in that?

Mr. AUSTIN. The Senator was correct.

Mr. O'MAHONEY. Then, Mr. President, I should like to trespass upon the Senator's time sufficiently long to say that, though I know he has been a very great student of the measure to which he was referring—I have seen his notes upon various copies of the bill, I may say—I very much fear that he has fallen into the misapprehension with respect to the measure and its purposes which has been disseminated very industriously by some agencies in Washington which like to cultivate the idea that the measure is a step on the road toward a totalitarian state.

I should like to say to the Senator, before he refers to any passage in the measure itself, that it is precisely because I am against the totalitarian state that I offer this measure. I have pointed out on frequent occasions, but never where I had an opportunity of talking to the Senator, that for 50 years, in one administration after another, our feet have been upon the road toward the concentration of government power in Washington, and the people, turning to Washington for some sort of protection from the concentration of business enterprise, have authorized the institution here of commissions with discretionary power to regulate business.

Regardless of whether or not there may have been some faulty draftsmanship in the measure which the Senator holds in his hand, let me say that the principle upon which it is based is simply that most of the interstate and foreign commerce of the United States is now carried on by corporations; that corporations are the creatures of government; that the Constitution of the United States gives to the Federal Government the exclusive power to regulate commerce among the States; that these agencies, these instrumentalities, these artificial persons, which conduct this interstate commerce, are created by the States, and for that reason it has not been possible for the people's government properly to regulate them by the method of conveying discretionary power to bureaus and commissions in Washington. As a result, we are able to act only after the wrong has been committed. The theory behind my bill is that if we deprive the corporations of the corporate power to commit the wrong, we shall close the door to the offenses before they have been committed, and we shall make unnecessary the creation of commissions with discretionary power to control business.

I thank the Senator for his patience.

Mr. AUSTIN. Mr. President, I appreciate the interpolation, and I am especially glad to have the declaration made that the Senator does not wish to attain that which we call the totalitarian state, and, of course, I believe him.

Mr. O'MAHONEY. I thank the Senator for that statement.

Mr. AUSTIN. I greatly admire the Senator from Wyoming. I think his purpose is all right. In this instance a mere reading of the bill discloses that the Senator is perfectly correct in a certain sense; that is, he would be able entirely to prevent the abuses he desires to prevent; in fact, the remedy would be as final in its effect as hanging would be to stop a pain in the neck. There would not be anything left at all for the corporations of America to decide. Their policies, their acts, their financing, even the choice of counsel they would employ to come on bended knee to the commission, would all be decided by that commission in Washington.

Mr. O'MAHONEY. Mr. President, may I interrupt again?

Mr. AUSTIN. Certainly.

Mr. O'MAHONEY. If the Senator has so interpreted this measure, then I do not understand what sort of language could be used to convey to him the interpretation which was intended, or the meaning of the bill.

Let me say to the Senator—though this is probably not the time to debate that issue—I rose and trespassed upon his time merely for the purpose of making clear at this moment that the measure to which he refers should not be represented upon the floor of this body as a step that is intended to help in bringing about the totalitarian state. I could take up the bill section by section with the Senator, and I think that in the course of time I might be able to convince him that I not only mean what I say but that the bill itself carries out what I mean.

Mr. AUSTIN. Mr. President, I acquit the Senator of that intention, and I think that after he and I have gotten together privately and studied the simple language of the bill he may see fit to change it. I think I could now call attention to some provisions of the bill, if it would not delay other Senators, which he would at once admit would tend in the direction I have indicated.

Mr. KING. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. KING. I desire to associate myself with the able Senator from Vermont in the criticism which he is leveling against the bill to which reference has just been made. I know that this is not the place to discuss it and its implications, but I assert that it is implicit with increased power in the Federal Government. It will tend not only to disorganize but to destroy corporations, and at this particular period in the present serious business recession I can conceive of no measure that would be more injurious to the revival of business than the measure which the Senator from Wyoming is now advocating.

Mr. AUSTIN. Mr. President, I thank the Senator from Utah.

Mr. McGILL. Mr. President, will the Senator yield to me?

Mr. AUSTIN. I yield.

Mr. McGILL. Regardless of the merits or demerits of the bill to which the Senator has referred, and which I assume is the measure introduced by the Senator from Wyoming

and the Senator from Idaho, is it the contention of the Senator from Vermont that Mr. Jackson, the nominee, had anything to do with the drafting of that measure, or tried to advocate its passage in the Senate of the United States?

Mr. AUSTIN. Mr. President, I know nothing about who drafted this measure. I do know that my colleague from Wyoming is perfectly competent to draft any measure, and he does not need the help of anyone from the outside for that purpose.

Mr. McGILL. I quite agree with the Senator from Vermont.

Mr. AUSTIN. However, in examining Mr. Jackson I asked him with respect to this bill, and he demurred to answering any question about it. I attach no significance to that. I do not pin on him the responsibility for this bill. All I am using the bill for is to show that the trend must be judged not only with respect to those measures already passed, and some of which already have been declared unconstitutional, but also by those now in the hopper which I believe I can show in a few moments to the Senate are themselves unconstitutional. More than that, I think the bill referred to represents a tremendous step, if one desires to be mild in his characterization of it and understate it, toward dangerous expansion of regulation which will eliminate competition, so that as a result there will be nothing but what is found in the Guffey-Vinson Coal Act; that is, regulation of prices by government.

Mr. McGILL. The statement of the Senator from Vermont is, I think, quite accurate. Mr. Jackson was asked some questions with reference to this bill. I think the record will disclose that he admitted having read the bill; that he was not familiar with its provisions in their entirety, and that about all he knew about the question was that a similar measure had at one time been recommended by Mr. Taft when he was President of the United States.

Mr. AUSTIN. Mr. President, that is not all that I remember about it. My recollection is that he answered, in effect, "That is a matter of legislation which is still pending, and I think it is not good taste for me to answer about it," and I thought so too, and ceased asking him any further questions along that line. That is one of the many things about which he and I agreed.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. BARKLEY. Then, the only connection this bill has with the question of confirmation of Mr. Jackson's nomination is that, notwithstanding the fact that he has expressed no views with respect to the legislation, the Senator is making the point, I assume, that if he were for the bill it would be an additional reason why he would oppose his confirmation?

Mr. AUSTIN. Not so, Mr. President. I am undertaking to show that there is a trend in the United States at a very dangerous time toward an almighty power centered in Washington which shall lift the people of the United States into its expansive lap, put its arms around it, and give it security, and prevent a recurrence of that "biggest bust" about which Mr. Jackson testified, and prevent the present "bust," which he did not include in his statement, from occurring again.

What I am coming to is to challenge the cost of that kind of security and to make the claim that the American people will not pay the cost. The great price involved in buying that kind of security by the surrender of freedom and opportunity and incentive and responsibility they will not pay. It is for the purpose of getting to them the issue that I make the effort here to present what occurred in the subcommittee which took the testimony of Mr. Jackson, because what occurred there dramatized and personified this great issue, as I think I will be able to show.

Mr. O'MAHONEY. Will the Senator yield again?

Mr. AUSTIN. Yes.

Mr. O'MAHONEY. In view of the fact that the Senator calls attention to his interrogation of Mr. Jackson with respect to this bill, and some suggestions which were made with respect to its draftsmanship, I may say quite specifically that Mr. Jackson had nothing whatsoever to do with it, nor did anyone in the Department of Justice have anything to do with it. This measure was not prepared by any Government bureau or agency whatsoever, save and except to the extent to which it may be said that the executive branch had something to do with it by reason of the fact that previous Presidents have recommended this policy.

The Senator well knows that title III of the bill which was originally introduced was taken almost verbatim from the measure that was drawn by Attorney General Wickersham in the Cabinet of President William Howard Taft, and by Mr. Taft sent to the Senate and the House with a special message recommending Federal incorporation.

I may say to the Senator from Kansas [Mr. McGILL] that many of the terms of the bill with respect to the licensing of corporations engaged in interstate commerce were originally drafted under the tutelage of Senator John Sharp Williams, of Mississippi, who, repeatedly upon the floor of the Senate and elsewhere, announced his complete disagreement with that policy which would allow any government bureau to exercise discretion with respect to the conduct of business.

As a matter of fact, Senator Williams, than whom there probably never was a more able Member of this body, appeared before the Committee on Interstate Commerce and explicitly denounced the suggestion which was being made at that time that there should be a commission set up which would have the power to differentiate between good trusts and bad trusts.

It was to avoid that sort of regimentation that the authors of this bill presented it. I will say to the Senator from Vermont, first, not only did Mr. Jackson have nothing to do with it, but whenever he or anyone else can point out that any language in this measure could be interpreted as giving to any board or commission the authority to interfere with business, we will be very ready to modify it. The purpose of the measure is to prevent both intermeddling with small business by monopoly and intermeddling by government. So do not charge the bill to the nominee.

Mr. AUSTIN. Mr. President, I think I have already disposed of that suggestion.

As to the other proposition, that great names ornament the history of this type of bill, I will not admit, Mr. President, that there are any great names attached to all the features of this bill save those of its authors. But, assuming and giving full benefit to that claim, I have only one observation to make: There is no greater fallacy in logic than the illusion of the great name. When the time comes to consider the detailed terms of this bill, I think it will be perfectly clear that there is only one activity allowable to business under this bill, and that is of paying the bills. Everything else will be under the control of a commissioner in Washington.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield to the Senator from New York.

Mr. WAGNER. I have been somewhat troubled in understanding the pertinency of some of the Senator's discussion to the question of the confirmation of Mr. Jackson's nomination. Does the Senator take the view that if Mr. Jackson had collaborated with the Senator from Wyoming in drafting the proposed legislation, that fact would disqualify him for the high office to which he has been nominated?

Mr. AUSTIN. Mr. President, I think the Senator must be asking that question to amuse himself. I have explained several times, so that he might hear, if he has ears to hear, that this bill is referred to solely as one of the steps which the present Congress is now taking, in addition to those which already have been taken, to concentrate in Washington a power which belongs exclusively to the several States and to the people thereof. I refer to the control over production, manufacture, and mining, and the lives and comfort of the people of the several States. This bill is only one step in that direction. In other words, there is manifest a composite effect from all the bills which give to the President powers which the Constitution forbids him to have, and

which give to the Federal Government at Washington powers which the Constitution forbids it to have. There is a movement, stepping forward upon the very kind of stepping-stones which the democracies of Europe employed, toward exactly the same kind of a goal which the democracies of Europe have attained.

There must be a consciousness of this fact in the mind of the distinguished candidate for this office, for I shall point out that he has referred at several different places and on several different occasions to various European movements as an incitement, I judge, to us in America to act quickly. "Let us do something quickly." We cannot wait for the slow old United States, which heretofore has outstripped every other nation on earth in advancement, in culture, in science, in the production of wealth, and in the development of fine children and brave men and women. Oh, no. We must cast aside the system and the framework of government which have held us steady through the storms and troubles of our lives, and we must move with haste, and follow the example of our neighbors overseas. Mr. Jackson says to us, on the one hand, that our European neighbors would not take our example. Not even Masaryk would follow our example. They did not keep our Federal system of checks and balances. That is significant, says Mr. Jackson.

Why did they not follow our example? I shall point out later Mr. Jackson's answer, or what I interpret his answer to be. I shall try to be very cautious not to say what he means, because I shall try my best to let him do the answering, by reading exactly what he says.

On the question whether, in considering the confirmation of this nomination, we are not passing upon a theory of economic reform at the cost of constitutional government, at the cost of changing our Constitution without submitting those changes to the people, I shall ask him to testify. I read from page 29 of volume 1 of the hearings:

Senator AUSTIN. As a matter of fact, you believe, do you not, that during that period within which you have been connected with the Government there has been the greatest change in constitutional law in the whole history of the United States?

Mr. JACKSON. There has been the greatest change in the last 4 years. I think more constitutional law has been made and more of it has changed than in any similar 4 years in the history of the country.

Senator AUSTIN. I refer to the statement you made in your speech at Syracuse, N. Y., on January 28, reading from page 3:

"We have had the biggest war, the biggest boom, the biggest bust, the biggest recovery from a bust, and the biggest change in constitutional law in our history."

Mr. JACKSON. I think that is true.

With entire realism he might have added "and that 'bust' has recurred, like Banquo's ghost."

The point I make is that the American people should know that by the statutes which we pass, we transfer from them and from their several States to the Federal Government the powers which the people insisted should be reserved to them. We transfer to the President of the United States duties which are imposed by the Constitution upon Senators and Representatives.

I point out in passing that an attempt even was made to destroy the independence of the Supreme Court of the United States. The attempt failed. Why? Not alone because of the statesmanship of distinguished Members of the majority in the Senate who took their political lives in their hands and stood in the front-line trenches to defend that citadel of the people, but also because the people understood the issue, for somehow or other they were apprised in time of the hazard involved in the entire destruction of the independence of the Supreme Court by the imposition of enough men on it through a statute to change completely its complexion and enable the juggernaut to continue on its way.

The people govern. The people rule. Oh, what a heartening thing it is to a minority in the Congress which is so small that it cannot do anything but bring these matters to the attention of the people to have the people react, respond, and govern, as they said they would, and as I know they are competent to do.

Mr. President, at this point I should like to discontinue my remarks until tomorrow.

Mr. BARKLEY. The Senator has not concluded?

Mr. AUSTIN. No.

LEGISLATIVE SESSION

Mr. BARKLEY. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed legislative session.

FIRST DEFICIENCY APPROPRIATIONS—CONFERENCE REPORT

Mr. ADAMS. Mr. President, I submit the conference report on House bill 9306. In explanation of the report, I will say that the House has receded from its disagreements to all Senate amendments.

The PRESIDING OFFICER. The report will be read.

The legislative clerk read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1 to 20, inclusive, and agree to the same.

ALVA B. ADAMS,
CARTER GLASS,
KENNETH MCKELLAR,
CARL A. HAYDEN,
JAMES F. BYRNES,
FREDERICK HALE,
JOHN G. TOWNSEND, JR.,
Managers on the part of the Senate.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

RECESS

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Thursday, March 3, 1938, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 2 (legislative day of January 5), 1938

COLLECTORS OF CUSTOMS

Frank J. Duffy to be collector of customs for customs collection district No. 26, with headquarters at Nogales, Ariz.

William H. Bartley to be collector of customs for customs collection district No. 33, with headquarters at Great Falls, Mont.

I. Walke Truxton to be collector of customs for customs collection district No. 14, with headquarters at Norfolk, Va.

COMPTROLLER OF CUSTOMS

Thomas Temple Hoyne to be comptroller of customs in customs collection district No. 39, with headquarters at Chicago, Ill.

POSTMASTERS

OREGON

Willis F. Coffey, North Portland.

WEST VIRGINIA

Jeremiah W. Dingess, Huntington.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MARCH 2, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty and everlasting God, who hatest nothing that Thou hast made and dost forgive the sins of all those who are repentant, create and make in us new and contrite hearts, that we, worthily lamenting our sins and acknowledging our wretchedness, may obtain of Thee, the God of all mercy, perfect remission and forgiveness through Jesus Christ our Lord. Heavenly Father, we wait with Him who on this day begins His last journey to the cross. Why the storm wind, why peril instead of safety, why the maddening mystery of it all, why the bewildering struggle? A God among the ruins treads the lonely way! O help us to keep these questions from our lips and banish them from our minds. Steady our faith and let us walk with Thee. Thine shall be the glory forever. In His holy name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 1835. An act establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes.

PERMISSION TO ADDRESS THE HOUSE

Mr. LANHAM. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

INDEPENDENCE OF TEXAS

Mr. LANHAM. Mr. Speaker, this is a legal holiday in the State of Texas, but the event it commemorates has a national significance.

At the little town of Washington on the Brazos, in a crude, unfinished building, which but partially excluded the inclement weather, 102 years ago a band of American patriots and pioneers declared the independence of Texas from Mexico. The subsequent establishment of that independence in its developments led to the adding of more territory to our country than was acquired through the Louisiana Purchase.

The history of that period is an American heritage and I commend its perusal to all Members. As Americans they will read it with profit and with pride. [Applause.]

TREASURY AND POST OFFICE DEPARTMENT APPROPRIATION BILL

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to take from the Speaker's table H. R. 8947, a bill making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1939, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate and the appointment of conferees on the part of the House.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

Mr. BOREN. Mr. Speaker, reserving the right to object, in order to obtain information from the gentleman from Indiana. May I ask if the term "disagreement" in this request indicates that the conferees are to disagree with the Senate amendment setting up specific air-mail routes and suggesting appropriations therefor?

Mr. LUDLOW. I may say to the gentleman that I hope he will allow the bill to go to conference and I think the matter in which he is interested will be satisfactorily taken care of in conference. The Senate did not in any language of the bill endeavor to specify the routes. That is referred to only in the report. I thoroughly agree with the gentleman that is a procedure which is very unusual, to say the least, but I believe the House conferees will be able to give very careful consideration along the line of the views of the gentleman on this proposition.

Mr. BOREN. May I say in this connection that there is now pending before the Committee on Interstate and Foreign Commerce of the House a bill which sets up an entirely new program for the establishment of air-mail routes. The Senate amendment providing for appropriations for the purpose of establishing new routes is such that it would establish these new routes under a system that has been found to be very unfair to the air industry and a system which has broken down completely. It would be a grave mistake to set up these new routes under the old system. I make this explanation at the present time and refer again to letters I have written to all Members of the House on this subject giving the facts. However, in view of the gentleman's assurance I shall not object.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The Chair appointed the following conferees on the part of the House: Mr. LUDLOW, Mr. BOYLAN, Mr. O'NEAL of Kentucky, Mr. DALY, Mr. JOHNSON of West Virginia, Mr. TABER, and Mr. DITTER.

PERMISSION TO ADDRESS THE HOUSE

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. EBERHARTER. Mr. Speaker, recently a colleague of mine from Pennsylvania inserted in the RECORD a few remarks with reference to a meeting which was held in Harrisburg, Pa., last Friday, and in speaking of that meeting he referred to it as a love feast. Also, in connection with his remarks, he inserted in the RECORD an editorial which appeared in one of the Pennsylvania newspapers.

In order that the people who read the CONGRESSIONAL RECORD may have a true conception of this so-called love feast and what occurred at that meeting, I ask unanimous consent that some of the remarks made at that meeting by the secretary of the Commonwealth of Pennsylvania may be inserted in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

Mr. RICH. Mr. Speaker, reserving the right to object, may I suggest to the gentleman that he place in the RECORD what Mr. Guffey said, what Mr. Stern said, what Mr. McCloskey said, and what many of the other Democrats said, and he will find it was not the love feast to which he refers.

Mr. O'CONNOR of New York. Mr. Speaker, further reserving the right to object, every time we have a local political meeting, are we going to have all the proceedings of the meeting and the speeches of the local politicians inserted in the CONGRESSIONAL RECORD? If we follow that system, we will have a volume about as big as a dictionary.

Mr. EBERHARTER. Mr. Speaker, I indicated the reasons for asking that the material I wanted inserted be placed in the RECORD. If the gentleman from Pennsylvania had not previously inserted an editorial from one of these newspapers from Pennsylvania I would not make this request.

In fairness to the people who read the CONGRESSIONAL RECORD, I believe the remarks I am asking permission to place in the RECORD should be inserted.

Mr. RICH. Further reserving the right to object, Mr. Speaker, if the gentleman is going to air this political meeting he ought to put everything in the RECORD.

Mr. WADSWORTH. I object, Mr. Speaker.

PERMISSION TO ADDRESS THE HOUSE

Mr. GEHRMANN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute in order to make an announcement.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. GEHRMANN. Mr. Speaker, today is Wisconsin cheese day. All kinds of cheese will be available here. They are broadcasting it over on the Senate side, and I notice some of our Members were over there remarking about the different varieties of cheese. This cheese will be available in both of the cloak rooms and in the dining room. Eat all you want to. There will be all kinds of samples here that you can take along with you. I would invite you to go over to the Senate side, where the broadcast is going on now, and really look at the different varieties of cheese Wisconsin produces. [Applause.]

EXTENSION OF REMARKS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting therein a tribute paid by the gentleman from Alabama [Mr. HOBBS] to a very distinguished and able citizen of Alabama, the Honorable JOHN H. BANKHEAD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TABER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein the personnel roster of the National Bituminous Coal Commission as of January 20, 1938.

Mr. O'CONNOR of New York. Reserving the right to object, Mr. Speaker, does this roster show who was responsible for the appointment of the personnel?

Mr. TABER. Not entirely; no.

Mr. O'CONNOR of New York. That would be the most interesting information.

Mr. TABER. I think it can be learned by noting the places from which they come.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BARTON asked and was given permission to extend his own remarks in the RECORD.

CALL OF THE HOUSE

Mr. LAMBERTSON. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The gentleman from Kansas makes the point of order that a quorum is not present. Evidently a quorum is not present.

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 28]

Amlie	Crosby	Hook	Owen
Anderson, Mo.	Crowther	Izac	Pettengill
Atkinson	Curley	Johnson, Minn.	Polk
Barden	Daly	Kvale	Rankin
Biermann	Deen	Larrabee	Ryan
Boykin	Dies	Lucas	Sabath
Buckley, N. Y.	Dingell	McClellan	Sadowski
Burdick	Douglas	McFarlane	Satterfield
Cannon, Wis.	Drew, Pa.	McGehee	Smith, Maine
Carter	Drewry, Va.	McGroarty	Sullivan
Cartwright	Farley	McMillan	Whelchel
Champion	Ferguson	Maas	Williams
Clason	Ford, Calif.	Mahon, Tex.	Wolfenden
Cochran	Gasque	Mead	Wood
Colden	Hancock, N. Y.	Mouton	Zimmerman
Cole, Md.	Harter	O'Connor, Mont.	

The SPEAKER. Three hundred and seventy Members have answered to their names, a quorum.

On motion of Mr. JOHNSON of Oklahoma, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. LANZETTA asked and was given permission to extend his own remarks in the RECORD.

Mr. KEOGH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address delivered by the Attorney General of the State of New York.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CITRON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address delivered by me.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter I have received from the Michigan Compensation Commission, together with my reply thereto.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. ROGERS of Oklahoma. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including a letter from Mr. Robert L. Owen in regard to Senate Joint Resolution 64, and a memorial of the Cherokees pertaining to the same subject.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

LEAVE OF ABSENCE

Mr. DUNCAN. Mr. Speaker, my colleague the gentleman from Missouri, Mr. COCHRAN, was called home on account of a death. I ask unanimous consent that he may be granted leave of absence for the remainder of the week.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1939

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9621, the Interior Department appropriation bill, 1939, with Mr. JONES in the chair.

The Clerk read the title of the bill.

Mr. TABER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, when the item for the education of Indians was being read I refrained from motions to reduce the appropriations because of the situation that was then presented.

I knew that there were many items that were higher than the testimony of the Department would justify, but I understand, on the highest authority, in districts where the Indians are largest in number the aged Indians will not vote at all but the younger Indians, who have been to school and who have been educated, are all Republicans. [Laughter and applause.] I have the highest authority for this statement.

I was fearful that if we attempted to reduce the appropriations for educating the Indians down to the figures where they should have been reduced, the majority, if the facts came out, would wipe them all out. [Laughter.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I have no disposition to take up the valuable time of this Committee to answer in detail the gentleman's attempt to interject into this discussion a political speech. I assume, of course, that

the gentleman from New York is attempting to be funny. Maybe he is. Of course, none of us on the Democratic side of the aisle has charged that the distinguished minority Member from New York has been motivated in his action and votes on the floor of this House because of political considerations. Now, it is somewhat surprising to hear the gentleman convict himself of thinking first of politics. [Laughter.] Frankly, I am amazed at his admissions, even though made in a facetious manner. May I add that on several occasions yesterday when the distinguished minority Member made certain statements with reference to the pending bill, it developed that he was grossly in error, which, of course, means that he was simply misinformed.

Personally I have made no effort to ascertain the political affiliations of all the Indians affected by the pending bill. The gentleman, of course, knows politics does not enter into our committee hearings. It is well known, however, since this political question has been raised, that many of the older Indians were told in the old days of Republican misrule that if they did not vote the Republican ticket, their lands and ponies would be taken away from them, and many of them believed what they were told, and a few of those old people still vote the Republican ticket. But even that situation is just the reverse from what the gentleman from New York stated. Once more the gentleman from New York has been misinformed. I am reliably informed, I will say for the information of the gentleman from New York, that the younger Indians who have been to school, who read the newspapers and remember history, who know what was going on under the Hoover and Harding administrations, that most of the present critics would like to forget—I say the facts reveal that an overwhelming majority of the informed Indians vote the Democratic ticket. [Laughter.]

Mr. TABER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 74, insert after the Scrugham amendment: "*Provided*, That none of the funds appropriated in this bill shall be used for expenses of Members of Congress."

Mr. TABER. Mr. Chairman, this amendment is presented for the purpose of preventing the words "examination of estimates for appropriations in the field" being used as authority for paying the travel and other expenses of Members of Congress.

I do not care to go further into an explanation of the amendment. I am hopeful the Committee will adopt it and will stop any item in this bill from being used for congressional junkets.

Mr. JOHNSON of Oklahoma. Mr. Chairman, on yesterday when this Committee was considering the Indian Service I explained a similar item to the gentleman from New York, who evidently was very suspicious that some of the money under the item had been expended by Members of Congress for what he called junket trips.

As shown by the RECORD, I explained that not a single dollar had been expended by Members of Congress in inspecting Indian reservations. I could have further stated to the gentleman that, in my judgment, some of the money should have been expended for that purpose, but because of the fact that Members of Congress have been so busy about other matters, it has not been possible for them to visit the Indian reservations.

Mr. TABER. This relates to reclamation.

Mr. JOHNSON of Oklahoma. Yes; and I was about to say that what I said with reference to the similar item in the Indian Service also applies with respect to reclamation. I would not agree to this amendment, which, in effect, would be notice to this committee that it would not be permitted to visit reclamation projects where the Government is spending millions of dollars. As one member of the committee, I regret to say I have not been able to find the time to visit these reclamation projects, but, in my judgment, some of them ought to be visited by this or some other committee considering the importance of many of them.

Mr. TABER. Then the gentleman ought not to object to this amendment, if the money is not being used for this purpose.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 19, noes 44.

So the amendment was rejected.

The Clerk read as follows:

Owyhee project, Oregon: For operation and maintenance, $100,000.

Mr. RICH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Page 76, line 12, after the word "maintenance", strike out "$100,000" and insert "$75,000."

Mr. RICH. Mr. Chairman, $75,000 was appropriated for this project last year, and I think that is enough this year. They are irrigating 117,072 acres of land, and we were able to do this for $75,000 last year. I am willing to help out the people in Oregon, but I think if Members will examine these reclamation projects and see what Oregon is getting out of reclamation, they will feel that some other State in the Union ought to get something besides Oregon. I think if we give them the amount that we gave them last year, it ought to be sufficient for this particular project for this year.

Mr. PIERCE. Mr. Chairman, will the gentleman yield?

Mr. RICH. Yes.

Mr. PIERCE. This amount is very necessary for keeping this project in operation. The Government of the United States from its reclamation funds has $18,000,000 invested in this project. There are on this project at the present time between 30,000 and 40,000 people, and six or eight thousand people have come in during the last year. They need this $100,000 for operation and maintenance of the project. The Government money is already invested there.

Mr. RICH. I appreciate that, but I want to direct the gentleman's attention toward economy. Look at the Treasury. Think of other States than Oregon, for reclamation.

Mr. PIERCE. And it is all reimbursible, and will be paid back.

Mr. RICH. Oh, that is the same old story. You come in here and say that reclamation is paying back, and that they paid back 98 percent of the money they got out of the Treasury. That is not a fact, and the gentleman knows that is not a fact. We reappropriate and reappropriate, and you have appropriated now more money out of the reclamation fund than you will ever receive from it in a hundred years.

Mr. SCRUGHAM. Mr. Chairman, I rise in opposition to the amendment. I think the gentleman from Pennsylvania [Mr. RICH] ought to be fair. I ask the gentleman to turn to page 273 of the hearings. The 1937 appropriation was for $75,000, and $68,826 was expended. Operation and maintenance and water-rental collections during the fiscal year 1937 amounted to $75,426.24, which is $6,174 more than the expense involved. The statement that no repayment was made is entirely incorrect.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. SCRUGHAM. Yes.

Mr. RICH. Is it not a fact that we appropriated $75,000 for this project last year?

Mr. SCRUGHAM. Yes.

Mr. RICH. That is the point that I am trying to make.

Mr. SCRUGHAM. But let me finish. At the bottom of page 272 of the hearings the gentleman will find that during the calendar year 1936, 107 farm units were open to entry, and 33 additional farm units were made available to settlers in 1937. That is an increase of nearly one-third in the amount of land opened for settlers. They are certainly entitled to the added money for maintenance and operation of the project which they pay. The actual collections last year were $75,426.24, as compared to an expenditure of $68,826.

Mr. RICH. I appreciate that, but how are some of the other projects going to get any money to improve their property if it is all given to Oregon?

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken and the amendment was rejected.

The Clerk read as follows:

Klamath project, Oregon-California: For operation and maintenance, $58,000: *Provided*, That revenues received from the lease of marginal lands, Tule Lake division, shall be available for refunds to the lessees in such cases where it becomes necessary to make refunds because of flooding or other reasons within the terms of such leases.

Mr. TABER. Mr. Chairman, I reserve the point of order against the paragraph. I do this to ask the chairman a question. There is a provision in this paragraph that revenues derived from the lease of land shall be available for refunds to lessees when it is necessary to make refunds because of flooding. I wonder who determines the amount of refunds that are made?

Mr. JOHNSON of Oklahoma. That is determined, as I understand it, by the Secretary of the Interior. It still has to be approved by the Secretary of the Interior.

Mr. TABER. Is there no check on it at all? Is it entirely in the authority of the Secretary of the Interior?

Mr. JOHNSON of Oklahoma. Of course, the gentleman knows that it is checked by the General Accounting Office.

Mr. TABER. It seems to me that for the Congress to give over to someone else authority to make refunds of that character is wrong, and I make the point of order on the ground that it is legislation on an appropriation bill, not authorized by law.

The CHAIRMAN. Does the gentleman make his point of order to the entire paragraph or just to the proviso?

Mr. TABER. To the proviso only, Mr. Chairman.

The CHAIRMAN. The gentleman from Pennsylvania makes the point of order that this proviso is legislation on an appropriation bill. Does the gentleman from Oklahoma care to be heard on the point of order?

Mr. JOHNSON of Oklahoma. I may say to the Chairman that it is the opinion of the committee that it is not legislation.

The CHAIRMAN. Will the gentleman cite some authority to the Chair?

Mr. JOHNSON of Oklahoma. It is within the scope of the authority granted the Secretary of the Interior under the Reclamation Act.

The CHAIRMAN. The Chair is ready to rule.

The Chair has before him a provision of the Reclamation Act, title 43, section 394, United States Code, which is as follows:

Proceeds from the sale of products of or leases of withdrawn or reserved lands: Proceeds heretofore or hereafter received from the lease of any land reserved or withdrawn under the reclamation law or from the sale of products therefrom shall be covered into the reclamation fund; and where such lands are affected by reservation of withdrawal under some other law the proceeds from the lease of the land and the sale of products therefrom shall likewise be covered into the reclamation fund. In all cases where such lands are needed for the protection or operation of any reservation or other works structure under the reclamation law such lands shall be and remain under the jurisdiction of the Secretary of the Interior.

Read in connection with the proviso to which the point of order is made—

Provided, That revenues received from the lease of marginal lands, Tule Lake Division, shall be available for refunds to the lessees in such cases where it becomes necessary to make refunds because of flooding or other reasons within the terms of such leases—

it rather seems to the Chair that the language just read from title 43 is broad enough to cover the proviso in the appropriation bill, because it is incidental to the carrying out of the project through use of funds from the lease of the lands.

The Chair overrules the point of order.

The Clerk read as follows:

Secondary and economic investigations: For cooperative and general investigations, including investigations necessary to determine the economic conditions and financial feasibility of projects and investigations and other activities relating to the reorganization, settlement of lands, and financial adjustments of existing projects, including examination of soils, classification of land, land-settlement activities, including advertising in newspapers and other publications, and obtaining general economic and settlement data, $25,000, together with the unexpended balance of the appropriation for these purposes for the fiscal year 1938: *Provided*, That the expenditures from this appropriation for any reclamation project shall be considered as supplementary to the appropriation for that project and shall be accounted for and returned to the reclamation fund as other expenditures under the Reclamation Act: *Provided further*, That the expenditure of any sums from this appropriation for investigations of any nature requested by States, municipalities, or other interests shall be upon the basis of the State, municipality, or other interest advancing at least 50 percent of the estimated cost of such investigation.

Mr. RICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 77, line 16, after the word "data", strike out "$25,000."

Mr. RICH. Mr. Chairman, I call to the attention of the Members the fact that last year we appropriated $10,000 for this item, and a like amount the year before. This fund now amounts to $21,845 which is available; yet we are asked by the committee to increase it to $25,000.

What is the money to be used for? The money is to be used to make investigation of additional and new reclamation projects in the West, not any projects we are now operating. It is a fund to be used in an effort to find more new projects, places where we can start new developments, new power plants, new acreage. At the present time, however, the Government is in competition with all the power interests of the country, putting them out of business; and at this time also the Department of Agriculture is trying to curb production on agricultural lands; yet we are providing funds to find new projects on which to spend new millions of dollars to put new land into cultivation. Does it not seem foolish and ridiculous?

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield.

Mr. HOFFMAN. Do I understand you aright that this is an appropriation to pay someone to go out and hunt up new ways of spending money?

Mr. RICH. Absolutely.

Mr. HOFFMAN. The President has increased the number of employees at the White House from 77 to 165.

Mr. RICH. Why, they even have employees down in the White House whom they have asked be put on the rolls of this Department, yet the Department did not want them.

Mr. HOFFMAN. But why should we not have some more out in the country just as well as to have them here?

Mr. RICH. This is altogether too serious a matter of principle to be facetious. We ought to cut down these funds for the purpose of finding new projects to bring new land into competition with existing land, especially when production on existing land is being curbed. We should do something to stop these new developments. There is no rhyme or reason to it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. RICH) there were—ayes 18, noes 46.

So the amendment was rejected.

Mr. RICH. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twenty-four Members are present, a quorum.

The Clerk read as follows:

Gila project, Arizona, $900,000.

Mr. THURSTON. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. THURSTON: Page 79, line 20, strike out all of line 20.

Mr. THURSTON. Mr. Chairman, my purpose in offering an amendment to this specific item is to emphasize the contradictory position of our Government in promoting the development of new farming land and restricting cultivation in other sections of the country. May I call the attention of the Members to the objective of the recent farm legislation on this subject, as follows:

Whereas the aforesaid act is predicated upon the existence of agricultural surpluses, and the payment of benefits under said act are with a view of reducing said agricultural surpluses by inducing farmers to withdraw certain acreages from production of crops which contribute to the crop surplus and to plant such withdrawn acreages in soil-conserving and soil-building crops which do not contribute to the crop surplus, and thus to restore the ratio of income as aforementioned.

I offered an amendment on another occasion which would restrict new lands from sharing in the benefits which were provided if these new acres came into competition with already existing farm land, as follows:

None of the benefit payments authorized herein shall be paid on account of any lands whatsoever not under cultivation on February 29, 1936, date of passage of the Soil Conservation and Domestic Allotment Act, nor on account of any lands now a part of the public domain which may be taken up under any homestead act, nor on account of any lands brought into cultivation as a result of any irrigation or other reclamation project after the effective date of said Soil Conservation and Domestic Allotment Act.

However, this proposal was rejected.

There could be no more highly contradictory policy than to restrict farm land in one section of the country and to use public funds, partly contributed by farmers, to bring new land into cultivation in another section.

In the semiarid sections of the country, where the population is quite sparse, there is not adequate demand for these additional crops, and increased production greatly interferes with the prosperity and the well-being of the farmers who are already engaged in farming in these particular sections. There are many thousands of foreclosures now pending in the semiarid districts where it is proposed by this bill to create more farms.

Why should these people be harassed and annoyed with additional production when they are unable to obtain sufficient income to pay their taxes and the interest on existing legitimate farming operations? It seems to me that the Members from these sections would have in mind the welfare of those who elect them to office and who are endeavoring to make a living under these adverse conditions. My appeal to you is based upon your duty to follow a fair and sound policy for all the farmers in the country. This program is folly; it is illogical and unsound.

Mr. MURDOCK of Arizona. Mr. Chairman, I rise in opposition to the amendment and ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arizona?

There was no objection.

Mr. MURDOCK of Arizona. Mr. Chairman, although I had only a very few days in Arizona at Christmas time, I drove 500 miles from my home to Yuma and back in order to visit the Imperial Dam on the 24th and 25th of December 1937 and to look this Gila project over. I spent several hours on Christmas Day with the superintendent of construction at Imperial Dam examining the work. I know more about it now, and, incidentally, I appreciate its meaning to the Nation much more today than I did a year ago. Let me emphasize the international aspect of this problem, as new facts are now known concerning that phase of the matter.

I have it from reliable men within the last 30 days that the Mexican Government, as a governmental enterprise, is making great haste to put a vast area of this delta land near the head of the Gulf of California under cultivation this year for the first time. All that I said to you a year ago about the foreigners making haste to establish a water right for our water is absolutely true, and much more than that has come to light by our recent investigation. The plain facts are, gentlemen, that if we do not take steps to utilize the waters of the Colorado River within the United States we shall soon lose our legal rights to those waters to the Republic of Mexico.

Most of this land in the Republic of Mexico had formerly been covered frequently by floodwaters and always subject to the hazard of floods. The completion of the Boulder Dam at a cost of $114,000,000 to our people has assured this Mexican land protection against floods and made its cultivation easily possible. Is it our national policy and intention to donate all our legal right in this water to the Mexican lands? Inactivity on our part now means exactly that, with all that it implies, and nothing else.

Compute what wealth is created annually by applying 600,000 acre-feet of water on 150,000 acres of land in the Salt River Valley in Arizona and you will get an idea of the everlasting expense to us to donate this development to Mexico. That amount of land and water in the Salt River Valley in Arizona, where the soil and climate are similar, in the one year of 1937 produced $12,000,000 worth of agricultural products. Shall we donate this annual possibility to Mexico?

In the name of good business and in the name of friendship and neighborliness with our sister Republic, I urge you to appropriate for the Gila project for the coming year not less than $900,000. It should be more. Such an appropriation is definitely in the interest of true economy. It will work no deprivation upon the land in any other part of the United States. Since we are to furnish Mexican lands what they got before Boulder Dam, it is exactly in keeping with international justice; therefore I trust the motion to strike this item out will be voted down.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I call attention to the Gila project, which, when finished, will cost $75,000,000. There will be placed in cultivation over 500,000 acres of land. The first section of this particular project will cost $20,500,000.

It seems strange that the Department of Agriculture should ask that certain lands be taken from cultivation and at the same time develop land for new cultivation, the irrigation of which will cost alone $134 an acre. That sum, $134 an acre, will buy some of the best farm land that we have in the Sixteenth Congressional District of Pennsylvania, and that is the best district in the United States for agriculture, as well as other things. It is the finest district in the country, yet you are going down into this arid desert country and constructing a project which will cost $134 an acre to get rid of the sagebrush and put the water on the land and asking our farmers to pay the bill.

If the Members of Congress believe it is wise to spend this enormous sum of money, then I think there is something wrong some place, either with the Department of Agriculture and its policy or the Members of the Congress for the things they are permitting to be accomplished by waste of Government funds.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. THURSTON].

The amendment was rejected.

The Clerk read as follows:

Sun River project, Montana, $300,000.

Mr. TABER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the estimated cost of this project is something like $9,500,000. Appropriations have previously been made for this project to the extent of some $8,700,000.

It seems to me that this operation, which will irrigate 107,000 acres of land, should wait and that we could save that amount of money in the reclamation fund. The reclamation fund has paid much less than half of the total cost of these reclamation projects so far. There have been allotments from the P. W. A. and from relief funds to the extent of $163,000,000 for these purposes during the last few years. It would seem as if this particular project might wait. I will therefore offer an amendment to strike out the item.

The pro forma amendment was withdrawn.

Mr. TABER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 80, line 1, strike out all of line 1.

Mr. TABER. Mr. Chairman, this project has been operated by spending $6,940,000 prior to June 3, 1933, a public-works allotment of $950,000 in 1933, and emergency relief of $715,000. A little of this was withdrawn. The construction has progressed so they are able to irrigate 22,000 acres, but they have 72 miles of open drain. They propose to spend the $300,000 upon enlarging a canal and beginning another reservoir.

It would seem as if this entire proposition could wait and we could save a little money even in the reclamation fund, in this case $300,000. I hope this amendment will be adopted.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Does the gentleman state the proposition can wait?

Mr. TABER. Why can it not wait?

Mr. WHITE of Idaho. May I inform the gentleman that due to the falling off of the water supply people are in distress on these reclamation projects? They must have water to utilize their land. They cannot wait, unless you want to put some people on relief.

Mr. TABER. Does the gentleman mean people have already been placed on these reclamation projects by the Reclamation Service beyond the capacity of the irrigation projects to supply them with water? Is that the way these projects have been run?

Mr. WHITE of Idaho. The gentleman is making that statement, but does he know anything about the Boise project in Idaho? Does he know its splendid record? Does he know what these projects mean in the way of markets for the products of the great State of New York?

Mr. TABER. It means nothing. It means the production of a great lot of competitive agricultural products, and putting more people on relief. That is all it means.

Mr. WHITE of Idaho. I am hopeful the gentleman will make a study of reclamation and learn something about it before he undertakes to talk about it.

Mr. TABER. I hope the gentleman will learn something about it. He is a great authority on things that are not so in connection with reclamation projects.

Mr. DOWELL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, just a short time ago Congress passed a farm act which in effect, under certain circumstances, takes out of production several million acres of fertile land in the United States. Under the program now proposed by these irrigation projects, the Government will pay money out of the Treasury to put other lands in cultivation, even while the Government is arranging to pay farmers who have fertile lands for not putting their land in production. It seems to me this is the most absurd proposition anyone could put forth. I am surprised gentlemen are seeking here to take from the Treasury of the United States $75,000,000 for the purpose of putting arid land under cultivation, while at the same time millions of dollars are to be expended to keep fertile lands out of production.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. DOWELL. Certainly, I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Is it the gentleman's idea that we ought to build a corral around the 12,000,000 people who are unemployed and continue to tax ourselves to support them, when they can be put on this land and supported in that manner?

Mr. DOWELL. No. It is my view the Government of the United States should not invest any money in putting land under cultivation while at the same time the farmers who have land under cultivation today are producing a surplus. I believe the Government of the United States should not invest one single dollar in putting land under cultivation while it is asking other farmers to take land out of production.

Mr. WHITE of Idaho. My best advice to the gentleman is to investigate reclamation and its results insofar as markets for the products of the Eastern States are concerned.

Mr. DOWELL. I have watched appropriations here for some years and I have watched gentlemen try to get money out of the Treasury to put land into cultivation while at the same time other lands are being taken out of production. This sort of a program is absurd.

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I rose for a particular purpose, but I will make my remarks conform to the bill. There are many features of this appropriation that I wish I could better understand. This large appropriation of $127,000,000 with special allocations made by the public-works program should receive much special attention by the proper committees of the House and not be left to outside investigators who report such startling waste and extravagances, such as so frequently appear in the Saturday Evening Post and other publications.

In order to look carefully into these matters, on yesterday I introduced a resolution which I wish to call to your attention. I have asked that the minority members of the Committee on Expenditures may have at least one expert to help them investigate expenditures. The majority members will undertake no investigations. Perhaps if the members of my party were in the majority they might act in the same manner. However, I am sure the Democratic Members ought to wish there were some authority to look into at least some of these expenditures, particularly such special expenditures as those for Indian affairs and reclamation projects. All of you who are interested in these special items should stand shoulder to shoulder. These projects ought to be investigated and someone ought to have the proper assistance in order to do it. You all tell the same story. It is like the anecdote of the boy who wrote a composition on "the dog." Another boy likewise wrote a composition on "the dog." The teacher said, "These compositions seem to be exactly the same, word for word." They replied, "Well, why not? It is the same dog."

I believe you will agree I have demonstrated a real interest in matters of expenditure, the method of bookkeeping, and many other situations with reference to expenditures, and I have had no help in doing this work.

I need someone to work in conjunction with me and keep in touch with the Comptroller General so that we may get real information.

We hear much about this beautiful new Interior Department Building and that much of its space is being used for private bathrooms, private suites, with restaurant facilities and corridors of tremendous size. I was met by a man with a gun on his hip the other evening; and although a Member of Congress, I was not allowed to go very far in that building. I recalled the stories I had been told about its cost and wished to look it over. I suspect that if we went into any of the rooms of this Department we would find they have plenty of clerks and plenty of propagandists of all kinds to convince you that all their activities are highly beneficial and carried on with great efficiency.

I wish some of you would speak to the Committee on Accounts in behalf of giving the minority members of this committee some help so we may carry out the job which you have assigned us. We have no time to leave our offices or the floor of this Chamber to do the necessary work of such investigation. Will not some of you be kind enough to implore the Committee on Accounts to grant this request? Do you not wish it to be done? Of course, probably more often than otherwise we would find the expenditures are proper and such reports would be greatly appreciated by the departments themselves.

Please do not let this resolution be tabled without the slightest consideration.

The following is a copy of the resolution:

Resolved, That there shall be paid out of the contingent fund of the House until otherwise provided by law, compensation at the rate of $4,500 per annum for the services of a clerk to the minority members of the Committee on Expenditures in the Executive Departments, to be appointed by the ranking minority member of said committee whose duty it shall be to assist the minority members thereof in the discharge of their responsibility as defined in rule XI of the Rules of the House of Representatives, namely, the examination of the accounts and expenditures of the several departments, independent establishments, and commissions of the Government and the manner of keeping the same; the economy, justness, and correctness of such expenditures; their conformity with appropriation laws; the proper application of public moneys; the security of the Government against unjust and extravagant demands; retrenchment; the enforcement of the payment of moneys due to the United States; the economy and accountability of public officers; and the abolishment of useless offices.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

The Clerk read as follows:

Provo River project, Utah, $100,000.

Mr. SCRUGHAM. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SCRUGHAM: On page 80, line 13, after the word "Utah", strike out "$100,000" and insert "$350,000."

Mr. SCRUGHAM. Mr. Chairman, in explanation of the amendment, I have here a letter from the President of the United States to the Speaker of the House of Representatives, as follows:

I have the honor to transmit herewith for the consideration of Congress a supplemental estimate of appropriation for the Department of the Interior for the fiscal year 1939 in the sum of $350,000.

The details of this estimate, the necessity therefor, and the reasons for its transmission at this time are set forth in the letter of the Acting Director of the Bureau of the Budget, which is transmitted herewith, with whose comments and observations thereon I concur.

Respectfully,

FRANKLIN D. ROOSEVELT.

The letter of transmittal is as follows:

SIR: I have the honor to submit herewith for your consideration a supplemental estimate of appropriation for the Department of the Interior for the fiscal year 1939, amounting to $350,000, as follows:

BUREAU OF RECLAMATION

Reclamation fund (special fund)—Provo River project, Idaho: For an additional amount for continuation of construction, fiscal year 1939 (50 Stat. 595–596)-------- $350,000

The foregoing estimate is necessary to provide funds for the continuation of construction of this project to June 30, 1939. It is required to meet a contingency which has arisen since the preparation of the 1939 Budget, and its approval is recommended.

Very respectfully,

D. W. BELL,
Acting Director of the Bureau of the Budget.

Mr. RICH. Mr. Chairman, I would like to ask the gentleman from Nevada [Mr. SCRUGHAM] whether the members of the subcommittee have voted on this amendment?

Mr. SCRUGHAM. The members of the subcommittee approved it six to three. They were polled very recently and the gentleman was counted against it.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. In just a minute. What in the world is going to happen? I do not know just what to say. Why, somebody is crazy. Somebody in this House or at the other end of Pennsylvania Avenue does not know what he is doing.

Mr. LAMNECK. Did you just find that out?

Mr. RICH. No; I have known it for a long time, but the rest of you fellows do not know it.

Just think of it. They are bringing in here now a supplemental estimate from the Bureau of the Budget and the President of the United States. That man does not know what he is doing.

Mr. ANDERSON of Missouri. Mr. Chairman, will the gentleman yield for one question?

Mr. RICH. If the gentleman thinks he can answer me about what the President is doing, I would like to know it.

Mr. ANDERSON of Missouri. Will the gentleman yield for just one short question?

Mr. RICH. I yield.

Mr. ANDERSON of Missouri. Where are you going to get the money? [Laughter.]

Mr. RICH. There is nobody on this side of the House who knows that. I have tried to find out, and I can tell you right now that I am surprised at your bringing this in here at this time. You have been pretty good fellows, but, by gosh, you cannot pull things across like this and have this House approve it. Where are you going to lead us? Do you not have some sense of responsibility? With a man in the White House who never worked a day in his life, who could not run any kind of business, it is preposterous, absolutely. It is getting beyond the point of common sense. There is no common sense to it. Why in the world anybody would permit legislation to be enacted like this, I cannot understand. If they wanted to increase this appropriation, why did they not bring up the appropriation at the right place and in the usual, customary way?

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield to my colleague from North Carolina.

Mr. BULWINKLE. I think when the gentleman makes a statement, he wishes to make a correct and a true statement.

Mr. RICH. I want to do that, and you tell me what I said that was not true.

Mr. BULWINKLE. The gentleman said that the President of the United States never worked a day in his life.

Mr. RICH. He never ran a business. He does not know how to make a dollar. Every day the President ever worked was in a political job, and he is fooling the American people like nobody has ever been fooled in all the history of this Nation, and you will live to see it, and it will not be very long.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield further?

Mr. RICH. I yield to the gentleman.

Mr. BULWINKLE. The gentleman should know, when he makes such a statement, that the President of the United States, before he was stricken down, was the vice president of an insurance company in New York.

Mr. HOFFMAN. And sold marks.

Mr. RICH. And sold German marks; I heard about that.

Mr. BULWINKLE. Will the gentleman say he never worked?

Mr. RICH. If he ever worked, I never heard anything about it.

Mr. BULWINKLE. The truth is the gentleman never takes time to find out the truth of anything.

Mr. RICH. If he was working like Jimmie was working not long since, selling insurance to people who wanted to get jobs from this Government, if that is the kind of work the President did, he and Jimmie both ought to get on the yacht.

Mr. THOMAS of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. RICH. Yes.

Mr. THOMAS of New Jersey. Of course, the President at the present time is in another business. He is in the writing business.

Mr. RICH. He is in the writing business now; he is writing articles. We understand it, but that is beside the point. The point is this, that this bill was brought in here by the subcommittee, and now they are permitting an additional amount to be added to the bill. It is a crime. Always spending with no consideration or thought whatever of how you will pay these enormous expenses.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word. The gentleman from Pennsylvania [Mr. RICH] seems to have a very peculiar state of mind with reference to the President of the United States. Last year the gentleman attacked the President on the floor of the House,

and as a result of the answer I made to him at that time he apologized on the floor of the House for the statements he made on that occasion. Apparently the gentleman has not profited from that incident. The gentleman is personally a very fine fellow. I like him, and what I say is purely impersonal. I think it is unwise and highly improper and decidedly unethical——

Mr. LAMBERTSON. Mr. Chairman, I make the point of order that the gentleman is not speaking in order.

Mr. McCORMACK. Does the gentleman insist upon his point of order?

The CHAIRMAN. The gentleman will proceed in order.

Mr. RICH. I ask unanimous consent that the gentleman from Massachusetts be permitted to speak out of order.

Mr. McCORMACK. Oh, no. That is awfully nice of the gentleman from Pennsylvania, but I can take care of myself. At least, I think so. If the point of order is raised, I concede it.

Mr. LAMBERTSON. I do not insist upon it.

The CHAIRMAN. The gentleman will proceed.

Mr. McCORMACK. As I was about to say, it is highly improper and decidedly unethical for anyone to attack or impugn the motives not only of a Member of this or another body but of the President of the United States, no matter who that President might be.

Mr. ENGEL. Did the Democratic Party follow that ethical policy when they conducted the "Smear Hoover" campaign?

Mr. McCORMACK. Oh, the gentleman from Michigan has arisen in a moment of emotion.

Mr. ENGEL. Answer the question.

Mr. McCORMACK. Oh, be calm. I shall answer the question. When former President Hoover was President of the United States, when the late President Coolidge was President of the United States, I never heard a Democrat personally attack the President of the United States. I heard Democrats attack their policies, which is perfectly right. I like to see Republicans get up and attack the policies of my administration when they think they should be attacked or criticized. I would like to see more of it done. It is a check on the majority party to properly attack its policies; it is proper and desirable for the minority party to constructively attack and to constructively suggest. But there is a difference between attacking the policies of an administration and attacking a man personally and impugning his motives.

The gentleman from Pennsylvania [Mr. RICH] made references to James Roosevelt. The position that James Roosevelt occupies is one that he has earned himself. As one from Massachusetts, let me say that Jimmie Roosevelt did more in the carrying of Massachusetts last year than almost any other Democratic leader of the State. That is my opinion, and he did it by going into every rally and after making his speech and submitting himself to questions, any kind of question, and doing that, had a disarming and a very favorable effect. The son of the President of the United States not only made his speeches, but he submitted himself to questions, and he frankly answered all questions, and if he could not, he later wrote an answer to them, giving a frank answer.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. SIROVICH. Supplementing the splendid statement my distinguished colleague from Massachusetts is making, I call to his attention the fact that it remained for a Republican Member of Congress, the former chairman of the Committee on Banking and Currency, to rise on the floor of this House and impeach a Republican President of the United States, and it remained for my Democratic colleague from New York [Mr. O'CONNOR], the chairman of the Committee on Rules, not only to rise on the floor of this House but with the votes of the Democratic Party unanimously almost vote against the impeachment of a Republican President.

Mr. McCORMACK. The gentleman is correct, and it is my recollection that all but one or two Democrats voted to table and defeat the impeachment resolution. The Democrats in the House, as well as the Republicans, resented very much that attempt to besmirch the name of a former President, elected as a Republican. Once a man is elected President, he is the President of the United States—not of a political party.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent to proceed for 1 more minute.

Mr. RICH. Mr. Chairman, I ask that he be given 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. McCORMACK. It is very nice of the gentleman from Pennsylvania to make the request he has and I profoundly appreciate it, but I am capable of taking care of myself; at least, I think so, and I purposely put in that qualification "I think so."

Mr. RICH. We want the gentleman to have all the time he wants.

Mr. McCORMACK. I understand the gentleman's state of mind just as well as the gentleman does. The gentleman's generosity is in no way misunderstood. The gentleman from Pennsylvania has referred to the President of the United States selling certain data. The President made a statement, carried in the morning press, and that statement satisfies any decent person that he would not benefit at all. That statement answers the criticism that had been directed toward him because of what he was going to do. The President has stated what will be done with the money, and yet the gentleman from Pennsylvania undertakes to impugn his motives and contradict his statement. The gentleman from Pennsylvania should be more careful in his statements in the future.

The money is going to be used for the benefit of others, and not a penny of it is going to be used by the President for himself.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. RICH. How about the signature in those books that sold for $250 each?

Mr. McCORMACK. Did the President get any money out of that?

Mr. RICH. Who got the money?

Mr. McCORMACK. No, no. Now, the gentleman may blame the Democratic Party if he wants to; that is fair criticism. The gentleman is within his right if he wants to attack the National Democratic Committee or the Democratic Party. I might defend it and I might not, but when he attacks the President for that I respectfully submit that the gentleman's reasoning is not consistent, is not correct; and the gentleman is not drawing the proper lines of distinction. [Applause.]

Mr. HOFFMAN. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Michigan is recognized for 5 minutes.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield to permit me to submit a unanimous-consent request?

Mr. HOFFMAN. I yield.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. HOFFMAN. Mr. Chairman, the gentleman from Massachusetts [Mr. McCORMACK] assails the gentleman from Pennsylvania [Mr. RICH], who made bold to attack some of the officials acts of the President. The gentleman from Massachusetts [Mr. McCORMACK] arises to the defense of the President. His contention seems to be that everything that

is said in criticism of the President's acts is a personal assault upon the President. His position is not justifiable.

No one on this side, on the floor or elsewhere, has made any personal attack upon the President; but when a man holds public office, when a man aspires to be and becomes the leader of a great party, then what he does to further the interests of his party; that which he does as leader of his party, as Chief Executive; his policies; the things which he advocates; the example which he gives to others, is proper subject of criticism.

It ill becomes those who belong to the party in whose interest Charles Michaelson, for hire, conducted the "smear Hoover" campaign to be sensitive about criticism of the Chief Executive, who rode into office through the mud slung by Michaelson.

However, "two wrongs never make a right," and, for one, I do not intend to be placed in the position of criticizing the President as an individual. Nor do I intend to fail to criticize his official, his public acts, which involve matters or material to which he has access only because he is President when I deem those acts detrimental to my country.

The gentleman from Massachusetts [Mr. McCORMACK] takes the attitude that so many of you on the majority side assume—that is, that no criticism of the gentleman in the White House can be permitted. Some of you adopt a worshipful attitude, placing him upon a throne over which is printed the warning, "The king can do no wrong." Unfortunately, the fifth year of his reign demonstrates the utter worthlessness of his panaceas, the disaster which follows their application.

The gentleman from Massachusetts [Mr. McCORMACK] asked the gentleman from Pennsylvania [Mr. RICH] whether he contended that the President received the money for the sale of campaign books which bore the President's signature.

Of course, the President did not individually or as Chief Executive receive a cent of the funds derived from the sale of those books. Presumably the money went to the Democratic committee to pay the deficit incurred in the Presidential campaign. But who got the benefit of the sale of those books? The Democratic Party. The sale of those books was political extortion.

Who assisted the Democratic National Committee in levying tribute upon businessmen and officeholders by the sale of those books? The President of the United States assisted. He was a party to the scheme. He sanctioned it. He gave it life by adding his name—his facsimile signature to each book—this while he was Chief Executive of the Nation.

What difference does it make, as a practical proposition, whether the money was paid to him or whether it went to the political organization to repay the money which had been spent to elect him?

Let me ask you this: Who received the benefit when the tickets to the $100-a-plate dinner were sold? Again, it was the Democratic National Committee.

But who helped them sell the tickets? The Chief Executive of the Nation, the President of these United States.

Do you think for one moment that a dinner to any new dealer, no matter what his standing, at $100 a plate would have brought in the shekels as did that dinner? Has anyone any idea that tickets at $100 a plate could be sold for a dinner to any new dealer who was not in public office? Were those $100 tickets purchased because the dinner was given in honor of and was to be attended by an individual? Or were they purchased because the President of the United States was the guest of honor, because he was to be there?

Those tickets, many of them, were sold to clerks in the different departments. Those boys and girls, those young men and women, and some not so young, knew very well that it was to their interest to buy a ticket. Of course, they were not told that they would lose their jobs if they did not purchase. Nothing so crude as that. But was there any doubt as to what they understood?

Do you think for one moment that anyone in any of the departments who was requested to buy would refuse, if he or she had the money, if that person desired advancement or wished to stand well with the administration? Was any so hungry that he or she would pay $100 for one dinner?

Oh, you sold those tickets to departmental employees on the installment plan, which the President so recently condemned. They were sold $25 down, $25 in April, $25 in June, and $25 in October, or on some such scale.

Many of those employees did not have the $100. Nevertheless, they bought. The fair inference is that they bought to hold their jobs, to be in line for advancement, to "stand well" with the organization. Where was your famed civil service and the protection it is supposed to give?

Mr. SACKS. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN. No.

True, since the attention of the public was called to the fact that the President had been offered, according to the newspapers, $100,000 for some of the material, a part of which he acquired while he was President, and because of the fact that he was President, and $75,000 by another magazine for certain other material, it has been stated in the public press by his secretary that the profit he will receive for his writings will be used for some useful purpose other than for his own individual benefit.

If that statement means no more than did the Democratic platform which he adopted 100 percent, or his campaign promises to effect a 25 percent reduction in governmental expenditures, or the promise that the country would not go off the gold standard, then God help those charities which depend for existence upon the receipt of the profits from his literary efforts. There may be no profits.

It is reported that Vice President Garner, when requested to give radio lectures for a consideration, replied, in substance, "What Jack Garner says is not worth a nickel; what the Vice President of the United States says is not for sale." To most of us the proper, the commendable attitude.

That was the attitude adopted and followed by President Coolidge, by President Hoover.

The office of President of the United States is a great office, the most exalted position in all the world. The occupant of that office, the Chief Executive of our Nation, holds perhaps greater power than any individual in the world today.

While a man is in that office, while he holds that exalted position, while he is the spokesman for more than 130,000,000 people, while the people of the world look to him to uphold the torch of democracy, should he not see to it, he having the power, he being the head of the family, that no taint of commercialism, no desire for profit—a desire which he condemns so bitterly and so unceasingly—should manifest itself anywhere in the shadow of his name and position?

If a Roosevelt permits the use of a picture, of a signature, in endorsement of a baking powder ad, an ad which appears in a monthly magazine; if other members of the family and the Executive himself engage in commercial enterprises which return a profit, not only because of the ability of the individual members of that family which go into the success of those enterprises but return an added profit because of the glamor of the name, of the position held by the head of the family, then the Chief Executive should be more charitable in his criticism of those whom he is pleased to term economic royalists. He should have more of charity for those who believe in the profit motive.

Perhaps no criticism should be made. I make none. The gentleman from Massachusetts [Mr. McCORMACK] is right when he asserts that we should not criticize the President as an individual. He is wrong—absolutely wrong—if he contends that the President, as President, is above criticism. The gentleman from Pennsylvania [Mr. RICH] is correct when he calls attention to the activities of the President and the policy of the President in dealing with matters which come to him across his Executive desk, which come to him and are discussed by him as President. [Applause.]

Mr. TABER. Mr. Chairman, this is another attempt on the part of the subcommittee in charge of this bill to raid the bill. It has not been necessary for Members outside the

committee to attempt to raid this bill, because the members of the subcommittee on the majority side have come in here and raided it. Yesterday we had a raid of $500,000. We now have another member of the subcommittee on the majority side attempting a raid of $250,000.

What are the facts with reference to this proposition? In last year's bill for this particular project $750,000 was appropriated. At the time the hearings were held just 2 or 3 weeks ago, Mr. Page, the Chief of the Reclamation Bureau, told the committee, as will be seen from page 324 of the hearings, that the money was there and had not been spent. The committee reduced the Budget estimate down to $100,000. Now, when the money has not been spent, when it is all available, as was testified by the Chief of the Bureau of Reclamation, are you going to raise the committee's own recommendation on the representation of a member of the subcommittee himself? I think it is about time that the House of Representatives put its stamp of disapproval upon this type of conduct on the part of members of the subcommittees.

If a minority member reserved the right, that is one thing, but if a majority member comes in here and continually raids the bill without even having the question raised in the Appropriations Subcommittee and the minority members not knowing what is going on, I say it is a ridiculous situation.

Mr. JOHNSON of Oklahoma. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Oklahoma.

Mr. JOHNSON of Oklahoma. I know the gentleman wants to be correct in his statements. Again I must advise the gentleman from New York that he is in error. I am advised the minority members were told of this and we were assured they would not be opposed to it. Furthermore, the gentleman from Pennsylvania gave assurance that he was not opposed.

Mr. RICH. I may say that the clerk came back there to the back of the room and spoke to me about a project, but I thought it was an entirely different project than this one. He did speak to me about a project, but I told him I had not talked about this particular project. He mentioned to me about a project, and I thought it was another project, because another Member was mentioned as being interested, but when this comes in here as a recommendation from the President of the United States to raise this item I think it is about time to break the camel's back, because he has been raising everything.

Mr. JOHNSON of Oklahoma. Then the gentleman admits he again was mistaken.

Mr. RICH. I may say the clerk spoke to me about a project, but I did not think it was this particular project.

Mr. JOHNSON of Oklahoma. What project did the gentleman think it was?

Mr. TABER. Mr. Chairman, regardless of all that, it is ridiculous to turn over more than $850,000 to this Bureau, so that it may go ahead with this project. An item of $100,000 was approved by the whole committee. In addition, may I say this is a project which will cost a lot of money, and I do not see how the committee can justify raising the amount $250,000.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Nevada [Mr. SCRUGHAM].

The question was taken; and, on a division (demanded by Mr. JOHNSON of Oklahoma) there were—ayes 45, noes 43.

Mr. TABER. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed Mr. JOHNSON of Oklahoma and Mr. TABER to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 54, noes 47.

So the amendment was agreed to.

The Clerk read as follows:

Yakima project, Washington, Roza division, $1,000,000.

Mr. TABER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: On page 80, line 14, strike out all of line 14.

Mr. TABER. Mr. Chairman, in offering this amendment I am attempting to strike $1,000,000 from the Yakima project in Washington. The total cost of this project is estimated to be $18,000,000. There are about 200,000 acres involved and the cost per acre therefore will be about $90.

May I call attention to some facts which have not been fully developed. Nowhere is there a statement in the record of the hearings showing the amount of money unexpended from the large sums allocated to this project. There have been items totaling approximately $10,000,000 allocated prior to this time.

It seems to me it is an absolutely ridiculous proposition to go ahead on such a project as this without having a frank statement and a complete picture before the committee. It would seem as if we should slow down on this construction because the time has arrived when we are being asked to raise four, five, or six hundred million dollars for farm-relief purposes. We ought to cut this item down. We ought to reduce appropriations for such things as this until the time arrives when there is not sufficient land available without the development of these new projects. If we go ahead with them, the American agricultural situation will continually grow worse and worse. I know some of the folks will tell you that these projects do not raise competitive crops, but, of course, those of us who have studied the situation know better than that. These acres will raise corn, wheat, cotton, grapes, apples, dairy products, and all of those things which compete with all the other farming territory in the country. We should not therefore go on developing these things, especially when the committee has offered no facts to justify any such appropriation.

Mr. HILL. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Washington.

Mr. HILL. Is the gentleman going to vote for the big navy bill?

Mr. TABER. I do not know what the big navy bill will contain.

Mr. HILL. Everybody knows what is in it.

Mr. TABER. Oh, no; they do not.

Mr. HILL. I just wanted to know if the gentleman is going to vote for it.

Mr. TABER. That depends on what it contains. Some things have been recommended that I would vote for, while there are other things recommended that are not in the interest of national defense.

Mr. HILL. We are interested, and we will watch the gentleman's vote.

Mr. TABER. The gentleman from Washington is asking an extraneous question. He is like the rest of the gentlemen from the various reclamation territories who do not meet issues squarely and on their merits, and they dare not, because the measures they bring before this House are not such that they can be justified.

[Here the gavel fell.]

Mr. HILL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, we are going to watch this watchdog of the Treasury and see how he votes. He says he is trying to protect the Treasury to see that money is not spent, but we are going to see how he votes on the Navy bill.

We from Washington were complimented the other day by the gentleman from Pennsylvania [Mr. RICH] because we cooperated. If you will examine the records, you will find this particularly true of the entire Washington delegation—both House and Senate—for the past seven sessions. That is a lesson which we learn early in the great open spaces of the West. Cooperation will mean the development of the greatest section of the United States, the Northwest. More than this even, we want to cooperate with Members from all sections to develop the greatest and most favored land in the whole world and make of it the workshop, the playground, the home of a contented and peace-loving people.

I think we do have a good reason to cooperate in the matter of reclamation. As the gentleman from Washington [Mr. LEAVY] stated yesterday, it is because we believe we have projects of merit.

This is not a sectional proposition. On this subcommittee is the gentleman from New York [Mr. FITZPATRICK], who went out West and saw these projects. It is said of Caesar that he said: "Veni, vidi, vici—I came, I saw, I conquered."

The gentleman from New York came out there and he could say, "I came, I saw, and I concurred." He saw what was being done and realized the value of it. I invite these vociferous opponents of reclamation to do likewise, come out and be convinced of the ultimate value of reclamation to the people of the whole Nation. This is not a partisan proposition. I call your attention to the fact that many of these irrigation projects out West were started by Republicans, our predecessors.

There are two or three points I want to bring out. The first one is that all of these power projects are going to pay for themselves. This is not a theory, it is a fact. Boulder Dam is now paying back $2,000,000 this year. Every one of these projects is going to pay back what it cost; yes, more. In years to come when the cost is repaid they will be a source of revenue to the Federal Government.

Second, these irrigation projects will also pay for themselves. It has been denied here that the irrigation projects will do so, but it has been shown to the subcommittee and the whole Committee on Appropriations that these projects, including the Yakima project, have paid back 98 percent of what they have cost. These facts are all available from the Reclamation Bureau.

The gentleman from New York made a misstatement in saying there were 200,000 acres in this project. This shows he does not know what he is talking about. If you will look at the report you will find there are only 76,000 acres involved.

Mr. TABER. If the gentleman will yield, at the bottom of page 324 it is shown there are three divisions, with 102,600 acres in the Sunnyside division, 30,000 acres in the Tieton division, and 72,000 acres in the Kittitas division. The total is a little over 200,000 acres.

Mr. HILL. That is the whole Yakima project, not the Roza division. The Roza division has only 76,000 acres. The gentleman does not understand what he is talking about. I suggest the gentleman read the facts.

Mr. TABER. I am reading from the hearings.

Mr. HILL. That is the whole Yakima project. The Roza is only a part of it.

In the third place, I call your attention to the fact this acreage is very small as compared to all the acreage in the entire United States. May I also call attention to the fact that in the last 18 months 12,000 families, comprising 60,000 men, women, and children, have come into Oregon, Idaho, and Washington asking for homes. What are we going to do with them? Turn them away? Or are we going to build up these projects that have already been started and give them homes?

May I further call your attention to the fact that all the States in the Union are recipients of the good that comes from these projects. You get many benefits. The gentleman says New York gets no benefit from them. Again he does not know what he is talking about. New York sells its factory commodities to the people on the projects that have been constructed and also material for those that are being built. That is true of New Jersey, Illinois, and practically every other State in the East and Middle West.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. HILL. I yield to the gentleman from Washington.

Mr. LEAVY. For the benefit of the gentleman from New York [Mr. TABER]—and I suggest that he further read the hearings—is it not also a fact that if the Roza project is not completed the Federal Government will actually lose the $4,000,000 which is charged to that land for the six storage dams that furnish water for the Sunnyside, Tieton, and Roza divisions?

Mr. HILL. Yes; and especially is this true of the Cle Elum Dam constructed to store water for the Roza.

In conclusion, may I say that we from the great West support flood-control projects in the East and Middle West, even though the money is not repaid, because they are necessary and worth while. We support Federal housing projects in large eastern cities because slums are both a danger and disgrace to America. We believe in a constructive program for every section to relieve suffering and establish economic security.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 9, noes 47.

So the amendment was rejected.

The Clerk read as follows:

Kendrick project, Wyoming, $750,000.

Mr. LAMBERTSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LAMBERTSON: On page 80, strike out all of line 15.

Mr. LAMBERTSON. Mr. Chairman, I do not expect this amendment to be agreed to, although it should be. I may say I do not have it in for my good friend from Wyoming [Mr. GREEVER]. He grew up in my district. We belong to the same college fraternity and are good friends. I will take this all out of the RECORD. Therefore I do not want you to think I have it in for the gentleman from Wyoming.

Mr. GREEVER. Mr. Chairman, will the gentleman yield?

Mr. LAMBERTSON. I yield to the gentleman from Wyoming.

Mr. GREEVER. I hope the gentleman will not take that part out of the RECORD, because I coincide in that.

Mr. LAMBERTSON. It is very kind and generous of the gentleman I am sure.

I have a brief speech I want to make, but before I start it I want to go back to the Roosevelt family. The gentleman from Utah [Mr. ROBINSON], who was successful with his amendment a minute ago, is the same gentleman who a year ago stood here and asked us to vote for the six executive assistants to the President. The President asked for six assistants who had a passion for anonymity. Jimmy got one of the places. The gentleman from Massachusetts [Mr. MCCORMACK] demonstrated here this afternoon that Jimmy had no passion for anonymity. He said Jimmy went every place in Massachusetts in the last campaign defending the President by speaking on the platform, yet he got one of these places at $10,000 because he has a passion for anonymity. That is all I have to say about the Roosevelt family at this time.

On yesterday I read into the RECORD 21 irrigation projects that the President of the United States—yes, I do get back to that family—started with relief money.

This Casper-Alcova or Kendrick's project was the one that the President started after the engineers twice rejected it as not worth while.

Of course, as I say, that does not include the parks, the St. Louis Jefferson Memorial, the Skyline Drive, the Natchez Trace, and all those other things, but just 21 irrigation projects.

I have a resolution before the Rules Committee to investigate the St. Louis Jefferson Memorial, and they will not give me a hearing, and two or three have intimated to me that we cannot have anything investigated that the President of the United States has started, although the corrupt bond election for matching was subsequent. The President put that money into St. Louis and we cannot investigate it because the President started it, no matter what may have happened since. Is the Rules Committee going to deny all of us any opportunity to investigate any of these 21 projects in the future with respect to fraud, just because the President started them with relief money? Is the same rule going to hold so that we can never have any of these gigantic things investigated, no matter how corrupt they may become, because the President started them?

If you cut out this item, with all due respect to my friend from Wyoming, you will save just the $750,000 that they

have put in the bill in 2 days, the $500,000 put in yesterday and the $250,000 put in a little while ago. We can save the whole thing right here.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. LAMBERTSON].

The amendment was rejected.

The Clerk read as follows:

For administrative expenses on account of the above projects, including personal services and other expenses in the District of Columbia and in the field, $750,000, in addition to and for the same objects of expenditure as are hereinbefore enumerated in paragraphs 2 and 3 under the caption "Bureau of Reclamation"; in all, $7,160,000: *Provided*, That of this amount not to exceed $75,000 may be expended for personal services in the District of Columbia.

Mr. RICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 80, line 24, strike out "$7,160,000" and insert "$5,000,000."

Mr. RICH. Mr. Chairman, I am a good bit like the gentleman from Massachusetts—I do not ask anybody to take care of me and I do not want anybody to take care of anybody unless they need such care.

I ask here to cut this appropriation for reclamation by $2,160,000.

If you will read the justification of the Department, you will understand why I made the statement I did a while ago. Practically all of the large appropriations that have been made for reclamation have been made by the President of the United States under P. W. A. allotments. He started these projects and then he comes in here and asks you to finish them. Many of these projects, it will be found out later on, do not have the merit we were told they had.

I want to say here and now to the Members of the House and to the public and to the world that I have not a thing against Mr. Roosevelt personally, not one thing. I am just objecting to the things that Mr. Roosevelt has done, and this is the point which I wanted to make awhile ago. I would not say one word against his character or against him personally. I do not wish to hurt him or anybody else. I simply want you to consider the justifications that have been offered for the things we have been doing in the last 5 or 6 years. If you will consider them I am sure you will object to a lot of them and will agree it was money foolishly spent. If you will consider the justifications you will find that many of these projects were started with a $5,000,000 grant or a $1,000,000 grant from the President of the United States, and then a year or two later they came in here and asked for $500,000 or for $1,000,000 to carry them on. Then they carried them on and on and on until they spent, with the original grant of $1,000,000 by the President, as much as $175,000,000 before completing them.

As the testimony shows here today on many of these projects you have spent more than the ground will ever be worth, and I do not believe you will ever get out of many of them any money whatever, because on some of the projects the ground is not good for the money expended upon it.

It seems to me if Congress is going to handle the reclamation of land, if Congress is going to look after the business end of this country, the Congress ought to be responsible for starting such matters and we should not put all of our faith and all of our trust and all of our business judgment at the other end of the Avenue. This is not his business, but your business.

[Here the gavel fell.]

Mr. JOHNSON of Oklahoma. Mr. Chairman, I shall not enter into any extended argument, but rise merely to observe at this time that the gentleman's remarks are typical of his general attitude toward this and other legislation. Addressing the Committee only a few moments ago, the ucually genial gentleman from Pennsylvania was impugning the motives of the President of the United States, casting all kinds of personal criticisms and ugly and uncalled-for insinuations. Not only was the gentleman so unkind and thoughtless as to impugn the motives of the President of the United States but he also was willing to attempt to slur the President's family. Then a few moments later, running true to form, some of you heard him come back on the floor and make a half-way apology and assured the House that he did not mean what he had said. Of course, all of us knew he knew better at the time. All of which reminds me that during the hearings the gentleman was overgenerous in complimenting the heads of the various departments and others who came before the committee, many of which he has severely criticized on the floor of this House. In the committee he often said, "If all departments functioned in the splendid way that yours is functioning there would be no criticism." But the other departments were the ones he was always after. The others were "bad actors." The printed hearings, as well as every member of our subcommittee, will bear out my statement. I shall be glad to point to pages in the record if the gentleman from Pennsylvania desires. For instance, the gentleman complimented the Bituminous Coal Commission, the Bureau of Mines, the Consumers Counsel, the General Land Office, the Bureau of Education, and especially was he complimentary in the committee of Governor Crammer in the conduct of the Virgin Islands.

Mr. RICH. Why, the gentleman does not know what he is talking about.

Mr. JOHNSON of Oklahoma. I have not yielded to the gentleman; but I will say that the record speaks for itself. The gentleman evidently gets a lot of pleasure out of castigating the committee as well as all who are in any way connected with the Interior Department, and yet the hearings are full of very complimentary remarks that the gentleman from Pennsylvania made about those who appeared before our committee during the hearings. The gentleman now wants to eliminate an item of $2,500,000 which he declares by all that is good and holy is a waste of money. But judging from his previous actions who can say he will not within a few moments come before the House and say that he did not mean it, that he was all wrong, and mistaken? The gentleman knows, I am sure, that I have nothing but the very kindest feeling for him, but unfortunately the gentleman rides both ways at the same time and meets himself coming back. [Laughter.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The amendment was rejected.

The Clerk read as follows:

The Public Works Administration allotments made available to the Department of the Interior, Bureau of Reclamation, pursuant to the National Industrial Recovery Act of June 16, 1933, either by direct allotments or by transfer of allotments originally made to another Department or agency, and the allocations made to the Department of the Interior, Bureau of Reclamation, from the appropriation contained in the Emergency Relief Appropriation Act of 1935 and the Emergency Relief Appropriation Act of 1937, shall remain available for the purposes for which allotted during the fiscal year 1939.

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph upon the ground that it is not authorized by law.

The CHAIRMAN. Does the gentleman from Nevada desire to be heard on the point of order?

Mr. SCRUGHAM. Mr. Chairman, the unexpended balances proposed to be appropriated by this paragraph are lawful projects which have qualified as being in order under the rules of the House for one or more of the following reasons:

First. That they are for improvements of existing projects.

Second. That the work on them is in progress.

Third. That there has been a finding of feasibility by the President, which automatically authorizes appropriations, as provided by the reclamation law, title 43, sections 412, 413, and 414.

The CHAIRMAN. The gentleman from Nevada states that all of these projects are already under way and that this paragraph simply reappropriates money already available.

Mr. TABER. These allotments have been made for all sorts of projects not authorized by law, and yet the adoption of this provision would authorize every project that has not yet been authorized for which an allotment has been made

The CHAIRMAN. The gentleman states that these projects are already under way.

Mr. TABER. That would not authorize them.

The CHAIRMAN. It authorizes reappropriation of appropriations heretofore made if the work is in progress. The Chair, therefore, overrules the point of order.

The Clerk read as follows:

The last line of section 10 of the act of April 1, 1932 (47 Stat. 75), as amended by the act of March 3, 1933 (47 Stat. 1427), and by the act of June 22, 1936 (49 Stat. 1757), is hereby further amended by substituting "1940" for "1938."

Mr. TABER. Mr. Chairman, I make the point of order against that paragraph that it is legislation on an appropriation bill.

The CHAIRMAN. Does the gentleman from Nevada care to be heard on the point of order?

Mr. SCRUGHAM. It is all a part of the same matter.

The CHAIRMAN. It appears here that there is some change in one of the acts.

Mr. SCRUGHAM. That is true.

The CHAIRMAN. The Chair sustains the point of order.

The Clerk read as follows:

Total, from reclamation fund, $7,974,600.

Mr. SCRUGHAM. Mr. Chairman, I offer the following amendment for the purpose of correcting the total.

The Clerk read as follows:

Amendment offered by Mr. SCRUGHAM: Page 81, line 24, after the word "fund", strike out "$7,974,600" and insert "$8,224,600."

The CHAIRMAN. The question is on agreeing to the amendment.

Mr. RICH. Mr. Chairman, I move to strike out the last word. Again we are going to increase the total. A while ago the chairman of the subcommittee, the gentleman from Oklahoma [Mr. JOHNSON], spoke about my congratulating witnesses who were before our subcommittee. I venture the assertion that every one of those congratulations came because of the fact that they had cut down the appropriations, because they had done something to try as best they could to conserve the expenses of the Government, and do it in a business way, and I would congratulate anybody that does that. We are now going to raise this amount again, and if you want my congratulations, you will have to reduce the amount of this appropriation.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Nevada.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 47, noes 8.

So the amendment was agreed to.

The Clerk read as follows:

Boulder Canyon project (All-American Canal): For continuation of construction of a diversion dam and main canal (and appurtenant structures), located entirely within the United States, connecting the diversion dam with the Imperial and Coachella Valleys in California; to acquire by proceedings in eminent domain, or otherwise, all lands, rights-of-way, and other property necessary for such purposes; and for incidental operations, as authorized by the Boulder Canyon Project Act, approved December 21, 1928 (43 U. S. C., ch. 12A); to be immediately available and to remain available until advanced to the Colorado River Dam Fund, $500,000, which amount shall be available for personal services in the District of Columbia (not to exceed $5,000) and in the field and for all other objects of expenditure that are specified for projects hereinbefore included in this act under the caption "Bureau of Reclamation, administrative provisions and limitations," without regard to the amounts of the limitations therein set forth.

Mr. TABER. Mr. Chairman, I make a point of order against the words in lines 24 and 25 reading "without regard to the amounts of the limitations therein set forth" on the ground that it is legislation on an appropriation bill.

The CHAIRMAN. Does the gentleman from Nevada care to be heard on the point of order?

Mr. SCRUGHAM. Mr. Chairman, it is perfectly obvious that this is simply a limitation and is clearly within the rules.

The CHAIRMAN. It seems to be a removal of limitation rather than a limitation.

The Chair finds that this exact provision was carried in last year's appropriation bill for the Department of the Interior, as shown by the RECORD of May 17, 1937, page 4686. A similar point of order was made to this exact language by the gentleman from Massachusetts [Mr. WIGGLESWORTH]. The Chairman of the Committee of the Whole at that time, in ruling upon the point of order, used this language:

There is no point made here that the provisions referred to are not covered by authorization of law. It is apparent from examining this provision, and referring back to the provisions contained on page 68, that the purpose here is to remove certain limitations imposed by the language on page 68 under the heading, "Administrative provisions and limitations." Therefore the Chair is of the opinion that this language is not subject to a point of order, and overrules the point of order.

It seems to the present occupant of the chair that manifestly that decision was correct and was applicable to the provisions of the measure under consideration.

The Chair, therefore, overrules the point of order.

The Clerk read as follows:

GENERAL FUND, CONSTRUCTION

For continuation of construction of the following projects and for general investigations in not to exceed the following amounts, respectively, to be expended from the general fund of the Treasury in the same manner and for the same objects of expenditures as specified for projects included hereinbefore in this act under the caption "Bureau of Reclamation," and to be reimbursable under the reclamation law.

Mr. LEAVY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LEAVY: Page 84, line 8, after the word "reimbursable", insert "except as to the Colorado River project, Texas."

Mr. TABER. Mr. Chairman, I make a point of order against the amendment on the ground that it is legislation on an appropriation bill. It excepts the Colorado River project from reimbursing its cost to the Government. It is a general provision of all these reclamation acts that these things shall be reimbursable to the Treasury. This is supposed to be authorized by Public, No. 392, of the Seventy-fifth Congress. Whether it is or not I do not know, but if it is, then this is an amendment of that act, as I understand it.

The CHAIRMAN. Does the gentleman from Washington desire to be heard upon the point of order?

Mr. LEAVY. Yes, Mr. Chairman.

The CHAIRMAN. The Chair will hear the gentleman.

Mr. LEAVY. This is the Colorado River in Texas, not the Colorado River that flows through the State of Colorado and the Western States.

Mr. TABER. That is just the project to which I referred and the act to which I referred.

Mr. LEAVY. And it is not a reclamation project in any sense; it is a flood-control project. The act to which the gentleman referred expressly provides:

The Marshall Ford Dam, Colorado River project in Texas, is hereby authorized and adopted, and all contracts and agreements which have been executed in connection therewith are hereby validated and ratified. The Secretary of the Interior through such agents as he may designate, is authorized to construct, operate, and maintain such structures and incidental work necessary to such projects and in connection therewith to make and enter into any and all contracts including contracts amendatory of and supplemental to those that have been already made.

It is authorized in the Flood Control Act.

Mr. TABER. Mr. Chairman, may I be heard further on the point of order?

The CHAIRMAN. The Chair will hear the gentleman.

Mr. TABER. I call the Chair's attention to page 350 of the hearings, the paragraph entitled "repayment," about halfway down the page. Unfortunately I did not have all

these acts with me. I just had the Reclamation Bureau's information. This statement is made in the hearings:

Repayment: The allocation to the Lower Colorado River Authority was made under the terms of the Emergency Relief Act of 1935. Of the $15,000,000 then allocated, $4,500,000 was a grant. The balance, a loan of $10,500,000, is to be returned from revenue and is secured by revenue bonds.

The construction of the Marshall Ford Dam is authorized in section 3 of the Rivers and Harbors Act, approved August 26, 1937 (Public, 392, 75th Con., 1st sess.). The repayment of the funds allocated to the Department of the Interior (Bureau of Reclamation) under the terms of the Emergency Relief Acts of 1935 and 1937 is not provided for, as the construction of this dam is primarily for flood-control purposes.

The CHAIRMAN. Does not the gentleman think the last language he just read takes it out of the reclamation field?

Mr. TABER. No. Repayment of funds allocated to the Department of the Interior under the terms of the Emergency Relief Act is not provided for, as the construction of this dam is primarily for flood-control purposes. That is true, but the statement is made in the preceding paragraph that the loan of $10,500,000 is to be returned from revenue. How can this be done if the repayment clause is repealed by this amendment? Frankly, I have not had an opportunity to look at all these statutes, because I did not know that this amendment was going to be offered.

The CHAIRMAN. The Chair is ready to rule.

As the Chair understands the language just read by the gentleman from New York, the original work in that section probably was made possible under the Emergency Relief Act; but the Marshall Ford Dam, the particular project under consideration, was duly authorized under the Rivers and Harbors Act, 50 Statutes at Large, beginning at page 844. Under section 3 of that act the Marshall Ford Dam is specifically authorized.

The money is authorized to be appropriated out of the general fund of the Treasury. Under the provisions of this appropriation bill, to which reference has been made, there is authorization for continuation of certain projects.

Under the language contained in this paragraph, the money would be reimbursable, notwithstanding this other provision, unless it was excepted from the provision requiring reimbursement. It is my understanding that the purpose of the amendment offered by the gentleman from Washington is to take it out of the requirement of the reclamation law and leave it under the terms of the general act.

Mr. LEAVY. That is my object.

The CHAIRMAN. The Chair overrules the point of order.

Mr. LEAVY. Mr. Chairman, this amendment is required as a result of a misapprehension on the part of the subcommittee when the particular item was being considered. The matter has been submitted since the committee prepared the bill to every member of the subcommittee, and, possibly with a single exception, every member is of the opinion the amendment should prevail.

Mr. Chairman, if the amendment does not prevail, it will be impossible to complete this important and badly needed flood-control project in Texas. If it does prevail, it will be impossible to complete this $25,000,000 flood-control project in the State of Texas. A large portion of the cost of this great undertaking will be repaid by the Colorado River Authority of Texas. This is not a reclamation project, even by a very remote stretch of the imagination.

Mr. RICH. Will the gentleman yield?

Mr. LEAVY. I yield to the gentleman from Pennsylvania.

Mr. RICH. I have had this explained to me just recently. When each one of these dams was constructed by the State, they were constructed through funds loaned by the P. W. A. to the extent of $13,000,000?

Mr. LEAVY. I think that is true.

Mr. RICH. With the expectation that money was to be paid back out of the sale of power generated at these various dams. It is also my understanding that the Federal Government gave $10,000,000 to construct this large dam.

Mr. LEAVY. Marshall Ford Dam; yes.

Mr. RICH. This $2,000,000 is appropriated for the purpose of completing the dam for which the Federal Government gave $10,000,000. Now, I do not want to make a misstatement. If the other dams were to be paid for out of the power derived from the generating plant located at all these dams, how can the gentleman call it a flood-control proposition? If this money that was lent has to be paid back from power so generated, then tell me why they should not pay this $2,050,000 added to the $15,000,000 that they have previously agreed to pay back? If the gentleman can explain that to the House and to the Members of this Congress, then I would like to have him do it.

Mr. LEAVY. I do not know whether I can do it in the limited time I have left at my disposal; but may I say, this is a straight flood-control proposition at Marshall Ford Dam and the expenditure of this $2,000,000 will make practical and feasible four or five upper dams, which in turn will get revenue from the sale of power to pay back the loan. The power feature is only an incidental feature of the structures, flood control being the primary purpose.

Mr. CARTER. Will the gentleman yield?

Mr. LEAVY. I yield to the gentleman from California.

Mr. CARTER. Was it not the understanding that in connection with this flood-control problem the State was to erect and pay for a certain number of these dams?

Mr. LEAVY. I think that is correct.

Mr. CARTER. And the Federal Government was to pay for this particular dam?

Mr. LEAVY. That is true. The gentleman correctly states the facts.

Mr. RAYBURN. The gentleman is correct; yes.

Mr. LEAVY. That is my understanding of the situation.

Mr. RICH. Before this matter is completely disposed of, I would like to have a Member or Members from Texas explain this to the House because I think it is very pertinent. They ought to do one of two things, either justify this from the standpoint of the Federal Government or not, and I believe the Members from Texas ought to be given the opportunity to do so.

Mr. LEAVY. I have no objection to the energetic and brilliant young Congressman, Mr. LYNDON B. JOHNSON, in whose district this project is located, explaining this matter.

The facts I have just stated and all of the material upon which I base those facts were heretofore furnished me by Congressman LYNDON B. JOHNSON, who represents the district in which Marshall Ford Dam is located and who is rapidly demonstrating to this House that he is a worthy successor of the late Hon. James P. Buchanan, who for many years represented the district and who at the time of his death was chairman of the great Appropriations Committee of the House.

Mr. JOHNSON has not alone fully informed me as to the facts in connection with this appropriation item, but he has ably presented it to every member of my subcommittee. Were it not for the fact that under procedure here an amendment such as this should be offered by a member of the subcommittee since it has that committee's approval, Mr. JOHNSON would himself have offered the amendment. It certainly was through no fault of his that the matter was not fully explained at the time this item was under consideration before our subcommittee when hearings were being held. The fact is he personally brought it to my attention before it was even considered by our committee, but with the scores of matters that were requiring my attention and the haste involved in preparation of the bill, I overlooked it. I feel privileged to have an opportunity to correct my own error and to call to the attention of my colleagues here the fact that I have received all the information that I have presented in support of this amendment from the Congressman representing the district in question, the gentleman from Texas, Mr. LYNDON B. JOHNSON.

It seems to me it is so self-evident that this does not belong in reclamation, that additional explanation is unnecessary. It is not reimbursable. It has no place in the reclamation revolving fund. It is a straight out-and-out flood-control matter.

Mr. Chairman, the amendment ought to prevail. It would be useless to pass this appropriation without it. The people of Texas must be allowed to complete this necessary and worthy undertaking.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington [Mr. LEAVY].

The amendment was agreed to.

The Clerk read as follows:

Central Valley project, California, $9,000,000, together with the unexpended balance of the appropriation for this project contained in the Interior Department Appropriation Act, fiscal year 1938, with authority in connection with the construction of the Central Valley project, California, (1) to purchase or condemn and to improve suitable land for relocation of highways, roadways, railroads, telegraph, telephone, or electric transmission lines or other properties the relocation of which, in the judgment of the Secretary of the Interior, will be necessitated by construction or operation and maintenance of said project, (2) in full or part payment for said properties to be relocated to enter into contract with the owners of said properties to be relocated whereby they undertake in whole or in part the property acquisition and work involved in relocation and, in said Secretary's discretion, to pay in advance for said work undertaken by said owners; and (3) to convey or exchange acquired rights-of-way or other lands or rights-of-way owned or held by the United States for use in connection with said project, or to grant perpetual easements therein or thereover, or to undertake improvement or construction work connected with said relocations, for the purpose of effecting completely said relocations.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 84, line 9, strike out "$9,000,000" and insert "$5,000,000."

Mr. RICH. Mr. Chairman, this project is another one that was started from emergency relief funds and will eventually cost $170,000,000. It is sought by this project to take water from the Sacramento River over to the other end of the San Joaquin Valley, a distance of 400 miles. Remember this, you are going to take this water 400 miles either by pumping it or by gravitation.

I question very much whether there will be accomplished what the people in California hope will be accomplished, although I hope they will after the Government spends $170,000,000 on the project.

If we give them $5,000,000 this year, I believe we are giving them a generous amount, because it will be a good many years before the project is finally completed, and there is no reason why it should be completed during the next year.

Mr. CARTER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this project is most important to the State of California. As I understand, the amendment of the gentleman from Pennsylvania reduces the amount from $9,000,000 to $5,000,000. Permit me to say the Commissioner of Reclamation in sending estimates to the Bureau of the Budget asked for $14,000,000 for the purpose of carrying cut this very important project. This amount was scaled down by the Bureau of the Budget to $9,000,000, and this is the least amount with which this project can be carried on in an economical and expeditious manner. Every cent of this money is needed. I trust the Committee will see that the $9,000,000 remains in the bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was rejected.

The Clerk read as follows:

Grand Coulee Dam project, Washington: For continuation of construction of Grand Coulee Dam and appurtenant works, $13,000,000, together with the unexpended balance of the appropriation for this purpose contained in the Interior Department Appropriation Act, fiscal year 1938: *Provided*, That not to exceed $250,000 of this appropriation may be used for the purposes set out in section 2 of the act of May 27, 1937 (Public, No. 117, 75th Cong.).

Mr. LAMBERTSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LAMBERTSON: On page 85, line 12, strike out "$13,000,000" and insert "$10,000,000."

Mr. LAMBERTSON. Mr. Chairman, in view of the fact the Grand Coulee Dam is much larger than Boulder Dam, and is the greatest and most expensive irrigating project, probably, in the Rocky Mountain States, with the possible exception of the Central Valley project, and in view of the fact the project was started with emergency relief funds, I am offering this slight amendment to the proposition, which carries a $13,000,000 increase this year and will mean an ultimate charge with its appurtenances against the Government of $75,000,000. If I am wrong in that amount, the gentleman from Washington will correct me.

Mr. LEAVY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the gentleman from Kansas seems to have almost an obsession against anything that had its origin in an emergency fund expenditure. I know there are numerous undertakings throughout this country which in the light of present knowledge we might say were not wise, but the large majority justify themselves by what they did to relieve human misery and better the lot of millions of Americans.

With regard to the Coulee Dam, and I believe I speak advisedly even though I recognize the fact I am a partisan in connection with this matter, this dam will stand out in American history as one of the greatest undertakings of its kind in this period of time.

Mr. LAMBERTSON. Mr. Chairman, will the gentleman yield for a question?

Mr. LEAVY. I am sorry; I have only 5 minutes.

This is the key dam on the mightiest river for power purposes on the North American Continent. The Columbia River is the second river in point of flow in the United States. With all due respect to the great Colorado River and the Boulder Dam, when Coulee Dam is finished five times as much water will flow across the dam in a given time as over Boulder Dam. There will be a development of 1,800,000 kilowatts of electrical energy, primary and secondary. In 20 or 25 years 1,200,000 acres of the richest land on the face of the earth will be brought into production, making available homes for several hundred thousand Americans.

I say this advisedly. Why? I know of a 95-acre farm in that district which last year pumped well water from a depth of 100 feet; paid a power charge of $26 per acre, and still made a net return of $50 per acre above this charge in the production of apples. This is right in the heart of the region that will ultimately be irrigated by the Coulee Dam.

I know what some of the critics say, and I know what the private power people say. They ask, "What are you going to do with the power?" Let me answer that question by asking another. Can you show me a place in the United States or a place anywhere in the world where more electrical energy is produced than can be consumed locally if the rates are fixed at the right figure?

Mr. O'NEAL of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. LEAVY. I cannot yield now; my time is so limited I have just another thought I want to bring out, and then I will certainly yield to my fair-minded and genial colleague the gentleman from Kentucky.

Do you know that within a few hundred miles of this giant power development there lie the greatest phosphate beds on the face of the earth. Six billion six hundred million tons of raw phosphate are available there. Within the the next day or two we will receive a message from the Chief Executive with respect to phosphate and its significance in our national life and development. The T. V. A. has demonstrated that cheap electrical energy makes phosphate available. This deposit in the Northwest is owned by Uncle Sam. It is on forest-reserve land almost entirely. If we develop the power at this project we are assured always of an adequate supply of phosphate upon which all plant and animal life depend. Again let me repeat, the Coulee Dam is the key dam that unlocks the whole Columbia River development. Nowhere in the Nation do we possess a like resource.

[Here the gavel fell.]

Mr. O'NEAL of Kentucky. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 1 additional minute.

Mr. LAMBERTSON. Reserving the right to object, Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes, in order that I may ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. O'NEAL of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. LEAVY. I yield to the gentleman from Kentucky.

Mr. O'NEAL of Kentucky. As a member of the subcommittee and as a Member of the House who has been associated with the gentleman from Washington since his arrival here, I wish to state publicly that no cause has ever had a finer champion or a fairer warrior than the State of Washington and Grand Coulee have in CHARLES H. LEAVY. He has been intelligent, energetic, and always ready to plead the cause of Grand Coulee. I personally believe the State of Washington has in CHARLES H. LEAVY an asset almost equal to what he thinks of Coulee Dam. [Applause.]

Mr. LEAVY. I appreciate this unexpected compliment, but I doubt if I deserve it. The gentleman has not yet come to a full realization of the significance of the Coulee Dam project.

Mr. LAMBERTSON. Will the gentleman please state for my information what is estimated to be the ultimate cost of Coulee Dam, with its appurtenances?

Mr. LEAVY. The ultimate cost of the dam itself is $119,000,000.

Mr. LAMBERTSON. And with all the appurtenances what is to be the cost?

Mr. LEAVY. The ultimate cost of the dam with 18 power units in it is $186,000,000.

Mr. LAMBERTSON. Will the gentleman inform the Committee how many different major irrigation projects the State of Washington has?

Mr. LEAVY. The State of Washington has two Federal projects. It has scores of private projects.

[Here the gavel fell.]

Mr. CLASON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, as I listened to the Members from the different Western States talking here unanimously in favor of every kind of project that is favored in their particular States, regardless of whether they are Republicans or Democrats, I could not help thinking about what is going on in some of the other States where there is property already established and where there are towns situated with large populations on the banks of rivers, where they are not receiving any money or any protection from the floods which are ravaging those valleys year after year.

Mr. MURDOCK of Utah. Mr. Chairman, will the gentleman yield?

Mr. CLASON. I yield.

Mr. MURDOCK of Utah. I would like to ask the gentleman if he knows of a flood-control project against which one of these reclamation Representatives ever voted? We vote unanimously and affirmatively on every project of that kind that you bring in here.

Mr. CLASON. In answer to that statement, I may say to the gentleman that I appreciate very much his statement, and I may say that I have not voted against any of these projects that have been brought up here this afternoon. The thing which is worrying me is the fact that in the Connecticut Valley we have communities producing over $1,000,000,000 worth of products every year, and we desire a little protection for what is already established, while these other projects are for the purpose of establishing new possibilities in land where, at the present time, perhaps, there is not any particular established business.

Mr. CUMMINGS. Mr. Chairman, will the gentleman yield?

Mr. CLASON. In just a moment.

I hope at this session of Congress it will be possible to bring out a flood-control bill. What is worrying me is the fact that in August of last year, when the McClellan bill was vetoed, it was stated in the Presidential veto message that in January of this year there would be another message sent to the Congress which would indicate the administration's program on flood control. It is now March, and I find that a great many of the Members are back home fighting their primary campaigns, and it is quite possible from what is stated in the newspapers that this Congress may adjourn late in May or in June. It seems to me that this afternoon, when we are taking stock of these reclamation projects in order to build up new businesses, we ought also to have in mind that something should be done in the way of flood protection on rivers like the Red out in Arkansas, which is now in flood, in order to protect established business, and the people who are losing their life savings year after year.

I am only bringing this to you this afternoon as a suggestion that some money in the United States Treasury be saved for flood control.

I now yield to the gentleman from Colorado.

Mr. CUMMINGS. I just wanted to state to the gentleman that every reclamation project is supposed to repay, and most of them will repay, the cost of construction, and the flood-control feature is absolutely a gift and has never been asked or expected to pay back a penny.

Mr. CLASON. That is not true, and I will tell the gentleman why. The floods come down in these valleys and wipe out your industries, and there is a waste and a loss that cannot be repaid or avoided except by having these dams and levees to protect the established interests. [Applause.]

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I could say the same things about my colleague from Washington that were said about him by my colleague, the gentleman from Kentucky, but I would not be fair to my colleagues if I did not oppose this appropriation, notwithstanding the fact he is interested and on the subcommittee, I must oppose all unnecessary appropriations. If I did not oppose this amendment, other Members of the House might think I wanted to help the gentleman from Washington [Mr. LEAVY] while I opposed the amendment offered by my other colleagues.

I call your attention to this Grand Coulee project, where we are spending $170,000,000. We have just started this project. You are going to put into cultivation there 1,200,000 acres of land which is going to cost, before you put any farmers on it, $175 an acre for irrigation, then they must clear the brush and till the soil.

There is another thing I would like to bring to your attention. As the gentleman from Massachusetts [Mr. CLASON] has said, we are spending all this money for certain projects and placing them in one section of the country, and we are not making an equal distribution of the money. Washington and Oregon are getting the lion's share. We have other States that need proper attention as well.

Another thing is this, and I call it to your attention once more—where are you going to get the money?

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas.

The amendment was rejected.

The Clerk read as follows:

For general investigations, $200,000, to enable the Secretary of the Interior, through the Bureau of Reclamation, to carry on engineering and economic investigations of proposed Federal reclamation projects, surveys for reconstruction, rehabilitation, or extension of existing projects and studies of water conservation and development plans, such investigations, surveys, and studies to be carried on by said Bureau either independently, or, if deemed advisable by the Secretary of the Interior, in cooperation with State agencies, and other Federal agencies, including the Corps of Engineers, National Resources Committee, and the Federal Power Commission;

Mr. TABER. Mr. Chairman, I make the point of order against the paragraph beginning on line 18, page 85, ending

with line 4, page 86, upon the ground that it is legislation on an appropriation bill and is not authorized by law.

Mr. SCRUGHAM. Mr. Chairman, this is authorized in my opinion in the general terms of the Reclamation Act. It has been in effect for many years.

Mr. TABER. Mr. Chairman, an appropriation in accordance with the authorization under the Reclamation Act is provided on page 77, line 8, down to and including line 3 on page 78. The appropriation is $25,000. That is the authorized appropriation. I do not believe there is any authority for this out of the general fund of the Treasury.

The CHAIRMAN. The Chair has examined sections 411 and 396, United States Code, title 43, and it seems to the Chair that under the terms of these two sections which are rather broad in their application, this appropriation may be authorized.

Mr. TABER. Is not that limited to the reclamation fund?

The CHAIRMAN. The Chair was looking particularly with reference to that. The Chair will read the entire section 411:

The Secretary of the Interior is authorized and directed to make examinations and surveys for, and to locate and construct, as provided in this chapter, irrigation works for the storage, diversion, and development of waters, including artesian wells, and to report to Congress at the beginning of each regular session as to the results of such examinations and surveys, giving estimates of cost of all contemplated works, the quantity and location of the lands which can be irrigated therefrom, and all facts relative to the practicability of each irrigation project; also the cost of works in process of construction as well as of those which have been completed.

Mr. TABER. I call the attention of the Chair to the language:

The Secretary of the Interior is authorized under the provisions of this chapter—

That is where the authority of the Secretary of the Interior and the reclamation fund are defined. That would imply that it is to be done under the provisions of the reclamation fund. It would seem to me that that is the authority under which they operated in providing the appropriation that is to be found on page 77.

The CHAIRMAN. Does the gentleman from Nevada desire to comment on this, or the gentleman from Oklahoma? On consideration it seems to the Chair that this comes out of the general fund in the Treasury and not the reclamation fund, and this is limited in the way suggested by the gentleman from New York.

Mr. SCRUGHAM. Section 411 seems to cover the matter.

The CHAIRMAN. If this were out of the reclamation fund, there would be no question about it, but this appropriation is out of the general fund in the Treasury. The Chair is of opinion that the paragraph is subject to the point of order inasmuch as the appropriation is made out of the general fund and not the reclamation fund. The Chair sustains the point of order.

The Clerk read as follows:

For administrative expenses on account of the above projects, including personal services in the District of Columbia and in the field, $750,000, in addition to and for the same objects of expenditure as are hereinbefore enumerated in paragraphs 2 and 3 under the caption "Bureau of Reclamation"; in all, $24,980,000: *Provided*, That of this amount not to exceed $50,000 may be expended for personal services in the District of Columbia.

Mr. SCRUGHAM. Mr. Chairman, I offer the following amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SCRUGHAM: Page 86, line 10, after the words "in all", strike out "$24,980,000" and insert "$24,780,000."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. MARTIN of Colorado. Mr. Chairman, the point of order just sustained, and apparently it had to be sustained, in my judgment struck down for the time being the most important activity in which the United States can engage, and that is in the exploration and survey of the water resources in the western half of the United States. The provision stricken out of the bill would have given the Reclamation Bureau the very moderate sum of $200,000 to carry on this vital work during the next fiscal year, which must now be suspended.

It would be a trite thing to say that water is the life of the land, but in the western half of the United States—and I want to emphasize to my friends on the left the area involved—not only water, but irrigation water, is the life of the land. The excess waters, the flood waters, and the melting snows running down to the sea, impounded in dams and reservoirs and distributed over the lands, constitute the life of the land in that vast area.

It is my philosophy that there ought to be a balanced development of the resources of this country; that the resources of each area of this country ought to be developed according to their kind. We have poured hundreds of millions, we have poured billions, of dollars into rivers and harbors down along the coasts—nonliquidating. The rivers and harbors bill of the last Congress carried over $600,000,000 to canalize the navigable rivers near the coast and improve harbors along the coast, to furnish free transportation facilities for all manner of traffic by land and water. We permanently subsidize our coastal shipping. We of the West gladly vote for that money. The taxpayers and consumers of this country have paid billions through tariffs to build up the industries of a section of this country. We of the West help pay for all that. It seems to me that it would be a monstrous doctrine—I can think of no doctrine so well calculated to raise a sectional issue in this country as the doctrine that the resources of some sections of our common country may be built up in this way while the resources of other sections may not be developed; and apparently that is the doctrine of those gentlemen over here on the left.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I have not any time. I am sorry. The gentleman has made 47 speeches on this bill—against the bill—I have made none. I would like to get about 10 minutes as my first and last shot at this thing.

I have an immediate interest in the appropriation stricken out of the bill. The water users of the Arkansas Valley in eastern Colorado, which is one of the two major agricultural valleys of that State, with a population of more than 200,000, 3 years ago filed an application in the Reclamation Bureau for a survey of a possible transmountain diversion of water from the western slope of Colorado into the Arkansas River on the eastern slope for the use and benefit of the Arkansas Valley. Due to the growth in population and the development of that country the pressure, the demand for water has become so great that it is being found not only economical but absolutely necessary to divert that water even across high mountain ranges. The fact that the people of the West are willing to mortgage their land up to $100 an acre to develop and transfer water across the tops of the great mountain ranges of the West ought to teach these gentlemen at least the absolute necessity of such an activity in our section of the country.

The application for a survey I have referred to was approved nearly 2 years ago by the Commissioner of Reclamation and by the Secretary of the Interior, with an allocation of $100,000 recommended, but since that time we have always been met with the answer that they would like to make the survey but have no funds available; so, it was my purpose if that provision had stayed in the bill, to offer an amendment to increase the amount $100,000 so that they would have some money to make this survey.

[Here the gavel fell.]

Mr. MARTIN of Colorado. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes, and this is all the time I shall take on this bill.

Mr. RICH. Mr. Chairman, reserving the right to object, and I shall not if the gentleman will just let me make the statement that I am not opposed to reclamation projects, I am just trying to save the Treasury.

The CHAIRMAN. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. MARTIN of Colorado. The gentleman from Pennsylvania is always trying to save the Treasury. I am not going any further into the matter I have just mentioned about inability to get action on this particular survey. We fellows from the reclamation area have got to stand together. We cannot afford to wash our linen on the floor of the House. We leave that job to the battalion of death over here on the left, and we know they will wash it dirty. It is pretty well known among us fellows from the reclamation section of the country—and the gentleman from Pennsylvania [Mr. RICH] unwittingly stepped upon a sore toe when he commented on the tremendous development going on in one of these reclamation States—we know, for instance, that 3 or 4 of the 11 or 12 reclamation States get the great bulk of the reclamation funds. We know that they have great major projects under way that, on the basis of past appropriations, will absorb all possible reclamation funds for years to come. But that is another story.

Now, I want to call your attention to a comparable situation in another field. What I have just called your attention to is water over the dam, but there is a whole lot of water that is not over the dam, and it is not going over the dam as long as we do not get remedial legislation. I thought the gentleman from Massachusetts [Mr. CLASON] a few minutes ago was going to go into that. Apparently, when it comes to flood control, there are about two States that are going to absorb the bulk of the flood-control money for years to come. Five hundred million dollars of expenditures on the Tennessee River, not one cent of which is collectible as construction costs from the area benefited; and now in the other body they have tacked on the Gilbertsville Dam which will cost $112,000,000 and up, an amount of money that would build every flood dam on the Arkansas River and all of its tributaries. But we cannot get a damn dam! [Laughter.] Heretofore it has been the policy of the Federal Government to pay all the cost of these dams, including sites, rights-of-way, and damages to all improvements. The great Fort Peck Dam in Montana is not going to cost the local people a cent; the Tennessee Valley projects are not going to cost the local people a cent. But we passed a flood-control bill in 1936 assessing all the cost of sites, rights-of-way, and removal of improvements, and everything else to local sponsors. As a result of that legislation nearly the entire program of dams authorized in the Flood Control Act of 1936 is bogged down, for the sponsors cannot meet the terms which have been or are being imposed upon them, terms which heretofore have never been imposed upon flood-control projects in the United States.

Take as an illustration the situation in my own State, and I think you will find it characteristic. We have a $10,000,000 flood-control project on the Arkansas River, which is the only project of that magnitude in the State of Colorado, but the State must pay its share of Federal taxes for the Tennessee Valley and Fort Peck Dams, and hundreds of millions of dollars spent on the lower Mississippi to help carry our floodwaters away to the Gulf, and for the river and harbor improvements. That project was carried in the Flood Control Act of 1936. The Army engineers have made the final survey and plans for construction at a cost of $100,000. But the project is tied up by reason of the fact that the local district, which is sponsoring the project, must first finance a $5,000,000 damage bill for site and damage to railroads, and so forth, which is wholly beyond the reach of the sponsors.

This project, like all flood-control projects, is interstate in its effects. The dam site is below the mouths of all the flood tributaries of the Arkansas River in Colorado, and the chief flood protection will result in the adjoining State of Kansas, and there seems to be no practicable way in which this preliminary cost, even if the States should or could bear it, could be distributed between the two States. As was pointed out in debate on this subject in the other body last week, the Fort Peck Dam, located on the Missouri River in Montana, will furnish little or no flood protection to that State, but will benefit all the States below Montana on the stream to the Gulf of Mexico, and it was agreed by the Members of the other body participating in the debate that this cost should not be borne by the State of Montana and could not be distributed among the beneficiary States.

The National Flood Control Act of 1936 was a well-balanced act in the distribution and character of projects, carrying flood projects in 39 States, each one of which was first approved by the Army engineers, yet the total estimated construction cost was only a little over $300,000,000. It is estimated that the local cost imposed on sponsors will be in the neighborhood of $80,000,000, as the result of which, nearly 2 years after the passage of the act, the much-heralded flood-control program, upon which we were to spend $500,000,000 a year for an indefinite period, is almost completely bogged down. I am advised that practically no dams have been built or even begun under the legislation and will not be begun unless the sponsors are relieved of the newly imposed burden of cost.

The Arkansas River is considered by the Army engineers a major flood threat to the Mississippi River. There are 26 flood dam sites on the Arkansas and its tributaries and the White River, in the States of Colorado, Kansas, Oklahoma, Missouri, and Arkansas, all of which were approved 4 years ago by the Mississippi Valley Committee of the National Resources Board, headed by that eminent engineer, Morris A. Cooke, but not one of these dams is even in prospect of commencement, and the State of Arkansas has just been badly flooded for want of them.

I am advised that the situation is the same in the Middle Western and Eastern States, which have suffered two great, devastating floods in the past 3 years and have large projects in the Flood Control Act.

Mr. Chairman, if the flood-control program was of such heavy current cost that its share of the national finances, as compared with other fields entitled to national aid, was becoming burdensome, it might be that other sections of the country could await the completion of the one favored river, but such is not the case. Practically nothing was spent in 1937 or will be expended in 1938 for flood control under the act of 1936.

The able gentleman from Arkansas [Mr. MILLER] who was recently translated from this humble forum to the upper body, gave a very excellent account of himself in a discussion of this subject which is to be found in the CONGRESSIONAL RECORD of Thursday, February 24, page 3203, which it will pay you to read, together with the ensuing discussion by other Members. There was general agreement that the whole cost of flood-control projects should be borne by the Federal Government.

Just one further word: A bill has been introduced in the House to relieve this situation, to help us littler fellows with these littler dams that are just as important to us as Gilbertsville or Muscle Shoals, or Norris, or Fort Peck, or any other dam to somebody else; that is, to make the acquisition of the rights-of-way and sites and removal of improvements part of the construction cost the same as it is in these other cases and as it was prior to the act of 1936. The gentleman from Massachusetts [Mr. MCCORMACK] has this bill pending.

Senator BROWN of New Hampshire has a similar bill pending in the Senate. The gentleman from Massachusetts [Mr. MCCORMACK] who introduced this bill in the House, has not and cannot have a flood-control project in his district. The Congress ought to pass that bill. I urge you gentlemen here who are interested in 40 States already in this program to get behind the McCormack bill if you expect to get any dams. [Applause.]

[Here the gavel fell.]

Mr. LAMBERTSON. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, before we leave this irrigation proposition, there are two things I want to emphasize:

In the first place, I have the highest regard for the gentleman from Washington who has been eulogized here this afternoon, but he typifies the spirit I criticize. The Mountain

States have come to believe that they have to take care of the Mississippi Valley. All we hear about is the Dust Bowl in the Mississippi Valley. Of course, we have had a few years of drought out there and it has been a little bit bad, but it is going to rain again and we will raise crops. It is not up to the Mountain States to take care of us. That has been the underlying reason for all this noise, and particularly from the gentleman to whom I just referred. He believes he is doing a great missionary service in seeking to take care of us who live on the Plains. The condition is only temporary and will change.

May I refer also to the attitude of Mr. Page and others who stand at the head of various governmental services? Mr. Page is not merely the servant who carries out our instructions. He is an ardent advocate of irrigation, just as the gentleman from Washington is an advocate for Coulee Dam. He wanted $14,000,000 for Coulee Dam instead of $9,000,000; in other words, $5,000,000 more than is carried in this bill. He wanted more in the case of every one of these projects than the Budget gave him. Mr. Page is an enthusiastic engineer for irrigation and advocates these things just as if he were promoting the proposition as a private individual. It is the same attitude you will find displayed in a few minutes when we come to consider the national parks.

They want to make everything into a national park today, even river fronts of cities and other places. It is a spirit of expansion, not merely a spirit of carrying out the instructions that we issue to them.

A gentleman over here has stated, "We voted for irrigation and everything in connection with river and harbor development," but that is the sad thing about this House. We vote too much for each other's pet projects.

As I said the other day, balancing the Budget is hopeless. Streaks of economy just come up here and there, maybe from one, two, three, four, or five Members. There were a number of big projects that voted for each other last year, I think five irrigation projects in all. Now, the gentleman from Colorado has no reason to complain. His Big Thompson project was in the "pork barrel," as well as Gila, the Central Valley, and others.

Mr. MARTIN of Colorado. It was not my pork.

Mr. LAMBERTSON. I refuse to yield. The gentleman was in the pork barrel all right. There was the project at St. Louis, the Natchez Trace and the Sky Line projects. None of them voted against anybody else's requests. Have you noticed that?

We are going to consider shipyards and the Navy. We will consider a billion dollar Navy bill and if we hooked the Navy and shipyard projects onto these other eight large projects you will have to have a microscope to find the economy Members of this House.

Heaven save the balancing of the Budget!

The pro forma amendments were withdrawn.

The Clerk read as follows:

Geologic surveys: For geologic surveys in the various portions of the United States and chemical and physical researches relative thereto, $500,000, of which not to exceed $300,000 may be expended for personal services in the District of Columbia.

Mr. DITTER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DITTER: Page 88, line 3, after the word "thereto", strike out "$500,000" and insert "$600,000."

Mr. DITTER. Mr. Chairman, the amendment which I have offered may surprise many of you. However, my concern for the State of Pennsylvania, and the apparent lack of interest on the part of this Committee for the best interests of Pennsylvania, prompt me to offer this amendment. This item covers geological surveys in various portions of the United States. If I understand geology correctly, it is the scientific study of rocks. According to newspaper reports, I believe the majority Members from Pennsylvania should concern themselves about the kind of rocks we have in the Keystone State.

From all accounts, it seems that a lot of rocks have been thrown in Pennsylvania since the memorable day a week ago when an effort was made in Harrisburg to make a Democratic slate for the November election. It was to have been a love feast, but it turned out to be a free-for-all fight, with fists and rocks flying. Latest reports from the front indicate hard fighting and heavy casualties.

It may be that some of our Pennsylvania colleagues were at the scene and can give us the details of the encounter, so this Committee can show a concern for conditions in Pennsylvania. Probably there should be some soft rocks for such occasions.

The Geological Survey might provide information about the proper kind of rocks to have for such meetings.

Again, the survey might disclose rocks with rubber coatings which some of my colleagues on the other side of the aisle from Pennsylvania would welcome; again smaller rocks might be more adaptable for family feuds and less deadly.

Mr. WHITE of Idaho. Will the gentleman yield?

Mr. DITTER. I would love to yield to the gentleman if he were from the State of Pennsylvania.

Mr. WHITE of Idaho. Is the gentleman speaking metaphorically?

Mr. DITTER. My concern at this time is for my colleagues from Pennsylvania against whom the rocks are being hurled. Some rocks come from a distinguished publisher; others are heaved by reputed contractor bosses, and even aspirants for public office are taking a hand in the stone throwing and name calling which have been in progress since the slate-making episode was indulged in by the Democrats a few days ago.

Mr. MANSFIELD. Mr. Chairman, will the gentleman yield?

Mr. DITTER. Again I say if the gentleman is concerned about Pennsylvania, I shall be happy to yield; however, I would prefer to yield to one of my colleagues from Pennsylvania, one of the possible participants in the Harrisburg fracas, and who today may feel the need of my concern and sympathy.

Mr. WHITE of Idaho rose.

Mr. DITTER. As to my distinguished friend here, the gentleman from Idaho, I have read nothing in the newspapers about rocks being thrown in his State at a slate-making meeting.

My concern is for the fair name of Pennsylvania. We know of it as the State of brotherly love. We hear much about the New Deal spirit of neighborliness. My Democratic friends from Pennsylvania are sorely in need of good neighborliness at this time, with missiles, rocks, names, and even fists flying. Unless care is exercised, someone may be mortally wounded.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. DITTER. If the gentleman will talk about Pennsylvania I shall be happy to yield to him.

Mr. WHITE of Idaho. Speaking of newspapers of bygone days, I may say that in them we read a great deal about the rocks of Boies Penrose.

Mr. DITTER. I had hoped that the invitation which I extended to my colleagues from Pennsylvania would be accepted, so that others not involved in the battle that is raging would be relieved of their worries, but apparently a full and free disclosure of the details will not be given, and we can look forward, shall I say, hopefully to a continuity of the combat.

[Here the gavel fell.]

Mr. FADDIS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I can well recall when the prospects of the Democrats winning an election in Pennsylvania could not even raise a ripple in Harrisburg, much less a windstorm in the House of Representatives. [Laughter.] But, dear me, how times have changed.

Mr. DITTER rose.

Mr. FADDIS. When the gentleman from Pennsylvania speaks about rocks, and in his entire speech takes us to task about throwing rocks, it puts me in a sort of reminiscent mood.

Mr. DITTER. I wish the gentleman would yield to me.

Mr. FADDIS. I am sorry; I cannot yield.

Mr. DITTER. The gentleman has mentioned my name. I think courtesy should permit him to yield to me, since he has mentioned my name.

Mr. FADDIS. Mr. Chairman, the remarks of the gentleman from Pennsylvania put me in somewhat of a reminiscent mood. When I get in a mood of that kind I like to go back into the past a little bit. I can recall when a Democratic convention in the State of Pennsylvania was nothing but an occasion to give some of us boys back in the sticks an excuse to put on a necktie and a collar and go to Harrisburg. When we went down there, how we loved to roam around the capitol grounds and gaze at that wonderful capitol built by our friends of the Republican Party. It always made us think of the great number of suicides and migrations to Europe that were occasioned when the Republicans in Pennsylvania went to sleep and forgot to miscount the votes, and woke up to find we had elected a Democratic State treasurer, who inquired into the transactions surrounding the construction of this capitol.

Mr. Chairman, when they speak of stones, rocks, and what not, I turn back to the year 1932 and think of a lot of bullets that were fired at a Democratic procession from the home of one of the Republican leaders of the State of Pennsylvania, killing and wounding many of the marchers. They even resorted to the assassination of marchers in a Democratic parade. I am pleased to say the man who owned the house from which these bullets were fired served a term in the penitentiary for firing those shots at Democratic marchers.

I am very pleased indeed, Mr. Chairman, to see politics in Pennsylvania reach the point where the Democratic Party in Pennsylvania is at last recognized as a potent force by my genial friend from across the aisle, who so often feels obliged to take his Democratic colleagues to task in his benevolent and fatherly manner.

Mr. DORSEY. Mr. Chairman, will the gentleman yield?

Mr. FADDIS. I yield to the gentleman from Pennsylvania.

Mr. DORSEY. The Democratic earthquake that hit the rock-rimmed State of Pennsylvania a few years ago has opened up some pretty wide gaps in the Republican organization.

Mr. FADDIS. There is no doubt of that. Furthermore, Mr. Chairman, I may observe that as far as the Democratic administration in Washington is concerned, it has brought a great many benefits to the State of Pennsylvania. Upon the admission of my genial friend from Pennsylvania, his own county participated in these benefits to the extent it is out of debt today, as he so loudly boasted a few weeks ago. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. DITTER].

The amendment was rejected.

The Clerk read as follows:

Total, United States Geological Survey, $3,114,680.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I merely want to call to the attention of the members of the Committee, so they will recall this next year when the Interior Department appropriation bill is being considered, that we are spending $750,000 for surveying lands, $500,000 for geologic surveys, and $725,000 for topographic surveys. You do not want to economize now, but you may find next year that a lot of these surveys ought to be distributed over a period of years rather than all being made at one particular time.

The pro forma amendment was withdrawn.

The Clerk read as follows:

Oil and gas investigations: For inquiries and investigations and dissemination of information concerning the mining, preparation, treatment, and utilization of petroleum and natural gas, including economic conditions affecting the industry, with a view to economic development and conserving resources through the prevention of waste; for the purchase of newspapers relating to the oil, gas, and allied industries: *Provided*, That section 192 of the Revised Statutes (5 U. S. C. 102) shall not apply to such purchase of newspapers from this appropriation; and for every other expense incident thereto, including supplies, equipment, expenses of travel and subsistence, purchase, not to exceed $6,000, exchange as part payment for, maintenance, and operation of motor-propelled passenger-carrying vehicles for official use in field work, purchase of laboratory gloves, goggles, rubber boots, and aprons, $253,000, of which amount not to exceed $22,600 may be expended for personal services in the District of Columbia.

Mr. DISNEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DISNEY: On page 96, line 5, after the word "aprons", strike out "$253,000" and insert in lieu thereof "$260,000."

Mr. DISNEY. Mr. Chairman, this amendment changes the amount for oil investigations from $253,000 to $260,000. I call attention to the fact that it is shown on page 38 of the report that $260,000 is the approved Budget item. The committee cut the item below the Budget. The $7,000 is for the express purpose of making investigations with respect to the amount of storage oil and the determination of its gasoline value. Two years ago we spent $28,000 to inaugurate this work, and the $7,000 item is merely to continue it.

As it is now the matter is static. We have spent a certain amount of money and the work ought to be kept current so that the interstate oil compact may at all times know the amount of storage oil with its fuel and gasoline content. This requires the service of two men, and I think there should be no objection to the amendment.

Mr. JOHNSON of Oklahoma. Mr. Chairman, there is no objection to the pending amendment on the part of the committee. It was left out, I think I should say, because of a misunderstanding. Personally I am very much in favor of adopting this amendment and shall insist that this small item be restored in the bill. I feel it is extremely important to the oil industry of Oklahoma and other oil-producing States and I hope there will be no objection to the amendment offered by my distinguished colleague from Oklahoma.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. DISNEY].

The amendment was agreed to.

The Clerk read as follows:

Total, Bureau of Mines, $2,218,260.

Mr. SCRUGHAM. Mr. Chairman, I offer an amendment for the purpose of correcting the total.

The Clerk read as follows:

Amendment offered by Mr. SCRUGHAM: On page 101, line 4, strike out "$2,218,260" and insert "$2,225,260."

The amendment was agreed to.

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the chairman of the subcommittee this afternoon spoke about my giving credit to the Bureau of Mines and congratulating them on one thing, and that is in consolidation of investigation. This will save expenses.

I want to call the attention of the Committee to the fact that in this Bureau of Mines they have facilities for determining the value and chemical analysis of all grades and kinds of coal. The same authority is granted to the Bituminous Coal Commission, and when they were before our committee it was the desire of the members of the subcommittee to keep within the confines of one bureau the power to determine the value of different grades of coal and to make these tests in the Bureau of Mines rather than have the Bituminous Coal Commission set up a laboratory and start a new enterprise in an effort to make these determinations. They gave us their assurance they would use all the facilities of the Bureau of Mines and thus keep from duplicating the work of that Bureau.

The reason we congratulated them was because they said they would not under any condition set up new facilities to duplicate this work, and they certainly deserve the congratulations of the Members of the House.

Mr. MURDOCK of Utah. Mr. Chairman, I rise in opposition to the pro forma amendment.

Several days ago, Mr. Chairman, there was stricken out on a point of order at page 5 of this bill language in connection with the administration of the Grazing Act which I consider the most important part of the provision with respect to the administration of that act.

I think all Congressmen coming from the States that are involved in this grazing administration will agree with me that the $100,000 item that was stricken out on a point of order has a very important part in the administration of this act. It pays the salaries and expenses of the local boards that are elected by the stockmen themselves to function in connection with the administration of the Grazing Act.

After a lot of perseverance on my part and a lot of patience and generosity on the part of the gentleman from New York [Mr. TABER] he has agreed to withdraw his point of order to that particular part of this bill.

So, Mr. Chairman, I ask unanimous consent at this time to return to page 5 of the Interior Department appropriation bill, referring particularly to lines 8 to 12, inclusive, for the purpose of offering an amendment.

The CHAIRMAN. The gentleman from Utah asks unanimous consent to return to page 5, line 8, for the purpose of offering an amendment. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Utah.

The Clerk read as follows:

Amendment offered by Mr. MURDOCK of Utah: Page 5, line 8, after the semicolon, insert "for payment of a salary of $5 per diem while actually employed and for the payment of necessary travel expenses, exclusive of subsistence, of members of advisory committees of local stockmen, $100,000; in all, $650,000."

The amendment was agreed to.

The Clerk read as follows:

NATIONAL PARK SERVICE

Salaries: For the Director of the National Park Service and other personal services in the District of Columbia, including accounting services in checking and verifying the accounts and records of the various operators, licensees, and permittees conducting utilities and other enterprises within the national parks and monuments, and including the services of specialists and experts for investigations and examinations of lands to determine their suitability for national-park and national-monument purposes: *Provided*, That such specialists and experts may be employed for temporary service at rates to be fixed by the Secretary of the Interior to correspond to those established by the Classification Act of 1923, as amended, and without reference to the Civil Service Act of January 16, 1883, $218,540, of which amount not to exceed $15,000 may be expended for the services of field employees engaged in examination of lands and in developing the educational work of the National Park Service.

Mr. TABER. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 101, line 19, strike out "$218,540" and insert "$196,940."

Mr. TABER. Mr. Chairman, almost every item for the National Park Service in the line of administrative expenses is increased. This involves an increase of something in the neighborhood of $21,600. My amendment proposes to reduce the figure for the Director's office to $196,940, the amount that it was last year. There is not a single new park opened up for which appropriations are being made, there is not a single activity being provided for that should require additional force in the office. On top of that there is a reduction provided in the Budget estimate and the amount reported by the committee for the construction of roads and trails, and the Blue Ridge and Natchez Trace of about three million and a half dollars. Under these circumstances with really less to do, the most ridiculous thing in the world is to provide an increase in this office. I have offered this amendment with the idea that the committee, perhaps, might accept it, and we might save a little money to the Treasury and stop the continual rise of administrative expenses where there is absolutely no justification whatever. I hope the amendment will be adopted.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. RICH. If the gentleman will notice, practically every one of these appropriations for this Park Service has increased because of the money spent for development, and each year if we continue on, they will increase over what they are in the bill this year.

Mr. TABER. They ought not to, and we ought to stop this increase right here and let the Director's office get along with what is a reasonable amount. The figure for last year was plenty big enough. If we go further, we will just open the thing for the glorification of bureaucracy, and I cannot agree with that.

Mr. SCRUGHAM. Mr. Chairman, the attendance in the parks in 1936 was 5,765,909 and in 1937 it increased to 6,881,804, or an increase of nearly a million. The revenues received for 1937 amounted to $1,398,691.66, as compared with receipts of $1,131,033.68 in 1936, or an increase of over $267,000. We are opening up the parks, and I am glad that we are. A larger number of people is coming to enjoy them and we are getting extra receipts. Therefore, it requires more money to operate them.

Mr. TABER. The receipts are only $1,398,000 and odd, and the cost is $18,000,000. We ought to get away from that idea of developing activities. We ought not to go on with these increases.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

The Clerk read as follows:

Regional offices: For salaries and expenses of regional offices necessary in the administration, protection, maintenance, and improvement of the National Park System, including not exceeding $8,000 for personal services in the District of Columbia, $34,000.

Mr. TABER. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 101, line 24, strike out the paragraph.

Mr. TABER. Mr. Chairman, this is offered for the purpose of doing away with a new activity. With regional offices they can go ahead and start a new activity, which will last forever. This is the only new activity for the Park Service as far as I can see. There is no reason why there should be $34,000 more overhead in operating these parks, on top of the $21,000 that has been allocated for administrative expenses in the Director's office. There is no reason why we should go out and set up these regional offices. This is another way of wasting money.

Mr. SCRUGHAM. Mr. Chairman, the regional offices for the National Park Service are not being established by this paragraph. They are already established and are recognized by the Comptroller General as being a proper function of the National Park Service. This paragraph merely consolidates the appropriations which are now being used from various park appropriations in this one appropriation. It will greatly simplify accounting procedure and that is the purpose of the paragraph.

The Clerk read as follows:

General expenses: For every expenditure requisite for and incident to the authorized work of the office of the Director of the National Park Service not herein provided for, including traveling expenses, telegrams, photographic supplies, prints, and motion-picture films, necessary expenses of attendance at meetings concerned with the work of the National Park Service when authorized by the Secretary of the Interior, and necessary expenses of field employees engaged in examination of lands and in developing the educational work of the National Park Service, $28,500: *Provided*, That necessary expenses of field employees in attendance at such meetings, when authorized by the Secretary, shall be paid from the various park and monument appropriations.

Mr. RICH. Mr. Chairman, I make a point of order against this paragraph, because the motion-picture feature of it is not authorized by law.

Mr. SCRUGHAM. Mr. Chairman, replying to the gentleman from Pennsylvania, I may say that that feature is merely incidental to the operation of the Park Service.

Mr. TABER. It is not a necessary incident; it is a publicity feature prohibited by law.

Mr. RICH. It seems to me that a number of items in this bill providing for motion pictures are publicity features for the operation of the Department.

Mr. TABER. It is not a necessary incident; in fact, it is prohibited by law.

The CHAIRMAN. The Chair is of the opinion that this is a necessary incident to the carrying on of the National Park Service, and, therefore, overrules the point of order.

Mr. RICH. I want to point out just as we go along, for I realize I cannot put through an amendment, the increases that are being made. We are increasing this item by $1,500.

The Clerk read as follows:

Acadia National Park, Maine: For administration, protection, and maintenance, including $3,000 for George B. Dorr as superintendent without regard to the requirements of the provisions of the Civil Service Retirement Act approved May 22, 1920 (5 U. S. C. 691–693, 697–731), as amended, $3,000 for temporary clerical services for investigation of titles and preparation of abstracts thereof of lands donated to the United States for inclusion in the Acadia National Park, and not exceeding $2,800 for the purchase, maintenance, operation, and repair of motor-driven passenger-carrying vehicles for the use of the superintendent and employees in connection with general park work, $49,700.

Mr. RICH. Mr. Chairman, I move to strike out the last word to call attention to the fact that we are increasing the operating expense of this park $1,990.

By unanimous consent, the pro forma amendment was withdrawn.

The Clerk read as follows:

Carlsbad Caverns National Park, N. Mex.: For administration, protection, and maintenance, including not exceeding $800 for the purchase, maintenance, operation, and repair of motor-driven passenger-carrying vehicles for the use of the superintendent and employees in connection with general park work, $94,340.

Mr. DEMPSEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DEMPSEY: Page 103, line 17, after the word "work", strike out "$94,340" and insert "$100,300."

Mr. DEMPSEY. Mr. Chairman, this amendment increases the amount of this item approximately $6,000—slightly less. The reason for the increase is that we do not have adequate ranger service or guide service for the Carlsbad Caverns. The Carlsbad Caverns stand first among national parks in this country in the matter of returns to the Federal Government. For every dollar we expend at Carlsbad Caverns we get back $2.50. It is the only national park that returns a profit. At the present time the guides can make but two trips a day, one in the morning and one in the afternoon. If a visitor fails to get to the caverns in time for the 10:30 a. m. trip it is necessary to wait until 2:30 p. m., and if a visitor arrives after 2:30 p. m. he must wait until the next morning. The rangers on these trips through the caverns escort between 500 and 700 persons each trip. The caverns are 700 feet below the surface of the earth and proper escort must be provided to insure safety to the public. I think you will agree with me that this is quite a number of people for two or three rangers to take through safely and properly.

For this small additional amount of money the management of the caverns could increase the number of guides and trips. The return to the Federal Government will be much greater than it is at the present time.

Mr. THOM. Mr. Chairman, will the gentleman yield?

Mr. DEMPSEY. I yield.

Mr. THOM. The newspapers have recently carried accounts of the discovery of a new cavern in the vicinity of Carlsbad 3 miles in length. Is the new cavern also on lands belonging to the United States Government?

Mr. DEMPSEY. I understand that that report was very much in error and exaggerated. The room they discovered, supposedly 3 miles in length, is not, as a matter of fact, that many rods. The present Carlsbad Caverns are about 30 miles in length. It is unfortunate that that report went out, for we are advised that the new room discovered is very much less in area than described in the newspapers, and is not scenically valuable, when contrasted with the present national park caverns.

Mr. GREEVER. Mr. Chairman, will the gentleman yield?

Mr. DEMPSEY. I yield.

Mr. GREEVER. Would the addition of more guides tend to increase the revenue of the Federal Government?

Mr. DEMPSEY. If we could have these additional guides, it would mean an additional number of trips. More people would go through the caverns. People cannot wait 4, 5, or 6 hours, or overnight, to take one of these trips. This is a business proposition that will bring in revenue to the Government, not take it from the Treasury.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. DEMPSEY. I yield.

Mr. LEAVY. In 1937, 201,337 people visited this park?

Mr. DEMPSEY. Yes.

Mr. LEAVY. This produced a revenue of $238,705.81, whereas the total appropriation for the park was only $94,000?

Mr. DEMPSEY. That is true. In 1937 we had an increase in attendance, or an increased number of visitors to that park, of 33 percent. The 1937 attendance was nearly four times that of 1933, but the increase in the staff of guides was not proportionate.

Mr. LEAVY. In other words, you got back $2.50 for every $1 the Government spent on the park.

Mr. DEMPSEY. Absolutely; and the return would have been much greater if enough guides or rangers had been available to handle the crowds of visitors expeditiously. This amendment is based on good business judgment, nothing else.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Mexico.

The amendment was agreed to.

The Clerk read as follows:

Roads and trails, National Park Service: For the construction, reconstruction, and improvement of roads and trails, inclusive of necessary bridges, in the national parks, monuments, and other areas administered by the National Park Service, including the Boulder Dam Recreational Area, and other areas authorized to be established as national parks and monuments, and national park and monument approach roads authorized by the act of January 31, 1931 (16 U. S. C. 8a and 8b), as amended, including the roads from Glacier Park Station through the Blackfeet Indian Reservation to various points in the boundary line of the Glacier National Park and the international boundary, $2,991,120, to be immediately available and to remain available until expended: *Provided*, That not to exceed $50,000 of the amount herein appropriated may be expended for personal services in the District of Columbia during the fiscal year 1939.

Blue Ridge and Natchez Trace Parkways: For continuing the construction and maintenance, under the provisions of section 5 of the act of June 16, 1936 (49 Stat. 1519–1522), of the Blue Ridge and Natchez Trace Parkways, including not exceeding $1,000 for the purchase, maintenance, operation, and repair of motor-driven passenger-carrying vehicles, to be immediately available and remain available until expended, $3,996,200, of which amount not to exceed $40,000 shall be available for personal services in the District of Columbia: *Provided*, That $1,500,000 and any other sums received from other sources for said Natchez Trace Parkway shall be allotted and expended ratably between the States of Mississippi, Alabama, and Tennessee according to mileage of said parkway in each respective State.

Mr. RICH. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 113, lines 10 and 13, before the word "Blue", insert "Doughton-."

Mr. RICH. Mr. Chairman, I offer this as an amendment to the paragraph, realizing that to offer amendments cutting down the appropriation will do no good. I believe, however, that there is one thing we may do constructively, and that is name this the "Doughton-Blue Ridge Parkway."

If there is anyone in the House of Representatives who is responsible for having this parkway constructed between the Smoky Mountain Park, in North Carolina, and the Shenandoah Park, in Virginia, it is the honorable, genial gentleman from North Carolina [Mr. DOUGHTON]. He has worked diligently and earnestly to have this highway constructed,

and I question very much if the project would have been started had he not got behind it wholeheartedly.

There is nothing that would stand out as a monument to that great gentleman from North Carolina more prominently than to name this beautiful highway after him. If you will adopt the amendment I have just offered, it will give him credit for that beautiful highway to be built between the States of Virginia and North Carolina, which the people of America will traverse, and every time they do so they will vision that great man from North Carolina [Mr. DOUGHTON]. This highway will stand as a monument to him throughout the ages, and I am sure he deserves it. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was agreed to.

Mr. TABER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 113, line 17, strike out "$3,996,200" and insert "$2,000,000."

Mr. TABER. Mr. Chairman, I appreciate that the idea of saving money is repugnant to a large number of Members of this House, but in this particular case my amendment should have an especial appeal because if we are going to spend money for highways it should be expended in accordance with the provisions of the Highway Act. The distribution of the money should be equal as between the States, based upon mileage and population, all in accordance with the highway law.

This particular item gives a particular group of States the jump on the rest of the country. I have not even attempted to offer an amendment which would cut it all out. I suggest cutting it in half. I hope that the Members will refuse to appropriate more than the $2,000,000 which I am suggesting by my amendment. As a matter of fact, the entire item should be stricken out. There is no question but what we can save money here and still be in the position of being exceedingly liberal with the special-privileged group which has obtained the passage of this law to build a highway through their particular States at Federal expense.

Mr. Chairman, I hope the amendment will be agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The amendment was rejected.

The Clerk read as follows:

Historic sites and buildings: For carrying out the provisions of the act entitled "An act to provide for the preservation of historic American sites, buildings, objects, and antiquities of national significance, and for other purposes," approved August 21, 1935 (49 Stat. 666), including personal services in the District of Columbia, $12,000.

Mr. DIRKSEN. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 114, line 6, strike out "$12,000" and insert "$2,500."

Mr. DIRKSEN. Mr. Chairman, I am almost ashamed to offer an amendment that is so modest it will only save $9,500 if adopted, when we have been dealing in millions and hundreds of millions of dollars all afternoon. It occurs to me if we are going to save the ultimate expenditure this is the place to start. You will remember from your old school days having read that adage, "Tall oaks from little acorns grow." This paragraph is the little acorn from which a great, flourishing oak tree will grow in the wrong place in the future to give us a little headache.

This item deals with the act of 1935, which authorized the Secretary of the Interior to acquire all historic and other sites that may be of national interest and which somehow or other exemplifies the national history of this country. There is a little Bureau down there which employs only six people at the present time, and it expends only $12,000 a year. Last year it expended $24,000. But may I tell you what that little bureau has dug up thus far?

They have under investigation 560 historical sites in different parts of the country and 334 archeological sites, representing over 12 different groups and 12 different interests. That is a total of almost 900 potential projects which have been dug up by the six people now constituting this Bureau.

What is going to happen? Just as soon as they pass upon and determine whether or not these various places have some identity with national history, they will go out into the respective communities and start promoting these little schemes to build up historical parks, monuments, and all that sort of thing, which ultimately must be liquidated out of the Federal Treasury. I would prophesy if I had that gift that this little item, if we do not scotch it now, will cost the Federal Treasury at least $25,000,000 in the next 8 or 10 years. Mr. SCRUGHAM asked the head of this Bureau, and Mr. O'NEAL of Kentucky also made inquiry, as to how long it would take to finish this. The answer was 8 years. Just appreciate, 8 years of investigation. There will then come a parade of these gentry through the Halls of Congress asking for the appropriation of large sums of money.

How much attention have we paid to them before? Last year this Congress considered over 85 projects dealing with historic sites and historic monuments. There is one out in Nebraska about which I particularly want to speak. The Freeman family went out there a great many years ago and built the first frame house in the State of Nebraska. If you can see any historic importance or interest in that event, you are better than I am.

Mr. LUCKEY of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. In just a moment.

This little Bureau that is intended to investigate and approve these things turned down that monument, but what did the Congress do? It said, "O. K., Nebraska, come right in and get your hands in the Treasury." So this House passed the bill, and the Samuel Freeman homestead is now, I suppose, a national shrine, irrespective of whether it is of any national interest at all.

Mr. LUCKEY of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. If you let this little Bureau continue to run, instead of cutting its appropriation by $9,500, which will be notice to them they are not going to get their hands in the Treasury for millions of dollars, you will ultimately have larger amounts to contend with. It seems to me in all sense, in all discretion, and in all intelligence that the thing to do is to approve this amendment now, and then we will not have this problem to contend with in the future.

Further, we have a historical museum down here in the Smithsonian Institution, which does archeological work for the different parts of the country, so why the duplication of effort? If you want to save sundry millions for the poor taxpayers, you had better adopt this amendment right now.

[Here the gavel fell.]

Mr. LUCKEY of Nebraska. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the gentleman who preceded me refused to yield. I may say in behalf of the Freeman homestead that it was the first homestead filed on under the homestead law signed by President Lincoln in 1862. This monument will do more to commemorate the spirit of the early pioneers than anything else we could dedicate as a monument. It will show how those early pioneers worked and struggled to build up and conquer the great West, which has contributed so much to bringing about the great development of our agricultural section. This monument is the best object lesson we could have to keep alive the spirit of those early pioneers who played such a prominent part in the winning of the West. It is disrespectful to discredit the early pioneers in belittling the educational value of the Freeman homestead monument.

This monument will serve not only to perpetuate the history of the conquest of the West but will also serve as a lasting tribute to the memory and wisdom of the Great Emancipator, who, as the leader of a once great political party, gave us the general Homestead Act.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were—ayes 16, noes 32.

So the amendment was rejected.

Mr. NELSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. NELSON: On page 114, line 6, strike out "$12,000" and insert "$24,000."

Mr. NELSON. Mr. Chairman, my view is exactly opposite that taken by my esteemed colleague, the gentleman from Illinois. At this time when we are spending millions of dollars for new projects, many of which well might wait, I believe it well worth while to preserve many historic buildings and sites. There are now before this committee 900 requests for investigations of historic buildings and sites, some of which are in practically every congressional district in the United States. If we fail to investigate these historic buildings and places they will in a little while be lost forever to those who will follow us. The most important should be saved and properly marked. When I think of Mount Vernon and recall that the Federal Government failed to take action I am ashamed. I am grateful, though, to that group of patriotic women who saved the home of Washington as a national shrine.

My amendment merely seeks to restore an amount such as heretofore has been appropriated for the work in hand. It proposes no increase.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri.

The question was taken; and on a division (demanded by Mr. NELSON) there were—ayes 13, noes 37.

So the amendment was rejected.

The Clerk read as follows:

For defraying the deficits in the treasuries of the municipal governments because of the excess of current expenses over current revenues for the fiscal year 1939, municipality of St. Thomas and St. John, $40,000, and municipality of St. Croix, $35,000; in all, $75,000, to be paid to the said treasuries in monthly installments.

Mr. RICH. Mr. Chairman, I move to strike out the last word, in order to call attention to the Virgin Islands. We started in there to try to help these people and built rum plants at a cost of $2,500,000. After the sugar and rum plants were started, when labor was paid 80 cents a day in harvest time and 60 cents a day ordinarily, they manufactured rum. Then they shipped rum to this country to compete with the product of our brewers and distillers. It seems to me the Government ought to get out of this business as quickly as it can and sell it to some corporation.

One thing seems strange to me. After the Government spent $2,500,000 or more on this activity it was incorporated for $30. The newspapers stated the other day it was incorporated for $30,000, but that is a mistake; it is $30. The three incorporators, the Secretary of the Interior, his Assistant, and the Governor of the Virgin Islands, have each a share of stock, which is supposed to be owned by the Government, and each share is valued at $10. After the rum plant had been operated for a year, with the Government having spent $2,500,000 on it, a profit of $6,000 was made on a $30 capitalization.

What I want to drive home to you is how we incorporate for $30 an activity that costs us $2,500,000, and then start in the rum business and expect it to pay back to the Federal Government what we put into it. This is the way the Government does business. I cannot draw to your attention anything more ridiculous and more foolish than to spend $2,500,000 to buy a rum plant and then incorporate it for $30 and think you are doing good business.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I stated this afternoon that the gentleman from Pennsylvania talked one way in the committee and another way on the floor of the House, and that he blew hot and cold at the same time.

I have before me the hearings with reference to some of the things that the gentleman discussed on the floor here a moment ago. Turn to most any page. I call the gentleman's attention to page 780 of the hearings wherein he complimented Governor Cramer, for example, in a very splendid way, saying:

That is fine. You are doing a great work down there.

Mr. RICH. Was he talking about the rum plant?

Mr. JOHNSON of Oklahoma. Wait a minute. Governor Cramer had discussed the rum plant and other activities there in detail. The gentleman from Pennsylvania asked him a lot of questions, and finally this is what the Pennsylvania statesman had to say toward the conclusion of the rather extended hearing, and I quote from the record at page 787:

Mr. RICH (speaking now to Governor Cramer). I want to congratulate you. I think you are doing a good job. In view of what you had there last year I think you are making a mighty fine improvement. I hope that next year you will improve as much as you have this year.

Oh, these hearings are full of the gentleman's compliments to the various departments, but he gets up here on the floor of the House and talks in a different fashion about the same departments of government.

Mr. RICH. If the gentleman will yield, I may say that the gentleman will find that that does not have any reference whatever to what I stated on the floor. That statement was made because the Governor was trying to cut down expenses in the Virgin Islands and I congratulated him.

Mr. JOHNSON of Oklahoma. Any kind of explanation the gentleman wants to make is all right.

Mr. TABER. Mr. Chairman, I move to strike out the last two words under the circumstances.

I was a little bit sorry when the gentleman from Oklahoma made the statement which he has just made, that he did not read the hearings he referred to. I am going to read the hearings and I hope the gentleman will listen.

Mr. JOHNSON of Oklahoma. Does the gentleman mean that I stated I had not read the hearings? There is nothing like that in the record.

Mr. TABER. But the gentleman did not read the hearings on the floor, and I am going to read the hearings so the folks may know just what the gentleman from Pennsylvania [Mr. RICH] did say. I think the House is entitled to that in view of the statement of the gentleman. I did not make any comment about the gentleman having read the hearings or not having read them himself, but he did not read them to the House.

Mr. JOHNSON of Oklahoma. I did not read all of the hearings, but I read a part of them.

Mr. TABER. I am going to read what the gentleman from Pennsylvania [Mr. RICH] said.

Mr. JOHNSON of Oklahoma. Well, you will find something from my good friend from Pennsylvania on practically every page of the hearings. [Laughter.]

Mr. TABER. On page 780 occurs the following:

Mr. RICH. To meet these expenses, and we appreciate that and we want you to know that. Your suggestion about these islands of making a gradual cut seems to me a very sensible proposition. I want to congratulate you on that.

This was entirely consistent with what the gentleman from Pennsylvania [Mr. RICH] has said.

Now we come to page 787, with reference to the Bluebeard Hotel. Mr. Cramer said that only $3,000 was asked for hotel repairs, and then Mr. RICH said:

I want to congratulate you. I think you are doing a good job. In view of what you had there last year, I think you are making a fine improvement. I hope that next year you will improve as much as you have this year.

Now, what did they do? and I want this to be called to the attention of the House. The appropriations last year were $265,250 and the amount recommended in the bill this year is $240,000, a reduction of $25,000. This is almost the only item in the bill in which there is any reduction. If you were for economy like the gentleman from Pennsylvania [Mr. RICH] has been throughout his entire career here, would you not be pleased when one single establishment in the Interior Department came up here and asked for less money than it had the year before?

Mr. LAMBERTSON. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. LAMBERTSON. And no one has pointed out one instance in the entire record where Mr. RICH has asked to raise the Budget estimates.

Mr. TABER. Not a one.

Under these circumstances, I think the gentleman from Pennsylvania was justified in congratulating him.

The pro forma amendment was withdrawn.

The Clerk concluded the reading of the bill.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. JONES, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and had directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move the previous question on the bill and all amendments to final passage.

The previous question was ordered.

The SPEAKER. Is a separate vote demanded on any amendment?

Mr. O'NEAL of Kentucky. Mr. Speaker, I demand a separate vote on the amendment, on page 64, which increased the amount from $1,000,000 to $1,500,000, known as the Johnson amendment.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them en gros. The question is on agreeing to the amendments.

The amendments were agreed to.

The SPEAKER. The Clerk will report the amendment of the gentleman from Oklahoma on which a separate vote is demanded.

The Clerk read as follows:

Page 64, line 13, after the statute reference, strike out "$1,000,000" and insert "$1,500,000."

The SPEAKER. The question is on agreeing to the amendment.

The amendment was rejected.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. TABER. Mr. Speaker, I offer the following motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. TABER. I am.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. TABER moves to recommit the bill to the Committee on Appropriations with instructions to that committee to report the same back forthwith with the following amendment: Page 2, line 5, strike out "$505,860" and insert in lieu thereof "$400,000."

Mr. JOHNSON of Oklahoma. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion of the gentleman from New York to recommit the bill with instructions.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 22, noes 93.

Mr. TABER. Mr. Speaker, I object to the vote upon the ground that there is no quorum present, and make the point of order that there is no quorum present.

The SPEAKER. The gentleman from New York makes the point of order that there is no quorum present and objects to the vote, because there is no quorum present. The Chair has just counted. Evidently there is no quorum present. This is an automatic call. The Clerk will call the roll. The question is on the motion to recommit.

The question was taken; and there were—yeas 77, nays 285, not voting 67, as follows:

[Roll No. 29]

YEAS—77

Allen, Ill.	Engel	Mapes	Smith, Okla.
Arends	Fish	Martin, Mass.	Snell
Bacon	Gamble, N. Y.	Mason	Stefan
Barton	Gifford	Michener	Taber
Bates	Gilchrist	Oliver	Taylor, Tenn.
Beam	Guyer	Powers	Thomas, N. J.
Boehne	Gwynne	Reed, Ill.	Thurston
Brewster	Halleck	Reed, N. Y.	Tinkham
Carlson	Hancock, N. Y.	Rees, Kans.	Tobey
Case, S. Dak.	Hoffman	Rich	Treadway
Church	Holmes	Robsion, Ky.	Wadsworth
Clason	Hope	Rockefeller	White, Ohio
Cole, N. Y.	Hull	Rogers, Mass.	Wigglesworth
Crawford	Jenks, N. H.	Rutherford	Wolcott
Culkin	Kinzer	Sauthoff	Wolfenden
Dirksen	Lambertson	Seger	Wolverton
Ditter	Lord	Shafer, Mich.	Woodruff
Dondero	Luce	Short	
Dowell	McLean	Simpson	
Eaton	Maas	Smith, Maine	

NAYS—285

Aleshire	Dunn	Kee	O'Neill, N. J.
Allen, Del.	Eberharter	Keller	O'Toole
Allen, La.	Eckert	Kelly, Ill.	Owen
Allen, Pa.	Edmiston	Kelly, N. Y.	Pace
Anderson, Mo.	Eicher	Kennedy, Md.	Palmisano
Arnold	Elliott	Kennedy, N. Y.	Parsons
Ashbrook	Englebright	Keogh	Patman
Atkinson	Evans	Kerr	Patrick
Barden	Faddis	Kirwan	Patterson
Barry	Farley	Kitchens	Patton
Beiter	Fitzgerald	Kleberg	Pearson
Bigelow	Fitzpatrick	Kniffin	Peterson, Fla.
Binderup	Flaherty	Kocialkowski	Peterson, Ga.
Bland	Flannagan	Kopplemann	Phillips
Bloom	Flannery	Kramer	Pierce
Boileau	Fleger	Kvale	Poage
Boland, Pa.	Fletcher	Lambeth	Quinn
Boren	Forand	Lamneck	Rabaut
Boyer	Ford, Calif.	Lanham	Ramsay
Bradley	Ford, Miss.	Lanzetta	Ramspeck
Brooks	Frey, Pa.	Larrabee	Randolph
Brown	Fries, Ill.	Lea	Rayburn
Buck	Fuller	Leavy	Reilly
Buckler, Minn.	Fulmer	Lemke	Richards
Bulwinkle	Gambrill, Md.	Lesinski	Rigney
Burch	Garrett	Lewis, Colo.	Robertson
Burdick	Gavagan	Lewis, Md.	Robinson, Utah
Caldwell	Gehrmann	Luckey, Nebr.	Rogers, Okla.
Cannon, Mo.	Gildea	Ludlow	Romjue
Carter	Gingery	Luecke, Mich.	Sacks
Casey, Mass.	Goldsborough	McAndrews	Sadowski
Celler	Gray, Ind.	McCormack	Sanders
Chandler	Gray, Pa.	McFarlane	Satterfield
Chapman	Green	McGranery	Schaefer, Ill.
Citron	Greenwood	McGrath	Schneider, Wis.
Clark, Idaho	Greever	McKeough	Schuetz
Clark, N. C.	Gregory	McReynolds	Scott
Claypool	Griffith	McSweeney	Scrugham
Coffee, Nebr.	Griswold	Magnuson	Secrest
Coffee, Wash.	Haines	Mahon, S. C.	Shanley
Collins	Hamilton	Mahon, Tex.	Sirovich
Colmer	Hancock, N. C.	Mansfield	Smith, Conn.
Connery	Harlan	Martin, Colo.	Smith, Va.
Cooley	Harrington	Massingale	Smith, W. Va.
Cooper	Hart	Maverick	Snyder, Pa.
Costello	Harter	May	Somers, N. Y.
Cox	Havenner	Mead	South
Cravens	Healey	Meeks	Sparkman
Creal	Hendricks	Merritt	Spence
Crosser	Hennings	Mills	Stack
Crowe	Hildebrandt	Mitchell, Tenn.	Starnes
Cullen	Hill	Moser, Pa.	Steagall
Cummings	Hobbs	Mosier, Ohio	Sutphin
Delaney	Honeyman	Mott	Sweeney
Dempsey	Houston	Murdock, Ariz.	Swope
DeMuth	Hunter	Murdock, Utah	Tarver
DeRouen	Imhoff	Nelson	Taylor, S. C.
Dickstein	Izac	Nichols	Terry
Dies	Jacobsen	Norton	Thom
Disney	Jarman	O'Brien, Ill.	Thomas, Tex.
Dixon	Jenckes, Ind.	O'Brien, Mich.	Thomason, Tex.
Dockweiler	Johnson, Minn.	O'Connell, R. I.	Thompson, Ill.
Dorsey	Johnson, Okla.	O'Connor, Mont.	Tolan
Doughton	Johnson, Luther A.	O'Connor, N. Y.	Towey
Doxey	Johnson, Lyndon	O'Day	Transue
Driver	Johnson, W. Va.	O'Leary	Turner
Duncan	Jones	O'Neal, Ky.	Umstead

Vincent, B. M.	Walter	West	Withrow
Vinson, Ga.	Warren	White, Idaho	Zimmerman
Vinson, Fred M.	Weaver	Whittington	
Voorhis	Welch	Wilcox	
Wallgren	Wene	Williams	

NOT VOTING—67

Amlie	Crosby	Knutson	Rankin
Andresen, Minn.	Crowther	Long	Reece, Tenn.
Andrews	Curley	Lucas	Ryan
Bell	Daly	McClellan	Sabath
Bernard	Deen	McGehee	Schulte
Biermann	Dingell	McGroarty	Shannon
Boykin	Douglas	McLaughlin	Sheppard
Boylan, N. Y.	Drew, Pa.	McMillan	Smith, Wash.
Buckley, N. Y.	Drewry, Va.	Maloney	Sullivan
Byrne	Ferguson	Mitchell, Ill.	Sumners, Tex.
Cannon, Wis.	Fernandez	Mouton	Taylor, Colo.
Cartwright	Gasque	O'Connell, Mont.	Teigan
Champion	Gearhart	O'Malley	Wearin
Cluett	Hartley	Pettengill	Whelchel
Cochran	Hook	Pfeifer	Wood
Colden	Jarrett	Plumley	Woodrum
Cole, Md.	Jenkins, Ohio	Polk	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Jenkins of Ohio (for) with Mr. Schulte (against).
Mr. Douglas (for) with Mr. Wearin (against).
Mr. Cluett (for) with Mr. Mouton (against).
Mr. Jarrett (for) with Mr. Fernandez (against).
Mr. Crowther (for) with Mr. Gasque (against).
Mr. Plumley (for) with Mr. Sullivan (against).
Mr. Andresen of Minnesota (for) with Mr. Drew of Pennsylvania (against).
Mr. Hartley (for) with Mr. McMillan (against).
Mr. Gearhart (for) with Mr. Boylan of New York (against).
Mr. Reece of Tennessee (for) with Mr. Pfeifer (against).
Mr. Andrews (for) with Mr. Taylor of Colorado (against).
Mr. Knutson (for) with Mr. Woodrum (against).

Until further notice:

Mr. Rankin with Mr. Amlie.
Mr. Cochran with Mr. Bernard.
Mr. Drewry of Virginia with Mr. Teigan.
Mr. McClellan with Mr. Wood.
Mr. Sumners of Texas with Mr. Champion.
Mr. Bell with Mr. McGroarty.
Mr. Byrne with Mr. Shannon.
Mr. Whelchel with Mr. Cole of Maryland.
Mr. McLaughlin with Mr. Sheppard.
Mr. Polk with Mr. Biermann.
Mr. Maloney with Mr. Smith of Washington.
Mr. Colden with Mr. O'Connell of Montana.
Mr. Pettengill with Mr. Buckley of New York.
Mr. Sabath with Mr. Boykin.
Mr. Ryan with Mr. Cartwright.
Mr. Dingell with Mr. Crosby.
Mr. Curley with Mr. Long.
Mr. McGehee with Mr. Ferguson.
Mr. Deen with Mr. Lucas.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

The bill was passed, and a motion to reconsider was laid on the table.

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks on the Interior Department appropriation bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate insisted upon its amendments to the bill (H. R. 8947) entitled "An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1939, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GLASS, Mr. MCKELLAR, Mr. TYDINGS, Mr. HAYDEN, and Mr. BRIDGES to be the conferees on the part of the Senate.

FIRST DEFICIENCY BILL, 1938

Mr. JOHNSON of Oklahoma. Mr. Speaker, for the gentleman from Virginia [Mr. WOODRUM], I present a conference report and statement on the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, for printing under the rule.

REVENUE ACT OF 1938

Mr. LAMBETH. Mr. Speaker, I present a concurrent resolution and ask unanimous consent for its immediate consideration.

The Clerk read as follows:

House Concurrent Resolution 35

Resolved by the House of Representatives (the Senate concurring), That there shall be printed 20,000 additional copies each of the bill (H. R. 9682) and the report (H. Rept. No. 1860), current session, entitled "Revenue Act of 1938," of which 15,000 copies shall be for the use of the House document room and 5,000 copies shall be for the use of the Senate document room.

The resolution was agreed to, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that my colleague from Massachusetts [Mr. GIFFORD] may have permission to revise and extend the remarks he made today.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a radio address delivered by my colleague the gentleman from Kansas [Mr. LAMBERTSON].

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. THOMAS of New Jersey asked and was given permission to revise and extend his own remarks.

Mr. BINDERUP. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein short excerpts from articles written by Reginald McKenna, of the Midland Bank of London.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MAVERICK. Mr. Speaker, this being the anniversary of the independence of Texas, I ask unanimous consent to extend my remarks in the RECORD and to include therein a historical letter of great importance.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. SHANLEY. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein excerpts from international treaties.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. JOHNSON of Minnesota. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a speech by Colonel McGuire, the Counselor General of the Budget, made at Minneapolis at a good roads banquet on the 23d of February last.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BYRNE, indefinitely, on account of illness.

To Mr. MITCHELL of Illinois, for 10 days, on account of important business.

The SPEAKER. Under the special order of the House heretofore made the gentleman from Iowa [Mr. HARRINGTON] is entitled to be recognized for 30 minutes.

FUEL ALCOHOL—THE KEY TO AGRICULTURAL RECOVERY AND NATIONAL PROSPERITY

Mr. HARRINGTON. Mr. Speaker, this body is now engaged in the somewhat difficult undertaking of endeavoring to alleviate the tax load on business. The theme song of this effort seems to be that whatever adjustments are made shall

be in the direction of favoring little business rather than big business, and in this I heartily agree.

In the same connection, I have introduced a bill to lift some of the tax burden from the littlest little-business man, and I refer to none other than the American farmer. Since, unlike most tax-reduction plans, my proposal does not tap the Treasury to any serious extent, since it costs the Government comparatively nothing, since it offers immediate and concrete results to the farmer, and since it contains the germ of an encouraging idea that in the not far distant future, I hope, will mark the dawn of a new day, a new concept, a new utility and a new prosperity for American agriculture. I want to talk about it for a few minutes; I invite your careful attention.

After months of deliberation we have enacted a farm bill which we hope is going to contribute stability to agriculture. Most of us voted for this bill and want to see it have a fair trial and succeed. Nevertheless, our new farm program may have its limitations, and if agriculture is to achieve a recovery momentum that will sweep the entire Nation back to prosperity, it must transcend these limitations.

Since the passage of the farm bill, I have paid a visit to my own district and to my home city, and I want to relate, for the benefit of other agricultural Congressmen, what I found there, what is transpiring there, because I think that what the people of my district are doing to assist themselves has significance for the people of your district and for the whole country.

FACTS ABOUT THE NEW FUEL ALCOHOL INDUSTRY

We have been hearing for years about the possibilities of manufacturing fuel alcohol from products grown on the farms of the United States. Not many of us are aware, however, of the progress that has been made in developing this potentially great new industry. I think that it is important that the Members of Congress should be fully informed and brought up to date concerning this development and its significance to the national economy.

While I have been deeply interested in this subject since the inception of chemical studies and experiments at Iowa State College in Ames, Iowa, and 5 years ago I sponsored legislation dealing with this subject while serving in the Iowa Senate, I must confess that I was astonished last week upon learning of the actual progress made, the amazing results that have been obtained in the actual manufacture and merchandising of fuel alcohol, and the implications of this new enterprise in relationship to the shape of things to come.

About 18 months ago the Chemical Foundation, Inc., of New York, leased and remodeled an alcohol plant then belonging to the Bailor Manufacturing Co., of Atchison, Kans. After overhauling and modernizing the plant in the light of current knowledge of the subject of manufacturing anhydrous alcohol, and after developing a denaturing process satisfactory to the United States Government, and after completing certain experiments in the manufacture, use and sale of the product, the Chemical Foundation acquired full title to the property. This property now is being operated as a commercial plant. This experiment now has been carried to the point where this new industry now is ready to begin operations on an impressive scale.

SIOUX CITY COMMUNITY SHOWS WHAT CAN BE DONE

Recently the chemical foundation proposed to the chamber of commerce and other civic and farm interests of my home city, Sioux City, Iowa, that upon the development in that community of a market for 3,000 gallons of fuel alcohol per day, to be temporarily supplied by the Atchison plant, and the signing of contracts for 1,500,000 bushels of grain needed for processing a year's output, the foundation would build in that city a factory costing $500,000 and capable of producing a minimum of 10,000 gallons of fuel alcohol per day.

When I visited Sioux City last week that community was consuming in its motor vehicles approximately 3,000 gallons of alcohol per day, or 30,000 gallons of alcohol-gasoline blend daily. The civic committee in charge was preparing to start contracting for the necessary raw materials and plans were being rushed for construction of the factory. All this was accomplished in 30 days of intensive work by the committee, members of which told me that within another month it would be possible to dispose of the entire output of such a plant as the one it is proposed to build, and that one such plant would not be sufficient to supply the total needs of the community.

I talked to farmers who are using this product, to the operators of truck lines, and to businessmen of the community. I was impressed by their enthusiasm and the facts which they related to me concerning the economy of this fuel, the greater mileage obtained at no increased cost, the smoothness with which engine motors perform, and other advantages. But these are, after all, only minor phases of the importance of such an industry to that community.

Mr. CULKIN. Will the gentleman yield?

Mr. HARRINGTON. I yield to the gentleman from New York.

Mr. CULKIN. Can the gentleman tell me how this compares with gasoline as to cost and efficiency?

Mr. HARRINGTON. It sells in Sioux City at exactly the same price as the regular gasoline with the same octane content.

Mr. CULKIN. How about the mileage obtained?

Mr. HARRINGTON. It will increase the mileage about 10 percent, according to tests that have been made out there in the last 30 days by numerous users of motor vehicles and truck lines.

Mr. CULKIN. It is really a more efficient and cheaper fuel?

Mr. HARRINGTON. It is a more efficient and cheaper fuel, all things considered.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. HARRINGTON. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. Not only that, but it is a supply that can be perpetually taken from our soil by the farmers instead of exhausting a resource that may be near its end?

Mr. HARRINGTON. That is correct.

EMPLOYMENT FOR LABOR, LAND, AND CAPITAL

The fuel-alcohol factory at Sioux City will provide employment for about 60 men in the plant and it will create a new home market for and consume the production from about 30,000 acres of land, thereby giving employment indirectly to from 1,000 to 1,500 part-time additional farm and other workers.

As a byproduct the factory will produce about 32 tons of protein concentrates per day. This feed product, 90 percent digestible, and containing all of the mineral and other elements of the grain, will be sufficient to supply a balanced ration for thousands of head of cattle, chickens, and turkeys constantly. Through the distribution of the feed these elements will be carried back and deposited on the farms and thereby contribute much to improved farming practices in that community.

Another byproduct is dry ice, made by condensing the carbon dioxide released in the distilling process. Dry ice now costs $60 per ton in Sioux City. When this plant is in operation it can supply local consumers for about $30 per ton with substantial profit to the industry.

The efficiency with which such a plant operates is indicated by the fact that a bushel of corn can be made to yield 2½ gallons of alcohol, about 17 pounds of protein concentrates, and about 13 pounds of dry ice. Apparently nothing but the odor is permitted to escape.

This fuel alcohol is sold under the trade name "Agrol." The name evidently is a contraction of the words "agriculture" and "alcohol." Agrol is blended with gasoline in proportions of about 1 gallon of alcohol to 9 gallons of gasoline. The proportions of this mixture vary somewhat in different batches of the blend. In blending the two substances the octane rating of the gasoline used is first determined, then enough alcohol is added to achieve a standard octane rating of 73–76. That, however, is a technical detail. This blended

fuel sells to the consumer at the same price as regular gasoline on the same octane rating.

FOUNDATION IS LAID FOR NEW NATIONAL INDUSTRY

To supply the motors of America with a 10-percent blend of alcohol would require, I am told, at least 800 units such as the one at Atchison, Kans., and the one to be built at Sioux City, Iowa. Construction of 800 such units would involve a capital outlay of between $320,000,000 and $400,000,000. They would consume annually approximately 1,200,000,000 bushels of grain or the equivalent of that much grain in the form of tuber crops, such as artichokes, sweepotatoes, and so forth.

These 800 factory units would employ in the factories about 50,000 men and permanent work would be created for a minimum of another million men on the farms, in the factories, and materials industries, supplying equipment, building materials, and so forth.

To supply this Nation with a 20-percent fuel-alcohol blend—and that, I believe, is possible—would double the investment and employment figures I have used.

I submit, Mr. Speaker, that such an industry, one having such vast potentialities, challenges our serious consideration of what this Congress can do to release the forces of constructive endeavor for the advancement of such an enterprise.

WHAT THIS NEW INDUSTRY MEANS TO THE FARMER

You want to know, of course, what this new industry can pay the farmers for the raw materials it requires. That is important.

Corn will be contracted in my community for delivery next fall at 56 cents a bushel. That is more than the market price of corn at Sioux City now. That is more than corn has sold for on an average for a period of 40 years or longer. I am informed that the average selling price of corn over a 40-year period has been 42 cents per bushel.

I quote the Chemical Foundation as authority for the statement that the fuel-alcohol industry can pay the farmers the following prices for raw materials:

Corn, 56 cents per bushel.
Wheat, 60 cents per bushel.
Barley, 48 cents per bushel.
Rye, 56 cents per bushel.
Sorghum grains, 80 cents per hundredweight.
Artichokes, $5.25 per ton.
Sweetpotatoes, $6.85 per ton.

The industry also can use sugar beets, white potatoes, fruits, and other materials in manufacturing this fuel alcohol.

The adaptability of this industry to the various parts of the country renders it ideal for development on a Nation-wide scale. It can utilize surpluses of the crops of which we most commonly raise surpluses, excepting, of course, cotton. And it can utilize crops which might be planted to replace crops of which we commonly raise surpluses.

I say, Mr. Speaker, that with this industry in operation, our farmers would not longer be vexed by the surplus problem. In fact, Mr. Speaker, they would have to start humping their backs to produce more than they ever have, and who in America would not welcome such a situation?

Manufacturing cost records and average yields of farm crops indicate that the farmers who will grow the raw materials for fuel alcohol reasonably may expect the following net returns per acre from their land in years of normal yields:

Artichokes, $86.36; sorghum grains, $22.03; corn, $23.04; wheat, $14.17; barley, $23.36; rye, $25.98; sweetpotatoes, $63.34, and so on. And still larger returns may be had by planting better seed, by fertilization, and by improved methods of cultivation. Let it be the duty of the Department of Agriculture and our land-grant colleges, and the county agents, and the soil-conservation committees to assist in teaching the farmers how to earn larger profits from their operations by producing more of the things which this new industry can use.

FUEL ALCOHOL WILL PROMOTE CONSERVATION OF OIL

I have not even attempted to go into the subject of plastics. But alcohol is the very foundation of the swiftly developing plastics industry, the output of which in 1937 was valued in excess of $200,000,000. That is another story.

But I do want to call your attention to the importance of fuel alcohol to the power-fuel industry generally. We are coming to the point where maintaining a supply of gasoline for the motors of this country rapidly is becoming a major problem.

Gov. E. W. Marland, of Oklahoma, himself a great oil operator, made the statement recently that the petroleum industry faces a demand for 28,000,000,000 barrels of crude petroleum in the next 20 years and that known reserves of petroleum do not exceed 13,000,000,000 barrels, and that gasoline in 1941 will be selling at 50 cents a gallon.

I do not mean to be an alarmist on the subject of petroleum. Whether or not petroleum reserves are adequate for 10 years, or 25 years, or 50 years, we may well believe that ultimate exhaustion of the supply is not beyond the range of possibility. And I for one am willing to believe that it is not too soon to start giving encouragement to an industry which may mean a great deal to our national safety and to the motor owners of this country only a few years hence. Why not prepare now a backlog of potential fuel supply against the day of failing petroleum reserves?

WHAT CONGRESS CAN DO NOW TO AID THE FARMER

You ask me how Congress can contribute now toward the advancement of this potentially great new industry which I have outlined here. I am now coming to that, and I invite the careful attention of the gentlemen.

The Federal Government now levies a tax of 1 cent per gallon on gasoline.

I propose that this Congress enact a measure to amend the Gasoline Tax Act to exempt from taxation motor fuel containing 10 percent or more anhydrous alcohol made from products grown on farms in the continental United States.

Let me explain to you what the remission of that tax would mean to the American farmer.

As I have already pointed out, a bushel of corn, sorghum grain, or any comparable grain will yield 2½ gallons of alcohol. And 2½ gallons of alcohol will supply one-tenth of the volume of 25 gallons of blended fuel.

Since the Federal tax on 25 gallons of motor fuel is 25 cents, by remitting the tax the saving resulting therefrom, 25 cents, could be passed along by the manufacturer to the farmer who produced the grain or to the purchaser of the alcohol, or it could be divided between the grain farmer and the consumer.

The manufacturers now are contracting for corn at 56 cents a bushel. If we could make it possible for them to tack the 25 cents of gasoline or motor-fuel tax onto the purchase price of the corn, the manufacturer would be enabled to pay the farmers as much as 81 cents for corn and a proportionate sum for other grains or tuber crops. Or they might add 15 cents to the price of the raw materials and take 4 cents off the price of a gallon of alcohol.

I have introduced a bill covering the matter of this gasoline-tax remission, H. R. 9387. That bill now is pending in the House Ways and Means Committee, awaiting consideration by the members of that committee or perhaps a public hearing. I have no doubt that representatives of the Chemical Foundation, a nonprofit organization, would gladly come to Washington and reassure Congress by their testimony that the industry which they have founded is agreeable to passing on to the farmers and consumers whatever benefits might accrue from any tax remission that we might grant in this instance.

What this bill proposes, Mr. Speaker, would impose no great burden of cost upon the Federal Government. It calls for no direct subsidy. The loss of revenue would not be great. In the beginning it would be relatively small.

Remember, please, that this is an infant industry. Probably the total manufacture of fuel alcohol in the United States in 1938 will not exceed 5,000,000 gallons, just enough to blend only 50,000,000 gallons of motor fuel. That means the Government would be deprived of only $500,000 revenue this year. Of course, it should be more next year—it is my hope that it would be more, because I want to see hundreds

of these plants built and in operation. I want to see them built as quickly as possible.

But the money would go to our farmers and motor owners, and I submit, Mr. Speaker, that $500,000 is an insignificant sum to a Congress which blithely votes millions and billions for other purposes.

This new industry asks no grant or subsidy for itself. The industry has not asked for the consideration given to it in the bill which I have prepared. I prepared and introduced and am sponsoring this bill at the instance of the farmers and business people of my district, because I believe in this industry and want the American people to receive the benefit of it.

FUEL ALCOHOL AND OTHER GREAT NATION-BUILDING INDUSTRIES

Mr. Speaker, the most important problems in the United States today involve unemployment, putting men to work, finding use for our land and constructive outlets for our capital.

In the past, following great depressions or social upheavals incident to war, we have been fortunate in developing some great labor and capital employing industry which absorbed the surplus economic forces and thereby broke down the forces of disintegration and set the Nation upon the pathway of prosperity once more.

Following the great war between the States, there was an expansion in railroad construction which provided employment for thousands of workmen and opened thousands of square miles of virgin territory for the expansion of agriculture.

Following the World War came the great expansion of automobile construction and highway building, twin industries which today provide employment for approximately 6,000,000 persons.

Since the dawn of time, civilization has been moving from one definite cycle of development to another. We have had the bronze age, the iron age, the steam age, the electrical age, and the motor age and now, Mr. Speaker, I think it is not too much to say that we are entering the chemical age.

The United States stands in need of another great industry which will afford opportunities for the employment of men, land, and capital comparable with some of the great industries which we have already built.

It is my humble opinion that in this fuel-alcohol industry we have the thing that is needed to pull this country out of the economic tailspin which has persistently defied the best efforts of this and preceding Congresses to check.

I am told on the highest authority that there is a potential market in this country, a market which can be fully developed in 20 years, for 20,000,000,000 gallons of anhydrous alcohol annually and that such development can be made to provide employment for 11,000,000 persons—more than are now on the relief rolls, the W. P. A. rolls, and working at jobs of questionable value in some branch of the public service.

SOURCE OF NEW WEALTH TO SWELL THE NATIONAL INCOME

Our illustrious President has spoken many times of the importance of increasing the national income from $60,000,000,000 or $70,000,000,000 per annum to $100,000,000,000 or more per annum.

We are all heartily in accord with his views on that matter. But, Mr. Speaker, before we can increase the national income to any such figure, we must start producing more of the products of new wealth from which national income is derived.

The only alternative to producing more to increase national income is to raise the price of what we now are producing. And that would mean higher living costs, and nobody wants the cost of living to go higher than it now is. Living costs are so high now that many of our citizens, even some who are fully employed, cannot enjoy what is known as the American standard of living.

The process of producing national income starts with the materials of new wealth, the products of the farm, forests, mines, and fisheries. There are no other sources of new wealth. National income is computed by adding to the new wealth we produce the cost of processing, transporting, merchandising, and so forth.

Now, the relationship of the new farm wealth which we produce to national income is, and long has been, roughly, 1 to 7. By that I mean to say that each dollar's worth of corn, wheat, and other farm products, after all the service charges, taxes, carrying charges, transportation, processing, and other charges have been added, roughly translates into $7 of national income.

Here, then, Mr. Speaker, we have in this fuel alcohol a source of new wealth which must not be neglected. Here is an industry which, when developed, would be capable of utilizing upward of $4,000,000,000 worth of raw materials annually which in the process of conversion, distribution, and merchandising, would yield in excess of $25,000,000,000 of national income annually.

NATION ON THE EVE OF A CHEMICAL REVOLUTION

Mr. Speaker, we live in a chemical world. The great agricultural industry itself, concerning which so much has been said in these Halls is, after all, only a chemical enterprise whereby atmosphere and sunshine and moisture, plus a small amount of inorganic matter, are converted into plant life to be processed and fabricated by industry for the blessing and benefit of mankind.

I have said that we are on the eve of the chemical age, brought about by the chemical revolution, so to state, and I think the chemical revolution starts with cheap and unlimited fertilizer.

The chemical and mechanical experts that have been able to convert cereals and tuber crops into flour, starch, and the thousand and one other products made from grains and other crops, and have converted tubers, fruits, and vegetables into a myriad variety of edibles for the delectation of the human appetite, are just as capable of employing still other processes to convert these same materials into fuel alcohol to burn in our engines.

Mr. Speaker, I can see in this fuel-alcohol industry the foundation of a new economy—chemeconomy it has been aptly termed—an economy born of a new union of the forces of labor, land, and capital working in harmonious cooperation with the chemical and mechanical arts to create a new and prosperous social order in America. It bids fair to become man's greatest industry.

I can see in this new enterprise the potentialities of the greatest cooperative movement in all history, involving consumers, producers, capital, and distribution all under localized control, which would effectively break the grip monopoly capitalism now exercises over the American farmer through its ability to control the prices of his products.

Here is an industry, Mr. Speaker, which is absolutely nonpartisan in character and which seeks no special privilege and which is capable of developing along lines in keeping with the best American traditions of free enterprise.

Give the American farmer this new industry, Mr. Speaker, and thereafter we here in Congress need not concern ourselves about the problems of overproduction or underconsumption of farm products. We shall not have to consider thereafter the problem of subsidizing either production or nonproduction. We shall not have to concern ourselves about what goes into or comes out of the ever-normal granary nor about what to raise or not raise on American farms.

If all this be true, one might well ask why has not our Department of Agriculture given some attention to fuel alcohol as an outlet for crop surpluses? The answer is that it has. I refer you to a recent departmental pamphlet written by Dr. W. W. Skinner, Assistant Chief of the Bureau of Chemistry and Soils, and Dr. P. B. Jacobs, senior chemist in charge of the Power Alcohol Section. In casting about for a solution of our recurring crop surpluses the authors arrive at the following conclusion. Listen to this:

> Because of the large potential amounts involved, the motor-fuel outlet, by a fortuitous circumstance, seems to be the one possible use which might be able to absorb these surpluses.

There it is in black and white right from the Department of Agriculture.

Once this fuel alcohol industry gets going, Congress will have only to concern itself about keeping out of this country

the cheap, competitive foreign products which would then seek to come in and share the American market and undersell the American price level.

Here is an industry, Mr. Speaker, that is based upon the law of Nature—and the law of Nature is the law of God. In common parlance, this industry is "a natural" that is admirably suited to our times, our needs, and our circumstances.

A NEW IMPLEMENT FOR THE BUILDING OF CIVILIZATION

Fate and circumstances have conspired to place a great responsibility upon the Members of this Congress. But in this fuel alcohol industry they have placed in our hands an implement with which to free the constructive energies of the Nation's manpower, its land power, and its money power and enable them to continue the work of building here a civilization in keeping with our traditions and in fulfillment of our hopes and aspirations.

The genii of "black magic," as the ancient Egyptians called chemistry, have unlocked the secret doors of Mother Nature's storehouse and revealed to us the formula of a new economy based on work, production, and the utilization of products which she has placed at the disposal of man.

Private initiative has proved that formula. Private enterprise has pioneered the way. Fuel alcohol has been lifted from the realm of experimentation and today is a going concern, a practical commercial enterprise with possibilities which literally stagger the imagination.

This great legislative body long and justly has prided itself upon its vision, its statecraft, its ability to stimulate private enterprise, to do things on a broad, national scope, and with equal justice it lays claim to great achievements in all fields of social and economic endeavor.

In this connection let me say, Mr. Speaker, that in my humble opinion this great legislative body never before was presented with such an opportunity for constructive and stimulating helpfulness such as that which I have just outlined.

Let us remit the Federal tax on this blended fuel, as I have suggested, and thereby assist the farmers, encourage a new American industry, create employment for men, land, and capital. If we shall do this, Mr. Speaker, we shall render to this Nation a service which will stand as a monument to the vision, the wisdom, and the initiative of the Members of this body and for which generations yet unborn will bless our memories. [Applause.]

AGROL TAXES

Total taxes and other Government-imposed costs

Federal motor-vehicle fuel tax	per gallon	$0.01
Average State + county + city fuel tax	do	.04
Denaturing costs:		
Direct	per gallon	$0.0075
Indirect (estimated)	do	.0125
		.02
Total	per gallon	.07

COST OF BONDS—SALARY GOVERNMENT MEN

Assuming 100 pounds grain yields 4.5 gallons ethanol, the total taxes and other Government-imposed expenses, exclusive of social security, workmen's compensation, corporate income, and other taxes is $4.5 \times \$0.07 = \$0.315$ per 100 pounds, or $\$0.315 \times 56/100 = \$0.1764$ per bushel corn.

Assuming an average price of $0.90 per 100 pounds (approximately $0.50 per bushel of corn), the tax rate is $\$0.315/0.90 \times 100 = 35$ percent.

The total taxes and other Government-imposed costs is approximately $0.02 per gallon greater per gallon of power alcohol than the total for gasoline.

The total taxes on gasoline are practically equal to the total refinery price of gasoline.

If the Federal tax on motor fuel containing at least 10 percent alcohol is removed, then this 1-cent release means an exemption of 10 cents on the alcohol itself, which is very little more than the total direct and indirect taxes and other Government-imposed expenses on ethyl alcohol as shown above. With the present price of agrol fluid at 25 cents per gallon, this will permit the sale of agrol 10—the blended gasoline at filling stations—at exactly the price of regular grades of gasoline. Today agrol 10 is disposed to sell at 1 cent above regular grade gasoline prices.

The passage of H. R. 9387 will do its greatest good in lessening the difficulties which agrol manufacturers will have to contend with by way of Internal Revenue Department. The question of permits and bonds smacks back to the Middle Ages. Agrol should be dealt with as any other commodity from the farm. It is simply a fuel or transformed byproduct. It is not potable and cannot be made potable without going to two or three times the expense ordinarily incurred in illicit production of liquors from cane sugar, which liquors are now growing constantly in use by reason of high Federal taxes.

The SPEAKER pro tempore (Mr. WARREN). Under a previous special order of the House, the gentleman from New York [Mr. DICKSTEIN] is recognized for 15 minutes.

Mrs. ROGERS of Massachusetts. Will the gentleman yield?

Mr. DICKSTEIN. I yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks at this point in the RECORD and to include a letter regarding a tax case.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

The letter referred to follows:

MARCH 1, 1938.

Hon. EDITH NOURSE ROGERS,
House of Representatives, Washington, D. C.

MY DEAR MRS. ROGERS: We have just finished our Federal income tax for the calendar year 1937.

We made a profit of $3,099. We find it necessary to send to Washington, for our tax, $941.21. That tax represents approximately 30 cents out of every dollar of profit—approximately one-third.

On the tax of $941.21, $556 comes from the undistributed-profits surtax, because we do not pay dividends.

Why do we not pay dividends? Because the State of Massachusetts makes it illegal for us to pay dividends as long as we have a deficit on our balance sheet.

We have never recovered from the deficit incurred from the 6 or 7 years of depression. We cannot pay dividends if we want to, and because we cannot, we have to sustain this unjust tax.

Would any reasonably intelligent businessman refuse to say that our Washington Representatives should see to it that a small business was allowed freedom to strengthen their balance sheet, using practically all of their profit to void their deficit, so that they might be put in a position not only to pay dividends but to expand, with a resultant widening of employment?

We earnestly urge you to see that this grossly impracticable undistributed-profits surtax be voided.

Very truly yours,

———, ———.

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein certain extracts and certain clippings from certain newspapers dealing with certain names with regard to an espionage system in the United States of America.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

Mr. BOILEAU. Mr. Speaker, reserving the right to object, I could not hear the request.

Mr. DICKSTEIN. I want to include in my speech certain remarks dealing with an espionage system, or a spy system, in this country which I will develop in the few moments I have at my disposal.

Mr. BOILEAU. The gentleman wants to put names in the RECORD again?

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. DICKSTEIN. Mr. Speaker, I had hoped there would be more of our colleagues present here. I am not standing up here to tell you, "I told you so," but the matter is really serious enough for me to talk to the American people from the floor of this House.

For 4 years I have been preaching, begging, and advising the Congress with reference to what has been going on during that time. Some of my colleagues accused me of exaggeration when I said there were 400,000 storm troopers or members of the so-called Nazi bund in the United States.

If you have read the papers of the last few days you find that Mr. Hitler said that there were four to five hundred thousand who would be affected by the order he issued a few days ago allegedly disbanding the Nazi bund in the United States.

Mr. Speaker, I charge Mr. Hitler with being a plain liar, and seeking to put a smoke screen before the American people when he talks about disbanding the Nazi bund in the United States. He pulled that same shell trick on me 2 years ago when the Committee on un-American Activities after spending $30,000 showed up the Friends of New Germany. We were ready to go down the line when Mr. Hitler and his henchmen issued an order disbanding the Friends of New Germany. This is the same old trick he had previously pulled off on us when he stated he was going to disband the so-called United States Nazis, particularly those people who are citizens of Germany.

Mr. BOILEAU. Will the gentleman yield?

Mr. DICKSTEIN. I yield to the gentleman from Wisconsin.

Mr. BOILEAU. The statement was made in the press within the last day or two by an official of the bund to the effect there were no alien Germans in the bund, that they were all Americans.

Mr. DICKSTEIN. That is right.

Mr. BOILEAU. So that Hitler certainly does not have jurisdiction over these American citizens and the organization claims he has no such jurisdiction.

Mr. DICKSTEIN. I am glad the gentleman helps me on this. In other words, we still have the Nazi organization with us in this country which is inimical to our form of Government. This organization still carries the flag of Mr. Hitler; it still indulges in the goose-step on the ground and soil for which American boys have gone to war and fought, an organization which is against freedom and democracy. That is the point I make.

Mr. BOILEAU. Are the members of the bund American or German citizens?

Mr. DICKSTEIN. They are German and Americans.

Their citizenship in this county is purely technical. You may recall that in the old German Empire there used to be a law allowing German nationals to become naturalized in other countries for the sake of convenience while retaining their allegiance to the Fatherland. Apparently history is repeating itself.

Mr. BOILEAU. Are they citizens or not?

Mr. DICKSTEIN. They are American citizens on account of holding a certificate of citizenship.

Mr. BOILEAU. That is as much as many people have.

Mr. DICKSTEIN. Yes; but they believe in upholding the National Socialist Party in Germany and in creating a sentiment for that party in the United States.

Mr. BOILEAU. Merely for the purpose of the record, and for clarification, is the gentleman willing to admit that all of the people belonging to this bund are American citizens?

Mr. DICKSTEIN. No.

Mr. BOILEAU. I do not know. I want the gentleman to make the point clear.

Mr. DICKSTEIN. While Hitler's order is ostensibly directed only against citizens of the German Reich, it undoubtedly affects also those who have taken out their first citizenship papers and declared their intention to become American citizens. What right has this foreign ruler to tell our prospective citizens what to do?

Have you read about the nest of spies recently uncovered by the Department of Justice? The Department of Justice has already picked up a half dozen of them. One of the ladies they picked up was one about whom my committee has a record. We had a letter from Werner Haag, who had been a lieutenant in the Germany Army and was active in the Friends of New Germany, to the Minister of Propaganda in Germany, asking him to send here a few beautiful women who could speak a number of languages. Here is a word for word translation of the letter:

FRIENDS OF NEW GERMANY

[Telephone, Gramercy 5-1920; cable address, Efdende, New York; address, Efdende, 23 Lexington Avenue, New York; national office, U. S. A. At the order of the head of the national office, Heinz Spanknoebel. Keep absolutely secret!]

SEPTEMBER 23, 1933.

USCHLA BERLIN ALEXANDERPLATZ,
812 No. X:

In reply to your letter of September 5:

The development of the special division cannot take place as rapidly as you desire, since conditions here are more difficult than you suppose. We are being watched and must be careful. Count Sauerma is out of the question for the proposed position, as he lacks experience. It is better to employ him for the Bunaste. Count Norman returned from Berlin, bringing his brother with him. Dr. Spanner asks energetically that the General Electric representatives in Germany be watched, as they intend to carry on espionage there. The General Electric stole his invention, and he is now going to take steps against them. As his brother in the medical center has done a lot for us—for instance, he has won two of the professors there for our cause—we request that Dr. Spanner's business affairs be speeded up and given protection.

Send us a young lady of good appearance who is very reliable. It is best if her father and brothers are S. A. men (storm troopers). She should speak some English and Russian fluently and must take the place of our agent in the Amtorg. She should come over on the *Europa* or *Bremen* as a hairdresser, then we'll send another person back to Germany on the ship, thus evading the immigration authorities and avoid a check-up by Untermeyer.

I cannot find a place for van der Lubbe here; it is best if you throw him overboard into the ocean while en route to another country. Whom do you intend to hang in his place in Germany? I agree with you entirely that it would be good to give the damned Communists in Leipzig an injection of syphilis. Then it can be said that communism comes from syphilis of the brain.

Send us a new code. We believe that the old code can be read by Untermeyer.

Spanknoebel has just entered the room and sends you his best wishes. He would like to have a physicist assigned by the office for exchange students to do a few little jobs for him. Theremin is lazy and wants too much money, and, what is more, he seems to be half a Jewish swine himself. The man betrays his own country and therefore we cannot trust him, despite all assurances. And the little Katja—that is how Count Sauerma calls Konstantinov—is a dumb and conceited girl, who is doing good work on the whole, but is always crying now. Therefore I think she would be better taken care of over there. She could be used for Russian translations.

Let us know how things stand with the Hitler book. We must distribute many of them free. We'll have considerable success with it. It is child's play to make good anti-Semites out of the Americans.

Please work fast in the Spanner affair—lots of money for us depends on it.

Hail Hitler!

[SEAL] (Signed) W. HAAG,
Adjutant of the National Leader, Friends of the New Germany, National Intelligence Office, United States of America.

I exposed this matter long ago, but no attention was paid to it. The very woman about whom this letter was written is in jail now and is the very worst spy we have had in this country. She has been operating since 1933. Yet, Mr. Chairman, some of the Members here spoke against it on the 8th of April and refused to give me an appropriation to carry on this work. You thought you had to balance the Budget by saving a couple of thousand dollars. With that money I could have picked up that spy only a year ago. She is in this country now and is under arrest. We have her record.

The Department of Justice has not even started to pick up spies in this country. A year ago a man came to me who was ready to sell out all the Nazi agents in this country if he could get some money. I told him I had no money to give him. Then he wanted me to give him immunity. He said he was ready to deliver up a hundred spies of foreign governments who are seeking to undermine our Government. I could not do any business with him. Only a few days ago he came to me and stated he was ready to give the information to the Department of Justice, provided he obtained immunity as far as his status as an alien is concerned. The Department of Justice cannot give him any such immunity. If I had the power of subpena, I could bring him before a committee, whether a committee of one or of six or seven,

and put him under oath, because he is ready to talk. We have dozens of this kind of people, who are ready to talk but want some protection for themselves and for their families.

Mr. Speaker, I charge that the members of the so-called Amerika-Deutscher Volksbund are Nazis and not Americans. If they are citizens they hold a dual nationality. I hold a copy of their program of activities for 1938. They call themselves Americans, but on one of the first pages of this program they speak of their leader, Hitler, as the messiah for whom they have waited 2,000 years. Their membership application blank sets forth the fact that they believe in the "leadership principle," which clearly shows that they do not believe in our democracy. They publish an annual almanac with an old picture of President Roosevelt, such a poor picture he can hardly be recognized. Next comes the picture of Fritz Kuhn, the ranking leader of the organization in this country.

What is this bund doing? Only a few days ago a group of about 600 of these people were behind closed doors in the meeting which is pictured in the photograph I hold in my hand. You would think this was an American Legion convention, but in truth and in fact it is a convention of a legion against Americanism. I was fortunate enough to get a copy of this photograph, even though the meeting was held behind closed doors. Instructions were given to these 600 men, and a copy of the constitution of this group was handed to each of them. I have a copy of that constitution.

I ask unanimous consent, Mr. Speaker, that I may extend my remarks in the RECORD and include therein excerpts from the constitution of this Nazi bund, which has 28 camps now in full operation and has a membership of almost 450,000.

Mr. BOILEAU. Reserving the right to object, Mr. Speaker, may I ask how long is the entire constitution?

Mr. DICKSTEIN. I am not going to insert the entire constitution; I am just going to insert a few extracts from it. If the gentleman wants to have all of the constitution placed in the RECORD, I will put it all in.

Mr. BOILEAU. If it is very long I would not like to ask that it all be placed in the RECORD.

Mr. DICKSTEIN. If the gentleman will permit, I shall be pleased to consult with him about this matter, and I am willing to put all of their constitution in the RECORD.

Mr. BOILEAU. Is it lengthy?

Mr. DICKSTEIN. It is about 50 pages.

Mr. BOILEAU. I would not want to put all that in the RECORD.

Mr. DICKSTEIN. No. I merely want to place in the RECORD what their principles are.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

PREAMBLE

We associate ourselves together to unite all honorable, seriously minded, courageous, and unselfish men and women of the Germanic race, loyal and prospective citizens of the United States, proud of their German blood and treasuring German traditions, language, and ideals of national and individual liberty, justice, truth, duty, and absolute honesty, into one great, free, proud, and respect-commanding German-American Bund for the mutual benefit of the United States of America and Germany.

AIMS AND PURPOSES

The aims and purposes of this organization shall be—

(1) Above all, to uphold and defend the Constitution and the laws of the United States of America;

(2) To respect and honor the flag and institutions of the United States of America and to cultivate their lofty ideals;

(3) To promote good will, lasting friendship, and continued beneficial relations between the United States of America and Germany;

(4) To defend with all lawful means at our disposal the good name and honor of our mother country (Germany) against base defamation, willful and poisonous lies, and purposeful malice emanating from any ill-wishing, jealous, avaricious, or ignorant source whatsoever, be it race, people, tribe, clan, nation, association, or individual; against propaganda spread by print, script, or mouth, openly or covertly, through books, magazines, newspapers, leaflets, or merely cowardly rumors;

(5) To try to bring a better understanding to our American fellow citizens of the real and undisputable German achievements in the sciences and arts; the German inventions and contributions toward the advancement of agriculture, industry, and commerce; the great, world-wide, recognized German institutions of learning; the German high standard of the various professions, handcrafts, and labor; the outstanding German laws and institutions for the protection and welfare of the country as a whole; the ancient German ideals of liberty, justice, honor, and education.

(6) To abstain from useless, harmful, and ignoble propaganda and incriminations of every kind.

(7) To act at all times, everywhere, and under all conditions, as straightforward, courageous, just, and honorable descendants of the Germanic race, setting an example of blameless conduct, thereby creating an atmopshere of genuine good will toward the German people and their government.

(8) To work incessantly and courageously for the fundamental right of every civilized nation to tend to its own business of self-government without interference from outsiders.

(9) To cooperate freely and willingly with all persons of good will to promote mutual understanding and friendship among nations and for an honorable peace among mankind.

(10) To keep our bund clean of heart and mind, banning all selfish inclinations, and to stand unwaveringly for our own as well as the welfare of our fellow citizens.

(11) To be and remain worthy of our Germanic blood, our German motherland, our German brothers and sisters, and to cultivate our German language, customs, and ideals, and to be upstandingly proud of these principles.

(12) To always remember that only in unity there is strength, and that, if firmly united, we shall be of real value and a desirable and respected class of law-abiding citizens of the United States of America.

MEMBERSHIP

SECTION 1. Membership in this bund is primarily to all Americans and prospective citizens of Aryan blood, of German extraction, and of good reputation. Membership may also be extended to other national elements filling the requirements of our membership application.

SEC. 2. An applicant may be admitted to the bund as soon as he receives his membership card, signed and approved by the national leader or his accredited representative. Admission to membership in any local or branch signifies membership in the national organization.

SEC. 3. Application for membership may be rejected without stating the reasons for such rejection.

NATIONAL OFFICERS

SECTION 1. The national convention shall elect a national leader, who in turn shall have the power to nominate and with the advice and consent of the national convention shall appoint a national vice leader, a supervisor of national organization, a national secretary, national treasurer, a public and political relations counsel, a supervisor of press affairs, and a supervisor of economic development. The office of national secretary and national treasurer may be held by one person.

DUTIES OF THE NATIONAL LEADER

It shall be the duty of the leader to devote his whole time to the interests of the bund. He shall preside at all sessions of the national convention and of the national executive committee and shall perform the executive duties of the bund when the same is not in session and shall exercise a general supervision over the affairs of the bund; he may convene the national executive committee when deemed necessary and shall have authority to call a national convention at any time or upon request of the majority of the department leaders if required. He shall have power to appoint deputy national officers to represent the bund; he shall be empowered to adjust all grievances referred to him in conformity with this constitution; he shall interpret all laws relating to the bund and shall decide all controversies and appeals referred to him by local units or members thereof. Such decision shall be final unless reversed by the national inquiry and arbitration board at their first meeting after such decisions shall have been rendered. He shall grant and sign all charters emanating from the bund and shall be jointly responsible with the national treasurer for the disbursements of all funds from the treasury of the bund; he shall supervise the official publication and the management of the economic development; he shall organize, or cause to be organized, all local units and shall have power to call local unit meeting and convene local units and may preside at any regular or special meeting of local units; he shall have power to suspend or remove any district or local unit officer for sufficient cause; subject, however, to the right of appeal of such district and local unit officer as herein provided; he shall have the power to suspend or remove any department leader or any member of the national executive committee by and with the advice and consent of the majority of the national executive committee for a sufficient cause; subject, however, to the right of appeal of the aggrieved parties to and a fair hearing by the national inquiry and arbitration board. He shall also have the right to suspend any member from membership, pending filing of charges and hearing on such charges as hereinafter provided.

Mr. DICKSTEIN. The condition we are confronted with is serious. I do not want to be an alarmist, but I have told you this a year ago, 2 years ago, and 3 years ago. What I have told you is becoming more evident every day. There is

not a man in the House or in this country who can say I have attempted to build up a case against the Nazis or any other group. I have nothing personally against them, but I do want to keep their subversive activities out of this country. We ought to be in a position to break up such activities even if an appropriation of a million dollars is necessary.

If the truth were known, our coast is infested with spies. Japanese were seen in the company of Killinger, the consul general in San Francisco. The Fascist groups in Canada, the United States, and Mexico have combined, and we have seen their members together. I can give you some exhibits proving they were conspiring to bring about a Fascist front in this country in 1934. Do you not think this Congress ought to do something about such a condition?

[Here the gavel fell.]

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1835. An act establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes.

BILL PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 9361. An act to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 7 minutes p. m.) the House adjourned until tomorrow, Thursday, March 3, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs, House of Representatives, will hold a meeting Thursday, March 3, 1938, at 10 a. m., for the consideration of a building program for the Navy. Very important.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Thursday, March 3, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House of Representatives on Thursday, March 3, 1938, at 10:30 a. m., on H. R. 7230, by Mr. PATMAN.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries, 219 House Office Building, announces the following schedule of hearings:

Tuesday, March 8, 1938, 10 a. m.:

H. J. Res. 463. Permitting the transportation of passengers by Canadian passenger vessels between the ports of Rochester and Alexandria Bay, N. Y., and the St. Lawrence River.

Wednesday, March 9, 1938, 10 a. m.:

H. R. 9225. Appointment of 30 traveling inspectors, Bureau of Marine Inspection and Navigation, Department of Commerce.

H. R. 9368. Issuance of certain seamen certificates by inspectors and assistant inspectors of hulls and boilers.

H. R. 8982. To amend Public Law 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

Thursday, March 10, 1938, 10 a. m.:

H. R. 9526. Settlement of accounts of deceased officers and enlisted men of the United States Coast Guard.

H. R. 8715. Conveyance of certain lands of the Mahon River Light Station Reservation to the State of Delaware for State highway purposes.

Tuesday, March 15, 1938, 10:30 a. m.:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938, 10 a. m.:

H. R. 8251. Relative to radio operators on cargo ships.

Thursday, March 17, 1938, 10 a. m.:

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 23, 1938, 10 a. m.:

S. 992. To make electricians licensed officers after an examination.

Wednesday, March 30, 1938, 10 a. m.:

H. R. 8840. Overtime compensation for customs officers and radio inspectors.

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 12, 1938, 10 a. m.:

H. R. 6797. H. R. 8596, and S. 2307. Fish-cultural stations in the States of Oregon, Washington, and Idaho.

Tuesday, April 19, 1938, 10 a. m.:

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively in the fisheries on inland waters of the United States, and for other purposes.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1107. A letter from the chairman, Interstate Commerce Commission, transmitting recommendations of the Interstate Commerce Commission to Congress for legislative changes under section 204 (a) (7), Motor Carrier Act, 1935; to the Committee on Interstate and Foreign Commerce.

1108. A letter from the Secretary of War, transmitting the draft of a bill to clarify legislation authorizing the allotments of pay by personnel, which the War Department presents for the consideration of the Congress with a view to its enactment into law; to the Committee on Military Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mrs. O'DAY: Committee on Immigration and Naturalization. H. R. 9211. A bill to authorize State courts to designate officers to conduct preliminary hearings upon petitions for naturalization, to facilitate final action upon such petitions, to insure certificates of citizenship, and for other purposes; with amendment (Rept. No. 1864). Referred to the Committee of the Whole House on the state of the Union.

Mr. MAY: Committee on Military Affairs. H. R. 9604. A bill to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace; without amendment (Rept. No. 1870). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DEROUEN: Committee on the Public Lands. H. R. 7590. A bill to quiet title and possession to certain islands in the Tennessee River in the counties of Colbert and

Lauderdale, Ala.; without amendment (Rept. No. 1865). Referred to the Committee of the Whole House.

Mr. DEROUEN: Committee on the Public Lands. H. R. 8134. A bill to quiet title and possession to certain lands in the Tennessee River in the counties of Colbert and Lauderdale, Ala.; without amendment (Rept. No. 1866). Referred to the Committee of the Whole House.

Mr. DEROUEN: Committee on the Public Lands. H. R. 8252. A bill to quiet title and possession to a certain island in the Tennessee River in the county of Lauderdale, Ala.; without amendment (Rept. No. 1867). Referred to the Committee of the Whole House.

Mr. DEMPSEY: Committee on the Public Lands. H. R. 9371. A bill authorizing the grant of a patent for certain lands in New Mexico to Mitt Taylor; without amendment (Rept. No. 1868). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ELLIOTT: A bill (H. R. 9700) to confirm title to certain railroad-grant lands located in the county of Kern, State of California; to the Committee on the Public Lands.

By Mr. FULLER: A bill (H. R. 9701) authorizing the construction of reservoirs on the White, Buffalo, and North Fork Rivers for flood control and for the development of electrical power, and for other purposes; to the Committee on Flood Control.

By Mr. STEAGALL: A bill (H. R. 9702) to provide for the regulation of bank holding companies and affiliates, and for other purposes; to the Committee on Banking and Currency.

By Mr. WILCOX: A bill (H. R. 9703) to amend the Social Security Act approved August 14, 1935; to the Committee on Ways and Means.

By Mr. RANKIN: A bill (H. R. 9704) to liberalize the provisions of existing laws governing death-compensation benefits for widows and children of World War veterans, and for other purposes; to the Committee on World War Veterans' Legislation.

By Mrs. JENCKES of Indiana: A bill (H. R. 9705) to amend section 583 of title 20 of the Code of the District of Columbia; to the Committee on the District of Columbia.

By Mr. PETERSON of Florida: A bill (H. R. 9706) to amend the provisions of the Tariff Act of 1930 relating to the duty on certain filler tobacco; to the Committee on Ways and Means.

By Mr. SCHNEIDER of Wisconsin: A bill (H. R. 9707) to authorize the conveyance of the old lighthouse keeper's residence in Manitowoc, Wis., to the Otto Oas Post, No. 659, Veterans of Foreign Wars of the United States, Manitowoc, Wis.; to the Committee on Merchant Marine and Fisheries.

By Mr. GILDEA: A bill (H. R. 9708) to confer citizenship on certain aliens serving in any capacity upon any merchant or fishing vessel of the United States; to the Committee on Immigration and Naturalization.

By Mr. BOLAND of Pennsylvania: A bill (H. R. 9709) to extend further time for naturalization to alien veterans of the World War under the act approved May 25, 1932; to the Committee on Immigration and Naturalization.

By Mr. BLAND: A bill (H. R. 9710) to amend the Merchant Marine Act, 1936, to further promote the merchant-marine policy therein declared, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. HOBBS: A bill (H. R. 9711) to provide for the recording of the proceedings in one of the courtrooms of the District Court of the United States for the District of Columbia by sound-recording equipment; and for the reproduction of the sounds of such proceedings, in whole or in part, in the circuit courts of appeals of the United States and in the Supreme Court of the United States upon the review of any such case; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CLUETT: A bill (H. R. 9712) granting an increase of pension to Mattie L. Bennett; to the Committee on Invalid Pensions.

By Mr. CULLEN: A bill (H. R. 9713) for the relief of Mr. and Mrs. Joseph Scrobe; to the Committee on Immigration and Naturalization.

By Mr. ELLIOTT: A bill (H. R. 9714) for the relief of Walter W. Newcomer; to the Committee on Military Affairs.

Also, a bill (H. R. 9715) for the relief of Frank Uchytil, his wife, Mary, and their children; to the Committee on Immigration and Naturalization.

By Mr. LEMKE: A bill (H. R. 9716) for the relief of Otto C. Asplund; to the Committee on Claims.

Also, a bill (H. R. 9717) for the relief of Alex Oshanyk; to the Committee on Claims.

By Mr. RAMSAY: A bill (H. R. 9718) to reimburse Tarring W. Heironimus for payments made to contractors for removal of his buildings and dwelling preparatory to construction of Tygart Valley Flood Dam, Grafton, W. Va.; to the Committee on Claims.

By Mr. REECE of Tennessee: A bill (H. R. 9719) for the relief of Richard L. Nave; to the Committee on Claims.

Also, a bill (H. R. 9720) granting a pension to Nancy C. Trent; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4281. By Mr. CONNERY: Resolution of the Carletonville Improvement Association, Lawrence, Mass., opposing any downward revision of existing tariff rates on worsteds and woolens as proposed in the trade treaty agreement between the United States and Great Britain; to the Committee on Ways and Means.

4282. Also, resolution of Lawrence Turnverein, Lawrence, Mass., protesting against any concessions in the wool schedule in the proposed trade treaty agreement between the United States and Great Britain; to the Committee on Foreign Affairs.

4283. Also, resolution of the Bristow Street Civic Association of Saugus, Mass., endorsing the Hearst war plan; to the Committee on Foreign Affairs.

4284. Also, resolution of St. Ann's Circle, No. 366, Companions of the Forest of America, Lawrence, Mass., protesting against the proposed trade treaty agreement between the United States and Great Britain; to the Committee on Ways and Means.

4285. Also, resolution of the General Court of the Commonwealth of Massachusetts, memorializing Congress to increase the tariff or duty on certain foreign-made products imported into the United States; to the Committee on Ways and Means.

4286. Also, resolution of the Ancient Order of Foresters, Methuen, Mass., protesting against the contemplated action by the Tariff Commission which would allow increase in foreign woolen, worsted, and shoe importations; to the Committee on Ways and Means.

4287. By Mr. KEOGH: Petition of the Northeastern Lumber Manufacturers Association, Inc., New York City, concerning the import excise tax from Canadian white and Norway pine and western white spruce; to the Committee on Ways and Means.

4288. By Mr. LAMNECK: Resolution of H. E. Williams, secretary, Westerville General Welfare Unit, No. 2, Westerville, Ohio, urging the passage of the General Welfare Act; to the Committee on Appropriations.

4289. By Mr. O'NEILL of New Jersey: Petition of Carroll Dunham Smith, president, American Pharmaceutical Manufacturers' Association, Orange, N. J., protesting against amendment of House bill 9341; to the Committee on Interstate and Foreign Commerce.

4290. Also, petition of the Calco Chemical Co., Inc., Bound Brook, N. J., protesting against amendment of House bill 9341; to the Committee on Interstate and Foreign Commerce.

4291. Also, petition of Archer Daniels, Midland Co., protesting against the revision in the tax on oil seeds; to the Committee on Ways and Means.

4292. By Mr. PFEIFER: Petition of the Northeastern Lumber Manufacturers Association, Inc., New York City, concerning amendment to the new revenue bill which would remove the import excise tax from Canadian white and Norway pine and eastern white spruce; to the Committee on Ways and Means.

4293. By the SPEAKER: Petition of Pomona Grange, No. 3, Patrons of Husbandry, Phoenixville, Pa., petitioning consideration of their resolution with reference to general welfare conditions; to the Committee on Ways and Means.

SENATE

THURSDAY, MARCH 3, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, March 2, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed a bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to a concurrent resolution (H. Con. Res. 35) providing for the printing of additional copies of the bill and report entitled "Revenue Act of 1938," in which it requested the concurrence of the Senate.

ENROLLED BILL SIGNED

The message further announced that the Speaker had affixed his signature to the enrolled bill (S. 1835) establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes, and it was signed by the Vice President.

CALL OF THE ROLL

Mr. LEWIS. Mr. President, it is apparent that the legislation to be considered today requires the presence of a quorum. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Overton
Andrews	Dieterich	King	Pepper
Ashurst	Donahey	La Follette	Pittman
Austin	Duffy	Lee	Pope
Bailey	Ellender	Lewis	Radcliffe
Bankhead	Frazier	Lodge	Reames
Barkley	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Wagner
Connally	Hughes	Nye	Walsh
Copeland	Johnson, Calif.	O'Mahoney	Wheeler

Mr. LEWIS. I announce that the Senator from Tennessee [Mr. BERRY] and the Senator from Mississippi [Mr. BILBO] are detained from the Senate on important public business.

The Senator from South Carolina [Mr. SMITH] is absent in his State engaged in delivering a series of lectures on the recently enacted farm bill.

The VICE PRESIDENT. Ninety-two Senators have answered to their names. A quorum is present.

SPECIAL COMMITTEE TO INVESTIGATE CONDITIONS IN THE MERCHANT MARINE

The VICE PRESIDENT appointed the junior Senator from Georgia [Mr. RUSSELL] as a member of the Special Committee to Investigate Conditions in the American Merchant Marine, created by Senate Resolution 231, vice the junior Senator from Connecticut [Mr. MALONEY], resigned.

REPORTS OF COMMITTEES

Mr. SMATHERS, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

S. 945. A bill for the relief of the Community Investment Co., Inc. (Rept. No. 1418);

H. R. 5921. A bill for the relief of the Board of County Commissioners of St. Johns County, Fla. (Rept. No. 1419); and

H. R. 6689. A bill for the relief of George Rendell, Alice Rendell, and Mabel Rendell (Rept. No. 1420).

Mr. BURKE, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 3757. A bill for the relief of Rellie Dodgen and Anah Webb Lavery (Rept. No. 1421);

H. R. 3776. A bill for the relief of T. T. East and the Cassidy Southwestern Commission Co., citizens of the State of Texas (Rept. No. 1422); and

H. R. 4229. A bill for the relief of Clifford Belcher (Rept. No. 1423).

Mr. BROWN of Michigan, from the Committee on Claims, to which was referred the bill (H. R. 726) for the relief of the estate of Dessie Masterson, reported it without amendment and submitted a report (No. 1425) thereon.

He also, from the same committee, to which was referred the bill (S. 2643) for the relief of Mr. and Mrs. James Crawford, reported it with an amendment and submitted a report (No. 1426) thereon.

Mr. TOWNSEND, from the Committee on Claims, to which was referred the bill (H. R. 5608) for the relief of Edward F. Cassidy, reported it without amendment and submitted a report (No. 1427) thereon.

He also, from the same committee, to which was referred the bill (H. R. 5338) for the relief of George Shade and Vava Shade, reported it with an amendment and submitted a report (No. 1428) thereon.

He also, from the same committee, to which was referred the bill (S. 1464) for the relief of Lena Sumter, reported it with amendments and submitted a report (No. 1429) thereon.

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 3005) to confer jurisdiction on the Court of Claims to hear and determine the claim of the A. C. Messler Co., reported it without amendment and submitted a report (No. 1430) thereon.

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

H. R. 6826. A bill for the relief of Robert McCoy, a minor (Rept. No. 1431); and

H. R. 6999. A bill for the relief of Artemisia Grant (Rept. No. 1432).

Mr. HUGHES, from the Committee on Claims, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

H. R. 2316. A bill for the relief of Paul Brinza (Rept. No. 1433); and

H. R. 6647. A bill for the relief of B. W. Goodenough and wife, Katherine F. Goodenough, and son, Charles Goodenough (Rept. No. 1434).

Mr. HUGHES also, from the Committee on Claims, to which was referred the bill (H. R. 6618) for the relief of Miriam Grant, reported it with an amendment and submitted a report (No. 1435) thereon.

He also, from the same committee, to which was referred the bill (S. 865) for the relief of Alceo Govoni, reported it with amendments and submitted a report (No. 1436) thereon.

Mr. PITTMAN, from the Committee on Foreign Relations, to which were referred the following bill and joint resolutions, reported them severally without amendment and submitted reports thereon:

H. R. 8021. A bill for the relief of Mrs. George Orr (Rept. No. 1437);

S. J. Res. 247. Joint resolution authorizing William Bowie, captain (retired), United States Coast and Geodetic Survey, Department of Commerce, to accept and wear decoration of the Order of Orange Nassau, bestowed by the Government of the Netherlands (Rept. No. 1438); and

H. J. Res. 567. Joint resolution to authorize and request the President of the United States to invite the International Seed Testing Association to hold its ninth congress in the United States in 1940 and to invite foreign countries to participate in that congress; and also to provide for participation by the United States in that congress (Rept. No. 1439).

Mr. THOMAS of Oklahoma, from the Committee on Appropriations, to which was referred the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, reported it with amendments and submitted a report (No. 1440) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HARRISON:

A bill (S. 3597) to extend the times for commencing and completing the construction of a bridge across the Mississippi River at or near Natchez, Miss., and for other purposes; to the Committee on Commerce.

By Mr. VANDENBERG:

A bill (S. 3598) to amend section 22 of the act of March 1, 1879; to the Committee on Banking and Currency.

By Mr. McNARY:

A bill (S. 3599) to provide for the manufacture and fortification of prune wines, plum wines, and pear wines, and for other purposes; to the Committee on Finance.

By Mr. CLARK:

A bill (S. 3600) to amend section 503 of the Revenue Act of 1936 so as to authorize the use of accounting and registering devices for paying or collecting certain revenue taxes; to the Committee on Finance.

By Mr. THOMAS of Oklahoma:

A bill (S. 3601) for the relief of Louis Fish; to the Committee on Finance.

By Mr. HALE:

A bill (S. 3602) to provide for the advancement on the retired list of the United States Naval Reserve of Elmer H. Mills, and ensign, United States Naval Reserve, retired; to the Committee on Naval Affairs.

By Mr. SHEPPARD:

A bill (S. 3603) authorizing the disbursement of funds appropriated for compensation of help for care of material, animals, armament, and equipment in the hands of the National Guard of the several States, Territories, and the District of Columbia, and for other purposes; to the Committee on Military Affairs.

By Mr. WHEELER:

A bill (S. 3604) to extend for 1 additional year the 3½-percent interest rate on certain Federal land-bank loans; to the Committee on Banking and Currency.

HOUSE BILL REFERRED

The bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes was read twice by its title and referred to the Committee on Appropriations.

CONTROL, REGULATION, AND SAFETY OF AIR COMMERCE

Mr. McCARRAN. Mr. President, there are now pending on the calendar of the Senate two bills of which I had the privilege of being the author. One is Senate bill 2 and the other is Senate bill 1760, both having to do with the control, regulation, and safety of air commerce.

After conference with the President, and after a long study of the subject, I have returned to the views which I held and expressed in this body, that this entire matter should be under a separate and independent commission. I wish to say that conferences with the Executive and with the secretary to the Executive have shed much light on this subject. My bill in 1934 provided for a separate and independent commission to have regulatory powers over air commerce and air transportation in general. I have returned to that principle, and am now offering an amendment, by way of a substitute for Senate bill 2. I send the amendment to the desk, and ask that it may be printed and lie on the table.

The VICE PRESIDENT. Without objection, the amendment will be received, printed, and lie on the table.

(The amendment submitted by Mr. McCARRAN in the nature of a substitute is intended to be proposed by him to the bill (S. 2) to amend the Interstate Commerce Act, as amended, by providing for the regulation of the transportation of passengers and property by aircraft in interstate commerce, and for other purposes.)

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY

Mr. BRIDGES. Mr. President, on behalf of the senior Senator from Utah [Mr. KING] and myself, I ask consent to submit a resolution, and request that it be referred to the Committee on Commerce.

In this connection, I have a joint statement by the senior Senator from Utah [Mr. KING] and myself, which I ask unanimous consent to have appear in the RECORD following the printing of the resolution.

The VICE PRESIDENT. Without objection, the resolution will be received, read, and referred as requested by the Senator from New Hampshire [Mr. BRIDGES], and the statement referred to will be printed in the RECORD.

The resolution (S. Res. 246) was read and referred to the Committee on Commerce, as follows:

Resolved, That a special committee of five Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation of all phases of the administration of the Tennessee Valley Authority Act of 1933, as amended, by the Tennessee Valley Authority. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations, if any, for necessary legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-fifth and succeeding Congresses, to employ clerical and other assistance, to require by subpena, or otherwise, the attendance of such witnesses and the production of such correspondence, books, papers, and documents; to make such investigations, to administer such oaths, to take such testimony, and to incur such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per 100 words. The expenses of the committee, which shall not exceed $50,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

The joint statement above referred to is as follows:

Senators WILLIAM H. KING, of Utah (Democrat), and H. STYLES BRIDGES, of New Hampshire (Republican), today explained the scope and purpose of their jointly sponsored resolution for the investigation of the Tennessee Valley Authority as follows:

Our resolution is intended to meet the obvious necessity for a thorough airing of the administration and internal affairs of the Tennessee Valley Authority. Such an investigation as we propose should explore these charges which have been made:

1. Whether there has existed conspiracy to defraud the Government of the United States in the purchase of lands for reservoir sites and as phosphorous deposits.

2. Whether the majority of the members of the T. V. A. Board have gagged the minority in appearances before Congress, by the suppression of the minutes of their meetings, and in other ways.

3. Whether the administration of T. V. A. has been scandalously wasteful of public funds not only in the purchase of lands but also in the excessive costs of certain of its soil-erosion control and reforestation schemes.

4. Whether it has exhibited partiality to great corporations and monopolies to the detriment of the small consumer in its power contracts.

5. Whether the said authority has sold hydroelectric energy which is actually "firm power" as such term shall be defined by the Federal Power Commission, as "secondary power" as such term shall be defined by the Federal Power Commission in such a manner as to conceal and mislead the Congress and the public as to the value of such power and the beneficial interest therefrom.

6. Whether any officer or director of said Authority has been improperly influenced, directly or indirectly, either by political preference or other consideration in return for bestowal of such contracts.

7. Whether the unusually long life of these contracts, in contrast with the 30-day-notice contracts of the War Department for disposal of Wilson Dam power prior to enactment of the act, is not detrimental to the proper functioning of the Authority under its congressional mandate to extend the benefits of its surplus hydroelectric power as widely as possible among the people.

8. Whether or not the Authority has conducted its affairs in a clandestine manner such as issuing public statements of its power policies which later have been secretly rescinded, conducting its meetings by star-chamber methods, and resorting to secrecy to the point where the Authority has resisted the production of its minutes under a Federal subpena in a Federal court, and by other means cloaking its policies and activities in mystery and silence.

9. Whether the Authority has contemptuously and insolently committed a gross deception upon the Appropriations Committee of the House of Representatives in that it presented to the subcommittee on independent offices of that committee on December 13, a set of figures in justification for beginning of construction of the Gilbertsville Dam which were grossly false and inaccurate and 24 percent smaller in dimensions than plans arrived at by the Authority in the previous August.

10. Why the Authority has not complied with that part of subsection (a) of section 8 of the T. V. A. Act, as amended, which required that the principal office of the Authority be maintained in the immediate vicinity of Muscle Shoals, Ala.

11. Why the Authority has not complied with that part of section 14 of the T. V. A. Act, as amended, which required (a) that the Tennessee Valley Authority should have submitted to Congress on January 1, 1937, its allocation of costs to the various activities under its control up to that time, and (b) that the Tennessee Valley Authority submit in each annual report thereafter its similar allocation of costs for the period covered in its report.

12. Why the Authority has suppressed and withheld by means of pretexts the Comptroller General's audits of the Authority for the fiscal years 1935, 1936, and 1937, required to be submitted annually to Congress under section 14 of the act as amended.

13. Whether the Authority is guilty of creating deceptive or untrue propaganda, press releases, speeches, or public statements, attributed to T. V. A. directors and officers both open and secret, in the press, on the radio, in the schools, and in the church, and bickering for power within the organization with a resultant breakdown of morale among the personnel.

14. Whether an autocratic and merciless attitude has characterized dealing with politically unimportant home owners dispossessed by reservoir floods.

15. Whether it has neglected the affairs of national defense, one of the fundamental responsibilities of the Tennessee Valley Authority for its "incidental" function of power development and sale.

16. Whether it has offered unfair inducements to industrial organizations to leave their established locations to settle within the Tennessee Valley Authority territory.

17. Whether it has forced rural customers to purchase expensive, unnecessary, and undesired electrical appliances under threat of refusing to supply electricity, and actually to have permitted potential customers to make heavy investments in appliances after which service was refused until further purchases were made of unnecessary and undesired electrical appliances.

18. Whether the tax contribution to the several States in which the Authority operates is the equivalent of the taxes of a private corporation owning an equal value in real and personal property.

19. Whether by accounting methods and cost charges applicable to private industry the electric rates of the Authority provide a legitimate, honest "yardstick" of equitable rates of private industry.

20. Whether the Tennessee Valley Authority has mingled in labor disputes involving employees of a newspaper unfriendly to the dominant faction of T. V. A. at Knoxville to the extent of using Federal funds in the employment of one or more attorneys who were lent to serve such employees as legal counsel against that newspaper.

21. Whether any responsible official of T. V. A. conspired with or influenced the T. V. A. chapter of the American Federation of Government Employees to adopt a resolution declaring that newspaper to be "unfair to organized labor."

22. Whether the extent to which T. V. A., directly or indirectly, has attempted to harass, influence, and retaliate against newspapers who oppose any of its policies.

23. Whether the generating capacity planned to be constructed by the Authority is not actually in excess of all probable future demands, taking into consideration the privately owned generating capacity in existence within transmission distance of T. V. A.'s plants.

NOTICE OF MOTION TO SUSPEND THE RULES—APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA

Mr. THOMAS of Oklahoma submitted the following notice in writing:

In accordance with rule XL of the Standing Rules of the Senate, I hereby give notice in writing that it is my intention to move to suspend paragraph 4 of rule XVI for the purpose of proposing to the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, the following amendment, namely: Add a new section, as follows:

"SEC. 11. The Commissioners of the District of Columbia are hereby authorized and empowered, in their discretion, to secure and to install, at no expense to the said District, mechanical parking meters or devices on the streets, avenues, roads, highways, and other public spaces in the District of Columbia under the jurisdiction and control of said Commissioners; and said Commissioners are authorized and empowered to make and enforce rules and regulations for the control of the parking of vehicles on such streets, avenues, roads, highways, and other public spaces, and as an aid to such regulation and control of the parking of vehicles the Commissioners may prescribe fees for the privilege of parking vehicles where said meters or devices are installed.

"The Commissioners are further authorized and empowered to pay the purchase price and cost of installation of the said meters or devices from the fees collected, and thereafter such meters or devices shall become the property of said District, and all fees collected shall be paid to the collector of taxes for deposit in the Treasury of the United States to the credit of the revenues of said District."

CHILD-LABOR CONSTITUTIONAL AMENDMENT

Mr. VANDENBERG. Mr. President, since the New York State Legislature again defeated the old 1924 child-labor amendment to the Federal Constitution, I have repeatedly offered editorial newspaper comment for the RECORD confirming the opinion that the old amendment is dead, and that if the foes of child labor really want to curb it, they will promptly embrace the so-called Vandenberg amendment, which is awaiting action on the Senate Calendar with the benefit of a unanimous bipartisan endorsement from the Senate Judiciary Committee.

I could multiply these editorials almost without limit. They pursue a common theme, namely, that the new amendment substantially achieves every essential protection against the commercial exploitation of children, and yet is in a form which wins such universal approval that its swift ratification would be a foregone conclusion.

I now offer for the RECORD a few additional editorial excerpts from New York State, because New York has been the most persistent foe to the old 1924 amendment. They emphasize the fact that if this Congress really wants to do something about this matter, instead of simply keeping an issue alive for perenially futile debate, it will submit this new amendment to the States without further delay. If the friends of a child-labor constitutional amendment would be as zealous in behalf of the new amendment as they were in behalf of the old one, and as realistic about it as the enemies of the old amendment now are in their favorable attitude toward the new amendment, which is Senate Joint Resolution 144, we could triumphantly and effectually settle this age-old problem once and for all.

I ask that the New York State editorial excerpts, which I now present, be printed in the RECORD.

There being no objection, the excerpts from editorials were ordered to be printed in the RECORD, as follows:

[From the Brooklyn Eagle]

REALISM ON CHILD-LABOR ISSUE

Refusal of the New York State Assembly to ratify the Federal child-labor amendment was a foregone conclusion. The line-up—107 to 40—may not be an accurate representaion of public sentiment here, but there is no doubt about the widespread opposition to the terminology of the amendment and the fear that it would be misused because of the provision for regulation, especially when the age limit is as high as 18. Regardless of how well founded are these apprehensions—and we have not shared them—the fact that they exist must be recognized. It is for this reason that we have questioned the wisdom of insisting obstinately that this amendment represents the only means of achieving the desired results.

Apart from the situation in this State, it must be borne in mind that the prospect which seemed bright a year or two ago that ratification would be voted by the needed nine additional States has now become so slim as to be near the vanishing point. It is nearly 14 years since Congress acted favorably and passed the measure on to the Sates for ratification.

The time has now arrived that advocates of the principle involved should face the facts with realism. The main thing is to put an end as soon as possible to the evils of child labor. Yet it is stated that the number of children gainfully employed has increased in the last year, although no exact figures have been presented. Meanwhile the fight over the present amendment goes on. If there is another formula at hand which gives promise of bringing the desired results by methods that would satisfy a large proportion of those hostile to the amendment now under consideration, why not shift the attack?

Fortunately there is an adequate substitute available in the form of the Vandenberg amendment to the Constitution. It has several notable advantages over the amendment now under consideration. First, it applies only to those under 16 instead of 18 years of age. Second, it gives Congress the power to limit or prohibit, but not to regulate, child labor. Third, its provisions are restricted to those who work "for hire."

In addition, and perhaps most important of all, it provides for ratification by conventions in the several States. This would not only bring about speedy action but it would also give the people an opportunity for a direct vote on the issue. Favorable action in the 27 States whose legislatures have approved the present amendment could be taken for granted. Since the objections that are responsible for holding up action in the remaining States are met in the Vandenberg amendment, its ratification by them also seems almost inevitable.

* * * * * * *

We are glad to note that there is now a growing demand in Albany for a resolution memorializing Congress to adopt the Vandenberg amendment, and Republican leaders of the assembly have consented to a favorable report on such a resolution drafted by Assemblyman Bernard J. Moran, Democrat, of Brooklyn. It is expected to come up for a vote in the lower house next week. Earnest advocates of child-labor reform—Republicans, Democrats, and American Laborites—should unite in its support.

It will be hoped that those who are still fighting for the present child-labor amendment will not be so stubborn and short-sighted as to oppose a substitute measure that bids fair to win all the essential objectives for which they have been contending.

[From the Gloversville Herald]

THE CHILD-LABOR AMENDMENT

This newspaper is constrained to believe that the vast majority of parents in the glove cities—and throughout the entire State, for that matter—do not want the entire activities of all young people under 18 years of age, other than those of amusement, placed under the jurisdiction of Congress.

It is equally convinced that all our people want every effort to eliminate child labor, as we know child labor, to be made.

So there will doubtless be general approval of the action of the legislature in again turning thumbs down on ratification of the proposed Federal child-labor amendment.

Far more sensible it would seem would be the adoption by Congress of a proposition patterned after that sponsored by Senator VANDENBERG under which Congress could limit or prohibit for hire the labor of boys and girls under 16 years of age, but giving Congress and the various States concurrent power to enforce.

[From the Rome Sentinel]

The Wheeler-Johnson bill attempts to prevent the transportation of goods in interstate commerce, which have been made wholly or in part by child labor, into States where sales of such goods are prohibited by local laws. The only objection to its passage involves the practicability of enforcement due to the overlapping of State and Federal statutes. However, we have other instances of such overlapping, and at least the Federal enforcement agencies have been active in their application.

Our legislature's resolution would seem also to include in blanket approval the pending Vandenberg amendment to the Constitution designed as a substitute for the 14-year-old amendment which seems so unlikely to be ratified by the necessary 36 States. Whereas the latter had no time attached and it was submitted to the legislatures for approval, the Vandenberg draft would be acted on by State conventions, as was done in the case of the twenty-first amendment which repealed the eighteenth. That feature would assure an early popular vote in each State.

[From the Oneonta Herald]

Opponents of the 1924 amendment are not opposed to a real child-labor amendment, and various groups, including this newspaper, are recorded in favor of the substitute amendment proposed by Senator ARTHUR VANDENBERG:

"The Congress shall have the power to limit and prohibit the employment for hire under 16 years of age."

The importance is the change to "employment for hire" instead of labor, and no one has been able to advance a solid argument against this change. The change in the age limit is of little moment, although there are reasons why it might be well to start the regulation of child labor in many States at 16 years rather than 18.

There is only one evident reason why proponents of the control of youth amendment are not satisfied with that suggested by Senator VANDENBERG—that they are not content to prohibit the employment of children for hire, that they insist upon Federal control of youth.

[From the Syracuse Post Standard]

MUST IT GO ON FOREVER?

For the third time in 4 years and by a vote of 107 to 40 the assembly of New York State has voted against ratification of the proposed constitutional amendment to regulate the lives and control the activities of the youth of the Nation up to 18 years of age.

The result was not unexpected because of the actions in past years and particularly since Governor Lehman, heretofore an advocate of the misnamed proposal, did not recommend favorable action at this time.

In the Governor's behalf it should be stated that he still believes with every other right-thinking citizen, regardless of his political beliefs, that there should be no exploitation of child labor and that adequate steps should be taken to eliminate it.

But the Governor realizes apparently that the proposal which has been before the legislatures of the several States for more than 13 years has no chance of approval by 36 of them, although 28 are on record in favor, and inclines to adequate legislation under existing constitutional provisions to carry out the intent and purpose of preventing hardship to boys and girls of tender years.

Party lines were shattered by the vote at Albany as they have been shattered in the past. The matter is viewed as not a political question and the rejection is about as nonpartisan as anything the legislature has done.

There is undoubted sentiment at Albany for action on a proposed amendment by ARTHUR VANDENBERG, Michigan Senator, that would reduce the age to 16, add the words "for hire" concerning labor and define more specifically what constitutes labor, without giving to Congress the power to regulate it.

It seems ridiculous that the time of legislators should be taken up year after year with the same old arguments for and against the proposal. Kansas may have shown a way by asking the Supreme Court to rule whether the 1924 amendment is still alive. A decision that it is dead would be welcome.

BUSINESS AND GOVERNMENT—ARTICLE FROM FORTUNE

[Mr. NORRIS asked and obtained leave to have printed in the RECORD an article from the March 1938 edition of the magazine Fortune entitled "Business and Government," and also an editorial from the New York Herald Tribune commenting on the article, which appear in the Appendix.]

PROPOSED ANTILYNCHING LEGISLATION—ADDRESS BY FORMER REPRESENTATIVE DYER

[Mr. MCNARY asked and obtained leave to have printed in the RECORD an address on proposed antilynching legislation delivered by former Representative L. C. Dyer, of Missouri, at a meeting in Cleveland, Ohio, on November 8, which appears in the Appendix.]

ADDRESS BY SCOTT P. SQUIRES, NATIONAL COMMANDER IN CHIEF OF VETERANS OF FOREIGN WARS

[Mr. LEE asked and obtained leave to have printed in the RECORD a radio address delivered by Scott P. Squires, national commander in chief of the Veterans of Foreign Wars, at a dinner given in his honor by the Veterans of Foreign Wars at Washington, D. C., March 2, 1938, which appears in the Appendix.]

THE COST OF ISOLATION

[Mr. POPE asked and obtained leave to have printed in the RECORD an editorial from the Washington Post of today entitled "The Cost of Isolation," which appears in the Appendix.]

FLOOD PROTECTION IN CONNECTICUT

[Mr. MALONEY asked and obtained leave to have printed in the RECORD a news story from the Hartford (Conn.) Times of Thursday, February 15, 1938, with regard to flood protection in Connecticut, which appears in the Appendix.]

EQUALIZATION OF WAR BURDENS—EDITORIAL FROM EDMOND (OKLA.) BOOSTER

[Mr. LEE asked and obtained leave to have printed in the RECORD an editorial from the Edmond (Okla.) Booster of Friday, February 25, 1938, relative to a bill pending before the Senate seeking to equalize the burdens of war, which appears in the Appendix.]

WITHDRAWAL OF SHIPS FROM INTERCOASTAL TRAFFIC

Mr. McADOO. Mr. President——

The VICE PRESIDENT. When the Senate took a recess yesterday afternoon there was a colloquy participated in by a number of Senators. The Chair has examined the statements of Senators and finds that the Senator from Massachusetts [Mr. WALSH] indicated that he might want to conclude his remarks today. The Chair, therefore, thinks he should recognize the Senator from Massachusetts.

Mr. WALSH. Mr. President, I do not care to discuss the unfinished business further at this time.

Mr. McADOO. Mr. President, last evening I obtained consent that I might address the Senate briefly today on the subject of the withdrawal of ships from the intercoastal traffic.

The VICE PRESIDENT. The Senator from California is recognized.

Mr. McADOO. Mr. President, on November 22, 1937, I introduced Senate bill 3032, which was referred to the Committee on Interoceanic Canals.

On the 24th of November I introduced Senate bill 3038, which was referred to the Committee on Commerce.

On January 26, 1938, I introduced Senate bill 3320, which was referred to the Committee on Commerce.

On January 26, 1938, I introduced Senate bill 3321, which was referred to the Committee on Interoceanic Canals.

Those bills had reference to certain vessels under our flag which are engaged in the intercoastal trade between the Pacific coast and the Atlantic coast, New York being the terminus on the Atlantic coast, and San Francisco the terminus on the Pacific coast. Hearings have been held on all the bills, but the committees have not as yet reported them. I do not mean to criticize the committees by calling attention to the fact that reports have not been made; but since they have not been made, and the situation is daily growing more and more exigent, I felt it incumbent upon me, in order to try to save the situation and avoid a cessation of this important intercoastal service, to introduce on March 1, 1938, Senate Joint Resolution 272, which I asked to have lie on the table, for the time being, until I could explain to the Senate my reasons for introducing it.

I have heretofore adverted in speeches I have made on this floor to the importance of keeping these intercoastal vessels in the service of our people; and in one of the speeches I outlined the fact that three of these vessels, those operated by the Grace Line, have already been withdrawn from the service and that the three vessels now operated by the Panama Pacific Co. will shortly be withdrawn from the service unless some action is taken by the Congress.

I may state that the steamship *Pennsylvania* sails from San Francisco for the last time on March 12. That will be 9 days from now. The steamship *Virginia* sails from San Francisco on March 26, and the steamship *California* sails from San Francisco on April 9. These fine vessels are "heading for the last round-up" because, as each of these vessels reaches New York, it will not return to the Pacific Ocean; and the State of California and the entire Pacific coast, including of course the States of Washington and Oregon, will be wholly deprived of any fast and first-class steamship service between ports in those great States and the State of New York.

Mr. President, I do not think the seriousness of the situation is generally appreciated here; and I can understand why it may not be, because San Francisco and the Pacific coast are a long way from the East. Therefore, the full significance and effects of this disastrous withdrawal or destruction of our fast steamship communication with the East may not be appreciated by some people. It is important that something should be done immediately to prevent the consummation of this catastrophe which threatens the States of the Pacific coast.

It was for that reason that I introduced, the other day, Senate Joint Resolution 272, which provides that the surviving ships, those operated by the Panama Pacific Line, may be operated in the present service for another year, during which time we can study the situation with care, and undoubtedly find a solution of this very exigent problem.

My purpose in introducing the joint resolution is to obtain swift action, if possible, from the Congress, because it must be obvious to every Member of the Senate that within the brief period which is now left before these ships are finally withdrawn from service—less than a month—it is hardly likely, first, that we can secure legislation with respect to a bill for subsidies to any part of our domestic steamship lines; or, second, that we can get action on the bill I have introduced to repeal the provisions of the Panama Canal Tolls Act so as to give toll exemption to these intercoastal vessels.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. McADOO. I yield to the able Senator from Michigan.

Mr. VANDENBERG. The Senator is asking that the Maritime Commission shall take over these ships and operate them upon their existing runs. Am I correct in understanding that that cannot be done, and that the Senate joint resolution can have no validity, except as the Maritime Commission first takes over the ships, and that there is some question as to whether they will take them over?

Mr. McADOO. I may say to the Senator that I had planned to discuss that phase of the matter, and I am glad he asked the question.

There is a controversy—I believe there is a suit—between the American Line Steamship Co. and the United States because of the cancelation by the United States in the Maritime Act of the so-called mail subsidy or mail contracts which had been made and were then existing between some of these domestic lines and the Post Office Department. Whether or not that is a justifiable suit, I cannot say.

Upon its face it seems to me to be justifiable. The lines had a 3-year contract, and it was abruptly terminated by the Government. As I understand, negotiations are in progress for the settlement of the suit, and if those negotiations should be concluded on the lines which are now being considered the Maritime Commission would obtain possession of these ships as the result of the settlement. My joint resolution is intended to require the Maritime Commission to operate the ships for 1 more year if it should take them as the result of any such settlement.

Mr. VANDENBERG. Mr. President, will the Senator further yield?

Mr. McADOO. I yield.

Mr. VANDENBERG. I have understood that the Department of Justice is inclined to refuse the settlement which has been proposed, and I also understand that the Department of Justice is the only department of the Government which can compose a claim of this character. What I am trying to fix in my mind is that the Senator's joint resolution will entirely fail of its objective unless the Maritime Commission is able to leap the existing hurdle, which appears at the moment to be impossible of being leaped.

Mr. McADOO. The Senator's observation is entirely accurate. When I drew the joint resolution it looked as if the settlement would be consummated within a short time. I do not know its present status. I heard a rumor yesterday that the Attorney General took the view either that the Commission was without authority to make the settlement or that the steamship people had not accepted it. I do not know how that is. That, however, is not material at the moment to this discussion, because when this matter is taken up by the Commerce Committee I shall ask that we provide for just that contingency, and if a settlement is not effected by the time these ships are to be withdrawn that the Maritime Commission be authorized to make some arrangement with the company for the continuance of their operation for another year.

Mr. VANDENBERG. Mr. President, may I ask the Senator a further question?

Mr. McADOO. I yield to the Senator.

Mr. VANDENBERG. I am very much interested in this problem, and I am simply seeking to be fully informed. As I understand, the reason why these ships are being taken off is because they are being run at a loss of $1,000,000 a year. Is that approximately correct?

Mr. McADOO. In this case I think the loss is about $1,150,000 a year, of which $650,000 are Canal tolls.

Mr. VANDENBERG. And if the Senator's joint resolution were to be enacted and his policy embraced, the Maritime Commission would have to provide from some source these several million dollars to offset the operating deficit. Is that correct?

Mr. McADOO. The Maritime Commission would have to absorb the loss if the ships were operated by the Commission for the year that I have provided for.

Mr. VANDENBERG. And am I correct in the further and final observation that such action would establish a precedent for paying operating subsidies on intercoastal shipping, which never has been done and never has been a policy of the Government? Is that correct?

Mr. McADOO. I do not think it would establish a precedent. This is an emergency, like the catastrophe which has just overwhelmed the city of Los Angeles, and that which recently overwhelmed northern California—flood or catastrophe from whatever source—and if we choose to deal with this matter specifically for a brief period, until we can ascertain whether we can spare the Pacific coast a continuation of the disaster, I do not think it will violate any precedent.

Mr. VANDENBERG. I am simply trying to establish the basic fact that it would be a novelty in Government policy in dealing with ship subsidies. Is that correct?

Mr. McADOO. I may say that if we should consider that this is a permanent policy of establishing such subsidies, I suppose it would be a novelty; but this is merely an emergency which we are trying to bridge over.

Let me say to the Senator that if, under the joint resolution, the Maritime Commission should operate these ships, it would not be faced with any serious loss, because I think the loss would be about $1,150,000 a year, as nearly as I can ascertain it, and $650,000 of that amount represents tolls paid to the United States through the Panama Canal Administration.

Mr. BARKLEY. Mr. President, will the Senator yield in that connection?

Mr. McADOO. I yield.

Mr. BARKLEY. The Senator is seeking to have the tolls remitted—I mean, to waive their collection?

Mr. McADOO. No; I am speaking only of the effect upon the Treasury.

Mr. BARKLEY. Yes; I understand. The Senator, however, has pending a bill to repeal that part of the Panama Canal Act which levies tolls on vessels engaged in the coastwise trade.

Mr. McADOO. Yes. That is not in issue here at all, however.

Mr. BARKLEY. But if that were done, of course, it would simply be a bookkeeping matter. The Treasury would lose the amount of six-hundred-and-some-thousand dollars, instead of the Maritime Commission.

Mr. McADOO. It would appear, as the Senator says, to be a mere matter of bookkeeping; one hand would wash the other.

Mr. BARKLEY. In either case, there would be that loss, representing the Canal tolls for these ships, which amount to $650,000.

Mr. McADOO. If the ships are withdrawn, we shall lose the tolls anyway. The revenue will be gone anyway, and the service will be sunk with them. What I am trying to do is to prevent that.

Mr. BARKLEY. The Senator's bill applies to all vessels in the coastwise trade.

Mr. McADOO. No; the joint resolution does not. This is an emergency matter.

Mr. BARKLEY. The Senator's amendment to the Canal Tolls Act would apply to all.

Mr. McADOO. Yes; but that is not in issue in connection with the joint resolution I am now presenting, because it is intended to keep this service going for only a year, until we can work out the problem. In my judgment—and I think all my colleagues will agree—we cannot, in a matter of this sort, involving many controversial points, secure final legislation within 2 or 3 days or weeks, because both Houses have to act.

Mr. VANDENBERG. Mr. President, if the Senator will yield once more, I promise to subside.

Mr. McADOO. I am glad to have the Senator interrupt me at any time.

Mr. VANDENBERG. Has the Senator consulted the Maritime Commission and ascertained what its attitude is as to this problem?

Mr. McADOO. I have not asked for a statement as to its attitude. I consulted them about the power they have and how it could be applied under the joint resolution, and, if the joint resolution were enacted, whether the Commission could operate the vessels. I am advised that they think they have the power to do it. As a matter of fact, the Congress has the power to tell the Commission to do whatever it wants them to do.

Mr. VANDENBERG. Probably that is true, but does the Senator know whether I am correctly advised that the Commission considers it uneconomical to operate the ships upon this run, and if left to its own judgment, would not operate them on this run?

Mr. McADOO. I cannot answer the Senator's question, but I myself will never consent that any commission may determine a policy which the Congress alone has the power to determine. If we think, after consideration of this matter, that we should take such action as I suggest, injustice to a great section of our country whose economy is being abruptly and without adequate notice interrupted by the cessation of this service, which we can prevent, that is a question for Congress to decide, and not for the Maritime Commission to decide. I do not think we have to ask their judgment as to the policy Congress should follow in these matters. I think we have a right to tell them what to do, and let them administer what we tell them to do.

I intend to ask that the joint resolution be referred, as my distinguished colleague, the senior Senator from California [Mr. JOHNSON] suggested the other day, to the Committee on Commerce. I had intended to ask that it be referred to that committee, but, at the time of the reference, I desired to state these few facts about it. The merits of the joint resolution are not in issue as yet, because I do not know what the Committee on Commerce may report. It will have the right, of course, to make inquiries of the Maritime Commission, of the Navy, and of anyone else who, in its opinion, can offer useful information about the matter. As a fact, as a reality, we have a very simple situation facing us. In a sense, we are being violently deprived of an essential service to the Pacific coast. In fairness to our great section of the country, and to the people who are intimately affected by the withdrawal of this service—and we are not the only ones who are affected by it; it affects the rest of the country as well, the Atlantic coast as well—I am merely asking that the status quo be preserved for 1 year, until we can work this problem out. I contend that this unjustifiable injury to the people of the Pacific coast should not be perpetrated with the consent of the Congress.

Mr. COPELAND rose.

Mr. McADOO. Does my distinguished friend from New York desire to ask a question?

Mr. COPELAND. Mr. President, I merely desire to say that we have heard much testimony in the Committee on Commerce in reference to this important matter, and I am sure that the Senator has the full sympathy of the committee. He realizes, of course, that the subsidizing of vessels in domestic or in protected trade would establish an entirely new philosophy. I should say that the Senator, in order to gain his point, as I view it, will have to make it very clear that there is an emergency, that there are in-

volved the necessities of a great and important section of our country; for unless it can be so regarded, if we should approve this request, we would have an application for aid next week from every coastal and intercoastal and every other vessel in a protected service. The Senator realizes that.

The other matter is very appealing to me, because I was impressed, as I listened to the testimony, that the Pacific Coast States are meeting a major calamity when they face the probability of the withdrawal of these intercoastal vessels. I hope the matter can be adjusted; but the Senator must face the great difficulty involved, and also bear in mind the precedent which would be established, which would haunt us forever.

Let me say that my remarks are intended merely to express my sympathy, as chairman of the committee, with the end the Senator has in mind, and I hope that some way can be found to accomplish what he desires. He must realize, however, that there are far-reaching consequences involved in the proposal he makes.

Mr. McADOO. Does the Senator mean in the proposal to extend the operation of the vessels for the period of 1 year?

Mr. COPELAND. I think the Senator has been very tactful in his manner of approach. As I understand him, he is saying that there is an emergency, that there are legal complications as to the acquisition by the Maritime Commission of these vessels and of their use in the future, and that there is the probability that if they are acquired by the Commission or operated by the present owners there will be involved, as I recall the Senator's statement, an expenditure of a million and a half dollars.

Mr. McADOO. I say that $650,000 of the $1,150,000, which I understand is the annual loss, the Government receives if the ships go through the Canal, and it is not a loss, but if the ships are taken off, the $650,000 will be taken away also. What would be accomplished? There would result not only the loss of the revenue which the Government would otherwise get from the operation of the ships through the Canal, but the service would be destroyed. I say it is absolutely unfair and an outrage on a great part of the people of this Nation if this service should be discontinued abruptly, a service upon which our economy has been based as a result of its operations for 20 years or more. It would be wrong for this Government within the brief period of a few weeks to permit the withdrawal of these ships from the service. It does not give us time to look into the situation, and to see if something cannot be done which will prove an eventual solution of this great shipping problem.

We do not ask anything in particular of the Government when we make this request, because as I have said, if the ships are operated the Government gets the $650,000 a year anyway, and it stands the possibility of a loss of only $550,000 a year, which the Commission has ample means to pay.

The loss may not even be that much because, of the six ships in this trade, three have already been withdrawn, and therefore the remaining three ships should do a larger business, and the loss may be considerably less. We are not risking anything if we preserve the status quo for the benefit of a great section of the United States.

Mr. JOHNSON of California. Mr. President, will my colleague yield?

Mr. McADOO. I yield.

Mr. JOHNSON of California. I say to the Senator first that, of course, I am in hearty sympathy with the views he expressed yesterday, and since that time I have had no opportunity to consult with the Senator. We had before us the representatives of the Maritime Commission. I took up with them the question whether or not they would favor this measure, or whether they would do nothing to obstruct it. They made perfectly plain to us that they were not in favor of the joint resolution and that the only way in which we could get it at all would be by an order from the President of the United States.

Mr. McADOO. We must see if we cannot secure such an order. But, after all, I think if the Congress tells the Commission what it shall do—and we have the power to do that—and the President approves the joint resolution, which is essential, I do not think we should be governed by their arbitrary views as to the economy of the situation.

Mr. JOHNSON of California. I did not desire to convey that impression to the Senator. They are opposed to the joint resolution. They would, of course, carry it out if Congress passed it, but they would not desire to carry it out without the order of the President. Of course, the President might sign the measure, and he might not, but I think the Senator ought to be sufficiently advised of the Presidential attitude before he proceeds.

Mr. McADOO. I may say to my distinguished colleague—and I appreciate his assistance and intervention; I have known all along that he is just as eager as am I to prevent this wrong to our people—that we do not always go in advance to the White House to ask if a legislative proposal which we think is important to the country will be approved. I have no means of knowing whether or not the President would approve this joint resolution.

Mr. JOHNSON of California. I rather disagree with the Senator in his last statement. I think that when legislation is before us we go to the White House to ask the approval of the President; and if he does not approve it we quit, and if he does approve it we go ahead with enthusiasm. [Laughter.]

Mr. McADOO. I may say to the Senator that unfortunately I am not thoroughly familiar with the modus operandi of getting bills through. I am still a greenhorn or a junior in the Senate. As a matter of fact, we pass bills, and I vote for bills constantly when I do not know whether or not the President is going to approve them. I vote for what I think should be done, and I intend to continue to do so. Of course, if the President feels that a measure we present to him is unwise, he can veto it, as he has a perfect right to do. But I am speaking to my colleagues in the Senate, and I say that here is an emergent situation, and that the status quo should be preserved until we can find a solution for the problem. We have a right to prevent such a wrong as this being perpetrated. It should not be permitted because of inaction on our part.

We can prevent this withdrawal for a year anyway, and if we cannot solve the problem within that time then I feel that it is hopeless of solution.

It is quite customary these days to talk about everything in terms of reserves and defense, and so forth. I said in a speech the other day that I would never vote to leave this Nation in a defenseless situation, and I never shall so long as I have a voice on this floor. I think the Navy feels that the preservation and continuation in the service of these ships, which are admirably built and qualified as naval reserves, is a matter of great importance to the United States and of great importance to the Navy. I say I think so. I do not speak for the Navy. I have no authority to do so. We shall have the representatives of the Navy on the stand in connection with naval appropriations in a few days and shall have an opportunity to find out what the Navy thinks about it.

From the standpoint of national defense, however, I say that we are utterly stupid if we destroy this service essential to the commerce of the United States and put these ships in South American service, where the operators intend to put them if they are taken off their present run, and give South America the benefit of a service which we need at home. The service to South America, which I believe will result in an illusory trade, I say can well be deferred until the needs of our people are first met.

I had not intended to discuss at length the merits of the joint resolution. I wanted to explain to Senators the reason for offering it, and to express the earnest hope that the Committee on Commerce, to which it will be referred, will report it promptly back to the Senate. Whether they do so with approval or without is their affair, but I hope

earnestly that this resolution may be acted upon by the Commerce Committee, and I might pray, if I thought my prayers would be availing, that the Commerce Committee will report it back to the Senate not later than the middle of next week so that we may have a chance to have action by the two Houses before this disaster is visited upon us.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). The junior Senator from California has requested that Senate Joint Resolution 272 be referred to the Committee on Commerce. Is there objection? The Chair hears none; and the joint resolution is referred to the Committee on Commerce.

Mr. BURKE. Mr. President, we are not faced at the moment with the question of exempting coastwise ships from paying Canal tolls, but that is involved in the matter, and the junior Senator from California has pending now before the committee a bill to accomplish that purpose. In that connection I wish to offer for the RECORD an editorial from one of the leading newspapers of the Midwest as to the effect of that proposal, and before doing so I should like to read two sentences from the editorial. The editorial appeared in the Omaha (Nebr.) World-Herald under date of Tuesday, January 25, 1938, under the caption "A Threat to the Midwest."

The Midwest's effort to revive and enlarge its industry—an effort in which Nebraska is taking a leading part—is threatened now from an unexpected quarter. The threat comes from Senator McAdoo, of California, who has fathered a bill to exempt intercoastal ships from paying Panama Canal tolls.

We have seen the loss of our industry because of the freight-rate advantages to both coasts, available through Panama Canal shipments. Those advantages would be immeasurably increased if our Canal were made free to vessels plying between our Atlantic and Pacific seaports.

The Congress in 1912 passed and President Taft signed the bill exempting our coastal vessels from tolls. Only President Wilson's direct appeal, made in the name of treaty sanctity, brought repeal of the act.

Now the fight has to be made again. The Midwest must be on its toes against it. The McAdoo bill must be beaten or East and West will grow richer at the expense of the mid-American empire. It must be beaten or our industries will suffer a new blight. It must be beaten or we will be near the fate prophesied by the Tribune, which says our doom will be sealed.

The editorial, Mr. President, expresses practically the sentiment of our great midwestern empire. I merely desired to warn the junior Senator from California that when he presses his bill to exempt our intercoastal shipping from Panama Canal tolls he will have a fight on his hands.

I ask unanimous consent that the editorial from the Omaha World-Herald be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From Omaha (Nebr.) World-Herald of January 25, 1938]

A THREAT TO THE MIDWEST

The Midwest's effort to revive and enlarge its industry—an effort in which Nebraska is taking a leading part—is threatened now from an unexpected quarter. The threat comes from Senator McAdoo of California, who has fathered a bill to exempt intercoastal ships from paying Panama Canal tolls.

The direct results for the Midwest are seen by the Chicago Tribune, should the McAdoo proposal become a law. Says the Tribune:

"If the bill passes, nothing can prevent the transfer of scores of businesses from big and little cities in the Mississippi Valley to locations in the East or far West. The employees will necessarily follow. That will mean a heavy loss to the farmers who now feed these people. A gradual decline in the demand for clerical help in offices and shops must also be expected. The value of homes and factory sites in Chicago and the other interior cities will necessarily decline. The value of farm lands is determined by the market for the farm produce; farm prices rose throughout this area as long as its population was growing; a declining population and a declining purchasing power must result in declining farm values.

"Trade routes make great cities and great civilizations. The McAdoo bill proposes to push us off the world's trade map. If it becomes a law we must expect our cities to experience the same fate that overtook Athens, Carthage, Rome, Venice, Bruges, and a host of other once flourishing trading centers when the flow of commerce passed them by."

That's saying a mouthful, but the Tribune's gloomy fears are not unwarranted. The Canal, which we in the West helped build and pay for, has already cost us dear. We have seen the loss of our industry because of the freight-rate advantages to both coasts, available through Panama Canal shipments. Those advantages would be immeasurably increased if our Canal were made free to vessels plying between our Atlantic and Pacific seaports.

Midwest industries find it difficult enough now to market their products on the populous coasts because of freight rates. Many of them could not do so after the Canal was opened, and we have seen them fold up or quit us. If the McAdoo bill passes, our markets would be still further restricted. Few industries would be able to grow and more would die. The Midwest would be holding the sack again.

But this is not the first time the attempt has been made, and when made before, it came perilously near success. Despite the pledged agreement between this country and Great Britain that the Canal should be open to the vessels of all nations on terms of entire equality without discrimination, the Congress in 1912 passed and President Taft signed the bill exempting our coastal vessels from tolls. Only President Wilson's direct appeal, made in the name of treaty sanctity, brought repeal of the act.

Now the fight has to be made again. The Midwest must be on its toes against it. The McAdoo bill must be beaten or East and West will grow richer at the expense of the mid-American empire. It must be beaten or our industries will suffer a new blight. It must be beaten or we will be near the fate prophesied by the Tribune, which says our doom will be sealed.

Mr. McADOO. Mr. President, I may say to my good friend from Nebraska that I like a fight, and I am always glad to measure swords with such a valiant opponent as the Senator. I think he is worthy of anyone's steel.

I wish to say a few words, however, about the hopelessly parochial view that is expressed in that editorial. How in the name of conscience, or anything else, the operation of these ships through the Panama Canal could injure the Midwest is beyond my comprehension. We have spent, and are spending, a great deal of money trying to protect the Midwest from the ravages of floods from the great Mississippi River and the Missouri River. We operate barge lines on these rivers. The barge lines are of no economic value. But we spend vast sums of money for all those purposes. We built the Panama Canal, not solely for the benefit of one coast or the other, or for both of them, but for the whole United States. We built the Panama Canal because we had the vision and the comprehension and the enterprise to seek to better the conditions of the entire world.

It frequently happens in connection with these great advances in progress due to the machine age and other developments that some suffering results. Due to the railroads we had to destroy the stagecoaches and the pony express. They bitterly opposed the railroads. We have now the airplane, the automobile, the radio, and many other things which are the result of the genius of our people and the progress of our time. Advances will continue, and there will follow the natural results. So long as we make progress, something is going to be made obsolete, and a readjustment of economic conditions as between the States and the various sections of the country may be necessitated. It has been necessitated in the past, and it will continue to be so. I, for my part, assess these developments with respect to the benefits which the entire Nation obtains from them and not from the standpoint of purely local effects.

With respect to the question of immunity from the Canal tolls for our own vessels, our war vessels, our naval reserve vessels, if it were proposed that we exercise a right which we undoubtedly have despite the Hay-Pauncefote Treaty to exempt them from the tolls, I should be sorry if we were to take the parochial view that we should not do so because some one town or one section or State might imagine that it was going to be hurt by such action.

Mr. President, I wish to say that the Panama Canal is not involved in the joint resolution at all, but when the time comes we will debate that question, and I hope we shall find a solution which will be satisfactory to the Nation.

I do not hesitate to say that I think it hurts all the people of the United States that we have to go through the form of imposing tolls upon our war vessels, our naval reserve ships, and upon our ships engaged in the coastwise trade, a trade in which no other nation has a right to participate, and that we have to submit to that because of a strange construction of the terms of the Hay-Pauncefote Treaty. I think President Wilson in his desire that the United States should be an exemplar to all the nations of the world, felt that treaty

obligations should be respected with such meticulousness that no question could ever arise about our good faith. I wish he had lived until this day to see how other nations have absolutely destroyed the hopes of civilized intercourse between the nations by repudiating unilaterally their treaty obligations to us and to others.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. CLARK. I entirely agree with the statement of the Senator from California as to the absolute right of the United States to remit the Panama Canal tolls charged against American intercoastal vessels if it so desires. I have no sympathy whatever with the position which has been taken by the State Department in casting doubt on our right to do it. But saying that we have a right to do it is an essentially different thing from saying that we ought to do it from an economic standpoint. I am astonished at the statement of the Senator from California that it is an outrage for the people of the whole United States not to be taxed for a subsidy for the special benefit of the Pacific coast. That has nothing whatever to do with the question of whether or not we have a right to remit Panama Canal tolls.

Mr. McADOO. Not a thing, but——

Mr. CLARK. I agree with the Senator in that; but when it comes to the economic side, I am totally opposed to it.

Mr. McADOO. That is another question, and it is not involved in the situation we now have before us. I shall be glad to debate that point when that issue comes before the Senate. I do not mean to say at all that we think it is an outrage that we should not pay those taxes.

Mr. CLARK. That is exactly what the Senator said—that it was an outrage to permit this service to be terminated, and the termination of the service could not be prevented without a subsidy.

Mr. McADOO. Let me repeat that. I think it is an outrage to destroy this service.

Mr. CLARK. That is what I said.

Mr. McADOO. I misunderstood the Senator. It is an outrage to destroy this service. The amount involved to keep it going for a year is about $550,000. Relatively, we are giving away that much these days to "dog catchers." Yet when it comes to preserving a great service for the benefit of a large number of our people, we hesitate to do so because it is said that some precedent may be established which will plague us. I am not afraid to do anything because it may establish a precedent which it is imagined may plague us. Every Congress has the right to do as it pleases about legislation. Every Congress determines the policy of the Nation with respect to economic and other questions.

What I am pleading for is that the Congress of the United States treat us at least fairly enough to preserve the status quo until we can work out the problem. The State of Nebraska is not involved, because if the ships are continued in service for a year the puny little $650,000 of Panama Canal tolls will go into the Treasury just the same, but the great State of Nebraska will be protected. No chicken will be disturbed and no cow will be left unmilked because of what is proposed.

Therefore, Mr. President, I say that the small consideration which is involved here, when looked at in the light of justice and decency, ought not to deter anybody from supporting us in our efforts to maintain the status quo until we can find a solution for the problem.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. BURKE. The resolution involves a subsidy which, as the Senator has very generously pointed out, would not be much of a drain on the Treasury because of the $650,000 in tolls. Would not the enactment of the joint resolution be in the nature of a precedent, or lend a little color to the Senator's other proposal to exempt the intercoastal trade entirely from tolls?

Mr. McADOO. I may say frankly to the Senator that I do not think so. I think his suggestion is a very strained deduction. But let me say that I do not care so much about the imposition of tolls on our vessels passing through the Panama Canal, so far as the commercial aspect is concerned. I do care, however, for the assertion of American rights. I do not want to feel that our policy in America must be determined from the standpoint of its incidental effect upon the policy of any other nation. I do not want Uncle Sam to play either a subservient or a secondary role in our international relations; and, so far as my vote goes, it will never be cast in that direction.

Mr. BURKE. I think the Senator and I may be able to get together on the basis that we should not apply the exemption to vessels carrying cargoes from coast to coast.

The Senator said that the attitude expressed on behalf of the Midwest was parochial. When we consider the fact that in the past 10 years more than 80 percent of the increase in population in this country has been within 50 miles of the Atlantic seacoast, the Pacific seacoast, or the Gulf—in other words, our water front—does not the Senator think that after all it may not be so parochial for the rest of the country to take an interest in some of the causes which have brought about such a condition?

Mr. McADOO. I will say to the Senator that I think he is suffering because of the condition that God created the United States as it is, and we cannot change by legislation the geography which places Nebraska in the Middle West. I should be very glad, if I thought my prayers would be effective, to pray for the Midwest. I have many friends there, and I am interested in the prosperity and development of that section.

Mr. LEWIS. Mr. President——

The PRESIDING OFFICER (Mr. HERRING in the chair). Does the Senator from California yield to the Senator from Illinois?

Mr. McADOO. I yield to my friend from Illinois.

Mr. LEWIS. I desire to ask the Senator from California in what manner, in his judgment, the present suggestion affects or influences the measure which he has presented, striking off the tolls, which was referred to by the Senator from Nebraska and the Senator who introduced the subject a moment ago. In what manner does this particular measure enter into the consideration of the measure striking off the tolls?

Mr. McADOO. It has not the slightest effect upon it.

Some of my friends seem to feel that if we preserve the status quo for a year, we shall establish a hurtful precedent. I do not concede that at all. We shall not establish any precedent. It is just like any other emergency legislation. God knows, we have enacted almost nothing but emergency legislation for the past 5 years that I have been in the Senate. So far as money is concerned, the amount involved is a small matter, after all, and it does not affect the other questions, which can be threshed out during the year. I have asked the United States Government to intervene so that we may have time to work out the problem, and I think we can do it within a year.

Mr. LEWIS. I wish only to say, if I may be pardoned, that I could not allow myself to support this measure, even in the emergency suggested by the able Senator from California, if the direct effect would be to lay the foundation for the abolition of the tolls, and thus do injury to the great Middle West, for which I am one of the spokesmen.

Mr. McADOO. The joint resolution cannot, in my opinion, have any such effect, and it is not intended to have any such effect.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. McADOO. I yield.

Mr. BARKLEY. I rise simply to suggest to the Senator that inasmuch as his joint resolution has gone to the Committee on Commerce, the debate now is really not in order, and I think we should resume the consideration of the unfinished business, which is the reorganization bill.

Mr. McADOO. I thank the Senator for his suggestion that he has heard enough from me today.

Mr. BARKLEY. Not at all; but the Senator yesterday said he wanted 15 minutes. He has taken an hour, and we propose to go into executive session at 3 o'clock. I should like to make some progress with the unfinished business.

Mr. McADOO. I will say to my distinguished friend and leader, to whose mandates and dictates, as a rule, I humbly and promptly yield, that I consider that I am justified in transgressing for 15, 20, 30, 40, or 50 minutes in speaking of a measure of such great and vital importance to the people of my section.

Mr. BARKLEY. I did not mean at all to suggest that the Senator had not given the Senate valuable information; but inasmuch as his joint resolution, upon which he is speaking, has nothing to do with the Canal tolls problem, and inasmuch as the problem of Canal tolls is entirely beside the question, it seems that nothing is to be gained by an academic discussion of the wisdom of Panama Canal tolls generally. For that reason I think we might go ahead with the unfinished business.

Mr. McADOO. I will say to the Senator that he is suggesting a new rule, that Senators speak to the question when they rise to speak at all. In my 5 years in the Senate, I have observed that such a rule has never been enforced, and I do not believe it could be enforced. Let me say, in addition, that I had no intention of engaging in a discussion of the Panama Canal tolls today; but, as is usual, Senators ask questions which are not material to the consideration of the matter before us, and I am always eager to be courteous and obliging, and to give Senators the benefit of my opinion about anything which they present to me. Therefore I have no doubt infringed upon the courtesy of the Senate in talking as long as I have.

As to the parliamentary status, I wish to inform my distinguished friend from Kentucky that I shall submit the joint resolution with the request that it go to the Committee on Commerce.

Mr. BARKLEY. It went there some 45 minutes ago.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

The message also announced that the House had agreed to a concurrent resolution (H. Con. Res. 36), in which it requested the concurrence of the Senate, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Clerk of the House of Representatives is authorized and directed, in the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306), to insert the following matter on page 4, line 26, of the engrossed bill, after the word "approved": "April 23, 1924, and the act entitled 'An act to provide additional revenue for the District of Columbia, and for other purposes,' approved."

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BAILEY obtained the floor.

The PRESIDING OFFICER. The question is on agreeing to the first amendment reported by the committee.

Mr. BURKE. Mr. President, I think there should be a full attendance of Senators to hear the next address. I therefore suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Bailey	Borah	Bulkley
Andrews	Bankhead	Bridges	Bulow
Ashurst	Barkley	Brown, Mich.	Burke
Austin	Bone	Brown, N. H.	Byrd
Byrnes	Guffey	Lundeen	Radcliffe
Capper	Hale	McAdoo	Reames
Caraway	Harrison	McCarran	Reynolds
Chavez	Hatch	McGill	Russell
Clark	Hayden	McKellar	Schwartz
Connally	Herring	McNary	Schwellenbach
Copeland	Hill	Maloney	Sheppard
Davis	Hitchcock	Miller	Shipstead
Dieterich	Holt	Milton	Smathers
Donahey	Hughes	Minton	Thomas, Okla.
Duffy	Johnson, Calif.	Murray	Thomas, Utah
Ellender	Johnson, Colo.	Neely	Townsend
Frazier	King	Norris	Truman
George	La Follette	Nye	Tydings
Gerry	Lee	O'Mahoney	Vandenberg
Gibson	Lewis	Overton	Van Nuys
Gillette	Lodge	Pepper	Wagner
Glass	Logan	Pittman	Walsh
Green	Lonergan	Pope	Wheeler

The PRESIDING OFFICER. Ninety-two Senators have answered to their names. A quorum is present.

Mr. BAILEY. Mr. President, the pending bill deals with proposals of extraordinary powers to be transferred to the executive branch of the Government. It proposes, first, to give the President power to reorganize, extinguish, transfer, and reconstitute 133 independent offices and bureaus now in the Federal system. It also proposes to place one man over the entire civil service of the United States in which at present 570,000 men and women are employed. It proposes also to deprive the Congress of its means of ascertaining and preserving its responsibility for the spending and accounting of public funds, a power which it has now had for 18 years. It further proposes the creation of a Cabinet position which will not only tend to give but will surely give permanent partisan control over all welfare spending in a time when we are spending money by the billions and in this particular year are spending at a rate exceeding $2,000,000,000.

It is unnecessary to say, Mr. President and Senators, that this bill is one of the vastest import. Since I have been a Member of the Senate I do not recall any measure that has been presented for our consideration which is so far reaching in its consequences and so immense in its dimensions.

I wish also to say that it is not in any serious aspect personal. We are not dealing with the present President of the United States except in one aspect of the bill in which we give him power, expiring on July 1, 1940; but, with that exception, we are dealing with the executive power of the President and the legislative power of the Congress. So far as I am concerned, my mind is utterly divorced in this discussion from any thought about any particular President. I am perfectly willing to contemplate it in the possibility that some day there may be in the Presidency a representative of another party; there may be in the White House some day the representative of a party which does not now exist. So we are dealing with the fundamental and essential aspects of government and not merely with ourselves and not with the present occupant of the White House.

I believe, Mr. President, that we may succeed in reducing the number of questions involved in the proposed legislation to four issues. I am going to undertake to state those issues and their answers and to confine my discussion to them, pretty much as a lawyer might in dealing with a complicated case. These questions will bring the question down to the essential aspects that ought to determine the judgment.

The first is, Shall the Congress transfer until July 1, 1940, from the legislative branch to the executive branch legislative powers vested in the Congress by the Constitution, to wit, the power to abolish offices, agencies, bureaus, and functions, and to transfer funds within the bureaus and departments, and the power to assign functions here and there?

It is the power, in substance, to kill or make alive more than 133 bureaus and activities. It is legislative power. It is our power. It is the power vested in us by the Constitution, under which we hold the titles to our positions here.

The question in the first instance is, Shall we abdicate that power? Shall we assign it over to the Executive of the Government, in whom it never has existed, in whom it never was intended to exist, from ourselves, in whom it is vested by the solemn instrument of the national life? That is the first question.

The second question is, Shall we place our great civil-service system in the hands of one man, holding office at the will of the President, a man, therefore, a single, sole individual, directly involved in every election?

The third issue: Shall the Congress surrender its present power to check in advance and in due season the spending of the funds which it raises by way of taxing the people, which it appropriates and for which it is responsible, to the end that they shall be expended according to our laws?

The fourth issue: Shall we create a political department to administer relief and other general-welfare expenditures and so abandon now, at once, all hope of separating this sort of spending from partisan politics?

Mr. President, I think those issues are fairly stated. I did not create them. They came to me in my brief and, I fear, inadequate study of this great subject. I am now going to discuss those issues by way of argument as to what we have and what the bill would predicate with respect to the whole situation in the event it should become the law.

To return to the first issue: Shall the Congress transfer until July 1, 1940, from the legislative branch to the executive branch the legislative powers vested in the Congress by the Constitution—that is, the power to abolish offices, agencies, bureaus, and functions, and to transfer funds as between the various agencies and departments?

Let me read the section of the bill providing for this transfer, providing for the assignment of this constitutional power vested in us:

> Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish any of the purposes set forth in section 1 of this title, he may, by Executive order—

As we would say in the old law, ex mero motu, the attribute of the king, of his own motion—

> subject to the limitations hereinafter provided:
> (1) Transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency; or
> (2) Regroup, coordinate, consolidate, reorganize, or segregate the whole or any part of any agency, or the functions thereof; or
> (3) Abolish the whole or any part of any agency, or the functions thereof; and
> (4) Prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head.

As I said, these are manifestly attributes of the sovereign power. They are manifestly legislative in their nature. They were made legislative because the National Legislature is elected, in the case of the House, every 2 years, and in the case of the Senate, one-third every 2 years, and the whole every 6 years. These powers which we propose to give at one stroke to the present President of the United States for a period of something more than 28 months search the whole organization of the American Government outside of the courts and the Congress, the great field of 133 offices and departments, in which there are now employed something more than 850,000 persons; departments which in our more recent days by gradual growth have come to a stage in which they affect every aspect of the life of the American people; departments over which we have control; departments which we had the power to establish, and which we did establish with our power; departments which we might have consolidated, and may now consolidate; departments which we may destroy, and which it is within our power alone to destroy. At one great sweep we transfer all of that power from ourselves, to whom it belongs, to one single, sole man, who, until we do transfer it, never had or enjoyed one particle of it.

I say, in the first place, that when Senators propose a transfer of powers so vast, so mighty, and so searching in the life of the organization of the Government, the burden of proof is upon them to convince those who have the power that some special circumstance, some great motive, some obvious justification is at hand to satisfy us that it is a good thing to do.

What is the argument for it?

The argument is that there are too many of these bureaus and departments. I agree.

The argument is that a good many of them are not necessary. I agree.

The argument is that a good many of them are floating around in the firmament of our Government like comets, none of us knowing whence they came or whither they would go. I agree.

The argument is that we have reached the stage in our land in which a humble citizen having to deal with his Government is under the necessity in the first instance of hiring a lawyer to tell him to whom he may go, or where he may present his cause. The argument is that the thing has become so vast, so complicated, that there must be some simplification. I agree.

But do these considerations constitute any reason why we should not do the job to which we were elected? Do they furnish any reason why you and I should undertake to assign to another the power and the responsibility which we assumed when we took the oath of our office?

Mr. President, I say that if there were some profound motive for the proposed action, I might find my way to respond; but what is the motive? Does anyone tell me that by the transfer of this power I may reduce the burdens on the backs of our taxpayers? Is any assurance given by the committee or any advocate of the bill that we shall reduce the expense of the Government in any degree? Heretofore, when measures of this kind have come before us, they have come with the promise of immense savings. This one comes with no promise whatever. I think we have the formal statement of the President that substantial economies are not in contemplation; but even the committee in charge of and reporting the bill begins at the beginning and winds up at the end of many pages and many words without saying anything about economies that will be effected.

Mr. President, the argument of economy is not involved, and the motive which might impel in the fact that our Government is overburdened and overspending, and must necessarily be overburdened and overspending so long as we maintain the present course, is not suggested. That argument, we must say, has been abandoned by the special committee which examined this matter and which asks us to make this transfer of power.

I believe I will go a little further. I should be reluctant to vest in any man so vast a power with which I had been entrusted. I would question my right to stand from under the task assigned to me and which I was paid to discharge. But if I felt that we could reduce the expenses of government by half a billion or a billion dollars, if I felt that we could balance the National Budget, I would be very greatly tempted to say, "Oh, well, probably the saving to be accomplished will justify the surrender of the power." However, when those who ask me to surrender the power do not give me the promise of saving a dollar, do not propose that anything will be accomplished which would justify the surrender of the power, what inducement have I for giving it over to another? All we are told is that reorganization is needed, and we are agreeing. I am saying that if it is needed, it is the duty of the Congress to rise to the need, and in the moment in which we turn our backs upon that duty, we make in the public forum a confession of our incompetence.

Who are we? If we are not capable of looking over this vast wilderness of our own creation and striking down here and striking down there and consolidating here or there, who are we? We had the power to create; we have the power to reorganize; we have the power to consolidate, and who is it that asks us to admit that we are unequal to our duties, or incapable of assuming our responsibilities?

I remember the simile of the potter and the pots. He could go in the midst of the works of his hands, rejecting here and preserving there, striking out the bad and taking care of the good. But the potter had made the pots. His power of destruction arose in the power to create. They were his to give; they were his to take away.

We are asked to say, however, that we can create, but that we cannot reorganize; and there is no other reason I know

of except that we are not capable of doing it. What other reason has been assigned? What other argument has been adduced?

Mr. President, that is a more serious matter, perhaps, than we think. There is a principle in life known as atrophy by disuse. If one has power and does not use it, he may be sure he will cease to have it. If one has power and does not exercise it, he may be sure that the time will come when someone else will exercise it.

Here is this constitutional power that is ours, and with no argument except that we are unequal to it, that we are incapable of exercising it, that we are incompetents, we are asked to assign it to another. We were competent to create these agencies and bureaus, and we have created them. We are competent to assign functions, and we did assign them. We were competent to organize the Federal Government, if we go back to the beginning of the Senate and the House of Representatives; and shall it be said of the present Congress that in the good year 1938 we abjectly admitted in the forum of our country that here was a great need, that here was a real duty, but that we were not equal to it, were unwilling to undertake it?

Am I afraid to deal with the creations of the Congress? Am I afraid of offending someone down the street? When the hour comes that the lawmaking body, having the great lawmaking essence of the sovereignty itself, reaches the point where it fears to lay a hand upon its creatures, it is a serious hour in the life of our Republic.

I could say a great deal about that. We not only create these agencies but we vest in them a tremendous spending power; and we begin to fear, once we see that they have the money, that reaching out over our country and into our States and districts, after all, there is a power mightier than ourselves, and if we undertake to abolish the bureau or the agency or the corporation or the activity and fail, we fear that they will make us pay the price on election day.

I do not think I breach any propriety in telling the Senate a simple story. I have never been greatly interested in political patronage. I have tried to recommend people when I thought they ought to be recommended. Many a desperate man and woman has come to me to ask if I would write a letter, and I do not think I have ever refused; but I have never been to the departments hunting patronage or seeking favors.

A few days ago a man I did not know came to my office and presented his credentials and asked for an endorsement to a department here which we had created. My secretary, with a right given by me, in my absence from the office while I was on the floor of the Senate, wrote a courteous letter to the department and then called the department on the telephone and asked that the man be considered favorably; and that was all. The man to whom he talked, the chief counsel for the department, said to my secretary, "I am utterly astonished that your office should ask anything from us."

Mind you, we will not tolerate that arrogance! I wrote them the moment my secretary told me about this that it would not be tolerated. What has that man to do with how I vote here? What does how I vote here have to do with my right to submit the name of a humble man who desires to be considered for an appointment?

I think the time has come for Members of Congress, Senators and Representatives, to assert their power in order that it may be known in the United States, and particularly in these departments, that the power is ours, and not theirs; that the responsibility for the Government and its policies are upon the elective and the constitutional representatives of the people and not upon those whose offices we create and to whom we give public funds for distribution for the public benefit.

Mr. KING. Mr. President——

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Utah?

Mr. BAILEY. I yield.

Mr. KING. I was interested in the statement made by the Senator respecting the arrogant attitude of one of the attorneys in a department. May I parallel that?—and indeed mine is a stronger case. I voted against a measure which was brought before the Senate. I learned that a department in carrying out the provisions of that measure was employing large numbers of persons, far more than were necessary, some in my own State. I had recommended no one for employment in that department. I went to the department, not to ask for an appointment, but to protest against such a large number of appointments. The official to whom I spoke said, "You are on the blacklist. You voted against the bill which created this department. And other Senators who voted against the bill are also on the blacklist."

That, Mr. President, represents the arrogance of the officials of these bureaus which we are creating.

Mr. BAILEY. Mr. President, I am glad to have that confirmation from the Senator from Utah. I go a little further. If the Senate should vote for this measure and permit such an official to derive his functions and his place in the economy of the Government organization, not from the Congress, but from the President, it is a serious question whether the Senator from Utah would be allowed to go in and out of the door.

Mr. President, I have in my mind this matter of Senators—and I may speak only of this Chamber—hesitating to lay their hands upon this necessity of reorganization for fear of reprisals and retaliation.

I will say to any Senator who is meditating along that line, who finds those meditations insinuating themselves into his thinking, that the very fact that the suggestion comes to his mind ought to arouse everything in his being, and demand of him as a man and a public servant that he shall not be afraid; that he shall do his duty.

I know the power is a vast power. Nearly a million men and women are in Federal employment. Thousands and thousands of automobiles are used by the Government. One department has over 4,000 automobiles. Its operations ramify through the whole land to such an extent that if on tomorrow I should make a motion which was not liked by a bureau they could touch the matter off overnight and I would get a hundred and fifty telegrams in 6 hours.

That has happened. If there is a Frankenstein in America, we are the creators of that Frankenstein. If we are afraid, then surely the hour has come when we must act, because the very fear itself will grow. Very quickly we shall find ourselves perfectly helpless in the presence of a vast political power.

Mr. President, I am speaking of the political power in the country. I do not think the fathers who founded the Government could ever have dreamed that there would be the hordes—I do not use that word in any improper way—the hordes of public servants and the perfect wilderness of departments that we have, but we have them. We are now asked to assert that we do not dare exert our power over them. I am unwilling to do that. I shall make no confession of my incompetence, and I shall respond to no fear, and I will despise their reprisals. I will put them in their place. If an official has a job which is worth nothing to the American people, his job ought to be taken away from him and his salary along with it. And if bureau officials mean to direct the public policy of this country, when the Congress has the legislative power and the policy-making power, then by everything that is in us this is the hour, this is the opportunity, this is the crucial moment when we must strike or be struck down.

Mr. President, I must move on, but I have another suggestion. I very seriously doubt if we have the power to transfer this power to the President. I have not heard the question raised, but I raise it, and I raise it for the purpose of discussion by Senators who are far more competent than I am to discuss these constitutional questions. No one denies that the legislative power is vested in the Government. No one denies that what we are asked to do is to transfer legislative power to the Executive. The argument, to be sure,

will be made that we have the right to delegate our power. Mr. President, we do not have the right to delegate our power except under a rule which definitely predicates what will be done. That is the rule of delegation. We cannot just say to some departments, or to the President, "We have the power to do this. You can go and do it for us." That is not provided in the Constitution. No such provision is in any of the books. The delegation of power—and this has been well defined by the courts in decision after decision—must be under a clear, determinable, expressed rule setting out the bounds and the limits, and so defining the standards that it can well be said that the Congress itself knows what will be done under the delegation of the power. But now the Congress is asked to walk down the street, look abroad at building after building, department after department, bureau after bureau, corporation after corporation, agency after agency, all of which we created, having function after function, and just say to the President, "Walk in. If you do not like that one, strike it down. If the functions over here ought to be over there, put them over there. If there should be consolidation, consolidate."

Mr. President, no rule is established. There is simply the mere statement of objectives, and those objectives are in the indefinite terms of simplicity and efficiency.

Some Senator may say, "You may delegate it, and the work may be done, and the question never be tested."

I do not like that argument to begin with. Assume that an unconstitutional act will never be tested; that, however, does not give me the right to pass it. I must stop on the threshold and think over the situation and consider my oath. I have a power. I am oath bound to maintain that power. Even assuming that in 28 months it would all be over, and no one would complain, the thing would be effectual, if I do not have the power to do that I ought not to try to do it.

Mr. LOGAN. Mr. President, will the Senator yield?

Mr. BAILEY. I yield.

Mr. LOGAN. Would the Senator mind pointing out to the Senate wherein there is any constitutional provision about the creation of these different departments and bureaus? The President is the Chief Executive—the executive branch of the Government—and the only power we have is to authorize him to have such help as we think he is entitled to. If there is anything more than that in the situation I should like to have the Senator point it out to me.

Mr. BAILEY. I am glad the Senator brought that point out. I think that right at the bottom he raised the question: Does the Congress have the power to create the organization of the Federal Government? Outside of the offices designated in the Constitution every one of them comes back to us. There can be no little corporation, no bureau, no department, no agency except that we constitute it. When did we ever before get the suggestion that the President of the United States could create a commission without express authority from the Congress? And even under this bill which we are considering he must ask us for the authority to appoint six men with passions for anonymity.

Mr. LOGAN. Mr. President, will the Senator yield further?

Mr. BAILEY. I yield.

Mr. LOGAN. I agree that that is true, but the point that I seek to make is that the Senator is arguing that it is unconstitutional, as I understand him. I should like to know what particular provision of the Constitution we violate when we authorize the President to rearrange the bureaus of the executive departments of which he is the head.

Mr. BAILEY. Not just that, Mr. President. We might agree that we could give him authority to reorganize or rearrange. But I call the Senator's attention to that portion of the bill which I read in his absence. In it we are asked to give him the power to abolish the whole or any part of any agency, or the functions thereof. Under this bill the President not only has the power to reorganize and to rearrange, but he has the power to destroy the creatures of the Congress.

Mr. LOGAN. May he do that without the consent of Congress under the provisions of the bill?

Mr. BAILEY. We are asked to give him our consent.

Mr. LOGAN. If Congress should pass the bill, am I to understand the Senator to say that the President could abolish some bureau without the consent of the Congress? Is not the President's action in the nature of a recommendation to the Congress? Does he not say, "This bureau ought to be abolished," and then submit his recommendation to Congress, and then does not Congress determine whether his Executive order shall go into effect?

Mr. BAILEY. The Senator is arguing that we might make a recommendation to the President. The Constitution says that the President shall make recommendations to us.

Mr. LOGAN. That is what I say. If he should abolish a bureau would not that action be in the nature of a recommendation to us, and would not his order have to come to the Congress for approval?

Mr. BAILEY. Oh, no. That is just the point about this bill. Now the Senator has come home. My position is very favorably to consider and resolve every doubt in favor of every recommendation the President makes, because I think a reorganization is needed. If the Senator from Kentucky will offer an amendment saying that the acts of the President shall not be valid until approved by the Congress, I shall be very happy and will very quickly vote for the bill. I think by the Senator's question he places his finger right on the matter which is involved.

Mr. LOGAN. Mr. President, section 4 (a) on page 7 of the bill provides:

> Whenever the President issues an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order: *Provided*, That if Congress shall adjourn before the expiration of 60 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 60 calendar days from the opening day of the next succeeding regular or special session.

If I correctly understand the Senator, and if section 4 (a) means what I think it means, the Senator is for the bill instead of against it, because section 4 (a) contains the very provision to which the Senator referred when he said he would be for such a bill.

Mr. BAILEY. No; I think the Senator must have misread the section. All section 4 provides is that the President shall issue his order, and after 60 days it shall go into effect. We have no power to revoke the order.

Mr. LOGAN. Do I understand the Senator to contend that the Congress has no power to prevent the order from going into effect?

Mr. BAILEY. None in the world.

Mr. LOGAN. Why submit it at all, then?

Mr. BAILEY. Let me state the parliamentary or legislative situation. We give the President the power. He issues the order. We are in session, and we get the 60 days' notice If we try to revoke the Executive order, the President may veto the bill which undertakes to revoke his Executive order.

Mr. LOGAN. The Senator may be correct.

Mr. BAILEY. And if we do nothing, the Executive order becomes effective. Construing the bill in the most liberal way for the Senator from Kentucky, we place ourselves in such a position that upon receiving notice that the President has extinguished a function, or department, or bureau, if we act, we shall have to act by way of a legislative act, which would be subject to veto by the President, and then, if we undertook to set aside the veto, a vote of two-thirds of both Houses would be necessary.

Mr. LOGAN. If the Senator will yield further, I think his interpretation of section 4 (a), as it is written, is correct. But if it did provide for some affirmative action on the part of Congress to approve the order after it came to Congress, an entirely different situation would exist.

Mr. BAILEY. I will say to the Senator that if he will write in the necessary words, I shall be satisfied. If the Senator will insert in line 16 on page 7, after the word "effective," the words "until after the expiration of 60 calendar days after such transmission and the approval of Congress", that is all I ask.

Mr. KING. Mr. President, will the Senator yield?

Mr. BAILEY. I shall be glad to yield in a moment. I am willing and anxious to follow the accepted method for preserving the life of our country—that Congress shall invite the recommendations of the President, but that the power to act shall be the power of Congress. The bill as it stands provides that the President not only shall recommend, but also shall act.

I now yield.

Mr. KING. Mr. President, I think the Senator has been overgenerous in conceding to the Executive the authority which the legislative body possesses. I am unwilling to go that far. I think we confess our incompetency to discharge an obligation resting upon us as a legislative body when we are afraid to curtail or to rearrange or to abolish the offices which we have created. I think Congress should undertake the reorganization or the abolition of scores of organizations which have grown up like mushrooms, instead of leaving it to the executive department.

Mr. BAILEY. I agree with the Senator; but in the colloquy I was willing to make all necessary concessions in order to fortify my position. The Senator is perfectly familiar with that plan of reasoning and of debate. One waives much knowing he still has a final stake which overwhelms the whole contention of the opposition.

I should like to say one thing further on the phase of the matter under discussion. The President is a great man. He is a very powerful man. We all honor him. But has not the President enough to do without our putting all these extra burdens upon him? I sometimes think about the burdens of the President. The whole world apparently is on the verge of a volcanic explosion. No nation is at rest. No nation is secure. Our Nation might be involved. God grant that it shall not be. The problems of the depression have come back upon us. The President has a vast multitude of administrative duties, involving many departments and many bureaus. The domestic situation and the foreign situation are of the utmost gravity, and the President is at the center of the whole problem.

I thought the gods imposed a supreme test when they assigned to Hercules the task of cleaning out the Augean stables. Why should we, who have the power, impose upon the President, with his great multitude of duties in a most critical era, a job which is ours? Why should we thrust him into a situation which argumentatively, I may say, we dare not ourselves enter? Why should we assume that he could do it when we cannot do it?

Someone may say, "Oh well, now, you know better than that. You know that the President himself is not going to do this job. He is not going to walk up and down, reviewing all the departments. He is not going to consider all the functions. It is not going to affect his health. It is not going to add to his burdens. He will appoint a committee."

That is exactly what he will do; but we do not know what committee will be appointed, or how it will be constituted. The committee will report to the President, and the President will look over the report and say, "All right. Something must be done. I think this is the best thing. Let it go."

If it is that easy to act, why do we not appoint a committee? If the thing is to be done by means of a committee, why should not the Congress constitute a committee of its own to look into its own acts, review them, and say, "This function has expired," or "This department has lost its usefulness," or "This bureau is not needed"? If the President can appoint a committee, we can appoint a committee. If we can give the President the power to make the will of a committee the law, we can exercise our own power to adopt the report of the committee and discharge our own responsibility.

Mr. President, that is enough on that phase. I come now to the second question.

The second issue is, Shall we place our great civil-service system under one man, holding office at the will of the President? There is no question about there being one man. The bill proposes an administrator. There is no question about that one man being removable at the will of the President, notwithstanding the provision that we fix his term at 15 years.

What is the situation which makes it necessary for us to pass such a law? Our civil-service law has been in operation for about half a century. I would not claim perfection for it, but I will say that it has so commended itself to the American people that no one can run for office in this country without promising to maintain the civil-service system.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Idaho?

Mr. BAILEY. I yield.

Mr. BORAH. Did I understand correctly the Senator's view to be that, notwithstanding the Congress should create this particular office and provide for a 15-year term, the President, nevertheless, could dismiss the officer?

Mr. BAILEY. That is my judgment. I would be very glad, if the Senator from Idaho differs with me, to hear his discussion on the question.

Mr. BORAH. I merely desired to know the Senator's position.

Mr. BAILEY. The view is taken that the Civil Service Administrator is strictly an executive officer, and the bill does not lay down the conditions of the tenure of his office. It merely provides that the administrator shall be appointed for 15 years, by and with the advice and consent of the Senate. I understand, from a reading of the cases, that unless some conditions of tenure are established with respect to an office which is wholly civil and executive the occupant of the office may be dismissed at will by the President.

If it is necessary to go into that at great length later, I am going to say to the Senator from Idaho that I have here a brief on the subject. But I desire now to discuss some other aspects of this matter, and then I wish to proceed with my other two questions.

The civil-service system has operated well in this country. As Senators, we all know that by reason of its operations and its regulations at least five-eighths of the employees of the Federal Government have been relieved from the imposition of party patronage.

Mr. LEWIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Illinois?

Mr. BAILEY. I yield.

Mr. LEWIS. If the Senator will allow me, I ask him if he has not fallen, accidentally, of course, into error when in answering the Senator from Idaho he said it was his conclusion that the President could dismiss or remove this particular official of the civil service at will. May I not ask the able Senator does not the law compel that there must be cause assigned before there can be removal?

Mr. BAILEY. I think not, and I may say to the Senator from Illinois that I did not make the statement carelessly; I did not make it on the floor without first consulting with the chairman of the committee reporting the bill. He does not happen to be present at the moment, but he agreed with me that that was his impression. He even said to me in that discussion that if he knew of any way so to fix it that the administrator could not be removed at the will of the Executive he would be glad to do it.

Mr. LEWIS. I confess I may say to the Senator, thanking him for allowing me to interrupt him further, that I gather from the bill and from the statement of the able Senator from South Carolina himself, referring to the chairman of the committee [Mr. BYRNES]—I think the state-

ment was made in reply to the Senator from Massachusetts [Mr. WALSH]—that such removal, if it came about, was in the power of the President only after reasons assigned which justified the removal from the President's point of view. If that be not true, I myself am misled.

Mr. BAILEY. If the Senator is following the analogy of the Humphreys case and will go back and read the opinion in that case, he will find that the President was under the impression that he had a right to dismiss Mr. Humphreys from office merely because their minds were not in agreement—"your mind does not run along with mine." The case went to the Supreme Court. If I had time, I would read the brief, which I have here. The Supreme Court decided that Mr. Humphreys did have a right to the office, but it was because the conditions of tenure and of dismissal were written into the act, and because the office was quasi judicial.

Mr. LEWIS. I may say, if I may be pardoned, that in that case the member of the Federal Trade Commission had his authority under a specific statute of office. It may be that the President assumed that he had a right to remove him because he used the language, I think, that they did not "see eye to eye" as to the construction of the law. But in that case I am not now conscious that the President assigned cause or reason that could be said to be sufficient reason for his action. But in the present case, unless I am wholly in error, the removal of this officer of the civil service would be upon some ground, first of cause, then hearing, and then conclusion. If I am wrong as to that, then, I am wholly wrong in my construction of the matter.

Mr. BAILEY. I would not say to the Senator from Illinois that he was wrong, but I will say that it is my deliberate opinion, after looking into the matter, that he is mistaken and that, as this language is written into the bill, the President will have the power to remove the civil-service administrator of his own motion, notwithstanding the bill provides that the administrator shall have a tenure of 15 years. That is on the ground that the office is not quasi judicial in its character. It is not like the Federal Trade Commission. It is in the executive department and under the Executive, and in that connection I think I should add, in fairness, that even in the present existing statute governing the civil service, it is provided that the members of the Civil Service Commission may be removed at will.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. BAILEY. I should like to elaborate that a little further, and then I will yield. I think the President can remove a collector of internal revenue; he can remove a Cabinet officer; he can remove a postmaster; he can remove any officer, if the office is strictly in the executive department, notwithstanding his term, unless the conditions of tenure are set up or the conditions of the dismissal are stated in the act creating the office. Now I yield to the Senator from Maryland.

Mr. TYDINGS. We must keep in mind that if the President can remove for cause there is no appeal whatsoever from his decision in the case. The words "for cause" constitute a very loose term. It does not necessarily mean a breach of professional etiquette or ethics. It may mean, as in the Humphrey's case, that the President and the Federal Trade Commissioner in that case were not "seeing eye to eye," and the civil-service administrator and the President may not "see eye to eye." The civil-service administrator in some assumed case may want to keep the civil service inviolate, whereas it is conceivable that some President, not the present one, I will assume, but some other one, might want to modify or soften it or play fast and loose with the civil service. The mere words "for cause" do not of themselves mean a flagrant violation of the duties of the office but any cause which the President himself thinks is ample to encompass the removal of the officer in question, and in that case the civil-service administrator would be continually at the mercy of the President's whim.

Mr. BAILEY. I thank the Senator.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BAILEY. I am glad to see the Senator from South Carolina is now present. I will say to him that, in his absence, I stated that he and I had discussed this matter of the power of the President under this proposed law to remove the civil-service administrator notwithstanding his term is fixed at 15 years. The Senator from Illinois [Mr. LEWIS] seemed to have a different impression of the views of the Senator from South Carolina, and I welcome the opportunity to hear from the Senator from South Carolina.

Mr. BYRNES. Mr. President, in my absence from the floor I was advised the Senator had referred to my statement to him. As I understand, the present law specifically provides for the appointment of Civil Service Commissioners without any term. The law further provides that the President may remove any of the Commissioners. There is no question, therefore, that the President can at any time remove any member of the present Civil Service Commission, as the Commissioners at this time are serving for no specified term, and direct specific authority is granted to the President to remove them. The committee, seeking to give to the administrator a tenure of office, provided a term of 15 years. I stated to the Senator from North Carolina that it was my belief that, notwithstanding we create the office with a term of 15 years, the official in question would be in exactly the same status as any other official of the Government filling an office which under the statute had a term of years; and the question as to whether or not the President could remove the civil-service administrator would be based entirely upon the decision of the Supreme Court in the case of Myers, as modified by the case of Humphreys. In the case of Humphreys, based upon the fact, as I read the decision, that he was performing a quasi judicial function, the Court did say that its action would be dependent in each case upon the character of the duties of the office that was involved. I think the Senator and I agreed upon that statement of the case; but there is this difference, to which I call the Senator's attention: In the case of the present Civil Service Commissioners, as they have been appointed to an office without any term and the statute specifically gives the President the power to remove, the President can remove them at will. Under the pending bill we would have the situation of a man being appointed to an office which by act of the Congress had a 15-year term; and the burden would be upon the President, without the statute giving him any power to remove the officer, to justify his action in seeking to remove him from an office having a 15-year term. That is the only difference I can see.

Mr. BORAH. Mr. President, may I ask the Senator from South Carolina a question?

Mr. BAILEY. I yield to the Senator from Idaho.

Mr. BORAH. Am I to understand that the Senator from South Carolina concedes that the President would have the power, should he see fit to do so, to dismiss the administrator.

Mr. BYRNES. I said that as I read the Humphrey decision, the Supreme Court said that the right of the President to remove an officer holding an office having a term before the expiration of his term would necessarily depend upon the character of the duties of the office he filled; and, therefore, as I told the Senator from North Carolina, I should not like to say what a court would say. So far as it was within the power of the committee, the committee sought to provide language to prevent the removal. That was the object of the committee; but I should not want to say "yes" in response to the Senator's question. I do say that it would be left to the Court; and if the Court held there were no quasi legislative or quasi judicial duties connected with the office, I think they would hold that the President could remove the officer.

Mr. BORAH. Would the Senator regard this office as an executive office, or a purely administrative office, or the agent of the legislature?

Mr. BYRNES. Mr. President, I should have to say that I regard it as an executive office.

Mr. LEWIS. Mr. President, that I may clarify the RECORD for myself, may I be pardoned for saying to the Senator from South Carolina that in response to the question of the able Senator from North Carolina as to this matter of

removal I stated that it was my conclusion that while the privilege of removal would be there, it could not be done nor could it be undertaken under the meaning of the bill save for some assigned cause. As to that, the able Senator from North Carolina differs with me; and I stated that his viewpoint as to the expression of the Senator from South Carolina, that the officer could be removed without regard to the assignment of any reason, I thought was a misunderstanding of the position of the Senator from South Carolina.

Mr. BYRNES. Of course, the Senator was discussing the bill. As a practical matter, the Senator from Illinois knows, and I know, that whenever the President of the United States undertakes to remove any man from an office with a 4-year term or a 15-year term before the end of the term, he has to justify himself, after all, before the highest court in the land, the court of public opinion, and any President who does it without cause will not be sustained by that court.

Mr. BAILEY. Mr. President, I am grateful to the Senator from South Carolina. I have nothing to ask of him by way of corroboration further than the simple statement, in justice to him, that he added in the conversation that if he had any power so to fix matters that this administrator could be given his term independent of the power of dismissal, he would do it.

Mr. BYRNES. The Senator is right.

Mr. BAILEY. Very well.

Mr. President, so much for that, and I am very glad the question was raised. Let me go on now to the other feature of the matter.

The proposal is to transfer the control and direction of the civil-service administration from a board to one man. That may seem to be a very simple matter, but I think it is a very significant matter. What is the value of a board? Why is nearly everything in America run by a board? Every bank, every corporation, has a board. Most State governments have no end of boards. Why do we have boards instead of single individuals? I think I can answer that question.

A board furnishes, in the first instance, the opportunity for conference. It is far better to have three men to pass on a thing than to have one. Why? The genius of the American people is opposed to arbitrary action. We never place power in one man's hands except when it is absolutely necessary. We want the element of conference of mind and mind.

Second, what is the other value of a board? There is a great value in a board in the factor of restraint. If you leave a thing to me, there is no telling how far I will go; but if you leave it to the Senator from New Hampshire, the Senator from Missouri, and me, each of us will restrain the others. Do we have that element of restraint here? Here is one man who is to be head over 575,000 human beings. He is under a law, to be sure, but he is dealing with those people in little intimate matters in which there is no law. If we make them subject to his will, we invite him to exercise imperial power. If we place him there with two others, each will balance him off, and neither will go beyond the powers of the office.

What is the other value of a board? The other value of a board is representation. One man may represent one party. One man may represent one section. Three men may represent three parties or three sections. Geographical representation is important, but political representation is of the very essence of the civil service. It was always intended that the employees of this Government should be delivered from the power of partisan politics, and that partisan politics should be delivered from them. That is the whole genius of the civil service. That is why we have it. Put one man in there; say he is a Democrat. Who can restrain him? I know the law says he must be nonpartisan, but he is acting solely by himself. If he never said a thing, everybody in the civil service would know what his views were and what his wishes were. If we have three, our present law requires that one, at least, shall belong to the minority party. In that way there is a check at the head, at the source of the activity. That prevents the infiltration of the partisan motive and spirit in the great civil service.

So I say to the Senate that this portion of the proposed legislation would destroy the vital principle of the civil service, and would tend to turn loose those 575,000 public servants into politics, directly or indirectly. As it is, they are restrained by the board. They are restrained by the very constitution of the board. They are restrained by the bipartisan character of the representation on the board. If this legislation should pass, I should feel that at any rate we had reached the beginning of the end, after 50 years of successful operation, of the civil-service principle in the American Government.

Now, Mr. President, I move to the third and I think equally important aspect of the proposed legislation. It presents this question: Shall the Congress surrender its present power to check in advance, and in due season, the spending of the funds which it raises, which it appropriates, and for which it is responsible?

I think there has been some confusion about this matter. We have talked a good deal here about postaudits and preaudits, but this matter can be very easily simplified. What have we now? We have a Comptroller General in America, responsible to Congress, who can check, who has checked, who does check, all the public expenditures, who passes upon them before the money is paid out, and who calls to account those who pay it out after they have paid it out. That is the present situation.

Let us get rid of the little confusion about postaudit and preaudit. What is the law? I have the statute here.

The Comptroller General at present has the following powers:

> Nothing in this chapter shall prevent the General Accounting Office from suspending items in an account in order to obtain further evidence or explanations necessary to their settlement. The Secretary of the Treasury shall make regulations fixing the time which shall expire before a warrant is issued in payment of an account certified as provided in this section and section 72 of this title.
>
> The General Accounting Office shall preserve, with their vouchers and certificates, all accounts which have been finally adjusted.
>
> Disbursing officers, or the head of any executive department, or other establishment not under any of the executive departments, may apply for, and the General Accounting Office shall render, his decision upon any question involving a payment to be made by them or under them, which decision, when rendered, shall govern said office in passing upon the account containing said disbursement.

Let us take that law just as it is. The General Accounting Office now, under the present law, has the power to suspend any item; and, as a mercy to these disbursing officers, the law which gives the General Accounting Office the power to suspend the item provides that the officer may go to the Comptroller General before spending the money and get a decision. If he follows the decision he is exonerated, but if he does not get a decision, if he assumes the risk, at the end of the time the General Accounting Office can check him up and hold him to account.

Something was said in the debate to the effect that only about 3½ percent of the accounts are handled in that Office. That is a mistake. Only about 3½ percent of the accounts are submitted by way of question. Most of the accounts are not debatable. We pass bills here and they show perfectly clearly what we want, and the disbursing officer does not have any question about them, he does not ask for advice, he knows what they mean; but think how invaluable it is that where there is doubt he can get a decision which will save him taking the responsibility in the day when the item is suspended.

Mr. President, that is one part of it; now I shall go to the other. Every warrant on the Treasury must be countersigned by the Comptroller General. Not a dollar goes out unless he passes upon it when he countersigns the warrant. Generally no question is raised because most of the warrants are in regular order. But in the hour when he raises a question, what happens? He is there as our representative, passing upon the account in the first instance, and notifying the disbursing officers in the other instances that if they do not pay

out the money according to law he will suspend their items and hold them responsible.

We are asked to give up that power. The General Accounting Office is our Office; it is the agency of the Congress. What are we asked to do? We are asked to give all that up, to turn it over to a general auditor, who will report to us a year after the money is spent.

Now hear me about that, Mr. President. The General Accounting Office has been invaluable to the United States Government ever since it was started. I think our Vice President, the leader of the majority, the Senator from Kentucky [Mr. BARKLEY], and the chairman of the committee, the junior Senator from South Carolina [Mr. BYRNES] ought to be proud of the fine work they did in the House of Representatives in fighting for this law and getting it through. The need for it was so great that it passed the Senate unanimously, and passed the House with a vote which it might be said fully represented all parties. The dissenters were very few. When before was it attacked? Who has complained about it? Who says it is not operative? Yet, we are told we must now get rid of it. Our power to check, our power to hold an account, is to be thrown overboard in order that those who get the money may spend it for such purposes as they choose, and we find out about it after the money is spent.

Mr. President, that is the situation. That is the cool proposition here. We would be told about the horse about 10 months after he was stolen. As it is, our officer, the officer of the Congress, our man, signs the warrant, suspends the unjust account, refuses to sign the warrant, or tells the officer in doubt, "You can go ahead and spend the money; it is all right."

Another point is made. It has been said that the Accounting Office allowed claims to the amount of $166,000,000 and that no account was made, and that they ought to be audited. What are the facts about that?

When men who have a right to make claims or demands upon any department or bureau of this Government make claims which the bureau or department thinks are unjust or improper, and there is a debate about them, the bureau or department can go to the General Accounting Office and get authority to pay out the money, the General Accounting Office passing upon the legality of the claims. That is all. They are not allowing any claims at all. That procedure is under a statute which provides:

> Title 31. All claims and demands whatever by the Government of the United States or against it, all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office.

Let us get that clear. Let us assume I am a claimant against the Treasury, under contract. I think they ought to pay me $75,000; the Treasury thinks it owes only $60,000. Someone must adjust that claim. The General Accounting Office representing the Congress adjusts it.

Members of the Committee on Claims are perfectly familiar with that procedure. There was always a remedy. The adjustment of the claim is reported back, both to the disbursing officer responsible and to the head of the department. There cannot be any fraud about it. If the party making the claim is denied payment, he comes to the Congress. The Senator from Wyoming, who is listening to me, is perfectly familiar with what happens, as he and I pass upon these matters in the Claims Committee.

Something was said in the debate about the Committee on Claims passing upon a great many claims. I sent for the record and found that claims involving $145,000 in money, all told, covering post-office robberies and all that sort of thing, were refused by the Comptroller General because the claims were not within the statute. The claimants came to the Congress, and their claims were referred to the committee of which I am chairman, the facts were stated, we submitted a showing to the department interested, for instance, the Post Office Department, or the Treasury Department, or the C. C. C., or the War Department, and we stated that the claimant had come before us and made the claim, and we asked them what they had to say about it. Nine times out of ten they would say that it ought to be paid, that it was a just claim, but that there was no law under which to pay it, and that we should pass a law. We would report the bill favorably, the Senate would pass on it and the House would pass on it, and it would become a law.

Mr. President, instead of that being anything like an indictment of the Comptroller General's Office, it is a monument to them. They do not let people get questionable claims through. They make the claimants come to us in order to get the money.

Mr. BYRNES. Mr. President——

The PRESIDING OFFICER (Mr. HILL in the chair). Does the Senator from North Carolina yield to the Senator from South Carolina?

Mr. BAILEY. I yield.

Mr. BYRNES. Did the Senator say that the claims which come before his committee in a session amount to not more than $140,000?

Mr. BAILEY. No; I refer to claims denied by the office of the Comptroller General.

Mr. BYRNES. The Senator did not have reference, then, to the bills in which disbursing officers were relieved because of shortages?

Mr. BAILEY. If the Comptroller General refused to give them credit, I did have reference to them, and I will say to the Senator again that I am not speaking carelessly. When the controversy arose a few days ago I sent for the clerk of the Committee on Claims, and he brought me the reports on each of the bills we had passed. In the Seventy-third Congress we allowed claims to the amount of $46,957, and in the Seventy-fourth Congress we allowed claims to the amount of $145,228. I will submit this statement to the Senator, and if there is anything wrong about it, then the clerk of the committee did not get it right.

Mr. BYRNES. Mr. President, I merely desire to call the attention of the Senator to one bill, the first one in the Seventy-fifth Congress, that comes to my hand, a bill approved July 8, 1937. After the enacting clause, it reads:

> That the Comptroller General of the United States be, and he is hereby, authorized and directed to credit the accounts of John L. Summers, former disbursing clerk, Treasury Department, with sums not exceeding $5,241.47 in the aggregate, covering disallowances in his accounts as a result of payments made by him during the period from August 1933 to December 1933.
>
> SEC. 2. That the Comptroller General of the United States be, and he is hereby, authorized and directed to credit the accounts of former Treasurers of the United States with sums not exceeding the following amounts, representing unavailable items in their accounts: Frank White, $57,507.72; G. F. Allen, $643; H. T. Tate, $14,664.94; and W. O. Woods, $107,833.29: *Provided*, That any recoveries heretofore or hereafter made in respect of any of the foregoing items may, in the discretion of the Comptroller General, be applied to offset unavailable items of a similar character hereafter arising in the accounts of the former Treasurer to whose account the recovery pertains, upon a showing that such unavailable items have occurred without fault or negligence on the part of said former Treasurer.

In that one bill alone more than $140,000 was appropriated.

Mr. BAILEY. I was giving the Senator the details for the Seventy-third and Seventy-fourth Congresses. The Seventy-fifth Congress has not yet come to an end, and that is why my clerk did not bring the record up to date.

Mr. BYRNES. I must say, then, that that is the explanation. I was referring to the last session of the Congress—the second session of the Seventy-fifth Congress.

Mr. BAILEY. Let that go in the RECORD. The sum can rise one session and be down the next. My point is that the claimants have to come to Congress in order to get their money. The agent of Congress enforces the law, and throws out questionable claims, yet we are told the office is not doing its work. That is my point.

Mr. President, in the measure before us the entire principle of congressional control of public expenditures is at stake. As matters stand, we do have control, and if this bill shall be enacted we will not have control. That ends the whole controversy about preaudit and post audit.

An account is checked to begin with, and the disbursing officer is held to account. If we enact this bill, the account will not be checked by anyone representing the Congress. As matters stand now it is checked. The whole effort here is to destroy the power of the Congress to have a man checking the expenditures of public money. It is checking rather than auditing—control, not bookkeeping—that is involved.

Mr. President, I was utterly amazed when the Senator from South Carolina brought here and put into the RECORD a list of 19 different acts in which these spending departments had had themselves exempted from the operations of this control. I voted to pass those measures, to be sure. I wish the Senate to know that I did not know that there were so many little clauses buried in those acts. So far as I am concerned, I am prepared to vote to repeal every one of those clauses, and to require that every man who spends a dollar that we wring from the people shall spend that dollar in accordance with the law for the people's benefit as we undertake to require him to do. That is the issue in that matter.

I cannot understand gentlemen who tell us that we should throw away that control. Remember, the Comptroller General now is an agent of the Congress, with the power to countersign warrants, and the power to suspend items, and the power to hold up accounts. If we pass this bill, there will be no agent of the Congress possessing the power to suspend items or hold up accounts. He will be a mere creature of the Executive and spending departments.

Mr. President, I must move on to my final question, and I shall be very brief about it. The final question presented by this bill, as I understand, is this: Shall we create a political department to administer relief and other general welfare expenditures, and so abandon all hope of separating this sort of spending from partisan politics?

The proposition in the bill is to create a department of welfare, the head of which has the right and status of a Cabinet officer. To that department, if we shall create it, will be committed all this public spending for relief, $1,750,000,000 this year, plus the C. C. C., about $300,000,000, plus our other miscellaneous items, which I could not mention in detail; but I say it is in fair assumption that if we create this Cabinet position, that department will have the spending of two and one-half billion dollars a year—practically one-fourth of the whole Federal expenditure.

This year the Federal expenditures will amount to about $9,000,000,000. Certainly they will be eight and one-half billion dollars. The expenditure of two and one-half billion dollars is to be put into the hands of one Cabinet officer. Imagine all the educational activity, all the health activity, all the W. P. A. activity, all the C. C. C. activity—all that sort of thing would go to that agency of government.

Mr. President, in the solemnest words which I am capable of uttering, I say that Congress owes the duty to the American people and to itself so to arrange that not one dollar of that money can ever be used for political or partisan purposes. That is the crying demand in America today. If we give a department two and one-half billion dollars, if we let its rolls rise so that 3,000,000 or 4,000,000 Americans are dependent on it, and if that department is headed by a Cabinet officer appointed by the President, he is in politics. No matter how good the President is, no matter how trustworthy the Cabinet officer himself is, ninety-nine times out of one hundred he is there because of political considerations. The position is a political end of the Government. Such a branch of government is a political institution. If we create such an office and place a man in it, our last chance to take relief money out of politics is gone, and it is gone forever.

I sometimes think that if that happens the last chance to have a free election in America will be gone; and—I am saying in all solemnity—we cannot have free elections in America with from two million to four or five million American voters receiving money from the administration in power. It is a contradiction in terms. Persons are not capable of resisting such an influence either at one end or the other, and we might as well know it.

Mr. President, in the utmost good faith, I introduced in the Senate some weeks ago a bill to take this whole business out of politics, to create a nonpartisan or bipartisan board, and to put the perils of the law upon men who would use Government money for political purposes, or who would try to use funds for such purposes. That bill is now in committee. It never will come out if the measure now before us shall pass. That will be the end of it. You and I can just say that under the influences of this demand we unguardedly committed to a Cabinet officer the distribution of the taxes we wring from the people, and in that moment gave him also the greatest political power a human being ever had.

So, Mr. President, I have now discussed the four questions which this bill presented to my mind, and I shall take my seat after just a few more words.

All this power is ours now. All of it is in our hands now. Control over the departments is ours now. Control over the Budget is ours now. Control over the Civil Service is ours now. Control over the public spending is ours now. Vote it away, and neither you nor your children will live long enough to recover a particle of it.

I say the bill is of the utmost consequence. I say that the proposed legislation is of the ultimate gravity. Sometimes it has seemed to be the thought of a good portion of the American people that the bill deals with technical things; that it is a bill dealing only with organization and reorganization. We are dealing with the powers of Congress and the rights of a free people. They are ours now. God grant that when the vote is taken it may be said that they are still in the hands of the duly elected constitutional representatives of the American people.

Mr. BARKLEY. Mr. President, it is so near 3 o'clock that probably no other Senator wants to speak on the bill. Unless the Senator from South Carolina wishes to go on for the intervening time with amendments, we might as well proceed with the executive session.

Mr. BYRNES. Does the Senator from Kentucky desire that we have the executive session at this time?

Mr. BARKLEY. It is nearly 15 minutes to 3 o'clock. Unless the Senator from South Carolina wishes to proceed with some amendments, it might be just as well to proceed with the executive session.

Mr. BYRNES. Before going into executive session I ask unanimous consent to have printed at this point in the RECORD a statement with respect to the constitutionality of title I of the bill.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

CONSTITUTIONALITY OF TITLE I OF THE REORGANIZATION BILL

Title I of the reorganization bill vests in the President the power to reorganize the several agencies of the Government. Such a reorganization will necessarily entail the transfer, the establishment and abolition of certain agencies. Since this, under ordinary circumstances, would have to be accomplished by an act of Congress, the question immediately arises as to whether, by conferring this power upon the President, Congress has authorized him to exercise legislative power in violation of the Constitution.

The issue of delegation of legislative power has been raised in the Supreme Court a number of times in the past and although it has been raised successfully but three times (*Panama Refining Co.* v. *Ryan* (1935), 293 U. S. 388; *Schechter Poultry Corporation* v. *United States* (1935), 295 U. S. 495; *Carter* v. *Carter Coal Co.* (1936), 298 U. S. 238. The Carter case will not be discussed herein since it involves only the validity of a delegation to an unofficial body), the Court has announced the principles upon which to judge such cases. Thus, it appears that Congress cannot delegate to an agent its power to make law. However, it may authorize an agent to regulate a subject matter which Congress itself might regulate by statute, if in so doing sufficient restriction is imposed upon the power of the agent to prevent him from substituting his will for that of Congress as to what the law shall be. Hence, if Congress in a statute clearly states the subject with which its agent is authorized to deal, and prescribes the policy of Congress with respect to such subject, so as to furnish an adequate standard to guide its agent in carrying out the delegated power, the statute will not be considered as delegating legislative power. If the agent, however, has been authorized to regulate any subject he may choose, or if Congress has properly restricted him to a particular

subject matter but has failed to state adequately its policy with reference thereto, in either case the agent has been authorized to exercise legislative power.

An excellent statement of these principles appears in *Sears, Roebuck & Co.* v. *Federal Trade Commission* (C. C. A. 7th, 1919; 258 Fed. 307), in which the Court upheld the Federal Trade Commission Act, 38 Stat. 717 (U. S. C., title 15, secs. 41–51). In the course of its opinion, the court stated (at p. 312):

"With the increasing complexity of human activities many situations arise where governmental control can be secured only by the 'board' or 'commission' form of legislation. In such instances Congress declares the public policy, fixes the general principles that are to control, and charges an administrative body with the duty of ascertaining within particular fields from time to time the facts which bring into play the principles established by Congress. Though the action of the Commission in finding the facts and declaring them to be specific offenses of the character embraced within the general definition by Congress (unfair methods of competition) may be deemed to be quasi-legislative, it is so only in the sense that it converts the actual legislation from a static to a dynamic condition. But the converter is not the electricity."

Since the validity of a statute when attacked on the ground that it constitutes an invalid delegation of legislative power depends upon the definiteness of the instructions given by Congress to its agent, the authorities must be examined to determine what statements of policy or standards have been considered in the past to be sufficiently precise.

In *Field* v. *Clark* ((1892) 143 U. S. 649), the Court dealt with the third section of the act of October 1, 1890, 26 Stat. 567, which enacted a schedule of duties on certain merchandise and empowered the President to cause these duties to go into effect against the products of any country producing such merchandise, which imposed upon American products duties or other exactions deemed by the President to be reciprocally unequal and unreasonable. The phrase "reciprocally unequal and unreasonable" was held to constitute a sufficient standard to guide the President in so regulating the duties.

The case of *Buttfield* v. *Stranahan* (1903) (192 U. S. 470), involved the act of March 2, 1897 (29 Stat. 604), which made it unlawful to import into the United States any tea "which is inferior in purity, quality, and fitness for consumption to the standards provided in section 3." Section 3 empowered the Secretary of the Treasury, upon the recommendation of a board of tea experts, to fix uniform standards of purity, quality, and fitness for consumption of all tea imported into the United States. The Court held that Congress had stated a policy to forbid the importation of "the lowest grades of tea, whether demonstrably of inferior purity, or unfit for consumption, or presumably so because of their inferior quality," and concluded that this statement of policy was sufficiently definite to guide the executive officers.

In *United States* v. *Grimaud* (1911) (220 U. S. 506), the Court considered a statute (the act of February 1, 1905, 33 Stat. 628) providing for the establishment of certain forest reservations and giving to the Secretary of Agriculture the power to "make such rules and regulations and establish such service as will insure the objects of such reservation, namely, to regulate their occupancy and use and preserve the forests thereon from destruction." Thus the executive officer was instructed to regulate the use and occupancy of the national forests so as to "preserve the forests thereon from destruction." This standard was held by the Court to be adequate.

Section 135 of the Tariff Act of 1922 (42 Stat. 858) has also been upheld. By that section the President was empowered to adjust the duties on imported merchandise so that they would equal the difference between the cost of production in the country of origin and the cost of production of like merchandise in the United States. In *Hampton & Co.* v. *United States* (1928) (276 U. S. 394), the Court held that Congress' statement of its legislative plan was sufficient to permit the delegation to an agent of the duty to fill in the details. See also *Hampton & Co.* v. *United States* (1927) (14 C. C. P. A. 350).

The Radio Act of 1927 (44 Stat. 1162) permits the Federal Radio Commission to grant licenses when "public convenience, interest, and necessity requires." In *Radio Commission* v. *Nelson Bros. Co.* (1933) (289 U. S. 266), it was held in effect that the standard furnished by the quoted phrase was sufficiently definite to prevent the Commission from substituting its will for that of Congress as to what the law should be.

The Trading with the Enemy Act (40 Stat. 411), which authorized the President to sell property seized under that act in any manner "consistent with the public interest," was upheld in *United States* v. *Chemical Foundation* ((1926) 272 U. S. 1).

The phrase "unfair methods of competition" has been held to constitute a sufficient standard not only when used in the Federal Trade Commission Act, heretofore mentioned (*Sears, Roebuck & Co.* v. *Federal Trade Commission, supra*), but also when used in section 316 of the Tariff Act of 1922 (42 Stat. 943); *Frischer & Co.* v. *Elting* (C. C. A. 2d, 1932, 60 F. (2d) 71).

The Antidumping Act (42 Stat. 11) authorizes the Secretary of the Treasury to impose additional duties upon merchandise to the extent that the foreign market value exceeds the exporters' sales price. This formula was held to be sufficiently definite in *Kleburg & Co., Inc.*, v. *United States* ((C. C. P. A., 1933) 71 F. (2d) 332).

In contrast with the above decisions, the statement of policy in the National Industrial Recovery Act (48 Stat. 195) was held inadequate in *Panama Refining Co.* v. *Ryan* ((1935) 293 U. S. 388) and *Schechter Poultry Corporation* v. *United States* ((1935) 295 U. S. 495). Consequently certain sections of the act which conferred regulatory powers upon the President were held invalid as delegations of legislative power. In those cases it was contended that the policy or standard to guide the agent was contained in section 1. In that section it was declared to be the policy of Congress to remove obstructions to the free flow of interstate and foreign commerce; to promote the organization of industry; to induce and maintain united action of labor and management; to eliminate unfair competitive practices; to promote the fullest possible utilization of productive capacities of industries; to increase consumption; to reduce unemployment; to improve the standards of labor; and otherwise to rehabilitate industry; and to conserve national resources.

In the Panama Refining Co. case the Court considered section 9 (c) which conferred power upon the President to prohibit the transportation in interstate commerce of oil produced in excess of quotas permitted by State law. The Court held that the subject of the President's regulation was completely stated, for section 9 (c) specifically provided that the transportation of "hot" oil in interstate commerce was to be prohibited. It concluded, however, that Congress had not fully stated its policy in this regard, for it had not indicated at what time or under what circumstances it intended this prohibition to go into effect. The statements of policy in section 1 were regarded (p. 418) as "simply an introduction of the act, leaving the legislative policy as to particular subjects to be declared and defined, if at all, by the subsequent sections."

In the Schechter case the validity of section 3 (c) of this act was involved. This section authorized the President to approve "codes of fair competition," upon a finding that the codes would "tend to effectuate the policy" of the act. The question there presented was regarded as more fundamental than that presented in the Panama case, for the statute did not include a precise statement of the subject to which the President's regulatory power under section 3 (c) was addressed. The Court, after having turned to the statements of policy in section 1, stated that it was unable to determine what constituted, or what regulation might be included in, a code of fair competition and it therefore held that the statute had failed to specify with sufficient particularity the subject with which the President was authorized to deal. Accordingly, it concluded that, the President's discretion in prescribing rules for the government of trade and industry being virtually unfettered, the code-making authority conferred by the act was an invalid delegation of legislative power.

It may be concluded from the authorities set out above that in delegating regulatory power to an agent, Congress, in the statute making the delegation, must specify: (1) The subject matter over which the power is to be exercised; and (2) a policy or standard to guide the agent in the exercise of the delegated power. An illustration of the nature of these necessary elements is found in the case of *United States* v. *Grimaud*, heretofore referred to. There the subject to which the delegated power was addressed was stated by Congress to be the occupancy and use of the national forests. The policy or standard prescribed by Congress to guide its agent in regulating such occupancy and use was the preservation of the forests from destruction.

It is now necessary to apply these principles to the provisions of the reorganization bill. Under section 1 of that bill, the President is required to investigate the organization of the agencies of the Government to determine what changes are necessary to accomplish the purposes specified in the seven subsections of that section, namely:

"(a) To improve the effectiveness of administrative management of the Government;

"(b) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

"(c) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

"(d) To group, coordinate, consolidate, reorganize, and segregate agencies and functions of the Government, or any part thereof, as nearly as may be, according to major purposes;

"(e) To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government;

"(f) To eliminate overlapping and duplication of effort; and

"(g) To segregate in any agency of the Government regulatory functions which are exercised in essentially the same manner as the functions of a court are exercised, from any policy-determining, prosecution, enforcement, or other administrative or executive functions, and to transfer any of the above-mentioned functions from one agency to another and so segregate such functions in the receiving agency."

Under section 2, whenever the President finds and declares that any transfer, regrouping, consolidation, reorganization, segregation, or abolition of any agency or part thereof is necessary to accomplish any of the purposes set forth in section 1, he is required to make such change by Executive order.

Unquestionably, the subject to which the delegated power is addressed, namely, the reorganization of the agencies of the Government, is set forth with sufficient definiteness, for the President is told in section 2 precisely with what he may deal and what he may do with respect thereto. That is, he may deal with the agencies of the Government by transferring, regrouping, coordinating, consolidating, reorganizing, segregating, or abolishing such

agencies. The meaning of all these terms is well recognized and the President is not empowered by this section to take any action which does not fall within them. Thus, section 2 of this act differs from section 3 (c) of the National Industrial Recovery Act, for the court, in the Schechter case, held that the terms of the latter which described the subject of the President's regulatory power—codes of fair competition—had no well-defined meaning and would have permitted the President to make any type of regulation he considered necessary or advisable for the rehabilitation or expansion of industry.

Having determined that section 2 of the reorganization bill contains a sufficiently definite statement of the subject matter to which the President's power is addressed, the only remaining question is whether the policies or standards declared in section 1 are adequate to guide the President in exercising the delegated power. When several standards are set forth to guide the agent in the exercise of the granted power, it is necessary, in order to determine whether legislative power has been delegated, to examine the most indefinite of the several standards and if that be sufficient to govern his action, the statute can be said to be valid.

Of the standards set forth in section 1, subsection (c) of that section contains the most indefinite. It provides that the President may exercise his power so as to "increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues." Thus Congress has stated its policy, namely, to reorganize the agencies of the Government so as to increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues. A comparison of this policy or standard with those which have received judicial approval in the decisions heretofore cited clearly shows that it would be considered a sufficient guide to the Executive. Obviously the standard here set forth is more definite than was that approved by the Supreme Court in *United States* v. *Chemical Foundation, supra*, in which the President was empowered to sell certain property of the Government when it was in the "public interest," or that prescribed in the Radio Act of 1927, which permits the Federal Radio Commission to grant a license when "public convenience, interest, and necessity require" (*Federal Radio Commission* v. *Nelson Bros. Co., supra*). Moreover, the standard under discussion is much more precise than that approved in *Buttfield* v. *Stranahan, supra*, in which the Secretary of the Treasury was authorized to forbid the importation of tea which was "inferior in quality" or "unfit for consumption." It is unnecessary to set forth further precedents, for those already stated clearly indicate that the President's power to effect a reorganization under this bill is controlled by limitations which are more precise than those which have been heretofore approved by the Supreme Court.

Nor can the standards prescribed in section 1 of the reorganization bill be compared with the statement of policy in section 1 of the National Industrial Recovery Act for the Supreme Court in considering that act, did not regard section 1 as setting out standards but merely as serving as an introduction to the act (see p. 6 of this memorandum). Section 1 of the reorganization bill cannot be dealt with in this fashion, for the bill clearly indicates the intention that the provisions of section 1 shall serve as a guide to the President in making reorganizations under section 2. In this connection, it will be observed that he is required to investigate and to find and declare that the policy set forth in section 1 will be furthered before he can exercise any of the powers conferred upon him by section 2.

Moreover, even if the statements of policy in section 1 of the National Industrial Recovery Act had been considered as a declaration of standards but had been rejected by the court as too indefinite to serve as a guide to the Executive, the scope of the power delegated by the reorganization bill is so much narrower than that delegated by the National Industrial Recovery Act that the standards set forth in the two are not proper subjects for comparison. Where the delegated power is narrow in scope the standards to guide the agent in the exercise of that power may be less definite for the agent's discretion is limited by the very nature of the subject matter. This is illustrated by an excerpt from the opinion of the Court in the Schechter case (at p. 540) concerning the licensing authority of the Federal Radio Commission:

"The authority of the Commission to grant licenses 'as public convenience, interest, or necessity requires' was limited by the nature of radio communications, and by the scope, character, and quality of the services to be rendered and the relative advantages to be derived through distribution of facilities."

Direct support for the constitutionality of the reorganization bill is found in the judicial decisions and the opinions of the Attorneys General regarding the Reorganization Act of 1932 (47 Stat. 413), as amended by the act of March 3, 1933 (47 Stat. 1517), since title I of the present bill is patterned closely after the provisions of the 1932 act which confer upon the President the power to reorganize the agencies of the Government.

The delegation of authority therein contained was upheld in an unpublished opinion of Attorney General Cummings on June 8, 1933. Moreover, Attorney General Mitchell, in stating that the validity of section 407 of the Reorganization Act of 1932 was extremely doubtful (37 Ops. Attys. Gen. 56), apparently considered the delegation of authority in that act to be valid. Section 407 provided that any Executive order issued under the act should be transmitted to Congress and should not become effective until after the expiration of 60 days from such transmission; and that if, during the 60-day period, either branch of Congress passed a resolution disapproving the Executive order, it should become null and void. Mr. Mitchell questioned the constitutionality of this section, because, Congress having made a valid delegation to the President of the power to issue such Executive orders, they became law upon their effective date, and Congress could not alter, amend, or repeal them, except by the enactment of legislation.

In addition, numerous Executive orders have been issued under the authority of the Reorganization Act of 1932, as amended, and their validity has been attacked on only two occasions. In both cases the validity of this legislation was upheld (*Isbrandtsen-Moller Co.* v. *United States* (D. C. S. D. N. Y. 1936), 14 F. Supp. 407 [recently affirmed by the Supreme Court on other grounds, 4 U. S. L. Week 639]); and *Swayne & Hoyt, Ltd.*, v. *United States* (S. Ct. D. C. 1936), 10 Am. Mar. Cases 1790).

Furthermore, in prior statutes providing for governmental reorganization the Executive has been given broad powers. A good example of this is the Customs Reorganization Act of 1912 (37 Stat. 434), which authorized the President to reorganize the Customs Service with a view to reducing expenses. In making such reorganization and reduction in expenses, he was authorized to abolish or consolidate collection districts, ports, and subports of entry and delivery, to discontinue needless offices and employments, to reduce excessive rates of compensation below amounts fixed by law or Executive order and do all things that in his judgment might be necessary to make such reorganization effective. In that act his discretion was limited by the requirement that he reduce expenditures. Another example is the Overman Act (40 Stat. 556), by which the President was authorized to reorganize the agencies of the Government. His discretion in effecting such reorganization was limited only by an extremely general statement of policy to the effect that he was to act in the interest of national defense. Although these statutes were never tested in the courts, they indicate a legislative practice of giving the President broad discretion in the field of administrative reorganization.

(Other examples of delegations of authority to make administrative reorganizations follow: Act of February 14, 1903 (32 Stat. 850), President authorized to transfer from designated departments to the Department of Commerce and Labor any bureau performing "statistical or scientific" work. Act of June 24, 1910 (36 Stat. 613), Secretary of the Navy, with the approval of the President, authorized to distribute the functions of the Bureau of Equipment of the Navy Department among other bureaus of that Department "in such manner as the Secretary of the Navy shall consider expedient and proper." Act of March 3, 1917 (39 Stat. 1122), President authorized to abolish bureaus or agencies in order to eliminate duplication of service.)

CONCLUSION

It is submitted that the reorganization bill contains no delegation of legislative power for the subject matter with which the President is authorized to deal, is definitely stated and an adequate policy or standard is prescribed to guide him in the exercise of his power.

Mr. BARKLEY. If the Senator has any matter in connection with the bill concerning which he desires to occupy the time of the Senate up to 3 o'clock he might go ahead.

Mr. BYRNES. Unless we are to have a quorum call I should not want the committee amendments to be considered now, because there are Senators not now in the Chamber who desire to be present when the amendments are considered.

Mr. BARKLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Overton
Andrews	Dieterich	King	Pepper
Ashurst	Donahey	La Follette	Pittman
Austin	Duffy	Lee	Pope
Bailey	Ellender	Lewis	Radcliffe
Bankhead	Frazier	Lodge	Reames
Barkley	George	Logan	Reynolds
Bone	Gerry	Lonergan	Russell
Borah	Gibson	Lundeen	Schwartz
Bridges	Gillette	McAdoo	Schwellenbach
Brown, Mich.	Glass	McCarran	Sheppard
Brown, N. H.	Green	McGill	Shipstead
Bulkley	Guffey	McKellar	Smathers
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Wagner
Connally	Hughes	Nye	Walsh
Copeland	Johnson, Calif.	O'Mahoney	Wheeler

The PRESIDING OFFICER. Ninety-two Senators having answered to their names, a quorum is present.

PRINTING OF ADDITIONAL COPIES OF TAX BILL AND REPORT

The PRESIDING OFFICER (Mr. HILL in the chair) laid before the Senate House Concurrent Resolution 35, which was considered by unanimous consent and was read, as follows:

Resolved by the House of Representatives (the Senate concurring), That there shall be printed 20,000 additional copies each of the bill (H. R. 9682) and the report (H. Rept. No. 1860), current session, entitled "Revenue Act of 1938," of which 15,000 copies shall be for the use of the House document room and 5,000 copies shall be for the use of the Senate document room.

Mr. HAYDEN. I move that the Senate concur in the concurrent resolution.

The motion was agreed to.

CORRECTION IN THE ENROLLMENT OF FIRST DEFICIENCY APPROPRIATION BILL

The PRESIDING OFFICER laid before the Senate House Concurrent Resolution 36, which was considered by unanimous consent and was read, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Clerk of the House of Representatives is authorized and directed, in the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306), to insert the following matter on page 4, line 26, of the engrossed bill, after the word "approved": "April 23, 1924, and the act entitled 'An act to provide additional revenue for the District of Columbia, and for other purposes,' approved."

Mr. GLASS. Mr. President, this concurrent resolution is merely to correct an error in the enrollment of the first deficiency bill. I move that the Senate agree to the concurrent resolution.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Virginia.

The motion was agreed to.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. SHEPPARD, from the Committee on Military Affairs, reported favorably the nominations of sundry general and other officers for appointment, or appointment by transfer, in the Regular Army, and also a general officer for appointment in the National Guard.

Mr. PITTMAN, from the Committee on Foreign Relations, reported favorably the nomination of Adolf A. Berle, Jr., of New York, to be an Assistant Secretary of State, vice Hugh R. Wilson.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

Mr. AUSTIN obtained the floor.

POSTMASTER

Mr. McKELLAR. Mr. President, will the Senator from Vermont yield to me so that I may ask for the consideration of the only post-office nomination on the calendar?

Mr. AUSTIN. I yield to the Senator.

Mr. McKELLAR. I ask unanimous consent for the consideration of the nomination.

The PRESIDING OFFICER (Mr. HILL in the chair). Is there objection? The Chair hears none. The Clerk will state the nomination.

The Chief Clerk read the nomination of Zoe Anderson to be postmaster at Ruth, Nev.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

SOLICITOR GENERAL—ROBERT H. JACKSON

The Senate resumed the consideration of the nomination of Robert H. Jackson, of New York, to be Solicitor General.

Mr. AUSTIN. Mr. President, what price program? Is it the Republic? Each proponent of a measure which increases the power of the Federal Government by depriving States of powers which they formerly had, and each proponent of a measure which vests in the President of the United States powers which the people originally vested in the Congress of the United States, will stand here, as did the Senator from Wyoming [Mr. O'MAHONEY] yesterday, and declare, honestly and sincerely, that their objective is not an authoritarian government. They will most vehemently declare that they are for the Republic, and not for a totalitarian state.

I raise this question on the nomination of Mr. Jackson to be Solicitor General because he presents to the Nation and to the Senate, on consideration of its advice and consent, the composite picture. He considers the "program."

I read from page 17 of part I of the hearings, where I claim that Mr. Jackson clarifies and brings into bold relief the proposition that at the time he testified the "program" was in danger of being broken down by what he called "constitutional metaphors." Let me read:

Senator AUSTIN. You had an opportunity during your study of the reorganization of the Federal judiciary to put on record some of your views relating to our Government and the administration of justice, did you not?

Mr. JACKSON. I did.

Senator AUSTIN. Shall I assume from your earlier answer that you have not changed those views at all?

Mr. JACKSON. No. The statement I made to the Senate committee stands in every respect.

Senator AUSTIN. You then told us that the objectives which you held in supporting a reorganization of the courts, and particularly in adding a large number of Judges to the Supreme Court Bench, was for the purpose of putting over a program, did you not?

Mr. JACKSON. I do not recall saying that.

Senator AUSTIN. I call your attention to what is recorded on page 44 of the hearings, part I, March 10 to 16, 1937—

That was just about a year ago—

"Each success in thwarting congressional power, or each effort that comes so near success as to lack but a vote or two, stimulates competing lawyers and aggrieved interests to new attack.

"Nearly every newly organized institution of the Government rests today under a legal cloud. This is true of the Securities and Exchange Commission, the Social Security Board, the Public Works Administration, the Tennessee Valley Authority, and the Labor Relations Board.

"The acts of Congress involving the hopes and fears of a great proportion of the American people are likewise clouded in legal doubt. Old-age benefits, old-age assistance, unemployment compensation, the Securities Act, the relief acts, the Labor Relations Act, the Public Utility Holding Company Act, the Tennessee Valley Acts—as well as many taxing acts—are involved in litigation, and there is no definite assurance what their fate will be.

Note this:

"The whole program overwhelmingly approved by the people in 1932, 1934, and 1936 is in danger of being lost in a maze of constitutional metaphors."

That is the end of the quotation from Mr. Jackson's testimony before the Judiciary Committee, in connection with the judiciary reorganization bill. Thereupon the question continued:

If you did not mean by that to express to us that your objective in remodeling the Court was to put through that program, what did you mean?

Mr. JACKSON. I meant just exactly what I said. Every word of that I stand by, but I do not give the interpretation to it that I had a program I wanted to put over. I named the various acts that are involved in litigation, specifically the Labor Act, Unemployment Compensation Act, the tax on coconut oil, the Old Age Benefit Act. All those have been sustained. I pointed out what I thought was included in the program the American people approved in the 1936 election, which I said was in danger of being lost in a maze of constitutional metaphors.

I pause long enough to review his statement, and let him answer himself. His concluding sentence, after pointing out what he was referring to, was:

The whole program overwhelmingly approved by the people in 1932, 1934, and 1936 is in danger of being lost in a maze of constitutional metaphors.

I now continue reading from page 18:

Senator AUSTIN. You thought there was a conflict between the Court and the legislative department of the Government, did you not?

Mr. JACKSON. Well, of course, when the Court says an act which the legislative branch has enacted is unconstitutional, there is a conflict. Presumably, the legislature acted pursuant to the election. Personally, I believe it was constitutional. The court decisions on it are in conflict.

He was asked:

You stated on page 45 of the same hearing: "That the conflict between the Court and the elective branches of the Government is entering a new phase is apparent from the extensive assertion of the right to disregard acts of Congress, which is subtly transferring the process of judicial review into a veto power over legislation."

Do you still hold that idea?

Mr. JACKSON. I think the late decisions of the Court made since that time make that statement inapplicable today, although the particular thing which I had in mind——

Namely, the whole program—

is not yet inapplicable. I rather think the Court has pretty well disposed of it.

Now I read from page 58 of part II of the hearings. Mr. Jackson was asked:

When you refer in this speech—

That is the speech of December 29, 1937, at Philadelphia—

When you refer in this speech and others to the "program," you refer to the laws enacted and proposed now, called the New Deal reform program do you not?

Mr. JACKSON. Well, generally; yes. Some of it perhaps is not reform, but, by and large, I mean the things that President Roosevelt has stood for.

He was asked:

It is your theory, is it not, that the only agency with the power to condition capitalism and industrialism to survive is the Government?

Mr. JACKSON. Yes. I think if those abuses are not corrected or stopped, we are in for some trouble.

He was asked:

And you are for more power to the Government, are you not?

He replied:

I think it has ample power. I have not advocated any more power.

He was asked:

And you are for more power over capitalism and industrialism, are you not?

Mr. JACKSON. No. I think the Government has ample power. I have never found any fault with the power that is given in the Constitution.

He was asked:

You say in that same address the following [reading]:

"The only agency with the power to condition capitalism and industrialism to survive is the Government. To this end I have supported in general the program of reform called the New Deal with far more doubts about its adequacy than about its moderation."

Mr. JACKSON. Yes; that is right.

Senator AUSTIN. That is your view, is it not, at the present time?

Mr. JACKSON. In general; yes.

Senator AUSTIN. That this program of reform should be continued and, as it applies to these 200 great corporations, if they are engaged in interstate commerce, you propose or favor the idea of their destruction?

Mr. JACKSON. I propose the strict enforcement of the policies laid down by the antitrust laws of the United States, by the Congress of the United States. In some instances the courts have dissolved corporations which were considered to be violating that policy. I am in favor of their dissolution, if that is what the evidence indicates. I am in favor of the enforcement of the Public Utilities Companies Holding Act of 1935, although it may result in the dissolution of many of those companies. I am in favor of the President's suggestion to abolish holding companies controlling banks, because I do not think our banking system should be centralized in that way. You may call that destruction or force. I do not want to see this take so long that the people may forget about it.

In passing, I call attention to his characterization of that program. He has less criticism to make on account of its "adequacy" than he has on account of its "moderation." Senators can draw their own conclusions as to his attitude toward reform of government. I do not need to argue that. He can have no other position than that the New Deal reform program ought to be made more sweeping and more drastic in the changes it brings about.

Now, turning to page 51 of part II, Mr. Jackson was asked this question:

I notice in one of your speeches that you refer to your view of the New Deal and say, in effect, that if you had any complaint to make about the New Deal it would be a complaint of its moderation.

Mr. JACKSON. Yes.

Senator AUSTIN. You hold that view of it now, don't you?

Mr. JACKSON. I made that statement in connection with pointing out that corporate profits have increased at a much faster rate and to a much higher level than wages or employment in this country.

Mr. President, I turn to page 21, part I, and read from Mr. Jackson's testimony, as follows:

And you wanted to change that situation at that time, did you not?

That was at the time when he was testifying a year ago before the Judiciary Committee on the proposed reorganization of the Supreme Court.

Mr. JACKSON. I thought the decisions being rendered by the Supreme Court were wrong, and I think the Supreme Court has now agreed they were.

He was asked:

And your way of changing it was to attempt to employ the force of the legislative branch of our Government to change the number of Justices on the bench of the Supreme Court, was it?

Mr. JACKSON. You will find in the fore part of my statement that I pointed out that it had been frequently used in the past, and was deliberately left open in the Constitution, for the Congress to fix the number of Justices, and I said that in fixing an adequate Court the Congress had the right to consider the policies of the Court in reference to the legislation affecting the country, as well as the state of its docket.

He was asked:

You may have been right about that and we may have been wrong, but it has nothing to do with the thing I am asking you about, and that is this: Whether it was your mental attitude toward our Government that, if the highest Court in this land would not come under and obey the will of the people as expressed at the polls, then force or coercion should be brought to bear upon it to make it bend.

Mr. JACKSON. No; I never advocated the use of force or coercion any place.

Senator AUSTIN. You have done the equivalent of that, have you not?

Mr. JACKSON. You may interpret it any way you wish, but I have never advocated the use of force or coercion, and I do not think the appointment of additional Judges amounts to that.

There are many Senators who did think that it was the application of coercion and force to the administration of justice arbitrarily to increase the number of justices of that court to a sufficient degree to change its view.

Now I turn to page 23, part 1. He was asked:

Is it your idea that we must have such a holding by the courts as to the laws of this country that, when they conflict with the Constitution and the will of the people has been expressed by a large majority at the polls in favor of the laws, then the Court must yield instead of the people submitting to the fixed law? Is that your idea?

Mr. JACKSON. I would not answer that either "yes" or "no," in the way in which you put it. It was the people who reversed the Dred Scott decision. The income-tax decision was reversed by an amendment of the Constitution. The Court itself reversed the minimum-wage decision. It handed down the Jones & Laughlin decision. It is my view that the Supreme Court, like every other institution of government, must ultimately, although it may be delayed sometime, express the opinion and the interest of the people of the country. I do not think you can ever maintain it in any other way. If that is heresy, I am guilty.

He was asked:

That is getting right down to the point. You gave us some light on that theory when you said this, which I read from page 50:

"It thus becomes evident that there is a serious lag between public opinion and the decisions of the Court. A majority of the Justices have too frequently failed to recognize, as Justice Holmes so aptly stated, 'What seemed to them to be first principles are believed by half of their fellow men to be wrong.'

"Nothing in history would justify a belief that the Court's opinion as to legislative policy is more likely to be right than that of the legislative body."

Mr. JACKSON. That is true.

Senator AUSTIN. You still hold that view, do you?

Mr. JACKSON. I still hold that view; yes, sir. I think, in view of the great conflict between the legislative branch of the Government and the Court, beginning with the Dred Scott decision, continuing with the income-tax decision, and the minimum-wage decision, that is true.

He was asked this question:

It is your theory of our Government that we ought to have a Supreme Court of the United States that will constantly keep up-to-date and have a realistic view of the facts and cases that come before it, and if the Constitution is badly in conflict with that realistic view then the Constitution should give way and the legislature and the State should prevail, because they adopt the realism of the present day?

To which Mr. Jackson replied:

No. You misinterpret my views, sir. I have never advocated and do not advocate that the Constitution should give way; but in the solution of a question like the minimum-wage law, or other matters of policy, the Court has not decided what the Constitution says. There is nothing about minimum wages in the Constitution. It is applying an interpretation to the facts which Congress had to deal with. I certainly believe that, in considering those facts, the Court should be up-to-date and take into consideration the same set of facts with which Congress dealt. Otherwise, you have one part of the Government functioning in one thought, and another branch of the Government functioning in another thought. We have different conditions today than we have had heretofore in reference to many of these policies.

I digress at this point to ask those who hear me to assume that Mr. Jackson's theory and attitude toward government are sound; that is, that he is legally correct in taking the position he takes here, namely, that upon some unconstitutional acts somebody in our system of government has a right to disregard the Constitution if the vote at the polls shows that it is realistic to do so. Assume that that is the law: What kind of safety, what kind of security have the people of this Government further? If there is one kind of right that is protected and guaranteed by the Constitution to the people of this country which somebody may regard, and another kind of right equally protected and guaranteed to the people by the Constitution which somebody may, if the vote indicates that way, disregard, what kind of stability and permanency is there to our free institutions?

I drop down now to the bottom of the same page, 24, and read as follows:

I read from page 7 of your manuscript:
"What if a new leadership finds its policy defeated and its promises broken by a hold-over judiciary, still adhering rigidly to the rejected regime? The answer is simple, even if not satisfactory."

Listen to this answer and say whether you would feel safe for a moment if your Government happened to be in the hands of the so-called puppets of an economic aristocracy and this were the policy and the law. Hear this:

Either democracy must surrender to the judges or the judges must yield to democracy. Which should give way, the people or the judges? Here is a pretty controversy that goes back to the origin of our system and is not yet obsolete.

Mr. Jackson adhered to the same position when inquired of with respect to this appointment, implying that if the vote at the polls indicates that the people, under the great temptation and suffering of a depression, think the Congress does not move rapidly enough with respect to inflation, with respect to regimentation of the acres of our country, with respect to the control of hours and wages, with respect to the distribution of the necessities of life, thereupon the power reserved to the States and to the people of the States to govern all and every one of those powers shall be surrendered to the Federal Government, and not exercised by the representatives of the people in Congress assembled, but transferred to the Chief Executive, because he can move so much more swiftly.

Mr. President, I am concerned when a nominee holds these views, if he is to occupy the position of Solicitor General of the United States, because while he is acting faithfully to that office and according to his theories of government he will have charge of every case presented in the Supreme Court of the United States which involves the constitutionality of such transgressions of the limitations upon the powers of the Executive, upon the powers of the legislative department, and upon the powers of the Federal Government, as distinguished from those of the several States.

Mr. President, this is an administrative period of our history. These numerous changes in the Constitution, made without submission of any amendment of the Constitution to the people—the greatest number ever made in the same period of time, according to this witness—are made because men holding such positions of trust and responsibility in our Government believe in those principles; and when a close question is involved, as is usually the case when the question of the constitutionality of a transfer of power is raised in the Senate, in the House, or even on the bench, it is of the gravest importance to the people of the country that when they select men to fill those positions of great trust they shall try to select men who are impartial, who are neutral, who have no bent or prejudice, who are not interested in having a definite program of reform of government put through without an amendment of the Constitution.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield to the Senator from Washington.

Mr. SCHWELLENBACH. I am very much interested in the Senator's statement about having some one who is impartial and neutral to fill a position of this kind. Did the Senator ever hear of anybody hiring an impartial and a neutral lawyer to represent him in court?

Mr. AUSTIN. Mr. President, I have heard of such a thing, but it was not the private individual who hired the lawyer; it was not the private citizen. It was the great Government in whose power resided also the obligation to be fair and to be neutral, and to put forward that which cleared from guilt as well as that which convicted of guilt.

I myself have been a prosecuting officer. I know the duties of such an officer; and I say to you that when a man is to represent all the people of the country, he should go before grand juries and before the courts of the country free from prejudice. He should go there to present the evidence, and let the court judge; and if a poor defendant or a rich one happens to be on trial, he should treat each as fairly as the other, and he should not stand in the way of the introduction of evidence that exculpates the prisoner, but should be glad to have it come in; for it is not his business to convict an innocent defendant. It is just as much his business to secure the acquittal of an innocent defendant as it is his business to secure the conviction of a guilty defendant.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. WAGNER. I am sure the Senator regarded Mr. Justice Stanley Reed as one eminently qualified for the position to which he was confirmed by the Senate by unanimous vote. I am sure the Senator would not have supported the nomination except that he thought that Mr. Reed would approach every question presented to him as a justice from an absolutely impartial point of view. Am I not correct?

Mr. AUSTIN. I am delighted to have the Senator assume that. That is the kind of an assumption I am glad to have him entertain.

Mr. WAGNER. I am sure the Senator would not have supported the nomination unless he had approved Mr. Reed.

Mr. AUSTIN. I like that presumption also.

Mr. WAGNER. Is it not more than a presumption? I am sure the Senator felt that way.

Mr. AUSTIN. I would not quarrel with the Senator from New York about that.

Mr. WAGNER. The Senator yesterday enumerated a number of acts passed by Congress which he regarded as indicating a tendency toward an unjustifiable centralization of power, and a tendency which he deprecated. He mentioned particularly the N. R. A. Act, the Guffey Coal Act, the Bankhead Act, and the A. A. A., as being instances of congressional action which would bring about this Fascist state, or whatever it was; I have forgotten the appellation used by the Senator. The impression was given that Mr. Jackson was the attorney who argued those cases before the United States Supreme Court. As a matter of fact, it was Mr. Justice Stanley Reed who argued all of those cases in behalf of the Government before the United States Supreme Court. Yet I am sure the Senator would not regard that as any disqualification of Mr. Reed to hold the high office of Justice of the Supreme Court.

Mr. AUSTIN. I am glad the Senator holds that view. That is entirely satisfactory to me and entirely irrelevant to the point I am making. I am showing, I think very clearly, that the question discussed by me, which relates to what price this system, whether it is the Republic itself or not, is

not involved at all, not clarified or settled in any way by this outside matter to which the Senator from New York refers.

I call attention to the fact that all those Senators, including the Senator from New York, whose motives are of the highest, have stood here, will continue to stand here and declare to the people of America that that particular bill of theirs, which may be the Wagner bill, which transfers to the Chief Executive or to a bureau powers which belong only to the Congress of the United States, was not intended to create a totalitarian state. Everyone of them will do that. Not one proponent of any one of these numerous acts which have increased the power of the President of the United States, and have magnified the authority of the Federal Government away beyond any conception of our system of dual authority, and of the checks and balances between the various departments, but denies that he has any intention of going in that direction, but actually, when viewed, as considered by this candidate, as a program, they should cause all people of America to denounce them for the positive and clear direction in which they are tending.

When I asked the question whether the putting through of that program was going to cost us the Republic, I was not merely indulging in a metaphor. We ought to be able to assimilate the information which comes to us from overseas. We have seen similar acts result in the mortality of republics overseas.

I have already expressed my confidence in the ability of our people to arrest this progress. I have already stated that I sincerely believe they will not pay the price that is demanded for this program; that they will not give up these checks and balances and these safeguards which protect their rights and their liberties; that they will not give to any man or any court in this land the power to distinguish between rights which are covered by the bill of rights, and say, "Well, since the people have voted upon this and want this, it is realism for us to yield. We know, as a court, we at least have very strong convictions, that this surrender of rights of the people is prohibited by the Constitution, but who should yield—the court or the people?" I say this candidate asked that question, and he does not ask it as a futility. I will point later to one of his answers to the question.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. McGILL. I am sure the Senator intends to be in all respects fair about this matter, as he is in all other matters. I would think that in fairness to Mr. Jackson, not only the question and the quotation repeated by the Senator, found at the bottom of page 24, but Mr. Jackson's interpretation likewise should go into the RECORD at this point.

Mr. AUSTIN. Oh, yes. I think the RECORD will show that I stated that I digressed to make a comment on what I had read thus far. I certainly desire to treat Mr. Jackson fairly, as I hope to treat everyone with whom I have to deal.

Mr. McGILL. Inasmuch as this quotation has been reviewed to such an extent by the Senator from Vermont, if the Senator will permit me, I should like to include the balance of the question and the answer of Mr. Jackson.

Mr. AUSTIN. I want it understood that I enjoy having the reading done by the Senator from Kansas, although I intended to read it myself, and I may repeat after him.

Mr. McGILL. The Senator read from a speech of Mr. Jackson's and then said:

> That very definitely states, does it not, that due regard not as a fundamental thing in our Government, that the judiciary should, as to matters of policy, yield to the people?
>
> Mr. JACKSON. I did not say that. I asked the question. I said that was the controversy that was confronting us. That was a speech to students in which I was reviewing history without attempting to solve the problem; that was the problem in the Dred Scott case—would the people yield or would they fight, or would the judges yield? The judges did not yield. You know what happened. That is the basic question involved in judicial review. I put the question. I did not answer it. I think it might depend on the issues involved. I would not think, because there was a minor disagreement, either side should get very excited; but if you come to a basic thing like the Dred Scott decision, it has a different aspect. I did not answer it.

I feel that Mr. Jackson made it quite clear that the address from which the Senator was quoting was a speech in which he was not advocating any program, but was reviewing history, and submitting the matter in the form of a question to a group of students.

Mr. AUSTIN. I thank the Senator from Kansas for his remark about it because it brings out in bold relief the answer which Mr. Jackson did make, and which appears on page 25, just a few lines below where the Senator from Kansas finished in the middle of my question to him. I shall read from the same page, two paragraphs below.

Let me digress long enough to tell the Senate that this speech of Mr. Jackson was one addressed to college boys. This was a speech to affect the minds of the new citizens of the United States of America, delivered at Chapel Hill, N. C., on October 12, 1937, and I think everyone interested has some knowledge of the speech. It has been in the RECORD for a long time. He was talking to these college boys and he was asking a question. He said:

> Either democracy must surrender to the judges or the judges must yield to democracy. Which should give way, the people or the judges?

He said in the same speech in the same connection, only two paragraphs removed from that:

> To which those of more democratic temperament answer, "Why should democracy discipline itself to accept decisions, at the polls, if its enemies reject the election and appeal to another forum where the decision of the polls are reversed?"

Then I asked:

> Did you not intend that to lead the thought of those boys?

To which Mr. Jackson replied:

> I intended that to be just what it says. How are you going to argue to one part of the people that they must obey majority rule and to another part that they cannot have it? That goes back to the beginning of history. It did not have its origin in opposition to Supreme Court decisions.

I ask any listener if he did not stand firmly upon the answer, if he did not say, in effect, if not in so many words, that when the people at the polls have passed upon a desirable reform which necessitates a change in a right guaranteed by a written constitution, then, when they are called upon to umpire between opposing claimants as to the constitutionality or the unconstitutionality of a law involving the removal of that right from the people, the courts must yield, not the people.

I say that is the very heart of totalitarian government. That is the essence of concentration of power. When this country gets into the condition, Mr. President, that the courts must yield to the decisions made at the polls, then madness, not reason, may control it at any time in its future history. Then we may have what followed the Dred Scott decision, and which we hope always hereafter to avert. It is against that theory of government, it is against that theory of democracy that I stand. Those who advocate concentration of power call it democracy, it will be noticed. All over the world, wherever governments move away from the fixed laws, away from those checks and balances which are the necessary protection of liberties, they have always called their forms of government democracies, so there is the German democracy, there is the Italian democracy, and other democracies.

Men who advocate the concentration of authority in Washington beyond anything we ever dreamed of before now, call it democracy and call it "making democracy work." They even go far enough to redefine "liberty" in order to save their faces.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. McGILL. I observe that the quotation again read by the Senator was from a speech delivered in North Carolina to a group of students, and submitted again in the form of a question to the students. In order to clear up any question as to Mr. Jackson's attitude regarding judicial review, I will say that the Senator from Utah [Mr. KING] asked him the

following question, which appears on the same page of the committee hearings, being page 25:

Do you mean that under the rule of the people in a democracy you must follow them rather than to accept the policy of judicial review?

Mr. Jackson answered:

I think you know me well enough to know that is not my view.

I submit that is a clear statement and leaves the question hardly open to argument.

Mr. AUSTIN. Of course; but when we are about to have judicial review exercised by a court, then comes the danger I am pointing out in this philosophy of government. A court which on review must respond to the vote of the majority at the polls is an entirely different institution of justice than that which was created by the people when the United States Government was founded. That is what that philosophy suggests—a court of judicial review following the ballot.

I say that if our trust is put in those puppets spoken of by one in high place when he referred to the new instruments of power, and if such powers are placed in the hands of such puppets, then indeed would shackles have been forged upon the liberties of the people. I am sure Senators have not forgotten that remark:

• • • New instruments of public power. In the hands of the people's Government, this power is wholesome and proper, but in the hands of political puppets of an economic autocracy such powers would provide shackles for the liberties of the people.

Let us once so far depart from our theory of constitutional Government that we set up courts which react to the vote at the polls on a constitutional question, and we have shackles upon the liberties of the people.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. WAGNER. I do not contend that what I shall now say is entirely relevant to the question of the qualifications of Mr. Jackson, any more than I regard a great deal of what the Senator has said as being relevant, but within the last 2 years, as a matter of judicial history, the Senator recalls that the Supreme Court—because, I take it, it changed its mind on certain public laws that came before it—did change its attitude upon some very important questions which were presented to it. I have in mind, for instance, the State minimum-wage law which was declared unconstitutional, as being in violation of the due-process clause. Subsequent thereto, within 2 months—I am not sure about the time, but not very long thereafter—the same Court by a 5-to-4 decision held constitutional a State minimum-wage law. That was clearly—and I mean to speak candidly about it—a reversal, and I think properly so, of the Court's former view as to the constitutionality of that act. In other words, the Court amended the Constitution itself so far as that law is concerned.

I may refer to another example if the Senator will be patient with me. The Senator remembers a measure which I happen to have sponsored, which was enacted into law, the Railroad Pension Act. That act was declared unconstitutional by a 5-to-4 decision, mainly upon the ground that Congress had no right to authorize the imposition of a tax upon a corporation for the benefit of a pension fund for the worker. Yet when the security law came before the Supreme Court, with the same personnel, and the same question was involved—the imposition of a tax—the Court then did change its views upon that question, and, I am very happy about it, held that law constitutional. So that in the course of time I think the Court properly recognizes change of conditions and difference in our economic life and conforms its decisions in accordance therewith.

Therefore, I think it is unfair to criticize anyone, including Senators, for holding opinions contrary to those just expressed by the Senator from Vermont. I suppose every one of us would be disqualified for the office of Solicitor General, according to the view of the distinguished Senator from Vermont, because all of us have found occasion to criticize, or at least differ with, the conclusions of the United States Supreme Court.

Mr. AUSTIN. Is that a question?

Mr. WAGNER. Yes.

Mr. AUSTIN. If it is intended by the Senator to ask me whether I regard reversals by a court of its former position, after hearing and deciding new and different cases, as the same thing as advocating a system of government in which the court must always follow the vote, I will say no, not at all, whatever. I think a court must maintain a judicial attitude that is capable of being appealed to from time to time, and that it must not be so encrusted with prejudice or with egotism that it is incapable of changing its attitude. Not at all, not at all. That is quite a different proposition. Hearing and deciding cases on the evidence, on new thought, on fresh reasoning, perhaps on a more skillful discussion and presentation of the issue, is quite a different thing from laying down a policy of government that whenever an issue over a constitutional question is raised, and there is a conflict about it between the courts and the people at the polls, that the courts shall yield. The two things are not at all similar.

Mr. WAGNER. Mr. President, will the Senator again yield?

Mr. AUSTIN. I yield.

Mr. WAGNER. I meant to say that the facts in both cases, so far as legal questions involved are concerned, were the same. The Senator says that there might have been new facts presented, or there might have been a more sober presentation. I do not know about that. But the facts involved were practically alike in the minimum-wage cases, and also in the cases involving the Railway Pension Act and the Social Security Act.

Mr. AUSTIN. My silence following that remark does not imply that I assent to it.

Mr. KING. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. KING. I do not think my friend, the Senator from New York, was quite accurate in his interpretation of the two cases to which he challenges attention. He refers to the minimum-wage cases. The wage case which arose in the District of Columbia was predicated largely upon the ground that there was no standard upon which to determine what would be a reasonable wage. In the case that came from Oregon that standard was made that the minimum-wage case which went up from the District of Columbia was not a guide in the latter case. There was no similarity between the cases.

With respect to the second case, the Senator, I think, was in error in his interpretation of the Railroad Pension Act case. It was discovered in that case that many of the employees who had been employed but a short time and some who were engaged in work outside upon other lines, were brought within the periphery of the terms of the act.

Upon that ground and upon one or two others which I shall not now attempt to define because I am trespassing upon the time of the Senator, the act was held to be unconstitutional. But that case is entirely different from the case arising under the Social Security Act, to which the Senator refers.

Mr. WAGNER. Mr. President, may I interrupt the Senator to say just one word at this point?

Mr. AUSTIN. I am pleased to yield.

Mr. WAGNER. So far as the minimum-wage case is concerned, I am sure that upon further inquiry the Senator will agree that he is somewhat misinformed as to the history of the case. In the Adkins case, which originally came to the United States Supreme Court, the act was held unconstitutional upon the ground the Senator stated. Last year a case came before the United States Supreme Court under the minimum-wage law in which, giving the Adkins case as an authority, the Court declared the act to be unconstitutional. Subsequently, within a period of 2 months, I think,

the Court changed its attitude and declared the same law to be constitutional. So that the Adkins case is not involved, as the Senator has stated. Upon the same state of facts the Court, in its second decision, found the law to be constitutional.

I hope the Senator will take the time to read the decision in the Railway Pension Act case, because in that case several grounds of unconstitutionality were urged. One ground was that the law imposed a tax upon the railroads for the benefit of its workers; and such a tax was held to be unconstitutional under the due-process clause. Under the Social Security Act the same kind of a tax was imposed on the employer, and in that case the law was held constitutional.

I think the courts, as economic conditions change and as our economic life becomes more complex, must conform their decisions to the change and recognize the facts found by Congress as the basis for the enactment of legislation.

Mr. KING. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. KING. I am very familiar with the railway case to which the Senator refers; and I submit to him, with all due deference to his opinion, that a careful examination of the decision of the Court sustains the position which I took a moment ago. There is no ground for the contention that the Social Security Act rests upon the same principles or the same pillars of constitutional authority as the first case.

With respect to the New York case, the Senator will keep in mind the fact that the Supreme Court of New York changed its opinion, and the Supreme Court of the United States was largely influenced in its final decision by the position taken by the Supreme Court of the State of New York, and followed the decision of the State court.

Mr. AUSTIN. Mr. President, I have been an advocate too long not to know the danger of interpreting the views of other men, or even interpreting the decisions of courts, which are in writing. If it is possible to find in the writings of another man, or the speech of another man which has been preserved in writing, what he thinks about his own opinion, that is much more satisfactory to me. In fact, I think it is conclusive of the matter.

In order that no one may successfully charge me with overstating the position of this candidate on the question of which should yield when the courts and the elections are in conflict, I refer to Mr. Jackson's Chapel Hill speech. It is found on page 107 of part II of the hearings. I desire to refer to the whole context of his words, which conclude with the following language:

I am convinced—

That is not rhetorical language. That is not a metaphor.

I am convinced that the check on democracy must be found in the reasonableness and self-restraints of popular majorities and not in judicial decisions.

That settles it. There can be no more doubt about his position upon a constitutional question with respect to which the court hold one view and the people express another at the polls.

I am convinced that the check on democracy must be found in the reasonableness and self-restraints of popular majorities and not in judicial decisions.

In other words, the only hope for democracy in the United States of America is not constitutionalism, not the checks and balances and limitations of power contained in and guaranteed by fixed law. Democracy finds its only hope in the day-to-day action of the people at the polls. Instead of stabilizing and making permanent our institutions through courts which are not swayed by unfairness, bias, prejudice, or interest—instead of that, what? Go out and educate the people. Think of the task! What a wonderful Utopian dream that is.

Mr. Jackson said:

Education will protect our rights and our institutions better than litigation.

There is an idealism for you. Nobody would be more glad than I would be to have all the people of all the States in this great Republic elevated to a condition of mentality and spirituality in which they could foresee what our forefathers did when they established the Constitution of the United States, so that they might look forward and so vote at the polls as to preserve the freedom of the people from shackles which might be fastened upon their liberties if there should be in Washington "political puppets of an economic aristocracy."

Any wise legislator, it seems to me, must visualize the worst, and not the best. A trend exists today toward centralization of authority in Washington, toward increasing the power of the Chief Executive, toward diminishing the checks of the legislative branch upon the executive, and toward removing the current control of expenditures, as is proposed through a bill which is now the pending business of the Senate.

When we come to consider and analyze this trend, we must realize what a tremendous thing it would be for us to so reform our Government that the checks would be preserved solely "in the reasonableness and self-restraints of popular majorities and not in judicial decisions."

Of course, it is not possible to simplify the proposition to the degree of saying that Mr. Jackson's position is a plea for absolute, unlimited democracy, but it looks much like it. If the people, when in conflict with the Constitution, have nobody over them to hold them, are they not absolute and unlimited in their authority and power?

I invite attention to the general attitude toward government exhibited to the boys at Chapel Hill on October 12, 1937. I read from page 25 of part 1 of the hearings:

Senator AUSTIN. This interesting discussion between you and Senator KING about government leads me to ask you just what your objective was in addressing those students in the following manner which seems, on its face to imply that our Government is too slow, is too intricate, is lacking in coordination, has ceased to function, and is confused, and so on. I put them all together to give you a chance to answer them in one answer, if that suits you.

Mr. JACKSON. Any way you like.

Senator AUSTIN. I read from page 2:

"Even Masaryk, most American of European state makers, shied from our Constitution and its system of administration, in creating a government for his people. Our Presidential-congressional-judicial balance is too delicate, and too slow, and they turned to the parliamentary system of England. We may well weigh reasons for this conduct."

And again later on the same page:

"Ours is particularly intricate due to its strict division into three departments and its equipment with many legal gadgets for checks and balances. It was formed when external pressure was little feared. Powers were granted only with a string tied to them. Legislative power was checked by Executive veto—Executive power was checked by legislative control of the purse. Presidential power of appointment was overbalanced by senatorial power of confirmation. The two branches responsive to popular control are now overridden."

Note that language—

by life tenure, appointed judges.

On page 3 I read this sentence:

"Thus when an American looks at his Government, as a total operative mechanism, he finds no system of coordination, no method of cooperation, and many devices for antagonism."

Mr. President, does Mr. Jackson like this Government?—

And later on the same page:

"At times the Government has ceased to function as a whole, because of conflict between State and National authority, or because of disagreement between the President and Congress, or because the policy of both President and Congress"—

Here we have it again—

"is canceled by action of the judiciary."

And later on the same page:

"Europeans would fear to have government become a house divided against itself. But our Constitution sets up an unprecedented number of offsetting powers, in differently constituted bodies, designed to prevent quick or decisive action on any controversial policy. To prevent misuse of authority, it dissipates authority."

What is the implication? It is more authority.

Finally I read this, relating to the hopelessness of our Government, apparently.

"This invisible legal frontier between two distinct and sometimes antagonistic governments, only the technically educated lawyers

and judges claim to be able to locate, and they usually fall into violent dispute about it. The individual finds himself with the privileges and responsibilities of two citizenships. To understand the situation is, to the average citizen, quite hopeless; yet this baffled average citizen controls the destiny of democracy."

That is the end of the quotation from Mr. Jackson's Chapel Hill speech.

Now, I ask you, did you have a definite objective in holding up that picture of our country and our Government to those young men in the University of North Carolina?

Mr. JACKSON. Of course, you have given a very incomplete statement of the picture. I think I said that the delays that occur in our system are of long standing, and that the Europeans took warning and would not stand for it, having in mind, for example, the fact that our decision was made on the gold cases almost 2 years after the Government went off gold.

Let me interpolate the comment that if it had taken many more years than that, it would have been better for the morality and spirituality and interest of our Government.

For 2 years transactions with foreign countries were subject to the uncertainty of the pending gold cases. Certainly that sort of operation of the checks and balances which prevents the Government from having a settled policy and vital matters like that for 2 years is a serious thing.

You will find that I point out there the importance of overcoming that sort of thing, and also that the average citizen does not understand, although called upon to vote on these vital matters.

Then he carries on that discussion, and afterward enters into a discourse relating to the vexing problem that is caused by judicial review.

I read from page 27. I am not sure whether or not I have read this particular extract of the hearings, but in order to be perfectly safe, I think I will read it. Mr. Jackson was asked:

You make this distinction, do you not, in your mind, anyway, that judicial review presents a vexing problem; and especially it did present a vexing problem when the Supreme Court held certain New Deal laws unconstitutional? Is that not so?

Mr. JACKSON. I think it is a vexing problem. I think it is a very difficult problem that has come down through the years and is not yet settled.

On page 28, near the bottom of the page, he was asked:

Just narrow down the point to the specific application of that principle which you announce, that is the principle that judicial review causes a vexing problem on account of its conflict with popular opinion registered at the polls. Would you not say that probably the N. R. A. was as good an example of the New Deal policies as any of its laws that came before us?

Mr. JACKSON. No; I do not think I would. I understood that to be wholly an emergency matter.

Senator AUSTIN. How about the A. A. A.? Would you consider that the A. A. A. was a fair type of New Deal laws embodying policies only?

Mr. JACKSON. I do not think you can say that any particular thing is a fair type of New Deal laws.

Mr. President, I interpolate the comment that he was clearly visualizing the picture of a program.

I think the A. A. A. was a fair example of a law that has been adopted by the administration and many people who were not with the administration.

Senator AUSTIN. Would you say that the A. A. A. should be included among the New Deal laws that exemplified the New Deal policies which were voted on in 1936?

Mr. JACKSON. I think that is true.

Senator AUSTIN. I call your attention to this statement you made in the Chapel Hill speech:

"I am convinced that the check on democracy must be found in the reasonableness and self-restraints of popular majorities, and not in judicial decisions."

There you were saying, in effect, to those young men that you believed it would be better for our liberty, that you believed it would serve our democracy better, to let these decisions, such as that on the A. A. A., be made at the polls instead of by the Court.

Mr. JACKSON. I did not say that.

Senator AUSTIN. Is not that the effect of it?

Mr. JACKSON. No; that is not the effect of it. I did not say what is best. I said I was convinced of what you just read. I think the decisions of the courts will ultimately stand over a period of years, unless they fail to find approval in the minds and hearts of the American people. That is not original with me, but you will find a long line of respected precedents.

Mr. Jackson not only held out to the young gentlemen at Chapel Hill who were being educated to be good citizens this picture of our feeble, slow, old American Government, too slow, too futile to be effective, but he also held out to them as an argument for something—for he was not making that speech as a futility; he had an objective—that European governments would not follow our example; that they would not make use of the experiment in liberty which was being tried on the American Continent. Later, when he was addressing the Young Democratic Club of New York, as reported in the New York Times of Friday, February 25, 1938, he said:

But thinking men, whether liberal or conservative, know that we cannot go on as we have been going. Stated in the abstract, there are few men in business who admit that they disagree with the President's objectives. The real difference between the businessman preoccupied with his own affairs and the Government official who feels the winds blowing from every quarter is a difference in the sense of timing.

Here is the point. He cannot wait; he cannot afford to attend upon the evolution which has improved our Government and improved social relations within the four corners of the Constitution more rapidly than improvement has taken place anywhere else on earth. He cannot wait upon that process; it is too slow. He says:

Shall we move while we still can control our direction, or shall we wait, as some European countries have waited, for events to push us around?

And again he said, if this report is accurate:

Never forget that our political and economic system, of whose shortcomings even we in this country are acutely conscious, has ceased to work completely in most of the rest of the world.

And then this example was held up to those young men:

The recent successes of political and economic dictators have put us, as well as them, on trial.

Mr. President, so far as government as related to the fundamental rights of the people is concerned, this particular nomination clearly presents to the people of America the outlines of a definite figure of government, a frame that is entirely different from our Federal system; and my vote is influenced in large part by a desire to show to the people of America that I have a firm conviction that we ought to adhere to fundamental principles, and that we ought not to follow this trend which is so evident and which is crystallized and brought out in bold relief in the speeches and in the testimony of this candidate for high office.

Let me say that I am not against change and progress and development and evolution, and that when it comes to a needed change in the Constitution of our country, and when I am persuaded after due deliberation that it ought to be made, I will, if I can, help to have that change made in the manner provided in the Constitution; but I am determined, so far as in my power it lies, to preserve the Republic, and not to permit the creation here of a totalitarian state. If we are to change the frame of our Government, I say we should submit the change to the people; and I will go so far as to say that in the case of changes in the form of our Government which are nontechnical in character, and which do not require the deliberation and study of a legislative body, I favor the proposal embodied in the amendment offered by the Senator from Nebraska [Mr. NORRIS] to submit those great fundamental questions to direct votes by the people for ratification.

Mr. President, the nomination of Mr. Robert Jackson came to us almost as if it were a direct answer to a great cry from the people of the country for a more favorable attitude toward the business of the country, in order that the wheels of factories might start up again, in order that the unemployed might be reemployed, in order that production might be increased, and that the wealth of food and clothing and shelter and everything that humanity needs might be available at lower prices. I say it was like an answer to that great voice of the people that this nomination was made, because Mr. Jackson had taken the platform, together with Secretary Ickes, and denounced business, because he asserted that business was "on strike," and that business was the cause of the depression from which we are suffering, and about which this great cry of the people came to us, begging us to

take off the load of punitive taxation, begging us to take off from them the fright of control—not mere regulation, but control—of the management of business; and, although it may be late, I think it is my duty not to interpret any more than necessary but to refer to the testimony of Mr. Jackson upon his attitude respecting business.

On page 59 he was asked:

Mr. Jackson, have you come to the conclusion that regulation by the Government is out of the program, because of inefficiency?

Mr. JACKSON. I would not say it is out of the program because it is inefficient. We have to do inefficient things sometimes. I have always felt and do feel that a program of regulation should only be entered into where it is necessary. I do not like the extension of government beyond what is necessary.

Later, he was asked:

I find this statement in your address of the 29th of December, at Philadelphia [reading]:

"Certain groups of big business have now seized upon a recession in our prosperity to liquidate the New Deal and to throw off all governmental interference with their incorporated initiative and their aristocratic anarchy."

Do you still stand for that?

Mr. JACKSON. I stand for that.

There has been a free use of expletives and opprobrious terms and names throughout this period of experimentation. Anybody who foresaw that the cost of this program was the destruction of the Republic, and dared to say anything about it, was called names—"Tory," "economic royalist," "member of an autocratic group of malefactors of great wealth." At that period of our distress, when the general public and business in particular were begging us to do away with punitive taxes, begging us to give them some assurance that we would let them alone, we find Mr. Jackson out there on the platform telling them that big business, that business which provides the greatest amount of employment in this country, is "out on a strike" and is the cause of the present "recession," as he called it.

The strange thing about it is that in the very same speeches in which he was making this charge of responsibility of business for this depression he was also making the claim that they wanted to liquidate the New Deal, they wanted to take advantage of the depression which they themselves had created to liquidate this program, notwithstanding the fact that Mr. Jackson had to admit that they were the particular beneficiaries of the program.

I read at page 60:

Well, let me read this to you from your Philadelphia address:

"The unvarnished truth is that the Government's recovery program has succeeded nowhere else so effectively as in restoring the profits of big business. Labor has had no such advance. The small merchant has had no such prosperity. The small manufacturer has had no such advantage."

If I have not interpreted that correctly in saying the program makes the rich richer and the poor poorer, please interpret it.

Mr. JACKSON. Well, it certainly has not made the poor any poorer, because it could not. When this administration came into power I think we were nearing the minimum of poverty in this country. It certainly has kept body and soul together. I do not want to be unjust to business. I know it has been of inestimable benefit to poor people. But I think some have resorted to tactics which were entirely unjustified. I pointed out specifically with reference to certain industries where they have raised prices three times what was necessary to take care of the wage increases. I do not think we can have a balanced recovery in this country with a 100-percent recovery in certain sections and a 25-percent recovery in others.

Mr. President, if he meant by that that big business had a 100-percent recovery and little business a 25-percent recovery, does it not strike Senators as peculiar that they who were the principal beneficiaries of that program should be out to liquidate it, unless they foresaw the ultimate destruction of all that had enabled them, with their inventive genius and their activity and their willingness to work and to risk, to build up their industries, and foresaw the loss of that free government as the cost of these dollars and cents which were added to their surpluses during the period of the New Deal?

I choose to think that if men of that caliber, who can build up a great business structure throughout this country, are for liquidation of the New Deal, it is because they see the trouble that is coming, it is that they perceive the issue which is stressed in considering the confirmation of Mr. Jackson.

In passing, let me suggest that Mr. Jackson was asked, at a place in the record which I cannot find, although I have tried to put my hand on it, whether among these great manufacturers to whom he was charging up, first, the capture of all the profits of the New Deal, and, second, the establishing of sit-down strikes, creating the depression, and then taking advantage of the depression to liquidate the New Deal—whether at any time there had been selected out of those 200 corporations, by him or by anyone for him, any corporation that was regarded as violating the antitrust laws, that was regarded as a monopoly, and which he prosecuted, and he admitted that no such thing occurred.

Mr. President, I raised the question of the fairness to our people, considering the consequences, of standing on the platforms of the great cities of our country and spreading broadcast this charge, which can have several bad effects, instead of prosecuting if any one of these corporations was guilty of a violation of the antitrust laws. I raised the question of the evil consequences of making these declarations when we were in the midst of a very rapid decline involving workmen of this country in really great numbers.

Outside of those 200 corporations which he visualized, and whose names we have not before us, there are something like 145,000 industries which employ labor normally in this country which cannot be classed within that anathema of big business, but some of which for the first time in a hundred or more years are now closed down in this depression—small institutions belonging to generations of families. One of them I referred to the other day, an institution in the southern part of Vermont, as an example. I have this morning a letter from another, a little institution, relatively speaking, which has come down through five generations of one family of toolsmiths which was established in 1812, whose voice now comes to Congress protesting at the attitude of Government toward business, protesting at the uncertainty of the future.

Among the hundreds of thousands of smaller institutions throughout this land there is a psychology which is the direct effect of a great man like the candidate for Solicitor General of the United States charging that big business is on a strike, that big business is undertaking to liquidate the New Deal, and that there are offenses, offenses against the antitrust laws, which are responsible in part for this situation, without making any prosecution among those very 200 big business institutions which he so vehemently condemns.

Mr. President, in one of his speeches, which I will not take the time to hunt up, Mr. Jackson criticizes the business people of this country as "bellyaching." At the same time he charged them with being the beneficiaries of the New Deal, he said they were always around "bellyaching."

Mr. McGILL. Mr. President, is not the Senator in error in the statement he is now making? Was it not a gentleman by the name of Kennedy who made that speech?

Mr. AUSTIN. Whoever originally made it, the gentleman whose nomination is under consideration repeated it, and perhaps he "stole" it. He said that he stole some of his expressions. Perhaps this is one of them. Let us see just what he said about that. I refer to page 65 of the hearings. This is in his speech made on December 29 at Philadelphia. He said:

What does big business mean when it asks for Government cooperation? Does it mean the sort of cooperation that was given to it under the Hoover administration? We can think of no other. Then let us look at big business' own record under the "cooperative" administration of President Hoover and under the "hostile" administration of President Roosevelt.

In 1932 three building-material companies lost approximately $3,000,000; in 1936 those same companies made a gross profit of approximately $9,000,000.

In 1932 two mail-order houses lost eight million; in 1936 they made a profit above fifty million.

In 1932 three chemical companies made a profit of $27,000,000; in 1936 they increased that profit to $96,000,000.

I need not read all of this. I have read enough to show that Mr. Jackson himself was admitting that big business has been helped by the New Deal. Then he stated:

In the face of those astounding profits under the present administration, big business will never be able to convince the American people that it has been imposed upon, destroyed, or even threatened. It has merely been saved from ruin and restored to arrogance.

The unvarnished truth is that the Government's recovery program has succeeded nowhere else so effectively as in restoring the profits of big business. Labor has had no such advance. The small merchant has had no such prosperity. The small manufacturer has had no such advantage.

The only just criticism that can be made of the economic operations of the New Deal is that it set out a breakfast for the canary and let the cat steal it; it did not sufficiently guard recovery from the raids of the monopolist. One group in the United States that has no cause for complaint is the big business group.

It is this sort of thing which makes their assault upon the administration and their general strike against the Government so unjustifiable. A few nights ago Joseph P. Kennedy, one of the ablest industrial statesmen and political statesmen in the United States, stood up and told his associates in business to stop their "bellyaching." It is refreshing to know a man who can put in good Kipling language the whole philosophy of big business. Its attitude to government is a chronic bellyache.

That is his language. When I realize, from personal contact with small business and through correspondence, the menace of government to small business, when I see small institutions which are really the backbone of the business of this country closing down for the first time in 100 years, then this position of the candidate for Solicitor General of the United States who will have in charge the liberties of the people of this country and their protection against aggressive government reminds me of the following from Uncle Remus:

What makes you kick so, little rabbit? I ain't doing nothing to you except skinning you.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. SMATHERS. Is the Senator's remark an attack directed at the New Deal or at the qualifications of the nominee?

Mr. AUSTIN. If I have not convinced the Senator from New Jersey that it is an attack on the New Deal, then I have utterly failed in my purpose.

Mr. SMATHERS. Mr. President, will the Senator yield again?

Mr. AUSTIN. I yield.

Mr. SMATHERS. I have listened to the Senator for 2 hours reading his questions and the answers of the nominee on two different philosophies of government. Does the Senator from Vermont hold that because the nominee's philosophy of government is entirely different from that of the Senator from Vermont that that disqualifies the nominee to hold public office?

Mr. AUSTIN. Mr. President, I did not suppose anyone in the Senate held such views as that. Certainly it seems almost unnecessary to answer such a question as that. I have held up on the one hand the picture of the republic in which even the power of the individual citizen is limited, in which democracy is limited by a constitution, in which the federal power is limited by a constitution, in which the executive power is limited, and the power of every other branch of the government is limited, and over against that I have held up that other picture which I say is implicit in the position taken by this candidate for Solicitor General of the United States, of a government in which these limitations are erased, and in which demorcacy shall have such a free hand that when the Congress enacts a statute which is claimed to be in conflict with the Constitution, the Court, on judicial review, shall hold it constitutional if the voters at the polls favor it. It is between those two theories of government that we stand today, and my vote against the confirmation of Mr. Jackson will say to the people of America: "I am here defending what I believe to be your right and your theory of government against the onward advance, step by step, piece by piece, toward that totalitarian state to which those unfortunate European governments have gone that have been referred to by this candidate."

Mr. President, I am going to close, but I am not going to close without a suggestion. We start with this matter on the subject of monopolies and the urge for greater power over business, which, I say, appears to me to amount to control instead of regulation of business. I make a suggestion, and it is not partisan, it is not political. It was contained in the platforms of both the Democratic and Republican Parties. It is referred to many times by leaders of thought on the other side of the Chamber. It was recently spoken of by so great a Democrat as Bernard Baruch. I do not need to repeat his testimony given before the Senate Committee on Unemployment, which is now sitting. I think every Senator is aware of his testimony.

In "Tower Views" in the Christian Science Monitor of March 1 appears the following concerning the testimony of Mr. Bernard Baruch before the Senate Committee on Unemployment:

He (Mr. Baruch) likewise advises regulation and eradication of monopolistic abuses, but says: "To reach a few malefactors * * * let us not throw away the benefits of our economy or burn our house to kill a few bats in the attic." As an illustration of the way industrial evolution loosens the grip of natural monopolies, he points to the airplane, the bus, the automobile, and the truck, which have done more to force open the railroads' monopolistic fingers than Government-created competitive waterways could do. Natural laws, says he, have a way of catching up with monopolies. How many maladjustments are merely attemps to improve on "natural" laws!

My proposition is this: Let us create a nonpolitical, nonpartisan commission, which will have for its duties the restatement of the law relating to monopolies and trusts. The great criticism that we hear in all the different committees on which I sit is that there is no definition of monopoly. There is no clear, precise statement of what the law is. It is all in confusion. Let us define "monopoly." Let us prescribe the elements of offenses. Let us include in the law the affirmative principles that shall govern business as well as the negative ones. Let us study the relations of business—that is, of bigness, that is so much criticized. Let us study that relation to the general welfare, and to domestic and foreign trade, and let us comprehensively revise the various trade acts to give certainty to business with respect to what is lawful and what is unlawful. Let us aim at encouragement of private initiative, investment, and enterprise.

Mr. President, let us reward with peace and security a commerce that regulates itself according to the restated law. Let us reduce the regulation of government to a minimum which saves the maximum of competition consistent with economy and fair trade practices. Let us fortify the right to earned rewards. Let us encourage thrift, hard work, and acquisition.

Let us protect savings and unblock gainful and useful employment of them, and encourage men and women to risk their savings in enterprise. Let us by that law sanction the mutual obligation and responsibility of capital and labor. Let us have a moratorium on reform, and adopt the trial and error method of evolution. By this progressive plan we may enjoy reasonable hope of recovery. I am confident that we will hold out to business of this country thereby not a threat but a promise of a fair deal.

Mr. President, after we have passed such a resolution as that, the exact terms of which I have not attempted to state, but only to describe, after that commission has been appointed, and after we have done the routine business of this Congress, let us adjourn.

I shall vote against the confirmation of Mr. Jackson to express my strong conviction that it is the time now for the Congress of the United States to help the people of the United States to save their Government and to start the Nation's business on a permanent basis.

Mr. BRIDGES. Mr. President, I shall take only a few minutes of the Senate's time to discuss the nomination of Mr. Jackson. I have listened with interest and respect to the very able analysis of the situation made by the distinguished Senator from Vermont [Mr. AUSTIN]. My remarks will be

wholly supplemental to his, but perhaps along a different line.

Mr. Jackson apparently is before the country today in two capacities. One as a nominee for Solicitor General of the United States and the other as a candidate for the Democratic nomination for Governor of New York. Apparently at the moment he is the "fair-haired boy" of the White House. Awhile back the "fair-haired boy" in New York was Governor Lehman. At the Democratic National Convention in Philadelphia great banners at the head of parades urged Lehman to run again to help Roosevelt carry the State of New York. Lehman continued as the "fair-haired boy" until last summer, in the middle of the Court controversy, when he came out bitterly against the court-packing plan of the President. Then Lehman was put in the discard and Mr. Farley appeared to be the "fair-haired lad" of the White House as a candidate for Governor of New York.

Then there was a campaign for mayor of New York City. Mr. Ickes went up there and participated on behalf of Mr. LaGuardia. Mr. Farley, being a true Democrat, went up and participated in the campaign of the Democratic nominee for mayor of New York. Apparently Mr. Farley was left out on a limb, and he, too, went in the discard; so Mr. Jackson stands today as the "white hope" of the Democratic Party and the "fair-haired lad" of the administration in New York State.

Let us look for just a moment at Mr. Jackson. Mr. Jackson has gained an enviable reputation as a "trust buster."

Reference to the CONGRESSIONAL RECORD of February 18, 1938, on page 2167, will show statements which reveal that during the 4 years of the administration of William Howard Taft, Mr. Wickersham, the Attorney General, brought 80 antitrust suits, and he went through with all of them. So far, in the Roosevelt administration, in 5 years 43 antitrust suits have been brought, and only a few of them completed, with more money available for the purpose than ever before in the history of the country.

The problem before the country is whether we are going to promote this proponent of hatred and this imaginary "trust buster" to the high and exalted office of Governor of New York, or to be Solicitor General of the United States.

From my point of view, I hope Mr. Jackson is kept in circulation, because the speeches which he has made, which were referred to by the distinguished Senator from Vermont [Mr. AUSTIN], show a very distinct flavor. I think that one of the things that has occurred recently, which has contributed to the future prospects of the Republican Party, are the speeches made by Mr. Jackson, Mr. Ickes, and others like them. I hope Mr. Jackson is kept in circulation; and even though he attains the position of Solicitor General of the United States, or Democratic nominee for Governor of New York, I hope he will continue to make speeches.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. BARKLEY. May I assume that the Senator admits that there is no merit in the Republican Party on its own account, but that its only prospect of success lies in something which some outstanding Democrat may say?

Mr. BRIDGES. Certainly not. I think there is a very great deal of merit in what the Republican Party has to offer.

Mr. BARKLEY. What does it have to offer?

Mr. BRIDGES. However, we are always glad to have help from promising Democrats like Mr. Jackson.

Mr. BARKLEY. What has the Republican Party to offer? I have been reading the statements of Dr. Glenn Frank, who heads the Republican "brain trust," to try to find out what the Republican Party offers. I am unable to understand from him just what it offers. What is this great offer of the Republican Party?

Mr. BRIDGES. The distinguished Senator from Kentucky will find out in due course this year. I now make the statement that after the votes are counted next November there will be many more Republicans in the House of Representatives, and some more Republican Senators. As a result of the elections and the program and policies to be followed, the Senator from Kentucky will be well aware of the program of the Republican Party when the time comes.

Mr. BARKLEY. If predictions as to the weather were no more reliable than the prophecies of the Senator in connection with politics, I think there would be a crop failure in the United States during the coming season.

Mr. BRIDGES. I am perfectly willing to wait and let the results in November speak for themselves.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from New Hampshire yield to the Senator from Nebraska?

Mr. BRIDGES. I yield.

Mr. NORRIS. Are we to understand that the Senator is supporting the confirmation of Mr. Jackson in order to bring about a great Republican victory?

Mr. BRIDGES. No; I am opposing his confirmation.

Mr. NORRIS. Then it seems to me the Senator, according to his own language, is repudiating his own party. He said we must keep Mr. Jackson in circulation.

Mr. BRIDGES. That is a good point; but, inasmuch as he has been in circulation in the position which he has held in the Attorney General's department, I hope he may still be available for a few speeches, regardless of which procession he assumes to head in the future. Judging from the way he likes to talk, I have no doubt that will be true.

Sometime ago the President of the United States sent to the Senate the nomination of a Member of this body, a man by the name of Hugo L. Black. I opposed Mr. Black's confirmation at that time, and some other gentlemen in this body agreed with me. Others failed to agree. Mr. Black made a statement which I desire to quote. He said:

> Show me the kind of steps a man made in the sand 5 years ago and I will show you the kind of steps he is likely to make in the same sand 5 years hence. Show me the course he was pursuing then, and unless there is a cataclysm he is going to follow it in the future. It is merely according to the law of Nature; it is written in the human heart; it is inscribed on the tablets of eternal government—the government of Nature.

Mr. Black apparently made a very wise statement, and he is living up to the statement which he made on February 19, 1930, in opposing the confirmation of Hugh M. Tate as a member of the Interstate Commerce Commission.

Applying the statement of Mr. Black to the case of Mr. Jackson, if Mr. Jackson's footprints in the sands of time reflect what he is going to do in the future, he certainly will make a picturesque Solicitor General. How effective he will be, judging from his past record, remains to be seen. I understand—and I have not personally investigated this matter—that Mr. Jackson, before he became a great crusader and "trust buster," was a lawyer in the city of Jamestown, N. Y., and there he acquired a reputation by having certain corporations as his clients. That is nothing against him. He was entitled to have any kind of clients he wanted to have. But later a great urge came over him for reform, and today he is a "crusader."

If anyone wishes to find out what kind of a mind Mr. Jackson has and what he thinks about, I recommend his securing a copy of the hearings before the Committee on the Judiciary of the House of Representatives on the official conduct of Judge F. A. Geiger, United States district judge for the eastern district of Wisconsin, and turn to pages 128 and 129. I am not going to take the time of the Senate to read his statement, because it is late; but if any Senator has any question in his mind as to the type of man whose confirmation is before us, let him turn to the hearings and read the two pages to which I have referred.

My distinguished colleague the Senator from Vermont [Mr. AUSTIN] has covered the subject very thoroughly. Based upon what he has stated, and based upon the general outline I have given, I desire to go on record as being opposed to the confirmation of Robert H. Jackson. I expect the future to justify my vote. My only hope is that the Senator from Kentucky and others of his party will assist us by keeping Mr. Jackson in circulation in order that he may make a few speeches, regardless of whether or not he assumes the new position.

The VICE PRESIDENT. The question is, Will the Senate advise and consent to the nomination of Robert H. Jackson, of New York, to be Solicitor General of the United States?

RECESS

Mr. BARKLEY. Mr. President, obviously we cannot conclude the consideration of this nomination tonight. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Friday, March 4, 1938, at 12 o'clock meridian.

CONFIRMATION

Executive nomination confirmed by the Senate March 3 (legislative day of January 5), 1938

POSTMASTER

NEVADA

Zoe Anderson, Ruth.

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 3, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

The earth is the Lord's and the fullness thereof; the world and they that dwell therein. For He hath founded it upon the seas and established it upon the floods. Who shall ascend into the hill of the Lord or who shall stand in His holy place? He that hath clean hands and a pure heart; who hath not lifted up his soul unto vanity nor sworn deceitfully. He shall receive the blessing of the Lord and righteousness from the God of his salvation.

Blessed are the merciful, the peacemakers, and the pure in heart. Grant unto us Thy Holy Spirit, O God, and enable us to obtain these blessings, and Thine shall be the praise forever. In our Savior's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9306) entitled "An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes."

LUCINDA GIBSON

Mr. WARREN. Mr. Speaker, I offer a privileged resolution from the Committee on Accounts and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 428

Resolved, That there shall be paid, out of the contingent fund of the House, to Lucinda Gibson, mother of Garrett Gibson, late an employee of the House, an amount equal to 6 months' salary compensation, and an additional amount, not to exceed $250, to defray funeral expenses of the said Garrett Gibson.

The resolution was agreed to.

LEWIS DESCHLER

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. Mr. Speaker, I have always felt that honor and credit ought to be accorded wherever due. When a man is faithful to a trust, I always like to say that he is. When a man is highly capable, when he is sincere, when he fills a position full, you like to say it. I have in mind today a man who has a birthday. He is the gentleman who sits at the right of the Speaker and has sat at the right of five Speakers of this House—the Parliamentarian of the House, Mr. Deschler. [Applause.]

No presiding officer of any body, anywhere at any time, ever had more faithful or more efficient help, in my opinion, than the help that has been rendered by this splendid, able, and efficient man. [Applause.]

Mr. SNELL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

INVESTIGATION OF THE TENNESSEE VALLEY AUTHORITY

Mr. SNELL. Mr. Speaker, before calling the attention of the House to the matter I have in mind, may I say that I did not know that this was Mr. Deschler's birthday, but I very heartily approve of the statement of the majority leader with regard to the work of the capable, able, and efficient Parliamentarian of the House.

However, I rise at this time to announce to the House that I am today introducing a resolution calling for a complete, searching, and thorough investigation of the activities of the Tennessee Valley Authority. I may say that I am doing this at this time on account of the startling and really astounding statement made in the morning's paper by Dr. Arthur E. Morgan, Chairman of the Tennessee Valley Authority, relative to the activities of that public organization. The Tennessee Valley Authority is the largest direct business activity of the Federal Government. The proponents of this organization and of this work say that it is being done to furnish an honest yardstick in connection with the production and distribution of electrical energy. If it is to be an honest yardstick, it certainly must be done honestly. Therefore, when the Chairman asserts "the manner in which the other two members conducted the business of the T. V. A. frequently created for him a dilemma in which he was forced to choose between his desire to support the New Deal and the T. V. A. program," and his belief that "there are certain fundamental decencies and standards of integrity and propriety in public life which are more important to civilized society than any particular Government program," when such a condition exists it is certainly time for Congress to act.

When he follows it up with a statement that the Berry marble case represents the kind of difficulties with which as Chairman of the Tennessee Valley Authority he has been forced to face in an effort to maintain good standards of public service and also states, in a steadily increasing degree he has contended with an attitude of conspiracy, secretiveness, and bureaucratic manipulation, which has made the proper and effective conduct of T. V. A. business increasingly difficult, this becomes a very serious question. He further says that while during this period the public has been steadily, and he believes purposely, led to believe that the difficulties within the T. V. A. have been due primarily to differences as to power policy or to just another family quarrel, this is not so. He definitely states that is not the real status of the matter but the real difficulty has been in his effort to secure honesty, openness, decency, and fairness in Government.

Based on this condition existing in connection with the T. V. A. set-up, the Chairman himself asked for a Federal investigation. The Congress is entirely responsible for this activity of Government. There is no doubt but what the conditions as stated by the Chairman of the T. V. A. actually exist. The responsibility is ours. The majority cannot lightly brush this investigation aside. Personally I have never been an adviser of investigations, but when the accusations are so definite and positive as those made by Dr. Morgan, I believe that Congress would be negligent of doing its duty unless it authorized the complete, thorough, and searching investigation into all of the activities of the

Tennessee Valley Authority as is asked by the resolution that I am today introducing. I trust that the Rules Committee will give it prompt and careful consideration.

[Here the gavel fell.]

INVESTIGATE T. V. A.—SELF-RESPECT OF GOVERNMENT DEMANDS IT

Mr. MAVERICK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MAVERICK. Mr. Speaker, I have already introduced a joint resolution to investigate the T. V. A., the committee to be composed of nine members—five Members of the House and four Members of the Senate. I have introduced heretofore a resolution for an investigation to be made by the House, one by the Federal Trade Commission, and one by the House and Senate.

You can accept any one of these resolutions, but I believe with the gentleman from New York [Mr. SNELL] that an investigation by a responsible body ought to be made. When a charge is made by a high official that a given Government operation involving millions of people and hundreds of millions of dollars is not open, not honest and not decent—and someone on the other side states his charges are false and malicious—I cannot see how Congress can keep from having an investigation.

I do not care anything about the personalities in the T. V. A. at all. The policies, the conduct, the efficiency, or lack of efficiency are the important concerns. It does not make any difference to me whether it concerns Morgan or Lilienthal or Jones or Smith.

I believe we should go in there and investigate what is going on and consider all the policies of the T. V. A. It is up to the self-respect of the Government of the United States that we really do this and do it right. [Applause.]

Exercising the right to extend and revise my remarks, I wish to make reference to the fact that the joint resolution which I have introduced is No. 605. It provides for a joint congressional committee, to be known as the Joint Committee to Investigate the Tennessee Valley Authority, and to be composed of four Members of the Senate and five of the House of Representatives.

PURPOSES OF THE COMMITTEE TO MAKE THOROUGH INVESTIGATION

The purposes of the committee are carried out in section 2, which is as follows:

SEC. 2. It shall be the duty of the joint committee to investigate all phases of the organization and activities of the Tennessee Valley Authority, and particularly to investigate charges that—

(a) The Authority has made improper and improvident contracts with industries;

(b) Farmers and other domestic consumers in the region served by the Authority have been deprived of electricity;

(c) Lack of harmony exists in the board of directors of the Authority;

(d) The board of directors has been reluctant or unwilling fully and accurately to disclose the policy of the Board;

(e) The actions and policies of the Board encourage lawsuits by private power companies; and

(f) Substantial numbers of employees of the Authority are representatives of or active supporters of policies of private monopolies engaged in the generation and distribution of electric power.

The committee will have power to hold hearings, issue subpenas, and have the necessary power to carry out its duties. Half of the expense will be paid by the House and half by the Senate. Finally, when they have done their work they will make a report to both Houses simultaneously.

T. V. A. NEEDS AIRING—THREE RESOLUTIONS INTRODUCED

Since coming to the special session, and being deeply interested in T. V. A., I have come to the conclusion that there must be an airing of the Tennessee Valley Authority. I do not wish to give this statement any sinister tone, but it seems quite reasonable that when very high officials make the most extreme and positive statements of dishonesty, malice, inefficiency, and even indecency, that Congress can hardly refuse to make an investigation.

As I stated in the body of my speech, I have introduced three resolutions—one exactly like Senator NORRIS', which provides for an investigation by the Federal Trade Commission; another which would provide for a special committee of the House; and this last, which would be the House and the Senate.

Concerning the Federal Trade Commission, I believe it would make an excellent job of it, as they are already organized and have the experts and investigators necessary to do a good job. Objection is made, however, that it might be a partial investigation, since the Federal Trade Commission is merely another authority or commission of the present administration, like the T. V. A. On the other hand, the argument that they are well prepared must be considered.

As for the House resolution, I merely offered it for consideration. I doubt the efficacy of it, as it would only concern one House, and there would be little coordination.

JOINT INVESTIGATION WOULD HAVE CERTAIN ADVANTAGES

That is the reason that I introduced the resolution today for a joint committee. Such a committee would have the benefit of both Houses and sufficient prestige and organization to force the proper issues to the front. Immediately when reports were to be made, they could be made simultaneously to both Houses, and to the public.

As I have stated repeatedly, I am not interested in personalities, but only in principles and the success of the T. V. A.

Recently, I made a speech in which I made charges of excessive amounts of power being sold to private industries and monopolies. I have been charged with unfairness in connection with the attack. In that connection I am perfectly willing that any statement I make be investigated, and if wrong, I will be the first to recognize it.

FRIENDS OF T. V. A. SHOULD THEMSELVES DEMAND INQUIRY

I note, however, that some of the best friends of T. V. A. do not favor an investigation. They say there is nothing corrupt about the T. V. A., and I agree with that statement. However, if the enemies of the T. V. A. continue to criticize it and continue demanding investigations, the T. V. A. in the long run may be damaged greatly.

Therefore, we who are friendly to the T. V. A. should be the first to demand an investigation and to put the searchlight on every act in order that we may be sure that if there are any faults they can be eliminated. If the friends of the T. V. A. will immediately agree to an investigation, it will put the enemies on the defensive instead of the offensive.

The resolution which I have introduced today has no whereases, no speeches, and no demagoguery in it. It is a carefully written document, which is a result of considerable study.

I strongly urge the adoption of this joint resolution.

EXTENSION OF REMARKS

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, and include a radio speech made by myself.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

DEFICIENCY APPROPRIATION BILL, 1938

Mr. WOODRUM. Mr. Speaker, I call up the conference report on the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

The Clerk read the conference report.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, having met, after

full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1 to 20, inclusive, and agree to the same.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

ALVA B. ADAMS,
CARTER GLASS,
KENNETH MCKELLAR,
CARL HAYDEN,
JAMES F. BYRNES,
FREDERICK HALE,
JOHN G. TOWNSEND, JR.,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9306), making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to such amendments, namely:

The Senate added a total of 20 amendments to the bill, all of which, except those making textual corrections in the House bill, are supported by Budget estimates submitted for consideration after the bill had passed the House. The items of direct appropriation provided by the Senate amendments are as follows:

Miscellaneous items of the Senate	$120,000.00
State Department:	
Transportation of Foreign Service officers	71,000.00
Contingent expenses, Foreign Service	118,000.00
Treasury Department:	
Printing and binding	55,000.00
Stationery	34,000.00
Property damage claims	4,724.91
Judgments, United States district courts	1,200.06
Judgments, Court of Claims	46,564.19
Audited claims allowed by the General Accounting Office	49,995.69
Total	500,484.85

The House has accepted all of the Senate amendments.

C. A. WOODRUM,
CLARENCE CANNON,
LOUIS LUDLOW,
JOHN TABER,
ROBERT L. BACON,
Managers on the part of the House.

Mr. WOODRUM. Mr. Speaker, this deficiency bill has as its principal item the interest charges on farm mortgages which the Congress reduced. To that the Senate added a number of small items, to which the House conferees have unanimously agreed. This is a unanimous report, and I am confident that if the gentleman from New York [Mr. TABER] were present, he would have no obection to its immediate passage.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. WOODRUM. I was unable to get hold of the gentleman from New York [Mr. TABER], but I take it from the statement made to me personally by the gentleman from New York [Mr. TABER] that it is entirely agreeable to him to have this conference report agreed to at this time, and that there is no reason why there should be any delay. I am confident the gentleman would agree to its immediate passage.

Mr. MAVERICK. This has no provision in it about the Senate approving all appointments to positions carrying a salary of over $5,000? I am opposed to that.

Mr. WOODRUM. That is not in the bill.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent for the present consideration of House Concurrent Resolution 36, to change the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306), which I send to the desk and ask to have read.

The Clerk read as follows:

House Concurrent Resolution 36

Resolved by the House of Representatives (the Senate concurring), That the Clerk of the House of Representatives is authorized and directed, in the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306), to insert the following matter on page 4, line 26, of the engrossed bill, after the word "approved": "April 23, 1924, and the act entitled 'An act to provide additional revenue for the District of Columbia, and for other purposes', approved."

Mr. WOODRUM. Mr. Speaker, this is language that was omitted, which should have gone into the deficiency appropriation bill.

Mr. SNELL. I think this was explained on the floor once before.

Mr. WOODRUM. Yes.

Mr. FISH. Does the gentleman intend to explain the amendments put in in the Senate, for the benefit of the House?

Mr. WOODRUM. Those amendments are in the conference report, that has already been adopted. They were small matters.

Mr. FISH. It just shows the confidence of the House in the gentleman from Virginia.

Mr. WOODRUM. I thank the gentleman.

The SPEAKER. Is there objection to the present consideration of the concurrent resolution?

There was no objection.

The SPEAKER. The question is on agreeing to the resolution.

The concurrent resolution was agreed to and a motion to reconsider was laid on the table.

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes. Pending that, I ask unanimous consent that there may be 12 hours of general debate, debate to be confined to the bill, one-half to be controlled by the gentleman from Massachusetts [Mr. TREADWAY] and one-half by myself.

The SPEAKER. The gentleman from North Carolina moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 9682; and pending that, asks unanimous consent that general debate be confined to the bill, that it continue for 12 hours, and that the time for debate be controlled one-half by the gentleman from Massachusetts [Mr. TREADWAY] and one-half by himself. Is there objection?

Mr. TREADWAY. Mr. Speaker, the proposal made by the gentleman from North Carolina, chairman of the committee, is entirely agreeable to me and to my associates.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The SPEAKER. The question is on the motion of the gentleman from North Carolina.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 9682, with Mr. WOODRUM in the chair.

The Clerk reported the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield myself 30 minutes and ask unanimous consent to extend my remarks in the RECORD and to insert tables bearing on the discussion of the bill under consideration.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, the revenue bill of 1938, H. R. 9682, is presented by our committee, which has given

careful study to the subject since November 4 last, and is now before the House for consideration. I am certain if this bill is enacted into law that our revenue system will be vastly improved as to accuracy and as to certainty. The tax burdens will be more equally distributed and business will be stimulated and encouraged.

On August 20, 1937, the House passed a resolution, introduced by me, authorizing the Committee on Ways and Means or a subcommittee of that committee, to sit during the recess of the Seventy-fifth Congress for the purpose of the consideration and preparation of a bill to revise our existing tax structure. At the same time another resolution appropriating $2,500 for expenses of that committee was passed, and I am happy to say that out of that appropriation only $15.60 has been expended.

Following the adoption of these resolutions I designated a subcommittee to investigate and give consideration to the elimination of alleged existing inequities and hardships of the present law. The members of this subcommittee were the gentleman from Kentucky [Mr. FRED M. VINSON], who acted as chairman, the gentleman from Tennessee [Mr. COOPER], the gentleman from Massachusetts [Mr. MCCORMACK], the gentleman from Oklahoma [Mr. DISNEY], the gentleman from Missouri [Mr. DUNCAN], the gentleman from Massachusetts [Mr. TREADWAY], the gentleman from New York [Mr. CROWTHER], the gentleman from New York [Mr. REED], and myself as an ex officio member of the committee. The subcommittee and the full committee have been working continuously since the 4th of last November with officials of the Treasury Department, and members of the staff of the Joint Committee on Internal Revenue Taxation, and the office of the Legislative Counsel of the House. This study was undertaken, as it was fully recognized that there was immediate need for such a survey as stated by the President in his message of April 20, 1937, from which I quote the following:

> The Treasury would be prepared by the following November to present to the appropriate committees of the Congress information on the basis of which legislation to remedy the defects of the present tax laws might be formulated.

I mention this simply to keep the record straight as to why the subcommittee did not hold their initial meeting before November 4; we were awaiting the results of the study and analysis of the Treasury Department of the information shown on the returns filed under the existing law the enactment of which, as you will recall, was necessitated by the invalidation by the Supreme Court of the A. A. A. and payment of the adjusted-service certificates, for neither of which was the President of the United States responsible. As you all know, this necessitated the raising of $620,000,000 additional revenue which would not have been necessary had it not been for the passage of the one act and the invalidation of the other, as I have indicated.

Writing a tax bill, especially one revising our tax structure, is a difficult, unpleasant, and unpopular task, as everyone doubtless knows. I can say, however, that I have never known the Committee on Ways and Means or any other committee of this House to give more thorough, careful, and painstaking study to any piece of legislation than has been given to this bill, especially by the subcommittee which I appointed.

The President in his message of March 3, 1936, requesting additional revenue, directed attention to a form of taxation which would not only raise the amount of revenue needed but which at the same time would accomplish an important tax reform, remove two major inequities in our tax system, and stop leaks in the present surtax, which method of evasion has constituted a problem as old as the income-tax law itself. Congress, in the limited time remaining before the adjournment of June 1936, enacted the Revenue Act of 1936, containing what is commonly known as the undistributed-profits tax. The 1936 Revenue Act as it passed this House contained no normal or corporation tax. It also provided, mark you, certain cushions or relief provisions to take care of corporations in debt, corporations with impaired capital structure, corporations forbidden to declare dividends under State law; these were all contained in the bill passed by the House. In my judgment, had that bill as it passed the House been enacted into law we would not have heard the complaints and criticisms that have been heaped upon the present law. We all know, however, that the House is but one of the taxing bodies of the Congress; the body at the other end of the Capitol has as much to do with revenue measures, outside of initiating them, as has the House.

The 1936 House bill gave special treatment to small income corporations and contained many provisions which would have materially lessened the number of inequities and hardships charged against the present law; and in my opinion had that bill been enacted into law as it passed the House there would have been little or no just ground for complaint except by those taxpayers, mark you, whose philosophy is opposed to the principle of the income tax. We all know that there is a school of thought in this country embracing a considerable number of people which holds to the philosophy that there should not be any tax on incomes, or one based upon ability to pay. They would favor the consumption tax or as it is more commonly known, a general sales tax. In this connection I quote from the message of the President of January 3, every word of which I subscribe to:

> It is human nature to argue that this or that tax is responsible for every ill, it is human nature on the part of those who pay graduated taxes to attack all taxes based on the principle of ability to pay.
>
> These are the same complainants who for a generation wanted the imposition of a graduated income tax. They are the same complainants who would impose a flat sales tax which places the burden of government upon those least able to pay and less upon those most able to pay.

That quotation from the President's message fully describes practically all of those appearing before the committee during the hearings complaining that the existing taxes were responsible for present business conditions, but when asked what caused the "Hoover depression" when there was no undistributed-profits tax, they were unable to say.

These gentlemen tell us that the undistributed-profits tax has been disastrous, that they are prevented from carrying on an expansion program, that many corporations find it impossible to secure working capital and continue in business unless they are permitted to plow back their earnings free from taxation in the hands of their stockholders.

However, it was completely demonstrated not to be so in the case of those appearing during the hearings, or those brought here to give some semblance of such being the case. During the hearings not a single specific case of undue hardship was established. On the contrary practically every witness showed an utter lack of knowledge of the effect of the subcommittee proposals, and even the existing law itself as it applied to his own particular business, except that they had to pay a little more in taxes.

We were astounded at the lack of information or, I might say, the ignorance of those who appeared before our committee who completely misunderstood what was proposed by the committee and also a lack of knowledge of the application of the present law to their own business.

Let us take the testimony of Mr. Clausen, chairman of the tax committee of the United States Chamber of Commerce, which is typical of the testimony given, and I quote from page 478 of the hearings. This is very interesting because you would suppose he was an expert and knew what he was talking about relative to tax matters.

Quoting from the top of page 478:

> Mr. VINSON. Take your own situation, Mr. Clausen, what is your attitude toward the treatment of the subcommittee in regard to corporations having a net income of less than $25,000?

Notice what Mr. Clausen says:

> You have been generous with them.

In other words, he has endorsed and approved the action of the subcommittee, which action is contained in this bill, with respect to corporations having a net income of less than $25,000.

> Mr. CLAUSEN. You have been generous with them.

And I might say, as I will perhaps state later, this class of corporation constitutes about 88 percent of all the corporations doing business in this country.

Mr. VINSON. You think that is fair treatment?
Mr. CLAUSEN. We cannot object to it.
Mr. VINSON. You are president of the Van Brunt Manufacturing Co.?
Mr. CLAUSEN. Yes, sir.
Mr. VINSON. What connection has the Van Brunt Manufacturing Co. with the Deere & Co.?
Mr. CLAUSEN. They are a subsidiary.
Mr. VINSON. Van Brunt is a subsidiary of Deere?
Mr. CLAUSEN. Yes, sir.
Mr. VINSON. What sort of a subsidiary?
Mr. CLAUSEN. Wholly owned.
Mr. VINSON. A wholly owned subsidiary of Deere & Co.?
Mr. CLAUSEN. Yes, sir.
Mr. VINSON. What sort of a year did Deere & Co. have in 1937?

Mark you, they say that the operation of the undistributed-profits tax wrecked and ruined business.

Mr. CLAUSEN. 1937 was a very good year.
Mr. VINSON. Was it as good as 1936?
Mr. CLAUSEN. Better
Mr. VINSON. I am asking you, Mr. Clausen, if undistributed-profits tax in 1936 was so harmful to business, what effect did it have on Deere & Co. and their net income?

That is a very pertinent question.

Mr. CLAUSEN. It required them to pay a much heavier tax.

Of course, it would require them to pay a much heavier tax because they made more money and had a larger income from which to pay the tax. Why should he complain about paying an increased amount of tax? They should be proud to pay an increased tax when they have a larger income with which to pay.

Mr. VINSON. But I am talking now of the net income of Deere & Co. compared to the years next preceding the undistributed-profits tax year.

There is a comparison with the business of Deere & Co. before the undistributed-profits tax and after the undistributed-profits tax went into effect.

Mr. CLAUSEN. Since 1932 and 1933 there has been a gradual rise in demand for farm machinery and Deere & Co. has gotten its part of that increased business.
Mr. VINSON. Your net income for 1937 after the undistributed-profits tax was more than it was in 1936?
Mr. CLAUSEN. Yes, sir.
Mr. VINSON. Would you mind saying how much more?
Mr. CLAUSEN. I do not remember.

Memory, you know, is always very faulty when it would indicate something that is not in harmony with what they want to prove.

Mr. VINSON. How many millions?
Mr. CLAUSEN. I do not remember that.
Mr. VINSON. Was it $3,000,000?
Mr. CLAUSEN. I do not remember that. I am poor at remembering figures.
Mr. VINSON. Can you remember what the situation was of Deere & Co. in 1931, 1932, 1933, and 1934 as to whether or not they had a net income?

There was no undistributed-profits tax then.

Mr. CLAUSEN. Very much in the cellar; yes, sir.

There was no undistributed-profits tax, and, remember, this was under another administration.

Mr. VINSON. Very much in the cellar?
Mr. CLAUSEN. Yes, sir.
Mr. VINSON. And then 1935 came along and they had a net income of about $6,105,000; something like that, did they not?
Mr. CLAUSEN. I do not remember.

However, he had the statistics with him.

Mr. VINSON. Then 1936 came along and you had a net income of $11,601,306?
Mr. CLAUSEN. Possibly; I do not remember.
Mr. VINSON. And then 1937 came along and you had several million dollars income more than the $11,000,000 just referred to, but you do not remember how much. The figures that I am reading from are from Moody's Industrial Manual.

Now, I am asking you, Mr. Clauson, if in the history of Deere & Co., from 1926 to the present date, you had a year better than 1937; when the percentage of net earnings was greater—or whether you had a better year so far as the percentage of net earnings as compared to net worth was concerned.

Mr. CLAUSON. I think on the investment of the company, and volume of business done, 1929 was better.

This shows conclusively that his company had a much better year, a more prosperous year and a more successful year, with a larger net profit in 1937, under the operation of the undistributed-profits-tax law, which it is said has been destructive and ruinous to business, than in the previous year, before this law was enacted. This testimony also shows that every year since the present administration came into power the business of that company has increased and the company has been making money, whereas in previous years under the previous administration the company was very much in the cellar.

Mr. VINSON. Now, in 1929, Moody's says that Deere & Co. had a net earning of $15,200,000; 1931 it was $400,000; in 1932 you had $5,200,000 deficit—

That is when he was in the cellar—

in 1933 you had $4,300,000 deficit; in 1934 you had $400,000 in the clear; 1935, $6,100,000 plus; in 1936, $11,600,000 plus; and in 1937 you say it was materially better.

Remember, 1937 was the year under which this destructive undistributed-profits tax was in effect, and the showing in that year was very much better. I guess it will be pretty difficult for some of those who oppose this bill to remember that.

Mr. MASON. Mr. Chairman, will the gentleman yield?
Mr. DOUGHTON. I yield to the gentleman from Illinois.
Mr. MASON. Would the gentleman say it was because of or in spite of the undistributed-profits tax that their income was greater?
Mr. DOUGHTON. I did not say that. I said what I believe, and I have given the facts and the statistics. If they do not suit the gentleman, I will be unable to satisfy him.
Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?
Mr. DOUGHTON. I yield to the gentleman from Kentucky.
Mr. FRED M. VINSON. For the sake of the record, I may state that the net income of Deere & Co. in 1937 was about what it was in 1929. When Mr. Clausen was before the committee on January 20, as I recall it, he was unable to give us the net income for 1937. Eleven days later, on January 31, 1938, there appeared in the Wall Street Journal a complete statement showing what the net income was for 1937. It was shown to be $15,162,918.
Mr. DOUGHTON. And this was under the operation of the so-called ruinous and destructive undistributed-profits tax, which they would have us believe has produced very serious conditions in the country.
Mr. SNELL. Mr. Chairman, will the gentleman yield?
Mr. DOUGHTON. I yield to the distinguished gentleman from New York.
Mr. SNELL. Is there anything in the report on the bill or in the bill itself that shows the amount of net revenue to be received by the Government under this bill as compared with the amount we are receiving under the various items you are repealing in this bill?
Mr. DOUGHTON. It was our purpose when we set out to write this bill, and we proceeded upon that understanding at the request of the President of the United States, that the new bill should provide as much revenue as the present law. It is my recollection the estimated increase under the present law, based on the undistributed-profits tax and the increased amount from surtaxes and normal taxes on individuals, was about $380,000,000 to $400,000,000.
Mr. FRED M. VINSON. If the gentleman will yield, I may say in regard to the question asked by the gentleman from New York that we are told the internal-revenue receipts under this bill will be $5,300,000,000, which is substantially the same amount as would be received under the existing law.
Mr. DOUGHTON. By that the gentleman means that the existing law as amended by the bill now under consideration will bring in an amount similar to the amount received under the present law.

Mr. SNELL. Are there available any tabulations showing the amounts received from the taxes you have repealed and the effect of the new taxes you have written into this bill? Is there any definite statement along that line?

Mr. FRED M. VINSON. It is not broken down; no.

Mr. SNELL. Then the gentleman's statement is just a hope that this bill will produce practically the same amount of revenue as the present law?

Mr. FRED M. VINSON. No; we have more than that. We were very careful, I may say to the gentleman from New York, in regard to the revenue end of it. We watched the plus and the minus signs very carefully in regard to the various changes that were made in the proposed bill.

Mr. SNELL. Was any definite information given the gentleman's committee in regard to this break-down?

Mr. FRED M. VINSON. Yes.

Mr. SNELL. I cannot find it in the report, so I did not know.

Mr. DOUGHTON. I may suggest that the gentleman read the hearings. Of course, they are so long I could hardly expect the gentleman to read them, and I am not at all surprised he has not read all of them. However, we had the very best authority we could get from the Treasury Department and from the staff of the Joint Committee on Internal Revenue Taxation. In fact, we consulted all the best governmental experts in regard to the yield of the measure now under consideration as contrasted with that under the present law.

Mr. SNELL. What I had supposed was that there would be some break-down somewhere in the hearings or in the report which the average citizen could read and see just what we have repealed in the way of taxes and what we have in the bill in the way of new taxes.

Mr. DOUGHTON. I do not know that the information has been broken down in that way.

Mr. SNELL. The only thing I could find from such reading as I have been able to do is just a general statement that it is expected to produce exactly the same.

Mr. DOUGHTON. We can, perhaps, get the gentleman a more detailed statement than that and put it in the RECORD for the information of the gentleman from New York.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to my colleague from Massachusetts.

Mr. TREADWAY. I am looking at page 141 of the hearings, where Mr. VINSON asked Dr. Magill this question:

> What is the revenue effect of the proposed recommendations of the subcommittee?
>
> Mr. MAGILL. As stated in your report, as we figure it, under the current business conditions, the subcommittee has succeeded in doing what might have seemed an impossible job; that is, to grant these various forms of relief and still come out approximately even.
>
> As we total up the various losses and gains, there is, under current business conditions, a substantial balance with the present system.

I would now like to ask the chairman whether there is any more detailed answer than this in any part of the hearings?

Mr. DOUGHTON. Not that I know of; but if the gentleman had been present all the time during the hearings, which he was not, having been present only a part of the time, which, of course, was his privilege, the gentleman would know that that was one of the points that was accentuated all the time, that this bill, when completed, should produce as much revenue as the present law. This was the request of the President of the United States, and we started out in our first meeting with that understanding, and I think it was understood by the gentleman from Massachusetts and the other minority members of the subcommittee, as well as the majority members, that this was the basis upon which we were proceeding.

Mr. SNELL. Mr. Chairman, will the gentleman yield further?

Mr. DOUGHTON. Yes; I yield to the gentleman from New York.

Mr. SNELL. Does not the gentleman think the House is entitled to have a break-down of such an important matter as this?

Mr. DOUGHTON. If I could give the gentleman a complete record of that, I fear the gentleman would not agree to the conclusion; he would not believe the facts upon which the conclusion was based.

Mr. SNELL. I believe some things sometimes, but you have not produced anything here yet that would encourage anybody to believe in a statement of what the bill is going to produce.

Mr. DOUGHTON. I am sorry we have not the information broken down in the way the gentleman desires.

Mr. SNELL. I would like to have that information.

Mr. DOUGHTON. But I still insist that the gentleman can dispute the items that form the total amount just as easily as he can dispute the conclusion, if he wants to do so.

Mr. SNELL. I am simply asking what the items are.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. FRED M. VINSON. Certainly, our friends of the minority on the subcommittee and on the full committee will say that we were very careful to look after the revenue needs. So careful were we that when the gentleman from Massachusetts offered the bill H. R. 8629 for the consideration of the committee, we voted it down by a vote, I think, of 17 to 8. The bill introduced by my good friend from Massachusetts, we were told, would knock a hole in the revenue yield of $416,000,000 in 1 year.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield there?

Mr. DOUGHTON. I yield.

Mr. TREADWAY. Following that remarkable statement of the amount the gentleman has just given, I asked for a break-down of those figures from Dr. Magill, and they have never been presented to the minority.

Mr. FRED M. VINSON. The best authority we had—Treasury authority—was that it would cause a loss of revenue of $416,000,000 in 1 year.

Mr. TREADWAY. It is easy enough to estimate such a thing and put it in a partisan report, but we never had any proof of it.

Mr. FRED M. VINSON. Of course, this change proposed by Mr. TREADWAY was a repeal of the undistributed-profits tax and a material change in the capital-gain-and-loss tax.

Mr. SNELL. Mr. Chairman, will the gentleman from North Carolina yield so that I may ask one further question of the gentleman from Kentucky?

Mr. DOUGHTON. I yield.

Mr. SNELL. Does not the gentleman think it is a fair question for any Member of this House to ask of your committee, that where you are bringing in a bill that is going to raise, as the gentleman states, during the next fiscal year practically five and a half billion dollars, and you are repealing a great many existing taxes, changing others, and adding new ones, that you furnish this House with a break-down of the amount of old taxes that you have repealed and the estimated amount of new ones that you have added?

Mr. FRED M. VINSON. We have that in some detail in regard to the excise taxes.

Mr. SNELL. I would like for someone to give that information to the House now.

Mr. FRED M. VINSON. Let me say to the gentleman that when the subcommittee finished its work we were told that we were $2,000,000 plus. There were certain other changes that were made by the full committee which, I believe, amounted to about $25,000,000. This would show a net loss of some $23,000,000. In a total of $5,300,000,000, that certainly is substantially a balance.

Mr. SNELL. Where are those figures, so that an individual Member of the House may look them over and examine them? There is not a word in your report that states anything about that, and I am honestly anxious to have the information.

Mr. FRED M. VINSON. Take, for instance, the capital gains and losses tax. We recognize that it would be impossible to bring, to the satisfaction of the gentleman or the satisfaction of my friend from Massachusetts [Mr. TREADWAY] figures, showing a break-down of the capital gains and losses. We have a half dozen major changes in regard to capital gains and losses. It would be impossible to break it down so that the gentlemen would be satisfied. What we are told in regard to capital gains and losses is that we break even in revenue yield.

Mr. SNELL. It is not a question of whether I or somebody else is satisfied, but in every other important revenue measure that has been presented to this House, as I remember it, the Committee on Ways and Means has always said in effect, "We are going to get so much taxes from such and such a source and we are repealing such and such taxes and we take so much out of the revenue." I cannot find that the committee has done this. Yet it is the most important provision of the revenue laws that has been placed before us in the last few years, and the gentleman says it will place a tax on the American people of practically five and a half billion dollars.

Mr. FRED M. VINSON. Not in added taxes.

Mr. SNELL. Not in added taxes. I mean altogether. On such an important proposition as that, so vitally affecting our country, I think we are entitled to have the gentleman tell us the principal parts of the break-down along that line.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. CELLER. Is it possible to get an estimate as to the amount that can be yielded from the capital gains and losses tax provisions of the present bill, and if it is possible to find out, what was yielded in 1937?

Mr. DOUGHTON. I think that can be supplied later from the record.

Mr. MICHENER. Mr. Chairman, will the gentleman yield for a question?

Mr. DOUGHTON. I cannot yield all of my time. It will all be taken up in questions.

Mr. MICHENER. I know, but the gentleman is here to tell us something about this bill.

Mr. DOUGHTON. If the gentleman will wait, I think I will tell him, but I yield to my good friend.

Mr. MICHENER. Is not this the situation, that certain changes had to be made in the tax law?

Mr. DOUGHTON. It was desirable to make changes.

Mr. MICHENER. And that the Committee on Ways and Means took all the tax laws and put them in a pot and stirred them up and tried to bring out something that would in a way pacify the people without any definite knowledge on the part of the committee itself as to what would be yielded?

Mr. DOUGHTON. No; there is not the slightest foundation for that statement. It is just a rash, unjustified, fantastic assumption.

I shall now briefly discuss a few of the provisions of the pending bill, which will be explained more in detail by the gentleman from Kentucky [Mr. FRED M. VINSON], chairman of the subcommittee, and by other members of the committee and the subcommittee. In lieu of the present undistributed-profits tax on corporations, the bill, while it retains the principle of that tax, does exempt certain corporations. Much criticism has been directed against the undistributed-profits tax. All corporations having net earnings of $25,000 and less are entirely exempted from any provisions of the undistributed-profits tax. They can use their earnings and distribute them all or retain them all under a tax which ranges from 12½ percent on the first $5,000, 14 percent on the next $15,000, and then 16 percent on the remaining $5,000. If a corporation has as much as $25,000 net income, then the total tax will not be over 14.1 on the average, part of it 12½ percent, a part at 14 percent, and the remainder at 16 percent, and I repeat that this class to which the undistributed-profits tax will not apply in any way or under any circumstances constitutes about 88 percent of all of the corporations doing business in this country.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a short question?

Mr. DOUGHTON. Go ahead; but I shall soon have to cease to yield.

Mr. DONDERO. It is a brief question. Take the class that the gentleman says constitutes 88 percent of the corporations. Insofar as the number of people employed by corporations in the country, how does it compare with the larger corporations?

Mr. DOUGHTON. I could not tell the gentleman.

Mr. DONDERO. In other words, what I am trying to get at is whether those corporations—that is, the 88 percent—employ a majority of the people, or is a majority of the people employed by the larger corporations?

Mr. DOUGHTON. I doubt if they employ a majority of the people, but I have no definite statistics as to that. Corporations having a net income in excess of $25,000 are taxed at a rate ranging from a minimum of 16 percent to a maximum of 20 percent. If it retains all, it will be taxed 20 percent; if all is distributed, 16 percent. If it distributes 25 percent, it will be 19 percent and 50-percent distribution, 18 percent, then 17 percent on 75-percent distribution. If it distributes all earnings, it will be 16 percent. In other words, for every 10 percent of distribution it drops two-fifths or four-tenths of 1 percent. I have a table worked out for that, but I think that is very easily understood.

In view of the fact that the average distribution of earnings of all corporations during the 10-year period from 1926 to 1936—good and bad years—was 76 percent of the net income, the average effective rate to be applicable under the proposed undistributed-profits tax, if dividend policies continue, would be a little less than 17 percent. In other words, if those corporations to which title I–B might apply would pursue the same dividend policies that have been pursued on an average by all the corporations of this country for 10 years, the much despised and criticized title I–B would not apply to a single one. It will, in other words, not apply any way to those making less than $75,000 net, and it will not apply to the larger ones if they distribute as much as 57 percent of their earnings and pay a very light tax. If they distribute as much as 40 or 50 percent of their earnings, this additional tax burden which some would have you believe means ruination to many corporations, is considerably less than the rates the opponents of the undistributed-tax principle were willing to pay.

During the hearings on the 1936 Revenue Act, when the imposition of the undistributed-profits tax was under consideration, many witnesses and spokesmen for the United States Chamber of Commerce came before our committee stating they would prefer to pay a flat rate of 25 percent to the undistributed-profits tax.

This 16–20 plan, taken together with corporations earning less than $25,000, will constitute nearly 100 percent of all our corporations, leaving only approximately one-quarter of 1 percent coming under title I–B. Not one of them will pay a greater tax than they asserted they would be willing to pay if the undistributed-profits tax were not enacted.

The committee has included a provision in the pending bill which would further reduce the tax burden on those subject to the undistributed-profits tax. Heretofore net operating losses were not allowed to be carried over into the subsequent year and considered in computing the tax in such year. The committee believes that corporations having net operating losses should be allowed to retain a portion of their income to recoup such losses, and has provided in the bill that allowances for such carry-over losses be treated as dividends paid during the succeeding year.

Title I–B, closely held corporations: This is the provision of the bill against which the most severe criticism is directed, and I would say that in my judgment much of the criticism and much of the objection that has been directed against this provision of the bill, title I–B, has been brought about by misrepresentation and misunderstanding.

Mr. LUTHER A. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Texas.

Mr. LUTHER A. JOHNSON. Will the gentleman kindly tell us in substance what that section does?

Mr. DOUGHTON. That is what I was about to do.

Mr. LUTHER A. JOHNSON. I beg the gentleman's pardon.

Mr. DOUGHTON. The bill proposes a moderate surtax on a reasonable part only of the undistributed net income of closely held corporations. There has been much furor and criticism in regard to this proposed surtax, which criticism, to my mind, is entirely unjustified; and, as I have stated, is attributable mainly to misunderstanding and misrepresentation. First—now listen—the surtax does not apply unless more than 50 percent of the corporation's stock is held by the members of one family, or more than 53 percent is held by two individuals, and so on, by consistent steps until a point is reached where 10 individuals own 75 percent of the stock. This ownership test, therefore, relieves those corporations from this surtax whose stock is not closely held. Second, the surtax—which they tell us applies to weak and small corporations—does not apply to any corporation whose net income is less than $75,000 per year. The result of this exemption together with the ownership test is that not more than 300 to 600 corporations, or about one-fourth of 1 percent of all the corporations in the country will under any circumstance or condition come under the provisions of title I–B.

How is that going to destroy the entire business system of this country when only one-fourth of 1 percent of all the corporations will fall in this class? Yet they would have you believe that every corporation doing business in this country, and I refer to closely held corporations particularly, would have to pay an increase or additional tax of 20 percent.

Mr. WADSWORTH. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from New York.

Mr. WADSWORTH. Would the gentleman name some corporations, closely held or family held, which would be typical of the type he has just described and which would be subject to this surtax he has just described?

Mr. DOUGHTON. I have just described what class of corporations would come under this, but I am not going to give individual names. We were not concerned about any particular corporations, only those of the class which come under the title I–B provision.

Mr. WADSWORTH. The number is very small, one-fourth of 1 percent.

Mr. DOUGHTON. It is estimated to be one-fourth of 1 percent.

Mr. WADSWORTH. They must be in the same degree rather conspicuous.

Mr. DOUGHTON. They might be in one year and out in another year. They can be entirely out if they will pursue the same dividend policy that the widely held corporations pursue.

Mr. WADSWORTH. Surely the gentleman and his committee must have some information about whom they were going to tax in considering this bill.

Mr. FRED M. VINSON. I think it should be stated that no effort was made to ascertain the names of the taxpayers who would be taxed. It was considered on the principle involved and from the standpoint of the reasonableness of the tax. We sought no information as to the names of the persons affected.

Mr. WADSWORTH. Will the gentleman yield further?

Mr. DOUGHTON. I do not yield for a speech, but I yield to the distinguished gentleman from New York for a question.

Mr. WADSWORTH. Of course, our reading of this report has been pretty rapid, but in reading the report on this bill we gather the impression that the tax to be imposed on family held or closely held corporations is not to be imposed solely for the purpose of raising revenue but to prevent tax evasion.

Mr. FRED M. VINSON. Is that not one and the same thing? The gentleman states "for the purpose of raising revenue or for the purpose of preventing tax evasion." To me that is the same thing.

Mr. WADSWORTH. In reaching that conclusion, surely the committee must know who these tax evaders are?

Mr. BUCK. By classes.

Mr. WADSWORTH. In what cases?

Mr. FRED M. VINSON. We have not that information.

Mr. WADSWORTH. Surely the committee must have that information.

Mr. DOUGHTON. I cannot yield further.

Mr. FRED M. VINSON. It was just a question of their paying a fair and reasonable share of the tax burden.

Mr. DOUGHTON. None of these closely held corporations will pay more under the proposed law than under the existing law. Most of them will not pay anything like the same amount.

Fourth. None of these closely held corporations will pay appreciably more tax under the proposed plan than under existing law, no matter what may be their dividend policy. In fact, in most instances they will pay considerably less tax. For example, a closely held corporation subject to tax under title I–B will, even if it distributes no dividends whatever, have its effective tax rate reduced—

From 31.2 percent to 20 percent, if its net income is $75,000.

From 31.5 percent to 24 percent, if its net income is $100,000.

From 31.75 percent to 28 percent, if its net income is $150,000.

From 32 percent to 30 percent, if its net income is $200,000.

From 32.1 percent to 31.2 percent, if its net income is $300,000.

From 32.3 percent to 31.2 percent, if its net income is $1,000,000.

The effective rate of tax under the proposed plan never exceeds, even with total retention, 31.2 percent of the net income of a corporation of this class, regardless of how large that net income may be.

In order to visualize the fairness of the proposed system with respect to closely held corporations, let me give you a sample example. Suppose a corporation whose stock is entirely owned by two individuals in equal proportion has a net income of $1,000,000. If the corporation retained all of its profits and distributed no dividends, the tax would be $312,000 on the corporation. If this business had been conducted as a partnership, the taxes paid by the partners woulds have aggregated $608,276, or almost twice the figure just given. If the corporation paid out $200,000 in dividends, giving each shareholder an income of $100,000, the combined tax on the corporation and on the shareholders would be $370,146. If the title I–B was avoided altogether by the declaration in dividends of $577,000, then the total tax on the corporation and on the shareholders would be $485,896. It does not appear to me that there is anything unfair in this system, nor does it appear why an individual should be able to cut his tax in half merely by incorporating his business.

What we are attempting to do by this bill is to equalize the taxes paid by individuals, partnerships, and closely and widely held corporations as nearly as we reasonably can. That is our objective. Of course, we will never be able to attain perfection, but I believe we have come as near perfection in this bill as it is humanly possible with the facts and information we could secure.

This is not all. Numerous relief provisions have been given to corporations in general, or to this type of corporation in particular, which prevent hardships in special cases. For example, a 2-year dividend carry-over is provided for; a relief provision in case of those corporations which are in debt or have an impaired capital structure is provided for; the right to take up the income of the corporation by the shareholders without actual distribution of dividends is provided for; and finally the loss on the disposition by sale of obsolete machinery is allowed in full against net income.

In other words, any debts contracted prior to January 1, 1938, may be used as a credit against the surtax under this law.

Mr. WADSWORTH. Is there no limit?

Mr. DOUGHTON. None at all.

Mr. WADSWORTH. Is it not $60,000 or 30 percent?

Mr. DOUGHTON. No.

Mr. FRED M. VINSON. Oh, no. It is $60,000, or 30 percent, or moneys used to pay indebtedness or irrevocably set aside to pay indebtedness, incurred prior to January 1, 1938, whichever of the three is the greatest.

Mr. WADSWORTH. But $60,000 is mentioned?

Mr. FRED M. VINSON. That is a break for the smaller-income, closely held corporations affected.

Mr. DOUGHTON. There are numerous deductions and exemptions permitted whereby the tax is very considerably reduced. This is why I have stated the tax has been so grossly misrepresented and misunderstood. Two of the majority members of the committee filed a report in opposition to the proposed tax on closely held operating companies and gave 19 reasons for their disagreement with the conclusion reached by the majority members. It appears to me many of these reasons would apply equally as well against any tax upon the net income of any corporation. For example, it is claimed this proposal would definitely retard the development of small- and medium-sized corporations. Of course, this objection can be urged against any tax. You can say any tax may militate against or retard the growth of a corporation, and this statement may or may not be true. You can make the same assertion with respect to other corporations as you can to corporations under title I–B.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. In view of the gentleman's reference to me, does the gentleman recognize the fact that where you apply one tax to one type of corporations and a higher tax to another type of competing corporations this is reasonably bound to retard the growth and development of and to have an effect upon the type of corporations which are discriminated against, probably unintentionally?

Mr. DOUGHTON. Does not the gentleman likewise recognize the fact that you can have a closely held corporation on one side of the street and a widely held corporation on the other side of the street doing business in competition, with the widely held corporation distributing a much larger percentage of its earnings, as is the case, and then the closely held corporation has an advantage over the widely held corporation not only a tax advantage but an advantage in business competition. I am not criticizing these corporations because they are closely held. I do not claim they are tax dodgers, but if they followed the same dividend policy and paid taxes on the same basis as the widely held corporations there would be no basis for title I–B. The gentleman knows that as well as anybody.

Mr. McCORMACK. Now the gentleman undertakes to tell what the gentleman from Massachusetts knows.

Mr. DOUGHTON. I do not want to debate the matter with the gentleman, because he will have an opportunity to speak in his own time. I do not make any criticism of the gentleman's position. We do not claim we are sanctified and possess all knowledge on tax matters. We do not approach this question in an unfair spirit. However, we do claim we have given the matter as fair and full consideration as has the gentleman from Massachusetts. I respect his views, but I do not concur in them, because I do not believe them to be sound.

Mr. McCORMACK. The gentleman has made a frank statement, but when he undertakes to state my views contrary to the way I have expressed them, then I believe the gentleman unconsciously trespasses.

Mr. DOUGHTON. In what respect have I misrepresented the gentleman?

Mr. McCORMACK. Oh, did I say "misrepresent"?

Mr. DOUGHTON. The gentleman said I stated his views contrary to what they were.

Mr. McCORMACK. No; I did not say "misrepresent."

Mr. DOUGHTON. I beg the gentleman's pardon.

Mr. McCORMACK. I used the word "trespass."

Mr. DOUGHTON. Well, trespass.

Mr. McCORMACK. What assurance has the gentleman a widely held corporation will declare larger dividends than a family-held corporation?

Mr. DOUGHTON. I am informed by the experts in the Treasury Department, who have had considerable experience in the collection of taxes, that such is the fact, and that if the closely held corporation does not refuse to distribute its profits it will not come under this tax. If we should treat with too much leniency the widely held corporations, that is no reason we should not do justice to the closely held corporations in order to get the taxes they should pay.

Mr. McCORMACK. Take the case of a widely held corporation which has a net income of $300,000. Then take the case of a family-held corporation, and family-held corporations have done a great deal toward building up this country.

Mr. DOUGHTON. There is no question about that.

Mr. McCORMACK. There are family-held operating companies, and the gentleman agrees they are not tax avoiders. Take the case of a closely held family corporation with a net income of approximately $300,000, which may be a competitor of the widely held corporation.

Mr. DOUGHTON. I cannot wait for the gentleman to make a speech. I am sorry.

Mr. McCORMACK. Let us say the family-held corporation declared no dividends. Under these conditions, one corporation would pay $60,000 of normal tax and the other would also pay $60,000, but the closely held corporation then would pay an additional tax of $33,600. Does the gentleman believe that is fair?

Mr. DOUGHTON. No; I do not believe that would be fair if it were literally true, but I find experience demonstrates the facts do not work out that way.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Is not the philosophy underlying the I-B tax simply this, that the Federal Treasury has certain rights in regard to revenue? Let us say a widely held corporation makes $300,000 and a closely held corporation makes $300,000.

Now, let some man rise here and say why the Federal Government is not entitled to secure substantially the same number of tax dollars on the same amount of $300,000. The widely held corporation more generously distributes to the shareholders. There is pressure put upon the management by the shareholders. That is why you have a larger distribution in the widely held corporation. These dividends going out into the hands of the shareholders in the widely held corporation are subject to a surtax. The closely held corporation retains the money and avoids the payment of individual surtaxes. We are endeavoring to even up the scale and to secure substantially the same number of tax dollars from the same number of net-income dollars.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield for a question, but not for a speech.

Mr. McCORMACK. I have made no speeches, I assure the gentleman. I just want to ask a question. My friend from Kentucky talks about tax avoidance in relation to these corporations, by inference, and my friend from North Carolina admits that they are not tax avoiders.

Mr. DOUGHTON. Let me interrupt the gentleman right there. I say I do not blame anybody or I do not charge anyone with being a tax dodger who pays all the tax the law requires, but I do blame Members of Congress and the Congress itself if it enacts laws, and continues them on the statute books, whereby certain classes of corporations

are immune from taxes that others must pay. The fault has been with us, and we are now trying to remove from the law that advantage which the closely held corporations have had over the widely held corporations. I have no charge to make against closely held corporations. They are just as honorable and legitimate as the widely held corporations, and any advantages they have had can be chargeable to Congress, or the neglect of Congress.

Mr. McCORMACK. Will the gentleman admit that up to the time of this proposal the Congress of the United States has always applied, at least, the rule of equality to all of these corporations, both those generally held and those family or closely held corporations that are operating companies?

Mr. DOUGHTON. That is another speech.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. FRED M. VINSON. I am sure my friend from Massachusetts realizes that just last year we wrote into the law section 1-A, in regard to personal holding companies, which imposes rates of 65 percent to 75 percent with respect to money retained. I am certain my friend from Massachusetts, and he is my friend, recognizes that we have in the present law a line of demarcation at $10,000 net income, those less than $10,000 net income having a lesser rate. Then we have a graduated system of income-tax rates as applied to the corporation.

Mr. McCORMACK. In that connection, did my friend notice, and the gentleman is my friend as I am his friend, that I used the words "operating companies"? The gentleman knows what I had in mind when I said "operating companies."

Mr. FRED M. VINSON. And when I referred to the 1936 law and the graduated corporation taxes I also referred to the operating companies.

Mr. McCORMACK. The gentleman referred to personal holding companies.

Mr. DOUGHTON. The minority also filed a report protesting against the title I–B tax. The arguments given are much less definitely stated than those given by the two members of the majority party who raised objections. Therefore these arguments need not be discussed.

The crux of the whole matter may be stated very simply and arithmetically. Why should a man who is conducting an individual business with a profit of $1,000,000 a year be permitted to reduce his taxes from $679,000 to $200,000 merely by incorporating his business, as it proposed by the opponents of this surtax?

Now, the minority report, in order to strengthen its case, reports that Mr. Parker, who is the head of the general staff on internal-revenue taxation and an outstanding authority on taxation, opposed in a statement in 1926 or 1927 the undistributed-profits tax.

Mr. Parker, of course, cannot come on the floor of the House and defend himself. Consequently, I wrote him a letter inquiring about the correctness of this statement in the minority report, as follows:

MARCH 3, 1938.

Mr. L. H. PARKER,
Chief of Staff, Joint Committee on
Internal Revenue Taxation, Washington, D. C.

MY DEAR MR. PARKER: Upon an examination of the minority report of the Committee on Ways and Means on the revenue bill of 1938, I find contained therein the following statement:

"The Ways and Means Committee's own tax expert, Mr. L. H. Parker, condemned the principle of the tax in a report submitted to the Joint Congressional Committee on Taxation in 1927."

Knowing and appreciating as I do your fine assistance and cooperation with regard particularly to the Revenue Act of 1936 and the revenue bill of 1938, I have doubts about the above statement and feel that you may want to express an opinion with regard thereto.

Yours sincerely,

R. L. DOUGHTON.

Now, see what Mr. Parker states in reply. I am sorry my minority colleagues have left the hall. You know they cannot stand sound doctrine. Here is what Mr. Parker states with regard to the charge in the minority report that he had opposed the principle of an undistributed-profits tax:

MARCH 3, 1938.

Hon. ROBERT L. DOUGHTON,
House of Representatives, Washington, D. C.

MY DEAR MR. DOUGHTON: Reference is made to your letter of today, referring to the following quotation from the minority report of the Committee on Ways and Means on the revenue bill of 1938:

"The Ways and Means Committee's own tax expert, Mr. L. H. Parker, condemned the principle of the tax in a report submitted to the Joint Congressional Committee on Taxation in 1927."

It is true that in the report referred to I set forth certain objections to undistributed-profits taxes which had been proposed up to that time. However, I believe it will be of interest to review this report, and particularly the final conclusion contained therein, which is as follows:

"A third method, and the one which is recommended, is to allow the corporation a deduction in computing net income equal to, say, 20 percent of the excess of dividends paid over dividends received, the deduction in no case to be more than, say, 25 percent of the corporation's taxable net income before such deduction. * * * This method appears to be of such a nature that it can readily be applied to the present structure of our revenue act."

This statement shows that at that time, 11 years ago, I definitely recommended the principle of the undistributed-profits tax to this committee. If this quotation is examined, it will appear that it was a good forecast of coming events. For example, under the revenue bill of 1938, a corporation with $100,000 net income, which has distributed all of its net-income dividends, will compute a tentative tax of $20,000 less 4 percent credit for dividends paid, reducing its tax to $16,000. Under the plan proposed by me in the 1927 report, there would have been deducted from the $100,000 net income 20 percent of the dividends paid, reducing the net income to $80,000, which, if the rate had been 20 percent, would have reduced the tax to $16,000, exactly as under the bill proposed.

The undistributed profits tax plan in the pending bill produces practically identical results with the plan proposed in 1927. It is, therefore, a matter of record that I believe in the principle of the undistributed-profits tax in the form contained in this bill.

Yours respectfully,

L. N. PARKER, *Chief of Staff.*

So, 11 years ago, Mr. Parker, whom they quote as being opposed to the undistributed-profits tax, definitely recommended to the Committee on Ways and Means the principles of the undistributed-profits tax. Therefore, I invoke their own witness to contradict their statement in this respect. Mr. Parker says he believes in the principle of the undistributed-profits tax as contained in this bill, so I say to my good friend from Massachusetts [Mr. TREADWAY] that that should set him at rest, so far as the statement of Mr. Parker is concerned. That just shows how desperately the minority are straining at a gnat and swallowing a camel in order to criticize the bill under consideration. I shall not reply further to the political stump speech of the minority, because it is nothing more than a political stump speech; it is just an arraignment of everything under the New Deal, a criticism from one end to the other, evidently intended to be used as a campaign argument rather than as an argument to convince intelligent men in this House that this bill is framed on an unscientific basis.

If the closely held corporations will distribute as large a proportion of their earnings as are now distributed by the average or widely held corporations, they will then certainly not be subject to this tax. In this I refer to large closely held corporations, as no small corporation will be subject to this tax. The $75,000 exemption with other exemptions provided in the bill certainly leave all but a few large closely held corporations, approximately one-fourth percent of all the corporations in this country, entirely immune from this tax.

I am not accusing closely held corporations of being tax dodgers. They simply avail themselves under the law of lower taxes. For this situation the law and the Congress and not the corporations are to blame. None of us pays taxes which the law does not require, but it is the duty of Congress to so write our tax laws as to make them apply to all taxpayers, whether corporations, closely or widely held, or those doing business as individuals, or partnerships, upon as equal a basis as is reasonably or humanly possible. I am not assuming any sanctimonious or pharisaical attitude

in the consideration or discussion of this bill, neither am I accusing those who differ with me with being either ignorant or evil-minded, as some have insinuated regarding those who differ with them.

I hold to the philosophy that business and government are interdependent. Certainly business could not exist without the protection which the Government affords. On the other hand, the fiscal needs of the Government cannot be reasonably and fully supplied other than by a tax on the profits of industry. Therefore it is in the interests of the Government as well as the people for industry to prosper and be able thereby to make substantial contributions to the support of the Government.

In conclusion, permit me to repeat that our committee, after long and careful study, assisted by the ablest experts in the Government service, has presented the best bill we could prepare. Our motive has been not to punish or persecute anyone, not to discriminate for or against any class of taxpayers, but to accord all justice and fair play in matters of taxation.

Mr. FRED M. VINSON, chairman of our subcommittee, has put his life's blood into this bill. I consider him the peer of any man in the public service in any department of the Government. I regard him as a statesman and as an authority on matters of taxation in a class with the late Oscar Underwood and the late Claude Kitchin, and certainly I could pay him no higher tribute. I know his leaving this body is a great loss to our committee and to the Congress and the country. I am sure that every Member of this House deeply regrets to see him leave and wish for him the same outstanding success in his new work that he has attained as a Member of Congress, as well as long life and genuine personal happiness. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield myself 30 minutes and ask unanimous consent to revise and extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. TREADWAY. Mr. Chairman, some things can be amusing and at the same time be pathetic. The statement of the chairman of the Committee on Ways and Means [Mr. DOUGHTON] recently recorded in the press that under the new tax bill business need have no further fears but should immediately resume normal operations, brings a distinct smile.

The Democratic majority of the committee are fooling only themselves when they think that a measure which continues to offer as many obstacles to business recovery as the present bill will be accepted by the businessmen on the basis of the chairman's statement.

It would seem as though our friend from North Carolina must have in mind that those interested in trade and industry are kindergarten students insofar as their knowledge of practical business is concerned.

The point that will be brought out most prominently by the Democratic majority in the course of this debate is that the measure now before us is preferable to the present law.

This is faint praise, indeed.

Almost any kind of a bill would be preferable to the present law, for which the Democratic majority are also solely responsible. No tax law in my memory, and, perhaps, in all history, ever met with more universal and more justifiable condemnation than this unsound and repressive measure. To say that the proposed bill is better than this law does not mean either that it is a good bill or that the House or the country must accept it.

The majority report contains the statement that testimony was heard on the bill from approximately 115 witnesses. Then there follows this statement:

> Almost without exception the recommendations of the subcommittee have been found meritorious.

I do not charge any intention to deceive, but a person reading the majority report would almost be led to believe that "almost without exception" the 115 witnesses found the subcommittee recommendations to be acceptable.

Such, however, was not the case. Only one witness appeared before the committee in support of the major recommendations contained in the bill before us. This gentleman was the Under Secretary of the Treasury, Dr. Magill, who practically dictated the provisions of the bill, and who naturally would be supposed to favor his own handiwork.

Not a single businessman came before the committee and approved of the principle of the retention of the undistributed-profits tax. The majority members of the committee thought they were very clever in getting witnesses to admit that the subcommittee proposals were better than the present law, but when pressed further by questioning from the minority side, these same witnesses said that they would prefer a straight tax on net income rather than the complex, indefensible provisions which are found in the measure before us.

On page 2 of the report of the Democratic majority, we find this statement——

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. DOUGHTON. The gentleman will recall that we had about 10 days of public hearings and heard everyone who desired to be heard. Is it not reasonable to interpret that as meaning that the businessmen of the country who did not appear were satisfied?

Mr. TREADWAY. What an inference! How ridiculous! How perfectly absurd—and the chairman is smiling when he suggests that idea. It is so ridiculous that I do not want to take my time in answering it. It is perfectly absurd. Let us not waste the time of the country in paying attention to such suggestions as that those who did not appear before the committee were satisfied with the provisions of the bill. Mr. Chairman, do not, please do not get into that kind of story again. My goodness, that is terrible. I am sorry, really I am sorry for our chairman. I have the highest regard and respect for his judgment and ability, but for him to make any such suggestion as that is the height of absurdity.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. KNUTSON. We all know that this is the chairman's facetious day; he is in rare good humor today, and well he may be, because I will say that considering what he had to work with he did a very good job. Is it not a fact, however, that those who appeared before the committee while it was holding hearings invariably said that the proposed bill was the lesser of two evils?

Mr. TREADWAY. That is all there is to it, and that is the exact situation. Nobody approved it, not a businessman who appeared approved the suggestions of the pending bill.

Mr. KNUTSON. And no one to do it honor.

Mr. TREADWAY. To the contrary, they wanted to bury it.

Mr. SNELL. Mr. Chairman, will the gentleman yield for one short question in connection with the hearings?

Mr. TREADWAY. Certainly.

Mr. SNELL. Out of all the people who appeared before the committee how many favored this bill?

Mr. TREADWAY. One, and he was practically the author of the bill, Dr. Magill, the Undersecretary of the Treasury. He was the one and only witness who spoke in favor of the bill.

Mr. SNELL. He was the only witness who favored it?

Mr. TREADWAY. The only one.

Mr. Chairman, on page 2 of the report of the Democratic majority, we find this statement:

> The purpose of the bill, as reported, is to improve our existing revenue system, to remove inequities, to equalize the tax burden, and to stimulate business activities, and to accomplish this without reducing the revenues which would be obtained by existing law under present conditions.

Mr. Chairman, who wrote the law that it is now found necessary to improve? Who wrote the law which gave rise to the inequities which are now sought to be removed? Who wrote the law that imposed the unequal tax burden which

this bill purports to equalize? Who wrote the law that hampered business activities and now necessitates their stimulation?

The fact is that the present bill is an admission by the Democratic majority of the great blunder which they made in enacting the undistributed profits tax law of 1936. They wrote the law which it is now found necessary to correct.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Certainly.

Mr. KNUTSON. The gentleman wants to be fair.

Mr. TREADWAY. Is there anything unfair in that statement?

Mr. KNUTSON. I think the gentleman should give the majority credit for going as far as they could in rectifying the error of 2 years ago without losing face.

Mr. TREADWAY. I do not quite agree with my colleague in that respect.

Mr. KNUTSON. I think that is true.

Mr. TREADWAY. They definitely knew they made a mistake when they enacted the principle of the undistributed-profits tax.

Mr. KNUTSON. They have gone as far as they possibly could go without absolutely and openly admitting they made a bad mistake 2 years ago.

Mr. TREADWAY. I agree with the gentleman. I think that is true; but I do not want the Democratic majority, I do not want this House, I do not want this country to say that this bill is a better bill except in the sense that it is a correction of their severe and terrible mistake of 2 years ago. Let us have it understood and place the burden right where it belongs. It belongs on the Democratic majority for having written such an outrageous bill 2 years ago. To say, therefore, that it is an improvement does not mean that you are giving them credit for doing anything they should not have done 2 years ago.

While the Democratic majority can rectify the mistake which they made in writing this law upon the statute books, over the protest of the Republican minority, they cannot undo the harm it has done to business, to labor, to recovery, and to the Federal revenues.

In this connection, I want to recall a little bit of recent history. The Democratic majority owe to Professor Oliphant, of the Treasury, the suggestion for the present undistributed-profits tax which they enacted into law in 1936. Professor Oliphant, in turn, borrowed the idea from Rexwell G. Tugwell's book—The Industrial Discipline. Professor Oliphant was supported in his advocacy of the tax before the Ways and Means Committee by a representative of the Communist Party—a Mr. Bedacht.

And that testimony, as I recall it, was the only favorable testimony offered 2 years ago in behalf of the undistributed surplus tax—just one Communist witness was the only man outside of the Department that offered any evidence.

Let us turn for a moment to Professor Oliphant's testimony before the committee in 1936. On page 633 of the hearings it will be found that I asked him this question with regard to his proposal:

> Then you do not think it will injure small corporations?

To which he replied:

> Speaking as a class, I do not.

I need not comment on what the actual results of the tax have been with regard to small business. I would just refer Professor Oliphant to the representatives attending the conference of small-business men recently held in Washington.

His ears must have burned when he realized the criticisms they were offering.

On page 640 of the hearings I asked the professor this question, having previously referred to the possibility of another depression coming on:

> Suppose that some of the prophecies should come true, and receiverships and bankruptcies result, with bonds depreciating, banks unwilling to make loans, investment bankers already operating all the business they could; in your opinion, would the Government then step in and arrange for the necessary financing by the Government?

To which he replied:

> I should think that the Government is less likely to have to face that unpleasant alternative if by some fair tax bill of this sort we straighten out that Budget picture.

It is so ridiculous to think what has been done in straightening out the Budget picture under the advice of that distinguished professor in the Treasury Department. It is not worth spending time referring to it.

Mr. CLASON. Does the gentleman know whether or not that second depression has arrived?

Mr. TREADWAY. The Franklin Roosevelt depression is in full force throughout the United States. Whether it is the first, second, or third Roosevelt depression I am not altogether sure, but the gentleman knows, representing a business district, it is here 100 percent. It is the Roosevelt depression, aided by such advisers as Oliphant.

Professor Oliphant thought that if the Democratic majority would enact his proposed undistributed-profits tax, there would be less likelihood of another depression.

The depression is here and speaks for itself.

Here is an interesting point. The frontal attack of the Republican minority in the committee was directed very largely against this undistributed-profits tax, and still the author of it was conspicuous by his absence during the hearings on the present bill. I wonder if he did not stay away for the reason he would have found it very embarrassing to explain some of his statements 2 years ago.

Mr. DOUGHTON. Will the gentleman yield?

Mr. TREADWAY. Again I yield to the distinguished chairman of the Ways and Means Committee.

Mr. DOUGHTON. I am sure my colleague wants to keep the record straight and does not want to make a misstatement.

Mr. TREADWAY. We must have the record straight. Did the gentleman appear as a witness?

Mr. DOUGHTON. I want to correct the gentleman.

Mr. TREADWAY. Did he or did he not appear as a witness?

Mr. DOUGHTON. He appeared as a witness, after he was called by me, on the six hundred and fiftieth page or so of the hearings. This bill, however, was proposed by the President of the United States.

Mr. TREADWAY. Was Professor Oliphant a witness before the committee?

Mr. DOUGHTON. Yes; at my insistence. He is not the author of the bill at all, as the gentleman infers. He testified at my request at about the six or seven hundredth page.

Mr. TREADWAY. When is the gentleman talking about—2 years ago or now?

Mr. DOUGHTON. The President of the United States is the one who proposed this bill.

Mr. TREADWAY. When did Professor Oliphant appear before the Ways and Means Committee?

Mr. DOUGHTON. At about the six hundredth page of the hearings.

Mr. TREADWAY. Two years ago?

Mr. DOUGHTON. Two years ago.

Mr. TREADWAY. I am asking why he did not show up this time.

Mr. DOUGHTON. I will tell the gentleman.

Mr. TREADWAY. Why?

Mr. DOUGHTON. It was not his place to appear. Why did not the counsel of the Treasury come when Secretary Mellon appeared before the committee? He always appeared himself with the Under Secretary.

Mr. TREADWAY. What is the gentleman aiming at? Where is he headed for?

Mr. DOUGHTON. Let me get this statement in.

Mr. TREADWAY. Is the gentleman coming or going?

Mr. DOUGHTON. He is not standing on his head like the gentleman from Massachusetts is, anyway.

Mr. TREADWAY. I am anxious to find out why Professor Oliphant did not appear at the hearing this year.

Mr. DOUGHTON. I know the gentleman wants to get this straight. Mr. Helvering came. The Secretary was sick.

Mr. TREADWAY. Did not Professor Oliphant appear as the advocate of the undistributed-profits tax 2 years ago?

Mr. DOUGHTON. He advocated the bill the House passed then, but not the present law. He did not favor this at all.

Mr. TREADWAY. Has the gentleman explained why Professor Oliphant was not on the witness stand this year?

Mr. DOUGHTON. Because we did not call him.

Mr. TREADWAY. Why did not the gentleman call him? He did not dare to.

Mr. DOUGHTON. Because we had an understanding.

Mr. TREADWAY. What he prophesied last year was so far from the results obtained he did not dare show up and submit to cross-examination.

Mr. DOUGHTON. The gentleman will not let me make a straight statement. Will he yield further?

Mr. TREADWAY. Yes.

Mr. DOUGHTON. The reason he did not appear this year was that we had an Under Secretary of the Treasury, which we did not have then. We had one at this time, and it was his place to come.

Mr. TREADWAY. Surely.

Mr. DOUGHTON. Just as Mr. Mills came before our committee.

Mr. TREADWAY. May I say this?

Mr. DOUGHTON. Just a minute. Just as Ogden Mills, the Under Secretary of the Treasury, came when Mr. Mellon appeared. It was exactly the same procedure.

Mr. TREADWAY. Oh, yes.

Mr. DOUGHTON. That is the truth.

Mr. TREADWAY. We did not have such an author or such a bill as Mr. Oliphant has recommended when Secretary Mellon was holding forth.

Mr. DOUGHTON. We had a much worse one.

Mr. TREADWAY. No; we did not. The gentleman wants to be fair. Now, let us be fair. I say Professor Oliphant was your witness when the undistributed-profits tax was written into the law. Whether he represented the Secretary of the Treasury or the President of the United States, I do not know, but I do know that he was the man who did the talking for that particular item.

Mr. DOUGHTON. Nobody denies that, but he was not the author of the undistributed-profits tax. He came down at our request.

Mr. TREADWAY. I do not hear the gentleman, but he is waving his hands. Let us get along.

Mr. KNUTSON. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Is this a private fracas or is it a free-for-all?

Mr. TREADWAY. It is a free-for-all.

Mr. KNUTSON. Will the gentleman yield further?

Mr. TREADWAY. Certainly.

Mr. KNUTSON. I have here a copy of the New York Times, that citadel of democracy, and I want to refer to an editorial entitled "The Profits Tax." Will the gentleman bear with me while I read some excerpts? I shall be pleased to yield the gentleman more time. [Laughter.]

Mr. TREADWAY. Make it very brief and get leave to print the rest of it, because I really would like to proceed.

Mr. KNUTSON. After going on to condemn the grudging attitude of the majority, the editorial states:

> In other words, the committee has missed a great opportunity. By making no effort to save face by acknowledging frankly that the tax had failed, by unmistakably repudiating its principle, by revising the capital-gains tax drastically—in short, by doing handsomely in full what it does grudgingly in part—

Then it goes on and pays us a tribute.

Mr. TREADWAY. Just a moment; I want to identify it. This first part is referring to the undistributed-surplus tax?

Mr. KNUTSON. Yes; it is referring to the bill reported out and now under consideration.

Mr. TREADWAY. Go ahead.

Mr. KNUTSON (reading):

> The committee minority report, with only the partisan references omitted, should have been the unanimous report. The minority point out that the "third basket" tax is without justification. Section 102 of the tax law already in existence imposes a penalty on corporations "formed or availed of" for surtax avoidance purposes, and this section is or can be made sufficient to take care of all real cases of tax avoidance. But the "third basket" tax tried to do with a shotgun what should be done with a rifle.

In other words, they want to kill them all off.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Certainly, I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. May I inquire of the gentleman from Minnesota if the editorial made any reference to the repeal of the excise tax upon certain lumber, such as western spruce?

Mr. KNUTSON. I have not read the entire editorial yet, but I expect to do so later.

Mr. SNELL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the distinguished gentleman from New York.

Mr. SNELL. In connection with the undistributed-profits tax the gentleman is discussing now, I notice in the majority report are set forth all the principal arguments that have been made against this tax. Of course, I expect them to agree with these arguments, otherwise they would not have set them forth in the report. How do the members of the majority in view of this action justify their position that the principle of the tax is correct?

Mr. TREADWAY. I am very pleased to have the gentleman ask me that question. I consider it a high honor to have him do so. I may say, however, that for several months, with my associates on the subcommittee and the other minority members of the committee, I have been trying to get that same explanation from the majority members of the committee, but we have not succeeded. By reducing the undistributed-surplus tax they seem to admit the tax is wrong, but they want to retain the principle of the tax in order to uphold the face of Mr. Oliphant and his associates, as well as their own. This is the only answer I can give to the gentleman's question.

Mr. KNUTSON. The minority leader should propound his interrogation to a crystal gazer. [Laughter.]

Mr. TREADWAY. To get back to Professor Oliphant for a moment, he was conspicuous by his absence during the hearings held on the present bill. I wonder if he did not stay away for the reason he would have found it very embarrassing to explain some of the statements of 2 years ago.

Let me refer to just one more statement made by him in 1936. On page 640 of the hearings he said:

> I say that it is a tax bill that reduces inequalities and inequities to a minimum.

Mr. Chairman, the whole basis of the argument of the majority in their report, as is shown by the title of the bill itself, is to remove inequalities and inequities. Yet Mr. Oliphant stated that the undistributed-profits tax reduced those inequalities and inequities to a minimum.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield for a statement?

Mr. TREADWAY. Certainly; I yield to the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Oliphant made that statement in respect of the House bill. My statement was with respect to the law, which was largely the work of the other body.

Mr. TREADWAY. In other words, you did not get a good bill in the House, and the Senate fixed it up better for you.

Mr. DOUGHTON. Mr. Oliphant did not say anything about what was done in the Senate.

Mr. TREADWAY. I am sorry the gentleman had to admit his own bill was a poor one when it left the other House.

Mr. FRED M. VINSON. Surely my good friend the gentleman from Massachusetts does not want to leave that statement in the RECORD.

Mr. TREADWAY. I am simply repeating what the chairman stated.

Mr. DOUGHTON. I said that statement was made with respect to the bill that was before the House, not with respect to the present law. I have never admitted the House bill was not a good bill, and the gentleman cannot afford to.

Mr. TREADWAY. I do not quite get the gentleman's point.

Mr. DOUGHTON. I never admitted the House bill was not a good bill. There are some inequities in the present law, but they were put in by the other body.

Mr. TREADWAY. Let me ask the gentleman a question. Of course, the gentleman admits that Mr. Oliphant said what I quoted from page 640 of the hearings?

Mr. DOUGHTON. I do not dispute that. He was referring to the House bill and not to the law. The gentleman knows the House bill was lost.

Mr. TREADWAY. What became of the bill he was recommending here?

Mr. DOUGHTON. We did not pass that.

Mr. TREADWAY. You did not?

Mr. DOUGHTON. No. The gentleman is not that dense. He knows that.

Mr. TREADWAY. Then the present law is better than the bill Mr. Oliphant recommended, according to the gentleman's statement.

Mr. DOUGHTON. The gentleman has it exactly backward, as the gentleman usually gets things.

Mr. TREADWAY. As a matter of fact, there was not any bill before the committee when Mr. Oliphant testified. He was speaking on the abstract principle.

Mr. DOUGHTON. The gentleman gets everything just backward.

Mr. TREADWAY. We are told by the Democratic majority that the present bill is to remove inequities and inequalities in the measure which Professor Oliphant was at that time sponsoring and which they blindly enacted into law. It would seem that the rosy predictions that were made for the undistributed-profits tax of 1936 were just about 100 percent wrong, even as regards the amount of revenue it was going to raise.

On the other hand, the predictions which we of the Republican minority made have turned out to be 100 percent right. Our minority report in opposition to the 1936 bill was prophetic.

If we of the Republican minority had been in any way responsible for the enactment of the present iniquitous law, I have no doubt our Democratic friends would today be panning us with tongue lashings and vituperative remarks.

Of course, we all make mistakes, but their grievous and calamitous blunder in enacting the present undistributed-profits tax into law was inexcusable, because they went into it with their eyes wide open. They preferred to follow the advice of an impractical professor rather than listen to the warnings of practical businessmen.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Illinois.

Mr. MASON. The gentleman wants to be fair. I wonder if he will admit there is one good thing in connection with the present tax law that is on the books, and the same good thing in connection with the proposed tax law to take the place of the present one, and that is the good intention of the author?

Mr. TREADWAY. Is there not a certain place paved with good intentions? I think the gentleman has heard of that remark.

Mr. MASON. I want the gentleman to admit there is one good thing in connection with the proposed law.

Mr. TREADWAY. Let us say they tried sincerely and that their intentions were good, but such intentions have paved a certain hot place. I think the intentions were a blamed sight better than the results.

We of the minority are extremely glad we had nothing whatever to do with the enactment of the present undistributed-profits tax. The blame lies entirely upon the shoulders of the Democratic majority. The bill that is now before us is to correct their own mistakes, not ours, and the pity of it is that they are only doing a partial job.

We also want it to be clearly understood that we of the minority have had nothing to do with the preparation of the proposed new method of taxing corporate business. It is purely a Democratic measure for which they alone must take the responsibility. If the majority can find anything in the proposal for which to take credit, they are welcome to that also.

The CHAIRMAN. The gentleman from Massachusetts has consumed 30 minutes.

Mr. TREADWAY. Mr. Chairman, I yield myself an additional 15 minutes.

It is claimed that the bill will relieve the tax burden on corporate business, but the majority themselves admit in their report that the total tax revenues will not be reduced under the bill.

On page 7 of their report they even express the hope that the changes in the capital-gains provision will increase the revenue.

The bill will result in increasing the present taxes on some corporations, both large and small, and reducing it on others. What is most strange, considering the philosophy of the bill, is that the increases will be on corporations which distribute the greater part of their earnings while the decreases will be on corporations which retain the greater part of their earnings.

The entire plea of the Democratic majority has been that the bill before us relieves business. Doubtless, they mean it will relieve business of as many or more tax dollars. That is about all the relief there is going to be—relieving business of more tax dollars. Maybe they can show where it will be taken off of one corporation, but they are putting it on another corporation to take its place. This is relieving one pocket and putting it into another.

It is beyond my comprehension how business can be relieved by the bill when the majority admits they are not going to collect any less revenue under the bill.

There is an arithmetical problem that I think the majority ought to explain. They are going to collect the same amount of revenue—they must do this according to the orders from the White House—but they are going to relieve somebody.

If the measure we are now considering contains any relief whatsoever, let me repeat that it will be only from the Democratic majority's own grievous errors of the past. Let us put the blame of this thing directly where it belongs.

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. CHURCH. Am I correct in receiving the information that the present law on this subject and also this bill were perfected in executive session where the majority members were the only ones present?

Mr. TREADWAY. Well, that is partially correct. The majority of the subcommittee were very courteous to us. There was, of course, no bill before the subcommittee on this revision program. We simply had the suggestions or recommendations of the Treasury, and during the consideration of these recommendations the minority members were present, I believe, most of the time. There may have been some meetings about which my colleagues and myself were not notified. Later on, when the full committee met, it seemed that the notices to the minority members were rather frequently overlooked. The minority members received notice of just a few of the meetings. It happened that we occasionally stumbled into the committee room and found our Democratic colleagues hard at work. We perhaps ought to thank them for not making us work. It seemed that when the important features were being brought up we were not needed; and, as a matter of fact, we saw the bill in its completed form about 12 hours before you did. We were called into meeting one afternoon and asked to vote out the bill. That is the first we had seen of it.

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. CHURCH. Did the gentleman or the minority help draft the bill? Who drafted it?

Mr. TREADWAY. I will give the gentleman another example in arithmetic. There were six members of the majority on the subcommittee and three of the minority. There are 18 of the majority on the full committee and 7 of the minority. I think the gentleman can answer his own ques-

tion as to who drafted it. Let me further say to the gentleman that, if we had had a particle of influence in drafting the bill, there would be no undistributed-profits tax in it. [Applause.]

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. SIROVICH. I was very much impressed by the statement the gentleman made that the minority members had been given very little consideration by the majority.

Mr. TREADWAY. I did not mean to say that; they were given very polite consideration in many respects.

Mr. SIROVICH. And you were not present on some occasions at all?

Mr. TREADWAY. Oh, many occasions. I imagine there were a lot more sessions of the majority than we knew anything about, but we did know about a good many at which we were not present.

Mr. SIROVICH. I would call the attention of my distinguished colleague, for whom I have a very wholesome respect, to the fact that 10 or 12 years ago, when I was present in this House, the Republican majority was in charge of the Ways and Means Committee, under Mr. Green and Mr. Hawley. Bills were brought in, and the distinguished Vice President, who was the ranking minority member of the Ways and Means Committee, arose in the House and said, when the tariff bill was enacted, that you never invited the minority, you never permitted them to be in the room.

Mr. TREADWAY. I thought the gentleman would be kind enough to bring in something about the tariff.

Mr. SIROVICH. So the Democrats had a thoroughly sound precedent to use.

Mr. TREADWAY. We were only following the example of the gentleman's own party when Mr. Underwood was chairman. A better chairman the committee never had, with all due respect to our present chairman. How much consideration did the Republican Members and Mr. Payne have in the writing of the Underwood Tariff Act? We were locked out.

The pending bill is a tax bill, supposed to be nonpartisan. A tariff bill is founded on partisanship; and when you write a tariff act we shall not expect to come in; but when we get back into power and write our tariff act we are not going to write in any reciprocal-trade treaties. [Applause.]

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. DONDERO. I asked this question of the gentleman from North Carolina [Mr. DOUGHTON], but he could not answer it. I now ask the gentleman from Massachusetts: With corporations earning $25,000 or less exempted, I understand they represent 90 percent of the corporations of the United States, what proportion of the people employed in the United States do those little corporations represent?

Mr. TREADWAY. The other 10 percent represent 90 percent of the business transacted.

Mr. DONDERO. In other words, the 10 percent of the corporations that come under the bill represent 90 percent of the people employed in the country?

Mr. TREADWAY. I think the gentleman is correct.

In 1936, we of the minority said that we would not vote for any new taxes until the administration had first made a sincere effort to reduce expenditures by eliminating extravagance and waste. It had not done so at that time, and it has not done so now. Hence we are still justified in opposing any increase in taxation over the level existing prior to the 1936 act. The pending bill carries forward the increase made in 1936, which we opposed.

There is reason for believing that the proposed bill involves an actual increase in the total tax burden. We of the minority have never been shown the so-called balance sheet which we were promised by Under Secretary Magill when the work on the bill was finished. Why has no estimate been given as to the effect of the various changes from the revenue standpoint? The report of the majority contains nothing but a general statement that according to the best information they had been able to obtain, from the Treasury Department and other sources which were unnamed, the revenues under the bill would be "as great as under existing law."

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. CHURCH. A while ago the gentleman was quoting from page 141 of the hearings. What does Mr. Magill mean when he says, "If we total up the various losses and gains, there is under current business conditions a substantial balance with the present system"? What does he mean by the present system?

Mr. TREADWAY. I quoted that statement to the chairman when the gentleman from New York was interrogating him, and I refer to his answer.

Mr. CHURCH. What does he mean by a substantial balance?

Mr. TREADWAY. We do not get beyond that sentence. There has not been a break-down of the receipts expected under this law. It has not come to the attention of the minority.

Mr. CHURCH. And a substantial balance would be a larger tax than under the present law?

Mr. TREADWAY. It sounds as if there would be more taxation.

Mr. SNELL. I take it from the statement the gentleman has just made that to the gentleman as a member of the subcommittee, there never has come any definite information relative to any break-down as to what these individual items will bring into the Treasury.

Mr. TREADWAY. Not the slightest. Of course, I am only quoting my recollection, because there are no records of the subcommittee—we had no reporter there. The sentence to which the gentleman from Illinois [Mr. CHURCH] has just referred is all that appears in the public records that Dr. Magill said, but I have a distinct recollection of asking him myself for a break-down; which he said he would furnish, but never did.

Mr. SNELL. The gentleman from Kentucky made some statement about a bill that the gentleman from Massachusetts introduced.

Mr. TREADWAY. Oh, yes.

Mr. SNELL. And he said that they voted that down immediately.

Mr. TREADWAY. Oh, yes; and a partisan report came on that bill immediately. It is surprising how quickly they got that report.

Mr. SNELL. Was the break-down reported?

Mr. TREADWAY. The gentleman from Kentucky [Mr. FRED M. VINSON] had figures from the Department at the time. They put a long story in the press ridiculing my bill.

Mr. FRED M. VINSON. And after the gentleman's attention was called to what the bill did, did he not drop it like a hot cake?

Mr. TREADWAY. Oh, no; I did not. I stand for that bill today.

Mr. FRED M. VINSON. I never heard the gentleman make one single reference to it after we voted it down.

Mr. TREADWAY. What good would it have done when it fell on such sterile ground as the gentleman from Kentucky and his associates? It would have been a waste of time. I am going to tell the gentleman from New York what the gentleman did not tell him. I repeat that it seems strange to me that inside of 24 hours, at the outside, an estimate could have been produced by the Treasury Department as to what the bill I introduced would produce in revenue, when they claimed that it reduced the revenue $417,000,000; but we could not get any information or any break-down of receipts from the pending bill. I got some estimates of my own of what my bill did, and there is a marked difference. This is an authoritative estimate.

Mr. SNELL. The gentleman considers it a good authority?

Mr. TREADWAY. Yes; just as good and better.

Mr. SNELL. Made by someone of experience in making Treasury estimates?

Mr. TREADWAY. Yes, but not a partisan estimate as was provided by the Treasury against my bill. Here is a considered, accurate, nonpartisan estimate. I hesitate to make this announcement, because it will surprise the gentleman. The figures as estimated by the Treasury under the partisan guidance of a Democratic majority was that it would result in a loss of $417,000,000 in revenue, if the bill which I introduced were passed. The estimate I have is that it would result in a loss of $77,000,000 on 1937 income as against the $417,000,000 estimate of the Treasury. Loss from repeal of undistributed-profits tax, $145,000,000. Gain from 1-percent increase in normal tax, as provided in my bill, $68,000,000; $145,000,000 reduced by $68,000,000 leaves $77,000,000. For every 1 percent you raise the normal tax, it is estimated you will raise $75,000,000. Therefore, if you put your normal tax up 2 percent, instead of 1 percent, you equalize the receipts under my bill, as compared with the Treasury bill today.

Mr. SNELL. They were able to get a break-down on the gentleman's bill, but on the five and a half billion dollar tax bill that we are asked to vote on, there is no break-down.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TREADWAY. Mr. Chairman, I yield myself 5 minutes more.

Mr. FRED M. VINSON. Does the gentleman take into consideration the loss in revenue from the income-surtax charge?

Mr. TREADWAY. So far as the difference between the two bills is concerned, I do not know where that figures. Of course, the dividends for 1937 were for the most part already declared when I introduced my bill.

Mr. FRED M. VINSON. We were told that under the undistributed-profits tax you would receive $250,000,000 from individuals because of the 1936 act. If the gentleman will take $230,000,000 or $250,000,000 and add to the $70,000,000, it will bring over $300,000,000 loss.

Mr. TREADWAY. Will the gentleman be kind enough to say where the break-down came from and how quickly you got it, by which it is estimated there was a loss of $417,000,000 under my bill, H. R. 8629?

Mr. FRED M. VINSON. I can tell the gentleman.

Mr. TREADWAY. Why could you not get an estimate of the break-down of the present bill?

Mr. FRED M. VINSON. Immediately the bill was offered, a motion made to adopt it, and it was voted down without any hearings whatsoever.

I was in the chair, and it was ordered by a vote to refer that bill to the Treasury. They took it and kept it some time and brought it back.

Mr. TREADWAY. We did not believe in the Treasury estimate and do not today. Let me conclude my remarks in the brief time I have remaining.

On page 14 of the hearings is a table setting forth, among other things, the effective rate of normal and undistributed-profits tax on corporations in 1936. This table shows that the average effective rate for all corporations was 13.52 percent. I call attention to the fact that under the bill, the minimum rate on the smallest corporation is 12½ percent, and on the larger corporations it runs up to 20 percent. Hence there seems to be no question but what the rates in the bill involve an increase in the tax on corporations. And the fact that an average rate of 13.52 percent produces the amount of revenue now raised from corporations completely negatives any suggestion that if the proposed plan of corporate taxation were abandoned, and a flat normal corporate income tax were imposed, the rate would have to be from 17 to 22 percent.

It is said by the Treasury that the 13.52 rate does not take account of intercorporate dividends. But even this fact, if true, would not explain the discrepancy between the two sets of figures.

There is much more that I could say with reference to the bill, but I prefer to bring to the attention of the House and the country the views which we of the Republican minority of the committee filed in connection therewith.

The reasons which impel me to oppose the bill are set forth in this report, and anything further I might say in regard to the bill would simply be a repetition of what is said therein.

Mr. Chairman, it was my intention to read excerpts from the minority report, but I have consumed more time than I expected, therefore I ask unanimous consent to include as part of my remarks the full report of the minority as it was published yesterday. It seems to me that there is ample justification in this report for the House to condemn and vote down the bill before us today.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The minority report follows:

VIEWS OF THE MINORITY

We, the Republican members of the Ways and Means Committee, submit the following statement of our views respecting the pending bill:

We shall make no attempt to set forth our position with reference to each and every provision, since the bill is exceedingly long and involves many changes of existing law.

However, by reason of certain outstanding undesirable features, we cannot give the bill our support. These are:

1. The retention of the vicious and indefensible principle of the undistributed-profits tax, which we have at all times vigorously opposed.

2. The imposition of an unwarranted and discriminatory penalty tax on closely held or family corporate business organizations.

3. The absence of such a limitation on the taxation of capital gains as would increase the revenue from this source by encouraging, rather than preventing, capital transactions and the investment of new funds in productive enterprise.

UNDISTRIBUTED-PROFITS TAX

We favor, and the country demands, the outright, unconditional repeal of the undistributed-profits tax. There can be no possible justification for the retention of this discredited and exceedingly destructive form of taxation in any degree whatsoever. The sole reason it is continued by the majority is for face-saving purposes.

When the undistributed-profits tax was proposed in 1936 we Republican members of the committee filed a dissenting report strongly opposing its enactment. We then warned the majority that this tax would—

1. Discourage and possibly prevent the accumulation of adequate rainy-day reserves and constitute a direct threat to the security of business, employment, and investments.

2. Cause corporations to restrict the distribution of their existing tax-paid reserves, which could only be rebuilt under penalty.

3. Discourage business rehabilitation and expansion and have a retarding effect upon recovery and reemployment.

4. Hamper the growth of small corporations, impede the development of new enterprises, and foster monopolies.

5. Put a penalty on prudence and a bounty on improvidence and constitute an unwholesome interference with the exercise of sound judgment in the management of business.

6. Accentuate the extremes of future booms and depressions.

7. Oppress businesses burdened with debts and result in a restriction on corporate credit.

8. Drive capital out of productive enterprise into tax-exempt securities.

9. Violate every sound principle of income taxation, be arbitrary and oppressive in its application, and unequal and discriminatory in its operation.

10. Crucify financially weak business enterprises while permitting the strong to minimize or entirely escape the tax.

11. Create inequities and unfair competitive situations which would be far greater and more real than the imaginary ones it purported to correct.

12. Result in the double taxation of all dividends paid out of reserves, whether accumulated in the past or in the future.

13. Cause untold confusion and add bewildering complexities in the computation and administration of the tax.

14. Abandon an assured revenue of $1,100,000,000 annually for one purely speculative and uncertain, and which promised to be most disappointing in amount, thereby further jeopardizing the Federal revenue.

Our warning—accurately prophetic—was completely ignored. Had it been heeded, the country would not today be in the midst of a depression of the deepest magnitude—a Franklin D. Roosevelt depression.

We are in complete disagreement with the statement made before the committee by Under Secretary of the Treasury Magill that there was "no convincing evidence" that the undistributed-profits tax had been a major factor in the present depression. Perhaps the Treasury was not convinced of this fact, because it did not want to be convinced, but it must be considered most significant that the only witness appearing before the committee in behalf of this tax was the Under Secretary of the Treasury. That it is the general opinion throughout the country that this tax, along with the present tax on capital gains, was an important factor in the present depression is indicated by the testimony of

every businessman who appeared before the committee. The so-called small-business men's conference recently held in Washington at the invitation of the President also indicated most vehemently that its members believed likewise.

Mr. Alexander Sachs, former chief economist of the National Recovery Administration, in an article published in the January 14 issue of the Annalist, arrives at the same conclusion as the result of a careful statistical study. He contends that this tax, together with the tax on capital gains and certain other administration policies, have combined not only to arrest the further improvement, but even to prevent the maintenance, of existing production and employment levels, and thus rendered a synthetic depression inevitable.

The devastating results of the operation of the undistributed-profits tax during the past 2 years have furnished an unanswerable argument in support of our demand for its unconditional repeal.

The present bill constitutes a tacit admission by the majority of their grievous and inexcusable blunder in enacting this pernicious law. They have been forced by hostile public opinion to most inglorious retreat from the Tugwell-Oliphant philosophy underlying this measure, to which philosophy they so earnestly, tenaciously, and blindly clung 2 short years ago. Unfortunately, however, they have, for purely partisan political purposes, insisted on retaining sufficient of the principle of the undistributed-profits tax in the pending bill to avoid voluntarily placing themselves in the position of renouncing their own tax measure of 1936.

We are not unaware of the most embarrassing position the majority find themselves in because of the statement in the report of the subcommittee that "the principle of the undistributed-profits tax is sound and should be retained." It seems to be the almost universal opinion that a more unsuond principle of taxation was never conceived. This must be recognized, because it is based not on ability to pay, but on inability to pay, and thus runs counter to the most fundamental rule of sound and equitable taxation.

Prior to 1936 Congress had rejected this form of taxation each time it was suggested. The Ways and Means Committee's own tax expert, Mr. L. H. Parker, condemned the principle of the tax in a report submitted to the Joint Congressional Committee on Taxation in 1927. The Interstate Commerce Commission, in its annual report for 1936, severely criticized the tax as applied to railroads.

No disinterested expert body ever considering the present tax has endorsed it. On the contrary, such eminent nonpartisan research organizations as the Brookings Institution, the Twentieth Century Fund, and the National Bureau of Economic Research are unanimous in demanding its outright, unconditional repeal. The present Under Secretary of the Treasury, Dr. Magill, was a member of the Twentieth Century Fund's committee on taxation until he became associated with the Treasury. Mr. Carl Shoup, a noted tax authority, and at present one of the Treasury's tax consultants, was director of research of this organization, and as such concurred in its recommendation that the tax be repealed.

It is very significant, we think, that Professor Oliphant, of the Treasury Department, who, more than any other one person, is responsible for the present undistributed-profits tax, failed to appear before the committee in defense of the measure which he so stubbornly insisted should be the law. We have wondered whether his inability to make any defense of the law which he fathered, in the face of the disastrous results from its operation, was in any way responsible for his nonappearance. In the light of these results, it would have been very interesting to hear him explain his previous statements before the committee when he asserted, among other things, that the undistributed-profits tax would not injure small corporations or interfere with business expansion and improvement but would eliminate many inequalities and inequities and lessen the risk of another depression.

We note that the majority, in drafting the new bill, have been compelled by an indignant and aroused public to at least relieve corporations with net incomes of $25,000 or less from paying undistributed-profits tax, thereby admitting it is a bad tax as applied to such corporations. We concur in this recommendation insofar as it goes, but would extend the repeal to all corporations. It should not be overlooked that the 10 percent of the corporations of the country on which an undistributed-profits tax would still be imposed under the pending bill transact 90 percent of the corporate business of the country and employ approximately 90 percent of the total number of workers.

The vital interest of working men and women in taxes on business is too frequently ignored. It was President Roosevelt himself who said:

"Taxes are paid in the sweat of every man who labors, because they are a burden on production and can be paid only by production. * * * Our workers may never see a tax bill, but they pay in deductions from wages, in increased cost of what they buy, or (as now) in broad cessation of employment."

The attitude of labor with respect to the complete abolition of the undistributed-profits tax as applied to all corporations is expressed in the resolution of the American Federation of Labor, in convention at Miami, Fla., calling for such action.

We deny that the pending bill in any way reduces the total tax burden on corporations, either large or small. The fact is that the elimination of the undistributed-profits-tax feature with respect to small corporations and the reduction of the amount of undistributed-profits tax on larger corporations is completely offset by the sharp increase in the normal tax rates applicable to all corporations. The following table shows the extent of this increase with respect to small corporations:

Portion of net income	Normal tax	
	Present	Proposed
	Percent	*Percent*
First $2,000	8	12½
$2,000 to $5,000	11	12½
$5,000 to $15,000	11	14
$15,000 to $20,000	13	14
$20,000 to $25,000	13	16

The present effective rate of the normal corporate tax on a $25,000 net income is 11.6 percent. Under the committee proposal it would be 14.1 percent. Larger corporations, under the bill, would be subject to a flat normal tax of 16 percent in lieu of the present graduated normal rates ranging from 8 to 15 percent.

The fact that the proposed bill places the alleged normal tax on large corporations at 20 percent, with a maximum reduction of 4 percent for complete distribution of the earnings, does not change the essential character of the tax. It amounts to the same thing as fixing the normal rate at 16 percent, with a maximum penalty (or undistributed-profits tax) of 4 percent for not distributing the earnings. By offering a 4-percent reduction below the 20-percent rate as an inducement for distributing the earnings, rather than imposing a 4-percent penalty in addition to a 16-percent normal tax for not distributing, the majority apparently feel they are making the tax more attractive. But no one will be deceived. It is still the iniquitous tax on undistributed profits.

The mere fact that the proposed undistributed-profits tax in the pending bill may be less burdensome in some instances than the present law does not beguile us into approval of the unsound principle which it embodies. It has been said, "Of two evils, choose the lesser," but this admonition applies only when there is no other alternative.

The same objections which we made to the existing undistributed-profits tax apply with equal force to the undistributed-profits tax principle which remains in the bill before us. Such differences as exist between the two measures are of degree only.

The bill, if adopted, would continue to tax at a higher rate the business that is least able to pay; to discriminate among competitors by taxing them at different rates on the same earnings; and to put a penalty on the accumulation of "rainy day" reserves, which in effect are insurance policies which enable business to weather economic adversity while maintaining in some degree at least employment and wages.

In our view there can be no compromise where fundamental principles are concerned. The undistributed-profits tax is punitive in character and repressive in effect, and should be completely eliminated from our tax system.

We commend to the majority the sound doctrine of "taxation for revenue only." In keeping with that doctrine, we favor the substitution for the proposed corporate taxes a tax based solely on net income.

PROPOSED PENALTY TAX ON CLOSELY HELD OR FAMILY CORPORATIONS

Another feature of the bill to which we object most strenuously is the proposed penalty tax imposed, in addition to all other taxes, on the undistributed earnings of business enterprises owned by families or a few individuals.

We are unalterably opposed to this provision, not only because it is an extension of the vicious principle of the undistributed-profits tax, to which we have already referred, but because it imposes an arbitrary, unwarranted, discriminatory, and oppressive burden on legitimate, labor-employing business enterprises.

The majority attempt to defend the tax on the ground that there is no other way of reaching closely held operating companies which accumulate their earnings unreasonably as a means of enabling their stockholders to avoid, for the time being, the payment of individual surtax on such dividends as might otherwise be distributed.

We most emphatically deny this premise. There is already in existing law a provision (sec. 102) imposing a penalty on corporations "formed or availed of" for surtax-avoidance purposes. This is an entirely proper provision, and has been in the law for many years. It constitutes a direct method of meeting the problem of tax avoidance.

The majority plan, on the other hand, which would supplement this provision, is an indirect method which punishes the innocent with the guilty. It seeks to reach the unreasonable accumulation of earnings in closely held operating companies by penalizing at the same time earnings which are reasonably accumulated. Merely because a handful of closely held operating companies may possibly be using the corporate form for tax-avoidance purposes, the majority of the committee propose to punish all closely held companies. It is generally conceded that only a few companies out of the hundreds that will be affected by the proposed tax are even as much as suspected of tax avoidance.

It should be made clear that the companies affected by the majority proposal are operating companies, as distinguished from

holding companies. They are engaged in carrying on actual business.

We of the Republican minority feel that the proper way to deal with the problem of tax avoidance is to deal with it directly, as is now done by section 102, rather than to strike blindly at all corporations owned by a small number of individuals, and place upon them an unjust penalty. Section 102 is, or can be made, sufficient to take care of all real cases of tax avoidance of this character.

The truth is that the proposed penalty tax is in the bill simply because of the vindictive attitude of the Treasury Department at having failed to prove an unreasonable retention in two cases prosecuted in the courts under the present section 102.

There is a widespread feeling, also, that another purpose of the proposed penalty tax is to provide the administration with a means of retaliation against certain corporations controlled by a few individuals who differ politically with the administration and who have resisted certain New Deal policies with which they do not agree. If this be so, and we have no reason for doubting it, the proposed tax takes on the character of a political weapon for "purging" the business structure of the Nation of some of the outstanding opponents of the administration. These methods have no place in a constitutional democracy.

Dealing with the proposed tax simply as an alleged means for preventing tax avoidance, we are of the opinion that it cannot be justified or defended on any ground.

Nor is there any basis for the contention made by the majority that the method set up in the present section 102 is inadequate by itself. As one eminent tax authority recently put it:

"I refuse to believe that American ingenuity, or its legal talent, is at so low an ebb that section 102 cannot be so redrawn as to make it work properly and cover completely the abuse of improperly accumulated earnings. It is not necessary or sound public policy to tax thrift in business in order to reach malefactors."

Numerous methods for strengthening section 102 have been suggested, including the plan set forth in the report of the Senate Finance Committee on the revenue bill of 1936.

Let us consider briefly the effects of the proposed new penalty tax, which, as we have indicated, fails to distinguish between corporations using the corporate form for tax-avoidance purposes and those carrying on a legitimate business.

The tax applies to all operating corporations in which one individual owns more than 50 percent of the stock or in which from 2 to 10 individuals own varying amounts from 53 to 75 percent or more, when such companies (having more than $75,000 net income) fail to distribute in excess of 60 percent of their current earnings.

It is at once apparent that such a tax will discriminate between business concerns with the same net income and the same dividend policy where one of the two is owned by a family or a small number of individuals. The latter will be subject to a burdensome tax which the other escapes by reason of the mere circumstance that it is controlled by a larger group of shareholders. Of the unfairness and inequity of such a tax there can be no question.

The proposed tax puts the company owned by a family or a few individuals at a distinct competitive disadvantage with its rival owned by a larger number of individuals.

It will result in forcing family concerns and others which are owner-controlled into the hands of larger, more widely owned concerns, thus encouraging and increasing monopoly, an evil to which the administration purports to be opposed.

It is no answer to say that this penalty tax can be avoided if the closely held company will pay out more than 60 percent of its earnings. There may be reasons why it cannot do so, or why, for perfectly legitimate reasons, it does not wish to do so. It may, for example, desire to "plow back" its earnings for purposes of expansion and the creation of new employment opportunities for idle men.

A company which is widely owned may retain all of its earnings for any purpose—even for the purpose of tax avoidance—without paying this proposed penalty tax. Why then should a concern, simply because it has fewer owners (and for no other reason), be penalized for using its earnings for legitimate and laudable purposes? No reason can be given. Excuses do not suffice. To us, the tax just does not make sense.

Most of the big companies of today started out with one, two, or three owners with faith in an idea. This tax would crush new enterprise because it penalizes business growth and expansion. This is a matter of no little concern to the unemployed of this country.

We wonder how many incipient companies are now struggling for a foothold in American industrial life? How many will there be in the future? What will be their value to those millions who must have work in the years to come if the proposed tax is enacted into law?

The proposed tax would have a harmful effect upon many existing local enterprises, such as factories, newspapers, department stores, and so forth, in some instances family controlled and in others owned by a few individuals. In perhaps the majority of cases these concerns were established long before there was any income tax, and no thought of tax avoidance could therefore have inspired their organization. Whole communities are often dependent upon them for support. They have been and are now important factors in the development of these communities. Their owners have a sense of civic pride, natural to the local citizen but not found in absentee owners. It is these family-owned or locally controlled enterprises which we of the Republican minority are particularly interested in saving from destruction.

We do not believe it is a crime for the founders of a business to retain control of the thing which they have created, instead of selling control to outsiders; yet the proposed penalty tax apparently is based on that theory. Nor do we believe that this country's tax policy should be framed on the basis of discouraging individual initiative and enterprise and encouraging monopoly.

We are violating no secret by reciting the fact that it was only by reason of extreme White House pressure, and the making of numerous concessions, that it was possible for the majority to retain this provision in the bill. The newspapers have been full of the intraparty wrangling which took place behind closed doors, from which we of the minority were excluded. At one time, according to the press, there were sufficient Democratic votes in opposition to the provision which, when joined with the votes of the seven Republican members of the committee, would have defeated the proposal.

We regret that when the time came to call the roll, on our motion to strike the provision from the bill, only three of the majority came to our support.

CAPITAL-GAINS TAX

That the high rates of tax applicable to capital gains have been a major factor in the present depression cannot be denied. They have blocked the turn-over of capital assets and discouraged the investment of all private funds in expansions and new enterprises which would have afforded employment for millions of idle men and women.

While the majority recognize the blighting effect which the capital-gains tax has had upon business, they fail to provide adequate remedy. Their proposal to limit the tax to 40 percent of the capital gain taken into account will be of little, if any, value in stimulating capital transactions, and will therefore have little, if any, effect in increasing the revenue from this source of income.

We of the Republican minority advocate a return to the 12½-percent limit on capital gains which was in effect from 1921 to 1934, when the present scheme, which the bill continues, was put into effect.

Under our suggestion taxpayers would have the option of paying the rates provided under the bill or of segregating their entire capital gains from other income and paying a flat tax of 12½ percent thereon.

Such a tax would have the virtue of certainty and, at the same time, would not impede the sale of capital assets or discourage investments in new productive enterprise.

We think it very significant that during the period when the 12½-percent limit on capital gains was in effect, the revenue from this source of income made up as much as 50 percent of the total income-tax collections from individuals, whereas in 1934 and 1935, under the present system, it made up but 3 percent and 13 percent, respectively. This is shown by the Treasury Department table (exhibit 5a) published on page 116 of the hearings.

In our opinion, this table furnishes a compelling argument for the restoration of the 12½-percent limit, if for no other reason than to increase the revenue from capital gains. Of course, this result would merely be the consequence of the stimulation of capital transactions, which in itself is an end much to be desired. The 12½-percent limit was originally imposed in 1921 for the very purposes for which we now advocate it be restored.

As emphasizing the interest of the workingman in the modification of the capital-gains tax, we call attention to the resolution of the American Federation of Labor favoring such action. It is of interest to note also that the Conference of Small-Business Men recently held in Washington favored the repeal or drastic modification of this tax.

CONCLUSION

The current Franklin D. Roosevelt depression has resulted in a tremendous decline in revenues and a sharp increase in relief and pump-priming expenditures. The Budget is being constantly thrown further out of balance, and the long series of staggering deficits under the present administration is being projected indefinitely into the future.

Although the depression has been with us for a number of months, the President's only recovery program seems to be a resumption of the spending of huge sums out of the Federal Treasury—a continuation of the futile policy of treating the symptoms instead of the disease.

We are of the firm conviction that the greatest need of the hour, and the only thing which will turn our footsteps toward the road to recovery, is continuous, unwavering encouragement to business. The most important and far-reaching way in which such encouragement can be given is by relieving business of the restrictions and impediments which this administration has placed in its way, foremost among which is the present policy of repressive taxation.

There has existed from the beginning of time fundamental, immutable economic law which the New Deal is powerless to amend, alter, or repeal. A part of this natural law is the law of diminishing returns, which, as applied to taxation, lays down the proposition that there is a point beyond which higher rates of taxation will produce less revenue. This point has long since been reached under the present administration. We of the Republican minority firmly believe, and experience proves, that reasonable taxation, which allows business to carry on and expand, will produce far greater revenue than either the present or the proposed tax measures. In this connection we recall with pride that during the twenties the Republican administrations then in power reduced the tax burden

four successive times, and realized more revenue from each lowering of the rates. The excess revenue was used to pay off the national debt at the rate of a billion dollars a year.

Under the New Deal, we have had nothing but deficits, and the national debt has been increased by seventeen billions in less than 5 years, notwithstanding the fact that the Treasury Department is using for current extravagances the money contributed to the social security trust fund by the working men and women of the country for their retirement at the age of 65. In the meantime, the Works Progress Administration is getting bigger and bigger while legitimate private business grows smaller and smaller in volume. We are wondering if the President "planned it that way."

We of the Republican minority are of the opinion that the cheapest, and in the long run the most productive, investment which the Congress itself could make in relieving the present distressed conditions would be the absolute repeal of the undistributed-profits tax and the restoration of the 12½-percent limit on capital gains.

If, coupled with such action, the Chief Executive would find some way to still the fear in the public mind and to convince the people of the country that persecution of business would cease; that there would be an end of attempts to regiment industry, agriculture, and every other normal activity; and if it could be made certain that no further attempts would be made to consolidate all powers of government in the hands of the Executive—then the downward spiral of business would cease, employment would increase, the need for greater relief expenditures would be obviated, and we would be on our way to the "more abundant life" of which we have heard so much and have seen so little.

ALLEN T. TREADWAY.
FRANK CROWTHER.
HAROLD KNUTSON.
DANIEL A. REED.
ROY O. WOODRUFF.
THOMAS A. JENKINS.
LLOYD THURSTON.

Mr. DOUGHTON. Mr. Chairman, I yield 1 hour to the gentleman from Kentucky [Mr. FRED M. VINSON].

Mr. FRED M. VINSON. Mr. Chairman, I expected to make reply to any pertinent remarks that may have been made by the distinguished gentleman who has preceded me on the floor, which were directed to the provisions of the bill; but having listened very attentively, I was unable to hear any criticism of any specific provision of the bill. Do not misunderstand me. I have heard his general criticisms and if I were not acquainted with the subject matter contained in the bill I would be led to believe that there is not one single item in the bill that anybody should approve. I think this is a fair statement of the remarks of my friend from Massachusetts.

It is really amusing to me to hear him quote testimony from the lips of Mr. Oliphant and other gentlemen who appeared before the Ways and Means Committee testifying on the House revenue bill of 1936 and note the inflection of his voice with reference to doctors and professors. Of course, I am not advised just in which wing of his party the gentleman from Massachusetts stands. I am not in "on the know," but if he carries his statement to a logical conclusion it seems to me that he will not follow the leadership of Dr. Glenn Frank, a doctor and a professor.

The gentleman from Massachusetts talked about the undistributed-profits tax. Members of his party, columnists, and press for months have been hammering at the undistributed-profits tax. They would have the country believe that we have on the statute books a real undistributed-profits tax. We have not any such animal. I know that some of them have not found this out.

Do not misunderstand me. We have a provision in the existing law levying taxes which are undistributed-profits taxes. But it is a small part of the corporate-tax burden under our revenue system. The bill to which Mr. Oliphant and gentlemen appearing before the Ways and Means Committee in 1936 were addressing themselves was really an undistributed-profits tax. The House, when it considered the 1936 Revenue Act, passed a truly undistributed-profits tax. It was the only tax that was to be imposed on the corporations of this country. The bill that Mr. Oliphant spoke to and the bill that we defended on the floor of the House, and the bill that a vast majority of the Members of the House voted for, repealed the normal corporate tax, the capital-stock tax, and the excess-profits tax and provided one levy on corporations—an undistributed-profits tax.

This bill went to the Senate. It was a campaign year, and gentlemen opposing the administration blindly struck at it. The result was that the normal tax, capital-stock tax, and excess-profits tax were inserted in the Senate, with the undistributed-profits tax practically stricken out. In conference we had to agree to the insertion, including the present undistributed-profits tax features, or have no bill. It was thought to yield, directly and indirectly, some 600,000,000 added dollars. So it is certain that it is not the bill the President advocated, it is not the bill passed by the House. It is a combination affair.

In existing law you have the normal corporate tax, the capital-stock tax, and the excess-profits tax. They were put in there by the Senate of the United States. In addition, you have an undistributed-profits tax.

What is the burden of the undistributed-profits tax under existing law? May I say to you that the dollars of revenue collected from the normal corporate tax, the capital-stock tax, and the excess-profits tax are eight times the tax dollars that are paid by the corporations under the undistributed-profits tax. In other words, the burden upon corporate business today in the United States is, as 8 to 1, 8 from the normal corporate tax, capital-stock tax and excess-profits tax, and 1 as to the undistributed-profits tax. Under existing law, in 1936 we collected $1,200,000,000 from the normal corporate tax, capital-stock tax, and excess-profits tax, and $150,000,000 from the corporations under the undistributed-profits tax. Our friends over here on the minority side evidently do not know about that. I would have thought that our friend from Massachusetts was informed in regard to it. I think it comes with poor grace to use statements of witnesses given upon an entirely different bill than that which was enacted into law to prove his claims against the existing law.

Mr. Chairman, I have never apologized for the position I took on the floor in advocating the passage of the House bill in 1936, and I do not think anyone need apologize for that. After its opponents found out what the 1936 House bill actually did, many of those who had been its most hostile critics have stated to me that they wished it had been enacted into law; that it is a much better bill than existing law.

Under the bill that passed the House, a corporation making a net income of $10,000 or less could keep 42 percent of the net income and pay no tax in addition to that which it would have paid under the law then existing. A corporation with more than $10,000 net income could retain 30 percent of the net income and pay no tax in addition to that which it would have paid under the then existing law.

In addition, the House bill contained a deficit provision, section 14, which fixed a flat 15 percent on the net income used to repair the capital structure. It had section 15, that dealt with the contracts not to pay dividends with a flat rate of 22 percent of the net income used in this respect. It contained a debt-amortization plan, section 16, which exempted from the undistributed-profits tax from 5 to 20 percent of the then existing debt. These provisions were struck at blindly by our minority friends and by others who wanted to make capital of it in a Presidential year. I say frankly that the present corporate taxes cannot be termed undistributed-profits tax unless you mean that an undistributed-profits tax that brings in $1 should dominate in nomenclature the normal tax, capital-stock law, and the excess-profits tax, which bring eight times as many revenue dollars into the Treasury.

Mr. WADSWORTH. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I am sorry; I must decline to yield for the present.

Under a resolution passed in the latter days of the last session the Committee on Ways and Means was authorized to make a study of the revenue system. A subcommittee

was appointed under this authority and we met on November 4 last making our report on January 14.

The subcommittee was composed of the following members of the Ways and Means Committee: Messrs. COOPER, MCCORMACK, DISNEY, BUCK, DUNCAN, and myself as chairman, Democrats; and Messrs. TREADWAY, CROWTHER, and REED of New York, Republicans. Mr. DOUGHTON, chairman of the Ways and Means Committee, served as an ex officio member of the subcommittee.

The full committee has been in almost constant session until this good hour. The gentleman from Massachusetts [Mr. TREADWAY] raises the question about the Republican Members not being present at certain of these meetings. May I say to him and to the Members of the House that there was not a single committee meeting to which all the members of the committee, whether of the subcommittee or the full committee, were not invited. The burden rested upon the Democratic members of the subcommittee and of the full committee. It was not until the Republican members refused to vote that there were any conferences of the Democratic members at which the Republicans were not present. They got to the point that they would not vote on questions presented. Thereafter there were some Democratic conferences in the preparation of the bill. All actions of the subcommittee and the full committee were taken in meetings of which all members had notice—to which all members were specifically invited.

CORPORATE TAXES

We divide corporations into three groups in this bill. It cannot be said corporations under existing law are all taxed at the same rate. It cannot be said individuals are all taxed at the same rate. On the individual side of it you have the normal tax and then you have the graduated surtax rates running up to 75 percent. You cannot convince the man who is in the 75-percent bracket that his dollar which is taxed 75 percent should be taxed 75 percent, when some fellow who lives in the house next door happens to be taxed only 50 percent, or some fellow who is farther down the financial ladder is taxed only 8, 6, or 4 percent. To him a dollar is a dollar. The higher up the financial ladder they get the more they dislike to pay the tax to support the Government that permits them to have a net income.

You hear a lot of conversation about confiscation. If you will just take the trouble to look at some of the tables that will be placed in the RECORD, you will be surprised to learn how lightly the tax burden falls upon the people of the United States, both individuals and corporations. If you take the gross income of corporations, before any deductions are allowed to be taken, and see the tax corporations pay upon such gross income, you will find it is only 1.03 percent of the gross income. If you take corporations which do not have a taxable return you will find they pay 0.08 percent upon their gross income. If you combine the corporations having a taxable return and those not having a taxable return you will find the rate is 0.75 percent, three-fourths of 1 percent, on the gross income of the corporations of the United States.

When you get on the individual side you will find the rate is 5.68 percent on those having a taxable return and 3.8 percent on those having taxable returns and those not having taxable returns combined.

Before you get down to the net-income base, which is the figure used in computing your taxes, our Government grants the most generous allowances of any country in all the world. When you drop from a gross base of $77,000,000,000 to a net base of $5,000,000,000 you certainly have deductions and deductions and deductions. Of course, you get the cost of goods and all your operating expense as a deduction, but in addition you get allowances for depreciation, depletion, obsolescence, bad debts, interest paid, taxes (other than Federal), contributions, tax-exempt interest, officers' salaries, rents, and many other deductions. These deductions in 1935 bring down the base upon which the tax rate applies to about one-fifteenth of the gross income. I submit a table prepared by the Treasury to support these statements.

Corporation returns for 1935, showing number of returns, gross income, net income or deficit, and total tax liabilities

[Money figures in thousands of dollars]

	Number of returns	Gross income	Statutory net income (+) or deficit (−)	Tax liabilities	Average rate of tax on gross income
					Percent
Corporations reporting net income	164, 231	[1] 77, 441, 506 [2] 77, 638, 952 [3] 75, 949, 184	+5, 164, 723	800, 122	1.03 1.03 1.05
Corporations reporting net deficit	312, 882	[1] 36, 494, 664 [2] 37, 010, 765 [3] 34, 973, 399	−3, 468, 774	[4] 29, 936	.08 .08 .09
Inactive corporations	56, 518				
All corporations	533, 631	[1] 113, 936, 170 [2] 114, 649, 717 [3] 110, 922, 583	+1, 695, 949	830, 058	.73 .72 .75

[1] Gross income as defined in Statistics of Income includes dividends received:

Net-income corporations	$1, 492, 322
Deficit corporations	1, 521, 265
All corporations	3, 013, 587

[2] Total compiled receipts as defined in Statistics of Income include:

	Dividends received	Tax-exempt interest	Total
Net-income corporations	$1, 492, 322	$197, 446	$1, 689, 768
Deficit corporations	1, 521, 265	516, 101	2, 037, 366
All corporations	3, 013, 587	713, 547	3, 727, 134

[3] Excluding dividends received and tax-exempt interest. [4] Estimated.

Individual returns for 1935, showing number of returns, net income or deficit, total income, and total tax liabilities

[Money figures in thousands]

	Number of returns	Net income or deficit	Total income	Total tax	Average rate of tax on total income
Returns showing net income:					*Percent*
Nontaxable	2, 464, 122	$4, 875, 706	$5, 740, 612		
Taxable	2, 110, 890	10, 034, 106	11, 575, 893	$657, 439	5.68
Total net income returns	4, 575, 012	14, 909, 812	17, 316, 505	657, 439	3.80
Returns showing net deficit	94, 609	381, 353	288, 653		

I made the statement a while ago that we treat corporations differently. We do it under existing law, and it is based on the size of the net income. We grant a lower rate to the smaller corporation and a higher rate to the larger income corporations. I note the chairman of the committee on taxation of a large organization suggested corporations should be taxed a flat rate of 17 percent. If all corporations were taxed a flat rate of 17 percent it would raise the money, but what would this do to the small-income corporations? They may have a million dollars of capital invested, but their income may be only $10,000. When I speak about small corporations I am speaking about smallness in terms of net income. Sixty-seven percent of all the corporations in 1935 having a taxable return in the United States have less than $10,000 net income; 88 percent had less than $25,000 net income. What would this 17-percent rate do to the small corporation and to the small stockholder in such a corporation? Before you get to a rate of 17 percent for individual taxes you have to have an income of $45,000. Take the corporations with income of $10,000 or $25,000.

If you would impose a 17-percent rate on these small corporations you can see just how much injustice you would be doing to the stockholders in that corporation. Not only would they pay the 17-percent rate on the corporate net income, but when it was distributed they would pay the ordinary and usual surtaxes—that would make the burden much greater.

Consequently, I say we are not pursuing any new course when we segregate corporations into groups and tax them in accordance with their capacity to pay. If there is any Democrat or any Republican who does not believe that is

the way we ought to tax, then he ought to be against part of this bill.

We stand upon the philosophy of taxing according to ability to pay. We divide corporations into three groups. Corporations with net incomes of less than $25,000 get the favored rate, and in addition to getting the favored rate, we eliminate the undistributed-profits tax from those corporations.

We fix a rate of 12½ percent on the first $5,000, 14 percent on the next $15,000, and 16 percent on the next $5,000. This gives you an effective rate of 14.1 percent. If a corporation makes $25,000 net income, the undistributed-profits tax is eliminated in its entirety. They keep any or all of their net income according to the desires of the management. In other words, they have 85.9 percent after the payment of the tax to do with as they desire.

Now, I would compare the existing law with the treatment we propose in this bill. I do not care whether my friend from Massachusetts says we are not concerned with existing law or not. I am, the committee was, and you are, because that is the law that is on the books, and that is the law that will prevail. That is the law under which corporations will be taxed unless the law is changed. So I at least have some concern as to what the existing law is and whether or not the proposed bill relieves against hardships and inequities under the existing law.

Under existing law a corporation with a net income of $25,000, retaining it all, pays a tax of 27½ percent. Under this proposal it pays 14.1 percent. This is almost a 50 percent cut in the case of a corporation with $25,000 net income. I think this is substantial relief. I insert herewith a table showing the effective rates on corporations with net incomes of $25,000 and less recommended in the pending bill and, also, for comparison purposes, a table showing the effective rates of the combination of normal tax and surtax on undistributed profits on similar corporations under existing law:

Proposed corporation income tax expressed as a percentage of net income[1] for corporations of selected sizes

[For corporations not subject to title I–B tax]

Net income	Percentage of net income paid out in dividends										
	0	10	20	30	40	50	60	70	80	90	100
	Effective tax rate										
$2,000	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
$10,000	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25
$20,000	13.63	13.63	13.63	13.63	13.63	13.63	13.63	13.63	13.63	13.63	13.63
$25,000	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10

[1] It is assumed that net income does not include any interest on Government obligations or dividends received from other corporations.

Source: Treasury Department, Division of Research and Statistics, Jan. 14, 1938.

Combined normal tax and surtax on undistributed profits expressed as a percentage of net income, for corporations of selected sizes, assuming different percentages of net income (after deducting the normal tax) are paid out in dividends

[On the basis of the provisions of the Revenue Act of 1936]

Net income[1]	Percentage paid out in dividends										
	0	10	20	30	40	50	60	70	80	90	100
	Effective tax rate										
$2,000	14.4	13.8	13.2	12.5	11.9	11.2	10.6	9.9	9.3	8.6	8.0
$10,000	20.8	18.8	17.1	15.6	14.4	13.5	12.9	12.3	11.7	11.0	10.4
$20,000	26.2	23.8	21.4	19.3	17.4	15.8	14.3	13.1	12.4	11.8	11.2
$25,000	27.5	25.1	22.7	20.4	18.5	16.6	15.1	13.7	12.8	12.2	11.6

[1] It is assumed that the net income does not include any interest on Government obligations or dividends received from other corporations.

Source: Treasury Department, Division of Research and Statistics, Jan. 15, 1938.

CORPORATIONS WITH NET INCOMES OF MORE THAN $25,000

The general rule

Corporations in this group with net incomes of more than $25,000 are taxed in accordance with the 20–16 plan. There are approximately 24,000 corporations, or 12 percent of the corporations reporting taxable incomes in this group—but their total income represents approximately 90 percent of the net income of all corporations.

The principle of the undistributed-profits tax has been retained with respect to this group, but the rates are drastically modified. Under existing law the maximum effective rate of tax is 32.4 percent—under the pending bill the maximum effective rate of tax is 20 percent.

The basic rate is 20 percent. All net income, less tax, may be retained without any additional tax. With all net income distributed the rate is 16 percent. In case of a 50-percent distribution, the rate of tax is 18 percent. The tax is reduced by a credit of 4 percent of the dividends paid credit, not exceeding the adjusted net income. It is obvious that the maximum effective rate of 32.4 percent under existing law is reduced substantially 40 percent. It is with this very considerable reduction that we give heed to the complaints that, under existing law, moneys were not available for debt payment, plant expansion, or other corporate purposes.

Again we say that the hardships occasioned by existing law have been greatly exaggerated. Many persons unwittingly claim that the 1936 act prohibits them from using their profits for debt payment, plant expansion, building up reserves, et cetera. Others, who know better, are just as vehement in like statements. Under no circumstances is there anything in existing law that would prevent their using more than two-thirds of their net income for any purpose desired. In the pending bill, all corporations falling under the general rule, excepting those winding up in the I–B group, will have 80 percent of their net income available for debt payment, plant expansion, building up reserves, or what not. Under the old rate of 15 percent there was available for corporate purposes 85 percent of the net income.

Under this 20–16 plan, which might be called the normal tax for such corporations, a credit of 4 percent of the dividends paid is applied to the tax. That is the manner in which the tax may be calculated, but it is easier for me to consider the amount of dividends as affecting the rate of tax upon the net income. With 4 percent credit, it is patent that there is a reduction in the tax rate of four-tenths of 1 percent for each 10 percent of net income distributed. In other words, if you distribute 10 percent, the tax rate is 19.6 percent; 20 percent, the tax rate is 19.2 percent; 30 percent, the tax rate is 18.8 percent; 40 percent, the tax rate is 18.4 percent; 50 percent, the tax rate is 18 percent; 60 percent, the tax rate is 17.6 percent; 70 percent, the tax rate is 17.2 percent; 80 percent, the tax rate is 16.8 percent; 90 percent, the tax rate is 16.4 percent; 100 percent, the tax rate is 16 percent.

This rule applies to all corporations with net incomes of more than $25,000.

The 20–16 plan as compared to existing law

In order to show graphically the actual tax relief claimed in this class, we submit table showing the effect of proposals carried in the pending bill and, also, table showing the effect of the combined normal and undistributed-profits tax under existing law.

Proposed corporation income tax expressed as a percentage of net income[1] for corporations of selected sizes assuming different percentages of net income are paid out in dividends

[For corporations not subject to title I–B tax]

Net income	Percentage of net income paid out in dividends										
	0	10	20	30	40	50	60	70	80	90	100
	Effective tax rate										
$25,000	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10	14.10
$50,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$75,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$100,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$200,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$300,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$500,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$1,000,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00
$10,000,000	20.00	19.60	19.20	18.80	18.40	18.00	17.60	17.20	16.80	16.40	16.00

[1] It is assumed that net income does not include any interest on Government obligations or dividends received from other corporations.

Source: Treasury Department, Division of Research and Statistics, Jan. 14, 1938.

Combined normal tax and surtax on undistributed profits expressed as a percentage of net income, for corporations of selected sizes, assuming different percentages of net income (after deducting the normal tax) are paid out in dividends

[On the basis of the provisions of the Revenue Act of 1936]

Net income[1]	Percentage paid out in dividends										
	0	10	20	30	40	50	60	70	80	90	100
	Effective tax rate										
$25,000	27.5	25.1	22.7	20.4	18.5	16.6	15.1	13.7	12.8	12.2	11.6
$50,000	30.3	28.0	25.6	23.3	21.0	19.0	17.2	15.7	14.3	13.3	12.7
$75,000	31.2	28.9	26.5	24.2	21.8	19.9	18.0	16.6	15.1	14.1	13.5
$100,000	31.5	29.2	26.9	24.5	22.2	20.3	18.4	16.9	15.5	14.4	13.8
$200,000	32.0	29.7	27.3	25.0	22.7	20.8	19.0	17.5	16.0	15.0	14.4
$300,000	32.1	29.8	27.5	25.2	22.9	21.0	19.1	17.7	16.2	15.2	14.6
$400,000	32.2	29.9	27.6	25.3	23.0	21.2	19.3	17.8	16.4	15.4	14.8
$1,000,000	32.3	30.0	27.7	25.4	23.1	21.3	19.4	17.9	16.5	15.5	14.9
$10,000,000	32.4	30.1	27.8	25.5	23.2	21.4	19.5	18.0	16.6	15.6	15.0

[1] It is assumed that the net income does not include any interest on Government obligations or dividends received from other corporations.

Source: Treasury Department, Division of Research and Statistics, Jan. 15, 1938.

It will be seen from a comparison of these tables that there is real tax relief given in these proposals and, at the same time, there is a real incentive for corporations, if they do not need the money for corporate purposes, to save 4 percent of the adjusted net income in complete distribution in dividends. The shareholders, the real owners of our corporate enterprises, ofttimes overlooked in the consideration of problems, certainly will be gratified if this treatment adds to their dividend income.

THE NOTCH

Corporations with net incomes of slightly more than $25,000, unless particular attention is given to their situation under the 20–16 plan, would pay considerably more in taxes even upon a very small amount in excess of $25,000 than the corporations with incomes of $25,000. We have, therefore, submitted a method whereby they will not be discriminated against. To illustrate:

A corporation that has an ordinary net income of exactly $25,000 would, under the pending bill, pay a tax of $3,525. Without the notch provisions, a corporation with an ordinary net income of $25,001, retaining it all, would have a tax of $5,000.20, or $1,475.20 more than the corporation with a net income of $1 less. Of course, such a situation is not fair and we provide that the corporations with incomes of slightly more than $25,000 may figure the tax under the notch provisions of the 20–16 plan and pay whichever is the lesser.

When you read the bill and you see the rate of 12 percent on intercorporate dividends and 32 percent on ordinary income, you are immediately startled and possibly think that this is an increased rate for corporations in that class. Any rate could have been used, it was simply a question of when you desired the notch to disappear. Under the bill, a corporation with complete distribution of ordinary net income comes out of the notch with a net income of $27,968.75; if they have complete retention of ordinary net income, they come out of the notch with a net income of $37,291.67. In computing the notch, we divide the income into two divisions, the $25,000 division and then the excess above that amount. The Liberty bond interest, as specifically defined in the bill, is laid on the bottom of the $25,000 division, then comes the intercorporate dividends and, thereafter, such amount as brings the sum total to $25,000 of ordinary income. Then the tax is computed exactly as if there was just $25,000 income with the reduced rates applicable to corporations in such class.

Then you compute the income in excess of the $25,000, as we clearly set forth in the bill, applying the 12-percent rate to intercorporate dividends, if any, and 32-percent rate on the remainder. Now these two taxes are added together and you get the tax computed under the alternative rule or, as we commonly say, under the notch provisions.

Then, of course, you want to determine whether the tax is more or less than it would be under the general-rule plan—the so-called 20–16 plan and, after this computation has been made, there will be no trouble to the taxpayer in determining which tax is the lesser. The taxpayer, of course, will pay the lesser amount.

THE FAMILY OWNED OR CLOSELY HELD GROUP

The I–B group

I have heard it said here and elsewhere that the proposal to tax a certain group of corporations as we do in I–B is a new proposal. I cannot subscribe to that. I am not going to take personal issue with any friend or foe who makes that statement. I am going to say that according to my lights he is not acquainted with what has been attempted to be done ever since we have had an income-tax law. I can say to our friends over here that our beloved Abraham Lincoln in 1864 went much further than we went in 1936 and much further than we propose to go under this proposal.

Under section 117 of the Revenue Act of 1864, Congress required a shareholder to report in his individual return his share of the profits of the corporation, whether divided or not.

Hubbard, a shareholder in two manufacturing corporations, returned as his income the dividends he received on his stock, but refused to return his share of the undivided profits of the corporation. The Supreme Court held in an opinion rendered in 1870 that Hubbard was required to report such undivided profits in his income, stating:

> It is as competent for Congress to tax annual gains and profits before they are divided among the holders of the stock as afterward, and it is clear that Congress did direct that all such gains and profits, whether divided or otherwise, should be included in estimating the annual gains, profits, or income liable to taxation under the provisions of that act (*Collector* v. *Hubbard*, 12 Wall. 1).

However, the Supreme Court in its 5–4 decision in Eisner against Macomber, holding a dividend in the common stock of a corporation paid to its common-stock holder was not income within the meaning of the sixteenth amendment, stated that its earlier decision of Collector against Hubbard, insofar as it might be construed to uphold the right of Congress to tax without apportionment a stockholder's interest in accumulated earnings prior to the declaration of the dividend, must be regarded as overruled by Pollack against Farmers' Loan & Trust Co., holding the income tax unconstitutional. The decision of the Supreme Court in Eisner against Macomber was not rendered until 1920.

Our first income tax after the sixteenth amendment—that is, the Revenue Act of 1913 and subsequent revenue acts continuing through the Revenue Act of 1918—contained provisions which tax the shareholder upon the undivided profits of the corporation, where it was found that the corporation was being used to avoid the payment of surtax upon its shareholders. This is the system which is now in force both in Great Britain and in Canada, which, in addition to imposing such taxes upon holding companies that receive only investment income, contain provisions which look through the corporate entity and tax the shareholders in the case of operating companies which accumulate earnings for the avoidance of surtaxes.

After the decision of the Supreme Court in 1920, it was no longer possible for us to impose a tax upon the shareholder with respect to the undivided profits of a domestic corporation. We were forced to adopt the system of levying a special penalty tax on the corporation itself, which has been exceedingly difficult to enforce in the courts and is nothing like as effective as if we could ignore the corporation and tax the shareholders direct upon his undistributed earnings in the profits of the corporation.

Whenever power is granted to a legislative body to do something, inherent is the right to protect such power. As the distinguished chairman of the committee said, Congress should see to it that a fair, reasonable tax burden is to be borne by the citizens of this country. Every time you permit an individual or corporation through some quirk in the law

to avoid the payment of his fair share of tax burden, just as certain do you levy upon the other fellow an increased share of the tax burden. From the time we have had an income-tax law until now it has been the study, the effort, and the purpose to collect the same number of tax dollars from the same number of net income dollars, or substantially the same. That is what we do in this I–B proposal. The statement was made that if you have a corporation widely held that makes $300,000 and a corporation making $300,000 closely held, it is not fair to place a higher tax on the $300,000 net income that is closely held. If you have the same dividend policy in a closely held group as in a widely held group you would not have any trouble about it. In a $300,000 net-income corporation widely held the stockholders put pressure upon the directors of that corporation to declare dividends. Why? Because they have their money invested in that corporation and they feel they are entitled to a return upon that money if the corporation is making the money. Of course, they are right in that position, and your widely held corporation distributes; and that money pays a corporate tax before it is distributed and then it goes into the hands of the shareholders and pays both normal tax and surtax, and consequently the Government gets the corporation tax and the normal and surtax from individuals. When you come to the closely held corporation, a nondistributor, you get the corporate tax. What we are trying to do here without any punishment is to get substantially the same number of revenue dollars from the same amount of net income, whether it is earned by the widely held corporation or by the closely held corporation.

Now, my friends, it is not the burden on the closely held corporation that is the trouble. Understand, there is only a difference of 11.2 percent on maximum retention between the widely held corporation and the closely held corporation; that is not the trouble. The trouble is that if you have distribution of dividends in the closely held corporation, they go into the hands of shareholders who in the main have other income, and they pay the normal rate and a surtax rate according to the amount of their income. But I want to discuss with you some of the details in regard to this title I–B tax, how it is computed, so you can see for yourselves that it is not the bugbear, that it is not the horrible thing that it is held out to be.

What corporations fall within the group? Some folks think that all corporations fall in it. Upon my honor, cross my heart and hope to die if I did not have one of the representatives of one of the greatest organizations in the United States, probably the most vicious opponent of the I–B tax, say to me that he did not think it was fair for the little newspaper with an income of $5,000, closely held, to be subject to this penalty tax. He said that to me not once, but I had him repeat it two additional times so I could not misunderstand it. Finally, however, he admitted that he had not read the report but was relying upon his experts.

I received the other day a list from one city in the United States saying there were 49 corporations in that city that would fall in this I–B group, 49 in this one city of moderate size, about 400,000 inhabitants. The chamber of commerce in that city sent me the list, then I commenced getting the letters from these folks in opposition to the plan. This just cannot be correct.

There will only be from 300 to 600 corporations that will fall within the I–B category according to the best judgment of the experts in the Treasury of the United States. Roswell Magill is my authority for that statement; and there will not be a man on this side of the aisle say aught against his ability, his character, or his purpose.

Mr. JOHNSON of Oklahoma. Does the gentleman mean not over 600 corporations in the entire United States would be subject to this tax?

Mr. FRED M. VINSON. I say in the entire United States. Between 300 and 600 corporations will pay the I–B tax according to Treasury officials. But do not misunderstand me. In the group that would fall within the I–B class there would be others, but when they make their usual declaration of dividends they are automatically excluded from the tax. From 300 to 600 is their estimate, their best judgment as to the number that will pay the I–B tax.

Now, let us see how it is worked out. They say there are 8,500 corporations in the United States with net incomes of over $50,000. All of the widely held corporations go out. Under the operation of the law all corporations with net incomes of less than $75,000 go out and all corporations which declare anything like the average rate of dividend in the United States go out under the operation of the law. Less than 1,500 fail to distribute less than 60 percent of their net income. Then, of course, the specific ownership test must be met. Now, I want to restate that.

There is specifically excluded from the I–B group all corporations which have a net income of less than $75,000. All corporations are excluded unless they meet the ownership test. That is specifically spelled out in the statute—one person owns more than 50 percent, or two persons own more than 53 percent, up to 10 persons owning more than 75 percent. Then we have a further safeguard there, we say even though these people own this proportion of stock, unless they have the voting control they do not fall under this group. They may have the percentage in value, but unless they can control the dividend policies they are not included in this group. The third test is the dividend distribution test, and I want to talk to you about that just a minute.

The average dividend distribution in the United States under the 1936 act, according to Treasury figures, was 81.2 percent. I want you to get that, that it is 81.2 percent. Immediately I hear from the minority side of the aisle: "Oh, that was a pressure tax; dividends were larger in 1936 than they would be ordinarily; that is not a fair percentage to take." There is some merit to that argument; so, let us go back to the time before there was an undistributed-profits tax; let us go back before 1936 and see what the average dividend distribution was. For the 10 years next preceding 1936 the average distribution was 75 percent. There was only 1 year in that period where the average distribution was less than 60 percent, and that was in 1926. In 1926, my recollection is that it was 57.2 percent. There would be but 1 year in which the average would not be more than sufficient to take them out. Now, do not misunderstand me—we do not tax by averages. I am dealing with averages in order to show you what the ordinary dividend policy of corporations in the United States had been for the 10 years next before there was an undistributed-profits tax.

I insert three tables which tell most interesting stories of dividend distribution.

EXHIBIT 11.—*Ratio of cash dividends paid to net income, to net income including dividends received, and to adjusted net income, 1923–35*

[Amounts in millions of dollars]

Year	Net income[1]	Net income including 100 percent of dividends received	Adjusted net income	Cash dividends paid	Ratio of cash dividends paid to—		
					Net income	Net income including 100 percent of dividends received	Adjusted net income
1923	8,322	8,992	8,055	3,821	45.9	42.5	47.4
1924	7,587	8,291	7,409	3,965	52.7	48.2	53.9
1925	9,584	10,568	9,396	4,817	50.3	45.6	51.3
1926	9,673	10,917	9,687	5,580	57.2	50.7	57.1
1927	8,982	10,286	9,155	5,785	64.4	56.2	63.2
1928	10,618	12,213	11,029	6,585	62.0	53.9	59.7
1929	11,654	13,843	12,649	7,842	67.3	56.6	62.0
1930	6,429	8,193	7,481	6,841	106.4	83.5	91.4
1931	3,683	4,536	4,137	3,872	105.1	85.4	93.6
1932	2,153	2,590	2,305	2,320	107.8	89.6	100.7
1933	2,966	3,426	3,010	2,386	79.9	69.6	79.3
1934	4,275	5,216	4,628	3,853	90.1	73.9	83.3
1935	5,165	6,657	5,947	4,651	90.0	69.9	78.2

[1] Statutory net income as tabulated in the Statistics of Income for these years.

Source: Treasury Department, Division of Research and Statistics, Jan. 4, 1938.

EXHIBIT 12a.—*Percentage distribution of corporation adjusted net income, 1936* [1]*—Credits for dividends paid and contracts restricting dividends and undistributed net income subject to surtax, by net income classes*

Net income [2] classes (in thousands of dollars)	Adjusted net income	Dividends paid credit	Credit for contracts restricting dividends	Undistributed net income subject to surtax
Under 5	100	35.95	1.23	62.82
5 to 10	100	56.79	1.87	41.34
10 to 15	100	66.99	2.00	31.01
15 to 20	100	70.48	2.79	26.73
20 to 25	100	72.89	2.92	24.19
25 to 50	100	73.06	3.59	23.35
50 to 100	100	74.55	3.31	22.14
100 to 250	100	75.02	3.29	21.69
250 to 500	100	77.54	2.94	19.52
500 to 1,000	100	78.89	3.09	18.02
1,000 to 5,000	100	83.72	2.28	14.00
5,000 and over	100	90.27	.80	8.93
All net income classes	100	81.20	2.06	16.74

[1] Returns filed through Aug. 31, 1937.
[2] Net income for income-tax computation.

Source: Treasury Department, Division of Research and Statistics, Nov. 12, 1937.

All corporations with a net income of less than $75,000 are out of the I–B group. All corporations that do not meet the ownership test are out of the I–B group. All corporations that do not distribute less than the average dividend distribution of all corporations of the United States are out of the I–B group.

Let us compute an I–B tax. This gives you the picture. First, you take the net income and then deduct the 20–16 tax, whatever that is. After you do that you have the adjusted net income. Then you deduct from the adjusted net income $60,000, 30 percent of the adjusted net income, or any sum of money used to pay debts or irrevocably set aside to retire debts incurred prior to January 1, 1938, whichever amount is the greatest. Then you subtract all of the dividends that have been declared. Ordinarily, that will be the base to which the 20-percent rate will apply.

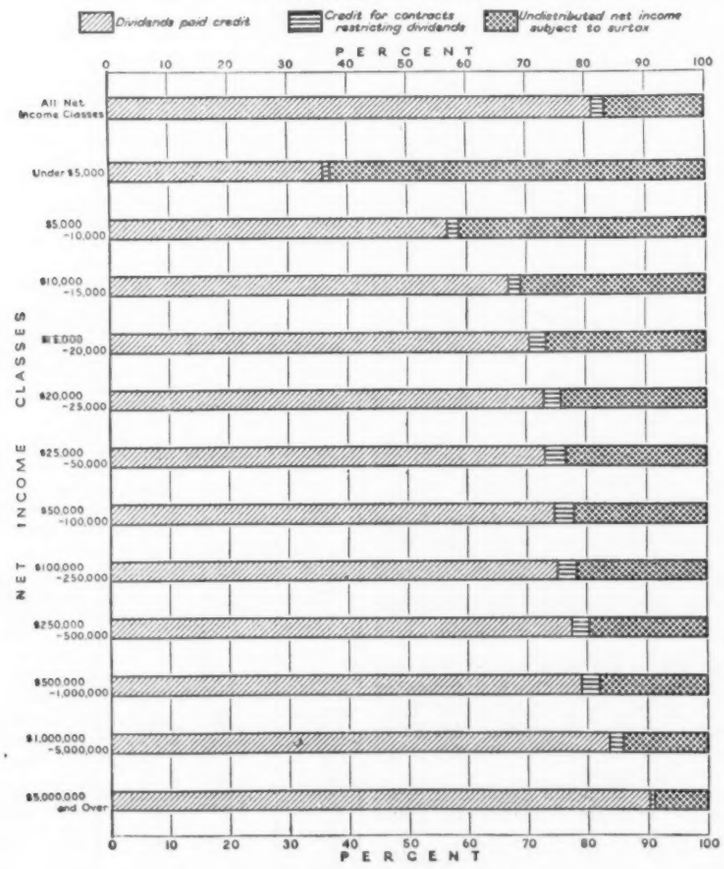
If it is a deficit corporation, until that impaired capital structure is made whole, there will be no I–B tax. I want to explain that to you because it is important. Say you have a corporation that has an invested capital of $100 and now it has assets worth $80. You have a $20 hole in that structure. You have a deficit corporation. You have $20 less

EXHIBIT 12B

PERCENTAGE DISTRIBUTION OF CORPORATION ADJUSTED NET INCOME, 1936[1]

Credits for Dividends Paid and Contracts Restricting Dividends; and Undistributed Net Income Subject to Surtax

BY NET INCOME CLASSES



[1] Returns filed through Aug. 31, 1937.

Source: Treasury Department, Division of Research and Statistics, Nov. 12, 1937.

than the amount of money put into the corporation. It may be a $100,000 corporation, in which case you would have a deficit of $20,000. It is an I–B corporation. I may say there are very few of them in the deficit class.

If it is a deficit corporation, however, when you take all the deductions I have told you about, then you are permitted to take all the money that is retained to plug up that deficit hole. This reduces the base to which the tax rate is applied.

Then if an I–B corporation has a net operating loss, we permit the net operating loss of the preceding year to be deducted as dividends before the 20-percent rate applies.

Under the present bill, if you have a corporation that has a net income of $100,000 and it pays out $20,000 in dividends, or 20 percent of its net income—the average rate for 10 years, you will remember, was 75 percent—but if it paid out $20,000 in net income it would pay the terrific sum as an I–B tax of $160. That is a horrible thing. If it happened to pay out $21,000 in dividends it would not even pay this $160.

Any corporation having a net income of more than $250,000 falls out of the I–B tax if it declares 57.6 percent in dividends. This takes them out of that tax.

At $100,000, 20.8 percent takes them out of the I–B tax; $150,000 net income corporations, 41.7 percent in dividends takes them out; $200,000, 51.1 percent in dividends takes them out; and $250,000 and above, 57.6 takes them out. The reason for that is that down below $250,000 this $60,000 specific credit is more than the 30 percent of the adjusted net income.

I insert Treasury table to show the I–B tax and the combined, or total tax, with various incomes and dividend distribution.

Title I–B corporations—Effective rates of tax for title I–B corporations with selected adjusted net income

Adjusted net income	Dividend distribution		Tax liabilities			Effective rate of tax (as a percent of adjusted net income)	
	Percentage of adjusted net income distributed	Amount of dividends distributed	20–16 tax	Title I-B tax	Total tax	Title I-B tax rate	Total tax rate
	Percent					*Percent*	*Percent*
$80,000	0		$16,000	$800	$16,800	1.00	21.00
	[1]5.2	$4,167	15,833		15,833		19.79
$100,000	0		20,000	4,000	24,000	4.00	24.00
	10	10,000	19,600	2,080	21,680	2.08	21.68
	20	20,000	19,200	160	19,360	.16	19.36
	[1]20.8	20,833	19,167		19,167		19.17
$150,000	0		30,000	12,000	42,000	8.00	28.00
	10	15,000	29,400	9,120	38,520	6.08	25.68
	20	30,000	28,800	6,240	35,040	4.16	23.36
	30	45,000	28,200	3,360	31,560	2.24	21.04
	40	60,000	27,600	480	28,080	.32	18.72
	[1]41.7	62,500	27,500		27,500		18.33
$200,000	0		40,000	20,000	60,000	10.00	30.00
	10	20,000	39,200	16,160	55,360	8.08	27.68
	20	40,000	38,400	12,320	50,720	6.16	25.36
	30	60,000	37,600	8,480	46,080	4.24	23.04
	40	80,000	36,800	4,640	41,440	2.32	20.72
	50	100,000	36,000	800	36,800	.40	18.40
	[1]52.1	104,167	35,833		35,833		17.92
$250,000	0		50,000	28,000	78,000	11.20	31.20
	10	25,000	49,000	23,140	72,140	9.26	28.86
	20	50,000	48,000	18,280	66,280	7.31	26.51
	30	75,000	47,000	13,420	60,420	5.37	24.17
	40	100,000	46,000	8,560	54,560	3.42	21.82
	50	125,000	45,000	3,700	48,700	1.48	19.48
	[1]57.6	144,033	44,239		44,239		17.70
$500,000	0		100,000	56,000	156,000	11.20	31.20
	10	50,000	98,000	46,280	144,280	9.26	28.86
	20	100,000	96,000	36,560	132,560	7.31	26.51
	30	150,000	94,000	26,840	120,840	5.37	24.17
	40	200,000	92,000	17,120	109,120	3.42	21.82
	50	250,000	90,000	7,400	97,400	1.48	19.48
	[1]57.6	288,066	88,477		88,477		17.70
$1,000,000	0		200,000	112,000	312,000	11.20	31.20
	10	100,000	196,000	92,560	288,560	9.26	28.86
	20	200,000	192,000	73,120	265,120	7.31	26.51
	30	300,000	188,000	53,680	241,680	5.37	24.17
	40	400,000	184,000	34,240	218,240	3.42	21.82
	50	500,000	180,000	14,800	194,800	1.48	19.48
	[1]57.6	576,132	176,955		176,955		17.70

[1] Approximate distribution at which title I–B tax vanishes.

Treasury Department, Division of Research and Statistics, Mar. 2, 1938.

Mr. THOM. What is the meaning of that $60,000, and what is the justification for it?

Mr. FRED M. VINSON. The gentleman from Ohio has asked a very pertinent question. I may say that the members of the Ways and Means Committee have had some experience in connection with taxes. We recognize the problems of industry regardless of what some folks may say. The exemption from that tax of $60,000, or 30 percent of adjusted net income, or the amount they pay in retirement of debt, or irrevocably set aside for the payment of debt incurred prior to January 1, 1938, is to permit this I–B group to have this $60,000, or 30 percent, or the amount used to pay debts free from the tax in order that they may have a reasonable reserve, in order that they may have money for plant expansion and in order that they may be able to pay debts without the imposition of the surtax.

Mr. FULLER. Or they may put it into surplus. They can do what they want with it. They do not have to pay debts with it.

Mr. FRED M. VINSON. I mentioned surplus the first thing in stating that they may add to reserve. The fight against the undistributed-profits tax has been waged in the name of the small corporation. The boys who do not want to pay normal and surtax on dividends are the ones who are really behind the propaganda. Some organizations opposing the I–B plan find that they are in a pretty tough spot. Financial statements show that those who oppose the I–B tax have more dollars in the bank and they may pay out more dollars actually in support of the organizations that are fighting the I–B tax, but these organizations have more cash customers who do not fall in the I–B group.

There are forty to forty-five million dollars in revenue tied up in this I–B group plan. Of course, if this should be dropped, this forty or forty-five million dollars will have to be paid by other taxpayers. I have here in my files a statement from the Treasury that if it be secured from the 20–16 group we will have to raise the 20-percent maximum to 22¼ percent in order to raise this forty to forty-five million dollars. You can start out and increase the rate on the smaller corporations. But I do not know any better philosophy in regard to revenue than payment thereof in accordance with ability to pay.

We have the graduated principle in individual income taxes. We have the graduated principle in respect to corporations.

It seems to me this is another graduated step.

We provide for a consent dividend. If the company does not want to pay out dividends but wants to keep the money for corporate purposes, the shareholders can agree they will take up the tax on their dividends in their income tax. The corporation then retains the money. Objection is made that you cannot get people to agree to such an arrangement. I see my good friend from Illinois smiling and chuckling about that. However, I do not see so much difficulty about this. I do not see why five or six people, possibly of the same family or closely connected, could not agree to take up the tax if they need the money in the corporate business. If one of them happens to be recalcitrant, we have arranged for that situation, too, in such a way that the ones who agree to take up the tax in their individual income taxes will do so, and the other fellow will be paid cash. Then the Government gets the tax upon the cash paid to him just the same as if they took up the net income in a consent dividend.

I have referred to the fact this I–B tax does not go to the extent it is claimed it does. If you paid the entire difference, 11.2 percent more tax, you would be paying then only 1.2 percent more tax than the corporations in England pay today. The corporate tax rate in England is 30 percent. If you choose to investigate the deductions allowed in England, you will find the deductions allowed do not begin to compare with those allowed so generously by this country.

There appeared before the committee 10 gentlemen who spoke directly of their specific cases which they thought were in the I–B group. With the exception of one of them for a period of 1 year, those who submitted figures showing

us what their net income was would not fall under the I–B group, because their dividend policies or amount of yield excluded them. I am going to take them up ad seriatim.

Mr. Gannett appeared before our committee, and on page 297 of the hearings, just before he left the stand, he admitted the tax burdens in the I–B group were much less than he had any idea they were. Some witnesses who appeared before the committee even thought there were two 20 percent rates, and of course, that is just not the case.

Mr. Kress, of New York City, a very prominent businessman, on page 404 of the record admitted that last year his company had declared dividends amounting to 70 percent of their net income. Of course, this company will be automatically excluded under the law.

Mr. Donnelley, of Chicago, was a very interesting witness. He was very much against the undistributed-profits tax. He believed it would ruin him, and that he would not be able to build up his business as it had been built up.

He admitted that during the last 25 years he had made $550,000 a year, which was a very, very commendable achievement. We inquired as to what his dividend policy had been and he very frankly told us that 3 years ago, before there was an undistributed-profits tax, he had declared in dividends 68 percent of the net income; 2 years ago, 54 percent; and 1 year ago, 60 percent. In other words, in 2 of the years he would have been completely out, and he was within 3.6 percent of being out in the second year—page 420, hearings.

Mr. Jones—page 434, hearings—a very splendid gentleman who appeared before the committee, thought he was going to be very materially affected. He was asked in what year his company had made more than $50,000, and he said 10 years ago, when he was not with the company it had had 1 year in which it had made more than $50,000. I asked him what his dividend policy was, and he said it was from 65 to 70 percent. Consequently he was out.

Mr. Calkins—page 573—stated that before 1936 the group he represented had deficits, but in 1936 it made a profit of $20,115.

Mr. DOUGHTON. It had been in the cellar.

Mr. FRED M. VINSON. Yes; in the cellar. In 1936 it had had a net income of $20,115. Of course, this excludes them. In 1937 he said the company had made more, but we did not get the figures, so I cannot say what their standing was in 1937.

Mr. Hutzler, of Baltimore—page 589—a very prominent businessman who inveighed against the I–B proposition, stated that in 1937 his dividend policy was to distribute 62 percent, and in 1936, 62 percent. There was also a problem which was bothering him very much, and properly so. He had $100,000 a year his company wanted to use to pay off a debt. Of course, in the bill as reported by the full committee there is the debt provision that allows his company to retain additional money to be used for the payment of the debt. He was out.

Mr. Greer—page 607—did not give us information as to the amount of net income.

Mr. Lane, of Altavista, stated he made $175,000 in 1936. Finally we pried it out of him that he had a dividend credit of $120,000, $60,000 in cash and $60,000 in notes, or between 75 percent and 80 percent. Of course, he was out.

Mr. Namm, from Brooklyn, whom my good friend the gentleman from New York [Mr. CULLEN] knows and says is a very splendid gentleman, made a fine witness for those of us who espouse the I–B tax. He stated that in 1932, 1933, 1934, 1935, and 1936 he had deficits. Then in 1937 he had a net income of $59,983. A distribution of $2,383 took them out under the subcommittee proposal. Of course, under the provisions of the pending bill, he would be out.

Then there was a Mr. Strouss, and I think he went out because the ownership test did not exist, but, anyhow, he had a dividend policy of 54 percent, which practically relieved of all tax.

In other words, what I am trying to demonstrate is that every single witness who came of his own volition or came at the request of some organization in order to knock down the undistributed-profits tax as it applies to closely held corporations failed to make a case, and I submit to you, as jurors, that upon evidence of that kind, the evidence of the witnesses in the court, you cannot make a finding that the I–B corporation proposal in this bill is unduly burdensome.

I want to give you one further thought. We eliminate the undistributed-profits tax from all corporations of $25,000 and less. We have reduced the undistributed-profits tax under existing law for the other corporations under the general rule down to 4 percent. What this I-B proposition does is to retain the undistributed-profits tax on the small group of corporations.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that I may be permitted to yield the gentleman from Kentucky 15 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. FRED M. VINSON. I want you to get this: Under existing law the maximum rate is 32.4 percent. Under this proposal the maximum rate is 31.2 percent.

Under the proposal of the House bill we have done our best to have a rate that will approach but not equal the maximum rate under existing law. Almost all of the cases of those paying an I–B tax will pay less than they do under existing law. I believe I can say that all of those under the I–B proposal will pay less, in view of the fact we introduced the $60,000 credit.

NET OPERATING LOSS

There are other propositions I want to refer to hastily.

There are other relief provisions, and I would like to see the color of the fellow's eyes, even though he is on the minority side, who will vote against these. What one of you will vote against the provision that gives a corporation the right to carry over net operating losses to apply against the surtaxes? You have not this in existing law, and you have not had this in your tax system for a number of years. Who of you will vote against this relief provision? This is truly a substantial relief provision.

OBSOLESCENCE

Then when you come to the question of obsolescence, what Member on this side of the aisle or in the House will vote against that relief provision, which is something the newspapers have not talked about. It is really a very splendid relief provision, and I will explain it to you shortly.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I cannot yield right now. I intend to yield as soon as I get through here, if I have the time, because I want to yield. I want to put myself open to all the Big Berthas you have.

Under existing law you have an allowance that is called depreciation. Some of you may not know this. It astounded me when I first learned this. I looked through the statistics for several years and I observed that there were allowances made to corporations for depreciation that were 50 percent of the net income of the corporations after depreciation deduction. I could hardly believe my eyes. Every dollar allowed for depreciation in this country is exempt from tax, and the allowance for depreciation can be used any way the corporation wants to use it. This is not so in England. You do not get any allowance for depreciation in England unless you replace the depreciated article with a new one; but in this country you get tax free or tax exempt every dollar that is allowed for depreciation.

When you come down to the question of obsolescence, we have had a different rule all through the years, and under existing law the only way you can get obsolescence is to take the thing that you know to be obsolete and sell it to somebody, and when you do this, then you fall under the capital gain and loss section, and if you have held it for 10 years, under existing law, you are only able to take 30 percent of the obsolete value. This is not all. Unless you

have a capital gain against which this capital loss can be applied, you do not get any credit whatever for your obsolete machinery.

We now change this. We say that obsolescence should be treated as operating expense and that one should be permitted to deduct the obsolete value from the gross income which will thereby fully exempt the obsolete value of the piece of machinery from tax.

To illustrate, take a piece of machinery that cost you $100. It has a life of 10 years. You write off 10 percent a year in depreciation, and then you come to the 5-year period, and it has become obsolete. You have 50 percent of that value that is worthless to you. Under existing law you would have to sell it. Say you sold it for $1. You would get 40 percent of $49 or $19.60 loss. You would have to have a capital gain to apply that to before you got any deduction for obsolescence, but under our plan we take the 50-percent of obsolete value and deduct it from gross income. Thereby the person who has this piece of machinery that is used in his trade or business gets a complete and full deduction of the obsolete value. Thus this amount is freed from tax.

I have attempted to illustrate the change. Of course, under existing law, up to $2,000 per year may be deducted as capital loss, even though there was no capital gain.

DIVIDEND CARRY-OVER

We have in this bill a dividend carry-over for 2 years where they declared more than their net income in dividends. That is a protective clause that we thought should be in the bill.

TIME LIMITATION

In addition to that, for the I–A and the I–B tax we meet the criticism that has been levied against us that corporations could not determine by December 31, if they are on a calendar-year basis, what their dividends should be, and that they should have a period in the following year in which to determine what further dividends they could declare. If they declare more dividends, that makes the undistributed-profits tax less. So, for purposes of I–A and I–B, we give them 2½ months after the end of the taxable year in which they may declare as much as 10 percent of the dividends declared during the taxable year.

CAPITAL GAINS

The argument in regard to the capital-gains tax makes me smile. There was a drive on the subcommittee and on the full committee to repeal the capital-gains tax. It was not a modification but a repeal which was sought. They say that England does not have a capital-gains tax and that because England does not have any capital-gains tax we should not have a capital-gains tax. But they are not willing to take England's rate on corporations of 30 percent, and they are not willing to take England's rate on individual income, which would multiply the income tax in the middle brackets two, three, and five times, and, again, they are not willing to take England's rate on estate taxes, which only gives an exemption of £100, or $500. England has some taxes! Their statement that England does not have a capital-gains tax does not hold water.

England does not call it a capital-gains tax, but England collects many millions of dollars from transactions that we call capital gains. It may be that I am provincial, I know I am, but for the life of me I cannot get it through my head why a man who makes $5,000, $10,000, $15,000, or $20,000 a year, and who has to work 12 months to make that amount of money should pay an income tax, and that the fellow who goes out and sells a piece of property, whether it is speculating or not, and makes the same number of dollars in a day or a week or a month, should be exempted from the payment of taxes to the Government under which he makes that transaction. [Applause.] Let us hear some of them call for the repeal of the capital-gains tax. Gentlemen may take the floor and say there should be a repeal of the capital-gains tax, but in my opinion you will not hear them say it very loudly. They will say now that they want a modification of that tax.

All of the furore in regard to the repeal of the capital-gains tax, in my opinion, comes from the speculator, who of course would like to avoid the payment upon capital gains that he makes. Why do I say that? Because we were told by the Treasury authorities that 85 percent of all of the capital gains in the United States comes from the sale of stocks and bonds, securities. I am not mad at those fellows who make money from the sale of stocks and bonds. But we saw to it that they did not sweep us off our feet. What position would we be in to repeal this tax and then levy increased taxes on individuals, partnerships, or corporations, or upon articles in common use? What we tried to do is to bring a fair modification of the capital-gains tax. We have a smoother line in regard to the period the asset is held, retaining the 1934 philosophy in regard to a lesser tax in accordance with the longer time held. Then in addition to that, we have injected into this proposition certainty of tax.

Under existing law short-term gains are taxed on 100 percent of the gain. We retain such tax. The gain on the sale of capital assets held for less than a year pays the full income-tax rate at whatever it is. And I say to you there has not been an income-tax law when such tax has not been levied. It has ever been so since we have had an income-tax law. When my friends from the minority talk about the repeal of the capital-gains tax, where did they stand during the 12 years that they were in power in respect to that item. They say that they had a 12½-percent rate. That is true. But when they had the 12½ percent what was the maximum surtax rate? It was, part of the time, 20 percent. In other words, they levied a tax of substantially 60 percent of the surtax upon the capital gain.

All gains realized from the sale of capital assets held for less than 1 year are taxed in full at whatever rate the ordinary income of the taxpayer plus the capital gains reach. Capital assets held for longer than 1 year are handled in a different way. In 1934, we injected into the system the lessening of the amount of gain taxable in accordance with the time held. The brackets under existing law drop from 100 percent at the end of the first year to 80 percent in the second year. We bring in a new graduation. At the end of the first year we drop the gain 2 percent a month for the first year; that reduces the gain to 76 percent at the end of the second year. Thereafter, the gain is reduced 1 percent a month until you reach the fifth year. That makes the gain taxable at the end of the third year 64 percent, at the end of the fourth year 52 percent, and at the end of the fifth year 40 percent. Thereafter it is 40 percent. The taxpayer is given an option to include this percentage of gain in his ordinary income or have it subject to a 40-percent rate. This gives an effective rate on capital gains ranging from 16 percent at the end of the fifth year to 39.2 percent in the first month after the first year. The smaller taxpayer of course would not pay as high a rate as 16 to 39.2 percent but would include the percentage of capital gains in their ordinary income. The taxpayer with a rate in excess of the application of the 40-percent rate on the capital gain would pay it rather than include the percentage of gain in his ordinary income. We feel that it introduces a certainty that is lacking under existing law and that it will have a tendency to accelerate transactions.

The CHAIRMAN. The time of the gentleman from Kentucky has again expired.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that I may be permitted to yield the gentleman from Kentucky 10 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

BACK TO I–B

Mr. FRED M. VINSON. Now, I want to refer to one thing I overlooked in connection with the I–B tax. It is a statement contained in a report prepared by the Chamber of Commerce of the United States in February 1937 attacking the

1936 act. I would like you to keep it in mind in respect of the 1936 bill that passed the House, because we met their stated objections in the House bill and we meet their requirements in regard to the I–B tax. I happened to remember that they gave me a blue-penciled copy of this report. I went through it and found that we squared with what they said would help out a lot. I want to read it:

Special allowances. In addition to the deductions now permitted before application of the surtax, there should be allowances for:

(1) Amounts bona fide required to be paid or set aside for the payment of indebtedness, restoration of depleted capital, or to meet reasonable contractual requirements of a nature that actually restrict the ability to pay dividends.

(2) Amounts actually expended for additions, betterments, improvements, expansion, or development up to a reasonable percentage of income.

(3) Permission to carry business losses forward over a reasonable period of years. A simple though inadequate corrective measure—

Of course it would be inadequate, but they said:

A simple though inadequate corrective measure which would cover in part the above-mentioned allowances and which would alleviate some of the present difficulties and hardships, would be—

And they underscore the rest of this—

to permit corporations to retain a reasonable portion of their taxable income free from the surtax.

Now, we did that in the 1936 House bill, 42 percent in the case of small corporations and 30 percent for the large corporations. We do it under the I–B proposal in the deduction of $60,000, 30 percent of adjusted net income, or the amount used to pay debts or set aside for the purpose of paying debts, whichever is greatest.

Continuing to read now from the underscored statement:

The portion most commonly suggested is 30 percent. Such a measure combined with adjustments in the base of the surtax would greatly improve existing law.

Let us take them up seriatim:

Amounts bona fide required to be paid or set aside for the payment of indebtedness.

That is in title I–B.

Restoration of depleted capital—

That is in title I–B—

or to meet reasonable contractual requirements of a nature that actually restrict the ability to pay dividends.

Amounts actually expended for additions, betterments, improvements, expansion, or development up to a reasonable percentage of income.

The $60,000 or 30 percent of adjusted net income, whichever is greater, cares for these suggestions.

Permission to carry business losses forward over a reasonable period of years.

We allow them to carry forward certain operating losses in title I–B.

Mr. WADSWORTH. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. WADSWORTH. The gentleman has just read a list of suggestions made, as I understand, by the Chamber of Commerce of the United States in February 1937. I notice the first suggestion is the exemption of earnings of corporations other than closely held used for the payment of debt. Is such an exemption carried in the pending bill?

Mr. FRED M. VINSON. The existing law carries 32.4 maximum effective rate. Instead of spelling out a specific exemption for the payment of debt, for plant expansion, for building up a reserve, because one corporation may need money for one purpose and another corporation for another purpose, what we did was to reduce the maximum rate substantially 40 percent so they could use the money for any purpose to which they wanted to put it.

Mr. WADSWORTH. I note, if the gentleman will permit a further interruption, that the exemption for the payment of debt is included in this bill as the gentleman stated for the closely held corporations.

Mr. FRED M. VINSON. Yes, for I–A and I–B. As a matter of fact, we included that in the bill last year for the I–A or the personal holding companies; and certainly I think there is much more reason to include it as to the operating companies.

Mr. WADSWORTH. That is what I thought. I wonder why it is not included.

Mr. FRED M. VINSON. It is included.

Mr. WADSWORTH. Only in the personal holding companies.

Mr. FRED M. VINSON. In the I-B group as well.

Mr. WADSWORTH. But not in the other group.

Mr. FRED M. VINSON. In reducing the maximum rate from 32.4 to 20 percent, we thought one corporation may want to pay debts, another corporation may want to indulge in plant expansion, while another corporation may want to build up its reserve. We let them use it for whatever purpose they want to.

Mr. GIFFORD. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. The gentleman said he did not think any of us would cry very loudly for repeal of the capital-gains tax. Mr. Baruch spoke for 2 days before the Senate committee, and did he not speak mildly, but very effectively? It was not very loud, but was it not just as effective, even thought not spoken loudly? Has the gentleman read his statement relating to the capital-gains tax? I have it here and will read it if the gentleman desires.

Mr. FRED M. VINSON. I am certain my friend is a very good reader.

Mr. GIFFORD. I acknowledge that. How about taking on the income-tax rates of England? Could we take their rates?

Mr. FRED M. VINSON. I do not suggest them. I do not yield further. I have not the time to permit my good friend to make a speech.

Mr. GIFFORD. I would be glad to accept their local rates for our people.

Mr. ROBERTSON. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Virginia.

Mr. ROBERTSON. If a I–B corporation emerges from bankruptcy or receivership and under a new or better management is able to make a net income of $150,000 and decides to put it all into reserve, what would be the tax policy?

Mr. FRED M. VINSON. For 2 years corporations coming out of bankruptcy or receivership when insolvency is involved are exempted from imposition of the I–B tax. I am glad the gentleman called that to my attention.

Mr. MASON. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Illinois.

Mr. MASON. May I say I understand enough about the theory of taxation to properly gage——

Mr. FRED M. VINSON. I do not yield for a speech.

Mr. MASON. I am not going to make a speech, sir. I wanted to say I know enough about the theory of taxation to properly gage and appreciate the fullness of the knowledge of the gentleman on taxation.

Mr. FRED M. VINSON. I like that speech.

Mr. MASON. Now, having gotten that out of my system, I wonder if the gentleman meant us to understand that the iniquity and the burden of a tax is properly gaged by the amount of revenue it brings into the Treasury as compared to other taxes that bring revenue into the Treasury?

Mr. FRED M. VINSON. No. I would not be for an iniquitous tax.

Mr. MASON. I want to understand if that is the gentleman's measure of what it is.

Mr. FRED M. VINSON. No. When it comes to iniquity I want to get away from it.

Mr. MASON. Is that the measure of the burden of the tax?

Mr. FRED M. VINSON. It is a question of whether or not people will assume and pay a fair, equitable proportion of the taxes needed to carry on the Government.

Mr. MASON. But the one brought in one dollar and the other brought in eight.

Mr. FRED M. VINSON. That is correct.

Mr. MASON. But the gentleman understands the reason it only brought in one was the fact it had to distribute so much in order to pay the tax.

Mr. FRED M. VINSON. No. The reason it brought in only $150,000,000, was because we did not have the law on the books that passed the House. We had a composite tax bill. It is like oil and water mixing. We had the normal corporate tax, the capital-stock tax and the excess-profits tax and there was superimposed upon those the undistributed-profits tax. In the House we had an unadulterated undistributed-profits tax and that was the bill about which the Treasury witnesses testified.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. May I commend the very able and splendid speech of the gentleman from Kentucky. Will this tax bill bring in more or less revenue than the present tax law?

Mr. FRED M. VINSON. We are told it will bring in substantially the same number of tax dollars.

Mr. COOLEY. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from North Carolina.

Mr. COOLEY. The gentleman made the statement it was not the purpose of this bill to unduly burden the closely held corporations. Does it undertake to exact from closely held corporations approximately the same number of tax dollars that would be exacted from a widely held corporation similarly situated?

Mr. FRED M. VINSON. We are merely undertaking in this bill to collect for the Federal Government substantially the same number of tax dollars from the closely held corporation or its shareholders as is collected from the widely held corporation and its shareholders where the net income in each case is the same.

I want to thank my colleagues for their patience. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 30 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, it has been my pleasure to serve in the House of Representatives for practically 20 years. I have witnessed many dramatic scenes in this House, but I wish to call the attention of the Members, and if it were permissible under the rules, of the occupants of the galleries, to something of great significance that has happened here. In all the time I have served in this House I can recall no time when there has been a finer exhibition of the artistic accomplishments of a great advocate than you have just witnessed. [Applause.] I know you will regret just as much as I that the remarkable speech made here today by the distinguished gentleman from Kentucky [Mr. FRED M. VINSON] is probably the last major speech he will make on the floor of the House of Representatives. All of you have listened for one hour and a quarter absolutely spellbound. The psychology has been perfect. Cards came in to Members from the front door from constituents outside, and Members refused to leave the floor. The pages worked up into the back seats to listen. And do you realize that the gentleman was discussing statistics and practically nothing else? There was the mark of a genius.

We have seen the gentleman exhibit the same qualities in his cross-examination of witnesses before our committee. He is marvelous in his adroitness and his cleverness in leading and guiding witnesses. We have seen him take lawyers and businessmen and lead them to a conclusion that must have given them a nightmare when they got home and thought it over. [Laughter and applause.]

The gentleman from Kentucky and everyone else knows I love the gentleman and respect his ability, but he reminded me today of Patrick Henry. When he was more than 80 years old Patrick Henry was called upon to act as attorney for the defendants in a murder case a long distance from home. He received a retainer of $1,500. Then he got into his old buggy and drove for I do not know how many miles over the hills of Virginia. This was a case in which a father and mother were charged with murdering their child. The prosecution had one witness to the act, a tall, distinguished-looking woman from a distinguished family, the name of which I believe was Harrison. Patrick Henry cross-examined her carefully, because this woman testified she saw the murder committed, looking through a keyhole. For an hour or more he cross-examined the woman on just how she bent over and just how she saw the murder committed. In his address to the jury he dwelt for a long time upon her distinguished character and the great family from which she came. Finally he dwelt upon the enormity of the crime of peeking through a keyhole. He had the jurors weeping and had them indignant. He centered the attention of the jurors upon the keyhole. He wound up his remarkable plea to the jury by turning to the woman and saying, "And you, a Harrison, peeked through the keyhole." The jury went out and in a few minutes brought in a verdict of not guilty.

The distinguished advocate here has centered the attention of the Congress and of the country on the keyhole. I am sure practically every person here is convinced not only that corporations and businessmen are not taxed but that the Government is making them an annual contribution from these large appropriations. [Laughter and applause.]

Mr. Chairman, the Democratic majority of the Ways and Means Committee would have the members believe that the revenue bill now under consideration presents no substantial issue. I maintain that it raises a most serious issue. The fact that the proposal provides for the continuation of the undistributed-profits tax, a principle of taxation which has brought disaster to business and acute suffering to labor, ought to put the membership of the House on inquiry. The Nation-wide condemnation of the principle should have some weight with the membership of the House.

The Democratic members of the Ways and Means Committee are far from being in harmony or agreement as to the wisdom of many of the other provisions of the pending tax measure, a fact which should invite investigation and careful scrutiny by the Members of the House.

Much has been said here about the fact we were not permitted to participate in the conferences of the committee. I understand the distinguished gentleman from Massachusetts made it a practice every morning to rap upon the door of the committee room, only to find it locked and to hear the buzz of voices in heated argument within. We certainly were not invited to attend the conferences at the White House, where the blowtorch was applied in order to bring the recalcitrant Members finally into line. In due time, of course, we were invited in, when their will power had been bent to that of the Executive.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I am very happy to yield to the gentleman from Tennessee.

Mr. COOPER. I may say to the credit of the distinguished gentleman from New York that when the full membership of the Committee on Ways and Means took up the bill, within less than an hour after the consideration was begun the gentleman from New York was the only Republican Member of the committee present. All the rest had left.

Mr. REED of New York. I thank the gentleman for the compliment. I am not sure whether it was politeness that permitted me to remain or whether it was my size that kept you from throwing me out. However, I was there.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The Republican members of the committee knew they would have no voice in anything that was done by the committee. The final determination was up to

the majority. We did not want to waste our time sitting there watching the Members of the majority driving another peg into the coffin of American industry.

Mr. COOPER. The gentleman from Minnesota did not waste much of his time at committee meetings.

Mr. KNUTSON. No; I did not. I concede that. I do not waste my time if I can help it.

Mr. REED of New York. I do not agree with those who would accept this bill as presented here because a portion of the undistributed-profits tax principle has been removed. A substantial root of the cancer still remains in the present bill which, unless removed, will result in a recurrence of the malignant growth.

I claim that the adoption of a method of taxation which violates every principle of sound business practice presents an issue of fundamental and far-reaching importance.

I do not agree with the Democratic members of the committee when they state that:

> On the basis of the facts, your subcommittee believes that the principle of the undistributed-profits tax is sound and should be retained.

This assertion is made notwithstanding the admission which will be found on page 4 of the subcommittee report, in this language:

> Your subcommittee has devoted special consideration to the surtax on undistributed profits, since it is a new tax and has been the subject of much criticism.
>
> The criticisms most often made may be stated as follows:
>
> (1) It discourages, in many cases, legitimate business expansion, and therefore has an adverse effect on employment.
>
> (2) It puts a penalty on corporations which find it necessary to use current earnings in the payment of debts.
>
> (3) It burdens the small and weak corporation more than the large and financially strong corporation.
>
> (4) It is unfair to corporations with impaired capital which under State law cannot legally declare dividends.
>
> (5) The relief provisions of existing law dealing with corporations having contracts requiring the use of current earnings for the payment of debts are so restrictive as to provide relief only in rare cases.

The subcommittee, to save its face, then qualifies the admission by saying:

> Your subcommittee has examined these complaints and believes there has been much exaggeration as to hardships in the great majority of cases. It believes, however, that a substantial number of cases of hardship exist and that in such cases there is merit in the complaints.

Now, what do we find? Notwithstanding these reluctant and qualified admissions by the subcommittee, we find that it has retained in the bill the undistributed-profits-tax principle. Regardless of the admitted substantial number of hardships, a revenue bill, so-called, is brought in which contains the same obnoxious and destructive tax provision.

It is apparent that the Democratic majority of the Ways and Means Committee is no more willing to listen now to the protest of business and labor than it was in 1936. The testimony offered against the bill was disregarded then, and the Nation-wide protest registered against this bill is again ignored.

The evidence presented and the evidence available to the committee in 1936 was overwhelming in its condemnation of the principle of the undistributed-profits tax.

I regret that this country has been driven into a depression, but the fact that the 1936 Revenue Act has been one of the contributing causes of the present collapse ought to impress upon the membership of this House the importance of acting as the representatives of the people rather than as a mere rubber stamp for a few crystal gazers. It is unjust, unfair, and un-American for representatives to surrender their legislative functions to the injury of those whom they are supposed to represent. Tragic as the present Roosevelt depression may be, if it serves to arouse the membership of this House to a sense of legislative responsibility, there will be some compensation to the public. If it focuses public attention on the provisions of the bill before us and causes the taxpayers to examine the votes cast for and against this measure, the depression may serve a useful purpose. In this connection, it may be appropriate to say that:

> The man who, expending his energies wholly on private affairs, refuses to take trouble about public affairs, pluming himself on his wisdom in minding his own business is blind to the fact that his own business is made possible only by maintenance of a healthy social state, and that he loses all round by defective governmental arrangements.
>
> Where there are many like-minded with himself—where, as a consequence, offices come to be filled by political adventurers and opinion is swayed by demagogues, heavy penalties fall on the community at large.
>
> Their investments are insecure; recovery of their debts is difficult; and even their lives are less safe than they would otherwise have been.

Those of us who weighed the evidence for and against the 1936 Revenue Act were unable to understand why the Democratic members of the Ways and Means Committee could cast aside the testimony of sound businessmen and blindly follow the destructive proposals of the administration officials.

More bewildering to us was the almost solid vote of the Democratic side of the House in support of the 1936 Revenue Act. As every Member of the House then knew and as all Members now know, the question of the undistributed-profits tax had been considered by a Joint Committee on Internal Revenue in 1927 and the principle condemned as unsound. The distinguished character and ability of those who made up the personnel of that joint committee of the House and Senate should have commanded respect.

The House members of the committee were Hon. William R. Green, of Iowa; Hon. Willis C. Hawley, of Oregon; Hon. Allen T. Treadway, of Massachusetts; Hon. John N. Garner, of Texas; Hon. James W. Collier, of Mississippi.

The Senate members of the committee were Hon. Reed Smoot, of Utah; Hon. James E. Watson, of Indiana; Hon. David A. Reed, of Pennsylvania; Hon. Furnifold H. L. Simmons, of North Carolina; Hon. Andrieus A. Jones, of New Mexico.

That committee had the assistance of a most distinguished advisory counsel.

After careful study and consideration of the undistributed-profits tax as a method of taxation, it was condemned by the joint committee in this language:

> The most obvious objection to such a tax is the burden which it places on legitimate and proper business expansion. As business expands not only does its plant and property increase but a large working capital is required and it is desirable that reasonable accumulations should not be unduly burdened. A tax placed only upon the unnecessary accumulation of capital instead of upon the total accumulation involves many difficulties inherent in section 220 and is certainly an impractical solution of the problem. It is believed that a tax on the total accumulation of profits by corporations is not desirable because in many cases it might cause the making of unwise distributions and prevent the accumulation of a reasonable and proper surplus.

This finding against the undistributed-profits tax principle made as recently as 1927 was absolutely ignored in 1936 by the Democratic members of the Ways and Means Committee and by the House, as shown by the overwhelming vote cast for the bill.

There was other evidence that the principle was unsound which should have put a deliberative legislative body on notice and diligent inquiry. I refer to the experience of other countries with such a provision. It was known to the Democratic members of the Ways and Means Committee that Sweden had adopted such a tax in 1919, only to abandon it in 1926 because of its adverse effects on business and employment.

The committee knew that Norway had embodied the same principle in its tax law, followed by disastrous results to business and industry. To meet the severe criticism directed against this form of taxation, Norway has had to lower the rate, notwithstanding the fact that under its laws any taxes paid on undivided profits were to be refunded if and when subsequently disbursed.

There was available to the committee the method of taxation used in Holland, where, instead of imposing a tax on

undistributed profits, the policy is reversed. Dutch corporations are taxed at the rate of 9.05 percent on the part of their earnings paid out as dividends but exempted with respect to the part which they retain.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield for a question?

Mr. REED of New York. I yield to the gentleman.

Mr. JENKINS of Ohio. I understood the gentleman to say that this Joint Committee on Taxation back in the days of Reed Smoot and John N. Garner made a finding that was absolutely against the undistributed-profits tax.

Mr. REED of New York. Absolutely.

Mr. JENKINS of Ohio. May I ask the gentleman who proposed the plan at that time, and whether or not that committee was unanimous in its opposition?

Mr. REED of New York. I would be most happy to answer the gentleman's question and I shall answer it as I proceed just a little further with my statement.

The testimony presented to the Ways and Means Committee in 1936 by American businessmen, who clearly and earnestly pointed out the disastrous effects to be expected from such a tax, received no consideration whatsoever. The experience of other nations with such a tax made no impression upon the committee and was also cast aside as of no consequence.

I urge the members of the House when the vote is taken on this bill not to disregard the plight of the country. You might as well realize that business cannot be pilloried by the Congress without at the same time inflicting injury upon the millions of working men now idle. You Members of the House have a greater responsibility resting upon you to restore the jobs of 3,000,0000 men who have recently been thrown out of work than you have to the crystal gazers who advocate the unsound principle in this bill.

I believe the Members of the House fail to realize what the motivating force behind this unsound principle really is, and I believe if the membership did know, this bill would never pass in its present form. Just stop and ask yourselves why a principle of taxation so universally condemned should be insisted upon by a few men who are pulling the strings behind the scenes. These men see in the undistributed-profits tax the first step in a planned-economy program by which the industries of the Nation will eventually be fully dominated and controlled by the Government. I call the attention of the Democratic Members of the House to the published statement of Prof. Rexford Tugwell, which throws some light upon what was in his mind and what is in the minds of those who are now insisting that the principle of the undistributed-profits tax be retained. I quote from Professor Tugwell's Industrial Discipline, published in 1933:

> It will be seen that the control of investment is not so complex a matter as it might at first seem. The principles involved would be only two: The forcing of all investment funds into an open market, and the regulating of new capital issues. Neither of these seems impossible if we grant (1) the substitution of Federal for State incorporation, and (2) the correctness of using the taxing power to force surpluses into the market.

I desire to have the Members of the House note and carefully consider seriously the further statement of Professor Tugwell:

> If industries were to be controlled, incorporation of business enterprises would need, in effect, to be transferred from the States to the Nation, though some subterfuge might need to be employed; the flow of new capital into different uses would need to be supervised; prices would have to be controlled; and some vital interests now partly or wholly neglected would have to be protected.

In the light of the things that have taken place I hope the membership will give some thought to these announced objectives. I suggest further that the Democratic Members of the House, before voting on this bill, reflect upon the significance of the statement of Professor Tugwell when he was Under Secretary of Agriculture and Resettlement Administrator, which was made at a time when he was the close adviser of the administration and charting the course for the New Deal:

> Planning—
>
> Said Professor Tugwell—
>
> will necessarily become a function of this Federal Government; either that or the planning agency will supersede the Government * * *. Business will logically be required to disappear.
>
> This—
>
> He continues—
>
> is not an overstatement for the sake of emphasis—it is literally meant.
>
> New industries will not just happen as the automobile industry did. They will have to be foreseen, to be argued for, to seem probably desirable features of the whole economy before they can be entered upon. * * * The future is becoming visible in Russia. * * *
>
> Perhaps—
>
> Said Professor Tugwell—
>
> our statesmen will give way or be more or less gently removed from duty. Perhaps our Constitution and statutes will be revised. Perhaps our vested interests will submit to control without violent resistance. * * * Yet the new kind of economic machinery we have in prospect cannot function in our present economy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I would be pleased to yield to the gentleman.

Mr. KNUTSON. I have here a copy of the Washington Daily News. The Dailey News has been most loyal to the New Deal. It has stood by the New Deal when no one else did, except the majority over on the other side.

Here is an editorial entitled "After Two Years," and in part it reads:

> The recession—
>
> I do not know why they call it a recession, because we have 14,000,000 people out of work and W. P. A. is at a new high—
>
> The recession had many causes aside from the undistributed-profits tax. But none, we think, contributed more mightily. If the tax had been modified last December—
>
> As we Republicans advocated, as the gentleman will recall—
>
> along the lines now proposed, we believe it might have halted the recess. We believe that outright repeal now would contribute much toward recovery. Failing that, we hope for the nearest approach to complete repeal that is politically feasible.
>
> Then we can return to Mr. Roosevelt's original simple and sound objective. It is still desirable to force tax avoiders to contribute their fair share to the Government's revenue. But next time, let's not use a meat ax to stop a nosebleed.

Mr. REED of New York. I thank the gentleman.

I invite the attention of the Democratic membership of the House to the philosophy behind the undistributed profits tax principle, because that was the philosophy of government for which you voted in 1936, and the doctrine of discipline for which you are now asked to vote. The present Roosevelt depression is the answer to the planned economy experiment. If as a part of the plan, "business will logically be required to disappear," then the first step in this direction has been successful and the second step now proposed will be even more so.

I hope that the membership of the House recalls the testimony offered in support of the 1936 Revenue Act. Professor Tugwell having been promoted to the molasses business, his mantle fell upon the shoulders of Prof. Herman Oliphant of the Treasury Department. He was the star witness at the hearings in 1936. I have no doubt that his views and those of Professor Tugwell with reference to the methods to be pursued to attain the objectives of a planned economy harmonize perfectly. What is the program which the Members of the House are expected to endorse and promote by retaining the undistributed profits tax principle? That there may be no misapprehension let me again remind the Democratic members just what Professor Tugwell and Professor Oliphant believe and advocate. To them, "business will logically be required to disappear." To them the planning agency will supersede the Federal Government. To them, "new industries will not just happen as the automobile industry did."

To them, new industries will have to be argued for, not permitted to develop as a result of individual initiative and enterprise. To them, our statesmen must either give way "or be more or less gently removed from duty." To them, "perhaps our Constitution and statutes will be revised." To them, "vested interests will submit to control without violent resistance."

The two crystal gazers, Professor Tugwell and Professor Oliphant, may see the future of the United States becoming visible in Russia, but unless I am mistaken the next time these men gaze in to the crystal ball they will see an aroused and indignant free people demanding an American system of taxation, not a reform bill masquerading as a revenue measure. Professor Tugwell, it will be recalled, reminded his readers that in order to bring about his proposed reform "some subterfuge might need to be employed."

Mr. TREADWAY. Mr. Chairman, will the gentleman from New York yield?

Mr. REED of New York. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. With reference to the crystal ball, does not the gentleman recommend that the Democratic majority look in that right now?

Mr. REED of New York. They have all been gazing into it.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 15 additional minutes.

Mr. REED of New York. In this connection let me say, lest the Members may have forgotten, that when the 1936 revenue bill was being considered by the Ways and Means Committee, one of the witnesses presented himself and represented himself as a plain citizen to testify in support of the legislation. It was disclosed later that he was a Federal employee appearing in violation of law. Aside from this lobbyist and the Treasury officials, there appeared a Communist who gave to the proposal his atheistic blessing, with the reservation, however, that the bill did not go far enough.

I shall not express my personal views with reference to the character of the testimony offered in support of the 1936 revenue act lest I be charged with partisan bias, but instead shall submit evidence from Democratic sources. I quote from the New York Times:

> The only outright support of the new corporate tax submitted to the committee since administration witnesses appeared on Monday came at the end of the long day's hearing from the Communist Party of the United States. Speaking for that organization, Max Bedacht said that the party had long advocated a corporate surplus tax. * * *
>
> Asked by Republican Members of the committee if he was in harmony with the President's proposals, the witness replied:
>
> "We agree in principle, but believe the proposals outlined in the committee's report leave a great many loopholes which should be plugged up."
>
> "We are not against the bill, we just don't think it goes far enough," Bedacht testified.
>
> Chairman DOUGHTON attempted—

Said the New York Times—

> to interpret the testimony as unfavorable to the plan, but Bedacht would have no such interpretation placed upon it.

Mr. KNUTSON. Mr. Chairman, will the gentleman from New York yield at that point?

Mr. REED of New York. Yes.

Mr. KNUTSON. I do not see what objection Mr. Bedacht could have to the bill. The purpose of the Communists, of course, is to first bring on chaos through unemployment and then have the Government step in and take everything over; and the law has almost done that. It has thrown millions out of work. He was, perhaps, afraid it would not operate fast enough.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. BUCK. For the purpose of clarifying my own understanding, this testimony was given before the 1936 bill was passed?

Mr. REED of New York. Absolutely; that is where the seed was planted.

Mr. BUCK. When is the gentleman going to get down to discussing the particular bill we have before us?

Mr. REED of New York. The principle is there and you are voting for the same principle.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. JENKINS of Ohio. Is it not a fact that the first time this nefarious principle ever appeared in legislation was in the 1936 bill the gentleman is talking about?

Mr. REED of New York. I have tried to make clear the origin of it. The close adviser of the President on all economic matters was Professor Tugwell in 1933. He has published his platform and program, and all you have to do is to look it over and you will see the entire pattern of this planned economy.

Mr. TABER. Mr. Chairman, will the gentleman yield there?

Mr. REED of New York. Yes.

Mr. TABER. It is apparent from some of the questions from the majority side of the committee that they do not know what was in either the '36 bill or this one.

Mr. REED of New York. Neither one. I know that the New York Times, the outstanding Democratic paper that it is, must have been shocked to see a great powerful committee of the House disregard the testimony offered by substantial businessmen in opposition to an unsound and indefensible principle of taxation.

Because of the Democratic indifference to public opinion, I feel that inasmuch as the same principle is contained in this proposed revenue bill, the people should know which party was responsible for the passage of the 1936 act. When the vote on the bill was taken it was supported by 253 Democrats, 7 Progressives, 4 Republicans, and 3 Farmer-Laborites, while 82 Republicans and 11 Democrats opposed it. It was passed, therefore, 267 to 93 as a Democratic party bill.

I may add that in commenting on the action of the House, the New York Times declared editorially on April 30, 1936, that an indifferent chamber had approved "one of the worst tax bills ever passed in its history."

The present Roosevelt depression seems to justify this vigorous indictment then made of the 1936 Revenue Act.

To be more specific on this point I call attention to the commercial failures in 1937, which total 9,017 representing liabilities of $115,594,000. If this downward spiral in the business world does not impress those who voted for the 1936 Revenue Act, I remind the Democratic Members that the commercial failures in January 1938 total 1,320 and liabilities of $15,035,000.

I remind the membership of the House that the same principle that has contributed so much to the present business stagnation and unemployment is carried in the bill now under consideration. It seems incredible, in view of the appalling suffering caused from the operation of such a principle, that an attempt should now be made to again enact it into law. I am sure that if this House ignores the Nationwide appeal for the outright repeal of the undistributed-profits tax, the confidence of the public in representative government will be badly shaken.

While I am not one of those who believe that the Revenue Act of 1936 is the only contributing cause of this Roosevelt depression, the businessmen and the workingmen know that it has been one of the major factors in bringing it about.

Before you Democratic Members vote on this bill I hope that you will examine the testimony presented to the Ways and Means Committee in opposition to this bill. It is the testimony of your constituents who are looking to you for help. Then I want you to realize that the principle is supported only by Treasury officials, not by your constituents. You have to decide whether the views of the distressed businessmen and idle workingmen whom you represent are

to prevail, or whether the theories of officials, secure in public office and untroubled by the hardships of depression, are to be your guide.

As evidence that the time has come for action, I refer to the message of President Roosevelt under date of February 10, 1938, in which he stated that—

> According to the best estimate available at the time, it appears that during the past 3 months approximately 3,000,000 persons have lost their jobs with private employers.

Equally startling was the report of the Appropriations Committee, commenting on the Roosevelt depression. I quote:

> Commencing in October and the months which have followed, there has been a precipitous decrease in employment in private industry and a corresponding sharp increase in unemployment. This decrease in employment and decline in private industry has been the sharpest ever recorded in the history of the country.

I again remind the Members of the House that, notwithstanding this indisputable evidence of present conditions, the bill now under consideration contains the very principle which, if enacted into law, will intensify and prolong the depression.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. SIROVICH. I listened attentively to the speech of my distinguished friend from Kentucky, Mr. FRED M. VINSON. I understand that in the present bill is embodied the sentiments of the United States Chamber of Commerce, and that they have practically approved the substance of this measure. Would the gentleman say that the United States Chamber of Commerce agrees that this bill is a good bill?

Mr. REED of New York. No; and let me say this to the distinguished gentleman from New York. The gentleman from New York is a distinguished surgeon. There is a cancer here. Three million men have been added to those already out of work. Businessmen from every corner of this country have testified to the effect of this law. The gentleman has seen securities go down $25,000,000,000. There are now over 13,000,000 men out of work who are walking the streets, idle. It is the testimony from every part of this country that that cancer implanted in the 1936 bill is one of the great causes of this difficulty. What does the gentleman think his reputation as a surgeon would be if he operated and took out a part of a cancer but left the roots of the cancer there to grow again?

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. GIFFORD. Will the gentleman kindly stick to his text, in spite of the Democrats on the other side. They want the gentleman to talk about this bill, because they agree over there that they have risen almost above principle. They have gotten so far that they now just merely cling to principle.

Mr. REED of New York. They do not want me to talk about the other bill.

Mr. GIFFORD. They themselves want to prove to us that they have risen almost above principle.

Mr. ROBSION of Kentucky. Is it correct to say that the United States Chamber of Commerce approves in principle in whole or in part the excess-profits tax?

Mr. REED of New York. Absolutely not. The proposition is ridiculous.

Mr. JENKINS of Ohio. Then applying the principle of the gentleman from Kentucky [Mr. FRED M. VINSON] our distinguished doctor must have been looking at the keyhole when he heard that speech.

Mr. REED of New York. Perhaps.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. TREADWAY. The gentleman gave great praise to the gentleman from Kentucky [Mr. FRED M. VINSON], and then rather stuck a knife into the phrase. Did the gentleman from Kentucky make any reference to the author of the 1936 act?

Mr. REED of New York. He was very careful not to make any reference to him.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. JENKINS of Ohio. Is it not true that the first advocate of this principle, Mr. Oliphant, failed to make any appearance before the Committee on Ways and Means this year in defense of his program?

Mr. REED of New York. He did not appear.

For months now, businessmen and laboring men have begged and pleaded with President Roosevelt and the Congress to remove without delay the very hindrance to business and employment that this bill here and now proposes to continue. The special session came and went, and these appeals went unheeded. Two months of this session have been consumed without legislative action on what should have been the first order of business.

In the meantime, because of all this delay, the Nation has been forced deeper and deeper into the depression. I know that the laboring men must be stunned by this indifference on the part of President Roosevelt and the Congress to recognize and remedy the plight of the unemployed. What answer are you going to give to idle men when you return home? The only answer you can give to them, if you vote for this bill, is to say we voted this way and we planned it this way.

I hope that the Democratic Members will unite with the Republican Members in eliminating from this bill the undistributed profits tax principle and by so doing relieve industry and labor from the crushing and cruel load of uncertainty that now afflicts the one and terrifies the other.

But, destructive as the undistributed-profits tax has proved to be, there has been another penalty provision introduced into this bill directed at closely held corporations. I shall not take the time of the House to comment on the pernicious character of this proposal. All that is necessary for me to do is to invite the attention of the Members to the Republican minority report and to the views expressed by a few Democratic members on the Ways and Means Committee, who, pliable and nonresistant as they usually are to Executive pressure, refuse to join with their Democratic colleagues in support of a program the purpose of which is the vicious and destructive sabotage of business and industry.

The vote on this bill will determine whether you represent the people or whether you are among those who have been "more or less gently removed from duty," as Professor Tugwell envisioned.

I make the prediction that those Members who vote to continue the principle of the undistributed-profits tax in this bill will be removed from duty in due time by an outraged and indignant sovereign people. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. BARTON].

Mr. BARTON. Mr. Chairman, I rise with some diffidence, because I am not an expert on tax matters, and I venture to talk just a little from the point of view of the small-business man. My partners tell me that I am getting to be a smaller businessman every day as the present recession goes on. [Laughter.]

As one who has recently come to the Congress from business life I want to testify to the sincerity and devotion of the work done in the committees. A bill such as we now have before us represents months of labor; day after day, and often night after night. However much we as Members may differ as to the final wisdom of the things here done we know—and the country should know—that the work is painstakingly thorough and guided by a genuine devotion to the public service. Since this is my first real appearance before the House, and inasmuch as I have come from an

environment where criticism of Congress is often carelessly tossed about, I desire to pay my sincere respects to this body as a whole, and to the members of the committee whose immense labor is before us in this new revenue bill.

I cannot bring to the discussion any technical knowledge. I desire merely to comment briefly from the point of view of a minor-business man. Frankly, to the average small- or medium-sized-business man struggling to keep his nose above water the bill will be a disappointment. Its 319 pages will appall him. Again and again he has been promised by this administration that the tax system would be thoroughly overhauled and simplified. Instead of any overhauling and simplification we are now presented with this monstrous mass of technicality and detail.

I wonder whether the Members of the House quite realize how immeasurably the burdens of the businessman have increased in the past 5 years because of the overlapping complexity of our tax laws. In a modest enterprise, with which I happen to be familiar, we operated for years with practically no legal expense and with only a handful of bookkeepers and accountants. Our lawyer dropped in once a month to fix up the minutes of our board of directors; our accountants made out one or two tax returns regarding which there was little difficulty. We who owned the business were free to devote our time and energies to the major problem: "How can we do more business and employ more people?"

Today, with a very much diminished volume, we need the service of an attorney practically all the time. How many bookkeepers and accountants we employ I do not know, and hate to ask. But I have been told, in answer to a recent inquiry, that we file in New York and in the 5 other States where we maintain small branch offices, a total of 97 different tax returns. Almost every week in the year there is some tax snarl which involves, not merely the time of the attorney and the accountants but of the men who ought to be helping to bring about that increase in the national income which the President rightly says is essential for the achievement of his humanitarian aims.

In the days before the new dispensation it was necessary for the bookkeeper in figuring the company's tax to go through just three simple operations. He figured the gross income, the net income, and the tax. Let me point out the long, tortuous path that must be trod through the mazes of this proposed law. We start with page 21, line 19, where begins the paragraph instructing us in the computation of gross income; then back to line 13 on the same page for the definition of net income. Next we find our way to the bottom of page 14 for the adjusted net income. Having made these preliminary excursions we are ready for page 15 and the computation of the tentative tax, which is set forth as follows:

(c) General rule: The tax computed under this subsection shall be as follows:

(1) A tentative tax shall be first computed equal to 20 percent of the adjusted net income.

(2) The tax shall be the tentative tax reduced by the sum of—

(A) 16 percent of the credit for dividends received provided in section 26 (b); and

(B) 4 percent of the dividends paid credit provided in section 27, but not to exceed 4 percent of the adjusted net income.

Are we through? No; we have only just begun. We go forward to page 48, to what is termed the "dividend carry-over," and here I want to quote what to me is the outstanding example of pure limpid English in the whole book:

(c) Dividend carry-over: There shall be computed with respect to each taxable year of a corporation a dividend carry-over to such year from the two preceding taxable years, which shall consist of the sum of—

(1) The amount of the basic surtax credit for the second preceding taxable year, reduced by the adjusted net income for such year, and further reduced by the amount, if any, by which the adjusted net income for the first preceding taxable year exceeds the sum of—

(A) The basic surtax credit for such year; and

(B) The excess, if any, of the basic surtax credit for the third preceding taxable year (if not beginning before January 1, 1936) over the adjusted net income for such year; and

(2) The amount, if any, by which the basic surtax credit for the first preceding taxable year exceeds the adjusted net income for such year.

In what mental condition will the poor businessman be when he has read that section? Is there any businessman who can understand it? Would any two Members of this House agree as to its interpretation?

But we must not delay our journey; we have still a long way to go. Thus far we have been talking about the so-called general rule. Now we go back to page 15 again and start with the "alternative tax." This leads us in turn to page 19, where we are told about "(a) Special class net income."

Is this the end? Has the businessman finished his journey? By no means. On page 86 he is confronted with another kind of net income, termed in poetic language, "Section 102, New income."

On page 87 still another kind of net income—"Section 102, Undistributed net income."

On page 252 still another kind of net income—"Section 336, Supplement P net income."

Then on back to page 251—"Section 335, Undistributed supplement P net income."

Then page 263—"(a) Supplement Q net income."

Then page 272—"Section 405, title I–A net income"; "Section 456, title I–B net income."

Then page 283—"Section 455, Adjusted title I–B net income."

Finally, page 281—"Section 454, Undistributed title I–B net income."

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. TREADWAY. Does the gentleman think those various descriptions of net income will help the income of the tax expert lawyers?

Mr. BARTON. I do, indeed, I may say; and I intend to refer to that in my remarks.

Like the farm bill and most other New Deal measures, this is a law of lawyers, by lawyers, and for lawyers. What layman could possibly understand it? What two lawyers can conceivably agree on it? Charles Dickens, in Bleak House, explained the mystery of acts like these. Said he:

The one great principle of the English law is to make business for itself. There is no other principle distinctly, certainly, and consistently maintained through all its narrow turnings. Viewed in this light, it becomes a coherent scheme and not the monstrous maze the laity are apt to think it. Let them but once clearly perceive that its grand principle is to make business for itself at their expense, and surely they will cease to grumble.

We talk about measures for encouraging business while all the time we are tying the hands of business with more and more red tape. If we proceed at the present rate with mounting taxes, set forth in bills that the poor businessman can never understand, we are going to solve the unemployment problem in an unexpected way. We will need to take the factories made idle by the New Deal, scrub and polish them, and turn them into schools of law and accountancy. We are moving toward a social order where about 10 percent of the people will work and pay the taxes, 30 percent will be Government bureaucrats, 30 percent tax consultants, and 30 percent lawyers.

This bill represents a lot of labor. I do not criticize the committee for lack of diligence. I do criticize it for falling so far short of the oft-repeated New Deal pledge to give the American businessman an orderly, sensible, simple tax structure that he can understand. [Applause.]

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. COOPER of Tennessee. I have been very much interested in the gentleman's very timely remarks about simplification of tax law. When it was my privilege first to become a member of the Ways and Means Committee, some years ago, I entered with a determined effort to do what little I

could do to accomplish that purpose. The very first revenue bill that came under consideration after I became a member of that committee showed me how impossible it is to accomplish this very desirable objective, for the very obvious reason that the business activities of this country are extremely complicated and intricate. We all recognize that you have to take business as you find it, you cannot require business completely to reorganize along simple lines for the purpose of levying taxes, because the business of the country is complicated, it is intricate. We have to tax it as we find it. That is the situation that confronts us.

Mr. O'CONNOR of New York. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. O'CONNOR of New York. The gentleman, in his vast research into literature, and being rather a littérateur himself, is, of course, acquainted with the old, homely expression, "I care not who writes your laws, if I may write your songs." It might be interesting——

Mr. BARTON. Is the gentleman's inquiry whether this bill is a song or a law?

Mr. O'CONNOR of New York. That was merely prefatory to this: It may be interesting for Congress to conduct an investigation some day to find out just who does write our laws. The gentleman might consider introducing a resolution to that effect. Offhand, I think it would come to the Rules Committee.

Mr. BARTON. I thank the gentleman.

Mr. THOMAS of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. THOMAS of New Jersey. As I understood the gentleman from Tennessee, he was trying to leave the impression that the reason the tax bill was intricate was because it was for business concerns. I think the gentleman will also have to agree that the tax returns for individuals are also unduly intricate, so intricate that the average individual cannot even make them out without considerable help from an accountant or someone else.

Mr. COOPER. If the gentleman will yield further, since I have been referred to, the gentleman must realize that the same thing applies to individuals. Individuals in this country have varied interests. The same thing applies to them as applies to corporations and business activity generally in the country whether in corporate form or individual form; it is intricate and complicated and you have to levy taxes on business and individuals as you find them. In all our tax laws, regardless of which party has been in power, the same difficulty has been encountered.

Mr. BARTON. May I say that I am speaking as one who has been on the other end of the thing, that for the last 5 years the complication has grown and grown until it has become a very serious burden on any small business.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. SIROVICH. The gentleman has made a very interesting and sympathetic suggestion to Congress, and I pay humble tribute to the fine sentiment he has honorably expressed, but may I ask my colleague whether the questionnaires that businessmen and merchants are compelled to fill out in order to pay their income taxes today are any different than they were under the Republican administration? I am asking merely for information and for no other purpose.

Mr. BARTON. I may say to the gentleman from New York that it has been a long time since I have tried to fill one out. I have had to employ paid people to do it. My impression is that they get worse every year.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. BARTON. I yield.

Mr. TREADWAY. Mr. Chairman, the gentleman is correct in that latter statement—they are getting worse by every bill that we write. Just to illustrate the complication of writing these reports in making out your income tax, I think the gentleman from Tennessee will bear me out when I say that Mr. Beaman, of the legislative drafting service of this House said in committee only a few days ago that it was impossible to write some of these provisions in plain language.

Mr. COOPER. Yes.

Mr. TREADWAY. The gentleman bears out that statement. While, therefore, we are sympathetic with the gentleman's plea for simplified tax laws and returns, I am afraid that so long as tax bills are written—and I am not claiming that the Republican Party is any better than the Democratic Party at all—it is going to be pretty difficult to build a simplified tax structure.

Mr. MICHENER. Will the gentleman yield?

Mr. BARTON. I yield to the gentleman from Michigan.

Mr. MICHENER. If it is impossible to write this law in understandable language, by what authority does the Congress attempt to place such a law upon the statute books?

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, I have been very much interested in the discussion which has taken place. I have something to suggest, but I know the suggestion will not be followed. If we desire to get back to simplicity in the design of tax laws and their administration, as I see it, there is only one way to go about it, and that is to bring the production of goods and services up to such a point in this country and cut the expense of Government to such a point there will be need for very little revenue which can be gathered into the Treasury with very simple tax laws.

Mr. Chairman, this bill gives me added concern. We have not had time to study its far-reaching provisions. They are complicated to the *n*th degree. Far more technical than our people should have imposed upon them at the present time. The bill further obscures and confounds. As it becomes understood by our people it will add to the growing wave of uncertainty that is overwhelming our people today.

Let me repeat what I had to say April 23, 1936, when I protested against the passage of the 1936 Revenue Act which this bill would amend. I said then—page 6007, April 23, 1936, CONGRESSIONAL RECORD:

> This bill, as I see it, strikes directly at the economic procedure and the industrial practices which have grown up in this country as a result, and by and through the modern corporation.

I can comprehend the philosophy of Messrs. Berle and Means in their presentation, The Modern Corporation and Private Property, and the preachments of Mr. Tugwell in his The Industrial Discipline. It is not difficult for those experienced in the practice of modern industry and who have been a part of the proprietorship-partnership corporation procedure in this country—and most all men in American industry have closely contacted one or the other of these three branches—and who have paid taxes into the Federal Treasury to understand the approach that is made in this bill and which was even more evident in the 1936 act. I refer to that philosophy which argues that the man who holds stock of an industrial concern has escaped payment of taxes by reason of undistributed earnings of the corporation while the partner or the proprietor has had to meet the tax liability although his earnings were not available for personal use away from and outside of his business enterprise. The modern corporation came into existence, over a long period of trial and error, because it did offer advantages in many cases over those available to partnerships and proprietorships.

Now, Mr. Chairman, the fact remains that to a very marked degree the business of our people is carried on through corporate channels. This statement cannot be refuted. Particularly is this true insofar as the employment of the great armies of skilled men and women are concerned. While it is true there are many little shops, small factories, and many enterprises which are carried on for

profit operated by both proprietors and partnerships, the fact remains that in our industrial centers and where population is dense we find the "habitats" of the modern corporation. May I also observe that with the coming of the corporation there came the privilege of labor to organize and bargain collectively. It is my opinion that if the modern corporation is destroyed there will be no field left in which the modern labor organization can operate. If we are to go back to small shops, to light manufacturing, and to high-cost units and away from mass production, can anyone believe effective wages as high as are now being paid will be available to the workers?

In this trying hour it is important we keep our thoughts straight. Through the increasing demands of our people which have been and are being made upon the agencies of Government there has come about tremendous pressure for more and more revenue for the Federal Treasury. This has brought into existence such devious designs for raising money. Our Ways and Means Committee of the House and the Senate Finance Committee have been driven into a living torment, or what might be termed a genuine "tax hell." We should not overlook the circumstances that surround the taxpayer as is so aptly expressed in the following language:

I am being legislated out of business and I wish to inform everybody that my present financial condition is brought about due to Federal laws, State laws, county laws, city laws, corporation laws, liquor laws, mother-in-laws, brother-in-laws, sister-in-laws, and outlaws.

Through these laws I am compelled to pay a business tax, amusement tax, head tax, school tax, gas tax, light tax, water tax, sales tax, liquor tax, carpet tax, income tax, food tax, furniture tax, old-age tax, security tax, and excise tax. Even my brains are taxed. I am required to get a business license, car license, truck license, liquor license, not to mention a marriage license and dog license.

I am also required to contribute to every society and organization which the genius of man is capable of bringing to life; to women's relief, the unemployed relief, and the gold-digger's relief. Also, to every hospital and charitable institution in the city, including the Red Cross, the black cross, the white cross, the purple cross, and the double-cross.

For my own safety I am required to carry life insurance, property insurance, liability insurance, burglar insurance, accident insurance, business insurance, earthquake insurance, tornado insurance, unemployment insurance, old-age insurance, and fire insurance.

My business is so governed that it is no easy matter for me to find out who owns it. I am inspected, expected, suspected, disrespected, rejected, dejected, examined, reexamined, informed, required, summoned, fined, commanded, and compelled until I provide an inexhaustible supply of money for every known need, desire, or hope of the human race.

Simply because I refuse to donate to something or other, I am boycotted, talked about, lied about, held up and held down, and robbed until I am almost ruined.

I can tell you honestly that I could not pay one of my bills, but I just had something happen that makes it possible for me to stay in existence. The wolf that comes to many doors nowadays just had pups in my kitchen. I sold them and here is the money.

This wail of suffering comes from men who are being sorely pressed. It is a product of the times. This whole taxing business is rapidly becoming a "Frankenstein."

Mr. Chairman, let us refer to the new and ingenious device set forth in section 28 of the bill—consent dividend credit. This is a masterpiece, but how impractical it will be when applied to modern industry. It adds more expense, creates more confusion, builds more hurdles for small and medium-sized corporations to climb over. The committee has tried to put in words "ways out" for those victims the section will round up. If I understand the section, it will impose upon corporations the necessity of circularizing every stockholder. The detail of the correspondence and the bookkeeping and the record making which this section will impose upon those institutions which attempt to avail themselves of its "way out" will, in my opinion, become so burdensome the corporation simply will have to forget the prospective relief and go pay the tax—which it will not be able to meet—or make the distribution and suffer the consequences. In many cases the net result, whichever route taken, will mean financial failure in the end. The Treasury Department officials know this is true. The committee knows these provisions will not suffice, on the average, but that the companies which attempt to profit by the provisions will find in the long run the effort and expense required to secure the amount of proof necessary will probably cost more than the surtax credit will be worth.

Mr. Chairman, I am one of those who believe in our capitalistic profit system. I believe in it, because it permits men to own their farms, shops, factories, and to operate at a profit where management and conditions will permit. This system which we have inherited is by no means perfect. We can improve upon it to a very large degree if we approach the problem in a spirit of helpfulness. If we attack the system with the idea of destroying it simply because it is not perfect, then, indeed, we may destroy it entirely and throw our people back into a type of want and poverty such as our modern America has never experienced. I believe in our system, because it has permitted our people to enjoy a higher standard of living than any other nation of people ever enjoyed in the history of mankind's upward climb. It should be improved upon. If possible, we should perfect it. Let us not destroy it simply because for the moment there are pressure groups who cry for its destruction. Let us hold down Government expense to a point where it will not be necessary to provide a taxing system that will destroy and consume the energies of our people, their institutions, and the form of government under which we live. The enactment of the 1936 Undistributed Earnings Tax Act was a very bold experiment. It was entirely too bold. In itself it has not destroyed American industry to the degree we have witnessed in the last 9 months, but it did contribute to the general destruction which we have suffered. In individual cases, as the committee well knows, the act specifically prevented industrial activity. Prevention in days of such need means destruction. We are adults, and we know this to be true. The opinion as to the destructiveness of the 1936 act is so universal there is, and must be, truth in the charges that have been made. No one can deny or disprove this.

Now let us take subsection (h) of section 28, basis of stock in hands of stockholder. This is a complicated provision. I can understand why it was written as here presented. However, this all means trouble ahead for the stockholder. It means that as he proceeds to protect his own net worth he encounters hurdles he cannot overcome. This because of the complications of the act, other shareholders do not go along.

Mr. Chairman, the use of "12-gage shotgun with choke sawed-off tactics" are continued in this bill. They are highly destructive to the energies and enterprise of our people. If in the operation and administration of government we could learn to use a rifle to pick off those who should be circumscribed, how constructive that would be. But we "spray the shot," taking all that are within range. This is what we do in the title I–B section of the bill. If I am in error in this I ask that the chairman or some member of the committee correct me. Let us assume company A has only 11 stockholders and that, say, 5 of them constitute the board of directors. In that event, will it not be construed as coming within the provisions of this section? Will the company not be a title I–B company subject to undue tax burdens simply because it is a small company? With such a small number of stockholders certainly they would all, no doubt, greatly contribute to the operating and dividend-paying policies of the company. If they did, as I understand the act, the company would become liable for the greater tax burden. If this be true the provision will certainly operate against industry in many cases. They will prevent activities, contribute to unemployment, and these provisions are unfair.

Mr. Chairman, I should like to surrender the floor for a moment to a member of the committee to comment on this particular section of the bill.

Mr. FRED M. VINSON. To what section does the gentleman refer?

Mr. CRAWFORD. Section I–B. The question is this: Assume that company A has 11 stockholders, 5 of which constitute the board of directors, and you might say that all of the stockholders are active in the business. In this event,

will it not be construed as coming within the provisions of this section I–B? Will the company not be a title I–B company subject to undue tax burdens simply because it is a small company?

Mr. FRED M. VINSON. It may or may not. It is a question of how the ownership is distributed among the 11. Unless 10 owned as much as 75 percent, or a less number owned the amount set forth in the bill, it would not be a closely held corporation.

Mr. CRAWFORD. Let us assume that 10 owned 80 percent and 2 or 3 bookkeepers and 1 stenographer owned 20 percent, with 5 constituting the board of directors.

Mr. FRED M. VINSON. The board of directors has nothing to do with it.

Mr. CRAWFORD. Suppose they determined the dividend paying policy of the company and they are stockholders. They constitute a very large percent. As I understand this section, that company would be brought within the provisions of title I–B?

Mr. FRED M. VINSON. If they owned the percentage set forth in the bill.

Mr. CRAWFORD. That is what I say.

Mr. FRED M. VINSON. And they have control of the voting stock.

Mr. CRAWFORD. That is the point. If that be true, in my opinion, that will prove to be one of the most destructive provisions we could possibly put in the bill and I speak from practical experience. I could cite companies in my own district which down through the years I have helped organize and at no time have they attempted to evade or avoid taxes in any way whatsoever.

Mr. FRED M. VINSON. I do not know whether I get the point that my friend from Michigan is making or not; but certainly, if 10 persons owned 75 percent of the value of the stock, they are going to control the dividend policies of that company.

Mr. CRAWFORD. By all means.

Mr. FRED M. VINSON. If they do, then they can determine what dividends shall be distributed.

Mr. CRAWFORD. But suppose the distribution of the dividends would be of such nature as to wreck the financial structure of the company. They would face two alternatives, either paying the dividend and destroying the company or holding the dividend within the company and suffering the tax consequences.

Mr. FRED M. VINSON. Does the gentleman think if they paid a maximum rate of 31.2 as against 20 percent, the maximum rate under the 20–16 plan, it would wreck the company?

Mr. CRAWFORD. Coming at this particular time, there are many companies I think it would; and I say that in all seriousness.

Mr. FRED M. VINSON. Under existing law you have a maximum effective rate of 32.4 percent for the very same corporation the gentleman is discussing.

Mr. CRAWFORD. I think it would in many cases destroy the company.

Mr. Chairman, this is another example of the manner in which this New Deal legislating machine goes zooming and sliding recklessly and perilously along. A bill is reported out of committee, printed and brought in here for consideration before the ink is barely dry. Congress is no longer a national deliberative body. The Roosevelt dynasty has made this body to become the national Jack Horner sitting in the corner to eat our pie, putting in our thumb, pulling out a plum, and boasting how smart we are. Too often the pie has resulted in national indigestion. This bill, with its 319 pages, containing over 70,000 words and complicated phrases, was made available to Members of Congress yesterday. Twenty-four hours later we are forced to consider it.

In my effort to have some intelligent understanding of the bill before casting my vote, I have tried to have some questions cleared up in my mind. In my quest for enlightenment I communicated with the office of Mr. Herbert Gaston, assistant to the Secretary of the Treasury and who has charge of the Treasury's information service. There I was advised there are only two men in the Treasury sufficiently familiar with the bill to discuss it with me—imagine, only 2 men out of the 21,531 employees in the employ of the Treasury here in Washington. Yet the 410 Members of this House who are not on the Ways and Means Committee are expected to be sufficiently familiar with the bill 24 hours after a copy of it is made available to come in here and discuss it. [Applause.]

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. VOORHIS].

TAX EXEMPTION SHOULD BE ENDED

Mr. VOORHIS. Mr. Chairman, I have requested this time to discuss a matter in which I feel very sure there is general agreement among the Members of the House, but it is not included in the bill. I refer to the matter of the elimination of tax-exempt privileges.

It seems to me our society is confronted with two problems, and when I say "our society" I mean society as we now know it. If it is to run smoothly and if we are to have full production, both of these factors have to be taken into account. The first of them is consumers' buying power, about which I have already spoken a number of times, and the second one is the matter of investment of capital.

In connection with the matter of investment of capital, the economists agree that the degree of investment which will be placed at the disposal of productive industry depends in large measure upon the relationship between the return which can be anticipated from investment in productive industry, on the one hand, and the return which can be anticipated from purchase of debts, from mere lending of money, the buying of bonds, and things like that, on the other hand. Today, due to our failure to make good distribution to the consumers of America, we have billions of dollars tied up in debts, and the capital of the country is not being used in investments to the degree it should be if that capital were doing its part. I am convinced that one reason for this is the tax-exemption feature of bonds of the Federal Government and of States and localities. I believe if America has a right to ask of its farmers that they produce and to ask of its labor that it produce, America also has a right to expect that capital will be invested in constructive and productive enterprises; yet we find that today literally billions of dollars are tied up in tax-exempt securities. I know of one individual who owns $60,000,000 of such tax-exempt securities, and, consequently, escapes what would be very high surtaxes for that reason. There are undoubtedly many other such cases.

But, after all, why should the really large accumulations of capital go to work when we invite their holders to place them in tax-exempt securities?

We are positively discouraging the productive investment of capital by making this situation possible.

LOSS OF REVENUE FROM TAX EXEMPTION

The able gentleman from Maryland [Mr. LEWIS], himself a member of the Ways and Means Committee, spoke in the House on July 6, 1937, and gave at that time a most scholarly and challenging discussion of what he called our "delinquent taxpayers' list." He demonstrated in that speech that since 1913 the United States has failed to collect a total of $2,000,000,000 of revenue on account of the exemption from taxation of income from public securities. This is a very large sum of money. Another $1,000,000,000 was lost, according to Mr. LEWIS, through failure to tax the salaries of local government employees.

JUSTICE

I believe it is palpably unjust to permit those whose wealth is large enough to enable them to take a small rate of interest on their accumulated wealth to escape taxation and thus necessarily to throw the burden on those less able to bear it. And I think this is exactly what we are doing now. Furthermore, if we are in earnest about balancing the Budget and doing it at a figure where we can meet the new demands which will necessarily be made upon Government due to unemployment and related problems, we should certainly

bring into the Treasury the taxes now escaped because of tax exemption of these bonds.

FEDERAL OFFICIALS' SALARIES SHOULD BE SUBJECT TO STATE AND LOCAL TAXES

It seems to me equally unjust that persons receiving salaries from the Federal Government should be exempt from State and local taxation and that local and State officials and employees should be exempt from Federal income taxes. Has not the time come when all of us should willingly and gladly pay our just share of taxes to support this democratic Government which we profess to love so much? And is not this duty especially incumbent upon those who derive their livelihood from salaries paid out of tax funds? We all know that the steadiest income in America at present is income from Government bonds and Government salaries. We also know the number of Government employees is increasing. Let us put this matter right before resentment rises too high about it. I find that many people today believe that Congressmen are entirely tax-exempt—even from Federal taxes—which, of course, we are not. I do not believe we or other Government employees should be exempt from any taxes.

Let us do the fair thing and eliminate not only the tax-exempt feature of public bonds but also the tax-exempt feature of public salaries.

OLD REASONS FOR TAX EXEMPTION NO LONGER VALID

The old reason for the reciprocal exemption of Federal and local bonds is no longer valid, it seems to me. In the early days of the Republic there was concern lest the Federal Government on its part should use its taxing power to take away from the States and localities their proper degree of independence. There was also concern lest the States on their part should use their taxing power in discriminatory fashion against the Federal Government. These reasons, I believe, no longer pertain—I believe no one any longer seriously entertains such fears—so I think the theory of reciprocal exemption is not valid any longer.

I could quote from practically every Secretary of the Treasury we have had for a long time to the effect that all of them have believed tax exemption is not a good thing for the country, and I am going to quote from a statement made by Senator GLASS, of Virginia, when he was Secretary of the Treasury:

> It is intolerable that taxpayers should be allowed, by purchase of exempt securities, not only to obtain exemption with respect to the income derived therefrom but to reduce the supertaxes upon their other income and to have the supertaxes upon their other income determined upon the assumption, contrary to fact, that they are not in possession of income derived from State and municipal bonds.

In other words, what Mr. GLASS is saying is that even if you grant tax exemption there certainly is no sense in pretending, for tax purposes, that income from such tax-exempt securities does not exist.

CAN TAX EXEMPTION BE ENDED? YES. IN THE FOLLOWING WAYS

If that was true in 1919, when it was stated, how much more true it is today. As a matter of fact, we know that tax exemption really means not an opportunity for the small man to escape small taxes but is mostly taken advantage of by very wealthy people to escape paying what would be a considerable amount of revenue to the Federal Government and the States.

Why can we not then eliminate these tax-exemption provisions? I am of the opinion we could, at least to a large extent. Of course, the Federal Government cannot go back on its promises. It cannot say that bonds which have been issued with the provision that they are exempt from all taxes or from normal taxes shall now become taxable.

This is what we could do, however, and in my opinion it should be done. We could provide that in the computation of gross income for tax purposes income from such tax-exempt securities should be included in the computation of gross income, so that although no tax would be paid upon that amount of income, the tax that was paid upon other income would fall into the proper brackets based upon the total income of the individual. This is one thing that could be done, and it has to do with Federal bonds already issued, which is the first category of tax exemption.

As far as State and local bonds are concerned, it is my private opinion that in view of the fact that the sixteenth amendment states in so many words that the Federal Government shall have a right to tax income "from whatever source derived," the Supreme Court would hold, if we tried it out, that such a provision was constitutional and that income derived from such bonds is properly subject to tax. Personally, I should like to see it tried.

PERMIT STATES AND LOCALITIES TO TAX INCOME FROM FEDERAL BONDS AND SALARIES OF FEDERAL OFFICIALS

But whether or not a constitutional amendment is necessary—as I do not believe it is—to enable the Federal Government to tax State and local bonds, it is admitted by all, I believe, that Congress by simple statute can unquestionably empower the States to tax income from Federal securities and the salaries of Federal officials. Why, then, should we not take this step at once? And if we are earnestly desirous of eliminating all this tax exemption, we should realize that if by statute we permit local governments to tax income from Federal bonds and salaries, then Congress will in future be much less ready to make bonds of the United States exempt from Federal taxes. I believe the whole Nation would say if we took this step that we had done a fine thing.

FUTURE FEDERAL ISSUES

I should furthermore like to see this Congress—preferably in this bill—adopt a provision to the effect that future issues of Federal securities should not be tax-exempt. I know we cannot bind future Congresses. But we could do our part to chart a sensible, sound course in the hope that future Congresses would follow it.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. I yield to the gentleman from New York.

Mr. SIROVICH. How would that affect the Federal Housing Administration Act? The securities of the national mortgage associations are tax-exempt. This would kill the whole Federal housing project.

Mr. VOORHIS. No; it would not affect it at all, because, as I have already explained, where bonds have already been authorized to be issued and you cannot go back on your promise with regard to them. I recognize that and would not want to do anything else. Furthermore the bonds of the Housing Authority, as I understand it, are exempt only from normal taxes and not from surtaxes. So they do not present such an important problem from the tax angle anyway.

Mr. SIROVICH. This is for the future.

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. I yield to the gentleman from Michigan.

Mr. DINGELL. May I say I believe the question of taking away from securities in this country their tax exemption is an error, or, in other words, just so much hokum. It resolves itself down to this particular problem. In the issuance of tax-exempt securities the issues floated by the Government bear a lower interest rate because of that exemption. If we placed the securities on a taxable basis, we would have to raise the interest rate and then collect the difference from the bondholders, so it comes out to the same thing in the end.

Mr. VOORHIS. As a matter of fact, if I had time and just one chart here with me, I could demonstrate to the gentleman's satisfaction, I am sure, that the rate of interest on municipal bonds during the years 1900 to 1912—that is, before there was any Federal income tax for these bonds to be exempt from—was quite as much below the rate on other types of bonds as it has been since the passage of the Federal income-tax amendment in 1913. This proves to me, at least, that it is safety and security, not tax exemption, that makes possible the payment of a lower rate on public bonds than on private ones, and that the tax exemption is really, therefore, mostly a gift which we give to certain security holders. These figures are from Standard Statistics, and, I am sure, are reliable.

I believe, therefore, that the conclusion of the gentleman is very questionable. Every offer of Government bonds that

has been made in the last several years has been far oversubscribed. I think the element of safety and dependability of income in those bonds is far more important to the purchaser than the element of tax exemption. I think we are sacrificing a great deal, particularly in view of the facts I have presented here with reference to who owns these bonds for the sake of this exemption. I doubt personally that we would have to raise the rate of interest.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. Certainly; I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Is there anything in the law that would prevent a Federal issue from being taxable?

Mr. VOORHIS. In my opinion, I do not believe there is. This is why I wish it could be included in this bill.

Mr. FRED M. VINSON. There is nothing to prevent the future issues from having the tax-exemption features eliminated from the contract.

Mr. VOORHIS. I misunderstood the gentleman's question. Of course, the gentleman is correct. But I wish some provision could be included in a revenue bill, and I would like to see it placed in this bill, to the effect that in the future income derived from Federal bonds would not be tax-exempt. Of course, this provision could be done away with by a future Congress, but if this Congress went on record to that effect I believe it would be very effective.

LOVE OF COUNTRY IMPLIES WILLINGNESS TO SUPPORT IT

It is an American trait to complain about taxes. I think it is a good trait. I recognize that we have here a duty not to waste $1 and sometimes, no doubt, we are remiss. I hope the reorganization bill will help to eliminate some unnecessary Government employees. But all Americans have a duty, in these difficult times, of supporting their Government financially to such an extent as to enable that Government to establish a basic security for all the people of America—a security to be achieved through a complete and sound social-security system for all who are of an age or condition where they should not work and through such a program of national conservation and development by public works as will give employment to all unemployed and likewise give us a richer nation. If our Government can do these things, our American democracy need have no fear of any attempt to replace it with some form of dictatorship.

TOWARD A BALANCED BUDGET

We all want to balance the Budget. By eliminating tax exemption we could take a long step forward in that direction.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, had come to no resolution thereon.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had agreed to concurrent resolutions of the House of the following titles:

H. Con. Res. 35. Concurrent resolution providing for the printing of additional copies of the bill and report entitled "Revenue Act of 1938"; and

H. Con. Res. 36. Concurrent resolution to change the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306).

EXTENSION OF REMARKS

Mr. FRED M. VINSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the bill H. R. 9682 by including certain tables and excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 9306. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

ADJOURNMENT

Mr. FRED M. VINSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 13 minutes p. m.) the House adjourned until tomorrow, Friday, March 4, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m. Friday, March 4, 1938. Business to be considered: Continuation of hearing on S. 69, train-limit bill.

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House of Representatives on Friday, March 4, 1938, at 10:30 a. m., on H. R. 7230, by Mr. PATMAN.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries, 219 House Office Building, announces the following schedule of hearings:

Tuesday, March 8, 1938, 10 a. m.:

H. J. Res. 463. Permitting the transportation of passengers by Canadian passenger vessels between the ports of Rochester and Alexandria Bay, N. Y., and the St. Lawrence River.

Wednesday, March 9, 1938, 10 a. m.:

H. R. 9225. Appointment of 30 traveling inspectors, Bureau of Marine Inspection and Navigation, Department of Commerce.

H. R. 9368. Issuance of certain seamen certificates by inspectors and assistant inspectors of hulls and boilers.

H. R. 8982. To amend Public Law 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

Thursday, March 10, 1938, 10 a. m.:

H. R. 9526. Settlement of accounts of deceased officers and enlisted men of the United States Coast Guard.

H. R. 8715. Conveyance of certain lands of the Mahon River Light Station Reservation to the State of Delaware for State highway purposes.

Tuesday, March 15, 1938, 10:30 a. m.:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938, 10 a. m.:

H. R. 8251. Relative to radio operators on cargo ships.

Thursday, March 17, 1938, 10 a. m.:

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 23, 1938, 10 a. m.:

S. 992. To make electricians licensed officers after an examination.

Wednesday, March 30, 1938, 10 a. m.:

H. R. 8840. Overtime compensation for customs officers and radio inspectors.

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 12, 1938, 10 a. m.:

H. R. 6797, H. R. 8596, and S. 2307. Fish-cultural stations in the States of Oregon, Washington, and Idaho.

Tuesday, April 19, 1938, 10 a. m.:

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively in the fisheries on inland waters of the United States, and for other purposes.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

1109. Under clause 2 of rule XXIV a letter from the Acting Comptroller General of the United States, transmitting a report of transactions which in the opinion of the Acting Comptroller General come within the requirements of the law, was taken from the Speaker's table and referred to the Committee on Expenditures in the Executive Departments.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 7626. A bill to regulate the leasing of certain Indian lands for mining purposes; without amendment (Rept. No. 1872). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H. R. 4548. A bill to repeal the proviso of, and amend the act of May 18, 1928 (ch. 626, 45 Stat. 693), making additions to the Absaroka and Gallatin National Forests and improving and extending the winter-feed facilities of the elk, antelope, and other game animals of Yellowstone National Park and adjacent land, and for other purposes; with amendment (Rept. No. 1874). Referred to the Committee of the Whole House on the state of the Union.

Mr. ELLIOTT: Committee on the Public Lands. H. R. 7534. A bill to protect the telescope and scientific observations to be carried on at the observatory site on Palomar Mountain by withdrawal of certain public land included within the Cleveland National Forest, Calif., from location and entry under the mining laws; with amendment (Rept. No. 1875). Referred to the Committee of the Whole House on the state of the Union.

Mr. ELLIOTT: Committee on the Public Lands. H. R. 8008. A bill to provide for the purchase of public lands for home and other sites; with amendment (Rept. No. 1876). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. TURNER: Committee on Military Affairs. S. 1236. An act authorizing the President of the United States to appoint Sgt. Alvin C. York as a major in the United States Army and then place him on the retired list; without amendment (Rept. No. 1873). Referred to the Committee of the Whole House.

Mr. ELLIOTT: Committee on the Public Lands. H. R. 8849. A bill validating a certain conveyance, heretofore made by the Southern Pacific Railroad Co., a corporation, and its lessee, Southern Pacific Co., a corporation, involving certain portions of right-of-way in the town of Indio, in the county of Riverside, State of California, acquired under the act of Congress approved July 1, 1862 (12 Stat. L. 489), as amended by the act of Congress approved July 2, 1864 (13 Stat. L. 356); with amendment (Rept. No. 1877). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MAY (by request): A bill (H. R. 9721) authorizing the disbursement of funds appropriated for compensation of help for care of material, animals, armament, and equipment in the hands of the National Guard of the several States, Territories, and the District of Columbia, and for other purposes; to the Committee on Military Affairs.

By Mr. DIMOND: A bill (H. R. 9722) to amend section 5 of an act entitled "An act to provide for the construction and maintenance of roads, the establishment and maintenance of schools, and the care and support of insane persons in the District of Alaska, and for other purposes," approved January 27, 1905 (33 Stat. 616); to the Committee on the Territories.

By Mr. BARRY (by request): A bill (H. R. 9723) to increase the purchasing power of the Nation, to promote trade, and to aid national economic recovery, and for other purposes; to the Committee on Banking and Currency.

By Mr. OLIVER: A bill (H. R. 9724) to authorize the Secretary of the Treasury to dispose of material to any State or Territorial government of the United States; to the Committee on Merchant Marine and Fisheries.

By Mr. RANKIN: A bill (H. R. 9725) to liberalize the provisions of existing laws governing death-compensation benefits for widows and children of World War veterans, and for other purposes; to the Committee on World War Veterans' Legislation.

By Mr. SNELL: Resolution (H. Res. 429) authorizing investigation of the Tennessee Valley Authority; to the Committee on Rules.

By Mr. MAVERICK: Joint resolution (H. J. Res. 605) to create a joint congressional committee to investigate the Tennessee Valley Authority; to the Committee on Rules.

By Mr. EATON: Joint resolution (H. J. Res. 606) to appropriate an additional $3,000,000 for eradication of the Dutch elm disease in America; to the Committee on Appropriations.

By Mr. WOODRUM: Concurrent Resolution (H. Con. Res. 36) to change the enrollment of the First Deficiency Appropriation Act, fiscal year 1938 (H. R. 9306); to the Committee of the Whole House on the state of the Union.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ATKINSON: A bill (H. R. 9726) for the relief of Meyer Morris; to the Committee on Claims.

By Mr. HENDRICKS: A bill (H. R. 9727) for the relief of Rupert Caviness, Inc., Ocala, Fla.; to the Committee on Claims.

By Mr. HAMILTON: A bill (H. R. 9728) to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of Herbert R. W. Lauterbach and others for overtime labor performed at the Norfolk Navy Yard, Portsmouth, Va., in excess of the legal day of 8 hours; to the Committee on Claims.

By Mr. LORD: A bill (H. R. 9729) for the relief of Giuseppe Quercia; to the Committee on Immigration and Naturalization.

By Mr. MEAD: A bill (H. R. 9730) to repeal the provisions of Private Law No. 347, Seventy-first Congress, pertaining to Victoria Kessel; to the Committee on Pensions.

By Mr. O'CONNOR of New York: A bill (H. R. 9731) for the relief of James J. Coyne; to the Committee on Immigration and Naturalization.

By Mr. O'TOOLE: A bill (H. R. 9732) granting a pension to Lena Levy; to the Committee on Pensions.

By Mr. RAYBURN: A bill (H. R. 9733) for the relief of Loyd Bates; to the Committee on Claims.

By Mr. SCOTT: A bill (H. R. 9734) granting a pension to Homer Moore; to the Committee on Invalid Pensions

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4294. By Mr. COFFEE of Washington: Resolution of the Commission of Port of Tacoma, Tacoma, Wash., F. H. Marvin, president, urging that the Merchant Marine Act of 1936

be amended immediately to provide for regional representation in that body, so that each section of the Nation interested in ocean commerce will be represented; to the Committee on Interstate and Foreign Commerce.

4295. By Mr. HOFFMAN: Petition of Paul L. Hartman and 298 other residents of the Fourth Congressional District of Michigan, urging support of Senate bill 25 and House bill 6704, endorsed by the American Legion as the so-called universal-service plan; to the Committee on Military Affairs.

4296. By Mr. JARRETT: Petition of the New Castle Rifle Club of New Castle, Pa., protesting against the Cummings bill; to the Committee on Interstate and Foreign Commerce.

4297. Also, resolutions of the Rimersburg Rod and Gun Club, Rimersburg, and the Emlenton Rod and Gun Club, Emlenton, Pa., protesting against the Cummings firearms bill; to the Committee on Interstate and Foreign Commerce.

4298. By Mr. KEOGH: Petition of the Sloane-Blabon Corporation, New York City, concerning the Patman chain-store bill; to the Committee on Interstate and Foreign Commerce.

4299. Also, petition of the Lancaster Iron Works, Lancaster, Pa., concerning the McFarlane bill (H. R. 9259); to the Committee on Patents.

4300. By Mr. SHANLEY: Resolution adopted by the International Typographical Union with regard to the disbandment of Nazi groups in America; to the Committee on the Judiciary.

4301. By the SPEAKER: Petition of the Regular Veterans' Association, Panay Post No. 169, San Diego, Calif., petitioning consideration of their resolution with reference to the national defense personnel; to the Committee on Military Affairs.

4302. Also, petition of Admiral Joseph M. Reeves Post, No. 11, Regular Veterans' Association, Livermore, Calif., petitioning consideration of their resolution reference to national defense personnel; to the Committee on Military Affairs.

SENATE

FRIDAY, MARCH 4, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, March 3, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (H. R. 9306) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes, and it was signed by the Vice President.

FIFTH ANNIVERSARY OF DEMOCRATIC ADMINISTRATION UNDER LEADERSHIP OF PRESIDENT ROOSEVELT

Mr. BARKLEY. Mr. President, this day marks the fifth anniversary of the inauguration of President Franklin Delano Roosevelt. It marks 5 years of progress under the President's inspiring and courageous leadership. During this period the improvements experienced in the conditions with which we were confronted when the present administration assumed the reins of government, have been of a definitely beneficial character. Under the guidance of divine Providence, we have maintained full freedom of religion and have relied upon its exercise in the solution of our problems. Congress, dealing with the affairs of the Nation as a whole and working in cooperation with the administration, has enacted legislation which has been remedial, comprehensive, and constructive.

Peace has been maintained with all the world.

Adequate aid to agriculture, producing harvests of profit, has been provided. The national currency has been stabilized. Industry has been stimulated. Commerce has been wholesomely and beneficially regulated. Flood control has been inaugurated. Food, clothing, and shelter have been provided for the needy. Social security for the aged millions of our people has been assured. Effectual national defense has been provided. Revenue for governmental purposes has been equitably distributed. Crime has been diminished and largely subdued. Laws have been enacted for the advantage of shipping and transportation. Roads have been built with national aid. Labor has been more fully recognized and protected than ever before. Encouraging cooperation has been given to the youth of our country. Trade agreements have been negotiated which have stimulated the commerce of the Nation. The welfare of veterans of our wars has been liberally provided and protected. Greed and special privilege have been the subjects of investigation and suppression. Party platform pledges have been fulfilled and our honor and integrity maintained.

This is a record of achievement and accomplishment. Any party or administration may well be proud of such benefits to our people. On this fifth anniversary of the inauguration of President Roosevelt we proclaim our faith in democracy and rejoice at its progress in our Nation.

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY—REFERENCE OF RESOLUTION

Mr. NORRIS. Mr. President, yesterday there was submitted by the Senator from New Hampshire [Mr. BRIDGES] Senate Resolution 246, proposing an investigation of the Tennessee Valley Authority, and the resolution was referred to the Committee on Commerce. I now move that the Committee on Commerce be discharged from the further consideration of the resolution and that it be returned to the Senate.

I had expected to have the motion taken up now and to make some remarks on it, but some Senators do not want to have the motion taken up today, because of other business. If that be true, I am willing that the motion lie over and come up tomorrow or later.

The VICE PRESIDENT. The Chair cannot very well run the Senate from the chair. He would be helpful if Senators would let him know how they want him to act.

Mr. NORRIS. I did not hear the statement of the Chair.

The VICE PRESIDENT. The Chair cannot make any agreement with the Senator as to the time for considering the motion, for he has not the power to do so.

Mr. NORRIS. I have not asked the Chair to make any agreement.

The VICE PRESIDENT. But, if the Chair had the power, he would make an agreement with the Senator from Nebraska or any other Senator.

Mr. NORRIS. I have not asked the Chair to do so. I merely wanted to enter my motion.

The VICE PRESIDENT. The Senator has entered the motion and there has been no objection.

Mr. BRIDGES. I object, Mr. President.

The VICE PRESIDENT. There being objection, the motion will lie over for a day.

Mr. NORRIS. Now, Mr. President, I want to read from the RECORD of yesterday.

CALL OF THE ROLL

Mr. LEWIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Illinois for a quorum call? It has been the custom of the Chair at the beginning of the session to recognize the Senator from Illinois to make a point of no quorum.

Mr. NORRIS. Very well.

Mr. LEWIS. Mr. President, attention having been directed to the absence of a quorum, I ask that the roll be called.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Pope
Andrews	Dieterich	King	Radcliffe
Ashurst	Donahey	La Follette	Reames
Austin	Duffy	Lee	Reynolds
Bailey	Ellender	Lewis	Russell
Bankhead	Frazier	Logan	Schwartz
Barkley	George	Lonergan	Schwellenbach
Bone	Gerry	Lundeen	Sheppard
Borah	Gibson	McCarran	Shipstead
Bridges	Gillette	McGill	Smathers
Brown, Mich.	Glass	McKellar	Thomas, Okla.
Brown, N. H.	Green	McNary	Thomas, Utah
Bulkley	Guffey	Maloney	Townsend
Bulow	Hale	Miller	Truman
Burke	Harrison	Minton	Tydings
Byrd	Hatch	Murray	Vandenberg
Byrnes	Hayden	Neely	Van Nuys
Capper	Herring	Norris	Wagner
Caraway	Hill	Nye	Walsh
Chavez	Hitchcock	O'Mahoney	Wheeler
Clark	Holt	Overton	
Connally	Hughes	Pepper	
Copeland	Johnson, Calif.	Pittman	

Mr. LEWIS. I announce that the Senator from Tennessee [Mr. BERRY], the Senator from Mississippi [Mr. BILBO], and the Senator from New Jersey [Mr. MILTON] are detained from the Senate on important public business.

The Senator from California [Mr. MCADOO] is unavoidably detained.

The Senator from South Carolina [Mr. SMITH] is absent in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

Mr. AUSTIN. I announce that the Senator from Massachusetts [Mr. LODGE] is necessarily absent.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

RESTRICTIONS OF OSAGE PROPERTY

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting a draft of proposed legislation relating to restrictions of Osage (Oklahoma) property acquired by descent or devise, which, with the accompanying paper, was referred to the Committee on Indian Affairs.

FAILURE OF TREASURY DEPARTMENT TO COMPLY WITH LAWS GOVERNING OUTSTANDING CHECKS

The VICE PRESIDENT laid before the Senate a letter from the Acting Comptroller General of the United States, transmitting, pursuant to law, a special report relating to the requirements of section 21 of the Permanent Appropriation Repeal Act, 1934 (48 Stat. 1235), and the failure of the Treasury Department to comply therewith, which, with the accompanying report, was referred to the Committee on Appropriations.

Mr. BYRD. Mr. President, I ask unanimous consent to insert in the RECORD the statement from the Comptroller General of the United States with respect to the failure of the Treasury Department to comply with laws governing outstanding checks.

The PRESIDING OFFICER. Without objection, the statement will be printed in the RECORD.

The statement is as follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington.

FAILURE OF TREASURY DEPARTMENT TO COMPLY WITH LAWS GOVERNING OUTSTANDING CHECKS

To the Congress:

Pursuant to the provisions of section 312 (a) of the Budget and Accounting Act, 1921 (42 Stat. 25), it is deemed advisable to invite your attention to the failure of the Treasury Department to deposit into the Treasury to the credit of the trust-fund account entitled "Outstanding liabilities (fiscal year)" amounts of outstanding checks issued and outstanding for 1 full fiscal year following the fiscal year in which such checks were issued, as required in accordance with the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934 (48 Stat. 1224), which provides:

"Hereafter all checks drawn on the Treasurer of the United States, except those issued on account of public-debt obligations and transactions regarding the administration of banking and currency laws, shall be payable only until the close of the fiscal year next following the fiscal year in which such checks were issued, and the amounts of all such checks properly due and payable which have not been presented for payment within such period shall be deposited into the Treasury to the credit of a trust-fund account entitled 'Outstanding liabilities (fiscal year),' designated by fiscal years in which the checks are issued. The balances in the outstanding liabilities account now carried on the books of the Government representing the amounts of unclaimed checks shall be transferred to the account 'Outstanding liabilities, 1934,' and any balances remaining therein, or in any succeeding fiscal-year account, unclaimed for 2 fiscal years after the deposit therein, shall be covered into the surplus fund of the Treasury: *Provided*, That the balances to the credit of the outstanding liabilities account of any fiscal year which has not been covered into the surplus fund of the Treasury shall be available to pay claims on account of any check the amount of which has been included in any balance so covered into the surplus fund."

Prior to the enactment of the Permanent Appropriation Repeal Act, the Comptroller General in his annual report for the fiscal year 1929 called to the attention of the Congress the inconsistencies which had developed from procedures inaugurated with reference to "Outstanding liabilities" (consisting of checks drawn on the Treasurer of the United States) under the provisions of the then existing laws, as follows:

"'Outstanding liabilities'—in the sense in which the term is generally used—is a permanent appropriation account, under which are placed the amounts of checks of Federal disbursing officers, outstanding and unpaid for 3 full fiscal years, so that they may be available for payment to proper persons upon claim filed therefor with this Office. (See secs. 306, 307, Rev. Stats.; sec. 5, act of July 1, 1916, 39 Stat. 336, as amended by sec. 304 of the Budget and Accounting Act, 1921, 42 id. 24.)

"For the covering into the credit of such permanent appropriation account this Office, as required by law, reports at the end of each fiscal year to the Secretary of the Treasury all checks—other than certain excepted classes—issued by Federal disbursing officers then outstanding and unpaid for 3 full fiscal years. (See sec. 5, act of July 1, 1916, as amended, supra.)

"For such report purposes the checks are listed by this Office and the lists are from time to time revised and rewritten in order that they may show the true condition of the outstanding items in the depositary accounts of the disbursing officers with the Treasurer of the United States, and may finally show just which checks are for covering into the credit of 'outstanding liabilities.' The amounts remain credited indefinitely in said account pending claim made.

"Three years is considered too long a period for the listing, holding, and safeguarding of unpaid Federal checks. This Office has on hand thousands of unclaimed checks which it is guarding until the period of 3 full years shall have expired and the checks are no longer payable simply on presentation. (See my 1928 report, p. 57.) There appears no need for the checks to be negotiable for 3 full years, or for a longer period then sufficient to enable them to clear through banking channels. For this purpose 1 full fiscal year after date of issue is deemed ample. It is believed they should not be negotiable for a longer period, and that they should plainly so state upon their face. This limitation would not affect their payment during the negotiable period, or the ultimate payment of the amount to the one otherwise entitled thereto, would encourage prompt negotiation, and would facilitate the reconciliation of the depositary accounts of the issuing officers.

"There are not within the general procedure the following additional 'outstanding liabilities' accounts, with varying periods for which checks remain outstanding:

"'Outstanding liabilities; lands': A permanent appropriation account. Into this account there are deposited, under the direction of the Commissioner of the General Land Office, certain public-land liabilities, outstanding for 5 or more years, composed of fees and unearned moneys, to the credit of the parties from whom received (act of March 2, 1907 (34 Stat. 1245); and also the proceeds of refund checks therefor, outstanding and unpaid for a similar period which this Office has reported to the Secretary of the Treasury for covering into such account and for the payment to such persons as found entitled thereto through its allowance of claims therefor.

"'Outstanding liabilities; District of Columbia': A permanent appropriation account. Into this account the Treasury of the United States, pursuant to reports of this Office, approved by the Secretary of the Treasury, deposits the proceeds of checks drawn by the disbursing officer of the District of Columbia, or a predecessor, outstanding, unsatisfied, and unpaid for 3 years or more, for payment to the respective parties to whom the checks issued (act of April 28, 1904, 33 Stat. 574, 575). The claims for such proceeds are not presented directly to this Office but are paid by the disbursing officer of the District of Columbia, and vouchers therefor are audited by this Office.

"'Outstanding liabilities; Post Office Department warrants': A ledger account maintained in the Post Office Department division of this Office. Post Office Department warrants are issued in payment of preaudited postal accounts and represent approximately 20 percent of postal expenditures. There is no statute requiring the covering of the proceeds of these warrants into the Treasury as outstanding liabilities or otherwise, and they may remain outstanding and unpaid indefinitely. For accounting convenience, however, Post Office Department warrants outstanding more than 3 full fiscal years are recorded in a ledger account maintained in said division known as 'Outstanding liabilities; Post Office Department warrants,' the funds with which such warrants may be paid upon presentation remaining in the account of the Post Office Department with the Treasurer of the United States (symbol 47001). (See General Regulations No. 23, as amended by No. 58, and supplements thereto, Nos. 1, 2, and 3,

General Accounting Office.) The amount of record in this Office at close of the fiscal year 1929 in said account, 'Outstanding liabilities: Post Office Department warrants,' was $409,707.03.

" 'Outstanding liabilities;' Postal Service checks: Likewise a ledger account maintained in the Post Office Department division of this office. Postal Service checks are drawn against funds deposited with the Treasurer of the United States and moneys temporarily deposited in banks by postmasters in their official capacity at their own risk, etc. As in the case of Post Office Department warrants, supra, there is no statute requiring the covering of the proceeds of Postal Service checks into the Treasury as outstanding liabilities or otherwise, and they may remain outstanding and unpaid indefinitely. Similarly as in the case of said warrants, an accounting procedure has been set up for recording such checks outstanding 3 full fiscal years, the fund with which such checks may be paid upon presentation remaining in the account of the Post Office Department with the Treasurer of the United States (symbol 47001). (See General Regulations No. 23, as amended, supra. Also sec. 3847, Rev. Stats., as amended by act of May 27, 1908, 35 Stat. 415; sec. 124, Postal Laws and Regulations, 1924, as amended by insert No. 293, order No. 5584, June 22, 1927.) The amount of record in this office in said account 'Outstanding liabilities: Postal Service checks,' at close of the fiscal year 1929 was $15,478.62.

"It is believed that it would facilitate the business of the Government, reduce its expenses, and conserve its funds, if, in lieu of the existing 3 years, 5 years, and unlimited years of negotiability of Federal checks and warrants, and of the varying 'outstanding liabilities' accounts, there be substituted one uniform procedure, applying alike to all checks and warrants of whatsoever class or character, viz:

"That such checks and warrants be not negotiable after the expiration of 1 full fiscal year after date of issue; and that they so state upon their face.

"That the proceeds of all checks and warrants outstanding and unpaid after the expiration of 1 full fiscal year after date of issue be covered into the Treasury as miscellaneous receipts, with an indefinite appropriation for the payment of all claims for the proceeds of such checks or warrants allowed by this Office.

"Accordingly, it is suggested that the Congress give consideration to the enactment of legislation which will remove the existing irreconcilable inconsistencies in outstanding check and warrant liabilities procedures, and produce such a standardized check and warrant negotiability limit, covering in, and claims allowance procedure."

The matter was again included in the annual report of the Comptroller General for the fiscal year 1930, with recommendation that corrective legislation be enacted looking toward more economical and efficient procedure for the handling of outstanding liabilities by abolishing then existing funds established for the payment of claims arising thereunder and at the same time transfer the balances, not required to liquidate such claims, to the general fund of the Treasury for current needs.

Recognizing the desirability of limiting the negotiability of unpaid checks, of which there were thousands in the custody of the General Accounting Office, and the accounting advantages resulting from the earlier transfer of these unpaid checks from the active checking accounts of the issuing (disbursing) officers, there was incorporated in the Permanent Appropriation Repeal Act, as section 21, a specific limitation on the period of negotiability of all checks drawn on the Treasurer of the United States, except those issued on account of public-debt obligations and transactions regarding the administration of banking and currency laws.

The House Committee on Appropriations, in its Report No. 1414, Seventy-third Congress, second session, on H. R. 9410 (which was subsequently enacted June 26, 1934, as the Permanent Appropriation Repeal Act, 1934, 48 Stat. 1224), stated:

Page 2, paragraph 1:

"It is the conclusion of the committee, after hearing numerous witnesses, that permanent appropriations are a vicious usurpation and invasion of the rights of sitting Congresses; that they complicate bookkeeping in the office of the Treasurer and the Division of Bookkeeping and Warrants of the Treasury Department; make auditing in the Comptroller General's Office difficult; conceal from Congress many avenues of receipts and expenditures (which in itself is an invitation to extravagance) and, for lack of proper annual disclosure, make the work of the appropriations subcommittees conjectural and uncertain—many of the agencies of our Government receiving these 'invisible' permanent allotments as well as annual appropriations for the same purposes."

Page 4, paragraph 1:

"Both for purposes of facile reference and brevity, the committee, in effecting its purpose in the accompanying bill, has reached the permanent appropriations in the numerous acts by means of reference to the accounts on the books of the Government from which disbursements of the appropriations are made rather than endeavor to amend by means of direct reference to the law. Possibility of error in search or citation is thus greatly minimized.

"In addition to the abolition, in express terms, of the account from which the disbursement of the permanent appropriation is made, in each instance the permanent appropriation itself has likewise been repealed. This is done in order to prevent any construction of the law that would sanction the reestablishment of another appropriation account to replace the one abolished by a mere change in the technical phrasing of the account title."

Page 13, paragraph 1:

"Many millions of dollars representing the amount of uncashed checks issued by the Government are carried in an account 'Outstanding liabilities.' Rather than have this large balance carried on the books of the Government indefinitely, with old checks occasionally turning up, being cashed, and charged to the balance, the committee has provided that the amount of checks uncashed before the close of the fiscal year next following the fiscal year in which such checks were issued shall be set up in a trust-fund account 'Outstanding liabilities (fiscal year),' designated by fiscal years in which the checks were issued. The amounts so credited to the fund will be available for expenditure for the 2 fiscal years following the deposit, at the expiration of which time balances representing checks still outstanding will be covered into the general fund of the Treasury. Checks thereafter presented for payment will not be honored but a certified claim will be presented to Congress for appropriation."

The Secretary of the Treasury, in his report of May 31, 1934, on the said H. R. 9410 (S. Rept. No. 1195, p. 10), stated:

"On the whole, it seems to me that the treatment accorded trust funds throughout the bill results in the removing from the official accounts of the Government certain detailed information regarding the character of those trust funds without any compensating advantages, and in other respects results in unsound accounting. For example, under the provision beginning at line 24, page 33, and ending at line 5, page 34, the payment of one person's check, the proceeds of which had been covered into the surplus fund of the Treasury, would be paid from a trust fund representing the proceeds of checks belonging to other persons. The foregoing objections might be waived if there were any compensating benefits accruing to the Government, or if the bookkeeping transfers actually resulted in providing the Treasury with the use of funds which are not now available in carrying on its financial program."

And recommended (pp. 14 and 15) that section 28 be amended to read:

"Effective July 1, 1935, all undelivered checks, except those issued on account of public-debt obligations and transactions regarding the administration of banking and currency laws, drawn by any officer of the United States, shall be payable only until the close of the fiscal year following the fiscal year in which such checks were issued, and the amounts of all such checks properly due and payable which have not been claimed shall be deposited into the Treasury to the credit of a trust-fund account entitled 'Outstanding liabilities.' "

The Senate Committee on Appropriations adopted the recommendations of the Treasury Department (p. 7). However, in conference (Conference Report No. 2039, 73d Cong., 2d sess., p. 9) the original provision carried in H. R. 9410, amended so as to exclude two classes of checks and change the section number from 23 to 21, was agreed to, and comment thereon (pp. 12 and 13) was as follows:

"Amendment No. 202: Restores the House language pertaining to the bookkeeping methods to be employed in handling outstanding checks of the Government with an amendment exempting checks issued on account of public-debt obligations and transactions regarding the administration of banking and currency laws * * *."

It was thus the apparent intent and purpose of the Congress in the enactment of section 21 of the Permanent Appropriation Repeal Act, 1934, supra, to abolish the appropriation account authorized by section 306, Revised Statutes, as amended, and it would follow that the provisions of sections 307 and 308, Revised Statutes, as amended, and section 5 of the act of July 1, 1916 (39 Stat. 336), as amended, which relate solely to the abolished appropriation account, were likewise modified by the provisions of section 26 of the Permanent Appropriation Repeal Act, 1934, which provides:

"All acts and/or parts of acts inconsistent or in conflict with the provisions of this act are hereby repealed to the extent of such inconsistency or conflict."

It is clear that it was the intent and purpose of the Congress, as expressed in the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, that a trust-fund account be established on the books of the Government entitled "Outstanding liabilities (fiscal year)," designated by fiscal year, into which account the balances of the appropriations authorized by section 306, Revised Statutes, etc., as amended, and the amounts of checks remaining outstanding 1 full fiscal year subsequent to date of issue are to be deposited.

At the close of the fiscal year 1934 outstanding checks, as determined in the audit by this Office of depositary statements, were listed and the lists forwarded to the Treasury Department for covering into the trust-fund account "Outstanding liabilities," designated by fiscal year, as required by the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, supra.

The lists so prepared were returned by the Treasury Department with letter dated September 28, 1934, as follows:

"This Department is in receipt from the Audit Division of your office of several reports of outstanding liabilities, accompanied by General Accounting Office lists of outstanding checks more than 1 full fiscal year old, for covering into the Treasury in accordance with the provisions of section 21 of the act of June 26, 1934 (48 Stat. 1235). These reports contain all of the information heretofore furnished this Department in reports from your Office except that the name of the payee is omitted. The name of the payee constitutes a vital element in the detailed records covering outstanding liabilities maintained by the Treasury, inasmuch as those records are operated on an alphabetical basis by names of payees.

"Under the circumstances, the schedules referred to are returned in order that the names of the payees may be inserted thereon, and

it will be appreciated if you will issue the necessary instructions to insure that the names of the payees are shown on all schedules furnished hereafter."

After carefully considering the matters hereinbefore mentioned, this office, under date of January 26, 1935, in reply to letter dated September 28, 1934, from the Treasury Department, stated:

"This office, will, of course, supply your Department all data with respect to outstanding checks, etc., as disclosed by the files and records of this office, necessary to its operations in connection with the account 'Outstanding liabilities' as provided for by the Permanent Appropriation Repeal Act, 1934 (48 Stat. 1224, 1235), but before we undertake the work necessary to ascertain and supply you, in addition to the information heretofore supplied, that is, the number, symbol, date, and the amount of each outstanding check, etc., the name of the payee or payees of each such check, it is believed there should be closely considered whether there is actual need for the very considerable amount of work involved. In the interest of economy and in order that the time may be devoted to more essential matters I am sure you do not wish to encourage a procedure involving unnecessary work either in your Department or in this establishment.

"With a view to releasing large amounts through clearing from the books of the Government a tremendous number of individual accounts, accumulated over a period of years, each purporting to represent a liability and totaling a huge sum, but involving no considerable actual liability as the items have proven to be such that a very substantial portion thereof are never called for, and with a view to a more orderly and economical handling of such items after expiration of the period of negotiability of checks, warrants, etc., this office recommended a change in the law to reduce the period of negotiability of checks, warrants, drafts, etc., to simplify the procedure in covering into the Treasury amounts of outstanding checks, warrants, drafts, etc., and to consolidate all such amounts into one fund with elimination of the requirement and need for crediting such amounts to the 'parties in whose favor' issued—but all with such record as to make possible quick identification of any item so deposited and equally quick identification of the involved voucher and supporting papers in the account of the issuing officer if and when claim is filed based upon a check, warrant, draft, etc., the amount of which has been so deposited.

"Prior to the Permanent Appropriation Repeal Act, 1934 (48 Stat. 1224, 1235), there existed several appropriation accounts denominated 'Outstanding liabilities' the amounts of which were permanently available for the payment of outstanding checks, warrants, drafts, etc. The law required that amounts carried to outstanding liabilities should be to the credit of the parties in whose favor the respective checks, drafts, warrants, etc., were issued, and in order that this might be accomplished the General Accounting Office was required to report the names of the payees, for what purpose each check was given, the office on which drawn, the number of the voucher, date, number, and amount of each check, and, when known, the residence of the payee (act of July 1, 1916, 39 Stat. 336, U. S. C. 31: 154).

"One of the purposes of section 21 of the Permanent Appropriation Repeal Act, 1934, was, of course, to remedy, insofar as possible, the practices which made the old procedure so cumbersome and expensive. Instead of having several permanent outstanding liabilities accounts, section 21, supra, provides for only one for each fiscal year, the amount of which is to be covered into the surplus fund of the Treasury after 2 full fiscal years. This provision is thus in conflict with that in the old law requiring the maintenance of the accounts as permanent appropriations, and renders unnecessary crediting of amounts to the 'parties in whose favor' issued. Since the account is no longer permanent, the crediting of the individual accounts would be a purposeless and unnecessary action, and the procedure would require crediting the individual accounts at the time of covering and to debit those open 2 years later, thereby increasing the work and expenses rather than accomplishing an economy as contemplated by the Congress.

"Under the old law it was necessary to list the outstanding checks for 3 full fiscal years, which required in many cases 47 monthly listings in order that the accounts of the issuing officers could properly be reconciled over the periods of rendition and settlement; and while the expenses thereof have been materially reduced through the establishment of mechanical operations serving the needs of this office and of several departments and establishments, there remained an expensive procedure, the principal burdens of which rested upon the departments and establishments duplicating the outstanding check lists and statements of reconciliation produced by this office. To effect economies in this direction, section 21, supra, provides that such checks remain negotiable only for 1 full fiscal year, thereby reducing the number of listings and permitting the covering of the amounts into outstanding liabilities and to the surplus fund much earlier than under prior law. Such action not only contemplated reduction in work under existing authority, but the procedure was extended to all checks drawn on the Treasury except the two specifically mentioned classes, the purpose and effect being to permit clearance of many depositary accounts not coming under the earlier laws and also to make available without specific obligation vast sums carried in depositary and permanent accounts for the use of the United States, subject only to claim as provided for in section 21, supra.

"These provisions being in conflict with the provisions, purpose, and spirit of the earlier laws, must be taken as repealing conflicting provisions in such earlier laws, even had there been omitted section (26), which repeals all acts and/or all parts of acts inconsistent or in conflict with the provisions of the Permanent Appropriation Repeal Act, 1934.

"Under the old law there were created permanent trust funds for which the beneficiaries were named. Under the new law the trust fund is carried to the surplus fund of the Treasury. Under the old law the trust could not be disturbed but under the new law the claims on account of the so-called beneficiaries may be settled on their merits.

"Section 21, supra, will increase the number of checks, warrants, drafts, etc., to be covered into outstanding liabilities and unless a procedure is devised with elimination of nonessentials required or permitted under the old law there will result a very large amount of costly but unnecessary work, and frankly, in estimating its appropriation needs for the fiscal year 1936 this office figured on less and not more work in this connection.

"Inasmuch as the new law clearly does not contemplate individual accounts, but contemplates rather, a lump sum as herebefore pointed out, it is believed not only unnecessary but that it would be lost motion to search out and report to your Department the name or names of the person or persons to whom each check, warrant, draft, etc., was originally drawn. Inasmuch as such person or persons may not be the owners and claimants their names if so reported could serve only for identification purposes and it is believed that full and all necessary identification of items deposited will be possible from the number of the particular check, warrant, draft, or what not, the symbol under which issued, the date of issuance, and the amount—all of which data this office has planned to supply your Department. To furnish more would seem quite unnecessary, would involve this office in a vast amount of work not contemplated and which it would be difficult for us to do, especially as promptly as it should be done in the circumstances, and would, I feel, be quite out of harmony with what the Congress purposed in the matter.

"The lists returned with the letter of September 28, 1934, are transmitted herewith and it is hoped they will be found to supply your needs."

Subsequently this office, under date of June 27, 1935, further advised the Treasury Department, as follows:

"In connection with the effort to give full effect to section 21 of the 'Permanent Appropriation Repeal Act, 1934,' there appears to have developed a situation that, unfortunately, is seriously delaying settlement and payment of claims founded upon Government checks that were not presented in time to be paid by the treasurer through the banks and which now may be paid only pursuant to a claim settlement by this office. The purpose of this letter is to enlist your assistance to the end the matter may be adjusted to permit early payment of the several hundred meritorious claims now pending and other similar claims as they arise.

"The difficulty encountered seems largely due to the failure to list in the act of June 26, 1935 (48 Stat. 1224–1236), the specific provisions of prior laws intended to be repealed, modified, or superseded thereby in order to conform to the requirements of section 21 thereof. The result is, as could be expected, some confusion as to which of the provisions applicable to the old plan are necessarily for observance in giving effect to the new plan. Certain officials of your Department apparently believe there is necessary a procedure in effecting transfers from the balances in depositary accounts with the Treasurer to the trust-fund account 'Outstanding liabilities, 1934,' from which these claims are payable, that seems to this office unnecessary and unduly expensive—to such an extent that instead of accomplishing an economy as clearly intended the new plan would prove considerably more expensive of operation than was the old.

"There is no purpose to criticize the motives of your subordinates, and their views are for full consideration, but an analysis of the applicable laws in the light of the purposes sought to be accomplished by the Permanent Appropriation Repeal Act, 1934, convinces me, and will, I think, convince you, that the law as it now stands makes possible a safe, workable, and economical procedure.

"Under the old plan, and where checks, etc., might be cashed up to 3 years after date of issue, each issued and unpresented check was required by section 306, Revised Statutes, to be 'deposited by the Treasurer, to be covered into the Treasury by warrant, and to be carried to the credit of the parties in whose favor' they were issued, or the persons entitled to receive payment therefor, 'and into an appropriation account to be denominated "Outstanding liabilities."' Section 307 provided that all amounts so covered into the Treasury 'shall remain as a permanent appropriation for the * * * payment of all such outstanding and unpaid * * * checks,' and section 308 provided that the payee or bona fide holder of any such check the amount of which had been so deposited and covered into the Treasury 'shall on presenting the same to the proper officer of the Treasury be entitled to be paid by the settlement of an account and the issuing of a warrant in his favor according to the practice in other cases of authorized and liquidated claims against the United States.'

"The provisions of the three sections above referred to were originally enacted as parts of sections 1 to 4 of the act of May 2, 1866 (14 Stat. 41–42). Section 310, Revised Statutes, originally enacted as section 6 of the said act of May 2, 1866, 'for the purpose of giving force and effect to the full intent and meaning of this act,' required the making of a report to the Secretary of the Treas-

ury at the close of each fiscal year of all checks 'which may then have been outstanding and unpaid for 3 years or more, stating fully in such report the name of the payee, for what purpose given, the office on which drawn, the number of the voucher received therefor, and the date, number, and amount for which it was drawn, and, when known, the residence of the payee.' The duty of making such report devolved upon this office under the provisions of section 5 of the act of July 1, 1916 (39 Stat. 336), and title III of the Budget and Accounting Act of June 10, 1921 (42 Stat. 23).

"Section 21 of the Permanent Appropriation Repeal Act, 1934, changed the requirements above referred to by providing that the amounts of all such checks properly due and payable which have not been presented for payment within 1 year following the end of the fiscal year in which drawn 'shall be deposited into the Treasury to the credit of a trust-fund account entitled "Outstanding liabilities (fiscal year)."' This takes the place of the former requirement that the amounts be deposited and covered into the Treasury and carried to the credit of the parties in whose favor drawn, etc., and into a permanent appropriation account. Said section further provides that the balance remaining in any such fiscal year trust-fund account 'unclaimed for 2 fiscal years after the deposit therein shall be covered into the surplus fund of the Treasury,' and that until the balance in such fiscal-year account is so required to be covered into the surplus fund it 'shall be available to pay claims on account of any check the amount of which has been included in any balance so covered into the surplus fund.'

"Section 26 of the act provides:

"'All acts and/or parts of acts inconsistent or in conflict with the provisions of this act are hereby repealed to the extent of such inconsistency or conflict.'

"Clearly the provisions of section 21, supra, which provide for a fiscal year account instead of a permanent appropriation 'denominated "outstanding liabilities"'; for the depositing by the Treasurer of the United States to the credit of such fiscal year account so much of the depositary balance of each disbursing officer having funds deposited with the Treasurer as represents the amount of checks drawn by the disbursing officer on the Treasurer which have not been presented for payment within 1 year from the close of the fiscal year in which drawn, instead of covering the amount of each such check into the Treasury and carrying it 'to the credit of' the party in whose favor drawn and into a permanent appropriation; and for the payment of claims of the payees or bona fide holders of such checks from any funds in the fiscal year account instead of from the permanent appropriation to which the amount of the identical check had been covered in, are inconsistent with the requirement that there be kept in the Treasury an account in the name of each of the payees of the outstanding checks and the requirement that reports be made to the Secretary of the Treasury stating 'the name of the payee,' etc., which later requirement was originally enacted 'for the purpose of giving force and effect to the full intent and meaning of' the former. Consequently, the provision of law requiring such report (sec. 5 of the act of July 1, 1916, 39 Stat. 336) was repealed by section 26 of the act of June 26, 1934, supra. (See *Steamboat Co.* v. *The Collector*, 18 Wall., 478, 490; *Tracy* v. *Tuffly*, 134 U. S. 206, 223.)

"Under the old plan, in order to furnish in the report to the Secretary of the Treasury the data then required, it was necessary first to list all checks reported as issued and not shown to have been presented for payment within the 3-year limit—this gave the amounts for covering into the permanent appropriation outstanding liabilities—but to make it possible for the Treasury to set up the individual accounts as then required by law—a separate account for each item—there was then necessary an examination of such documents, sometimes in the accounts, as would likely supply the required detail respecting each check; that is, number, date, name of payee, for what purpose issued, number of voucher, the office on which drawn, etc. However, such information was not only stipulated for but was an essential part of the old plan and was, of course, supplied Treasury by this office to the fullest extent possible—and this notwithstanding the fact that this office had not issued the checks and consequently had no first-hand knowledge respecting much of such details—little more than reports on the checks claimed to have been issued.

"The new plan as provided for by the 'Permanent Appropriation Repeal Act, 1934,' and which as above shown does away with the setting up of individual accounts by Treasury, limits the period of negotiability to 1 year. Vastly more checks will likely be outstanding at the end of 1 year than were usually outstanding at the end of a 3-year period, and if—notwithstanding individual accounts are no longer necessary or permissible and the detailed reports formerly necessary in connection therewith are no longer required by law—there should still be supplied Treasury by this office the detail as to each item formerly necessary to enable individual accounts to be set up, the work under the new plan, which was intended to accomplish betterments and economy, will actually be substantially increased not only in this office, where it will be greatly increased, but in a lesser degree in your Department. I am sure you do not wish such a condition if it properly may be avoided.

"A particular statute which seems to be giving your Department concern is section 308, Revised Statutes—a provision in the act of May 2, 1866—hereinbefore referred to, as follows:

"'The payee or the bona fide holder of any draft or check, the amount of which has been deposited and covered into the Treasury pursuant to the preceding sections, shall, on presenting the same to the proper officer of the Treasury, be entitled to have it paid by the settlement of an account and the issuing of a warrant in his favor, according to the practice in other cases of authorized and liquidated claims against the United States.'

"When this statute was enacted, and up until July 1, 1921, the accounting officers were connected with the Treasury Department, as a part thereof, hence the provision for presenting the outstanding check 'to the proper officer of the Treasury.' When considered in the light of such fact the purpose and effect of the section clearly appears to be that upon presentation of a check by the payee or bona fide holder thereof, the amount of which has been covered to 'outstanding liabilities,' he shall be entitled to have it paid 'by the settlement of an account,' as other claims against the United States are settled. Now that the accounting officers, formerly a part of Treasury, constitute the General Accounting Office, an independent establishment, with the jurisdiction to settle and adjust claims against the United States, including claims based upon checks the amounts of which have been covered to 'outstanding liabilities,' there appears no responsibility resting upon Treasury under the section quoted, supra.

"It is to be remembered that the amount in the account known as "Outstanding liabilities, 1934," is made up of portions of balances to the credit of disbursing officers in depositary accounts with the Treasurer as a result of the nonpresentation of the checks for payment within the time limit, and that with respect to the transaction forming the basis for any particular check there was the usual administrative action by the agency entrusted with administrative control over the particular appropriation under which the check was issued. The condition is not one where an appropriation is made for Treasury uses; rather it is a condition where various amounts originally derived from many appropriations, administered by many agencies, are brought together in one fund with availability only for payment of claims founded upon checks issued in the administration of such appropriations. All such claims are for settlement and adjustment by the General Accounting Office upon presentation of the checks.

"This office has no purpose to withhold from your Department any information necessary to its duties—no matter what work may be involved here in supplying it—but in view of the demands upon it under present conditions it does not wish to do unnecessary work. There has heretofore been supplied your Department lists of checks no longer negotiable and not shown to have been presented for payment, giving the number, date, amount, and issuing officer, in each instance, as shown by reports received here. In addition thereto, there is insisted upon by your subordinates the furnishing of the name of the payee in each instance, not, of course, for use in setting up individual accounts as required under the old plan but not under the new, but, as understood here, for the purpose of a ready-reference index, it being stated that many inquiries reaching Treasury respecting such matters mention only the name of the payee of the check. Since all claims on account of these checks are for settlement by this office any inquiries reaching the Treasury should be transmitted here. Then if there should develop any need for the issuance of a duplicate check requiring action by the Treasury Department, this office will, of course, furnish the Department with the name of the payee of the original check, as reported to this office or otherwise indicated from the records, and such other needed 'nformation with respect thereto as may be available.

"With respect to claims based upon checks issued under appropriations made for Treasury uses any administrative examination necessary will be for Treasury, but your Department would not be in a position to make administrative examination or otherwise to render assistance with respect to claims based upon checks issued under appropriations made for the use of other agencies, the records of the transaction being, of course, with the agency which exercised administrative control of the particular appropriation.

"Since under the new plan the items constituting the totals required to be deposited by the Treasurer, charged in the disbursing officers' depositary accounts and transferred to the account 'Outstanding liabilities (fiscal year),' are not to be set up individually and withdrawals may be made from said fiscal year account only upon a claim settlement based upon the check, there would seem required for reporting by this office to Treasury only the totals with respect to the outstanding checks of each disbursing officer. However, inasmuch as lists of such checks prepared here for the uses of this office reflect the check number, the date, and the amount, as to the outstanding checks of each issuing officer, such information respecting each outstanding check can readily be supplied Treasury, and, while it seems doubtful that such detail is required for any Treasury function, nevertheless it can be supplied without extra cost and will be supplied unless you should conclude it is not desired. But to supply in addition thereto the name of the person or firm reported by the issuing officer as the 'payee' would require a separate listing of all such checks at great expense and since this is not now required by law it may not properly be done, of course, unless it is made clearly to appear that such additional information is actually necessary to some Treasury function required by law.

"Several hundred claims are pending in this office based upon checks the amounts of which have heretofore been reported to Treasury as aforesaid for depositing by the Treasurer and covering to 'Outstanding liabilities, 1934.' It is not believed the claimants should longer be denied their moneys and to the end that they may now be paid the amounts found to be due them, claim settlements thereon will be proceeded with. It is sincerely hoped

Treasury may see its way clear to promptly act toward setting up the amounts under the account 'Outstanding liabilities, 1934,' on the basis of reports heretofore made by this office."

Despite the fact that the appropriation account, "Outstanding liabilities," authorized by section 306, Revised Statutes, as amended, and other laws relating to said appropriation, including section 5 of the act of July 1, 1916, were modified by operation of the provisions of sections 21 and 26 of the Permanent Appropriation Repeal Act, 1934, the Treasury Department has steadfastly refused to cover into the trust fund account, "Outstanding liabilities," by fiscal year, the amounts of outstanding checks reported by this office in accordance with the provisions of the latter act. Instead, the Treasury Department is assuming authority to maintain unauthorized accounts pursuant to the provisions of statutes which have been repealed, and at the same time demanding that the outstanding check lists be prepared by this office in a manner which will permit the continued maintenance of the unauthorized accounts, which would (instead of effecting economical and efficient procedures, an end sought in the enactment of the Permanent Appropriation Repeal Act, 1934) increase the work of both the Treasury Department and this office, for which there is no necessity nor requirement of existing law. In fact, the failure of the Treasury Department to comply with existing law has already placed an unnecessary burden upon the Government in connection with the reconciliation of disbursing accounts, due to the outstanding checks as reported not having been covered into the trust fund account as required.

Under date of October 14, 1937, there was received from the Treasury Department the following letter:

"Your attention is called to an impassé which developed during Mr. McCarl's tenure of office as the result of differences between the General Accounting Office and the Treasury Department in legal interpretation of the effect of sections 21 and 26 of the Permanent Appropriations Repeal Act of 1934, on prior 'outstanding liabilities' laws.

"This impassé has greatly hampered the Treasury Department in the handling of the outstanding liabilities work. If we should put aside questions of legal interpretation, I feel that we would not be so far apart on the matter. Basically, as I understand it, the General Accounting Office desires to avoid the expense of furnishing the Treasury Department with the names of payees of checks, the proceeds of which are to be covered into the Treasury as outstanding liabilities, and which heretofore have been credited on the Treasury's books in the names of the respective payees.

"These individual records were set up in 1866, under authority of the act of May 2, 1866. They comprise a continuous detailed record of the payees of drafts or checks which have ceased to be negotiable and the amounts of which have been covered into the Treasury subject to claim of the owners. They consist of permanent bound books readily accessible and immediately available for quick and positive identification of any check, the amount of which has been covered into 'Outstanding liabilities,' and contain information showing (a) the name of the original payee; (b) the number, date, and amount of the original check; (c) the name and symbol number of the disbursing officer or drawer; (d) the number and date of the covering warrant which covered the proceeds of the check into outstanding liabilities; (e) date of reference of claim to General Accounting Office; (f) General Accounting Office certificate of settlement number; and (g) number, date, and amount of settlement warrant issued in payment of claim.

"In the more than 70 years that have elapsed since this system was established, there has been accumulated in these detailed records a fund of information which this Department has administratively determined to be necessary for the performance of its work. Even on the most fragmentary information, through the use of these records, the Department is able to complete information of the covering into the outstanding liabilities account of checks, regardless of age.

"The value of the present system in furnishing information and preventing errors has been demonstrated on different occasions. Among these may be mentioned—

"1. Duplicate settlement on the same item.

"2. Request for administrative report where settlement had previously been made.

"3. Request that bond of indemnity be transmitted to the wrong claimant.

"4. Settlement involving checks, the amounts of which have never been covered to outstanding liabilities.

"The value of these detailed records is demonstrated in everyday practice. The Treasury feels that the continuity of these records should not be broken. To maintain that continuity the names of the payees of these checks must be obtained. That information is, of course, most readily available from your records.

"The General Accounting Office is now furnishing the Treasury at the close of each year with a schedule of checks outstanding beyond the negotiable period, showing the number, date, and amount of each check, and the symbol number of the drawer; in other words, substantially the information furnished prior to 1935 except for the name of the payee. I realize that it would be a considerable undertaking for your office to reconcile and complete the schedules submitted in the period from 1935 to 1937, inclusive, in order to furnish the additional information needed by the Treasury. If, however, you are agreeable to making your records for that period available to the Treasury, it is proposed to assign the necessary Treasury employees to compile that information in the General Accounting Office with a minimum of interference with your daily operations.

"With respect to current and future reports from your office—that is, schedules to be submitted in 1938 and subsequent years—no such considerable element of added expense is involved. In view of the value of the Treasury's detailed records, as indicated above, I trust you will see your way clear to issue the necessary instructions that the names of the payees of checks included in these reports be typed on the schedules or inserted thereon through the medium of a change in the tabulating equipment maintained in your office, if such change is practicable.

"If you feel, however, that it is not practicable for your office to furnish these names on current and future schedules, it is suggested that the arrangement proposed with respect to prior year schedules be adopted, the necessary facilities to be afforded to personnel assigned by the Treasury to obtain from your current records the required information."

No reply has been made to the above-quoted letter. The request, while purporting to enunciate a basis for cooperation, would, if complied with, perpetuate the antiquated and uneconomical system and procedure "set up in 1866."

In order to avoid compliance with the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, the Treasury Department, through its representatives, testified before the subcommittee of the Committee on Appropriations considering the Treasury Department appropriation bills for 1938 and 1939, pages 922 and 185, respectively, that a considerable increase in work and expense would be necessary in order to comply with the provisions of the law and recommended the repeal of section 21. The difficulty lies in the desire of the Treasury Department to comply with provisions of law which have been repealed. However, the Committee on Appropriations, in its report on H. R. 8947 (Rept. No. 1666, 75th Cong., 3d sess., p. 8), stated:

"The amount recommended for salaries for the Office of the Commissioner of Accounts and Deposits is $350,000, which is an increase of $60,000 over the present fiscal year and $23,000 less than the Budget estimates. The increased allowance over 1938 is to provide permanently for additional personnel now employed under temporary appropriations in the performance of work permanently a part of the duties of this office and occasioned primarily by the enactment of the Social Security Act and the establishment of other new agencies. In making the reduction of $23,000 the committee has eliminated funds for eight additional employees requested in the estimates and two employees heretofore granted in connection with work caused by section 21 of the Permanent Appropriation Repeal Act of June 26, 1934, which changed the period of negotiability of Government checks from 3 or 5 fiscal years to 1 fiscal year after the year in which the check was issued. This act has thrown considerable additional work upon the Treasury Department which recommends the repeal of section 21. The General Accounting Office not only opposes the repeal of section 21, but has suggested instead a further curtailment of the period of negotiability of Government checks to a year from date of issue instead of at present a full fiscal year after the fiscal year in which the check was issued. Inasmuch as there is a dispute between the General Accounting Office and the Treasury Department as to the merits of the provisions of section 21 and as a change in accounting procedure to settle that dispute involves legislation, the committee has eliminated the additional personnel requested by the Treasury Department and is taking the liberty of calling the situation to the attention of the Committee on Expenditures in the hope that a permanent solution to the best interest of the Government and to considerate treatment of the payees of Federal checks may be accomplished without real injury to any pride of opinion that either agency may have."

The Treasury Department apparently persists in its position that the appropriation account authorized by section 306, Revised Statutes, as amended, is the same as the trust fund authorized by the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, as it is the contention of said Department that the laws applicable to the former are also applicable to the latter. Such is not the case for the following reasons:

1. The fund established pursuant to section 306, Revised Statutes, as amended, was an appropriation account "Outstanding liabilities" by names of payees or owners of checks remaining unpaid for 3 or more years, whereas the fund authorized by the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, is a trust fund designated by fiscal year only.

2. The balance remaining in the fund established pursuant to section 306, Revised Statutes, as amended, was under the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, required to be transferred to the fund created pursuant to the latter act, thereby closing out the fund created pursuant to section 306, supra.

3. Checks remaining outstanding and unpaid for 3 full fiscal years were then required to be deposited and covered into the fund authorized, pursuant to the provisions of section 306, Revised Statutes, as amended, whereas now all checks remaining outstanding and unpaid for 1 full fiscal year are required to be deposited and covered into the trust fund authorized by section 21 of the Permament Appropriation Repeal Act, 1934.

4. It therefore follows that if all checks remaining outstanding and unpaid for 1 fiscal year after date of issue are covered into the trust fund as required by the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, obviously there would be no checks outstanding for covering into the fund authorized by section 306, Revised Statutes, as amended.

5. The appropriation account required to be maintained according to payees, as directed in section 306, Revised Statutes, as

amended, having been abolished and the balance transferred to the trust fund required to be maintained by fiscal year only, in accordance with section 21 of the Permanent Appropriation Repeal Act, 1934, the names of payees are not necessary for covering purposes, nor are they required by existing law. The outstanding checks now required to be covered into the trust-fund account pursuant to section 21, supra, have only an indirect relation to the claims paid from said trust fund, as such claims are authorized to be paid from the current balances therein, such claims in many instances resulting from checks, the amounts of which were previously transferred to the surplus fund.

6. The schedules of outstanding checks, prepared by the General Accounting Office, show the disbursing symbol number, check number, month or date of issue, and amount, and this data is sufficient and all that is necessary under existing law for charging the disbursing accounts involved and covering the amounts thereof into the trust fund in accordance with the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934.

It appears clear from the foregoing that the intent and purposes of sections 21 and 26 of the Permanent Appropriation Repeal Act were the elimination of irreconcilable inconsistencies in the outstanding check and warrant liability procedures and the establishment of a standardized check and warrant negotiability limit, covering in, and claims allowance procedure in the interest of efficiency and economy, which procedure would at the same time adequately safeguard the interests of the United States.

The General Accounting Office, pursuant to section 305 of the Budget and Accounting Act, settles innumerable claims arising out of unpaid checks, the amounts of which may or may not have been transferred from the checking account of the issuing (disbursing) officer and covered into the "Outstanding liabilities" account. There appears to be no more necessity for the maintenance of detailed records by names of payees in the Treasury Department for potential claims of this nature than there is for the maintenance of such records for other classes of claims. To maintain such records by payees will increase the work and expense of the General Accounting Office and of the Treasury Department without commensurate benefits resulting therefrom.

Accordingly, I have to recommend that no change be made in the provisions of section 21 of the Permanent Appropriation Repeal Act, 1934, supra, at this time, although there appears no good reason why there could not properly be eliminated therefrom the exception relating to checks issued on account of "transactions regarding the administration of banking and currency laws." However, while this Office is convinced as to the actual and definite repeal of sections 306, 307, and 308, Revised Statutes, and modification of section 5 of the act of July 1, 1916 (39 Stat. 336), as amended, the Treasury Department is unwilling to accept such view, and in order that the affairs of the Government may be proceeded upon without further detriment to those concerned in the instant matter, I further recommend the enactment of legislation specifically repealing and modifying said sections, respectively, and suggest that such purpose will be accomplished by the enactment of the following (words to be omitted and inserted indicated by brackets and italics, respectively):

"That hereafter at the termination of each fiscal year [each auditor of the Treasury] *the General Accounting Office* shall report to the Secretary of the Treasury all checks issued by any disbursing officer of the Government as shown by his accounts rendered to [such auditor] *the General Accounting Office*, which shall then have been outstanding and unpaid for *1 full fiscal year* [3 years or more], stating [fully] in such report [the name of the payee, for what purpose each check was given, the office on which drawn, the number of the voucher received therefor], as to each check, the date, the number, and the amount for which it was drawn [, and, when known, the residence of the payee]. And such reports shall be in lieu of the returns required of disbursing officers by section 310 of the Revised Statutes.

"Sec. 2. Sections 306, 307, and 308, Revised Statutes, as amended, are hereby repealed as of June 26, 1934."

REPORT OF EXPENDITURES AND CONTRACTS MADE IN VIOLATION OF LAW

The VICE PRESIDENT laid before the Senate a letter from the Acting Comptroller General of the United States, submitting, pursuant to law, a report of expenditures and contracts (or transactions) made by any department or establishment in violation of law as required by section 312 (a) of the Budget and Accounting Act, 1921 (42 Stat., 26), which, with the accompanying report, was referred to the Committee on Expenditures in the Executive Departments.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a letter in the nature of a memorial from the Steamship Trade Association of Baltimore (Md.), Inc., remonstrating against the enactment of the so-called Pettengill bill, being House bill 1668, pertaining to the long-and-short-haul clause of the Interstate Commerce Act, which was referred to the Committee on Interstate Commerce.

Mr. COPELAND presented resolutions of Niagara and Putnam Counties Petroleum Industries Committees in the State of New York, favoring the prompt repeal of Federal taxes on gasoline and lubricating oils, which were referred to the Committee on Finance.

He also presented a resolution of the Federation of Jewish Women's Organizations, Inc., New York City, N. Y., protesting against the adoption of the so-called Vandenberg substitute child-labor amendment, which was referred to the Committee on the Judiciary.

He also presented memorials, numerously signed, of sundry citizens of the State of New York (being employees of coastwise steamship companies), remonstrating against the enactment of the so-called Pettengill bill, being House bill 1668, pertaining to the long-and-short-haul clause of the Interstate Commerce Act, which were referred to the Committee on Interstate Commerce.

He also presented a resolution of the Women's International League for Peace and Freedom, Ithaca, N. Y., favoring the diversion of proposed increased appropriations for naval expansion to an extension of the housing program and other social purposes, which was ordered to lie on the table.

REPORTS OF COMMITTEES

Mr. O'MAHONEY, from the Committee on Irrigation and Reclamation, to which was referred the bill (S. 183) granting the consent of Congress to the States of Montana, North Dakota, South Dakota, and Wyoming to negotiate and enter into a compact or agreement for division of the waters of the Little Missouri River, reported it with an amendment and submitted a report (No. 1424) thereon.

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 2833) conferring jurisdiction upon the Court of Claims to rehear and enter judgment upon the claim of Cohen, Goldman & Co., Inc., reported it without amendment and submitted a report (No. 1441) thereon.

Mr. MILTON, from the Committee on Claims, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

S. 2051. A bill for the relief of John F. Fitzgerald (Rept. No. 1442); and

S. 2890. A bill for the relief of the parents of Clarence Daniel (Rept. No. 1443).

Mr. BAILEY, from the Committee on Claims, to which was referred the bill (S. 3543) authorizing the Comptroller General of the United States to settle and adjust the claim of Earle Lindsey, reported it without amendment and submitted a report (No. 1444) thereon.

He also, from the same committee, to which was referred the bill (S. 3383) for the relief of the endorsers of certain checks drawn on the Treasurer of the United States, reported it adversely and submitted a report (No. 1445) thereon.

Mr. BROWN of Michigan, from the Committee on Claims, to which was referred the bill (S. 2505) for the relief of James J. Hogan, reported it without amendment and submitted a report (No. 1446) thereon.

He also, from the same committee, to which was referred the bill (S. 2956) for the relief of Orville D. Davis, reported it with an amendment and submitted a report (No. 1447) thereon.

Mr. BURKE, from the Committee on the Judiciary, to which was referred the bill (H. R. 1547) to amend section 42 of the act of Congress entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September 7, 1916, as amended, reported it without amendment and submitted a report (No. 1448) thereon.

Mr. ANDREWS, from the Committee on Immigration, to which was referred the bill (S. 2742) for the relief of Mrs. C. Doorn, reported it without amendment and submitted a report (No. 1449) thereon.

He also, from the same committee, to which was referred the bill (S. 2933) to admit Mrs. Henry Francis Parks permanently to the United States, reported it with an amendment and submitted a report (No. 1450) thereon.

Mr. HUGHES, from the Committee on Immigration, to which was referred the bill (S. 3064) for the relief of George

Henry Levins, reported it without amendment and submitted a report (No. 1451) thereon.

Mr. McGILL, from the Committee on Immigration, to which was referred the bill (S. 3063) for the relief of Maria Bartolo, reported it without amendment and submitted a report (No. 1452) thereon.

Mr. MILLER, from the Committee on Military Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 3459. A bill to authorize the Secretary of War to acquire by donation land at or near Fort Missoula, Mont., for target range, military, or other public purposes (Rept. No. 1453); and

S. 3590. A bill to amend an act entitled "An act for making further and more effectual provision for the national defense, and for other purposes," approved June 3, 1916, as amended by the act of June 4, 1920, so as to make available certain other officers for General Staff duty (Rept. No. 1454).

ENROLLED BILL PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on March 3, 1938, that committee presented to the President of the United States the enrolled bill (S. 1835) establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McNARY:

A bill (S. 3605) for the relief of Lincoln County, Oreg.; to the Committee on Claims.

By Mr. WHEELER:

A bill (S. 3606) to amend the Interstate Commerce Act, as amended, by amending certain provisions of part II of said act, otherwise known as the Motor Carrier Act, 1935; to the Committee on Interstate Commerce.

(Mr. HATCH introduced Senate bill 3607, which was referred to the Committee on Education and Labor, and appears under a separate heading.)

By Mr. NEELY:

A bill (S. 3608) conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of Willis Lyle Burdette, Eunice Burdette Beller, Alta Lucille Burdette Coburn, Margaret Jane Burdette, William Burdette, and Betty Burdette; to the Committee on Claims.

By Mr. COPELAND:

A bill (S. 3609) to define certain units and to fix the standards of weights and measures of the United States; to the Committee on Commerce.

By Mr. BURKE:

A bill (S. 3610) granting a pension to Gurley N. Sandberg; to the Committee on Pensions.

A bill (S. 3611) to further extend the times for commencing and completing the construction of a bridge across the Missouri River between the towns of Decatur, Nebr., and Onawa, Iowa; to the Committee on Commerce.

By Mr. SHEPPARD:

A bill (S. 3612) to amend an act entitled "An act authorizing the conservation, production, exploitation, and sale of helium gas, a mineral resource pertaining to the national defense and to the development of commercial aeronautics; authorizing the acquisition, by purchase or otherwise, by the United States of properties for the production of helium gas; and for other purposes," approved September 1, 1937 (with an accompanying paper); to the Committee on Military Affairs.

By Mr. TYDINGS:

A bill (S. 3613) for the protection of the female sponge egg-bearing blue crab in any State or Territory and authorizing the Department of Commerce to define the spawning season for the same, and for other purposes; to the Committee on Commerce.

By Mr. KING:

A bill (S. 3614) relating to the issuance of licenses under the District of Columbia Alcoholic Beverage Control Act; to the Committee on the District of Columbia.

FEDERAL AID IN PROMOTION OF ADULT EDUCATION

Mr. HATCH. Mr. President, I ask consent to introduce a bill for reference to the Committee on Education and Labor.

The VICE PRESIDENT. Without objection, the bill will be received and referred as requested by the Senator from New Mexico.

The bill (S. 3607) to authorize the appropriation of $90,000,000, to be distributed over a period of 5 years, to be apportioned to the various States, Territories, and the District of Columbia, for the purpose of assisting them in developing a program for the removal of illiteracy among adults, and of providing for training in citizenship and other branches of adult education, to promote the general welfare in the several States and Territories and the District of Columbia, was read twice by its title and referred to the Committee on Education and Labor.

Mr. HATCH. Mr. President, the bill just introduced by me would give Federal aid to the several States to promote adult education, which in turn would awaken a finer and keener sense of civic responsibility.

The measure is definitely in line with the recommendations of the President's Advisory Committee on Education, generally known as the Reeves Committee. This committee has made an exhaustive research of the many educational problems confronting the country at present. They have reported what many of us have in a general way known to be true, that in many instances States are actually unable to meet their financial responsibilities toward their citizens in promoting education.

Many who have recognized this point have, however, been determined to preserve absolute State autonomy in the administration of education, regardless of cost; for to us the principle of absolute autonomy in education is of dominant importance. The Reeves Committee fortunately recognizes this principle as fundamental and, in recommending Federal aid to the States for the promotion of education, also recommends that the administration of these funds be entirely a State matter, safeguarded only to the point to make sure that the State uses the money only in keeping with the fundamental principles of our Government. The Federal Government naturally is concerned with the civic intelligence of the individual citizen and with his ability to function properly in the Nation. Inasmuch as illiteracy, crime, and all the social hazards know no State lines, the Government must help train the individual citizen to meet his civic responsibility, regardless from which or to which State he may migrate.

Probably all phases of the Reeves report will receive attention in the form of legislation. I am interested in having all these fine, constructive recommendations enacted into law. Particularly I am interested at the moment in focusing public attention on the need of developing a critical, yet entirely social, attitude among the adult citizens of our country toward the problems confronting us. There is no medium which would brace our democratic institutions more surely than a sound and honest, critical form of adult education. The bill I am introducing will give impetus to adult education in the several States.

This bill provides for Federal aid for adult education over a period of 5 years. The purpose is to give the movement the greatest possible aid at the start from Federal sources. It is hoped that at the close of the 5-year period the States will develop this work with increasing State responsibility. The plan encourages the starting of this movement with Federal aid and makes it possible for the citizens to begin to appreciate the value of such work and to arouse their desire to assume their responsibility in carrying it on.

Those principally interested in preparing the bill have been in consultation with the leaders of the adult educational sections of the N. E. A. and with other leaders in other private organizations which have carried on some excellent work in adult education. Many know of the fine work which has been

done by some of the veterans' groups, by the Y. W. C. A., by the Catholic Women's Council, by the Council of Jewish Women, and, of course, by the labor groups, which have pioneered in this field. I am sincerely anxious to do all I can to help these groups, as well as the public schools and the universities of our country, to carry on an advanced adult education which will not only quicken our sense of civic responsibility but as a result will certainly help to develop a finer and surer function of democracy.

I have referred to others who have collaborated in preparing the measure. Many groups have been interested, and the details of the bill have been worked out and developed by persons who have given long and careful study to the plan. Others having been the real authors of the measure, it seems only right that I should acknowledge that authorship and only claim the right to present the bill to the Senate for myself.

AMENDMENTS TO DISTRICT OF COLUMBIA APPROPRIATION BILL

Mr. THOMAS of Oklahoma submitted an amendment intended to be proposed by him to House bill 9181, the District of Columbia appropriation bill, 1939, which was ordered to lie on the table and to be printed, as follows:

Add a new section, as follows:

"SEC. 11. The Commissioners of the District of Columbia are hereby authorized and empowered, in their discretion, to secure and to install, at no expense to the said District, mechanical parking meters or devices on the streets, avenues, roads, highways, and other public spaces in the District of Columbia under the jurisdiction and control of said Commissioners; and said Commissioners are authorized and empowered to make and enforce rules and regulations for the control of the parking of vehicles on such streets, avenues, roads, highways, and other public spaces, and as an aid to such regulation and control of the parking of vehicles the Commissioners may prescribe fees for the privilege of parking vehicles where said meters or devices are installed.

"The Commissioners are further authorized and empowered to pay the purchase price and cost of installation of the said meters or devices from the fees collected, and thereafter such meters or devices shall become the property of said District, and all fees collected shall be paid to the collector of taxes for deposit in the Treasury of the United States to the credit of the revenues of said District."

Mr. CAPPER submitted an amendment proposing to increase the appropriation for personal services, and so forth, for the Gallinger Municipal Hospital from $523,760, as reported by the committee, to $596,900, intended to be proposed by him to House bill 9181, the District of Columbia appropriation bill, 1939, which was ordered to lie on the table and to be printed.

NOTICE OF MOTION TO SUSPEND THE RULES—APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA

Mr. CAPPER submitted the following notice in writing:

In accordance with rule VL of the standing rules of the Senate, I hereby give notice in writing that it is my intention to move to suspend paragraph 1 of rule XVI for the purpose of proposing to the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, the following amendment in the nature of a substitute for an amendment reported by the Committee on Appropriations, namely: On page 47, line 15, strike out "$523,760" and insert in lieu thereof "$596,900."

SENATOR GERALD P. NYE—ARTICLE FROM THE NATION

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an article by Oswald Garrison Villard, published in the Nation for February 26, 1938, entitled "Issues and Men," which appears in the Appendix.]

THE BUSINESS RECESSION—ADDRESS BY SENATOR PEPPER

[Mr. SCHWELLENBACH asked and obtained leave to have printed in the RECORD an address delivered by Senator PEPPER on the Town Hall program March 3, 1938, at New York City, entitled "Which Way Out of the Recession," which appears in the Appendix.]

THE RAILROAD PROBLEM—ADDRESS BY SENATOR TRUMAN

[Mr. CLARK asked and obtained leave to have printed in the RECORD a radio address today delivered by Senator TRUMAN on the subject of Transportation—The Railroads and Their Present Situation, which appears in the Appendix.]

NATIONAL BITUMINOUS COAL COMMISSION—LETTER FROM SENATOR HOLT

[Mr. HOLT asked and obtained leave to have printed in the RECORD a letter written by himself relative to the National Bituminous Coal Commission, which appears in the Appendix.]

THE "GOOD NEIGHBOR" POLICY—STATEMENT BY DEPARTMENT OF STATE

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD a statement by the Department of State entitled "Five Years of the 'Good Neighbor,'" which appears in the Appendix.]

TAX CASES FROM THE GOVERNMENT'S POINT OF VIEW—ADDRESS BY JAMES W. MORRIS

[Mr. PEPPER asked and obtained leave to have printed in the RECORD an address on the subject of tax cases from the Government's point of view, delivered by Hon. James W. Morris, Assistant Attorney General, before the tax clinic, sponsored by the standing committee on Federal taxation, American Bar Association, at the Willard Hotel, Washington, D. C., on Saturday, February 26, 1938, which appears in the Appendix.]

A VICIOUS BILL—EDITORIAL FROM WASHINGTON POST

[Mr. CLARK asked and obtained leave to have printed in the RECORD an editorial from the Washington Post of this date entitled "A Vicious Bill," which appears in the Appendix.]

AMERICAN FEDERATION OF LITTLE BUSINESS

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a folder published by the American Federation of Little Business, which appears in the Appendix.]

THE CONTROL OF RADIO—EDITORIAL FROM THE NEW YORK TIMES

[Mr. COPELAND asked and obtained leave to have printed in the RECORD an editorial from the New York Times of Sunday, February 27, 1938, entitled "The Control of Radio," which appears in the Appendix.]

TAXING THE WATTS—ARTICLE FROM NEW YORK TIMES

[Mr. COPELAND asked and obtained leave to have printed in the RECORD an article from the New York Times of Sunday, February 27, 1938, entitled "Taxing the Watts," which appears in the Appendix.]

PROMOTION OF PAN-AMERICAN RELATIONS—ADDRESS BY SENATOR CHAVEZ

[Mr. LEWIS asked and obtained leave to have printed in the RECORD a radio address delivered by Senator CHAVEZ on March 3, 1938, on the subject of A Government Radio Station to Further Pan-American Relations, which appears in the Appendix.]

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BYRNES. Mr. President, I desire today to discuss for a short while the civil-service section of the pending bill.

In discussing the bill on Monday, when it was presented, my time necessarily was largely consumed in a discussion of the so-called reorganization section and the general accounting section. The Senator from Massachusetts [Mr. WALSH] on day before yesterday discussed the civil-service provisions of the bill. I did not interrupt the Senator, but I now desire to refer to some of the statements made by him and by others with reference to this section of the bill.

The provision for the appointment of a single civil-service administrator is not new. It has been recommended by commissions. It was urged upon the Congress by President Hoover. It was urged upon the Congress by the then President of the Civil Service Commission, Governor Campbell.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Oregon.

Mr. McNARY. Historically, I think the Senator is correct in the statement that President Hoover did urge something like this upon the Congress. Was that recommendation in the form of a message, and has the Senator the words of the message of the President?

Mr. BYRNES. Yes, Mr. President; I have the exact language of President Hoover, and I shall incorporate it in my remarks.

Mr. McNARY. Will not the Senator read it aloud at this point?

Mr. BYRNES. I have it my papers here, but at the moment I cannot put my hands upon it; but I shall be glad to hand it to the Senator from Oregon.

Mr. McNARY. Very well.

Mr. BYRNES. In addition to that recommendation by the President, the Civil Service Reform League at various times has advocated this change. As far back as 1929, the Brookings Institution—Mr. Willoughby then being connected with it—had an organization which made and published public personnel studies. In arriving at the conclusion Mr. Willoughby reached at that time, he was assisted by representatives of various organizations—the American Association for Labor Legislation, the American Association of University Women, the American Federation of Labor, the Better Government League, the Bureau of Public Personnel Administration, the General Federation of Women's Clubs, the National Civil Service Reform League, the National Council of Catholic Men, the National Federation of Federal Employees, the National Federation of Post Office Clerks, the National Municipal League, the United States Chamber of Commerce, and the National League of Women Voters. They did not act as organizations, and those who participated called attention to the fact that they were serving merely in their individual capacity, but they were selected from these organizations to discuss the question of personnel. I shall include in my remarks the statement arrived at by them, representing their conclusions upon this subject.

Following that, the various States began to improve their personnel laws, and within recent years the system of a single civil-service administrator has been adopted by Wisconsin, by California, by New Jersey, by Arkansas, by Michigan, by Connecticut, by Maine, and by Tennessee. In five of those States there was a board acting in a capacity similar to the administration which we create in this bill. In Connecticut, Maine, and Tennessee a single civil-service administrator is appointed, without any board.

I shall also ask leave to incorporate in my remarks the provision of the laws of each of these States providing for a single administrator instead of a commission or a board.

Mr. President, I am satisfied that my good friend the Senator from Massachusetts [Mr. WALSH] and others who have opposed this particular provision of the bill will not be so alarmed about it, and probably will change their views, when I make a statement not only as to the purposes but as to the interpretation which I think should be placed upon the language of the bill.

The Senator from Massachusetts, who always prepares himself upon a subject which he discusses, referred to various points which he thought should be raised in the consideration of this question. He said, for instance:

> Under existing law, the President, and not the Civil Service Commission, fixes the rules governing civil-service administration.

That is correct. Under the law today the President of the United States fixes the rules governing the civil-service administration. The pending bill provides that the single administrator shall have the powers and functions of the Civil Service Commission and no more; and under it the President still would have the power to fix the rules of the civil service.

The Senator from Massachusetts was misled—and I assume that that was true also of the Senator from Michigan [Mr. VANDENBERG]—by the language of a section appearing on page 10 of the pending bill, where it provides:

> The administrator is authorized to delegate to any officer or employee of the administration any functions vested in the administrator or the administration by law, and to make such rules and regulations as may be necessary to carry out any of such functions.

The interpretation of that language by the legislative counsel of the Senate, and the interpretation of the committee, is that it is merely a duplication of what is carried in other bills, and that it applies only to the functions, the internal administration, of the personnel department of the Government; that it has no reference to the rule-making power established in the President. The Senator from Wyoming [Mr. O'MAHONEY], however, had the same fear that the Senator from Massachusetts had; and some days ago, on the first day we began the consideration of the bill, he called to my attention the fact that the interpretation suggested by the Senator from Massachusetts might possibly be based upon this language, and filed an amendment which is on the desk of every Senator. I told the Senator from Wyoming that while I have not any doubt and the legislative counsel has no doubt regarding the matter, in order to make assurance doubly sure, and to avoid any ambiguity, the amendment of the Senator from Wyoming will be accepted by me. Therefore, the fear regarding the transfer of powers from the President to the administrator may be forgotten by Members who have entertained that fear.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Massachusetts.

Mr. WALSH. Does the Senator state that under general law the President has power to make rules governing the duties of the civil-service administrator?

Mr. BYRNES. Yes.

Mr. WALSH. Where is that provision of the general law to be found?

Mr. BYRNES. It is in the very first section. I will put the language of the law into the RECORD.

Mr. WALSH. Does the Senator refer to the present law?

Mr. BYRNES. The Civil Service Act.

Mr. WALSH. Not the first section of the bill under consideration?

Mr. BYRNES. No; the general law. I thought the Senator asked me about that.

Mr. WALSH. The general law creating the Civil Service Commission?

Mr. BYRNES. Yes.

Mr. WALSH. Is not that law repealed by this bill?

Mr. BYRNES. Oh, no, Mr. President. I think that is where the Senator has been confused, because if the Senator will turn to the pending bill, on page 9, subdivision (c), he will find that while the present Civil Service Commission is abolished all functions vested in the Commission are vested in the administrator; and it was the purpose of the bill so to vest those functions. Therefore the duty now resting upon the President under the general law is necessarily transferred to the administrator by this provision.

Mr. WALSH. The Senator says that under the general civil-service law the President would still have the right to make the rules governing the duties of the administrator, and that this section in the bill referring to the rules applies only to the administrator's right to make rules governing the conduct of his deputies and other appointees?

Mr. BYRNES. The internal affairs of the civil-service administration; that is all. In order to make it certain, however—for whenever the Senator from Massachusetts and the Senator from Wyoming have that fear it is sufficient justification for me to accept the amendment, in the absence of anything to the contrary—I am going to accept the amendment, even though the legislative counsel has no doubt about the interpretation which the committee placed upon the language.

Mr. President, for the information of the Senate I will read the amendment proposed by the Senator from Wyoming, and which I stated that I intend to accept. The amendment proposes to add on page 10, line 5:

> but any rules and regulations so made which would require the approval of the President if they were made by the United States Civil Service Commission shall be submitted to the President for approval and shall not become effective until approved by him.

Mr. WALSH. Mr. President, does the Senator accept that amendment?

Mr. BYRNES. Yes.

Mr. WALSH. Of course, that takes care of one of the objections I have made.

Mr. BYRNES. The sole question is whether by placing the administration of the law and the rules in the hands of an administrator instead of a commission we are making a great change and a harmful change in the law. Every State which has enacted a civil-service law in the last 3 or 4 years has followed the very system we are now seeking to provide for the United States Government, which indicates that the plan has been tested. Governor Campbell, after serving on the Commission for some years, and Leonard D. White, after serving on the Commission for some years, resigning only last year, both declared time after time, in statements which I shall also ask permission to incorporate in my remarks, that, based upon their experience with the Civil Service Commission, they believed that in the interest of efficiency there should be a single administrator instead of a commission.

Mr. WALSH. A few minutes ago the Senator referred to the tendency in the States toward the appointment of a single commissioner. Is not that due to the fact that there has been a move in many of the States for the Governor to have a single commissioner so that he will have more control and more direction over the activities of the civil service?

Mr. BYRNES. Mr. President, it has been done because the States have followed the experience of the great business enterprises of this country. The United States Steel Corporation never have a commission to pass upon personnel, nor does the General Motors nor any other corporation, and as the people have observed the action of commissions in States they have insisted that when reorganizations take place responsibility be lodged in individuals, and the States have followed that course. The States could do it, for the reason that the State governments are close to the people, and the people are interested in reforms. Sometimes, when we come to deal with the United States Government, we find that the people are not so close to the Government as are the interested employees of the Government, and therefore it is difficult to make any change in the laws relating to the employees of the United States Government. It is not very difficult in the States, where the people see the results of reorganization and departure from the old forms of government.

Mr. WALSH. Is the Senator familiar with what has happened in Arkansas and in Tennessee within the last 2 years?

Mr. BYRNES. Yes.

Mr. WALSH. Is it not a fact that in Tennessee the Governor had the legislature pass an act providing for one administrator, and in a year and a half—and I call this to the attention of the Senator from Tennessee, and ask him to correct me if I am not accurate—not a single examination has been held and not any real effort has been made to apply the merit system? I ask the Senator from Tennessee, Have I made a correct statement?

Mr. McKELLAR. That is a correct statement.

Mr. WALSH. In Arkansas, on the other hand, where there are three commissioners, under a law passed later than the law in Tennessee was passed, examinations have been held to put under civil-service law State employees, and 26 certified lists have been prepared. That is an example of the experience under a single commissioner, in one State, and a commission of three, in another State.

Mr. BYRNES. That is true. I have in my hand the law of the State of Tennessee, and the law provides for efficiency ratings and for examinations. It is possible in many States of the Union, as it is in the case of the United States Government, that sometimes an individual may be appointed who will not carry out the law; but certainly a law cannot be condemned because an individual charged with the responsibility does not execute the law, as has been stated time and again on the floor of the Senate.

As to the wisdom of the law in Tennessee, if the administrator does not execute the law, I believe the people of the State, as in any other State, will take the proper action to require him, no matter who he may be, to comply with the law.

Mr. WALSH. I regret to state—and I should like to have the Senator's opinion on this point—that it has been my observation in the Congress and in the States since the depression that there has been a general drive to break down the application of the civil-service laws and the merit system as affecting the employees of the Federal and State Governments.

Mr. BYRNES. The Senator from Massachusetts referred to that the other day, but of course that question is not involved in the consideration of the pending bill. We all know it to be a fact that Congress has passed a number of acts specifically eliminating certain employees from civil-service requirements.

Mr. WALSH. In my opinion that explains the move on the part of Governors in some States to secure and retain control of civil-service administration. There is a difference between us in regard to that, however.

Mr. BYRNES. I should not desire to go into the motives which inspired the Congress to enact laws exempting the employees of certain governmental agencies, because the motives vary, just as the views of the Members of the Senate vary. The Congress has enacted a number of such laws, and the reason for this title in the bill is the necessity, if we are to extend the civil service, of affirmative legislation.

There are two classes of employees whom the President has not the power to cover into the civil service. One group is composed of employees appointed under laws which provide that the head of the department shall make appointments without regard to the civil-service laws. The other group is composed of employees as to whom the law provides that the head of a department may make appointments without regard to the civil-service laws. In the interpretation of the language in either event the President is denied the exercise of the power conferred upon him under general law to cover the positions into the classified service. By the pending measure the President will be given the power to do that. One who is really in favor of covering employees into the classified service will find that the pending measure would bring that about, and it is the only practicable way to do it.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. McKELLAR. I should like to say, in order to clarify what was stated by the Senator from Massachusetts a moment ago, that in Tennessee a civil-service law was passed in 1935. In that law there was a prohibition against members of the legislature and other State officials being appointed to positions under the Social Security Administration. Notwithstanding that provision, that civil-service law has not only not been enforced, but quite a number of members of the legislature have been appointed to such places in violation of the law.

Mr. BYRNES. Mr. President, I should not care to enter into a discussion of what happened in South Carolina or Tennessee on account of the failure of an official to carry out the law, and I admit that such things may have happened in the administration of the United States Government. So long as laws must be administered by human beings, such instances will occur. I am discussing the question as to whether or not we should have civil-service laws administered by a single administrator or a commission.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. SCHWELLENBACH. If a Governor controlling one appointee, a civil-service commissioner, can succeed in completely defying the law, there is no reason, is there, why it would be any more difficult for him to defy the law through the medium of three civil-service commissioners?

Mr. BYRNES. Of course, the question answers itself. I wish to say to the Senate that the committee has been

prompted by an honest desire to improve the personnel service of the Government. Senators have discussed the question suggested by the inquiry of the Senator from Washington, the possibility of the removal of the commissioners and the removal of the administrator.

The law today specifically provides that the President may remove the members of the Civil Service Commission. As a result, it has been thought that with each change in administration the President would remove members of the Civil Service Commission. No term is fixed for the Civil Service Commissioners; therefore, there is no restraint upon the Executive in removing a member of the Civil Service Commission, who does not have a term of office of 4 years or 6 years or 8 years. He is appointed by the President, and the law provides that he may be removed by the President. In an effort to avoid that situation, insofar as it is possible, the pending bill provides for a single administrator, to be appointed for a term of 15 years.

Senators comment upon the fact that the original bill introduced by the late Senator from Arkansas provided that the administrator could be removed by the President for inefficiency or misconduct. It is true the bill did so provide. After my consideration of the bill during the recess last year I came to the conclusion that the retention of that language would constitute an invitation to a President to remove the Administrator, inasmuch as he would determine as to his inefficiency, and I did not want that provision to remain in the bill. I submitted my proposal to the committee, and the committee was unanimous in removing the provision from the bill. As a result, we have in the pending bill a provision that the Administrator shall be appointed for 15 years.

Members of the Senate say, however, that that raises the question whether he is an executive officer or a quasi judicial, or a legislative officer. The Senator from Massachusetts discussed that matter in a very interesting way, and I wish to read what he said about it.

Mr. WALSH. Mr. President——

The PRESIDENT pro tempore. Does the Senator from South Carolina yield to the Senator from Massachusetts?

Mr. BYRNES. I yield.

Mr. WALSH. I hope I am not annoying the Senator. I am merely desirous of clearing up immaterial matter and arriving at an understanding of the real issue involved.

I understood the Senator to say that in the original draft of the bill, fixing the term at 15 years, there was a provision that the administrator could be removed for inefficiency or misconduct, and that that provision had been stricken out.

Mr. BYRNES. Yes.

Mr. WALSH. Does the Senator now claim that the proposed administrator could not be removed by the President for inefficiency or misconduct?

Mr. BYRNES. I intend to discuss that question.

Mr. WALSH. I understood the Senator to say that he had stricken that out purposely so that it would not be a temptation to a President to remove the administrator.

Mr. BYRNES. The Senator's hearing is good. The Senator from South Carolina certainly made that statement, and had reason for it.

Mr. President, I am now going to ask permission in my own way to discuss this point for a while. My good friend the Senator from Massachusetts said just what he now asked me. He said:

> Mr. President, this section of the bill in its original form authorized the President to remove the administrator for "inefficiency, neglect, or malfeasance in office." These words have been eliminated from the revised bill in its present form.
>
> It should not be assumed that the omission of any words expressly authorizing the President to remove the administrator thereby puts him beyond the reach of Presidential removal and thereby makes his 15-year term secure. Such is not the fact. The fundamental power and authority of the Executive to remove an Executive appointee of an executive agency is now well established.

That is true. That is a correct statement. The Senator referred then to the Humphrey case. Said the Senator:

> In the Humphrey case the Court held that the Federal Trade Commission was a quasi legislative and quasi judicial body, and hence members of the Commission appointed for a fixed tenure and confirmed by the Senate could not be removed by the President without cause.

Then the Senator stated:

> The civil-service administrator proposed to be created by this bill is an executive agency—an Executive appointee—in precisely the same legal position as a postmaster, and hence any President at any time may remove the civil-service administrator if he sees fit so to do.

Mr. BORAH. Mr. President——

The PRESIDENT pro tempore. Does the Senator from South Carolina yield to the Senator from Idaho?

Mr. BYRNES. I yield.

Mr. BORAH. Of course, if the administrator is an executive officer the statement made by the able Senator from Massachusetts is entirely correct. But is it clear that this officer is an executive officer? I think it is important to reach a conclusion on that subject.

Mr. BYRNES. Mr. President, that is what I wish to discuss. The Senator from Massachusetts, after making the statement that he was an executive officer, just as is a postmaster, and therefore subject to removal, then went on to say:

> The Civil Service Commission is not just an administrative body but is legislative, in the promulgation of regulations; judicial, in the rating of papers; and has some executive and administrative functions as well.

His opinion apparently being that the latter were only incidental, but that its main functions were legislative and judicial. Then he also says:

> The Commissioners also serve as a quasi-judicial body in that it conducts hearings on appeal matters involving ratings in examinations—

And so forth. He further stated:

> The Commissioners have quasi-legislative functions in that they promulgate regulations that are subordinate to the rules and the act.

The administrator cannot have all three functions.

The law, as I read it to the Senate, specifically states the functions that shall be exercised by the Civil Service Commissioners. They cannot be removable by the President, as can a postmaster, and at the same time exercise quasi-judicial and quasi-legislative functions, because, if they exercised such functions, they would come directly under the Humphrey case.

If I were to accept the statement of the Senator from Massachusetts that the administrator could not be removed because he had quasi-legislative and quasi-judicial functions, I would not be correct; therefore, I could not bring myself to agree, because I know from a study of the matter that it cannot possibly be contended successfully that his functions are either quasi-legislative or quasi-judicial.

Therefore, I contend that he is an executive officer, and could be removed by the President, just as any official of this Government appointed for a term of years as an executive official could be removed.

But we have this situation, which is one of the considerations actuating us: Instead of having the civil-service law administered by commissioners appointed under a law which specifically says that the President may remove them, we have here an administrator appointed under a law for 15 years, and therefore we have a man who the public knows is appointed for 15 years, with the intent of the Congress that he should serve for 15 years, and whenever any President removes him he does so in the face of the law, in violation of the letter and the spirit of the law, and he would be required to account to the court of public opinion, which I said yesterday is the highest law of the land. The administrator would have a term of 15 years, and the President could not remove him except in violation of that term.

Why do I say that the administrator's function is executive and not judicial? What is done by the present commissioners that is judicial? The Senator from Massachusetts is under the impression that because examinations are held they have judicial positions. That certainly would not make the positions either of the commissioners or the administrator

legislative or judicial. All the commission has to do is to hold examinations.

Mr. President, there is no justification for the statement of the Senator or for his fears as to the effect the proposed change would have upon the employees. Who makes the selection of the employees? The Civil Service Commission does not do it. It is done by a department. If a department removes an employees, he has no appeal to the Civil Service Commission except with respect to the matter of the regularity of the proceedings. The general law specifically provides that the judgment of the director of personnel in a department is final.

The Senator says that the employee would not know on what date his case would go to trial. There are only a few cases in the history of the civil service of appeal as to procedure, and the law provides that the decision of the departmental official shall be final.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. WALSH. Does the Senator contend that the Civil Service Commission does not hear appeals and make ratings?

Mr. BYRNES. Mr. President, they can hear an appeal as to a classification, and in the Civil Service Commission there is a board for that purpose. Commissioners never do it.

Mr. WALSH. I and other Senators have appeared before the board on matters of ratings. I am informed the Commissioners sitting as a body hear appeals on classification and many other matters.

Mr. BYRNES. Whenever there is a question in a department as to the rating of a position the facts are determined by the department. It goes to the Civil Service Commission. The Civil Service Commission has a board of appeals. No Commissioner sits on that.

Mr. WALSH. That is partially the fact, but as most of the rating cases are clerical they do not reach the Commission. My information, however, is that there is a right of appeal, even in the ordinary rating of applicants, though these cases do not usually go beyond the board of appeals in the department. On the other hand, many requests for a particular classification are heard by the Commissioners.

Mr. BYRNES. Mr. President, the Senator is now talking about a rating in an examination held in the field. I was not discussing that, but was discussing the question of the classification of a job in a department. I came to Congress in 1911. I confess that in all that time, since the first year I was in Congress, I have never talked to a Civil Service Commissioner about a thing, because years and years ago I found it was not of any value. I have talked to the Chief Examiner, and I have not had the pleasure of having a conversation with a Civil Service Commissioner. The examiner examines the papers and rates them. If there is any appeal by an individual that he should have had 76 instead of 75, or that he should have 78, and that is determined—is that either a legislative or judicial matter? If so, then every department of the Government is in a legislative or judicial position.

Mr. WALSH. Has the Senator never had cases of veterans seeking preferment, or an applicant who had been appointed under civil-service rules and later was charged with making a false statement in his application, and a hearing was held before the Commission as to whether that was accurate or not?

Mr. BYRNES. I have not, I am glad to say. But I submit to the Senate the question whether that is either judicial or legislative. If an employee in a department makes a false statement in any paper, and the head of the department call that employee before him to see whether or not he made a false statement, is such action by the head of the department legislative or judicial, or is it still administrative? The Senator from Massachusetts said we must have a woman upon the Commission. He said:

> Are not the women employees of the Federal Government entitled to have one member on this Commission? And if the women are entitled to a representative, the men are also entitled to a representative. Should not the minority have the right to have one member on this Commission?

I do not know who the third member is going to represent, but if it is necesary in determining merely the rating of a paper, to place a woman on the board, so that some woman applicant may whisper in her ear, then when it comes to the employment of men or women it does not matter how they stand or what percentage they attain. If their names stay on the civil-service list that does them no good. It does not buy any meat or bread for Sally Jones or Johnnie Brown. It is only when the appointments are made in the departments that bread and meat for them can be paid for. When an official in the department says that Johnnie Brown is No. 1, but he likes Sam Jones, who is No. 3, Sam Jones gets the job, and that is where the employee is interested in the matter. If he is removed, he is going to be removed by the man in the department.

The Senator from Massachusetts further said:

> When a little girl in one of the departments says that some official is criticizing her or insulting her, she has a right to whisper her real grievance in the ear of a minority member of the Commission; and if there is a woman member of the Commission, she has a right to go to that woman for protection.

If a woman has the right to whisper in the ear of the woman member of the Commission, she has a right to whisper in the ears of the majority of the Commission if she has anything to say. But what is the good of whispering? What can she do about it? She cannot do anything about it. The head of the department, under the law, is required to hire, and he has the right to dismiss an employee.

What will eventually result if such suggestions are carried out is to have a commission in charge of the personnel in every department. The Commission may as well come down then to what was originally suggested in the First Congress, that there be a commission to govern the Secretary of the Treasury. Mr. Gerry suggested that, but he was the only one who agreed to it, and immediately afterward the Congress came to the conclusion that there was nothing to it.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Kentucky.

Mr. BARKLEY. Of course, for a long time we have heard all sorts of complaints about favoritism in the departments and bureaus. A bureau chief may have his favorites and may have formed conclusions and inclinations with respect to those under him. In the matter of promotion, classification, and grading on the efficiency registers, we all have heard complaints to the effect that somebody has been discriminated against. Such complaints have been made for years, and will probably continue, regardless of whether there are three administrators or one administrator of the civil service.

I do not know whether the Civil Service Commission can do very much about matters of favoritism in the transfer and promotion of employees within the departments themselves. My experience has been—and I think it is the experience of all other Senators—that most of the civil-service matters with regard to examination, notification, and grades of applicants, are more or less routine and automatic. There is no determination by the Commission itself. Such matters are determined, as the Senator has already explained, by the board of examiners, or by the chief examiner. They are usually determined by a group of men or women far below the chief examiner, because the chief examiner himself could personally grade only a very small proportion of all the examination papers which come to the Civil Service Commission. After the regulations have been issued and the sort of questions to be propounded in civil-service examinations have been determined, most of the civil-service operations are routine and automatic. In view of that fact cannot one administrator, who is independent, nonpartisan, free from coercion, and free from appeal on the part of anybody who desires to use or manipulate the civil-service law for some special benefit, guarantee greater efficiency and more prompt action in the matter of passing on grievances—which would include grades—than any number of men or women, whether it be three, five, or seven?

Mr. BYRNES. The best answer to that comes from the National League of Women Voters. Mrs. Harris T. Baldwin,

second vice president and chairman of legislation for the league, appeared before the committee. She said:

> We believe that the growth of the Federal service necessitates a reorganization of personnel administration. Our experience in the field of government has convinced us that a board is not an efficient administrative device. Unless the administration of personnel is sufficiently flexible to meet the needs of the service, the merit system comes into disrepute. We have heard that it is imperative to exempt personnel in new agencies from the Civil Service Act because of the cumbersome, slow procedure. We have heard of the sterility of the service—clerks in dead-end jobs, the difficulties of discharge, favoritism in promotions, the long delays in selecting personnel. Probably only a portion of this criticism is justified and can be traced to the inherent administrative weaknesses of a board or commission, which prevents quick and decisive action. We therefore approve the provision of S. 2700 to the extent that it establishes a single executive as Civil Service Administrator rather than the present form of a board of three members.

That is exactly in accord with the views expressed by the Senator from Kentucky.

Mr. BARKLEY. While I am on my feet I may say, with reference to the question raised by my friend the Senator from Massachusetts [Mr. WALSH], that if an applicant makes a false statement in his application with reference to his qualifications or experience, or anything which might affect his appointment or promotion, the truth or falsity of such a statement is a matter of fact, to be determined by the circumstances under which it is made. My observation has always been that it does not necessarily require three persons to decide whether or not a given statement is false. A single person can decide whether or not it is false False statements are so rare among all the thousands who take examinations for Government positions that it seems to me the question is not of sufficient importance to be determinative here of the question whether three men should pass upon the truth or falsity of an affidavit or statement, or whether one man should do it.

Mr. BYRNES. Of course, the question is decided by the executive department. When my friend the Senator from Massachusets asked a while ago if I could recall a case before the Civil Service Commission, I correctly answered that I could recall none. My attention has since been called to the case of one of my constituents, which arose by reason of the discovery by the personnel officer of one of the executive departments, after the employee had been at work for 3 years that the employee had made a false statement in an affidavit. The officer was not exercising a judicial function. The Department of the Interior was not converted into a quasi-judicial department because one of the officials discovered a fact not theretofore known.

In addition to what has been said by Mrs. Baldwin, representing the League of American Women Voters, let me read the statement of Mr. Luther Steward, president of the National Federation of Government Employees. The federation has been represented by Mr. Steward for years. He certainly is familiar with personnel problems in the departments in Washington. He stated before the committee:

> We approve the idea of the single administrator with the detailed functions as set forth in section 202. It is certainly not expected that any single individual personally would undertake to do all these things, but authority is provided for the setting up of the necessary qualified technical staff to do many things in connection with the improvement of the Federal personnel matters, where at the present time no authority is vested anywhere, with the result that nothing is done and the Federal personnel system lacks uniformity, lacks standardization, because it is nobody's job; it does not devolve upon any one individual or any one institution to do these very necessary things.
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> * * * * * * *
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> Most decidedly no one would contemplate putting all of those under one individual, but you cannot divide responsibility in connection with personnel matters and get effective results, and any idea that might still persist in some quarters that a commission to administer things by a partisan commission, with the majority and minority representation on there, history indicates that there has been a long list of failues in respect to administration by such a party. The most eloquent testimony as to the inefficacy of commission administration is usually offered by those who attempt to administer as a part of such a cumbersome body.

The Senator from Michigan [Mr. VANDENBERG] was greatly disturbed because he said the bill providing for the administrator contemplates that "he" shall do so and so, and therefore a woman could not be appointed. The Senator from Massachusetts [Mr. WALSH] said that the Senator from Michigan was right in his interpretation of the law; yet both of them voted to confirm the appointment of Mme. Perkins as Secretary of Labor, although the law specifically has reference to what "he" shall do as Secretary of Labor. The law with reference to the Secretary of Labor says that "he" shall be allowed to expend money for periodicals, and "he" shall be allowed to do this, that, and the other. Neither the Senator from Massachusetts nor the Senator from Michigan made any objection to the confirmation of Mme. Perkins as Secretary of Labor.

The Senator from Massachusetts said day before yesterday in the Senate:

> What Senator here has not had some employee in the Government service come to him and claim prejudice has been exercised against him? Sometimes it is said to be based on religion; sometimes on politics; sometimes because he belongs to a particular fraternal organization, or some other organization. In an organization of the Government dealing with all these problems, let us make it clear that no man who comes from the military group, no man who comes from any racial group, no man who comes from any religious group, and no man who comes from any political group, will dominate and control a tribunal before which all these things must be heard and determined, and in which there must be absolute impartiality.

When a person makes application to take an examination for stenographer or for attorney there is nothing in the application to disclose whether he is a Baptist, a Presbyterian, a Methodist, or a Catholic. If there is, it is the fault of some examiner. We have heard complaints of that kind ever since we have been in Washington. When an emyloyee does not get the promotion he thinks he deserves, he may tell us, "It is because I am a Democrat, and the man who is the chief of my division is a Republican." I suppose under Republican administrations he may say just exactly the reverse. The complainant may say, "I am a Mason and he is not," or "I am an Odd Fellow or an Eagle or a Moose." The disappointed employee always has some idea as to why he is not promoted and why another man in the department is.

After all, who is doing this? It is done in the executive department and not in the Civil Service Commission. If a Civil Service Commission could cure the situation, then the Senator would not have been hearing about it all this time. The best evidence that the Civil Service Commission cannot do anything about it is the fact that we have all been hearing such complaints for a long time.

Boiled down, Mr. President, there is not any justification for the fear of removal affecting the Civil Service Commission. The courts have passed upon the question of who has the right to remove. In a case some years ago it was held that under the law to which I have referred the official of a department alone has the right to remove, and his official decision is not subject to review, provided he follows the prescribed procedure. The procedure is simply to give notice and permit the employee to answer. The employee is entitled to 30 days in which to answer. But the official, and he alone, can decide the question.

In the case of O'Neil against United States, in 1921, it was held that—

> Where the head of an executive department removes from office an employee in the classified civil service without stating in writing the cause of removal and filing the same, as directed by law and the rules of the Civil Service Commission, the removal is nevertheless valid.

The removal is valid, even when the head of the executive department does not fully comply with the law.

The annotated copy of the Civil Service Act and rules issued by the Civil Service Commission carries the following summary of a court decision of the case of *Taylor* v. *Taft, Secretary of War* (24 App. D. C. 95):

> Jurisdiction in removal and reduction: The Commission's authority in the matter of removals and reductions is determined by the civil-service laws and rules. These give the Commission authority to investigate only when it is alleged that the procedure required by law or rule has not been followed, that unequal penalties have been imposed for like offenses, or that political or religious discrimination has been exercised. The Commission has no jurisdiction to investigate the sufficiency of the reasons of a removal or reduction alleged to have been made without due cause.

Whether or not the reasons are sufficient is a question for final determination by the appointing officer, and cannot under existing law and rules be made the subject of appeal to or inquiry by the Commission.

As the matter stands, the sole question here is whether we are to have the laws passed by the Congress, and the rules which are approved by the President, administered by a single administrator instead of by three men—or two men and a woman—serving as the Civil Service Commission.

I referred to what Mr. Steward said before the committee and I referred to what Mrs. Baldwin, representing the League of Women Voters, said. In addition, I have been advised by Mr. Baker, representing another organization of employees which has been formed within the last year and which has a large number of members, that so far as he is concerned, he favors the passage of this bill, with some minor amendments. I remember distinctly his statement, so far as a single administrator is concerned, that he did not consider it important whether the law was administered by the Civil Service Commission or by an administrator. But I do not look at it merely from the standpoint of the employees of the Government. The people who employ them have some interest in the matter, and if they can secure greater efficiency in Government by having a personnel administrator appointed in accordance with the trend in the States and in accordance with good business practice in all the great corporations of the country, it will accomplish good and certainly will do no harm.

Mr. President, earlier in my remarks I referred to some views of Governor Campbell and Mr. Leonard White about the advantage of having a single administrator, and I ask permission to have their statements printed at this point in the RECORD.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT OF HON. THOMAS E. CAMPBELL

I was greatly encouraged when the President accepted the thoroughly sound personnel recommendations of his Committee on Administrative Management. The establishment of a United States Civil Service Administration, to be headed by a single Civil Service Administrator selected on a merit basis as a result of a Nation-wide open competitive examination, can hardly fail to result in better and more effective personnel administration in the Federal Government.

My previous experience as a public official in local and State jurisdictions and as Governor of the State of Arizona, as well as president of the United States Civil Service Commission, have led me to the definite conclusion that boards or commissions are clearly not suited to the performance of administrative duties. Boards and commissions carry on their work by compromise and indecision. This is an inefficient method of operation and usually results in needless confusion, the diffusion of responsibility, harmful delay, and the lack of needed leadership. In cases where this situation does not exist, commissions frequently fall under the domination of one of their strongest members, while the other members play the role of mere "yes men."

It is for these reasons that many of the difficulties and inadequacies apparent in the administration of the Federal merit system will unquestionably be overcome if the proposed single Civil Service Administrator is made responsible for all administrative and technical personnel functions. The creation of a Civil Service Board of seven nonsalaried citizens, as suggested by the Committee on Administrative Management, will furnish sufficient protection for the integrity of the merit system. The proposed new Board will have no administrative or technical duties to perform. However, it will serve as a watchful adviser to the President and the Civil Service Administrator. In this capacity it will render a useful function without manifesting the weaknesses inherent in the existing Civil Service Commission.

Within the past 50 years governmental operations have become broad in scope and complex in character. It is now more essential than ever before that the personnel chosen to carry on the work of the Federal Government be highly qualified. This result can be attained only if Uncle Sam's central personnel agency is permitted to operate under the administrative direction of a qualified administrator who can accept full responsibility for its work and can give it the imaginative leadership that is required. An efficient Government is essential if our democracy is not to be supplanted by some more drastic form of government. That is why I am looking forward to the final adoption of the President's personnel proposals. I am for them. I hope they will be passed by the Congress.

STATEMENT OF MR. LEONARD WHITE

The advantages which I believe would flow from such a change in the status of the personnel office are primarily these. For the first time, the influence of one personnel agency would be made to extend to all parts of the Federal service. The personnel office would gain immensely in prestige and authority, since it would speak for the President and at his direction. The opportunity would present itself to consider constructively all phases of the personnel situation and to bring these affirmatively to the attention of the White House. Closer coordination with the departments would tend to expedite their consideration of new proposals from their special points of view and to hasten the installation of new procedures, which had been tested in one or more of them or which were authorized by the Chief Executive. In short, under favorable circumstances I would expect more vigor and enterprise in personnel work, leading to more effective transactions of the public business in all of its manifold phases. * * * Contrary to popular impression, the Commission is not in law an independent agency. * * * The members of the Civil Service Commission are appointed without term by the President by and with the advice and consent of the Senate. In the language of the statute, "The President may remove any Commissioner." No cause is assigned in the statute and it must be concluded that the President may remove at will. If this interpretation be correct, the Civil Service Commission falls under the doctrine of the Myers' case, which leads to the conclusion that it is an executive agency operating within the sphere of influence of the Chief Executive, not an independent establishment.

This view is confirmed by the further requirement of law that the rules necessary to administer the Civil Service Act are made by the President, not by the Commission. * * * We conclude, therefore, that the Civil Service Commission is not an agency independent of the President, but performs its work under his direction and control.

Mr. VANDENBERG. Mr. President, I rise to discuss the latest edition of the President's reorganization bill, and particularly to oppose the intended creation of a civil-service dictator, upon the one hand, and the creation of Executive control over public expenditures, upon the other hand. These are unfortunate and ill-advised concentrations of Executive authority under any circumstances. They are particularly unfortunate and ill-advised at a difficult moment in our history when the crying need of the hour is an assurance to America that we are not going farther down the road toward authoritarian, centralized, one-man government in the United States.

This is the fifth anniversary of the President's inauguration on March 4, 1933. It has been an amazing 5 years that has swung the entire gamut from depression back to depression again. I do not intend to canvass the record, except to say that the gravest errors—in terms of hazard to the administration's own objectives—usually have found root in the departures from democracy and in the substitution of government by Executive decree for our traditional processes of representative and decentralized government.

There has been a gradual but impressive awakening to this hazard among our people, regardless of party. There has come to be a very general belief in the importance of suspending further innovation until we have consolidated our position upon firm ground. There is a constantly broadening national consciousness that it is impossible for a country so big and so complex to survive through economic reliance upon Washington in general and the White House in particular. I respectfully suggest at such a moment, when national psychology cries out for dependable confidence in reliable institutions, it is disservice to the national welfare to press for radical changes in the structure of government itself—particularly when some of these changes are viewed with justified suspicion by large groups of our people. The pending proposal, in this connection, is more sinister as a symbol than as a reality. But we are dreadfully sensitive these days to symbols—whether they be fasces or swastikas or hammers and cycles or new blue eagles over the White House.

Mr. President, the reorganization bill in its pending form is a rather pale paraphrase of the original Presidential proposal. It evidently has been repeatedly rewritten in the light of the overwhelming condemnations from press and public which greeted the original sinister reach for Executive power.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. VANDENBERG. I will be very happy to yield to the Senator if he will permit me to conclude my original statement.

Mr. SCHWELLENBACH. Very well.

Mr. VANDENBERG. This proves the wisdom of full and free discussion in a democracy. Democracy could have become a travesty under the full force and effect of the original proposals. The pending bill is a great improvement over its lurid predecessors. The country should have the benefit of this relatively comforting consolation. I commend the efforts of the distinguished and able Senator from South Carolina [Mr. BYRNES] to bring the bill within sight, however remote, of a rule of reason. But not even his earnest and often clever efforts have succeeded in making the legislation palatable at several key points. I shall confine my observations, for the time being, to one or two of these major menaces which still remain to challenge correction at the hands of a vigilant Senate, if it still be vigilant.

On the general proposition that the President must have a rather free hand to reorganize, regroup, and even abandon administrative bureaus, in the interests of efficiency and economy, I go along with the philosophy submitted to the Senate by the Senator from South Carolina in charge of this bill. I shall take substantially the same position regarding this phase of the problem that I took when President Hoover was seeking similar authority. I believe sharp retrenchment in this field is absolutely necessary, and that if the power shall be courageously and realistically exercised, it will produce substantial and essential economies. I am disturbed and distressed and disappointed—perhaps I shall be subsequently disillusioned—to have it said in these debates, by the proponents of this bill, that no appreciable economies are probable as the result of the exercise of this power. That is not my conception of the functions or the achievements of a reorganization bill. These statements make me wonder precisely what is the justification for the pending measure.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. BYRNES. The Senator does not say by whom the statements were made, but, of course, such statements have been made several times. I wonder if the Senator had reference to anything I said in my opening statement?

Mr. VANDENBERG. I understood the Senator to say—I think I have the reference here—that the effect of reorganization in dollars and cents was calculated to be of no particular moment.

Mr. BYRNES. I have never looked at my remarks since they were delivered, but I am sure I never made that statement, and I should be greatly surprised to find that I used those particular words. I have said time and time again that I would not lead anybody to believe that I entertained the opinion that by any reorganization of the Government there could be any vast saving. The question was asked me whether or not I agreed with the statement, which it is claimed the President made, that some amount, less than 1 percent of the possible expenditures, would be saved. I said if he could do that, I would salute him; and, so far as I was concerned, if I had charge of the job I believed that I could save a larger amount of money, as I believed the President could, but it would depend altogether upon what the President could do. In the closing words of his message to the Senate on this subject he pledged himself to do his best to reorganize the Government in the interest of efficiency and economy. We must depend upon his redeeming that pledge.

Mr. VANDENBERG. I thank the Senator for his statement.

Mr. BYRNES. It depends, I repeat, entirely on what the President may do under the bill which may be passed.

Mr. VANDENBERG. I completely agree with that statement.

Mr. BYRNES. I cannot tell, and neither can the Senator from Michigan tell.

Mr. VANDENBERG. I quite agree to that; but, running all through the Senator's original statement, is the perfectly frank acknowledgment, which he now repeats, that there is no assurance of economy in the bill.

Mr. BYRNES. I said, and I repeat, that the very first declaration of the purpose of the bill is to effect the greatest possible economy consistent with efficient service. That is my hope; that has been the reason I have been advocating such legislation from 1920, and why I offered an amendment in 1932. How much economy will result, however, will depend entirely upon what the President does pursuant to the provisions of this bill, if it shall be passed.

Mr. BYRD. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Virginia.

Mr. BYRD. The fact is that the President in his first conference expressed the opinion that not more than $30,000,000 could be saved by the exercise of the powers he was requesting for reorganization. Thirty million dollars is one-third of 1 percent of the expenditures of the Government. Then, in the message the President sent to the Congress submitting this proposal, he emphasized the fact that substantial savings would not result if this power were given to him. The Senator from South Carolina, in response to an inquiry from me, said that the country would be fortunate if as much as $25,000,000 were saved by the passage of the pending reorganization bill.

Mr. BYRNES. Mr. President, inasmuch as the Senator from Virginia has quoted me, I should like to read what I said. This is what I said in the course of my remarks on Monday last:

> If reorganization will result in our having responsible government in this Nation and saving $25,000,000, again I will salute it. If I had my way, I would save more money than that, and I believe the President can do it; but I know that the President has not had any opportunity to go into the subject in detail and ascertain what bureaus can be abolished. I do not see how he has the opportunity to do the things he has done and does do.

That is what I said as appears from the RECORD.

Mr. VANDENBERG. Mr. President, I felt there was great opportunity in this essential direction of economy for the exercise of this Executive authority when I was pleading for the same sort of license and latitude under a previous administration. The opportunity certainly is infinitely multiplied today when we know that, in the interim, we have doubled our annual Budget; we have doubled the number of Federal employees in the city of Washington; and we have added 50 new agencies of Government, an increase of 60 percent in the number of agencies that existed on March 4, 1933, when an administration came into power on the heels of a solemn covenant to reduce the expenditures of government 25 percent.

The distinguished junior Senator from Virginia [Mr. BYRD], who is one of our greatest national authorities upon this subject, and to whom the country is greatly indebted for his courageous independence in attacking this issue, has said to the Senate:

> I make this confident prediction, that if the bill now before us is passed in its present form, not only will not a single dollar be saved but the cost of government will increase many millions of dollars.

If the Senator from Virginia is even remotely correct, the pending measure is a travesty. It is a snare and a delusion. More, it is a cruel hoax upon a country sorely beset with public debt and sadly distraught with multiplying tax burdens. Nevertheless, I know that an adequate Executive reorganizing power can be used to achieve a vast and rational and wholly advisable simplification of this swollen bureaucratic system which is attached like a leech to the blood stream of the public credit. I know it will never be done upon congressional initiative. That is a historically proven fact, as the Senator from South Carolina [Mr. BYRNES] indisputably showed. Therefore, I am not going to quarrel with this particular grant of power within appropriate limits. I am not going to share the responsibility for preventing or defeating economies which I know can be accomplished, even though those who ask the grant virtually deny in advance that they expect to achieve the results which alone would warrant the grant.

Mr. LEWIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Illinois?

Mr. VANDENBERG. One moment, and then I shall yield. But I shall support an amendment providing for the affirmative congressional review of these Executive orders in some such fashion as was required in a like bill under the previous national administration. I regret this necessity, but it seems doubly requisite in view of the fact that we were put on notice, by the original Executive proposal, that the Executive purpose has been to use such power for ends at variance with the American system of checked and balanced government and of independent, quasi-judicial authorities. I refer particularly to another significant and revelatory statement in the speech of the Senator from Virginia, which I quote:

> More time was consumed by the members of the President's committee in supporting the theory that the President should have control of the Interstate Commerce Commission, the Federal Communications Commission, the Federal Power Commission, the National Labor Relations Board, and those other (quasi-judicial) agencies than to any other part of the legislation.

These enlargements of the Executive authority may be circumscribed in words in the pending bill, but they need also to be circumscribed by legislative veto; and the need is emphasized by an observation which I read yesterday morning in Franklyn Waltman's column in the Washington Post, from which I quote:

> We have become—or should have become—a wiser people since that action was taken in 1933.

Referring to the reorganizing power granted to the Executive in the Economy Act:

> In the intervening 5 years we have been given a new understanding of what the dictatorial and totalitarian government means. In 1933 few contended that democracy was in jeopardy. Today that is a prevalent view, and no less an authority than President Roosevelt constantly has warned we must be vigilant and alert to preserve the representative form of government.
>
> Let it be assumed that President Roosevelt's use of the power conferred by this bill will advance, rather than retard, democracy. But the possibility exists for a misuse of power. In some future year the precedent created this year may be used as an argument for the delegation of similar or more extensive power to a President who is not as devoted to the democratic ideal as Mr. Roosevelt professes to be—just as the precedent established in 1933 is cited as justification for greater delegation of power.

But I repeat that the initiation of these reforms obviously must be an Executive responsibility, and I shall not quarrel with that aspect of the bill.

I yield to the Senator from Illinois.

Mr. LEWIS. Mr. President, I ask the Senator from Michigan if I correctly understood him to say that on some previous occasion he himself had supported a measure having the same aspect as that which he described as contained in the pending bill; and if I understood him correctly, what particular distinction or reasons can the able Senator now give for opposing that which he had previously advocated and supported?

Mr. VANDENBERG. I am afraid the Senator from Illinois has not been listening. I am afraid he has been merely standing, awaiting his chance to interrupt me.

Mr. LEWIS. No; I have not been waiting; but one might be so fascinated and transfixed by the remarks of the eminent Senator that his intelligence might not function to its usual degree.

Mr. VANDENBERG. I have just asserted that I take precisely the same position today respecting this section of the bill that I did before. Is that conclusive?

Mr. LEWIS. No. I may say it becomes interesting but confusing.

Mr. VANDENBERG. I am sure it is confusing to the Senator, because he expected a different answer.

Mr. LEWIS. Yes; knowing the Senator's consistency in what he feels is right, I expected that if he had advocated similar measures in a previous bill, under an administration going by the name of his party, or for any other reason, he would not be found opposing exactly the same aspects of another bill merely because it is presented under an opposing administration.

Mr. VANDENBERG. The Senator is entirely correct; and I am now coming to those sections of this bill to which I never agreed, never defended, and never shall, and which have no precedent in the legislative story of this Congress.

Let me add that I do not quarrel either with any provision to equip the Presidency with additional secretarial assistance, which, as I recall the original specifications, is to have "a passion for anonymity." I concede that the White House task, under these new concentrations of responsibility which have been demanded and obtained often to a degree utterly damaging to the genius of democracy, is beyond the sheer physical jurisdiction of any one man, though he be Jove himself. If he wants more help, he ought to have it. Personally, I think he needs it. I may add, personally, that I should prefer to relieve the situation by restoring many of these delegated responsibilities to Congress and the States, where they belong. But since that appears to be impossible for a few more years, I shall not argue that the Executive Office—the seat of central power and dictation—does not need more and better help.

But there are two major points at which I definitely and unequivocally dissent from the pending measure; and I propose now specifically to discuss these two problems. The first relates to the civil service; and in connection with my discussion of the civil service I desire to say at the outset that I respectfully join myself completely with the able address of the distinguished senior Senator from Massachusetts [Mr. WALSH], who spoke upon this subject within the recent memory of the Senate and who presented, from my viewpoint, an invincible attitude, and who demonstrated that the discussion of the matter is nonpartisan, even though partisan phases may seem to enter into it.

> I have made a study of this measure, with the result that I am convinced that it holds grave dangers to Government personnel. It is not an exaggeration to say that this bill would virtually wipe out the merit system, contribute nothing to a career service, and substitute a spoils system more obnoxious than that which prevailed prior to our present civil service.

Those are not my words. I should not think of filing so unlimited an indictment as that against the pending measure. That is the language of Mr. Charles Stengle, president of the American Federation of Government Employees; and that language assesses the way in which the group of civil servants for whom he speaks look upon this threatening menace. It is language which should give pause to any Senator or to any citizen who is sincerely devoted to the cause of civil service. It is a blunt challenge to the results which the pending bill, in its civil-service section, would precipitate upon the country. The proposed creation of one civil-service dictator, removable by the President at will, is not the entrenchment of the merit system; it is, or could be, the entrenchment of patronage by Executive mandate. It does not encourage a career personnel. It invites a legalized expansion of spoilsmanship. It is not a step forward, even though some earnest friends of the merit system have beguiled themselves into saying so. It is a step backward—a long stride back toward the Dark Ages. Nor can these realities be disguised.

Mr. President, the experience through which the civil service has gone during the last 4 or 5 years is an essential background which must be measured and considered as the basis for the consideration of the pending proposal, because it is those who have made the civil-service record for the last 5 years who are primarily asserting that this new device is in the interest of the civil service. So it is fair to ascertain whether they have demonstrated a friendship to civil service during these 5 years which warrants the consideration and reliance which they seek from us in these connections.

On this phase of the proposition I wish to submit the language of President Luther C. Steward, of the National Federation of Federal Employees, a nonpartisan organization with 60,000 members, whom the distinguished Senator from

South Carolina quoted a few moments ago as being at least acquiescent to the appointment of a single dictatorial civil-service commissioner. This was Mr. Steward's language recently:

> For more than 2 years the federation has been calling attention to the progressive undermining of the merit system as the worst possible threat to our governmental institutions. The result has been a rising tide of protest on the part of press and public—a protest which, however, has been boldly ignored by influential legislators and administrators. The time has come for concerted action to save the merit system from complete spoliation.

It is a far cry from an attitude of constructive friendliness to the civil service to one which has brought it during the last 5 years close to "complete spoliation."

Is it any wonder that the official magazine of the National Federation of Federal Employees editorially said this?

> On every front the spoilsmen are pushing forward. The hordes of job seekers are being accommodated. The pressure for jobs and the attitude of cynical indifference assumed in high places with respect to the civil service has made the situation more critical with the passing of time.

I do not intend to labor the point. As a matter of fact, it is an axiom, which is to say that it requires no proof. Civil service has "taken it on the chin" for 5 bludgeoning years; and it is against this significant and sinister background that the pending proposal must be judged when one undertakes to determine whether it originates in friendly quarters.

Now let me hasten to say that no political party—including the one to which I belong—has ever been any paragon of virtue when it comes to patronage and jobs. Van Buren and Jackson may have originally patented the formula that "to the victor belongs the spoils," but they and their partisan descendants never monopolized the formula. I am not undertaking to draw invidious partisan comparisons. The "outs" are always more virtuous than the "ins." Furthermore, there is many a forthright champion of the realities of civil service scattered through the ranks of this administration and seated across the Senate aisle, and I am certainly looking at two of them seated across the Senate aisle when I look at the distinguished Senator from Wyoming [Mr. O'MAHONEY] and the distinguished Senator from Massachusetts [Mr. WALSH]. I am not raising the partisan issue; I am raising the question that from a bipartisan viewpoint the civil service has been under desperate pressure and desperate fear for the last 5 years, and that at such a moment and against such a background and under such auspices it behooves us to put a microscope upon any proposition which is submitted in the name of the improvement of the civil service, when it comes from such a source.

Let us look at the record. From 1884 to 1933 the total number of employees in the executive branch of the Government increased from 131,000 to 563,000, and in this same period the percentage of these employees under civil service increased from 10.5 to 82.9 percent. This was a magnificent advance, and it includes the swollen World War period, when the rolls tremendously increased, but when President Wilson declined to embrace an "emergency plea" as an excuse to abandon civil service. He more than doubled the civilian force, but he made 72 percent of his appointments through civil service.

In other words, emergency is not an excuse for emasculating the civil service.

So on March 3, 1933, with 563,000 employees of the executive branch of the Government, exclusive of the military, the rolls were 82.9 percent civil service. Now, what was the record on June 30, 1937, the date of the last annual report of the Civil Service Commission? We had 841,664 employees, to say nothing of a swarming army of additional part-time employees in the various alphabetical field services. We had 841,000 employees—and only 63.2 percent of them were under civil service. In other words, the civil-service trend was interrupted and turned sharply backward for the first time in 50 years. There were 278,000 new employees, and only 23.3 percent of them were civil service, as compared with 82.9 percent in the prior service.

We all know these facts. We all know that practically every law creating a new instrumentality of government during the last 5 years almost invariably provided that the personnel should be selected without regard to the civil-service laws and regulations. Thus it was, for example, that we got the notorious, so-called Friant list in the Department of Agriculture. A job hunter had to make the Friant list, rather than the civil service, and the only way to get on the Friant list was to get the written recommendation of a party boss in good standing with the powers that be. We all know how the system worked. It was gorgeous in its anti-civil-service efficiency. It was a triumph in highly organized spoilsmanship. It permeated the entire Government service, often even playing politics with human misery. As a result, the National Civil Service Reform League declared in 1935:

> At no time since the enactment of the Federal civil-service law has the merit system faced such a critical test as now. We may well ponder how much longer can our Government be administered effectively with its civil service recruited half on merit and half on patronage.
>
> During the Roosevelt administration about 60 new agencies have been created, all but a half dozen of which have been permitted to select their staffs without reference either to the civil-service law or the salary classification regulating compensation in the old departments. In some of these new bureaus political recommendations have been prerequisite to employment; personal favoritism has given the entree to others.

The next year it repeated its criticism in these words:

> At no time since the adoption of the original civil-service law has there been so much public agitation for application and extension of the merit system as today.
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> * * * * * * *
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> The Congress, however, has utterly failed to recognize this demonstration as a mandate from the public. No constructive personnel legislation that has been before it has received more than cursory attention. Even measures which have received committee approval have been buried on the calendar, from which they can be taken only by unanimous consent which has been studiously withheld.
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> * * * * * * *
>
> Although the President has often assured the league of his devotion to the merit system, such assurances have not been fortified by insistence that the constructive measures affecting the civil service be immediately enacted. Nor has he taken public notice of Cabinet defiance to its principles.
>
> We fear, also, that the failure of the President to take Executive action against demonstrated instances of partisan mismanagement of important branches of the service, or assessments of public employees for campaign contributions, must lead inevitably to the belief that he acquiesces in the actions of the Postmaster General and other members of the administration similarly bent toward the patronage system.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. BYRNES. Would the Senator mind inserting in his remarks the statement that the National Civil Service Reform League, however, endorsed the provision in the pending bill that there should be a single administrator?

Mr. VANDENBERG. I am very glad to have the Senator introduce that into my remarks on his own responsibility.

Mr. BYRNES. I mean that that was testified before the committee.

Mr. VANDENBERG. While the Senator was out of the Chamber I referred to some of the misguided friends of the civil service who seem to have been beguiled by the blandishments of the Senator from South Carolina and others who have done their best to make this proposition palatable, in spite of the fact that it is utterly undigestible.

Mr. BYRNES. The Senator would not call "misguided" the members of the league to whom he is now referring with such approval, would he?

Mr. VANDENBERG. I would consider them misguided if they yielded to the opinion that a civil-service dictator is better than a three-man board.

Mr. BYRNES. The Senator means that they are misguided if they disagree with him, does he not?

Mr. VANDENBERG. That seems to be the net result. [Laughter.]

This is where civil service stands today, Mr. President. It is not a pleasant picture. On the contrary, it is a spectacle of demoralization and disintegration. It is not the fault of the existing civil-service mechanism, although it could and should be greatly improved. The primary fault

is not with the mechanism, as proved by the fact that we once reached nearly 83 percent of adequacy only 5 years ago. It is the fault of the executive and legislative attitude toward that mechanism and its objectives.

The need is less to change the mechanism than the attitude. And those who have riddled the civil service must not complain if they are "suspect," in some degree, when they now propose to revamp the mechanism. At any rate, in such circumstance and when civil service is close to its own "zero hour," the creation of what may virtually become a Presidential civil-service dictatorship must prove its virtue and desirability beyond all shadow of any reasonable doubt before it can justify the approval of the Senate of the United States.

We now have a three-man Civil Service Commission which is required by law to be bipartisan. The minority member may not be able to stem the tide if the majority members insist upon going wrong. But he can at least be an effectual "listening post," and he can at least hoist the danger signals where he who runs may read. A one-man civil-service dictator, answerable solely to the President for his continuing tenure, cannot provide this protective vigilance in the very nature of the case. Be he ever so conscientious, his decisions are born of an undisclosed debate locked up in his own head and heart. And if he be less conscientious, his decisions are safe from embarrassing and restraining scrutiny while they are in process of formation. It is not the way of democracy. Even though there be a greater theoretical efficiency in dictatorship—and, of course, dictatorship can move much more swiftly to results—we inevitably surrender security for our ideals when we deliver them to the jurisdiction of one man.

This one man—and I am talking either about the one Civil Service Commissioner or about the President who can remove him at will—has substantial control over 532,000 employees in the executive branches of the Government. He sits as dictator over the destinies of more than half a million people already in the presently so-called civil service and a quarter million more who ought to be in. They are and can be only partially protected by law.

Far more important, far more significant, are the "rules and regulations" promulgated pursuant to the authority delegated by law. I quote Samuel H. Ordway, Jr., member of the present Civil Service Commission, writing in February of this year:

> The rules contain the guts of civil service. They provide the detailed methods of examining, rating, and certifying, of transferring, promoting, and reinstating. In accordance with strictness or looseness of these provisions of the rules, the merit system may be enforced or avoided. Therein lies the danger.

Section 201 (c) of the pending bill vests all functions of the present Commission in the new administrator; and section 201 (d) in addition authorizes the administrator to do what?—

> To make such rules and regulations as may be necessary to carry out any of such functions.

Again I quote Commissioner Ordway:

> The grant of that discretion destroys hope for an effective merit system.

That is not announced upon my authority. That does not come from any legislative nonexpert source. That comes from probably the most efficient and experienced civil-service expert now in the employ of the Government. He says:

> The grant of that discretion—

Referring to the provision regarding the rules in the pending measure—

> The grant of that discretion destroys hope for an effective merit system.

Mr. O'MAHONEY. I think it may be appropriate at this time to interrupt the Senator, Mr. President. He may not have been in the Chamber earlier in the day when, I am informed—for I myself was absent—the chairman of the committee announced on the floor that he was going to accept an amendment which I have offered requiring the approval by the President of all rules and regulations.

Mr. VANDENBERG. I thank the Senator for his announcement, and I thank the Senator from South Carolina for his acceptance of the amendment. It is one more demonstration of the fact that he is realistically attempting to perfect the bill to the maximum possibility considering the handicaps under which he necessarily suffers.

Mr. BYRNES. Mr. President, the Senator from Michigan, not being in the Chamber at that moment, should be informed that I stated that, in the opinion of the legislative counsel who drafted the bill for the late Senator from Arkansas, Mr. Robinson, there was no question that the language as to power applied only to the internal affairs of the Commission, but the Senator from Wyoming called to my attention that because of the interpretation which might be placed upon it he had offered an amendment, and I agreed with him that I would accept it in order to prevent any argument at all as to ambiguity in the bill. In the absence of the Senator from Wyoming I made that statement to the Senate.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. WALSH. Evidently Mr. Ordway, whom I assume is deeply interested in this legislation, did not consider that the bill authorized the President to make the rules.

Mr. VANDENBERG. Apparently not.

Mr. WALSH. Notwithstanding what the Senate legislative agent thought, Mr. Ordway, the commissioner, went on record that it was his opinion that the bill did not give the President that authority, but gave the administrator the authority.

Mr. BYRNES. The Senator from Massachusetts said "legislative agent." He misunderstood me. I referred to the Legislative Counsel of the United States Senate, who drew the bill; and certainly the Senator from Massachusetts would accept the opinion of the Senate Legislative Counsel before he would accept the opinion of Mr. Ordway as to the drafting of a bill.

Mr. WALSH. I consider Mr. Ordway's opinion of very great weight and importance. I may add that this is not only the opinion of Mr. Ordway, but the opinion of several persons with whom I have conferred in connection with the legislation.

Mr. BYRNES. I could not say as to the opinion of Mr. Ordway, but I have the opinion of the Senate Legislative Counsel.

Mr. WALSH. If the provision is in the law as it now stands, why has the Senator from South Carolina agreed to the insertion of an amendment which duplicates the law?

Mr. BYRNES. Mr. President, I have stated at least five times that I did it to please my good friend, the Senator from Massachusetts, because I love him, and also to allay his fears; and because the Senator from Wyoming asserted that such an interpretation might be placed upon it. So to make assurance double sure that was done. But the lawyer who drafted it, representing the United States Senate, had no idea it would be interpreted in the way suggested by the Senator from Massachusetts.

Mr. WALSH. What is the Senator's own opinion with respect to that?

Mr. BYRNES. My own opinion is that there is no excuse for such an interpretation as that suggested by the Senator from Massachusetts.

Mr. WALSH. Yet the Senator from South Carolina, in order to please me, places in the bill what is already in the law. The Senator is repeating in the bill what is in the law.

Mr. BYRNES. No, Mr. President.

Mr. WALSH. The Senator is now in the position of inserting in the bill a clause which he admits himself is existing law.

Mr. BYRNES. Mr. President, I am not admitting any such thing.

Mr. VANDENBERG. Mr. President, with the consent of its very distinguished and affable sponsor, the provision of the bill referred to is about to go out. I understand also that we have his consent to have taken from the bill the permission originally intended to be given to the President to exempt from the classified service any policy-determining office in the Government. Am I correct about that?

Mr. BYRNES. The Senator says he has my consent that it go out of the bill. What the Senator means is that he heard me say last Monday that that language was placed in the bill with the idea that it would affect a few positions which it was believed should be filled by appointment by the President. Inquiry developed that it would not, that it would have no effect, and that therefore it would not remain in the bill if the Senate should adopt the amendment which I was going to offer to strike it out.

What I stated to the Senate, and I think the Senator from Michigan heard my statement, was that, notwithstanding the fears entertained by the Senator from Michigan and others that thousands of employees would be affected, by inquiry from the Department it was found that only 14 would be affected, 11 of them in the Department of Justice, and that therefore it was of no particular effect at all, and that there was no objection on the part of any member of the committee to striking it out.

Mr. VANDENBERG. I have listened very patiently to the Senator's statement, and I fail to discover that I did any violation to him when I said that he had agreed to let it go out of the bill.

Mr. BYRNES. I took exception only to the fact that the Senator said that he had my consent that it go out of the bill. I said that, so far as I was concerned, I was going to offer the amendment.

Mr. VANDENBERG. Very well. I withdraw the statement that the Senator consented, and I substitute the statement that he agreed to it.

The fact that this provision was in the bill undoubtedly arose from no ulterior motive, and unquestionably the Senator from South Carolina means precisely what he says when he indicates his belief that it affects only some 14 positions. But those of us who were studying the situation were unable to limit ourselves within any such jurisdiction, because we were unable to read the Presidential mind, and it seemed to us—or at least to me—that under the language presented in the pending measure, which is still unamended, the President, by his ipse dixit, could identify almost anything as a policy-determining position. With any such latitude as that, of course, the one-man civil-service dictatorship would possess an extent of authority and power fully equal to that which we are urging should not be permitted in this country.

These considerations cannot relieve the Senate of its independent responsibility to weigh the claimed advantages against the obvious disadvantages, and to find the answer best suited to an assured and protected development of the merit system, as between a one-man civil-service dictator and a three-man, bipartisan commission.

I am unable, I repeat, to believe that the answer lies in the direction of one-man dictatorship. The correct answer must be a long-range one. It cannot be made by the friends of this administration, with an eye singly and solely upon what they believe the present administration would do with these new and concentrated powers. The correct answer must be impersonal. If it be impersonal, I do not believe it can be successfully denied that if a President should desire to magnify patronage and minimize civil service, he could do it far more easily, and with far greater expedition, under concentrated one-man power than under the existing three-man Commission. That test should be the final one.

As a practical matter of administration, the single administrator would confront so stupendous a task, in terms of sheer physical challenge, that he would have to do precisely what the President himself always has had to do under like concentrations of authority. He would have to make large use of the permission in the bill "to delegate to any officer or employee of the administration any functions vested in the administrator or the administration." Thus the big dictator begets a swarm of little dictators; and the Olympian strain often runs thin among the lesser fry.

Mr. H. Eliot Kaplan, executive secretary of the National Civil Service Reform League, in spite of the fact, as indicated by the Senator from South Carolina, that his organization is said to have endorsed the pending proposal, has this to say:

> I do not believe it is possible for a single administrator to give all his energy and time to both administering the technical work of the civil-service administration as a department and still be able to carry on all the other functions dealing with determination of policies, and so on. The job of administering, being the executive head, is going to take all his time and energy.

In other words, Mr. President, we are asked to create more concentrated power than should be trusted to a bad official, and more than any good official could hope to exercise. Choose either horn of this dilemma. In either event, the new proposal is untenable.

The civil service, as it is, needs many new bulwarks if we shall truly approach the day when Federal personnel may operate on a sustained career basis. It needs competent personnel officers in every department. It needs protections and appeals for civil-service employees unfairly removed. It needs a clinical demonstration, in one self-contained unit such as the Post Office Department, that a complete career service may be set up wholly free from politics and dependent solely on merit.

But we find none of these basic essentials in the proposed law. I find only a tentative dedication to more and better civil service, minus any assurance that it will arrive, plus a reach for greater and ever greater executive power.

The Senator from South Carolina [Mr. BYRNES] has indicated some of the organizations of this country which are presumed to speak in favor of one-man civil-service dictatorship. Let us see who speaks on the other side. I quote the American Federation of Labor, speaking on February 24, 1938:

> The American Federation of Labor, at its fifty-seventh annual convention, unanimously endorsed the proposition that the United States Civil Service Commission continue to be the agency charged with administration of the laws and regulations affecting civilian personnel within the classified civil service of the United States, and that the Commission continue to be bipartisan.
>
> This position on the part of the American Federation of Labor is based upon the sound labor principle of opposing the lodging in one person of arbitrary power affecting the working conditions of large numbers of employees.

That certainly is a sound proposition.

Continuing the quotation:

> While the American Federation of Labor has always regarded itself as being unqualifiedly in favor of the extension and expansion of the merit system upward, outward, and downward to cover all positions in the executive civil service of the United States, except those which the President may determine to be policy-determining, it must and does vigorously voice its opposition to the proposals now pending in both Houses of Congress which provide for the abolition of the United States Civil Service Commission and for the delegation to a civil-service administrator of autocratic, dictatorial authority over more than 800,000 Government employees.
>
> The reorganization bills pending in Congress propose to give the civil-service administrator broad powers affecting rates of compensation of more than 800,000 Government employees. The American Federation of Labor vigorously opposes these proposals because it believes that the fixing of rates of compensation and hours of duty should, when not specifically fixed by legislative enactment, be entrusted to no one other than a bipartisan board, at least one member of which shall be selected with particular reference to his active interest in organized labor.

I call attention to the fact that the National Grange, the oldest farm organization in the United States, speaking under date of February 28, asserted to the Members of the Senate:

> We are opposed to scrapping the Civil Service Commission, with all that is implied in that proposal—

And I may add:

> and we are strongly persuaded that the office of Comptroller General should be continued with unimpaired powers.

I am coming to a discussion of the latter proposition in a moment, but for the purpose of the present reference I reiterate the fact that, in addition to the attitude of those who speak for most of the civil servants of the United States and those who speak for organized labor through the American Federation, those who speak for the agricultural viewpoint through the National Grange voice a unanimity of verdict that the existing proposal to create a one-man civil-service dictatorship should be rejected by the Senate.

I desire to add to these exhibits just one typical letter from the field, showing how the men in the service itself feel about what is in contemplation. I read a letter addressed to me under date of March 1, 1938, from Mr. Bernard Murphy, personnel director of the Detroit Post Office at Detroit, Mich.:

From the information printed in the Detroit papers it appears that parts of the Byrnes reorganization bill, if passed, would be detrimental to the employees of the Postal Service.

I refer specifically to the proposed abolishing of the present three-man civil-service board and placing that work in the hands of one individual.

I believe the present high standard of efficiency in the Postal Service is directly a result of the present civil-service set-up. I believe that if this vast authority is placed in the hands of one man it will result in all the postal employees being at the mercy of the political party in power.

To a large degree the postal employees have been kept apart from politics, and they should stay that way. We serve all parties alike, and our salaries are paid by all parties.

I therefore urge you to put forth all your efforts to defeat that part of the reorganization bill.

And I may add, dealing with the next subject to which I shall make reference, that Mr. Murphy's letter concludes with the following sentence:

I also urge you to defeat that part of the bill which would abolish the office of the Comptroller General.

So much for the civil service, Mr. President. I come now to the other problem which I said challenged my unequivocal opposition.

Mr. O'MAHONEY. Mr. President, will the Senator yield at this point?

Mr. VANDENBERG. I yield.

Mr. O'MAHONEY. Now that the Senator is leaving the civil-service phase of the bill, if it does not inconvenience him, I think it would be only fair to state that probably the record of the executive arm of the Government during the last 5 years does not substantiate the very severe criticism which has been made by the Senator.

Mr. VANDENBERG. May I stop the Senator at that point?

Mr. O'MAHONEY. Certainly.

Mr. VANDENBERG. I thought I divided the responsibility with equal generosity between the legislature and the Executive. I intended to do so.

Mr. O'MAHONEY. I think the Senator did; and I think the responsibility is almost exclusively that of the Congress.

The distinguished Senator from Massachusetts [Mr. WALSH], in his very admirable talk a few days ago, pointed out that when the Federal Housing bill was under consideration, although the Senate adopted an amendment placing all of the appointees in the new Housing Administration under civil service, the House conferees absolutely refused to yield, and it became necessary, in order to secure the passage of the bill, for the Senate conferees to agree that the civil service should apply only to those who were drawing less than $1,980, was it not?

Mr. WALSH. Yes.

Mr. O'MAHONEY. I am mindful of the fact, and I think the people of the country and the Members of this body ought to be mindful of the fact, that one of the very first acts of President Roosevelt under the authority conferred upon him by the Economy Act was to issue an Executive order by which the Farm Credit Administration was established by the coordination of a large number of various bureaus, and that the entire Farm Credit Administration was immediately placed under civil service. When one talks about the spoils system it must be remembered that in this particular instance the President decreed civil service, so far as it was in his power to do so, for the new arm of the Government; and by reason of that act of the President all of the employees of the Farm Credit Administration are under the civil service, and there has been no suggestion of spoilsmanship in that Bureau.

I have here some other governmental agencies to which the same statement applies, such as the Securities and Exchange Commission, which was created by this administration and which was placed under the civil service.

Mr. WALSH. It was done by the Congress.

Mr. O'MAHONEY. By act of Congress; yes. The Federal Communications Commission was also placed under the civil service.

Mr. WALSH. Mr. President, if I may be permitted to interrupt, I think they are the few commissions that have been set up in recent years that have been placed under the civil service. The Bituminous Coal Commission is almost entirely separated from the civil-service law, and the United States Housing Authority is only partially under civil service.

Mr. O'MAHONEY. Mr. President, if I may be permitted to say so, the Senator's statement is not altogether correct with respect to the Bituminous Coal Commission. The civil service applies to appointments of that Commission in the District of Columbia, but not to appointments in the field.

Mr. WALSH. Most of the appointments are in the field.

Mr. O'MAHONEY. Most of the appointments are in the field, yes; but the law provides that the civil service shall apply to employees in the District of Columbia.

The Senator from Michigan was correct in saying that the Congress must share a part of this responsibility. My belief is that it must take the entire responsibility. Beginning with the action of the President with respect to appointments in the Postal Service, whereby it was decreed that no postmaster should be removed before the end of his term, down to the promulgation of the Executive order in June 1936, which placed the examinations under the civil service and required the certification of the person standing highest on the list, I think the facts rather support the statement that the President has been trying to expand the civil service; and under this bill I feel confident he will continue to do so.

Mr. WALSH. Mr. President, will not the Senator from Wyoming admit that some blame should be attached to whomever has been drafting the bills creating new governmental agencies, which have been sent to Congress. I do not recall any of these bills which has been submitted to the Senate that contained any provision with regard to the merit system in the civil service. Most of the civil-service provisions that were put in such bills were put in on the floor of the Senate, and have often been rejected on the floor of the House.

Mr. O'MAHONEY. I will not undertake to apportion any blame.

Mr. VANDENBERG. Regardless of the responsibility or how it should be divided, we certainly have had a deplorable experience, and it is time to change the experience.

Mr. CLARK. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Missouri, but I desire to conclude this branch of the subject.

Mr. CLARK. I do not wish to interrupt the Senator for more than a moment, but I was astonished to hear the Senator from Massachusetts say that there is no standard of qualifications for appointment in the Bituminous Coal Commission. I have understood that there were very definite standards for appointment in the Bituminous Coal Commission, and that nobody could be appointed unless he had the endorsement of a certain Senator. That seems to me to be a very definite and important qualification. [Laughter.]

Mr. VANDENBERG. Mr. President, we are approaching entirely too close to the truth, and I must change the subject. [Laughter.]

I now wish to discuss the other phase of this bill which challenges my wholehearted opposition, namely, the section dealing with the abolition of the office and functions of the Comptroller General.

The purpose and effect of the provisions of the pending bill respecting the expenditure of the public money and the abandonment of the existing Comptroller General's authority—the purpose and effect, I repeat, is to rob the Congress of its existing controls and to transfer those controls to the President and his executive jurisdiction. It is a further step in the direction of executive concentration; a further step in the direction of an emasculated legislature.

These conclusions stand confessed in the language of the report submitted on August 17, 1937, by the distinguished

Senator from South Carolina himself, who is in charge of the pending bill. I quote:

> The executive functions of exercising current financial control over the executive departments are transferred from the General Accounting Office to the Bureau of the Budget. The audit of the financial transactions of the Government is vested in an independent Auditor General, who will be responsible only to the Congress. The functions of control and audit are carefully separated and vested in different offices.

Note this language:

> Executive functions are returned to the executive branch. The Auditor General, acting as an agent of the Congress, is vested with the functions appropriate to an auditor.

That means, Mr. President, exactly what it says.

Congress set up an independent comptroller 16 years ago for the purpose of exercising the power of audit and the power of control over the expenditures of congressional appropriations. Congress was determined not only to audit the mathematics but also realistically to control the disbursements so that they might always be held within the letter of the law. Congress and the country have been well pleased with the safeguarding results. Now it is proposed—I quote from the report:

> To separate the functions of audit and control.

To recognize "control" as an executive rather than a legislative function, and again I quote from the report:

> To return executive functions to the executive branch.

In other words, it is now proposed to let the spending branch of the Government "control" its own spending and to confine the appropriating branch of the Government to a mere audit after the event. Congress is asked to abdicate; Congress is asked to vote away its existing power of control.

Be it said for the Senate authors of the bill that they have persuaded themselves that this separation of audit and control—I quote:

> Materially strengthens the protective features of the accounting system and permits Congress to hold the executive department to strict accountability.

That is a matter of argument which we shall reach later. I freely concede that the authors of this final draft have made heroic efforts to make the new system seem to be as progressive and as safe as they pretend, and that they probably have gone as far in this direction as is possible, if—if—an independent comptroller is to be robbed of control as well as of audit.

The Senator from South Carolina, who, by the way, is chairman of the Senate Committee on Audit and Control, has, I concede, gone as far as he could, and I congratulate him upon the result he has attained so far as he could, under the insurmountable difficulties which he confronts in the inherent nature of the change which he is proposing. But the important thing at the outset is to recognize and to realize that the conscious and deliberate purpose of the bill with respect to accounting is to carry over to the President and his executive jurisdiction a power of control which they have not had since 1921 and which was consciously and deliberately taken away by Congress in 1921 in order to create an adequate and effective check upon drafts on the public purse.

I may state, parenthetically, in passing, that when this power of audit and control was fixed in an independent comptroller in 1921 it was under the inspired leadership of such men as the present Vice President of the United States, who I have not heard has changed his mind on the subject, of the present leader of the majority of the Senate, the Senator from Kentucky [Mr. BARKLEY], and the author of the pending proposal as well. I may add that the measure passed the Senate unanimously. That is all to be torn up and thrown away. Control, which was deemed so essential in 1921, is to be abandoned and transferred back to the executive department.

If Congress was right in 1921 and in the intervening years, it is wrong to abandon the system now. If "control" of expenditures, in addition to "audit," was not appropriately an executive function for two recent decades, it certainly has not become one in the climax of contemporary trends toward supercentralization in government and in the climax of public spending which now speeds toward bankruptcy at the rate of eight billions annually.

The report of the committee lays emphasis upon the constitutional responsibility of the President to "take care that the laws be faithfully executed," and asserts that "control" of expenditures, as proposed, is essential to this duty. That seems to me like a strange argument. An independent comptroller of the type we have had for the past 50 years has no powers to interrupt or interfere with the "faithful execution" of any law. He is clothed only with authority to stop expenditures which, in his independent judgment, violate the law. The exercise of that power should help the President "to take care that the laws be faithfully executed." It should not hurt him in any legitimate field of action.

On the other hand, there is another and equally vital section of the Constitution which says that "no money shall be drawn from the Treasury but in consequence of appropriations made by law." That injunction does not rest alone upon the President. It rests equally upon the Congress. Indeed, it is in the legislative article of the Constitution. It is a legislative responsibility. At least to a layman, it establishes "control" as well as "audit" as a legislative function and responsibility, and denies the premise upon which we are asked to take this "control" from Congress and lodge it in the Executive; and, Mr. President, as a matter of practical value, it seems to me that control ahead of time, which has been so frequently referred to as "locking the stable before the horse is stolen," is elemental in its appeal to a sense of vigilance in respect to public expenditures.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. GILLETTE in the chair). Does the Senator from Michigan yield to the Senator from Washington?

Mr. VANDENBERG. I do.

Mr. SCHWELLENBACH. Would it be asking too much to inquire whether or not the Senator from Michigan has read the remarks I made day before yesterday upon this particular subject?

Mr. VANDENBERG. I am sorry to say to the Senator from Washington that my unenlightened state of mind is undoubtedly the result of the fact that I have not had that privilege. I shall embrace that privilege immediately upon finishing this address.

Mr. SCHWELLENBACH. I recommend that course to the Senator. In fact, I might say that I should have recommended it before, since I think that if the Senator had read the remarks before he probably would not be making the remarks he is now making.

Mr. VANDENBERG. I think the Senator from Washington is an optimist.

Mr. SCHWALLENBACH. I am optimistic. I wish to call the attention of the Senator to the fact that I presented what I considered typical of many, many quotations which I found in an effort to find out about this subject—quotations from authorities of various kinds, uniformly pointing cut as a recognized principle of economy that a better control is obtained if what the Senator has been referring to as control by a comptroller is separated from the operation of an auditor who really audits. The experience of business down through the years has demonstrated that fact, and accountants almost universally agree with it.

While it may appear at first blush to the layman that it is a good thing to lock the door before the horse is stolen, business experience and governmental experience have shown the opposite to be true. I recommend to the Senator that he read the remarks in question, which were very largely quotations, and not my own statements; and therefore I can, without embarrassment, suggest to the Senator that he read them.

Mr. VANDENBERG. I shall, of course, read the remarks of the Senator from Washington. I always follow him with advantage; but I warn him that I am about to produce my

own authorities, on which I have a far greater reliance; and I shall parade them very shortly.

At the moment I am asserting the practical value of an adequate independent control before something happens that cannot be overtaken; and so far as theories of government are concerned, Mr. President—and certainly these are times in the world when theories of government are not mere abstract things; they are supremely important—I submit that when a President of the United States has both the sword and the purse democracy is close to taking the count.

The President has the sword. He has it today. He may use it almost as he pleases, because we can reach a matter of foreign policy only after the fact, after we are committed to a situation. The President has part of the purse already, under the indefensible congressional habit of making lump-sum appropriations, as much as $5,000,000,000 at a time, for expenditure at his own discretion, within only general limitations. If in addition to having the sword, if in addition to having half the purse, he can now have control of the expenditures from the purse, I resubmit that the theory of representative democracy is indeed at least theoretically in danger.

Now let us see about the authorities to which the Senator from Washington has referred.

I do not pretend to have any expert knowledge whatsoever regarding accounting. All I can do is to rely upon those in whom I believe. Those persons include the Senator from Washington; so I shall probably find myself with conflicting reliances. However, I ask him to listen.

Here is the March 1938 issue, just from the press, of the Journal of Accountancy, which is the official organ of the American Institute of Accountants. The first thing to which I desire to call attention is that the Journal of Accountancy, speaking for the American Institute of Accountants—which certainly is an authoritative and expert reliance—this journal, which originally endorsed the pending proposal to do away with the Comptroller General, has now reached the point where it at least says the following editorially:

> Just a year ago we expressed the view editorially that the proposed reorganization of the accounting and auditing procedure of the Federal Government, as outlined in the Brownlow committee report, seemed in harmony with businesslike practices.

That is the contention of my able friend from Washington [Mr. SCHWELLENBACH]. A year ago it seemed that the Senator from Washington was right. Continuing the quotation:

> Now that legislation has been proposed, however, and the controversy rages, we find aspects of the problem which were not evident before. The whole question is an extremely complicated one, and no opinion is worth much unless it is supported by some familiarity with Federal Government accounting procedure and by a careful study of the pending legislation.

So at least we have this official spokesman for the American Institute of Accounts in the attitude of the agnostic. This journal at least now says that it does not know. But in the same issue, the March issue of the Journal of Accountancy, is a tremendously illuminating article. It is fairly short, and I propose to read it. It is contributed by Mr. M. L. Seidman, a certified public accountant connected with Seidman & Seidman, with offices in New York, Grand Rapids, Mich., Worcester, Mass., Rockford, Ill., Chicago, Ill., Washington, D. C., Fitchburg, Mass., Jamestown, N. Y., Memphis Tenn., High Point, N. C., Gardner, Mass., and Bradford, Pa. I recite those facts simply by way of establishing the probable sufficiency of my first expert witness.

Now let us see what Mr. Seidman has to say on this subject. I am going to read his very brief article from this current publication:

> Among public accountants there has recently been a good deal of discussion regarding the proposed Government reorganization bill. In this discussion the points of most importance seem to be the following:
>
> 1. Under the present law, the Comptroller General, as a direct representative of Congress, functions both as comptroller and auditor in the matter of Government expenditures. Is there anything undesirable or unsound in such an arrangement?
>
> 2. Under the proposed reorganization plan, the Comptroller General's job will be split up into two parts. That part of his work which has to do with his duties as comptroller is to be taken over by the Director of the Budget, who is responsible to the President. The function of devising accounting methods and systems of control of the various executive agencies is also to be transferred to the Director of the Budget. The auditing job, which is hereafter to be of a post-audit instead of a preaudit nature, is to be assigned to a newly created official to be known as Auditor General, and to be responsible directly to Congress.
>
> The questions naturally arise (a) whether there can be a real independent audit of Government expenditures unless the system of accounting and methods of control under which the audit is made are likewise kept independent—

And I interpolate at that point, on my own account, that of course they are not independent under the pending bill. Continuing the quotation—

> and (b) whether, in any event, a post-audit made after the moneys have been spent and the transactions completed is sufficient under the circumstances.
>
> In discussing editorially the proposed change, the Journal of Accountancy has stated that critics of the proposals have apparently failed to distinguish between the audit of vouchers presented before payment and the independent audit of accounts after the transactions have taken place. Observing also that the proposal seems to be in accord with the general practice in private business—

That is the contention of the able Senator from Washington [Mr. SCHWELLENBACH]—

> the editorial concludes that while many accountants are not familiar with the peculiar conditions of Government administration, it is safe to say that all are in favor of businesslike methods in government.
>
> There cannot, of course, be much argument about the desirability of businesslike methods in government. But to confuse the organizational set-up of our Government with that of a private business and to attempt to fit its auditing needs to the pattern of a private business is to confuse the very fundamentals upon which our Government was so carefully built.

That is important.

> In the matter of auditing Government expenditures, the meas- appropriation, by an administrative officer properly designated funds to be legal must meet the following tests:
>
> 1. They must have been authorized, within the amount of an appropriation, by an administrative officer properly designated as responsible for such appropriation.
>
> 2. They must have been expended for a legally authorized purpose and in accordance with proper legal procedure.
>
> Congress enacts laws prescribing exactly how and for what purpose money shall be spent. It is today the function of the Comptroller General to see to it that these laws are complied with before the money is spent.

I repeat that:

> It is today the function of the Comptroller General to see to it that these laws are complied with before the money is spent.

That is the situation in which we find ourselves today; it will not be the situation in which we will find ourselves tomorrow if this bill shall be enacted. I continue the reading:

> Our Constitution draws a sharp line between the legislative, the executive, and the judicial branches of the Government. The legislative branch is the money-raising as well as the money-spending branch. It is also the branch that is directly responsible to the people, whose money is being spent.
>
> Article I, section 9, of the Constitution, placed upon Congress the duty and responsibility of seeing to it that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law."
>
> How can Congress best discharge this responsibility?

Asks this highly reliable and expert writer.

> How can Congress best discharge this responsibility? Can it best accomplish this by delegating to the executive branch of the Government the job of devising accounting systems and methods of internal control, reserving to itself the function of a post-audit? Or can it better discharge this responsibility by itself controlling these expenditures by a system of preaudit superimposed upon its own control over accounting methods in the various executive departments of the Government.

Mr. President, it seems to me the question utterly answers itself. I continue the reading:

> While, under the proposed reorganization, the Auditor General is to be directly responsible to Congress, it is obvious that his independent audit of Federal expenditures can be, to a great extent, negatived by the Director of the Budget, who is not responsible to Congress but to the President.

I repeat that it is obvious that this alleged independent audit which is to be substituted under the pending proposal can to a great extent be "negatived by the Director of the

Budget, who is not responsible to Congress, but to the President." So goes the last vestige of control over the purse.

I continue the reading:

When, in 1921, Congress created the office of Comptroller General, he was, as a matter of course, given the necessary power to prescribe the system of accounting and methods of control over the spending of the various executive departments. And, by the establishment of a system of preaudit, he was enabled to satisfy himself as to the legality of current expenditures. No similar prerequisite for independent current audit and control exists in business. It serves no useful purpose, therefore, to urge that what is good enough practice for business should be good enough practice for the Government.

I think it is important to emphasize the fact that we cannot draw a complete analogy between accounting systems in private business and accounting systems in public government.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. SCHWELLENBACH. What was it he said, that there was no similar situation in business?

Mr. VANDENBERG. Yes.

Mr. SCHWELLENBACH. Will not the Senator read the second before the last sentence?

Mr. VANDENBERG. I read:

By the establishment of a system of preaudit, he was enabled to satisfy himself as to the legality of current expenditures.

Mr. SCHWELLENBACH. When he says that there is no similar situation existing in private business, he means that no private business in the world ever set up a system of preaudit. That is the net result of that statement.

Mr. VANDENBERG. Yes; and the net result also is—and I will read it again—that:

It serves no useful purpose, therefore, to urge that what is good enough practice for business should be good enough practice for the Government.

That follows as day follows night.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield further?

Mr. VANDENBERG. I yield.

Mr. SCHWELLENBACH. I think clearly the statement that we should not attempt to use private business as an analogy for the Federal Government is certainly not borne out by that particular argument. He is absolutely illogical in that statement. When he says that private business never had a preaudit, and that therefore there is no analogy between the two, the net result is that the Federal Government in 1921 did something which private business had never attempted to do, and the conclusion which he draws is not based upon any premise at all. It is just a conclusion without a premise.

Mr. VANDENBERG. The Senator is the attorney for the defense, and he can make such use of his syllogism as he sees fit to make when it is his turn to address the jury.

Mr. AUSTIN. Mr. President, will the Senator from Michigan yield?

Mr. VANDENBERG. I yield.

Mr. AUSTIN. I ask the Senator from Michigan if he is not aware that private enterprise today obtains a preaudit in nearly every case where expenditures of any substantial amount are to occur, through the advice of legal counsel, who scrutinize the contract in order to see that the expenditures are made according to the agreement for making them. In other words, it is a quibble on the form rather than on the substance of the thing, is it not?

Mr. VANDENBERG. I thank the Senator for his observation, which appears to be pertinent, as coming from the attorney for the plaintiff. I continue the reading:

One of the criticisms directed against the present set-up of the Comptroller General's office is that in the very nature of things he is auditing his own accounts. But obviously that is not so. In view of the independence of his position, having once currently passed upon a transaction as comptroller, he has, as a representative of Congress, simultaneously performed the function of both comptroller and auditor.

Dr. Selko, of the Brookings Institution, who has made a study and report on this subject, states:

"The President's committee is clearly confused as to the nature of the existing Comptroller's function. He is not an officer of the executive branch authorized to audit his own accounts. It should be clearly understood that the expenditures which the Comptroller passes upon as an agent of Congress are those which have been authorized by administrative officers in the executive departments and independent establishments * * *.

"In exercising his functions the Comptroller is thus in no sense passing on the legality and regularity of his own actions. He is an independent officer working for Congress both in auditing and settling the accounts of executive agencies."

That is the end of Dr. Selko's quotation. I now continue the Seidman comments:

If anything, therefore, the proposed reorganization plan would not only remove that independence but would, in addition, duplicate the auditing of each transaction. For, necessarily, the Director of the Budget would audit each transaction as a final check for the executive branch. After that would come the Auditor General, who would again audit each transaction as a final check for Congress.

In other words, this would seem to bear out the prophecy of the distinguished junior Senator from Virginia that the pending bill, instead of simplifying the process of government and saving money, is calculated to complicate it and cost more money. I continue the quotation:

It is only by having the congressional representative act both as comptroller and as auditor that the requirements of the situation can be met satisfactorily. This being so, it becomes a matter of good auditing and good business, as well as in the interest of economy and common sense, that the function of precontrol and preaudit be lodged in one and the same independent agency. That is exactly how the Comptroller General functions for Congress today.

Accountants have had much to do with the Comptroller's General's Office. They are quite familiar, therefore, with the annoyances and irritations which one can suffer as a result of the red tape, and what sometimes appears to be a dogmatic attitude on the part of that Office. Whether or not that condition can be remedied and the work of the General Accounting Office expedited is a question of an entirely different nature from that involved here. Suffice it to say for this present purpose, that many accountants, in spite of these annoyances and irritations, have never lost sight of the fact that the Comptroller's Office, as the direct representative of Congress, serves an indispensable function in the operation of a constitutional democracy—

I repeat the phrase, Mr. President, "serves an indispensable function in the operation of a constitutional democracy—

where the legislature is representative of the people and where control of the Government's purse means control of the Government itself.

If Congress is to remain charged with the responsibility of seeing to it that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law," then necessarily the present Comptroller General arrangement serves Congress most effectively, while the proposed arrangement will not.

The same Mr. M. L. Seidman contributed an article to the New York Herald Tribune on February 27, from which I read only the concluding paragraph:

Suffice it to say for this present purpose that the Comptroller General's office, as the direct representative of Congress, has served and should continue to serve an indispensable function in the operation of our constitutional democracy, where the legislature is representative of the people and where control of the Government's purse means control of the Government itself.

I repeat the paragraph because it is utterly pungent.

Mr. President, I have many more authorities, but I do not intend indefinitely to burden the Senate with them, but I wish to tell the Senate a story in connection with them.

Last January I endeavored to poll the certified public accountants of the United States on the fundamental questions which are involved in the problem I am discussing.

Mr. SCHWELLENBACH. Mr. President, at this point would the Senator have any objection to having the letter he used printed in the RECORD?

Mr. VANDENBERG. Will not the Senator permit me to conclude my statement? Then I will be very happy to yield to him.

Mr. SCHWELLENBACH. Very well.

Mr. VANDENBERG. Upon subsequent reflection I discovered to my disappointment and somewhat to my embarrassment that the questions which I had asked in the questionnaire which I circulated were undoubtedly prejudicially presented, and were not a fair presentation of the ques-

tion upon which I was seeking the opinion of these accountants. In an effort to be scrupulously fair about this whole thing, I am not only making this statement, but I am withholding any reference to the poll, and I am not presenting the result of the referendum. I trust that that is a satisfactory statement, as a matter of sportsmanship as well as fair play, to the able Senator from Washington.

Mr. SCHWELLENBACH. I may say to the Senator from Michigan that it was only the sort of a statement that I think the Senator from Michigan would make. He is always fair and he is always sportsmanlike.

Mr. VANDENBERG. I thank the Senator very much.

In connection with this poll, and as a natural result of it, I found myself in correspondence with a great many certified public accountants, and, not based upon the original poll, but in connection with this correspondence I wish to read just a few typical quotations from certified public accountants residing in various sections of America. We legalize certified public accountants. We require them to have a certain qualification before they are permitted to set themselves up as certified public accountants. They bear a legal hallmark upon their credentials so that what they say upon an accounting problem has far greater weight and force and effect than anything that I or any other layman might say.

Let us see what a few of them, scattered around the country, say. First, I quote from a letter from Mr. Parry Barnes, who is president of the Missouri Society of Certified Public Accountants, and whose office is in Kansas City, Mo. I am very glad to call this quotation to the attention of my two good friends from Missouri who do me the honor to listen:

> While there have been many times when the activities of the General Accounting Office have been extremely annoying to my firm and to our clients, we believe the present type of organization is preferable to any of the suggested changes.

He adds—

> I believe that almost every member of the accounting profession will concur in the views herein expressed.

I quote from a letter from Mr. Ben Greenberg, certified public accountant, 80 Broad Street, New York:

> The best answer that I can make to your letter of January 21 is to enclose a clipping of a cartoon which appeared in the New York Times of January 30. This cartoon depicts the United States public being dissatisfied with its Congress. However, after looking at the Soviet Government, at the Japanese militarists, at the Fascists and Nazis, the United States public embraces the Congress and concludes that the Congress isn't so bad after all. My conclusion is that the present law relating to the functions and responsibility of the Comptroller General isn't so bad after all.
>
> The only argument that can be advanced against a preaudit of Government expenditures is delay. This argument applies, however, to the entire system of democratic government. Many times delay by reason of caution proves to be the soundest procedure. A little more delay on the part of dictatorial governments throughout the world would unquestionably react to the benefit of their people. Steps should be taken to speed up the auditing procedure of the Comptroller General's Office. In many instances the delay has been unreasonable and has undoubtedly affected the operating efficiency of governmental agencies.

Let us now hear a voice from Texas. George C. Beaury, certified public accountant at San Antonio, Tex., writes:

> Frankly, I believe the question is not nearly as much a matter of accounting as one of plain, hard, common sense and ordinary business prudence. I also feel that the question practically answers itself when stated about as follows: "If one is part owner of a business, should he prefer to have a trusted employee, answerable only to the owners (or their appointed representatives, the directors), examine proposed expenditures before they are made or place this employee under the control of the general manager (who signs the checks) and then have this employee, answerable of course only to the general manager, audit the expenditures after they have been made?"
>
> Please understand, Senator, that this is no attempt on my part to be facetious. The question is entirely too serious and fundamental. I merely am trying to make my views more clear by drawing a parallel picture.
>
> Precontrol is what accountants ordinarily term "internal check," and they favor this method strongly, since the possibility of unwise use of funds decreases apace with any increase in precontrol.
>
> Furthermore, while public accountants generally are "post auditors," their work must be performed with independence of action in order that it may not prove valueless. Therefore, it appears evident that a comptroller should be invested with independence of action, answerable only to the owners of funds or their appointed representatives, and not under the control of the one who disburses the funds.

Mr. President, let us journey to the State of Maine, which, along with Vermont, is still in the Union.

Mr. AUSTIN. Thank you.

Mr. VANDENBERG. I quote from Mr. Homer A. Sargent, certified public accountant at Woodland, Maine:

> It has often been a criticism of American corporate policy that the outside auditor is in fact chosen by the board of directors and makes his report to the same body. This is in contrast to the custom in England where the auditor is answerable to the stockholders directly. The point would seem to be even more cogent here where it would be difficult for a politically appointed comptroller to be personally independent in his work of the politician who appointed him.
>
> The substitution of a post-audit in place of a precontrol of the accounts seems even a less desirable change in connection with governmental accounting. The usual audit takes place after—sometimes a considerable period after—the books are closed and, in consequence, the historical records are corrected for only the more substantial errors. The time interval in the audit of the Government accounts is likely to be more extended, as witness the audit of the C. C. C. camps, and the probability of anything being done about the findings diminished. In this connection and apart from the question at hand, I believe that the present auditing facilities of the Government, particularly in respect to tax returns, should be expanded to permit more prompt findings.

Let us now go out to the State of California. I quote from Mr. Montford L. Higgins, certified public accountant, Los Angeles, Calif.:

> It is a well-established principle of municipal accounting that the comptroller of any government or subdivision thereof should should be absolutely free and independent of any outside influence in deciding the legality of all governmental expenditures subject to his review. Any other procedure may easily result in abuses which would be both disappointing and disastrous.
>
> The comptroller of the State of California is elected by the people and is held responsible to them, subject, of course, to the laws and appropriation bills as passed by the legislature. We go still further in holding the comptroller personally liable for expenditures of State funds not in conformity to the requirements of the civil code or the specific appropriation bills. For that reason he is required to furnish heavy bonds as a guaranty of the faithful performance of his duties. Several times the comptroller has been placed under much pressure by certain State officials to obtain his approval of vouchers for expenditures which the comptroller considered were not in compliance with the law, and he was able to protect himself and the people of the State by submitting the legal aspects of the matter to a court of law for its decision. Had he been answerable to those particular officials, or any one of them, he could not have taken the independent action that he did.

Let us go down south to Mississippi. I am now quoting from a letter from Mr. Joseph F. Ellis, certified public accountant, Clarksdale, Miss., and I remind the Senate again that all these comments are voluntary:

> The only remaining safeguard that we have against even greater unrestrained waste and expenditure of money is the Comptroller General, vested with his present powers. With all of the thousands of purposes for which money is appropriated, there are many interpretations that can be placed on proposed expenditures, and when this decision rests with department heads, or even with the Chief Executive, it is natural that in many instances such interpretation will be placed on the authorizations as will be in conformity with the opinion of the one making the expenditure so that without some restraining influence we would find at the end of each fiscal year that millions of dollars had been disbursed and gone into channels for which it was not intended.

I believe with all my heart that that is a sound statement and a justified challenge to the pending proposal. I continue reading from Mr. Ellis' letter:

> A postaudit is only history and there is little that can be done to remedy governmental mistakes of the past, and there is neither rhyme nor reason to any proposal to set aside the adequate system of preaudit used for such a long time in the administration of governmental affairs.

I have so many letters before me from all over the country that it seems absurd to encumber the RECORD with a complete repetition of this story. The story is constant with one single exception. The very able firm of accountants known as Haskins & Sells wrote me a completely different verdict. That letter has already been placed in the RECORD, so I do not present it. With that single exception, every letter I received from certified public accountants discussing the merits of this measure has tended toward one verdict—the verdict that the Comptroller General's existing

authority and power should be maintained, not only for the sake of sound finance but equally for the sake of democracy.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. SCHWELLENBACH. It is a fact, is it not, that the letters which the Senator has received from certified public accountants came very largely in answer to the Senator's letter of January 21 of this year?

Mr. VANDENBERG. I should say they were inspired originally by my letter. I would not say that they came in comment upon the letter which I sent.

Mr. SCHWELLENBACH. When the Senator came to the realization that his letter of January 21, 1938, did not properly or correctly describe the provisions of title III of the bill, did the Senator then write another letter, and send copies of the bill upon which these comments are made?

Mr. VANDENBERG. No; I did not. I think that is asking a little too much, because there is a very close question whether the first letter was entitled to any criticism.

Mr. SCHWELLENBACH. Would the Senator have any objection to his first letter being inserted in the RECORD at this point?

Mr. VANDENBERG. I do not think the Senator should insert it, but if he wants to, he may.

Mr. SCHWELLENBACH. I think, in view of the fact that the Senator——

Mr. VANDENBERG. Let it go in by all means, Mr. President.

The PRESIDING OFFICER. Without objection, the letter will be printed in the RECORD.

The letter is as follows:

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
January 21, 1938.

DEAR SIR: Please consider this letter just as personal as though it were not multigraphed. I am seeking a quick response from accounting experts of the country upon a matter of vital public importance which must soon be settled in the Senate. It is the sort of problem upon which you are entitled to have an expert opinion. In order to reach an adequate number of experts in adequate time I am forced to this method of address, and I shall deeply appreciate your cooperation if I may have an immediate response.

In the pending reorganization bill it is proposed to abolish an independent Comptroller General of the United States, answerable only to Congress, who has precontrol over Government accounts to determine that they are made in accordance with law before they are paid, and to substitute an executive administrator, answerable to the President, with the power only of postaudit. The change is obviously a particularly vital one at a time when the Government is spending some ten billions a year in a wide variety of executive enterprises.

I am anxious to know your view of this matter as a problem in accounting and without respect to any of its political implications. On the basis purely of a problem in appropriate accounting, will you be good enough to answer the following questions? You can note your answers on this same sheet if you wish, or I shall be glad to have your more extended discussion.

Q. Do you believe that an independent Comptroller General of the United States should be abolished and an executive comptroller, answerable primarily to the President, substituted?

Q. Do you believe that a precontrol of Government accounts should be abolished in favor of only a postaudit?

If I may have your answer by return mail, I shall be greatly indebted to you for your cooperation. Thanks in advance. Your answer may be directed to me at the Senate Office Building, Washington.

Cordially and faithfully yours,

A. H. VANDENBERG.

Mr. SCHWELLENBACH. Will the Senator yield for a further question?

Mr. VANDENBERG. I yield.

Mr. SCHWELLENBACH. Did the Senator hear from Price, Waterhouse & Co., Lybrand, Ross Bros. & Montgomery, or Peet, Marwick & Mitchell, or any of the larger accounting firms?

Mr. VANDENBERG. I have a letter from Lawrence Scudder & Co. Is that a firm of fair size?

Mr. SCHWELLENBACH. There are three or four outstanding companies.

Mr. VANDENBERG. Would not Lawrence Scudder & Co. be one of them?

Mr. SCHWELLENBACH. I do not think so.

Mr. VANDENBERG. Perhaps I am expecting too much to have the Senator accept any of my witnesses.

Mr. SCHWELLENBACH. I have not rejected any of them. I think they should have been told specifically the provisions of this bill before they were asked about it, and I think it must be agreed that the responses which the Senator received were to some extent caused by the description of the bill which the Senator sent out.

Mr. VANDENBERG. No. On the contrary, I think the answers which I am reading all indicate that these particular certified public accountants have kept completely abreast of the discussions and the changes. The Journal of Accountants, which is the official publication of the certified public accountants, has paid a great deal of attention to the matter from start to finish.

I referred to Lawrence Scudder & Co. I quote the manager of their Detroit office:

I do not believe that the present precontrol of Government accounts should be abolished in favor of a post-audit.

It is my opinion that the Congress has relinquished too much authority in favor of Executive control. The United States has been built on a democratic form of government where the Congress controls the executive branch. The Congress should never relinquish this right. During the past 5 years Congress has been too amenable to the wishes of the President.

Mr. President, at some later time I shall insert in the RECORD additional quotations from the various letters which I have received from certified public accountants.

I think I should read a letter from Mr. George C. Ludolph, a certified public accountant, who is president of the Minnesota Society of Certified Public Accountants.

I believe that the independent Comptroller General of the United States should not be abolished and that an executive comptroller, answerable primarily to the President, should not be substituted.

I believe that precontrol of Government accounts should not be abolished in favor of only a postaudit.

The elimination of the Comptroller General and the elimination of precontrol of Government accounts would actually mean that there would be no real control of Government expenditures such as is proper in a democracy.

I think I should also read the resolution adopted by the Texas Society of Certified Public Accountants, not in response to my letter but on their own initiative:

Whereas it is reported in the press that Congress may be requested to abolish the office of Comptroller General of the United States; and

Whereas the office has heretofore functioned with great efficiency and to the very definite benefit of the Nation in developing a better control of the fiscal affairs of the Government and should be continued: Now, therefore, be it

Resolved, That the United States Senators and all Members of the House of Representatives from the State of Texas be urged to support the continuance of the office of Comptroller General and to adequately provide sufficient appropriations to enable the office to function acceptably and in accordance with existing law.

I wish to refer to one other letter, and then I shall have concluded.

The Senator from Washington [Mr. SCHWELLENBACH] has put in the RECORD the first letter which I sent out, and, which I stated, in my anxiety to be scrupulously fair about this matter, was not the sort of letter which, upon reflection, I felt would bring an unprejudiced answer. Even that might be a debatable question. The first question I asked was as follows:

Do you believe that an independent Comptroller General of the United States should be abolished and an executive comptroller, answerable primarily to the President, substituted?

The only trouble with the question is that, in an effort to simplify, I should say it did not completely present the picture, inasmuch as it says nothing about the creation of the accounting office for auditing purposes. But so far as the independent function of the Comptroller General is concerned, the function which, to my way of thinking, is utterly controlling in this whole matter, I think the question is fair.

The second question is:

Do you believe that a precontrol of Government accounts should be abolished in favor of only a postaudit?

I am inclined to think that question can be defended. It is the real question, after all. I think it was unfortunate that, in the interest of simplification, the new authority proposed for the Director of the Budget was not also mentioned.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. SCHWELLENBACH. I do not feel that the questions propounded were as unfair as the paragraph immediately preceding the questions, in which an effort was made to describe the provisions of this bill.

Mr. VANDENBERG. I am inclined to agree with the Senator. But let me say to the Senator that the results of the poll were perfectly astounding. Perhaps the Senator would say that was the result of the form in which the questions were put, although I do not think so, in view of the sentiment which I discovered among certified public accountants across the country.

I shall not refer to the results, as I stated to the Senator, because I do not want to take advantage of any exhibit which, on any basis, might be deemed remotely unfair.

Mr. SCHWELLENBACH. I may say to the Senator that in dealing with certified public accountants, they may know all the facts, but if one writes them a letter making an inquiry about a subject, almost invariably they accept the facts stated in the letter and answer the questions asked in the letter, regardless of any information they may have received from other sources.

Mr. VANDENBERG. I wrote a second letter, which was addressed to members of the Comptroller's Institute of America, of which practically all the major controlling officers of the larger industrial organizations of the country are members. Profiting by my earlier experience, I wrote a longer letter to this group. There was not time to poll the entire group. I polled only the membership in the State of Michigan and in the State of Texas, taking a typical State North and South. My second letter presents the matter in a form to which I am sure not even the Senator from Washington would take exception. Instead of bothering to read it, I shall at a later time ask that it be printed in the RECORD, and then submit the RECORD to the Senator's tender scrutiny at his convenience.

My second letter presents the matter absolutely as it is, and the replies from the comptrollers of the major industries in the two States referred to constitute a unanimous verdict that the Comptroller General's functions as they now exist, should be maintained, first, for the sake of adequate protection for public money, and second, for the sake of adequate protection of the democratic process in government.

Mr. President, without troubling to read the letters which I received, I shall ask permission later to present certain excerpts for inclusion in the RECORD.

I have concluded what I have to say on the subject at the moment. I have presented what I believe to be a complete challenge to the justification, upon the one hand, for the creation of a civil-service dictatorship in the United States, and, upon the other hand the justification for the transfer of the function of controlling public expenditures from the Congress to the White House. In both these instances I feel as deeply as it is possible for me to feel that we are required to resist the pending proposal. I am hopeful that when the roll is called the Senate of the United States will itself demonstrate its own vigilance, first, to defend the expenditure of public money in an appropriate and adequate fashion, and, in the second place, to defend the processes of democracy.

Mr. GUFFEY. Mr. President, yesterday afternoon I listened to the remarks of the learned and brilliant Senator from Massachusetts [Mr. WALSH] and this afternoon I have heard the able and brilliant Senator from Michigan [Mr. VANDENBERG] discuss the question of a single administrator for the civil service, as provided in the pending reorganization bill. Despite the arguments of the Senators referred to, I am still in favor of the provision of the bill for a civil-service administrator. In my opinion, any change in the existing civil-service law and the rules and regulations thereunder would constitute an improvement.

I am a believer in civil service. I think, possibly, I have had more experience in studying and observing civil service than has any other Member of this body. For 5 years I was in the Government service as a civil-service employee. When I left school I was appointed to a political position in the Pittsburgh post office. In less than 90 days after becoming so employed the position which I held was transferred to the classified civil service by Executive order, and shortly thereafter the Pittsburgh branch of the local Civil Service Committee was organized. I was appointed secretary of that committee, and during the next 5 years there were held under my supervision hundreds, possibly, thousands of examinations. I have observed the workings of the civil-service law ever since that time.

In my opinion, the application of civil-service to the Government positions develops inefficiency, protects incompetency, and produces extravagance. I do not mean that is necessarily the result of the civil-service law itself, but I mean those conditions follow the application of the law and its administration.

I am reminded of a story of a neighbor of mine of a few years ago to whose home a German farmer brought milk and cream. On several Monday mornings she complained because the milk and cream were sour. The German farmer asked her, "Mrs. Jones, otherwise is it all right?" [Laughter.] So I think as to the present civil-service law I can say, "Otherwise it may be all right."

I say the civil service, as at present administered, develops inefficiency because it removes ambition from most of those who are appointed to it as soon as they get a life position. That is an unfortunate condition.

Second, it protects incompetency, for the reason that it is almost impossible to remove an incompetent and inefficient civil-service employee of the Government. It is necessary that charges be filed and that a great deal of time and effort be expended in order that the supervisory officers may get rid of an incompetent employee.

Third, it produces extravagance, for when a person is once appointed to the civil service and promoted to a supervisory position, unconsciously he seeks to protect those with whom he has previously worked. In that way a great many incompetent, inefficient employees are retained in the civil service.

I had hoped by this time to have offered a bill proposing to amend the present civil-service law and providing for improvements in the rules and regulations thereunder. If necessary, I hope to be able to introduce such a measure in the future, but, for the reasons I have stated, and in view of my experience with the civil service, I hope that the provision for a civil-service administrator will be retained in the pending bill.

The PRESIDING OFFICER. The question is on the first amendment reported by the committee.

Mr. GERRY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Pope
Andrews	Dieterich	King	Radcliffe
Ashurst	Donahey	La Follette	Reames
Austin	Duffy	Lee	Reynolds
Bailey	Ellender	Lewis	Russell
Bankhead	Frazier	Logan	Schwartz
Barkley	George	Lonergan	Schwellenbach
Bone	Gerry	Lundeen	Sheppard
Borah	Gibson	McCarran	Shipstead
Bridges	Gillette	McGill	Smathers
Brown, Mich.	Glass	McKellar	Thomas, Okla.
Brown, N. H.	Green	McNary	Thomas, Utah
Bulkley	Guffey	Maloney	Townsend
Bulow	Hale	Miller	Truman
Burke	Harrison	Minton	Tydings
Byrd	Hatch	Murray	Vandenberg
Byrnes	Hayden	Neely	Van Nuys
Capper	Herring	Norris	Wagner
Caraway	Hill	Nye	Walsh
Chavez	Hitchcock	O'Mahoney	Wheeler
Clark	Holt	Overton	
Connally	Hughes	Pepper	
Copeland	Johnson, Calif.	Pittman	

The PRESIDING OFFICER. Eighty-nine Senators having answered to their names, a quorum is present.

CONSTRUCTION OF SUPERHIGHWAYS—MOTION TO RECONSIDER

Mr. TRUMAN. Mr. President, I move to reconsider the vote by which the Senate agreed to the motion of the Senator from Tennessee [Mr. McKELLAR] to discharge the Committee on Banking and Currency from the further consideration of the bill (S. 3428) to provide for financing certain self-liquidating public works, to provide additional facilities for the national defense, to aid in the relief of unemployment, to stimulate business recovery, to promote the public safety, and for other purposes, and to refer the bill to the Committee on Post Offices and Post Roads, which motion was agreed to on the calendar day March 2, 1938.

I desire to enter the motion, but do not desire to call it up now.

Mr. McKELLAR. The Senator does not desire to call it up now?

Mr. TRUMAN. No; I merely make the motion at this time.

Mr. McKELLAR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER (Mr. GILLETTE in the chair). The Senator will state it.

Mr. McKELLAR. If the motion should be taken up would it displace the unfinished business?

The PRESIDING OFFICER. The present occupant of the chair holds that, if taken up on motion, it would. The Chair understands that the motion to reconsider is to be entered and will lie over.

Mr. McKELLAR. Very well.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes.

Mr. O'MAHONEY. Mr. President, I rise as an advocate of the extension of civil service and also as an advocate of the reorganization of the executive departments of the Government.

I desire to introduce my remarks by expressing the hope that the chairman of the Committee on Reorganization will eventually see his way clear to accept the amendment which continues the three-person Civil Service Commission. I may say that the issue as to whether the Civil Service Commission should be retained or whether an administrator should be appointed to take its place is one upon which the friends of civil service throughout the country have had divided opinions.

In the committee considering the bill I presented an amendment to retain the Civil Service Commission. It was voted down. I did not submit a minority report upon that phase of the bill because of the fact that there was so much division of opinion among the friends of civil service; but it seems to me that the advantage, if there be any advantage in the minds of any of the advocates of the bill, in appointing a single administrator is of such slight importance that it ought to be abandoned for the sake of preserving public confidence in the integrity of the merit system and of making it clear to the country that the bill will be a protection against the invasion of the spoils system.

I desire also to take this opportunity to express my personal appreciation of the industry and ability with which the distinguished Senator from Virginia [Mr. BYRD] has labored upon this problem.

CONSTANT DEMAND FOR GOVERNMENT ACTIVITY

No Member of Congress, however, it seems to me, can fail to realize the need for reorganization.

Thousands of letters pour into Washington day after day to Members of Congress and to officials of the executive departments suggesting, urging, and even demanding the extension of Government activity.

We are asked to pass a law establishing a new transcontinental highway system.

We are asked to set up a new commission to foster and regulate aviation.

We are asked to broaden the functions of the Bureau of Education.

We are asked to make additional millions available for war upon disease.

It would be impossible within the compass of this talk to begin to list the subjects on which Congress is asked to legislate, or to catalog all the agencies it is urged to establish. The field is as broad as the field of human activity, and as varied as the imagination. In agriculture, mining, trade, industry and commerce, science and education, the people of the United States turn to the Government at Washington for encouragement and aid. They are not content with a government which merely restrains the inhabitants of the land from injuring one another. They want a government which helps them to do the things they want to do, and helps them to live the sort of lives they want to live; and the pressure never ceases.

Thus it has been from the very foundation of the Government, and thus, I doubt not, it will continue to be. Small wonder that in Washington we live in a sprawling maze of bureaucracy with more than 130 separate Government agencies, sometimes duplicating one another, or paralleling or supplementing one another, or even conflicting with one another.

This is the problem of the reorganization of the Government. It is not at all a new one; it is almost as old as the Government itself. Except for the period of the World War, it has plagued every President during the past generation. But no President has yet found himself equal to the task, and no Congress has ever yet undertaken it for itself.

As long ago as 1910, President Taft asked and received an appropriation for a study to develop ways and means for improving the efficiency and economy of the executive departments. The study was made, but more than 5 years later, after he had retired from the Presidency, Mr. Taft, writing on the powers of the Chief Magistrate, commented sadly on the futility of his effort.

The reports they made—

He wrote, referring to the commission of experts whom he had appointed—

by which they pointed out needed changes in our present system, including the Budget, which I described in my first chapter, were not popular with Congress, especially not with the last Congress of my term. The necessary appropriation was withdrawn.

Mr. Taft was an optimist, for then he wrote hopefully:

The Commission, however, did a great deal of most useful work, and while the dust is accumulating on their reports at present, their investigations and conclusions were of permanent value, and some day they will be made the basis for further investigations and for definite measures of reform.

A GENERATION OF FAILURE

Twenty-three years have elapsed since that prediction was made, and Congress is once again trying to make up its mind to do something about reorganization. Taft failed. Wilson failed. Harding secured the appointment of a special commission on reorganization, but he failed. Coolidge approved the plan recommended under Harding. He also failed. Congress authorized Hoover to act, but when he acted Congress refused its approval; so, like all the others, he, too, failed.

Each of the five Presidents recognized the need for action. No one has ever denied the need. Everybody acknowledges that the task ought to be performed, but no one has ever been able to do anything about it, and probably no one will ever be able to do anything about it, unless the present effort is successful.

Four reorganization bills have been introduced in the House of Representatives. Two passed, and a single consolidated bill is now under active consideration before the Senate. Briefly, the measure before us may be summarized under four heads:

First. It empowers the President to reorganize the executive branch of the Government by Executive order. These

orders do not require the approval of Congress, but become effective 60 days after having been transmitted to Congress. The power thus delegated is made to expire on July 1, 1940.

Second. It deals with the extension of the civil-service system, providing for the substitution of a single administrator to take the place of the three-person Commission which has functioned ever since the civil-service laws were adopted in 1883.

Third. It reorganizes the whole system of audit and control of Government expenditures now in vogue by separating the two, transferring all accounting functions to the Bureau of the Budget under the President, and retaining all auditing functions in the hands of an official under the sole control of Congress.

Fourth. It establishes a new department of welfare, and creates a National Resources Planning Board of five members. To the new welfare department is to be transferred responsibility for the administration of laws dealing with the social aspects of Government activity. Bureaus handling matters of this kind are both old and new and are now scattered in wholly unrelated fashion throughout the Government establishment.

The National Resources Planning Board, existing now as a temporary emergency agency by virtue of the same law by which the Public Works Administration was created, is to be made permanent. Perhaps this provision better than any other illustrates the lack of foundation for the charge that the bill gives the President unrestrained power to do as he pleases.

PRESIDENT'S POWERS LIMITED

It has been said, for example, that the power to reorganize, delegated to the Chief Executive in the first title of the measure, authorizes him to establish new agencies at will to incur new and unauthorized expenditures. Surely the fact that it was deemed necessary to draft explicit language establishing the National Resources Planning Board, although that agency is now in existence, demonstrates the conviction of the authors that without a specific act of Congress the President could not, under this bill, make permanent any temporary agency or create any new one.

It may, therefore, be confidently and definitely stated that this reorganization measure does not clothe the President with any power to expand the Government.

It is not necessary, however, to rely on argument or inference to sustain this point. The limitation is set forth in the bill in two different ways.

In section 401, creating the new department of welfare, we find this proviso:

Provided, That nothing in this section shall be construed to authorize the continuation of any temporary agency or function beyond the period authorized by law.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I gladly yield.

Mr. BYRD. That limitation applies to the proposed new department of public welfare, but no such limitation would affect the other departments.

Mr. O'MAHONEY. The Senator is quite right; the provision which I have just quoted applies only to the proposed department of public welfare, but there are other provisions in the bill which make effective this protection. For example, it is expressly set forth in the provision giving the President power to reorganize that the grant shall not be construed to authorize him "to create or establish any new agency to exercise any functions which are not expressly authorized by law in force on the date of the enactment of this act."

Mr. BYRD. But the Senator will admit that the President can establish a new agency.

Mr. O'MAHONEY. Oh, yes; he can reestablish and reorganize.

Mr. BYRD. The Senator will also admit that under subsection 4 of section 2 the President can "prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head."

Mr. O'MAHONEY. Yes; there is no doubt about that. The President can prescribe the name, but it makes no difference what the name is, it does not increase the functions or expand the functions.

Mr. BYRD. He cannot only prescribe the name, but the functions.

Mr. O'MAHONEY. Only functions which are now existing. I may say to the Senator that it is my understanding that the chairman of the committee will offer an amendment to the bill which will make this point clearer than it is now. In my mind there is absolutely no doubt at the present moment, but after the amendment shall have been offered I am sure there will be no doubt in the mind of anyone that the power is strictly limited. The President may indeed take old functions now authorized and group them together in a unit to which he may give a new name, but he cannot call into existence powers which Congress has not by law already authorized.

Moreover, the purposes of reorganization are expressly declared in the language of the bill to be:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, consolidate, reorganize, and segregate agencies and funtcions of the Government, or any part thereof, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government; and

(e) To eliminate overlapping and duplication of effort.

The proposal is attacked on the ground that it does not pledge a specific reduction of expenditures, but calls only for reduction to the "fullest extent consistent with efficient operation." How difficult, if not impossible, it would be to promise more may be judged from the attitude of the country and of Congress toward the C. C. C. By order of the President, 300 camps are to be closed at the end of the present period. Already the clamor is arising from every community affected for the countermanding of the order. The Civilian Conservation Corps is, without question, almost universally approved. There is an insistent demand that appropriations for this purpose be maintained.

To a lesser degree a similar situation exists with respect to about every agency, and, curiously enough, practically every demand for economy is directed against expenditures and activities in which the person making the demand has no interest. And, of course, when all is said and done there is nothing whatever in this bill to deprive Congress of its power to curtail appropriations. No agency, old or new, practical or visionary, can live or function without funds provided by Congress.

Neither upon the ground of power to expand nor on the ground of economy, therefore, does any case lie against this measure. Let us examine the power it gives the President to shift about or abolish existing agencies. Can there be any contention that this is not a salutary power? Every informed person acknowledges the duplication of effort and authority that exists with consequent confusion and waste. Everyone acknowledges that it should be corrected. Everybody acknowledges that all of the bureaus that can possibly be affected are under the President now.

RECOMMENDATIONS NOT APPROVED

True, the Brownlow committee of experts recommended to the President that the independent commissions, like the Interstate Commerce Commission and the Federal Trade Commission, be included in the reorganization plan and that the President be given power to control their so-called housekeeping functions.

Mr. BYRD. Mr. President, I should like to have the opinion of the very able Senator from Wyoming as to the power of the President to abolish functions and policies of the Government. I am not speaking of agencies or departments I am speaking of policies of government as established by the Congress.

Mr. O'MAHONEY. If I understand the Senator correctly, the power to abolish functions which is included in subparagraph 3 of section 2, where it is provided that the President may "abolish the whole or any part of any agency, or the functions thereof," is, of course, quite as broad as that statement makes it. He may abolish functions, but only in the existing agencies; and there can be no doubt, as an examination of the bureaus under the Government will disclose, that there are many the functions of which may properly be abolished.

Mr. BYRD. Does not the Senator think, however, that the Congress which establishes the policies of the Government should have a voice in the abolition of those policies? I am not speaking of agencies which administer the laws; I am speaking of the laws themselves.

Mr. O'MAHONEY. Mr. President, I have no hesitation in saying to the Senator that, broadly speaking, there can be no doubt that it is the function of the Congress to pass the laws, to set up or to abolish the agencies, and to fix their functions; but the point I am emphasizing is that everyone acknowledges that there are agencies and functions which ought to be abolished; and, though the problem has been before Congress for 50 years, it has never been solved, and, therefore, apparently the only way by which the object can be accomplished is by some such measure as that before us. The Senator's argument is based upon the assumption that the power will be abused. I choose to believe that it will not be abused. But, of course, there can be no doubt that, whenever power is delegated, there is always that danger. Personally, I think there is very little danger that such abuse will take place.

Mr. BYRD. There is a very great distinction, of course, between what is here proposed and giving the President the power to reorganize the machinery of government so as to administer a given function or policy adopted by Congress. The pending bill goes beyond that and gives the President the right to alter, modify, abolish, or amend a function of government. I should like to have the able Senator from Wyoming state what is his definition of "function." For some reason that was left out of the bill. It was in the original memorandum considered by the committee of which he is a member, and prepared by the President's committee. One of the House bills, a companion House bill, defined a function as any of the rights, privileges, powers, immunities, and so forth, of the Government agencies. Does the Senator conceive that under the pending bill the President could go into a State, for example, and abolish in that one State, or alter or amend the functions established by the Congress?

Mr. O'MAHONEY. In a State?

Mr. BYRD. Yes; a Federal function within a State.

Mr. O'MAHONEY. No. I think there would be no possibility of any such arbitrary and capricious act.

Mr. BYRD. Will the Senator point out anything in the bill which would prohibit such action, for broad power is given to the President to abolish in whole or in part any function of government.

Mr. BYRNES. Mr. President, will the Senator from Wyoming yield to me?

Mr. O'MAHONEY. I yield.

Mr. BYRNES. The language the Senator from Virginia is reading is not in the provisions of the bill which have reference to the reorganization of the departments, but is in the provisions which have reference alone to the civil service. I call the attention of the Senator from Wyoming to the fact that section 2 provides that the President must first find, after investigation, and must declare, "that the transfer, retransfer, regrouping, coordination, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish the purposes set forth," which the Senator has read, and the language following would only give the power to effect such functions insofar as, after investigation, it was declared by the President to be necessary in order to accomplish the standard set forth in the act.

Mr. O'MAHONEY. The Senator is quite right.

Mr. BYRD. Mr. President, will the Senator yield further?

Mr. O'MAHONEY. I yield.

Mr. BYRD. I desire to ask the author of the bill why it is that the definition of "function" was left out of the bill. It certainly seems to me to be important to determine what a function of government is. The definition should be clearly set forth in the bill. The Senator from Wyoming knows it was included in the confidential memorandum prepared by the President's committee, which he and I and other members of the select committee considered for nearly 6 months in secret session.

Mr. O'MAHONEY. There can be no doubt that we are discussing the bill now pending.

Mr. BYRNES. Will not the Senator from Wyoming say that we never considered the bill to which the Senator from Virginia refers?

Mr. O'MAHONEY. Of course I can say that.

Mr. BYRD. I must take exception to that. That was a bill which was before the committee for 6 months, which was considered time and time again in the executive hearings. It was read before the committee. The President's committee came before the select committee, each member of it—Mr. Brownlow, Mr. Merriam, and Mr. Gulick—and for days upon days explained the provisions of the bill, and the committee did consider it.

Mr. O'MAHONEY. It was expressly stated to the committee that the draft which was presented in one of the very early meetings of the committee was a tentative draft, which was presented to the committee only by way of suggestion. So far as I know, it never had any authoritative sponsorship from any source whatever.

Mr. BARKLEY. And was never introduced in the Senate.

Mr. O'MAHONEY. It was never introduced in the Senate.

Mr. BYRD. Mr. President, if the Senator will look at the testimony, he will find that Mr. Merriam and Mr. Brownlow stated that they had consulted with the President in regard to the preparation of the memorandum, and it came as an official document from the President's committee.

Mr. O'MAHONEY. Of course, Mr. Merriam consulted with the President, but the fact is that the proposal referred to was never presented to the committee or considered by the committee as an official document; and, as the Senator from Kentucky has stated, it was never introduced in the Senate. As a matter of fact, from the moment it was called to the attention of the committee it never had the support of a single member of the committee, so far as I know. Does not the Senator agree with me in that?

Mr. BYRD. Many of the details and the actual language included in the official memorandum are now in the pending bill. But that is beside the point. Does not the Senator from Wyoming agree that there should be a definition in this bill of a "function" if we are to give the power to the President to alter, modify, or abolish the functions of government?

Mr. O'MAHONEY. Personally, I do not think it at all necessary, but I would not have any objection to such a definition.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. BYRNES. Will not the Senator agree that the bill referred to was never presented to the committee until the question was asked whether or not a bill had been drawn? At that time the Senator from Oregon [Mr. McNARY] said that he would like to know whether or not there was such a bill, and a member of the President's committee stated that they had endeavored to see whether they could put into legislative language the recommendations contained in their report, having the assistance of an attorney from the Treasury, but they did not present it. When the Senator from Oregon called upon them to present it, one of the members of the committee said he had but one copy in typewriting; that if the committee wanted it he would be glad to hand it to them, and he handed a typewritten copy of that bill to the committee.

I have the record in my hand. The Senator from Oregon recalls the situation. They stated they were not presenting it to the committee except upon its request, to be considered by the committee if it wanted to.

Mr. O'MAHONEY. The Senator states the circumstances exactly as I recall them.

Mr. BARKLEY. As I recall the testimony of Dr. Merriam and probably Mr. Brownlow, they stated, as the Senator from South Carolina has said, that in their effort to carry out their own recommendations they drew up this tentative bill to see how it would look; that they did not draw it with the intention or expectation that it would be passed as such, but that it was to be considered only as a basis for conversation in respect to their recommendations.

Mr. O'MAHONEY. Every argument against this bill which is based upon the tentative draft placed before the committee, rests on something in another measure that was rejected by the committee and in fact had never been presented to the committee.

Mr. BYRNES. May I call the attention of the Senator from Wyoming to the question he asked Mr. Brownlow?

Mr. O'MAHONEY. I shall be glad to have the Senator do so. He has the record. I do not have it before me.

Mr. BYRNES. I read from page 25 of the hearings before the Joint Committee on Government Organization:

Senator O'MAHONEY. The President did not recommend the bill in his message, did he?
Mr. BROWNLOW. No; he makes no specific recommendation.
Senator O'MAHONEY. So the President has not sponsored this particular measure?

The Senator from Mississippi [Mr. HARRISON] then asked a question which Mr. Brownlow did not answer.

Previously the Senator from Oregon [Mr. MCNARY] had asked a question. I read:

Senator MCNARY. I do not want to take more than my time in arguing this, but did the President review this bill that you have now, that is part of our record?
Mr. BROWNLOW. We showed it to him.
Senator MCNARY. Did he approve the bill, or the report?
Mr. BROWNLOW. The President has not specifically said anything to me personally about the details of the bill. We said we had a bill that carried out the same thing that we had in the report, and I cannot undertake to speak for the President.

Then it was that the Senator from Wyoming asked the question:

Senator O'MAHONEY. The President did not recommend the bill in his message, did he?
Mr. BROWNLOW. No; he makes no specific recommendation.

Mr. O'MAHONEY. I am glad the Senator has called my attention to that, because it recalls to mind the fact that I did not like the terms of the draft that was presented by the committee, and in that respect I think I shared the opinion of every member of the Organization Committee both from the Senate and the House.

Mr. BYRNES. Mr. President, for the benefit of the Senator from Wyoming, I may say, as the author of the pending bill, that I have yet to read the bill referred to. I remember at that time it was produced, and it may have been read, but the memorandum that was submitted at that time I certainly have not read at any time since the day it was presented. The bill was drawn by the late Senator from Arkansas, Mr. Robinson, with the assistance of the legislative counsel of the Senate, and also with the assistance of Mr. Lorton, the clerk that he appointed to this committee; and the President's committee was never consulted in the drafting of that bill, as the Senator from Kentucky and the Senator from Wyoming know, and the first they knew what was in that bill was after it was introduced by the late Senator from Arkansas. Any effort made to discuss that bill is merely fighting a windmill, it is merely shadow-boxing.

Mr. O'MAHONEY. I can testify, as can the Senator from South Carolina, that he and I and the late Senator Robinson held frequent consultations regarding this bill, and at no time was the draft ever considered as being one to be sponsored by the committee.

Mr. BYRD. Mr. President, I rose because the Senator from South Carolina said that this draft had not been considered by the committee. As I understand, the Senator from Wyoming says it was rejected by the committee. Therefore, it must have been considered. The fact is that during the nearly 6 months of executive sessions of the committee every section of this bill was read. It was presented to the joint committee by the members of the President's committee, and the impression was conveyed by members of that committee that it represented the views of the President's committee, and those views had been endorsed by the President in his message to the Congress.

Mr. O'MAHONEY. Mr. President, when the Senator from South Carolina said that the bill had not been considered, I am sure he meant that it had never been given any consideration in the sense that there was ever any suggestion that it would be adopted, but I know that, like the Senator from South Carolina, I never read that draft as a whole. I condemned it upon the description of it by the members of the Brownlow committee.

Mr. BYRNES. Mr. President, the Senator will agree, will he not, that during the consideration of this bill by the joint committee there was no copy of the so-called President's committee bill before the joint committee for its consideration?

Mr. O'MAHONEY. So far as I know, it was never printed.

Mr. BYRD. Mr. President, will the Senator permit another interruption?

Mr. O'MAHONEY. I am glad to yield to the Senator from Virginia.

Mr. BYRD. There were many draft copies given to each member of the committee at the time. Every member of the committee had a copy of it. It was supposed to be confidential, but everyone had a copy of it, and the Senator from Oregon, I feel certain, will substantiate me in that statement.

Mr. O'MAHONEY. There is no doubt about that. The Senator is correct. The only point about it is that that tentative draft was never adopted even in a tentative manner by the committee.

Mr. BYRD. But it was considered. It was considered for 6 months.

Mr. O'MAHONEY. Mr. President, that is splitting hairs.

Mr. BARKLEY. On that point it seems to me that this whole matter is a tempest in a teapot. But even if the committee had considered it, whether it was for 6 days or for 6 hours or for 6 months, it was never regarded as an official bill either from the President or from his committee, or by the Committee on Organization, and I suppose it would not have been a crime even if any member of the committee had read that bill through to see what was suggested in it.

The bill that was introduced first was drawn by the late Senator Robinson, after consultation with other members of the committee, and the bill now before us is the one which has been drawn by the Senator from South Carolina, based more upon the Robinson bill than upon any other bill that has been considered by either of the committees.

Mr. O'MAHONEY. The Senator from Kentucky is quite correct. I will state the situation with respect to the tentative drafts. It was not recommended by the President in his message. It was not sponsored by the President in any representation that he made to the committee. When Mr. Brownlow appeared before the committee and the question was put to him whether or not it had official sponsorship, he said it had not. So that it stood before the committee as a suggestion by the President's Committee on Administrative Management for drafting purposes, and it was never sponsored by any member of the committee.

Mr. BYRD. I will interrupt the Senator once more if he will permit me.

Mr. O'MAHONEY. I am always glad to be interrupted by the Senator from Virginia.

Mr. BYRD. I merely desire to make it clear from the testimony that this bill was prepared by the President's committee, as carrying out the recommendations of the President's committee, which the President had endorsed in the message to Congress. That is stated in the testimony.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I gladly yield.

Mr. BURKE. I am looking for information. As I recall, there were two reorganization proposals brought before

Congress at about the same time—one to reorganize the executive department and one to reorganize the judicial department. As I understand, in each case a bill was prepared somewhere else than in Congress or in any committee, and if I am correctly informed and as I gather the trend of this debate, in the case of the reorganization of the judiciary department the bill actually came before the Senate, was attached to the message of the President, whereas in connection with the proposal to reorganize the executive department a committee of three men appointed by the President—a committee which had submitted its deliberations to the President—appeared before a Senate committee with a bill all drawn, and that that was the only real distinction between the two proposals. In each case we had a bill submitted to the legislative branch supposedly carrying out the Chief Executive's desire in reference to reorganization of these two coordinate departments of the Government.

Mr. BYRNES. Mr. President, will the Senator yield so that I may read from the record?

Mr. O'MAHONEY. I yield.

Mr. BYRNES. There is a difference. This bill was asked for the committee. I read from page 21 of the hearings:

Senator BYRNES. You did not send the bill up here?
Mr. BROWNLOW. We did not send the bill up here.
Senator MCNARY. Then can each member of the committee have a copy of the bill, so that they may study it?
Mr. BROWNLOW. Yes; I will see to it that copies of the bill are sent to each member of the committee. That was not asked for until this morning.

The Republican leader asked for the presentation of that bill and for copies of it. Not until he asked for it was it presented. My good friend, the Senator from Oregon, wanted a copy of that bill, and has given it over for discussion from that date until this. He is always on the job.

Mr. O'MAHONEY. It seems to me that this discussion is utterly beside the point, and merely emphasizes the reasons why I have come to the conclusion that most of the arguments against this bill are not of any vital importance.

With respect to the inquiry made by the Senator from Nebraska, I think he will agree with me that I never have made any particular criticism of the fact that a measure was sent to the Congress by the President with respect to the reorganization of the courts. I see no reason why the President should not submit a measure upon any other subject. As a matter of fact it is his constitutional duty to do so. Let me read from section 3 of article II of the Constitution of the United States:

He shall from time to time give to the Congress information of the state of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient.

If the President chooses to send to Congress a measure which is already in writing, there is no particular reason to criticize his action. We may criticize the measure and take the measure apart. We may even defeat the measure, but it may properly be submitted.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. BURKE. I agree fully with what the Senator from Wyoming has said in that respect. I see no objection at all to the fact that a suggested bill was sent to Congress in the case of the judicial reorganization, and I see no objection at all to the fact that the President's committee put in the form of a bill its ideas on executive reorganization. The only thing I do not think is quite correct is to have the members of that committee, or anyone, now shy away so completely from that bill and say, "You must not look at it. You must not try to see what was in the minds of the President's committee, let alone in the President's mind, in reference to the control of the executive departments."

That is the only objection I have to it.

Mr. O'MAHONEY. The Senator does not believe I am doing that.

Mr. BURKE. No.

Mr. O'MAHONEY. I am sure he does not.

Mr. BURKE. But there has been a very evident disclosure of an attempt to keep the original bill from discussion and to make as light a matter of it as possible. The original bill was not filed. It was not brought before the committee until the minority leader asked for it. I do not know what the President's committee was talking about for 2 or 3 weeks or a month, or whatever the time was, before it finally presented its recommendations.

Mr. O'MAHONEY. I may say to the Senator from Nebraska that when I was interrupted by the question of the Senator from Virginia I was about to point out that the recommendations of the Brownlow committee were originated by that committee. They are not contained in the report. So, far from shying away, I am seeking to demonstrate the fact that the bill which is before us is the product of consideration of recommendations from various sources.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I shall be very glad to yield.

Mr. CLARK. There seems to be no dispute about the fact that the definition of "functions" is not contained in this bill.

Also there seems to be no dispute about the fact that substantially the definition of "functions" in the House bill was originally in the report of the President's committee and in the draft of a bill which was either sent or brought to the Senate by the President's committee, which draft was either ignored or not considered, as the Senator from South Carolina suggests; or rejected, as the Senator from Wyoming suggests. Nevertheless, there is no dispute about the fact that the definition of "functions" is not contained in this bill.

There is also no dispute, I take it, that the definition of "functions" which was read a moment ago by the Senator from Virginia is contained in a bill now pending in the House of Representatives known as the Mead bill. The definition is:

Any rights, privileges, powers, immunities, authorities, or functions.

The House bill to which I refer is one of the reorganization bills reported from the Reorganization Committee of the House.

I should like to ask my friend from Wyoming a question. If the Senate should pass a bill dealing generally with the subject of reorganization, and specifically with this particular subject, and the House should pass a companion bill, reported from the House committee on reorganization, dealing generally with the subject of reorganization, and specifically with this particular subject, containing the definition of functions which has been referred to, the subject covered in such definition would be in conference, would it not?

Mr. O'MAHONEY. It certainly would.

Mr. CLARK. Whether or not the definition is presently in the bill reported by the Senate committee, the present opportunity is the only opportunity the Senate will have to consider the question, because if the conferees bring in a conference report containing the definition of functions, the Senate will then have to adopt or reject the conference report. Therefore this is the only opportunity the Senate will ever have to consider the subject.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. BYRNES. The Senator from Wyoming will recall that the House already has passed a bill giving to the President the power to reorganize the executive departments, and that bill does not contain the definition of functions.

Mr. O'MAHONEY. I do not have the bill before me, and I cannot answer.

Mr. BYRNES. I assert that to be the fact.

Mr. O'MAHONEY. Then it would not be a matter in conference.

Mr. CLARK. As I understand, the House divided the subject into four bills, instead of handling it as one subject. The definition referred to is contained in one of the four bills reported by the Reorganization Committee of the House, although that bill has not yet passed the House.

Mr. BYRNES. The provision referred to is directed solely to the civil-service section.

Mr. O'MAHONEY. I have not examined the bills which have passed the House and are now before the Senate; and I take the advice of the Senator from South Carolina on that point.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. WHEELER. Section 1 of the pending bill says:

The President shall investigate the organization of the various agencies of the Government and shall determine what changes therein are necessary to accomplish any of the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government.

So that all the President would have to determine would be that he wanted to reduce expenditures, and he could then abolish any executive branch of the Government which he wanted to abolish.

Mr. O'MAHONEY. It is not quite so broad as the Senator states.

Mr. WHEELER. Oh, yes.

Mr. O'MAHONEY. No; because there is a special limitation.

Mr. WHEELER. The special limitation is one which I read.

Mr. O'MAHONEY. No. On page 3, beginning in line 12, the bill provides:

(b) Nothing in subsection (a) shall be construed to authorize the President (1) to abolish any executive department or independent establishment—

And so forth.

Mr. WHEELER. But the President can abolish any department. For example, let me call the Senator's attention——

Mr. O'MAHONEY. He may abolish agencies or functions, as set forth.

Mr. WHEELER. Very well.

Mr. O'MAHONEY. He may abolish the whole or any part of any agency, or the functions thereof. There is no doubt about that.

Mr. WHEELER. He could abolish the Forest Service, could he not?

Mr. O'MAHONEY. Yes; I think he could.

Mr. LEWIS rose.

Mr. WHEELER. He could absolutely abolish the Forest Service of the Government, or he could transfer the Forest Service to the Commerce Department or to some other department. He could reduce it to a minimum, as a matter of fact, so that it would be of no importance. Then he could submit his action to the Congress of the United States, and the Congress could not do anything about it.

Mr. O'MAHONEY. The Senator is quite right. There is no dispute about that. It is a question of whether or not, upon the one hand, we believe reorganization is of sufficient importance to delegate the authority to effect it to the President; and whether or not, in delegating that authority, we have confidence that the President will not abuse the power. I have such confidence.

Mr. WHEELER. It is not a question of having confidence in the President of the United States. If we had a Republican President today, hardly a Democratic Senator would be supporting this bill. Democrats would be insisting that Congress ought to have a right to legislate before the reorganization goes into effect.

Mr. O'MAHONEY. The Senator is quite right. As a matter of fact, there was an instance of that kind. When President Hoover issued his Executive orders effecting some reorganizations they were rejected by the Congress.

Mr. WHEELER. Yes.

Mr. O'MAHONEY. Will the Senator pardon me for just a moment? The Senator from Illinois [Mr. LEWIS] was on his feet desiring to interrupt me, and I neglected to yield to him. May I now yield to the Senator from Illinois?

Mr. LEWIS. Mr. President, I thank the Senator from Wyoming, but the information I was about to impart was suggested by the Senator from South Carolina when he disclosed to the Senator from Virginia that the proposal which the able Senator from Virginia had assumed had passed the House in the form of a single bill was a matter which had been divided into several bills. As the Senator from South Carolina has pointed out the information I desired to impart, the Senator from Wyoming will not be interrupted furtner by me.

Mr. O'MAHONEY. I thank the Senator.

When I was interrupted I was discussing the recommendations of the Brownlow committee. I pointed out that among the recommendations was one that independent commissions, such as the Interstate Commerce Commission and the Federal Trade Commission, should be included in the reorganization plan, and that the President be given power to control the so-called housekeeping functions.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. O'MAHONEY. The majority leader advises me that at 4 o'clock it is planned to go into executive session, and I desire to conclude.

Mr. WHEELER. I did not know that. I want the Senator to have the opportunity to conclude his remarks.

The PRESIDING OFFICER. The Senator declines to yield.

Mr. O'MAHONEY. But neither the House committee nor the Senate committee approved the recommendation of the Brownlow committee. It was not contained in the bills which passed the House, and it is not contained in the bill before the Senate. It has been eliminated, just as the recommendation for a new and separate department of public works has been eliminated. So it clearly appears that the authority to reorganize is confined to the departments and units which are in the executive branch of the Government, of which the President is the head, under the Constitution. Congress is saying to the Chief Magistrate: "The executive arm of the Government over which you have been placed by the people has been in a condition of disorganization for a generation. Five Presidents before you have tried to reorganize it without success. Now you try your hand at it."

Certainly there can be no danger in that. But it is said Congress should retain the power to disapprove the changes, and if it does not do so it is sacrificing authority it ought to retain. When it is recalled that the power to reorganize is strictly limited to the branches of government now under the President and that authority to abolish any executive department is expressly withheld, the argument loses force. Particularly is this true when consideration is given to the fact that no change can be made after July 1, 1940. In other words, a Presidential election will follow immediately upon the expiration of the power. The reorganization plan, if it displeased the people in any particular, would be subject to review in the election, and the people could elect a President and a Congress who could restore the old disorganization. Such criticisms of the bill strike me as being purely theoretical and without practical foundation.

With respect to the civil-service provisions, let me repeat, I recognize only one criticism that seems to have any basis, namely, that the Civil Service Commission should not be replaced by a single administrator. In the committee I offered an amendment to retain the Commission, and I still believe that is the preferable plan, because, manifestly, it would be more difficult to secure three complaisant commissioners than one complaisant administrator, if in the future a Chief Magistrate should so desire.

In other respects the civil-service provisions of the bill offer a very definite advance in the extension of the merit system. The announced purpose is to extend the civil service to all branches of the Government. This is the only way to take political and personal favoritism out of the selection of the public servants. In a republic, factionalism should not be the basis of appointment. Capacity to serve should be the only standard. That will be measurably accomplished by this bill.

One other feature remains, and that is the provision dividing audit and control. In this respect the experience of President Wilson is most illuminating. His predecessor tried

without success to establish a budget system. Wilson took up the struggle, and in the closing years of his administration a bill was passed. It placed both audit and control under the Comptroller General and made him removable only by Congress. President Wilson vetoed the bill on the ground that it was an invasion of the jurisdiction of the executive branch of the Government to create an officer who could control executive expenditures without being responsible to the Executive.

In the Harding administration the bill was repassed but with an amendment making the Comptroller removable by the joint action of Congress and the President. It was not vetoed and we are now operating under that law. Because the Committee on Reorganization believed that President Wilson was right in his contention that the control of expenditure is an executive and not a legislative responsibility, it has given the Director of the Budget all the executive functions now performed by the Comptroller General. But recognizing the importance of an independent audit, the bill provides for an Auditor General, appointed by Congress and responsible only to Congress, who shall have complete power to make a current audit of every expenditure. No safeguard is lost, but the confusion of executive and legislative powers is eliminated.

When everything is considered, I think it may properly be said that this bill, even though not perfect, represents a definite advance in the improvement of our Government. It is the product of the combined efforts of the President and Congress and seems to me to provide the only method by which the universally desired reorganization can be achieved for the furtherance of efficiency and economy.

The PRESIDING OFFICER. The question is on agreeing to the first committee amendment.

Mr. CLARK. Mr. President, I suggest the absence of a quorum.

Mr. BARKLEY. Mr. President, will the Senator withhold the suggestion? It is the purpose now to hold an executive session.

Mr. CLARK. Very well; I withdraw the suggestion.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER (Mr. GILLETTE in the chair). If there be no reports of committees, the nominations on the calendar will be stated.

The legislative clerk read the nomination of Robert H. Jackson, of New York, to be Solicitor General of the United States.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination of Robert H. Jackson, of New York, to be Solicitor General of the United States?

Mr. NORRIS obtained the floor.

Mr. BARKLEY. Mr. President, will the Senator yield to me to make a request for unanimous consent?

Mr. NORRIS. I yield.

Mr. BARKLEY. I ask unanimous consent that the other nominations on the calendar be confirmed. They are practically all Army nominations which may be confirmed en bloc.

The PRESIDING OFFICER. The Chair will state that there is a nomination on the calendar of an Assistant Secretary of State.

Mr. BARKLEY. Very well. Let that be stated.

ASSISTANT SECRETARY OF STATE

The legislative clerk read the nomination of Adolf A. Berle, Jr., of New York, to be an Assistant Secretary of State.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. WAGNER subsequently said: Mr. President, I am compelled to go to a committee conference. I ask unanimous consent that the President be notified of the confirmation by the Senate of the nomination of Mr. Adolf A. Berle to be an Assistant Secretary of State.

The PRESIDING OFFICER. Without objection, the President will be notified.

IN THE ARMY

The legislative clerk proceeded to read sundry nominations in the Army.

The PRESIDING OFFICER. In accordance with the suggestion of the Senator from Kentucky, and without objection, the Army nominations will be confirmed en bloc. The Chair hears no objection.

SOLICITOR GENERAL—ROBERT H. JACKSON

The Senate resumed the consideration of the nomination of Robert H. Jackson, of New York, to be Solicitor General of the United States.

Mr. NORRIS. Mr. President, I think the consideration of this nomination in the subcommittee of the Committee on the Judiciary in many respects was rather extraordinary. The subcommittee to which this nomination was referred consumed 4 days and most of the time was taken up by the examination of Mr. Jackson himself. As there was no question raised as to his ability and fitness for the office, I became impatient at the delay; but, as the hearings proceeded, I made up my mind that, although greater delay was taking place than I thought was necessary, a condition had been developed that would be very educational for the people of the country if they would read the examination of Mr. Jackson.

I should like to see every man, woman, and child in the United States read that examination in full, and if it were not so voluminous I would ask to have it printed in the RECORD.

The Senator from Vermont [Mr. AUSTIN] and the Senator from Utah [Mr. KING] both objected to the confirmation of the nomination, but I think their examination proceeded along entirely ethical lines, and I reached the conclusion that although it had no direct bearing on the particular nomination, yet the time was well spent. During the course of the examination two conflicting philosophies of government were developed, one well represented by the Senator from Vermont and the other by the nominee. Neither of those conflicting philosophies do I desire to criticize. I think the questions asked by the Senator from Vermont had a direct bearing upon those philosophies of government, and that the educational value growing out of that examination is worthy of consideration, no matter on which side of the question one may be. I commend the Senator from Vermont for the gentlemanly way in which he conducted the examination.

I start, however, with the proposition, which the Senator from Vermont has practically admitted on the floor of the Senate, that there was no objection to the confirmation of Mr. Jackson's nomination on account of his lack of qualifications. He was amply qualified for the place; his honesty was unquestioned; he had ability without question and without doubt. His courage was not questioned. In fact, nothing that had to do with the office for which he had been nominated was brought into question by the long examination. If we had been trying that case in court, however, if the rules of evidence had been enforced, in my judgment, 99 percent of the testimony would have been thrown out by any judge on the ground that it was immaterial.

The duties of the office of Solicitor General, for which position Mr. Jackson has been nominated, are confined to the trial of lawsuits. He does not even initiate trials; he has nothing to do with the policy of the Government in any direction. A case commences in a district Federal court without consultation with the Solicitor General; it is tried but he is not in the case when it is tried. After it is tried, if it goes up to the court of appeals, then the Solicitor General takes charge of it. If it goes on to the Supreme Court he still has charge of the case; in fact, he has charge of it entirely after it has been tried in the lower court. Therefore, so far as the nominee for this office is concerned, he

has nothing to do with determining the policies of the administration. His function is to win lawsuits; he is entirely an attorney; he has no other function, and it is conceded that Mr. Jackson is amply able to take care of the cases that he may be called upon to prosecute. He has been one of the Assistant Attorneys General, and, as such, has had to do with the trial of cases, and with their initiation. He had something to do with deciding whether or not a case should be commenced or where it should be brought. Therefore he had something to do with the policies of the administration in power. When he is elevated, if he shall be, to the position of Solicitor General, he will have nothing to do with any policy of the Government.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. WHEELER. The only thing I am sorry for is that Mr. Jackson is not going to have something to do with policies.

Mr. NORRIS. I, too, am sorry about that.

Mr. WHEELER. So far as I am personally concerned, I agree that one of the things we ought to get back to in the United States of America is competition. We ought to break up some of the trusts and monopolies and get back to competition if the democratic form of government is going to carry on. I agree with Mr. Jackson's philosophy with reference to that subject, and I agree with the Senator from Nebraska that Mr. Jackson is an exceedingly able man. While I have merely a casual acquaintace with him, everyone who knows him concedes that he is an exceedingly able lawyer, and, so far as I am concerned, I hope his nomination will be confirmed.

Mr. NORRIS. Mr. President, Mr. Jackson is a remarkable man, far above the average man. As I sat in the committee for nearly 4 days, listening to his testimony, I became more than ever impressed with the fact that he is one of the most competent and able men ever appointed by any President to the position of Solicitor General. I am only sorry, I will say, Mr. President, that we are not acting now on the nomination of this man for Justice of the Supreme Court rather than for Solicitor General. It may be that the investigation which has been had will place him in a position where he will become a candidate for a much higher office. I should be delighted to see him or someone who entertains the ideas so ably stated by him and so fearlessly fought for, when he was in the position to fight for them, in the White House as President of the United States.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. McGILL. The Senator from Nebraska pointed out very properly that, as Solicitor General, Mr. Jackson will have nothing to do with formulating any policy of the Government, but will merely act as the attorney for the Government in cases after they have been appealed to the higher court. I wish to ask the Senator if it is not true that since 1934 Mr. Jackson has occupied positions in the Bureau of Internal Revenue and as Assistant Attorney General of the United States, wherein he did have to do with formulating policies and initiating litigation?

Mr. NORRIS. Yes.

Mr. McGILL. I ask the Senator if in all the hearings a single act by Mr. Jackson has been pointed to which has met with criticism at the hands of any member of the committee or anyone else, for that matter, so far as the hearings disclose?

Mr. NORRIS. None that appeared in the hearings and none that I know of. I think every member of the subcommittee, whether he is for Mr. Jackson or against him, agrees that that is true. I think it is commendable of the Senator from Vermont frankly to make the admission and state what is evident to all those who have had opportunity to study the character of this man, his work, and his theories, that that is true. Mr. Jackson is in every way a high-class man. In all my experience I have never been more favorably impressed with a nomination than I have been with the nomination of Mr. Jackson.

Mr. WAGNER. Mr. President——

Mr. NORRIS. I yield to the Senator from New York.

Mr. WAGNER. Of course, the Senator has an advantage over me. I have read much of the testimony, but the Senator from Nebraska was present at the examination. I desire to know whether anybody challenged the accuracy of any of the statements of fact made by Mr. Jackson in any of the speeches he delivered, to which reference has been made.

Mr. NORRIS. No; I think there was no criticism as to his accuracy. As to the theories he advocated in the speeches which were put in the RECORD, there may be honest disagreement. I admit that there is opportunity to be on either side of that question. I do not criticize anybody for being on the side that I am not on. So far as I am concerned, I not only agree that Mr. Jackson had made no mistake in the conduct of his office, and that he was able and competent and courageous, but I entirely agreed with his philosophy. I admit that that does not make it right; but I submit that to be technically right we ought not to care, it is not material here, what his philosophy is.

When a man in private business undertakes to employ an attorney, he does not ask whether the attorney is a Protestant or a Catholic, or a Republican or a Democrat, or a Mason. He employs the attorney because he thinks, under all the circumstances, the attorney is the best man he can get for that particular case. We are hiring a lawyer for the United States Government; and when we do that, I think we ought to consider the matter on the same basis that we would if we were hiring a lawyer in our private business. On that score there is no objection from anyone to Mr. Jackson's confirmation. I cannot understand why able men like the Senator from Vermont [Mr. AUSTIN] do not agree with me in that proposition; but I again concede that anyone has a right to disagree with me, and that I have no right even to criticize him for disagreeing with me.

One philosophy of government was ably shown in that examination, particularly as brought out by the Senator from Vermont [Mr. AUSTIN] and the Senator from Utah [Mr. KING]. An ordinary student who wants to study both lines of thought could have no better opportunity to be enlightened on the subject than to read the testimony of Mr. Jackson before the subcommittee.

Mr. President, this examination was very searching. It was very ably and courteously conducted. I have no fault to find with it, except that, in my opinion, it did not have any more to do with the case than the flowers that bloom in the springtime. Mr. Jackson has made a great many speeches. In all of them that I have read I think he was right. For a man of his age he has had a great deal of experience in litigation. So far as I was able to see he conducted every case on a high moral, professional plane. He has not been guilty of pettifogging. He has not been guilty of any trickery in his profession. He stands far above anything of that kind.

Mr. McKELLAR. Mr. President——

Mr. NORRIS. I yield to the Senator from Tennessee.

Mr. McKELLAR. May I ask whether there was any testimony that Mr. Jackson was not an honest and upright man?

Mr. NORRIS. Oh, no; that was not claimed.

Mr. McKELLAR. Was any question raised as to his ability?

Mr. NORRIS. None whatever.

Mr. McKELLAR. Or his high character, or his fitness?

Mr. NORRIS. None whatever. He stands before us now, so far as his professional ability and moral character are concerned, unblemished, absolutely spotless.

Mr. McGILL. Mr. President, will the Senator yield to me?

Mr. NORRIS. Yes.

Mr. McGILL. In further response to the question propounded by the Senator from Tennessee, I think it should be pointed out that Mr. Jackson has recently argued in behalf of the Government, before the Supreme Court of the United States, five different cases involving important constitutional questions. Four of those cases have been determined by the Supreme Court in favor of the Government,

upholding the acts of Congress. The other case is still pending, having been argued about 2 weeks ago.

Mr. NORRIS. That is true.

Mr. LEWIS. Mr. President——

Mr. NORRIS. I will yield to the Senator from Illinois in a moment. While the matter is fresh in my mind—the question of the Senator from Kansas reminds me of it—let me say that if Mr. Jackson is put into this position, his principal duty will be to defend the acts of Congress as a lawyer. It will be his principal business to go into court and do the best he can to win the suits which our legislation has made necessary, often very important suits. If he represents us, we shall be represented by a man whose ability, courage, fidelity, honor, and honesty stand unblemished and unquestioned.

I now yield to the Senator from Illinois.

Mr. LEWIS. Mr. President, conscious as I am that the Senator from Nebraska himself has held very high judicial office, and assuming that the controversy here or elsewhere as to Mr. Jackson is in the form of an interrogation, "Shall the judges of the courts keep abreast of the advancement of the Government, as expressed through its political department and the public vote, or shall the public surrender to the views of the courts, whatever they are, whether advanced or whether reactionary?" I desire to ask how that proposition enters into the question of Mr. Jackson's duties or his execution of them as the Solicitor General of the United States, sustaining or opposing the rulings of the existing lower courts before the Supreme Court of the United States?

Mr. NORRIS. It will be the duty of this man to try as best he can, in the method we have provided by law, to sustain every act of Congress. He will be the attorney on the side of the Government, representing the Congress of the United States.

Mr. LEWIS. Then, in the judgment of the Senator from Nebraska, Mr. Jackson's political philosophy, be it one or the other, does not enter into the question of his qualifications as a lawyer to present those causes before the Supreme Court?

Mr. NORRIS. Not to any degree whatsoever.

I now have in mind, Mr. President, the employment of a special attorney to try a very important case, the one which was recently decided in Tennessee by a three-judge court, in which an injunction against the T. V. A. was sought by the private power companies, 19 of them. The T. V. A. employed, in addition to their general counsel, a very able, conscientious man, a very distinguished lawyer, Mr. O'Brian. I have not talked with him about the matter, and I do not know what he thinks of the theory of the T. V. A. They did not ask him that question, and, so far as his duties as special attorney were concerned, they did not care. They employed him to win the case, and he was willing to take the employment, and I presume he will follow the case as it goes to the Supreme Court. That employment has nothing to do with whether or not Mr. O'Brian is favorable to the theory of the T. V. A. Act. He may be for it, or he may be against it; I do not know. He is a high-class professional lawyer of great ability, however, and he was employed and paid a fee for the purpose of trying that lawsuit. He was not hired because he believed in the T. V. A.'s theories of government, but because the question put before him was, on a stated lot of facts and the acknowledged law of the land, was the T. V. A. right or wrong. Were the injunctions properly issued or wrongfully issued? He did the best he could, I presume. At least he did well enough so that in connection with the other attorneys, but particularly the general counsel, Mr. Fly, he won the case; and, so far as I had opportunity to know what went on in the case and what the record was, the lawyers for the T. V. A. did a job that I think was 100 percent right.

That will be the case of Mr. Jackson if he is confirmed. The courts, after all, will have to decide the question, but we may rest assured and sleep peacefully with the knowledge that the interests of the Government which he represents will be properly and honorably represented.

Several times in Mr. Jackson's examination, when he was asked questions about this or that he replied, "That is up to Congress. I cannot express any opinion about the wisdom or unwisdom of laws, or give Congress any advice as to what laws they should pass. I shall be in a position where I shall have to defend whatever they do, and I shall do it to the best of my ability," and that, in reality, is all there is to this matter.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. SCHWELLENBACH. I was very much interested the other day in the statement of the Senator from Vermont [Mr. AUSTIN] that what the United States Government wanted in a solicitor general was a neutral lawyer. The Senator from Nebraska has had long experience as a lawyer and a judge, and I should like to ask if he ever heard of a neutral lawyer winning any lawsuits.

Mr. NORRIS. I never knew a lawyer who I thought was performing his duty properly who did not try his best to represent his client, and to protect his client's interests, and to secure for his client under the law everything he could persuade the court his client was entitled to have.

Mr. Jackson has made a great many speeches, and many of them are in the record of the hearings. A sentence or a paragraph would be read from his speech and he would be asked, "Is that your idea? Do you believe in that?" His answers were always frank, as all will admit. If the question was whether Congress ought to pass a certain law or not, he would reply, "That is not my province." When one of the speeches would be read and he would be asked about it he always replied, "Yes, I made that speech. I believed in what I said when I made it, and I stand by it now." He never apologized, although the questions were frequent and many.

Mr. President, no one can take the speech of any man, not even the speech of a Senator, and pick out a sentence here or there and say that that sentence properly shows the attitude of the Senator on any question he is discussing. Every sentence must be taken in connection with other sentences and with the entire speech. For that reason the speeches in their entirety, let me say in fairness to the Senator from Vermont, were put into the RECORD, so that anyone thinking it might not be fair to Mr. Jackson to pick out a clause here or there might have an opportunity to read the entire text.

Mr. Jackson spoke at one time in Philadelphia, I think, just before the Secretary of the Interior spoke; both the speeches were broadcast over the radio and there was a great deal of similarity between them. Mr. Jackson made the first speech, and he was asked whether he and the Secretary of the Interior had collaborated in preparing their speeches. He said very frankly, "No; we did not have any communication about them. I did not know anything about what the Secretary was going to say, and he could not have known anything about what I was going to say before I said it, because he never saw my speech."

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. McKELLAR. The Senator stated that Mr. Jackson had said in his testimony that he was not advising the Congress as to the wisdom of laws, but was merely carrying out, or attempting to carry out, what the Congress had enacted into law. It is very unusual for an administrative officer to express that kind of an opinion, and I think Mr. Jackson is to be highly commended for that statement.

Mr. NORRIS. I agree. It shows his high character, and the philosophy of the man as to the duties of Congress and as to his own duties.

Mr. McKELLAR. I agree with the Senator.

Mr. NORRIS. He made no criticism and offered no complaint about any law that was ever enacted. He refused to make any suggestion as to any law we should pass, although in some of his speeches he did both these things. He contended very ably that it was sometimes the duty of the citizen to criticize his Government, and stated that he felt at

perfect liberty to criticize the Government as an individual, but that he would not feel the same liberty to criticize laws passed by Congress which he would be compelled to defend in court.

I myself think that constructive criticism of the Government is most valuable. We learn more from constructive criticism than from favorable comments of our friends.

A brief which this man filed 8 or 9 years ago, before he was in public office, when he was an attorney in the town where he lived, Jamestown, N. Y., was quoted, and he was asked, in substance, whether he believed in what he had advocated in that brief. He had almost forgotten about the brief, but he said at that time he represented a corporation and that he tried his best to win his case. He was like any other lawyer in writing a brief. A lawyer does not necessarily in a brief express his ideas of government, and it would not be fair, and it is not claimed by those who oppose Mr. Jackson that it would be fair, to say to a lawyer, "When you tried this lawsuit 10 or 15 years ago, when you were engaged in private practice, you advocated something which now you do not advocate." Every lawyer knows that when an attorney is asked to try a lawsuit in private practice he has an opportunity to say whether he will take the case or whether he will not; and if he takes it, then it is incumbent upon him to use every honorable means to win the case; of course, he is not expected to do anything dishonorable. That has been Mr. Jackson's attitude throughout his life.

Mr. President, I listened yesterday with a good deal of interest to the remarks of the Senator from New Hampshire [Mr. BRIDGES] in opposition to the confirmation, and I am sorry the Senator is not now in the Chamber. I should like to have every man, woman, and child in the United States read the speech made by the Senator from New Hampshire; and after they had read it, if they had heard nothing else about Mr. Jackson than the reasons given in opposition to his confirmation, I think 99 percent of them would be in favor of his confirmation. Mr. Jackson is fortunate, I think, in having such opposition as was presented by the Senator from New Hampshire, perfectly partisan, purely prejudiced, absolutely unfair, in my judgment, to say the least.

The Senator stated that if we would keep this man making speeches it would help the Republican Party. If the Republican Party—and I have plenty of Republican authority for this statement—if the members of the Republican Party follow the advice given by the Senator from New Hampshire, they will soon find themselves without any party. I think that suggests what has been one of the troubles with the Republican Party. I might say, in passing, I think it is one of the troubles of the Democratic Party. They see nothing in the world but partisan advantage. They say, "If we have a crook and he is our crook, let us put him in office. If he is not our crook, but is the other fellow's crook, let us throw sand in the faces of the people and try to have them believe that this man's ideas of government are false and that he is a Communist or Nazi or an advocate of some other disreputable or questionable principle of government.

If Mr. Jackson's speeches show a philosophy of government that is opposed to a democracy such as ours, then I never had the correct idea of a democracy. If government is formed only for the purpose of giving jobs to supporters of the party in power, then democracy is a failure, and any other such government, whatever it may be called, will be a failure. One of the greatest evils that exist in our political life is that partisanship may be carried so far that it interferes with efficiency in office, and that is the greatest sin of which government can be guilty.

If the theory of the Senator from New Hampshire is correct, then honest men, honorable men, able men, such as Robert H. Jackson, must take a back seat and have nothing to do with the Government. If the circulation of his philosophy of government, his speeches, as indicated by the Senator from New Hampshire will injure any party then I would rather be with the party that is injured and go down to defeat than to go on to eternal victory on the theory of government that to the victors belong the spoils.

There are two philosophies of government, and Senators can take their choice. Jackson represents one philosophy, and he is one of the best representatives of it I know of, and it is up to us now to decide whether we shall confirm this man's nomination or shall refuse confirmation.

Mr. WAGNER. Mr. President, there is little that I can add to the magnificent, and in my opinion well deserved, tribute paid to the nominee under consideration by the senior Senator from Nebraska [Mr. NORRIS]. I would not attempt to continue the discussion but for my belief that I would not be properly representing the State of New York if I did not express the great pride we take in the nomination of this brilliant young lawyer.

I happen to know Mr. Jackson intimately, and in addition know a good deal about his professional history. He is everything that has been stated by the Senator from Nebraska. He is high-minded, he is brilliant, he is courageous, he is the best possible type of public servant. I happen to know that he has such a passion to serve his country that he is accepting this office at a considerable financial sacrifice.

I believe we should have in the RECORD a connected history of the nominee's prior experience and achievements.

Before he came to Washington, he was in active general practice in New York State. He served as president of his local bar association, as president of the Western New York Federation of Bar Associations, and as vice president and member of the executive committee of the New York State Bar Association. He is a member of the American Law Institute. In 1931 he was appointed to membership on the commission to investigate the administration of justice in New York State, as representative of the New York State Bar Association, by Frank S. Hiscock, former chief judge of the New York Court of Appeals and then president of the State Bar Association.

Mr. Jackson's Government service has already been referred to, but I may perhaps state it consecutively at this point. Mr. Jackson has had a varied and extensive experience as an attorney in the Government service. He was appointed in February 1934 to be general counsel of the Bureau of Internal Revenue. He later served as assistant general counsel of the Treasury Department, and as special counsel to the Securities and Exchange Commission. In all these offices, of course, he has served with great distinction.

In February 1936 he was appointed Assistant Attorney General in charge of the Tax Division of the Department of Justice, and was appointed head of the Antitrust Division in January 1937.

This experience covers a wide range of important questions of public law with which the Solicitor General is concerned.

Mr. Jackson has had an unbroken record of victories in important cases argued before the United States Supreme Court. The important cases which he argued in whole or substantial part involved the following:

The constitutionality of retroactive tax on profits from dealing in silver futures. The Supreme Court, following Mr. Jackson's argument, unanimously reversed the Court of Claims and sustained the law.

The constitutionality of the processing tax on coconut oils originating in the Philippine Islands. Mr. Jackson's contention was upheld unanimously in that case.

The constitutionality of the unemployment-insurance provisions of the Social Security Act. We all know how important Mr. Jackson's victory in that case was to the entire country.

The constitutionality of old-age benefit provisions of the Social Security Act. Mr. Jackson was upheld in that case also.

The constitutionality of the Public Utility Holding Company Act of 1935. Mr. Jackson's position was upheld by Judge Mack and by the United States Circuit Court of Appeals for the Second Circuit, in the case of Securities and

Exchange Commission against Electric Bond & Share Co. Mr. Jackson argued the case in the Supreme Court about 3 weeks ago.

The right of the Federal Government to bring a new antitrust suit against the Aluminum Co. of America despite the consent decree entered in 1913 in Pittsburgh. Mr. Jackson's contention was unanimously upheld by the Supreme Court.

The authority of the Federal Trade Commission to enter cease and desist orders against certain improper representations in the sale of books. In that case Mr. Jackson's contention was unanimously upheld by the Supreme Court.

These constitutional cases successfully argued by Mr. Jackson involve almost the entire scope of present-day constitutional controversies. In addition to the foregoing, he has successfully argued before the Supreme Court a number of important tax cases involving such questions as taxation of gifts made in contemplation of death, and the constitutional and statutory right of the Government to tax various types of stock dividends.

In addition to these Supreme Court cases, Mr. Jackson has directed numerous suits in the lower courts in defense of various provisions of the Social Security Act and in enforcement of the Agricultural Marketing Act, among other important Federal statutes.

I could continue this citation of cases almost indefinitely. I have just mentioned the more important of the cases in which Mr. Jackson represented the Government.

In other words, Mr. Jackson has shown by his record to be an almost unexcelled advocate of the people's position in the courts of the land.

I was very happy to note that the Senator from Vermont [Mr. AUSTIN] did not question the competency or integrity or high character or courage of the distinguished nominee. Without going further into the arguments presented by the Senator from Vermont, I regarded what he said as interesting but entirely irrelevant to the question we have under consideration. With respect to the question of the conflict of philosophies I should side with Mr. Jackson in opposition to the philosophy entertained by the distinguished Senator from Vermont. I hope the Senate by its vote will confirm the nomination of Mr. Jackson.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. McGILL. At the close of yesterday's session, as I understood, the Senator from New Hampshire [Mr. BRIDGES] rather made it plain that Mr. Jackson's private practice had been confined to representing large corporate interests. I am sure the Senator from New York can elighten us on this matter. That statement by the Senator from New Hampshire is in entire conflict with the testimony of Mr. Jackson before the subcommittee, when he stated that in his private practice he had not permitted any client or group of clients to control his business; that he kept his practice a general practice; and that he kept himself free to represent the public and all clients generally.

Mr. WAGNER. Oh, yes. No one who knows Mr. Jackson has any other view. The major part of his practice—I do not know whether he enumerated all of his cases or not—has been concerned with representing what I might call the underdog, even in private litigation. In his own area he is recognized as a citizen interested, from the highest point of view, in the civic activities of the communities in the State of New York.

I am ready to subscribe to what the Senator from Nebraska [Mr. NORRIS] has said. I am not nominating Mr. Jackson for any office. I believe he has in mind to devote himself faithfully to the arduous duties of the office for which he has been nominated and is being considered here. That office is generally regarded among practicing lawyers as the highest honor which can be conferred upon any advocate with a passion for public service. Mr. Jackson has nothing else in mind except to serve his country in this capacity. But he has these splendid qualities of ability, character, and courage which would fit him for any office to which he might be called.

Mr. BARKLEY. Mr. President, I do not wish to delay the vote. I merely wish to say a word with respect to Mr. Jackson. I have known Mr. Jackson since he came to Washington and assumed the various duties which have been incumbent upon him in the Bureau of Internal Revenue, in the Treasury Department, and in the Department of Justice. I have seen him appear before committees in behalf of legislation or in opposition to it, as the case may have been. No lawyer, no public servant within my knowledge, has ever represented the Government in any capacity more ably, more acceptably, more candidly than has Mr. Jackson.

I regard him as admirably fitted for the position which he is about to assume. That great office has been occupied by some very distinguished men, including some who have later held the highest office within the gift of the people. None of them, in my judgment, were more fully equipped from the standpoint of legal knowledge, education, training, and character to perform the duties of that office than Mr. Jackson.

We all appreciate the sincerity and the ability of the Senator from Vermont [Mr. AUSTIN]. I am sure I need not tell him, as he already knows, that I hold him in affectionate regard, and that I have great respect for his ability, his character, his integrity, and sincerity, but I think that he would in his candid moments admit that the speeches to which he has referred, and which he has injected into the debate on the confirmation of this nomination, were really injected in order to drive a peg upon which to hang a political hat.

Mr. President, I hope the nomination will be confirmed, and in order to have it done immediately, I ask for the yeas and nays upon the question of the confirmation of the nomination.

The yeas and nays were ordered.

Mr. AUSTIN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. AUSTIN. Is it appropriate to have a quorum call before the vote is taken?

The VICE PRESIDENT. Does the Senator suggest the absence of a quorum?

Mr. AUSTIN. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Pittman
Andrews	Dieterich	King	Pope
Ashurst	Donahey	La Follette	Radcliffe
Austin	Duffy	Lee	Reames
Bankhead	Ellender	Lewis	Russell
Barkley	Frazier	Logan	Schwellenbach
Borah	George	Lonergan	Sheppard
Brown, Mich.	Gillette	Lundeen	Shipstead
Brown, N. H.	Green	McGill	Thomas, Okla.
Bulkley	Guffey	McKellar	Thomas, Utah
Bulow	Hale	McNary	Truman
Byrnes	Harrison	Maloney	Van Nuys
Capper	Hatch	Miller	Wagner
Caraway	Hayden	Murray	Walsh
Clark	Hill	Norris	Wheeler
Connally	Hitchcock	O'Mahoney	
Copeland	Hughes	Overton	

The PRESIDING OFFICER. Sixty-six Senators having answered to their names, a quorum is present.

The question is, Will the Senate advise and consent to the nomination of Robert H. Jackson, of New York, to be Solicitor General of the United States? On that question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). The junior Senator from California [Mr. McADOO] is necessarily absent because of official business. I have a pair with him. Not knowing how he would vote if present, I withhold my vote.

Mr. SCHWELLENBACH (when Mr. MINTON's name was called). The Senator from Indiana [Mr. MINTON] is necessarily detained from the Senate on important public business. I am authorized to state that if present he would vote "yea."

Mr. BARKLEY (when Mr. REYNOLDS' name was called). The junior Senator from North Carolina [Mr. REYNOLDS]

is unavoidably absent on official business. If present, he would vote "yea."

The roll call was concluded.

Mr. LEWIS. I have been requested to state that the Senator from Washington [Mr. BONE] is necessarily absent. If he were present and at liberty to vote, he would vote "yea."

Mr. AUSTIN. I announce the following pairs:

The Senator from Michigan [Mr. VANDENBERG] with the Senator from North Carolina [Mr. REYNOLDS]. If present, the Senator from Michigan would vote "nay," and the Senator from North Carolina would vote "yea."

The Senator from New Hampshire [Mr. BRIDGES] with the Senator from West Virginia [Mr. NEELY]. If present, the Senator from New Hampshire would vote "nay," and the Senator from West Virginia would vote "yea."

I have been requested to announce that my colleague the junior Senator from Vermont [Mr. GIBSON] is paired with the Senator from South Carolina [Mr. SMITH].

Mr. HATCH. My colleague the junior Senator from New Mexico [Mr. CHAVEZ] is unavoidably detained on important public business. If present, he would vote "yea."

Mr. McKELLAR (after having voted in the affirmative). I inquire if the Senator from Delaware [Mr. TOWNSEND] has voted.

The PRESIDING OFFICER. The Chair is informed that that Senator has not voted.

Mr. McKELLAR. I have a pair with the Senator from Delaware, which I transfer to the Senator from Florida [Mr. PEPPER] and will allow my vote to stand.

Mr. BARKLEY. Supplementing the announcement previously made by the Senator from Oregon [Mr. McNARY] concerning the junior Senator from California [Mr. McADOO], I wish to say that if present the Senator from California would vote "yea."

Mr. McNARY. Mr. President, with that knowledge I can vote. I vote "nay."

Mr. BARKLEY. I also wish to announce that the senior Senator from West Virginia [Mr. NEELY], if present, would vote "yea."

Mr. SHIPSTEAD (after having voted in the affirmative). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I find that I can transfer my pair with him to the junior Senator from North Dakota [Mr. NYE], which I do, and vote "yea."

Mr. LEWIS. I announce that the Senator from Tennessee [Mr. BERRY], the Senator from Mississippi [Mr. BILBO], the Senator from Iowa [Mr. HERRING], the Senator from Florida [Mr. PEPPER], the Senator from Wyoming [Mr. SCHWARTZ], and the Senator from New Jersey [Mr. SMATHERS] are necessarily detained on official business. If present, the Senators named would vote "yea."

I also announce that the Senator from North Carolina [Mr. BAILEY], the Senator from Nebraska [Mr. BURKE], the Senator from Virginia [Mr. BYRD], the Senator from Rhode Island [Mr. GERRY], the Senator from Virginia [Mr. GLASS], the Senator from West Virginia [Mr. HOLT], the Senator from Nevada [Mr. McCARRAN], the Senator from New Jersey [Mr. MILTON], the Senator from South Carolina [Mr. SMITH], and the Senator from Maryland [Mr. TYDINGS] are absent on important public business.

Mr. FRAZIER. My colleague [Mr. NYE] is necessarily detained from the Senate. If present, he would vote "yea."

The result was announced—yeas 62, nays 4, as follows:

YEAS—62

Adams	Davis	Johnson, Colo.	Pope
Andrews	Dieterich	La Follette	Radcliffe
Ashurst	Donahey	Lee	Reames
Bankhead	Duffy	Lewis	Russell
Barkley	Ellender	Logan	Schwellenbach
Borah	Frazier	Lonergan	Sheppard
Brown, Mich.	George	Lundeen	Shipstead
Brown, N. H.	Gillette	McGill	Thomas, Okla.
Bulkley	Green	McKellar	Thomas, Utah
Bulow	Guffey	Maloney	Truman
Byrnes	Harrison	Miller	Van Nuys
Capper	Hatch	Murray	Wagner
Caraway	Hayden	Norris	Walsh
Clark	Hill	O'Mahoney	Wheeler
Connally	Hitchcock	Overton	
Copeland	Hughes	Pittman	

NAYS—4

Austin	Hale	King	McNary

NOT VOTING—30

Bailey	Gerry	McCarran	Smathers
Berry	Gibson	Milton	Smith
Bilbo	Glass	Minton	Townsend
Bone	Herring	Neely	Tydings
Bridges	Holt	Nye	Vandenberg
Burke	Johnson, Calif.	Pepper	White
Byrd	Lodge	Reynolds	
Chavez	McAdoo	Schwartz	

So the nomination of Robert H. Jackson to be Solicitor General of the United States was confirmed.

Mr. ASHURST. Mr. President, I am about to do that which I have never before done. I should not presume to do it at this time except that this nomination has been pending here for a long time. May I ask the able Senator from Kansas [Mr. McGILL], who is in charge of this nomination, to request unanimous consent that the President be notified of the confirmation of Mr. Jackson's nomination?

Mr. McGILL. Mr. President, I am happy to ask unanimous consent that the President be notified.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

LEGISLATIVE SESSION

Mr. BARKLEY. I move that the Senate resume legislative session.

The motion was agreed to; and the Senate resumed legislative session.

ORDER FOR RECESS TO MONDAY

Mr. BARKLEY. Mr. President, I shall be compelled to leave the Chamber before the close of the session. I ask unanimous consent that at the conclusion of today's business the Senate take a recess until 12 o'clock noon on Monday next.

The PRESIDING OFFICER. Without objection, it is so ordered.

APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA

Mr. BARKLEY. I ask unanimous consent that the unfinished business be temporarily laid aside in order that the Senator from Oklahoma [Mr. THOMAS] may proceed with the consideration of the District of Columbia appropriation bill.

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). Is there objection to the request of the Senator from Kentucky?

Mr. AUSTIN. Mr. President, reserving the right to object, I inquire whether the Senator from Oklahoma intends to proceed with the bill tonight?

Mr. THOMAS of Oklahoma. Mr. President, I think we can pass the bill in 10 or 15 minutes. We usually do.

Mr. AUSTIN. I desire to announce to the Senator that I very much doubt that it can be done in this case, because of one item in the bill.

Mr. THOMAS of Oklahoma. Will the Senator indicate the item?

Mr. AUSTIN. Yes; it is the appropriation of, I think, $36,000 for the employment of doctors of medicine for Gallinger Hospital. I did not observe the item until late today, and I have been reading, as well as I could, the record of hearings, but I have found very little justification for it. I shall want to have an opportunity to study the item further.

Mr. THOMAS of Oklahoma. Mr. President——

The PRESIDING OFFICER. Does the Senator from Vermont yield to the Senator from Oklahoma?

Mr. AUSTIN. I yield.

Mr. THOMAS of Oklahoma. Let me say that this item was placed in the bill in the House. It was not controverted before the Senate committee, so the Senate committee did not see fit to change it. The chairman of the subcommittee having the bill in charge would have no objection to eliminating the item, so far as the Senate is concerned, and letting the matter be adjusted in conference.

Mr. KING. Mr. President, will the Senator from Vermont yield?

Mr. AUSTIN. I yield.

Mr. KING. I was about to offer an amendment which I think will meet the point raised by the Senator from Vermont, because I, too, object to that provision. I will read the provision as it would read if amended.

The PRESIDING OFFICER. Will the Senator from Utah permit the Chair to suggest that perhaps we had better, if possible, determine whether or not the bill is to be considered?

Mr. AUSTIN. Mr. President, reserving the right to object, I understood that I was asked by the Senator from Oklahoma a question which I did not have an opportunity to answer. I will answer the question in the affirmative. If the Senator will strike from the appropriation bill that item, I shall not object to its present consideration.

Mr. THOMAS of Oklahoma. Mr. President, let me answer by stating that the Senator from Utah [Mr. KING] and the Senator from New York [Mr. COPELAND] have been consulting with regard to that item, and I shall be glad to yield to the Senator from Utah for an answer.

Mr. KING. Mr. President, the amendment which I propose to offer will strike out the provision to which the Senator refers, and substitute in lieu thereof the following. I read the provision as proposed to be amended:

For personal services, including additional nurses, not to exceed $25,000.

And then I propose to strike out the other provision.

Mr. AUSTIN. Mr. President, if the Senator will permit me to ask a question, that is on what page?

Mr. KING. Page 47, line 10.

Mr. AUSTIN. What words are to be stricken from the bill?

Mr. KING. The following words:

Not to exceed six full-time chief resident physicians to be heads of departments at $5,600 per annum each, to be appointed without reference to civil-service requirements.

I propose to strike out all of that, and in lieu thereof, after the words "For personal services, including", insert the words "additional nurses not to exceed $25,000."

Mr. AUSTIN. Mr. President, I am heartily in favor of that amendment. I know the need for that type of service; and, with that understanding, I do not object.

The PRESIDING OFFICER. Without objection, the unfinished business is temporarily laid aside.

Mr. THOMAS of Oklahoma. I ask unanimous consent that the Senate proceed to the consideration of the District of Columbia appropriation bill.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oklahoma?

There being no objection, the Senate proceeded to consider the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. THOMAS of Oklahoma. I ask unanimous consent that the formal reading of the bill be dispensed with, and that it be read for amendment, the amendments of the committee to be first considered.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the first amendment reported by the committee.

The first amendment of the Committee on Appropriations was, under the heading "General expenses—Executive Office," on page 3, line 19, after the word "services" and the comma, to strike out "56,000" and insert "$57,000", so as to read:

Purchasing division: For personal services, $57,000.

The amendment was agreed to.

The next amendment was, on page 3, line 22, after the word "services" and the comma, to strike out "$234,196" and insert "$245,440", so as to read:

Department of inspections: For personal services, $245,440, including two members of plumbing board at $150 each, and two members, board of examiners, steam engineers, at $150 each, the inspector of boilers to serve without additional compensation.

The amendment was agreed to.

The next amendment was, under the subhead "Care of the District building," on page 4, line 13, after the words "per hour" and the comma, to strike out "$129,000" and insert "$126,600", so as to read:

For personal services, including temporary labor, and service of cleaners as necessary at not to exceed 48 cents per hour, $126,600: *Provided*, That no other appropriation made in this act shall be available for the employment of additional assistant engineers or watchmen for the care of the District buildings.

The amendment was agreed to.

The next amendment was, on page 4, at the end of line 24, to increase the appropriation for personal services in the collector's office from $50,000 to $52,050.

The amendment was agreed to.

The next amendment was, under the subhead "Auditor's office," on page 5, line 4, after the word "amended" and the comma, to insert "and civil-service requirements for the employment of a real-estate expert, to be immediately available; and the compensation of the present incumbent of the position", so as to read:

For personal services, $131,700, of which $2,000 shall be available without reference to the Classification Act of 1923, as amended, and civil-service requirements for the employment of a real-estate expert, to be immediately available; and the compensation of the present incumbent of the position of disbursing officer of the District of Columbia shall be exclusive of his compensation as United States property and disbursing officer for the National Guard of the District of Columbia.

The amendment was agreed to.

The next amendment was, on page 6, at the end of line 24, to increase the appropriation for personal services in the municipal architect's office from $57,980 to $60,120.

The amendment was agreed to.

The next amendment was, under the subhead "Minimum Wage Board," on page 8, line 2, after the word "exceed", to strike out "$2,500" and insert "$3,500", and in line 3, after the word "Board" and the comma, to strike out "$8,420" and insert "$9,420", so as to read:

For personal services, including not to exceed $3,500 for the secretary of the Board, $9,420.

The amendment was agreed to.

The next amendment was, on page 9, line 13, to increase the appropriation for personal services under the recorder of deeds from $110,000 to $111,440.

The amendment was agreed to.

The next amendment was, under the heading "Contingent and miscellaneous expenses," on page 12, after line 14, to strike out:

For the use of the House District of Columbia Committee to employ such clerical help as will be necessary to make a complete study of the various surveys previously made of the government of the District of Columbia for the express purpose of forming such legislation as will effect a more efficient and economic handling of the government affairs of the District of Columbia, $5,000.

The amendment was agreed to.

The next amendment was, on page 12, after line 21, to strike out:

For a complete investigation of the administration of public relief in the District of Columbia to be made under the supervision and direction of the Committee on the District of Columbia of the House of Representatives, including the employment of personal services without reference to the Classification Act of 1923, as amended, and civil-service requirements, $5,000.

The amendment was agreed to.

The next amendment was, on page 13, after line 3, to insert:

For an investigation of public relief in the District of Columbia to be made under the supervision of the chairman of the Senate Committee on Appropriations and the chairman of the House Committee on Appropriations, who are authorized to select a person to act as director of investigation at a salary to be fixed by the said chairmen; such investigation shall cover the extent of unemployment in said District; the need for all types of relief; the extent to which existing agencies are meeting both the unemployment and relief situations; the adequacy or inadequacy of individual grants; the characteristics of cases receiving assistance from public agencies; the policies and procedures of public administrative organizations, including the adequacy, qualifications, and com-

petency of personnel. The said director of investigation is authorized and empowered to employ necessary assistants at rates of pay to be approved by the chairmen of the committees aforesaid, and the said director may request and be entitled to obtain such assistance as he may deem necessary from Federal and District agencies, including the Social Security Board and the Works Progress Administration, and the said director and his assistants shall have access to any and all records of such agencies, including financial statements, social case histories and correspondence, and he shall be free to seek information from staff members and employees of such agencies; and the said director shall make a full report to the aforesaid chairmen prior to May 1, 1938, of the results of the investigation, including such recommendations as he may deem necessary relating to administrative efficiency, the adequacy or inadequacy of public relief in the District of Columbia, existing and proposed work projects providing for unemployed employables, and any other kindred matters, $10,000, said sum to be available immediately and to be expended without reference to the Classification Act of 1923, as amended, civil-service requirements, or any other law.

The amendment was agreed to.

The next amendment was, under the subhead "Central Garage," on page 14, line 16, after the word "services" and the comma, to strike out "$60,980" and insert "$61,780"; in line 19, before the word "for", to strike out "$1,500" and insert "$2,000"; in line 20, after the word "Department", to strike out "$15,200" and insert "$15,700"; and in the same line, after the words "in all" and the comma, to strike out "$76,180" and insert "$77,480", so as to read:

For maintenance, care, repair, and operation of passenger-carrying automobiles owned by the District of Columbia, including personal services, $61,780; for purchase (including exchange) of passenger-carrying automobiles, including $1,700 for the replacement of one ambulance and $2,000 for the replacement of one bus for the Health Department, $15,700; in all, $77,480.

The amendment was agreed to.

The next amendment was, on page 16, line 9, after the word "of", to strike out "$8,900" and insert "$9,900", so as to read:

The Commissioners are authorized, in their discretion, to furnish necessary transportation in connection with strictly official business of the District of Columbia by the purchase of streetcar and bus fares from appropriations contained in this act: *Provided*, That the expenditures herein authorized shall be so apportioned as not to exceed a total of $9,900.

The amendment was agreed to.

The next amendment was, under the subhead "Emergency fund," on page 16, line 19, after the word "and" where it occurs the second time, to strike out "in all other cases not otherwise sufficiently provided for" and insert "for other purposes", so as to read:

To be expended in case of emergency, such as riot, pestilence, public insanitary conditions, calamity by flood, or fire, or storm, and of like character, and for other purposes, in the discretion of the Commissioners, $2,500.

The amendment was agreed to.

The next amendment was, under the heading "Municipal Center," on page 18, line 12, before the word "or" to insert "civil-service requirements," and in line 15, after the word "including", to insert "fixed", so as to read:

For beginning the construction in square 533, bounded by John Marshall Place, Indiana Avenue, and Third, C, and D Streets, of the first unit of an extensible building for the government of the District of Columbia, $500,000, of which amount the sum of $60,000 shall be immediately available for the preparation of plans and specifications, including the employment of professional and other services without reference to the Classification Act of 1923, as amended, civil-service requirements, or section 3709 of the Revised Statutes, and the Commissioners are authorized to enter into contract or contracts for the completion of such unit, including fixed equipment, at a total cost not to exceed $1,500,000.

The amendment was agreed to.

The next amendment was, under the subhead "Free Public Library," on page 19, after line 16, to strike out:

For binding, to be performed at the reformatory at Lorton, Va., $20,000.

And in lieu thereof to insert:

For binding, including necessary personal services, $20,000: *Provided*, That approximately 50 percent of this appropriation shall be expended in connection with the library's present bindery and the balance for materials and work to be performed at the reformatory at Lorton, Va.

The amendment was agreed to.

The next amendment was, on page 20, after line 5, to strike out:

For the preparation of plans and specifications for a branch library building to be constructed on square 491 in the District of Columbia, $60,000.

The amendment was agreed to.

The next amendment was, under the heading "Sewers," on page 20, at the end of line 10, to increase the appropriation for personal services under the department of sewers from $175,000 to $180,000.

The amendment was agreed to.

The next amendment was, on page 20, line 20, after the word "work" and the comma, to strike out "$230,000" and and insert "$240,000", so as to read:

For cleaning and repairing sewers and basins; including the replacement of the following motortrucks: Four at not to exceed $975 each; and the purchase of one motortruck at not to exceed $650; and for operation and maintenance of the sewage pumping service, including repairs to equipment, machinery, and pumping stations, and employment of mechanics and laborers, purchase of electricity, fuel, oil, waste, and other supplies, and the maintenance of non-passenger-carrying motor vehicles used in this work, $240,000.

The amendment was agreed to.

The next amendment was, on page 21, line 8, after the word "sewers" and the comma, to strike out "$225,000" and insert "$250,000", so as to read:

For assessment and permit work, sewers, including not to exceed $1,000 for purchase or condemnation of rights-of-way for construction, maintenance, and repair of public sewers, $250,000.

The amendment was agreed to.

The next amendment was, under the heading "Collection and disposal of refuse," on page 22, line 18, after the word "expenses" and the comma, to strike out "$850,000" and insert "$875,000", so as to read:

To enable the Commissioners to carry out the provisions of existing law governing the collection and disposal of garbage, dead animals, night soil, and miscellaneous refuse and ashes in the District of Columbia, including inspection; fencing of public and private property designated by the Commissioners as public dumps; and incidental expenses, $875,000.

The amendment was agreed to.

The next amendment was, under the heading "Public Playgrounds," on page 22, line 24, after the word "services" and the comma, to increase the appropriation for personal services under the department of public playgrounds from $127,780 to $131,000.

The amendment was agreed to.

The next amendment was, on page 23, after line 7, to insert:

For the maintenance and contingent expenses of keeping open during the summer months the public-school playgrounds, under the direction and supervision of the Commissioners; for special and temporary services, directors, assistants, and janitor service during the summer vacation, and, in the larger yards, daily after school hours during the school term, $29,700.

The amendment was agreed to.

The next amendment was, under the heading "Electrical department," on page 24, after line 24, to strike out:

For making a study of the power needs, both public and private, of the District of Columbia with a view to establishing a municipally owned service therefor, and for the purpose of effecting economies in the present service pending the establishment of same, including the employment by contract or otherwise of same, including the employment by contract or otherwise, of expert and other personal services without reference to section 3709 of the Revised Statutes and the Classification Act of 1923, as amended, traveling and other necessary expenses, such survey to be made under the supervision and direction of the Federal Power Commission, $15,000.

The amendment was agreed to.

The next amendment was, under the heading "Public schools," on page 25, line 8, after the word "superintendents" and the comma, to strike out "673,700" and insert "$691,817", so as to read:

For personal services of administrative and supervisory officer in accordance with the act fixing and regulating the salaries of teachers, school officers, and other employees of the Board of Education of the District of Columbia, approved June 4, 1924 (43 Stat. 367-375), including salaries of presidents of teachers colleges in the salary schedule for first assistant superintendents, $691,817.

The amendment was agreed to.

The next amendment was, on page 25, line 10, to strike out "$179,540" and insert "$180,740", so as to read:

For personal services of clerks and other employees, $180,740.

The amendment was agreed to.

The next amendment was, on page 25, line 24, after the word "west" and the comma, to strike out "$7,119,300" and insert "$7,296,716", so as to read:

For personal services of teachers and librarians in accordance with the act approved June 4, 1924 (43 Stat. 367–375), including for teachers colleges assistant professors in salarly class 11 and professors in salary class 12, and including $11,600 for health and physical education teachers to supervise play in schools of the central area bounded by North Capitol Street on the east, Florida Avenue on the north, the Mall on the south, and Twelfth Street on the west, $7,296,716.

The amendment was agreed to.

The next amendment was, on page 26, line 4, after the word "examination", to strike out the colon and the following proviso:

Provided further, That the average of the salaries paid librarians in the public schools shall not exceed the average of the salaries paid employees performing the same grade of work in the Free Public Library.

The amendment was agreed to.

The next amendment was, under the subhead "Americanization work", on page 27, at the end of line 9, to strike out "$2,000" and insert "$2,700", so as to read:

For carrying out the provisions of the act of June 19, 1934 (34 U. S. C. 945), entitled "An act providing educational opportunities for the children of soldiers, sailors, and marines who were killed in action or died during the World War," $2,700.

The amendment was agreed to.

The next amendment was, on page 27, at the end of line 14, to strike out "$30,000" and insert "$17,699", so as to read:

For the development of vocational education in the District of Columbia in accordance with the act entitled "An act to provide for the further development of vocational education in the several States and Territories," approved June 8, 1936 (49 Stat. 1488), $17,699.

The amendment was agreed to.

The next amendment was, under the subhead "Community Center Department", on page 27, after line 22, to strike out:

For the maintenance and contingent expenses of keeping open during the summer months the public-school playgrounds; for special and temporary services, directors, assistants, and janitor service during the summer vacation, and, in the larger yards, daily after school hours during the school term, $25,000.

The amendment was agreed to.

The next amendment was, on page 28, line 17, to strike out "$948,785" and insert "$957,950", so as to read:

CARE OF BUILDINGS AND GROUNDS

For personal services, including care of smaller buildings and rented rooms at a rate not to exceed $96 per annum for the care of each schoolroom, other than those occupied by atypical or ungraded classes, for which service an amount not to exceed $120 per annum may be allowed, $957,950.

Mr. COPELAND. Mr. President, there are about 300 laborers in the school system who are paid very small salaries. I think inadvertently we neglected to add to the amount just stated $10,000, in order that those 300 workers might have an increase in pay. I suggest that the amendment of the committee be changed so as to read "$967,950."

The PRESIDING OFFICER. The amendment to the amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 28, line 17, it is proposed to amend the amendment of the committee by striking out "$957,950" and inserting in lieu thereof "$967,950."

Mr. LOGAN. Mr. President, that seems to be just, and if it should be accepted it would have to go to conference anyway. I believe it would be very satisfactory.

Mr. THOMAS of Oklahoma. Mr. President, the showing was made in the committee that the custodial employees of the school system were underpaid. They have had no substantial increase in salary for several years. This would give them an increase of $5 per month. I do not know what action the House will take on the amendment, but I have no objection to accepting it and taking it to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The next amendment was, under the subhead "Miscellaneous," on page 28, line 20, after the word "pupils" and the comma, to strike out "$7,000" and insert "$7,500", so as to read:

For the maintenance of schools for tubercular and crippled pupils, $7,500.

The amendment was agreed to.

The next amendment was, on page 28, line 23, after the word "pupils" and the comma, to strike out "$20,000" and insert "$22,500"; so as to read:

For transportation for pupils attending schools for tubercular pupils, sight-conservation pupils, and crippled pupils, $22,500:

The amendment was agreed to.

The next amendment was, on page 29, line 6, after the word "therewith" and the comma, to strike out "$60,000" and insert "$64,000"; so as to read:

For purchase and repair of furniture, tools, machinery, material, and books, and apparatus to be used in connection with instruction in manual and vocational training, and incidental expenses connected therewith, $64,000, to be immediately available.

The amendment was agreed to.

The next amendment was, on page 29, line 8, after the word "power", to strike out "$300,000" and insert "$325,000"; and in line 9, to strike out the colon and the following proviso: "*Provided*, That this appropriation shall be so apportioned and distributed over the fiscal year ending June 30, 1939, and shall be so administered, during such fiscal year, as to constitute the total amount that will be utilized during such fiscal year for such purposes", so as to read:

For fuel, gas, and electric light and power, $325,000.

The amendment was agreed to.

The next amendment was, on page 29, line 15, after the word "same", to insert "including not exceeding $2,400 for the purchase of furniture and equipment for the Phelps Vocational School, and not exceeding $20,000 for the replacement of worn-out furniture and equipment at the Central High School, McKinley High School, and Armstrong High School"; in line 23, before the word "shall", to strike out "$1,500" and insert "$2,500", and on page 30, line 3, after the words "in all" and the comma, to strike out "$131,600" and insert "$160,000", so as to read:

For contingent expenses, including United States flags, furniture and repairs of same, including not exceeding $2,400 for the purchase of furniture and equipment for the Phelps Vocational School, and not exceeding $20,000 for the replacement of worn-out furniture and equipment at the Central High School, McKinley High School, and Armstrong High School, stationery, ice, paper towels, and other necessary items not otherwise provided for, and including not exceeding $10,500 for books of reference and periodicals, of which $2,500 shall be available for the purchase of such books for the Wilson Teachers College, not exceeding $1,500 for replacement of pianos at an average cost of not to exceed $300 each, not exceeding $6,800 for labor; in all, $160,000, to be immediately available, of which not to exceed $3,000 may be expended for tabulating school census cards either by contract or by day labor as the Commissioners may determine.

The amendment was agreed to.

The next amendment was, on page 30, line 12, after the word "follows" and the colon, to insert "Eastern High School"; in line 13, after the words "assembly-gymnasium" and the semicolon, to insert "Junior High School on Banneker Recreation Center; Senior High School at Fifth and Sheridan Streets NW."; and in line 16, after the words "Vocational School" and the comma, to strike out "$82,415" and insert "$325,000", so as to read:

For completely furnishing and equipping buildings and additions to buildings as follows: Eastern High School; Bundy School, addition and assembly-gymnasium; Junior High School on Banneker Recreation Center; Senior High School at Fifth and Sheridan Streets Northwest; Lenox Vocational School, $325,000:

The amendment was agreed to.

The next amendment was, on page 30, line 25, before the word "to", to strike out "$180,000" and insert "$200,000", so as to read:

For textbooks and other educational books and supplies as authorized by the act of January 31, 1930 (46 Stat. 62), including not to exceed $7,000 for personal services, $200,000, to be immediately available.

The amendment was agreed to.

The next amendment was, on page 31, line 8, after the word "same" and the comma, to strike out "$15,000" and insert "$16,975", so as to read:

For purchase of apparatus, fixtures, specimens, technical books, and for extending the equipment and for the maintenance of laboratories of the department of physics, chemistry, biology, and general science in the several high and junior high schools, vocational schools, and teachers colleges, and for the installation of the same, $16,975, to be immediately available.

The amendment was agreed to.

The next amendment was, under the subhead "Buildings and grounds," on page 34, line 22, after the word "purposes" and the comma, to strike out "$60,000" and insert "$64,000", so as to read:

For the improvement of the grounds of the Woodrow Wilson Senior High School, including the erection of structures thereon for the utilization of such grounds for athletic purposes, $64,000.

The amendment was agreed to.

The next amendment was, on page 34, after line 22, to insert:

For a second-story addition to the Crosby Noyes School, $60,000.

The amendment was agreed to.

The next amendment was, at the top of page 35, to insert:

For a sloping floor in the auditorium of the Alice Deal Junior High School, $10,000.

The amendment was agreed to.

The next amendment was, on page 35, line 15, to reduce the appropriation for the purchase of school building and playground sites from $70,000 to $52,500.

The amendment was agreed to.

The next amendment was, on page 36, line 8, after the word "available", to insert "for the latter purpose without restriction as to area in southwest Washington within which said building may be located", so as to read:

The unexpended balance of the appropriation of $200,000 contained in the District of Columbia Appropriation Act for the fiscal year 1932 for the erection of a new school building for the Jefferson Junior High School and made available in the District of Columbia Appropriation Act for the fiscal year 1938 for the acquisition of a site in the area bounded by Seventh Street on the west and K Street on the south in southwest Washington for a new building for the Thomas Jefferson Memorial Junior High School and Library is hereby continued available for the latter purpose without restriction as to area in southwest Washington within which said building may be located.

The amendment was agreed to.

The next amendment was, under the heading "Metropolitan Police," on page 38, at the end of line 9, to strike out "$2,878,720" and insert "$2,965,038", so as to read:

SALARIES

For the pay and allowances of officers and members of the Metropolitan Police force, in accordance with the Act entitled "An Act to fix the salaries of the Metropolitan Police force, the United States Park Police force, and the fire department of the District of Columbia" (43 Stat. 174–175), as amended by the Act of July 1, 1930 (46 Stat. 839–841), $2,965,038.

The amendment was agreed to.

The next amendment was, under the subhead "Miscellaneous," on page 39, line 7, after the words "harbor patrol" to strike out "$76,375" and insert "$77,475", so as to read:

For miscellaneous and contingent expenses, including rewards for fugitives, purchase of gas equipment and firearms, maintenance of card system, stationery, city directories, books of reference, periodicals, newspapers, telegraphing, telephoning, photographs, rental and maintenance of teletype system and labor-saving devices, telephone service charges, purchase, maintenance, and servicing of radio broadcasting systems, purchase of equipment, gas, ice, washing, meals for prisoners, medals of award, not to exceed $300 for car tickets, furniture and repair thereto, beds and bed clothing, insignia of office, police equipments and repairs to same, and mounted equipment, flags and halyards, storage and hauling of stolen or abandoned property, and traveling and other expenses incurred in prevention and detection of crime and other necessary expenses, including expenses of harbor patrol, $77,475, of which amount not exceeding $10,000 shall be immediately available and may be expended by the major and superintendent of police for prevention and detection of crime, under his certificate, approved by the Commissioners, and every such certificate shall be deemed a sufficient voucher for the sum therein expressed to have been expended.

The amendment was agreed to.

The next amendment was, on page 39, line 22, after the word "another", to strike out "$49,750" and insert "$53,500", so as to read:

Uniforms: For furnishing uniforms and other official equipment prescribed by department regulations as necessary and requisite in the performance of duty to officers and members of the Metropolitan Police, including cleaning, alteration, and repair of articles transferred from one individual to another, $53,500.

The amendment was agreed to.

The next amendment was, under the subhead "House of detention," on page 39, after line 23, to strike out:

For maintenance of a suitable place for the reception and detention of girls and women, and of boys under 17 years of age, arrested by the police on charge of offense against any laws in force in the District of Columbia, or held as witnesses or held pending final investigation or examination, or otherwise, or committed to the guardianship of the Board of Public Welfare, including transportation, clinic supplies, food, clothing, upkeep and repair of buildings, fuel, gas, ice, laundry, supplies and equipment, electricity, and other necessary expenses, $18,500; for personal services, $9,240; in all, $27,740.

And in lieu thereof to insert:

For maintenance of a suitable place for the reception and detention of girls and women over 17 years of age, arrested by the police on charge of offense against any laws in force in the District of Columbia, or held as witnesses or held pending final investigation or examination, or otherwise, including clinic supplies, food, upkeep and repair of buildings, fuel, gas, ice, laundry, supplies and equipment, electricity, and other necessary expenses, $8,500; for personal services, $9,240; in all, $17,740.

The amendment was agreed to.

The next amendment was, under the heading "Fire department—Miscellaneous," on page 41, line 23, after the word "tools", to strike out "$35,000" and insert "$45,000", so as to read:

For repairs to apparatus, motor vehicles, and other motor-driven apparatus, fireboat and for new apparatus, new motor vehicles, new appliances, employment of mechanics, helpers, and laborers in the fire department repair shop, and for the purchase of necessary supplies, materials, equipment, and tools, $45,000.

The amendment was agreed to.

The next amendment was, under the heading "Health department", on page 42, line 17, after the words "of all", to insert "Federal buildings and all", and in line 18, after the word "served", to insert "and", so as to read:

Salaries: For personal services, including the employment of a business manager to supervise the business administration and operation of municipal hospitals and sanatoria and business activities of the Health Department, to be appointed by the Commissioners without reference to the Classification Act of 1923, as amended, and civil-service requirements, and including not exceeding $16,880 for the inspection of all Federal buildings and all public establishments and employees where food is sold or served and not to exceed $6,000 for contract investigational services $229,690.

The amendment was agreed to.

The next amendment was, on page 44, line 17, after the word "expenses", to strike out "$143,440" and insert "$151,540", so as to read:

Nursing service: For maintaining a nursing service, including personal services, uniforms, supplies, and contingent expenses, $151,540.

The amendment was agreed to.

The next amendment was, on page 46, line 14, after the word "supplies", to strike out "$25,000" and insert "$25,900", so as to read:

Maternal and child-health service: For maintaining a maternal and child-health service, including the establishment and maintenance of maternal and child-health stations for clinical examinations, payment for personal services, rent, fuel, periodicals, and supplies, $25,900.

The amendment was agreed to.

The next amendment was, on page 46, line 25, to strike out "$335,980" and insert "$362,740", so as to read:

Tuberculosis Sanatoria: For personal services, including not to exceed $3,000 for compensation of consulting physicians at rates to be fixed by the Commissioners, $362,740.

The amendment was agreed to.

The next amendment was, on page 47, line 9, after the word "sidewalks", to strike out "$3,000" and insert "$5,000", so as to read:

For repairs and improvements to buildings and grounds, including roads and sidewalks, $5,000.

The amendment was agreed to.

The next amendment was, on page 47, line 11, after the word "full-time", to insert the words "chief resident physicians to be", so as to read:

Gallinger Municipal Hospital: For personal services, including not to exceed six full-time chief resident physicians to be heads of departments at $5,600 per annum each, to be appointed without reference to civil-service requirements.

Mr. KING. Mr. President, on page 47, lines 11, 12, and 13, I propose to strike out the words "including not to exceed six full-time chief resident physicians to be heads of departments at $5,600 per annum each, to be appointed without reference to civil service requirements," and to insert in lieu thereof "$25,000 for pay of additional nurses."

Mr. THOMAS of Oklahoma. Mr. President, I suggest that the Senate reject the committee amendment before this amendment is offered, if it is to be offered by the Senator from Utah.

The PRESIDING OFFICER. The amendment which has been offered by the Senator from Utah would have the same effect. The Chair was about to suggest that without objection the amendment may be considered and the House text amended by the amendment, in order that it may be disposed of in one action.

Mr. KING. Mr. President, the senior Senator from New York, with whom I have conferred, makes a suggestion—and I ask the attention of the Senator from Vermont—which I think reaches the same objective I had in view, and perhaps the phraseology is a little better. I suggest the Senator from New York make a statement in regard to the matter.

The PRESIDING OFFICER. Does the Senator from Utah withdraw his amendment?

Mr. KING. Temporarily, I withdraw the amendment.

Mr. COPELAND. As I understand, lines 11, 12, and 13 will be stricken from the bill.

Mr. KING. Yes.

Mr. COPELAND. Let me suggest that lines 11, 12, and 13 be stricken from the bill and that at the end of line 17 there be inserted the words "and $25,000 for pay of additional nurses."

Mr. AUSTIN. Mr. President, so far as I am concerned, that will be satisfactory. I think that in perfecting the text the word "and" at the beginning of line 14 should also be deleted.

Mr. COPELAND. That is correct.

Mr. KING. I accept the suggestion of the Senator from New York.

The PRESIDING OFFICER. The Clerk will state the amendment for the information of the Senate.

The CHIEF CLERK. In line 11 it is proposed to strike out the words "including not to exceed six full-time chief resident physicians to be heads of departments at $5,600 per annum each, to be appointed without reference to civil-service requirements, and", and at the end of line 17 to strike out the period, insert a comma and the words "and $25,000 for pay of additional nurses."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The next amendment was, on page 47, line 15, before the word "of", to strike out "$510,000" and insert "$523,760"; and in the same line, after the word "which", to strike out "$13,000" and insert "$26,760", so as to read:

Gallinger Municipal Hospital: For personal services, including not to exceed $2,000 for temporary labor, $523,760, of which $26,760 shall be available for out-patient relief of the poor, including medical and surgical supplies, artificial limbs, and pay of physicians, and $25,000 for pay of additional nurses.

The amendment was agreed to.

The next amendment was, on page 48, line 4, after the word "expenses", to strike out "$262,500" and insert "$270,000", so as to read:

For maintenance of the hospital; for maintenance of the quarantine station, smallpox hospital, and public crematorium, including expenses incident to furnishing proper containers for the reception, burial, and identification of the ashes of all human bodies of indigent persons that are cremated at the public crematorium and remain unclaimed after 12 months from the date of such cremation; for maintenance and purchase of horses and horse-drawn vehicles; for medical books, books of reference, and periodicals not to exceed $500; for maintenance of non-passenger-carrying motor vehicles; and for all other necessary expenses, $270,000.

The amendment was agreed to.

The next amendment was, on page 49, line 2, after the name "District of Columbia", to strike out "$165,000" and insert "$200,000", so as to read:

Health Center: For the construction of a building for a Health Center in southwest Washington, including necessary fixed equipment therefor, on land owned by the District of Columbia, $200,000.

The amendment was agreed to.

The next amendment was, on page 49, after line 2, to strike out:

The unexpended balance of the appropriation of $165,000 for the construction of a health center on the site of the Jones elementary school at First and L Streets Northwest, made in the District of Columbia Appropriation Act for the fiscal year 1938, is hereby reappropriated and made immediately available for the purchase by the District of Columbia of the property of the National Homeopathic Hospital, lots 803 and 804, square 555, to be used as a health center and convalescent home.

The amendment was agreed to.

The next amendment was, under the heading "Courts—Juvenile court", on page 49, line 14, after the word "services", to strike out "$62,270" and insert "$68,840", so as to read:

Salaries: For personal service, $68,840.

The amendment was agreed to.

The next amendment was, on page 49, line 22, after the word "for", to strike out "$2,150" and insert "$2,400", so as to read:

For fuel, ice, gas, laundry work, stationery, books of reference, periodicals, typewriters and repairs thereto, preservation of records, mops, brooms, and buckets, removal of ashes and refuse, telephone service, traveling expenses, meals of jurors and prisoners, repairs to courthouse and grounds, furniture, fixtures, and equipment, and other incidental expenses not otherwise provided for, $2,400.

The amendment was agreed to.

The next amendment was, under the subhead "Police court", on page 50, line 8, after the word "service", to strike out "$96,000" and insert "$98,680", so as to read:

Salaries: For personal services, $96,680.

The amendment was agreed to.

The next amendment was, under the heading "Public Welfare—Division of Child Welfare", on page 53, line 7, after the word "Board", to strike out "$260,000" and insert "$275,000", so as to read:

For board and care of all children committed to the guardianship of said Board by the courts of the District, and for temporary care of children pending investigation or while being transferred from place to place, with authority to pay not more than $1,500 each to institutions under sectarian control and not more than $400 for burial of children dying while under charge of the Board, $275,000.

The amendment was agreed to.

The next amendment was, on page 53, after line 7, to insert:

For the maintenance, under the jurisdiction of the Board of Public Welfare, of a suitable place in a building entirely separate and apart from the house of detention for the reception and detention of children under 17 years of age arrested by the police

on charge of offense against any laws in force in the District of Columbia, or committed to the guardianship of the Board, or held as witnesses, or held temporarily, or pending hearing, or otherwise, including transportation, food, clothing, medicine, and medicinal supplies, rental, repair and upkeep of buildings, fuel, gas, electricity, ice, supplies and equipment, and other necessary expenses including not to exceed $19,120 for personal services, $38,000.

The amendment was agreed to.

The next amendment was, under the subhead "General administration, Workhouse and Reformatory, District of Columbia," on page 55, line 3, after the word "services", to strike out "$473,660" and insert "$477,100", so as to read:

For personal services, $477,100.

The amendment was agreed to.

The next amendment was, on page 55, line 9, after the word "horses" and the semicolon, to strike out "purchase of additional land;", and in line 14, after the word "guards", to strike out "$469,000" and insert "$464,000", so as to read:

For maintenance, care, and support of inmates, including subsistence of internes, rewards for fugitives, discharge gratuities provided by law, medical supplies, newspapers, books, books of reference and periodicals, farm implements, tools, equipment, transportation expenses, purchase and maintenance of livestock and horses; purchase of a moving-picture machine at not to exceed $1,500; purchase, exchange, maintenance, operation, and repair of non-passenger-carrying vehicles and motorbus; fuel for heating, lighting, and power, and all other necessary items, including uniforms and caps for guards, $464,000.

The amendment was agreed to.

The next amendment was, on page 58, after line 3, to insert:

NATIONAL TRAINING SCHOOL FOR GIRLS

Salaries: For personal services, $31,500.

For groceries, provisions, light, fuel, clothing, shoes, forage and farm supplies; medicine, medical service, including not to exceed $2,000 for medical care and not to exceed $600 for dental care; transportation, maintenance of non-passenger-carrying vehicles; equipment, fixtures, books, magazines, and other educational supplies; recreational equipment and supplies, including rental of motion-picture films; stationery, postage; repairs; and other necessary items, including not exceeding $2,500 for additional labor and services on a per diem basis; and other necessary expenses incident to securing suitable homes for paroled or discharged girls, $28,000.

The amendment was agreed to.

The next amendment was, on page 59, line 2, to increase the appropriation for repairs and improvements to buildings and grounds under the District Training School from $4,500 to $6,500.

The amendment was agreed to.

The next amendment was, under the subhead "Industrial Home School for Colored Children," on page 59, line 15, after the word "services", to strike out "$37,760" and insert "$39,080", and in line 16, after the words "in all", to strike out "$38,260" and insert "$39,580", so as to read:

Salaries: For personal services, $39,080; temporary labor, $500; in all, $39,580.

The amendment was agreed to.

The next amendment was, on page 59, line 20, after the word "exceed", to strike out "$1,250" and insert "$2,250", and in line 22, after the word "projector", to strike out "$25,500" and insert "$28,675", so as to read:

For maintenance, including purchase and maintenance of farm implements, horses, wagons, and harness, maintenance of non-passenger-carrying motor vehicles, not to exceed $2,250 for manual-training equipment and materials, and not to exceed $675 for a portable motion-picture projector, $28,675.

The amendment was agreed to.

The next amendment was, on page 59, line 24, to increase the appropriation for repairs and improvements to buildings and grounds under the Industrial Home School for Colored Children from $4,500 to $7,500.

The amendment was agreed to.

The next amendment was, under the subhead "Public Assistance," on page 61, line 7, after the word "exceed", to strike out "7½" and insert "12", so as to read:

For the purpose of affording relief to residents of the District of Columbia who are unemployed or otherwise in distress because of the existing emergency, to be expended by the Board of Public Welfare of the District of Columbia by employment and direct relief, in the discretion of the Board of Commissioners and under rules and regulations to be prescribed by the Board and without regard to the provisions of any other law, payable from the revenues of the District of Columbia, $900,000, and not to exceed 12 percent of this appropriation and of Federal grants reimbursed under this appropriation shall be expended for personal services.

The amendment was agreed to.

The next amendment was, on page 61, line 18, after the word "than", to strike out "$75" and insert "$60", so as to make the further proviso read:

Provided further, That not more than $60 per month shall be paid therefrom to any one family.

The amendment was agreed to.

The next amendment was, on page 62, line 5, after the word "than", to strike out "$75" and insert "$60", so as to read:

Home care for dependent children: To carry out the purposes of the act entitled "An act to provide home care for dependent children in the District of Columbia", approved June 22, 1926 (44 Stat. 758–760), including not to exceed $13,060 for personal services in the District of Columbia, $163,000: *Provided*, That this appropriation shall be so apportioned and distributed by the Commissioners over the fiscal year ending June 30, 1939, and shall be so administered during such fiscal year, as to constitute the total amount that will be utilized during such fiscal year for such purposes, and no more than $60 per month shall be paid therefrom to any one family, and no more than $400 shall be paid for burial of children dying while beneficiaries under said act.

Mr. COPELAND. Mr. President, I wish to apologize to the members of the committee at this point. When we had before us the matter of public assistance I was convinced by the argument made that $60 would be sufficient for temporary care. The item now before us, however, has to do with care in the homes under the Widows' and Children's Act. The theory of it is, instead of separating the family when the breadwinner is gone, that the children be left with the mother. It seems to me that the amount recommended, on line 5, page 62, should be disagreed to, and the amount which we have paid year after year, which we paid last year, and which was estimated for this year, $100, be inserted. That would take it to conference, and it might result in agreement that the amount should be $75.

The whole theory of mothers' pensions is one which is very dear to my heart. I had a great deal to do with the passage of a mothers' pension bill in New York years ago. The aim is to keep the home intact, to keep the children under the care of the mother, and let her bring them up, instead of putting children in orphanages and elsewhere and having the mother go out to work. I think it would defeat the noble purposes of the substantive law if we were to make the cut provided in this item.

I apologize to the members of the committee because, while I was present at the hearing, I thought I was voting with respect to another matter in connection with which the cut has been made to $60 per month, which meets with my approval.

Mr. THOMAS of Oklahoma. Mr. President, this item was given considerable attention in the committee. The record shows that in the States the W. P. A. workers get as low as $21.50 per month, and they have to work to get that sum. In my State the amount paid them is under $30. In the District of Columbia as high as $100 per month has been provided needy persons just to pay their rent and their subsistence. It occurred to me that $100 a month to take care of a family is entirely too high when the payment is completely a gratuity, when compared with the W. P. A. allocation of funds in the States. Personally, I was unwilling to consent even to $75 per month. I favored the $60 limitation. The matter is one for the Senate to pass upon, of course.

The PRESIDING OFFICER. The question arises on the adoption of the committee amendment on page 62, line 5. The Chair may say to the Senator from New York that if the committee amendment were disagreed to, that would leave that part of the bill as it passed the House, and then when the committee amendments shall have been completed, it would be in order to offer an amendment to the House text.

The question is on the committee amendment on page 62, line 5.

The amendment was rejected.

The PRESIDING OFFICER. The next committee amendment will be stated.

The next amendment was, on page 62, line 13, after the word "exceed", to strike out "$32,265" and insert "$50,000", and in line 14, after the word "expenses", to strike out "$489,000" and insert "$597,000", so as to read:

Assistance against old-age want: To carry out the provisions of the act entitled "An act to amend the Code of Laws for the District of Columbia in relation to providing assistance against old-age want," approved August 24, 1935 (49 Stat. 747), including not to exceed $50,000 for personal services and other necessary expenses, $597,000.

The amendment was agreed to.

The next amendment was, under the heading "Highway fund, gasoline tax, and motor-vehicle fees—Department of vehicles and traffic," on page 71, line 12, after the word "including", to strike out "$5,000" and insert "$11,000", so as to read:

For personal services, including $11,000 for temporary clerk hire, $92,320.

The amendment was agreed to.

The next amendment was, under the subhead "Police traffic control," on page 72, line 9, before the word "which", to strike out "$508,010" and insert "$523,242", so as to read:

For expenses necessarily involved in the police control, regulation, and administration of traffic upon the highways, $523,242, which amount shall be transferred to the appropriation contained in this act for pay and allowances of officers and members of the Metropolitan Police force.

The amendment was agreed to.

The next amendment was, on page 72, line 14, to increase the appropriation for personal services under the highway department, from $246,000 to $251,000.

The amendment was agreed to.

The next amendment was, under the subhead "Street improvements", on page 75, after line 6, to insert:

Southeast, Nichols Avenue, Upsal to South Capitol Street and South Capitol Street, Nichols Avenue to Atlantic Street, $86,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 9, to insert:

Northwest, Forty-sixt Street, Massachusetts Avenue to River Road, $81,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 11, to insert:

Northwest, Loughboro Road, Indian Lane to Glenbrook Road, $60,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 13, to insert:

Northeast, C Street, Sixteenth Street to Nineteenth Street, double roadway, $40,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 15, to insert:

Northeast, North Carolina Avenue, Fifteenth Street to Sixteenth Street, $10,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 17, to insert:

Northeast, Brentwood Road, Rhode Island Avenue to T Street and Ninth Street, Brentwood Road to Bridge, $91,000.

The amendment was agreed to.

The next amendment was, on page 75, after line 20, to insert:

Northeast, West Virginia Avenue, Mount Olivet Road to Florida Avenue, $40,500.

The amendment was agreed to.

The next amendment was, on page 75, after line 22, to insert:

Southeast, Nichols Avenue, Fourth Street to Upsal Street, $70,000.

The amendment was agreed to.

The next amendment was, at the top of page 76, to insert:

Southwest, Water Street, L Street to P Street, $73,000.

The amendment was agreed to.

The next amendment was, on page 76, after line 1, to insert:

Southwest, P Street, Water Street to Third Street, $26,500.

The amendment was agreed to.

The next amendment was, on page 76, after line 3, to insert:

Northeast, South Dakota Avenue, Eighteenth Street to Michigan Avenue, $31,000.

The amendment was agreed to.

The next amendment was, on page 76, after line 5, to insert:

Southeast, Minnesota Avenue, F Street to Benning Road, $120,000.

The amendment was agreed to.

The next amendment was, on page 76, after line 7, to insert:

Northwest, Utah Avenue, Rittenhouse Street to Pinehurst Circle, $48,000.

The amendment was agreed to.

The next amendment was, at the top of page 77, to insert:

Northeast, Florida Avenue, New York Avenue to Sixth Street, $54,000.

The amendment was agreed to.

The next amendment was, on page 77, line 24, after the word "necessary" and the comma to strike out "$150,000" and insert "$200,000", so as to read:

For construction of curbs and gutters, or concrete shoulders in connection with all forms of macadam roadways and adjustment of roadways thereto, together with resurfacing and replacing of base of such roadways where necessary, $200,000.

The amendment was agreed to.

The next amendment was, on page 78, line 3, after the word "material" to strike out "$350,000" and insert "$450,000", so as to read:

For the surfacing and resurfacing or replacement of asphalt, granite block, or concrete pavements with the same or other approved material, $450,000.

The amendment was agreed to.

The next amendment was, on page 78, line 5, after the word "bridges" and the comma to strike out "$80,000, of which amount $30,000 shall be available for repairs and improvements to the Pennsylvania Avenue Bridge over the Anacostia River" and insert "$50,000", so as to read:

For construction, maintenance, operation, and repair of bridges, $50,000.

The amendment was agreed to.

The next amendment was, on page 78, line 14, after the word "work" and the comma, to strike out "$825,000" and insert "$850,000", so as to read:

For current work of repairs to streets, avenues, roads, and alleys, including the reconditioning of existing gravel streets and roads; for cleaning snow and ice from streets, sidewalks, cross walks, and gutters in the discretion of the Commissioners; and including the purchase, exchange, maintenance, and operation of non-passenger-carrying motor vehicles used in this work, $850,000.

The amendment was agreed to.

The next amendment was, on page 79, after line 10, to strike out:

For the construction of an underpass at Dupont Circle in line of Connecticut Avenue in accordance with plans and profiles to be approved by the Commissioners of the District of Columbia, including necessary changes, construction, and reconstruction of roadways, sidewalks, and curbing, and construction of and changes in sewer and water mains, street and traffic lights, fire-alarm and police-patrol boxes in the vicinity of the circle, construction of and such changes in walkways, landscaping, etc., of the Dupont Circle Park Reservation as may be approved by the said Commissioners, travel expenses in connection with the inspection of material at the point of manufacture, employment of engineering and other professional services, by contract or otherwise and without reference to section 3709 of the Revised Statutes (41 U. S. C. 5) or

the Classification Act of 1923, as amended, and engineering and incidental expenses, $480,000.

The amendment was agreed to.

The next amendment was, on page 80, after line 2, to strike out:

For the construction of a grade-separation structure at K Street NW. and Rock Creek and Potomac Parkway, in accordance with plans and profile to be approved by the Commissioners of the District of Columbia, including the replacement of the bridge in the line of K Street over Rock Creek, the necessary construction, reconstruction, and changes of roadways, walkways, sidewalks, and curbing in the vicinity of the structures, relocation and reconstruction of any necessary parkway roads, walkways, etc., construction of and changes in water and sewer mains, fire-alarm and police-patrol boxes, street and traffic lights, travel expenses in connection with the inspection of material at the point of manufacture, employment of engineering or other professional services, by contract or otherwise, and without reference to section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5) or the Classification Act of 1923, as amended, and engineering and incidental expenses, $320,000.

The amendment was agreed to.

The next amendment was, on page 80, after line 20, to strike out:

For the construction of an underpass at Thomas Circle in the line of Massachusetts Avenue in accordance with plan and profile to be approved by the Commissioners of the District of Columbia, including necessary changes, construction, and reconstruction of roadways, sidewalks, and curbing, construction of and changes in sewer and water mains, street and traffic lights, fire-alarm and police-patrol boxes in the vicinity of the circle, construction of and such changes in walkways, landscaping, etc., of the Thomas Circle Park Reservation as may be approved by said Commissioners, travel expenses in connection with the inspection of material at the point of manufacture, employment of engineering and other professional services by contract or otherwise and without reference to section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5) or the Classification Act of 1923, as amended, and engineering and incidental expenses, $530,000.

The amendment was agreed to.

The next amendment was, on page 82, line 8, after the words "In all" and the comma, to strike out "$3,934,600" and insert "$3,580,600", so as to read:

In all, $3,580,600, to be immediately available, to be disbursed and accounted for as "Street improvements", and for that purpose shall constitute one fund.

The amendment was agreed to.

The next amendment was, on page 83, after line 16, to strike out:

No part of the appropriations contained in this act shall be used for the operation of a testing laboratory of the highways department for making tests of materials in connection with any activity of the District Government.

The amendment was agreed to.

The next amendment was, under the heading "Water service—Washington Aqueduct," on page 85, line 16, after the word "exceed", to strike out "$675" and insert "$750"; and in line 23, after the word "maintenance", to strike out "$362,300" and insert "$367,700", so as to read:

For the maintenance of the water-department distribution system, including pumping stations and machinery, water mains, valves, fire and public hydrants, and all buildings and accessories, and motortrucks, and motor vehicles such as are now owned, and the replacement by purchase and exchange of the following motor-propelled vehicles: Twelve 1½-ton trucks at not to exceed $750 each; purchase of fuel, oils, waste, and other materials, and the employment of all labor necessary for the proper execution of this work; and for contingent expenses, including books, blanks, stationery, printing and binding not to exceed $2,500; postage, purchase of technical reference books and periodicals not to exceed $275, and other necessary items, $7,500; in all for maintenance, $367,700, of which not exceeding $5,000 shall be available for operation of pumps at Bryant Street pumping station upon interruption of service from Dalecarlia pumping station.

The amendment was agreed to.

The next amendment was, on page 90, line 14, after the word "possible" and the comma, to strike out "shall" and insert "may"; so as to make the section read:

SEC. 5. That the Commissioners and other responsible officials, in expending appropriations contained in this act, so far as possible, may purchase material, supplies, including food supplies and equipment, when needed and funds are available, in accordance with the regulations and schedules of the Procurement Division of the Treasury Department or from various services of the Government of the United States possessing materials, supplies, passenger-carrying and other motor vehicles, and equipment no longer required. Surplus articles purchased from the Government, if the same have not been used, shall be paid for at a reasonable price, not to exceed actual cost, and if the same have been used, at a reasonable price based upon length of usage. The various services of the Government of the United States are authorized to sell such surplus articles to the municipal government under the conditions specified, and the proceeds of such sales shall be covered into the Treasury as miscellaneous receipts: *Provided*, That this section shall not be construed to amend, alter, or repeal the Executive order of December 3, 1918, concerning the transfer of office materials, supplies, and equipment in the District of Columbia falling into disuse because of the cessation of war activities.

The amendment was agreed to.

The PRESIDING OFFICER. This completes the committee amendments.

Mr. THOMAS of Oklahoma. On behalf of the committee I offer some committee amendments which are in the nature of legislation. I send the amendments to the desk and ask that they be stated in order.

The PRESIDING OFFICER. The clerk will read the first amendment.

The CHIEF CLERK. On page 11, line 23, after the figures "$9,000", to insert a colon and the following proviso:

Provided, That this appropriation shall not be available for the payment of advertising in newspapers published outside of the District of Columbia, notwithstanding the requirement for such advertising provided by existing law.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 24, after line 13, to insert the following:

Street lighting: For purchase, installation, and maintenance of public lamps, lampposts, street designations, lanterns, and fixtures of all kinds on streets, avenues, roads, alleys, and public spaces, part cost of maintenance of airport and airway lights necessary for operation of the air mail, and for all necessary expenses in connection therewith, including rental of storerooms, extra labor, operation, maintenance, and repair of motortrucks, this sum to be expended in accordance with the provisions of sections 7 and 8 of the District of Columbia Appropriation Act for the fiscal year 1912 (36 Stat. 1008–1011, sec. 7), and with the provisions of the District of Columbia Appropriation Act for the fiscal year 1913 (37 Stat. 181–184, sec. 7), and other laws applicable thereto, $765,000: *Provided*, That this appropriation shall not be available for the payment of rates for electric street lighting in excess of those authorized to be paid in the fiscal year 1927, and payment for electric current for new forms of street lighting shall not exced 2 cents per kilowatt-hour for current consumed: *Provided further*, That no part of this appropriation shall be available for the payment on any contract required by law to be awarded through competitive bidding, which is not awarded to the lowest responsible bidder on specifications, and such specifications shall be so drawn as to admit of fair competition.

Mr. THOMAS of Oklahoma. Mr. President, let me say in connection with this amendment that the House committee sought to make the lighting of streets a charge against the highway or gasoline fund, and so reported the item to the House. In the House a point of order was made, and the item went out; so the bill came to the Senate without any provision for an appropriation for maintaining street lights in the city of Washington. Our committee had to consider the item and place it in the bill as a charge either against the general fund or against the gasoline or highway fund. We chose to recommend that it be placed against the general fund, and this amendment is the paragraph which makes the appropriation.

Mr. AUSTIN. I ask the Senator if the Senate committee disagreed in regard to the matter in any respect, or if it was unanimous.

Mr. THOMAS of Oklahoma. The committee disagreed in no particular. The Commissioners recommended that the item be charged against the general fund rather than the highway fund, and we accepted their recommendation.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma on behalf of the committee.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 42, line 19, after the word "services", it is proposed to insert "without reference to section 3709 of the Revised Statutes (41 U. S. C. 5)".

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 52, line 11, after the word "services", it is proposed to insert "without reference to Section 3709 of the Revised Statutes (41 U. S. C. 5)".

Mr. McKELLAR. Mr. President, what statute is referred to?

Mr. THOMAS of Oklahoma. Mr. President, I understand this is an exception to the General Classification Act, made in behalf of one item of this bill. The recommendation is made upon the endorsement of the Commissioners and the head of the Department.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 61, line 9, after the word "services", it is proposed to insert a comma and the words "and not to exceed $20,000 may be expended for the distribution of surplus commodities, including $4,020 for personal services."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 66, after line 21, it is proposed to insert the following:

For the acquisition, in whole or in part, by purchase, condemnation, or otherwise of squares 1119 and 1126, in the District of Columbia, as a site for an armory for the National Guard of the District of Columbia, $150,000, to be expended under the authority and direction of the Commissioners of the District of Columbia, and to continue available until expended.

Mr. AUSTIN. Mr. President, I should like to ask for an explanation of this item.

Mr. THOMAS of Oklahoma. Mr. President, the item under consideration is for the purchase of land in the eastern part of the city, on East Capitol Street, for the future construction of a National Guard armory.

Mr. AUSTIN. Was the justification for this item before the committee made a part of the hearings? Does it appear in the hearings?

Mr. THOMAS of Oklahoma. It was not justified as fully as some other items, but it was recommended by the Commissioners, and the committee took the recommendation of the Commissioners and inserted the item in the bill.

Mr. AUSTIN. Did the Senate committee act on this item?

Mr. THOMAS of Oklahoma. The subcommittee recommended it to the full committee, and the full committee accepted the item and authorized its submission on the floor of the Senate.

Mr. AUSTIN. I understand that it involves an expenditure of $160,000.

Mr. THOMAS of Oklahoma. One hundred and fifty thousand dollars.

Mr. AUSTIN. Has an authorization heretofore been made for this construction?

Mr. THOMAS of Oklahoma. I am advised that no authorization has heretofore been made.

Mr. AUSTIN. If such a bill were introduced, it probably would be referred to the Public Buildings and Grounds Committee; would it not?

Mr. THOMAS of Oklahoma. I think that is the committee which handles all public-building construction in the city.

Mr. AUSTIN. I assume that the chairman of the Senate Committee on the District of Columbia was consulted respecting this item?

Mr. THOMAS of Oklahoma. I cannot answer that question.

Mr. KING. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. KING. I am inclined to think that the erection of an armory for the National Guard would be under the jurisdiction of the District of Columbia. Possibly the National Capital Park and Planning Commission would have something to say in regard to the character of the building.

I should like to supplement what I have already said by stating that there has been considerable demand, not only from the officials of the District but from the people generally and from the members of the National Guard, for the erection of a suitable place in which the National Guard may meet.

As the Senator knows, the National Guard is now meeting in an abandoned hotel, the old National Hotel on Pennsylvania Avenue. The Commissioners of the District have responded to the almost universal demand that steps be taken for the acquisition of the necessary land preliminary to the building of an armory. After the land has been acquired, whether the construction will be under the jurisdiction of the Public Buildings and Grounds Committee or of some other committee, I am not prepared to state; but certainly the District of Columbia has something to say with respect to the acquisition of the land, and I have no doubt it will have something to say in regard to the amount which will be appropriated for the construction of the building.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma on behalf of the committee.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 81, after line 12, it is proposed to insert the following:

For the construction of a bridge to replace the bridge in line of Pennsylvania Avenue over the Anacostia River, in accordance with plans and profiles to be approved by the Commissioners of the District of Columbia, including construction of and changes in sewer and water mains, traveling expenses in connection with the inspection of material at the point of manufacture, employment of engineering and other professional services, by contract or otherwise, and without reference to section 3709 of the Revised Statutes (41 U. S. C. 5) or the Classification Act of 1923, as amended, and engineering and incidental expenses, $620,000, and the Commissioners are authorized to enter into contract or contracts for the completion of said bridge at a cost not to exceed $2,000,000: *Provided*, That the expense of necessary personnel to handle railroad traffic during construction and the changes in power and conductor lines incident to construction of the bridge shall be borne by the Pennsylvania Railroad Co.

Mr. AUSTIN. Mr. President, I assume that this item was not considered by the corresponding committee of the House. Is that true?

Mr. THOMAS of Oklahoma. Mr. President, this item has been in controversy for years. On two or three former occasions I think the House has inserted the item in the bill, but the Senate has refused to agree to the appropriation to start the construction of a new bridge. The present bridge across the river at Pennsylvania Avenue is reported to be in very bad condition, and a good many of the Members of the Senate have said to me that they refuse to be responsible further for what may happen to the bridge. I now take the position that I am unable to be responsible any longer for the condition of the bridge. I think the bridge may be unsafe. It already has been condemned, and only vehicles within a limited weight are now permitted to cross the bridge; so the committee is convinced that we should not longer delay the construction of a new bridge.

Mr. AUSTIN. Mr. President, I assume that the committee took into consideration the possibility of a very great increase in traffic in that direction in the near future, did it not?

Mr. THOMAS of Oklahoma. That was one of the main arguments in favor of the bridge. I may state, in addition, that this appropriation will come out of the gasoline or highway fund, and is not a charge against the general fund.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma on behalf of the committee.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 81, after line 12, after the amendment heretofore agreed to, it is proposed to insert the following:

For the construction of a bridge to replace the existing culvert in the line of Massachusetts Avenue NW. across Rock Creek and Rock Creek and Potomac Parkway including the necessary repaving of approach roads and streets, changes and reconstruction of sewers and water mains, relocation of fire and police alarm boxes and traffic lights, the employment of engineering or other professional services, by contract, or otherwise, and without reference to section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5) or the Classification Act of 1923, as amended, civil service requirements, and engineering and incidental expenses, $460,000.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 86, after line 13, it is proposed to insert the following:

For the construction of a reservoir of approximately 15,000,000 gallons capacity on the grounds of the United States Soldiers' Home, District of Columbia, including necessary appurtenances and auxiliaries, and including not to exceed $12,000 for the employment, by contract or otherwise, and without reference to section 3709 of the Revised Statutes (41 U. S. C. 5) or the Classification Act of 1923, as amended, of engineering and other professional services, $400,000, to continue available until June 30, 1940.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 92, after line 14, it is proposed to insert a new section, as follows:

SEC. 10. Credit is allowed in the accounts of the District of Columbia for disbursements made from the appropriation "Division of Child Welfare, D. C., 1933," covered by audit Nos. 180,442, 186,060, 192,920; and General Accounting Office Certificate No. G-73,092-DC, dated October 11, 1937.

Mr. AUSTIN. Mr. President, what does this item mean? Is it a mere matter of bookkeeping?

Mr. THOMAS of Oklahoma. It is a mere matter of bookkeeping. Some irregularity or error crept into the records, and the officials are responsible on their bond. The only way in which the situation can be corrected is through a suit in court or through legal correction by Congress. It is simply a means of correcting the record and involves no payment of money, unless the amendment should be rejected. Then somebody might have to pay something.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Oklahoma on behalf of the committee.

The CHIEF CLERK. On page 92, after line 14, it is proposed to add a new section, as follows:

SEC. —. The Commissioners of the District of Columbia are hereby authorized and empowered, in their discretion, to secure and to install, at no expense to the said District, mechanical parking meters or devices on the streets, avenues, roads, highways, and other public spaces in the District of Columbia under the jurisdiction and control of said Commissioners; and said Commissioners are authorized and empowered to make and enforce rules and regulations for the control of the parking of vehicles on such streets, avenues, roads, highways, and other public spaces, and as an aid to such regulation and control of the parking of vehicles the Commissioners may prescribe fees for the privilege of parking vehicles where said meters or devices are installed.

The Commissioners are further authorized and empowered to pay the purchase price and cost of installation of the said meters or devices from the fees collected, and thereafter such meters or devices shall become the property of said District and all fees collected shall be paid to the collector of taxes for deposit in the Treasury of the United States to the credit of the revenues of said District.

Mr. BURKE. Mr. President, I raise a point of order against the proposed amendment on the ground that it proposes legislation on a general appropriation bill.

The PRESIDING OFFICER. The point of order is sustained.

Mr. THOMAS of Oklahoma. Mr. President, according to the rules I must serve notice that I move to suspend the rules for the consideration of this item. I now move that the rules be suspended in order that the Senate may consider this item.

Mr. BURKE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Austin	Capper	Hale	McKellar
Barkley	Copeland	Johnson, Colo.	Sheppard
Bulkley	Ellender	King	Thomas, Okla.
Burke	Green	La Follette	

The PRESIDING OFFICER. Fifteen Senators have answered to their names. There is not a quorum present.

RECESS TO MONDAY

Mr. THOMAS of Oklahoma. Mr. President, pursuant to the unanimous-consent agreement previously entered into, I move that the Senate take a recess.

The PRESIDING OFFICER. The question is on the motion of the Senator from Oklahoma.

The motion was agreed to; and (at 5 o'clock and 43 minutes p. m.) the Senate took a recess, the recess being under the order previously entered, until Monday, March 7, 1938, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 4 (legislative day of January 5), 1938

SOLICITOR GENERAL OF THE UNITED STATES

Robert H. Jackson to be Solicitor General.

AN ASSISTANT SECRETARY OF STATE

Adolf A. Berle, Jr., to be an Assistant Secretary of State.

APPOINTMENTS IN THE REGULAR ARMY

Roger Brooke to be Assistant to the Surgeon General, with the rank of brigadier general.

Leigh Cole Fairbank to be Assistant to the Surgeon General, with the rank of brigadier general.

Arnold Norman Krogstad to be brigadier general, wing commander, Air Corps.

APPOINTMENT BY TRANSFER IN THE REGULAR ARMY

Capt. Samuel Pickens Collins to Signal Corps.

First Lt. Franklin Gibney Rothwell to Coast Artillery Corps.

PROMOTIONS IN THE REGULAR ARMY

Frederick LeRoy Martin to be colonel, Air Corps.

Clarence Ralph Huebner to be lieutenant colonel, Infantry.

Frederick McCabe to be lieutenant colonel, Infantry.

George Milroy Mayer to be major, Quartermaster Corps.

Harold H. Elarth to be major, Infantry.

Mortimer Buell Birdseye to be major, Quartermaster Corps.

APPOINTMENT IN THE NATIONAL GUARD OF THE UNITED STATES

GENERAL OFFICER

Moses Stayton to be major general.

HOUSE OF REPRESENTATIVES

FRIDAY, MARCH 4, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O our Father, let us listen calmly now to the call of duty. We thank Thee for that light which even blinds the sun and whose language is lovelier than words. O Morning Star, shed upon us Thy blessing so we shall understand by our living consciousness. Have compassion upon our faults, which are full of weakness. We entreat Thee to let it come so it shall emancipate the world. Let there be a stirring at its great heart for justice, peace, and well-being. Now, blessed Lord, may each one of us hear and obey Thy word:

Let not the wise man glory in his wisdom; neither let the mighty man glory in his might; let not the rich man glory in his riches, but let him that glorieth glory in that he understandeth loving kindness, judgment, and righteousness; for in these things I delight, saith the Lord.

In our Redeemer's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO FILE MINORITY VIEWS ON NAVAL CONSTRUCTION BILL

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent that the minority members of the Naval Affairs Committee may have until Monday night, at midnight, to file minority views on the bill H. R. 9218, the naval construction bill.

The SPEAKER. Is there objection?

Mr. SNELL. Mr. Speaker, I reserve the right to object. I did not quite understand the gentleman's request. Is it for both the majority and the minority?

Mr. VINSON of Georgia. I am filing the majority report today, and under the rules, unless this permission is granted, the minority views would have to accompany the majority report.

Mr. RICH. Mr. Speaker, I reserve the right to object. Is this the report on the bill to spend a billion dollars on the Navy?

Mr. VINSON of Georgia. It is.

Mr. RICH. If the gentleman has reported that bill out, why wait until Monday to file a report?

Mr. VINSON of Georgia. Oh, I am merely asking that the minority members on the gentleman's side may have until Monday night to file minority objections to the majority report.

Mr. RICH. That is fine, if the gentleman is trying to help out our side.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

LEAVE TO ADDRESS THE HOUSE

Mr. SNYDER of Pennsylvania. Mr. Speaker, I ask unanimous consent to address the House for half a minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. SNYDER of Pennsylvania. Mr. Speaker, on February 16, 1938, the Army, under the direction of Col. Robert Olds, took "flying fortresses" on a good-will flight to Buenos Aires, in South America, and I ask unanimous consent that I may insert in the RECORD at this point the names of the 24 aviators on this flight.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The list referred to is as follows:

Technical Sgt. Adolph Cattarius, chief mechanic, airplane *No. 80.*
Technical Sgt. Besola Cobb, chief mechanic, airplane *No. 52.*
Technical Sgt. Gilbert W. Olson, chief mechanic, airplane *No. 61.*
Staff Sgt. James J. Boutty, chief mechanic, airplane *No. 10.*
Staff Sgt. Henry P. Hansen, mechanic, airplane *No. 82.*
Staff Sgt. William J. Heidt, mechanic, airplane *No. 80.*
Staff Sgt. Everett Kirkpatrick, mechanic, airplane *No. 61.*
Staff Sgt. Troy V. Martin, chief mechanic, airplane *No. 82.*
Staff Sgt. Henry L. West, chief mechanic, airplane *No. 51.*
Sgt. George R. Charlton, chief radio operator, airplane *No. 82.*
Sgt. Jack A. Franske, mechanic, airplane *No. 51.*
Sgt. Lewis Hayduke, mechanic, airplane *No. 52.*
Corp. Clarence D. Lake, chief radio operator, airplane *No. 51.*
Corp. James E. Sands, chief radio operator, airplane *No. 80.*
Corp. William A. Withers, chief radio operator, airplane *No. 61.*
Pvt. (1st cl.) Norbert D. Flinn, radio operator, airplane *No. 61.*
Pvt. (1st cl.) Archie R. Jester, mechanic, airplane *No. 10.*
Pvt. (1st cl.) Russell E. Junior, radio operator, airplane *No. 82.*
Pvt. (1st cl.) Donald F. Lowney, radio operator, airplane *No. 80.*
Pvt. (1st cl.) Harold J. Nycum, chief radio operator, airplane *No. 52.*
Pvt. (1st cl.) Joseph H. Walsh, chief radio operator, airplane *No. 10.*
Pvt. (1st cl.) John W. Yankowski, radio operator, airplane *No. 51.*
Pvt. Kenneth E. Trout, radio operator, airplane *No. 10.*
Pvt. Frederick W. Woltineck, radio operator, airplane *No. 12.*

EXTENSION OF REMARKS

Mr. CROWE. Mr. Speaker, I ask unanimous consent that certain Hawaiian newspaper statements and clippings in respect to the report of the committee consisting of 12 Members of the House and 12 Members of the Senate upon conditions in Hawaii be inserted in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD upon the subject Observations Upon the Present Recession.

The SPEAKER. Is there objection?

Mr. MICHENER. Mr. Speaker, I reserve the right to object. Does the gentleman mean the depression?

Mr. MASON. Mr. Speaker, in answer to that question, I carefully selected my subject, with the hope that if I were diplomatic, Members on the other side might read it as well as Members on this side, for their edification.

The SPEAKER. Is there objection?

There was no objection.

CHANGE OF REFERENCE

Mr. MEAD. Mr. Speaker, I ask unanimous consent to have rereferred to the Committee on the Civil Service the bill (H. R. 9613) authorizing special-delivery messengers to be covered into the classified civil service as substitute clerks and carriers, and for other purposes.

The SPEAKER. Is there objection?

Mr. FADDIS. Mr. Speaker, I reserve the right to object. What does the bill do?

Mr. MEAD. It is a bill that authorizes the special-delivery messengers to be covered into the civil service under special conditions. It pertains to special-delivery messengers only.

The SPEAKER. Is there objection?

There was no objection.

EXTENSION OF REMARKS

Mr. HILL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, and to include a proposed legislative program by some of my colleagues.

The SPEAKER. Is there objection?

There was no objection.

Mr. SHANLEY. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein extracts from the President's speech of 1934, and several extracts from the Treasury report of 1936.

The SPEAKER. Is there objection?

There was no objection.

CONSENT CALENDAR

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that business in order on the calendar, for Monday next, be dispensed with.

The SPEAKER. Is there objection?

There was no objection.

LEAVE TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. RICH. Mr. Speaker, I could not help but think of the request made by the chairman of the Committee on Naval Affairs for time in which to make report on the $1,000,000,000 naval construction bill. This is the fifth anniversary of this administration, March the 4th. It is running true to form in its exorbitant expenditures of Government funds. It seems to me that the amount that we spend on the Navy, under the naval appropriation bill, $550,000,000, ought to be an amount sufficient for the Navy for this year.

But the Naval Affairs Committee is coming in now with a bill asking for the appropriation of over $1,000,000,000 additional. Where are we going to get the money? What is going to happen to this Nation if we keep up this record expenditure of Government funds? At the very time this administration talks of peace it prepares for war.

[Here the gavel fell.]

Mr. LEWIS of Colorado. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Without objection, it is so ordered.

JOHN O. SNYDER

Mr. LEWIS of Colorado. Mr. Speaker, it is pleasant, I am sure, to all Members of the House to recall that Mr. John O. Snyder, of Brooklyn, N. Y., Deputy Sergeant at Arms in charge of pairs, today completes 37 years of continuous and faithful service as an employee of the House of Representatives. I am sure all other delegations join the Colorado delegation in felicitating Johnnie Snyder. We all hope he may have ahead of him many more happy and useful years of service. [Applause.]

Mr. MEAD. Mr. Speaker, will the gentleman yield?

Mr. LEWIS of Colorado. I yield.

Mr. MEAD. As a Member of the New York delegation I am very happy to join in the gentleman's splendid felicitations of this efficient employee of the House.

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, the revenue bill of 1938, with Mr. WOODRUM in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. The Chair will state that the gentleman from North Carolina has 3 hours and 12 minutes remaining, and the gentleman from Massachusetts has 3 hours and 57 minutes remaining.

Mr. TREADWAY. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, on yesterday, during the course of the debate, the chairman of the Ways and Means Committee inserted in his remarks a letter he addressed to Mr. L. H. Parker, chief of staff of the Joint Committee on Internal Revenue Taxation, and Mr. Parker's reply.

I do not care to enter into a discussion in reference to the expert opinion of Mr. Parker. We all recognize his ability. No one is more conversant with his ability or more desirous of praising it than I, but I do like to keep the RECORD straight; and in view of the remarks of the gentleman from North Carolina, which practically said that Mr. Parker's letter to him contradicted the statements in the minority report, I would like to read from the report of the Joint Committee on Internal Revenue Taxation Mr. Parker's own statement, found on page 54. I read:

In view of the inherent difficulty in enforcing section 220, the undesirability of having provisions in the statute which are not generally enforcible nor enforced and the decided change in the importance of the problem because of the reductions in tax rates and the special provisions of the statutes preventing realization on the unreasonably accumulated profits without payment of adequate taxes, it has been thought desirable to find some plan which would automatically encourage reasonable distributions on the part of corporations and discourage unreasonable accumulations and make it possible to repeal section 220.

The principal methods of accomplishing the desired result which have been considered are as follows:

Undivided-profits tax: One method of automatically accomplishing the desired result is the so-called "undivided-profits tax." While this method has been long known and considered, it has been advocated in such various forms that a complete discussion cannot be attempted here.

The general basis of such a tax is the imposition of a tax on the undistributed earnings of a corporation in addition to the usual income tax. Such a method may or may not contemplate the exemption from further tax of such earnings when ultimately distributed.

The most obvious objection to such a tax is the burden which it places on legitimate and proper business expansion. As a business expands not only does its plant and property increase but a larger working capital is required and it is desirable that reasonable accumulations of profits necessary for the expansion and stability of corporations should not be unduly burdened. A tax placed only upon the unnecessary accumulation of capital instead of upon the total accumulation involves many of the difficulties inherent in section 220 and is certainly an impracticable solution of the problem. It is believed that a tax on the total accumulation of profits by corporations is not desirable, because in many cases it might cause the making of unwise distribution and prevent the accumulation of a reasonable and proper surplus.

Mr. Chairman, the record speaks for itself.

Mr. DOUGHTON. Mr. Chairman, will the gentleman from Massachusetts yield?

Mr. TREADWAY. I have completed my statement. The gentleman can speak in his own time.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. DOUGHTON. I ask the gentleman to be kind enough to read the last paragraph of Mr. Parker's letter to me.

Mr. TREADWAY. The record speaks for itself.

Mr. DOUGHTON. It is right in there. It constructively shows support of the bill. He only referred to objections that other people had raised. He did not set them forth as his objections at all.

Mr. TREADWAY. The gentleman can make any speech he wants to in his own time. The Chair has advised me that my time has expired.

The CHAIRMAN. The gentleman from Massachusetts is recognized if he cares to yield time.

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. WADSWORTH].

Mr. WADSWORTH. Mr. Chairman, I am conscious of the fact that my appearance is somewhat sudden. I can assure the gentleman from North Carolina that it was not planned until 2 minutes ago.

Mr. Chairman, as my colleagues know, I am not a member of the Committee on Ways and Means; hence, I have had no intimate contact with the preparation of this measure or with the preparation of any of the revenue measures preceding it in recent years. Furthermore the bill in printed form and its report has been before us for such a short period that I cannot boast of having read it to such an extent that I comprehend all its technical details. In other words, I cannot come before the Committee posing as an authority upon this or any other recent tax measure. This being the case, I shall have to confine my remarks to some general observations having to do with our present state and possible developments in the future.

My sympathy goes to the members of the Committee on Ways and Means. They are endeavoring desperately to keep up with the procession, the procession led by the President. The procession might be described as one in which the participants, headed by their leader, have been for 5 years indulging in a supergorgeous spending program. Power having been conferred upon the President in a series of congressional enactments, and untold sums appropriated

to be spent in large degree as he has seen fit, the Committee on Ways and Means has been given the task, and probably they have not faced it with any degree of cheerfulness, of proposing revenue measures which will meet the outgo. That has been the task of the committee for the last 4 years.

As I recollect, its first endeavor was to plug loopholes. The second endeavor was to raise more revenue, with the accompanying cry, "Soak the rich." Now it has embarked upon another desperate attempt to repair some of the damage done by previous enactments. This revenue measure now before us, as I look upon it, is an effect, not a cause. The cause lies underneath the whole policy of this administration.

I have inflicted myself upon the House on previous occasions with respect to the philosophy of this administration and for just a moment I may be excused for repeating some of my observations of the past. As I said upon a former occasion, the word "thrift" has never been used in any public utterance of the President or his lieutenants. Rather the country has been led to believe, commencing in 1933, that the way for the Nation to get out of its economic troubles was to spend itself out. This policy was embarked upon and is still being pursued.

We are spending at the rate of $8,000,000,000 per year, and the Ways and Means Committee is desperately endeavoring to raise a sum at least approximating that amount and has failed. It has not gained toward its objective in any material degree and judging from the program of the administration, as outlined by the President, the rate of expenditure is not going to be decreased in any material degree for at least the next 2 years.

We have had 5 years of this policy and we are back in a depression again. According to the opinion of most economists that result was inevitable from the beginning. A nation may not spend itself out of a depression any more than an individual may do so. Today we are paying the penalty for this fundamental error and we shall not cease paying that penalty until we revise our policy. I know full well that is a very difficult thing to do.

It may be said, without meaning disrespect to the Chief Executive, that he has a bear by the tail and cannot let go. Perhaps he could, but politically it is exceedingly difficult. He has taught multitudes of people to believe in expenditure as a cure and to forget entirely that saving is the only final cure for economic distress.

The Ways and Means Committee, therefore, brought in the revenue bill of 1936 and either in that bill or the bill preceding it—I cannot remember all the details—surtaxes on personal incomes were raised as high, if not higher, than they exist in any other country, if we include certain State income taxes. They have been raised to the point of diminishing return. We cannot hope to secure any additional revenue sufficient to meet our trouble from the so-called rich.

In 1936 the committee brought in this provision for taxation of undistributed earnings. It must have been impelled to do so through desperation, for all testimony and advice received by the committees of the Congress in the years preceding that act was to the effect that such a provision would be unwise and perhaps destructive. Nevertheless, in its desperate attempt to raise revenue, the committee brought in that bill and finally it was passed by this Congress.

The result must be admitted by every man who has any regard or understanding of business in this country. The result has been detrimental. It has restricted and handicapped our progress toward recovery upon which we seemed at the time to have embarked. It has created a very sharp revulsion of feeling which must be evident to every Member of this House. It is a revulsion of feeling against the tax policies of the Government made evident by men who seldom, if ever, have taken it upon themselves to communicate with Members of the House or Senate. Indeed, the protests of these men are sincere and they are based upon personal experience in the conduct of their business.

To my way of thinking, there is a fallacy deeply underlying this proposal for taxation of undistributed earnings. It lies in the fact that it constitutes an attack upon and a discouragement of savings in business. Sometimes I am tempted to believe that the administration under its present guidance has no regard for savings. Indeed, its financial policy indicates the opposite, namely, that it has more regard for the spendthrift than for the saver. When you say to a businessman that he cannot save money in the form of a surplus without paying a penalty for it in the form of taxes you reverse the normal mental operation of the average businessman. In theory at least you deny everything he has been taught. I think it is that phase of it that has done more to shock the small-business man of America than any other one thing.

We had very difficult times in 1932 and 1933. Many business concerns were on the rocks or very close to them, but they managed to struggle to their feet or survive, as the case might be, and thousands and thousands accomplished this as a result of severe economy and saving every penny they could save. Thousands and thousands of them accomplished this by securing loans from banks and other institutions on the assurance that the conduct of their business would be such as to give assurance to the lender that eventually, in due course and in orderly fashion, the loans would be paid. This was all done in the name of thrift.

Along comes this law which says in effect, "You shall not save all you think is necessary for the salvation of your business and the payment of your debts, except you pay a tax for the privilege of saving." That, to me, is a fundamental heresy of the very worst kind.

Mr. REED of New York. Will the gentleman yield?

Mr. WADSWORTH. I yield to the gentleman from New York.

Mr. REED of New York. I just want to call attention to the fact that the Government is reversing its own policy, because all R. F. C. loans required that they should build up a surplus.

Mr. WADSWORTH. Of course, there are inconsistencies shooting all through this situation. I must say that as far as I know the Reconstruction Finance Corporation in the making of its loans has pursued a businesslike policy. This being the case, I cannot understand why a private corporation cannot be permitted to pursue an equally businesslike policy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield to the gentleman from Minnesota.

Mr. KNUTSON. At this point I believe there should be read into the gentleman's remarks a paragraph from the minority report on the original tax bill we are now so greatly modifying. It is very brief, and if I may have the gentleman's permission, I will read it:

> The Department of Commerce is authority for the statement that from 1930 to 1934, inclusive, business income paid out in the United States exceeded income produced by twenty-six and six-tenths billions of dollars.

In other words, American business paid out $26,000,000,000 more than it took in. Where did it get that money?

Mr. WADSWORTH. From surplus.

Mr. KNUTSON. Exactly. And who got it? Labor.

Mr. WADSWORTH. To a large measure.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield to the gentleman from New York.

Mr. CELLER. Is it not often the case that a surplus may be what is termed "a solid asset," without any liquidity whatever?

Mr. WADSWORTH. The gentleman is correct.

Mr. CELLER. Surplus may be goodwill or it may be a matter of patents. If concerns have to create a liquidation value on such surplus, it may seriously impair their capital.

Mr. WADSWORTH. That is true. Much of surplus is invested in buildings and expanded plants. Some of it is

represented by items such as have been described by the gentleman from New York. Some of it is in cash. But whatever that surplus is, today it cannot be accumulated except at a penalty. It may be there were a few concerns in the United States that used the piling up of a surplus as a device to evade taxation, but I venture to say their number was exceedingly small compared with the total number of business concerns operating in corporate form—small as to numbers and small as to assets, small as to expenditures and small as to income.

I stated a moment ago this thing has appealed to me from the beginning as economic heresy. You may taper it off a little bit, but as long as you leave this heretical thing in the tax law it will plague the business of America, for business can never tell when that seed left in the law will be encouraged to sprout and become a great tree again, and once more become so oppressive as to cramp all business and bring about or help to bring about the condition that faces us today.

I derive no partisan satisfaction whatever out of the present mess in which the Government and the Nation find themselves. Our people are distressed, and I regret it. I know full well that a measure of distress had to follow the crash of 1929, but let me remind you that the crash of 1929 was largely due to fantastic financing in the private field. All we have done since 1933 is to substitute fantastic financing in the Government field. Nothing more. And we are back just where we started. It is a distressing thing. As I stated awhile ago, we are paying the penalty for fundamental error. A part of that error is contained in this tax on undistributed earnings.

I stated this bill and its predecessors represented effects rather than causes. The cause is the rate of expenditure of the Government. Your committee, may I say to the gentleman from North Carolina, and to the gentleman from Kentucky, cannot catch up with this procession, struggle as you may, and you know it. In your desperate efforts to catch up with the expenditure procession you are now imposing taxes that do more harm than good, and we are losing ground with ten to twelve million people out of employment.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield to the gentleman from New York.

Mr. CELLER. Would the gentleman be willing to allow the maximum undistributed-profits tax of say 4 percent, as in this bill, and then allow credits for the expenditure of surplus that would make for employment, such as the purchase of new machinery, expansion of plant, the replacement of obsolete machinery, and other factors that create jobs?

Mr. WADSWORTH. When you have done that you have just about abolished the tax.

Mr. CELLER. Would the gentleman have any objection to that?

Mr. WADSWORTH. I certainly would not. That is what I am pleading for. When you have done that, however, you have abolished the tax.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 additional minutes to the gentleman from New York.

Mr. WADSWORTH. I am conscious of the fact I am rambling somewhat, but I feel so deeply about this thing that I hope the Members will excuse me if I struggle rather hard in trying to state my opinions.

We shall not get out of this mess until the expenditure program is changed. As I stated awhile ago, this is a difficult thing to do because, politically speaking, the President has a bear by the tail. To reverse his engine will involve saying "no" to millions of people who have become accustomed to hearing him say "yes," and treading on the toes of multitudes who have been convinced, and are still convinced doubtless, that we can spend our way out, despite what the wise man sees to be an impossibility.

The gentleman from New York [Mr. CELLER] has suggested certain changes and exemptions in this particular tax. Some changes and some modifications have been made. Yesterday I asked a question of the gentleman from Kentucky [Mr. FRED M. VINSON] which indicated one of the things in this tax measure I regard as especially vicious. I believe when a man or a concern gets into debt he or it should receive every possible encouragement in getting out of debt. For the first time in our history we now find ourselves with a law on the statute books which deliberately penalizes a business concern for paying its debts. This tax on undistributed earnings is so devised as to subject to the tax those earnings which are used by the business concern in the payment of its debts.

This, to my mind, is more than heretical. I do not know how to describe it when you say to a man or a concern—and there is no essential difference—that no matter how hard you work to pay off a sum which you have borrowed from a bank, no matter how much you skimp and struggle, when you go to pay that debt off in order to get yourself out of trouble, you shall pay a tax to the Federal Government for the privilege of doing so, I say you have inflicted a mortal wound upon the business morale of this country.

I have seen the effect of this thing myself with respect to businesses with which I am fairly familiar. I know of a corporation which struggled to its feet in 1932, reorganized itself with exceeding difficulty and step by step put its plants into working order, and began employing labor. In order to do this it had to borrow money. The character of the men at the head of the concern was such that the bank trusted them to carry on their business not only honestly, which was assumed, but wisely and economically. So they loaned the concern something like two and a half million dollars. The concern began to move ahead in 1934 and showed a profit for the first time in 4 years. It made out of these profits a substantial payment to the bank. It moved still further ahead in 1935 and, again, out of its earnings made a substantial payment on its debt. In 1936 it did the same, and it had upon its program a steady, systematic reduction of its debt. Along comes the act of 1936 and interrupts it completely and says, in effect, to this corporation, "You cannot go on with your debt extinction program without paying $30,000 or $40,000 or $50,000 for the privilege."

Mr. O'CONNOR of New York. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. O'CONNOR of New York. Would it make any difference if the corporation owed the debt to the Government?

Mr. WADSWORTH. Under this law?

Mr. O'CONNOR of New York. Yes.

Mr. WADSWORTH. It should not.

Mr. O'CONNOR of New York. As I understand, there would have been the same situation as if it were owing to a bank?

Mr. WADSWORTH. Exactly the same so far as the corporation is concerned or so far as sound business practice is concerned. The two situations would be exactly parallel.

Now, when you compel, by indirection, a business concern to continue in debt, what do you do? You compel that concern to carry just that much more overhead in the form of interest on the debt. If it can relieve itself of the debt, as was the fashion and the hope of all sound business concerns prior to 1936, the overhead of the concern is relieved by just so much interest, and that is instantly reflected in the earnings of the concern which are available for distribution to the stockholders.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. CELLER. And is it not also a fact that they are not spending at this juncture because it is impossible to create any expansion of capital by floating any bonds or stocks because banks and investors frown upon investments of that kind now, and no matter how good a concern is they cannot get money from those sources?

Mr. WADSWORTH. That is true, but, of course, that is another phase of the problem, aside from the one of debt extinction which I was endeavoring to discuss.

Mr. LEWIS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. Yes.

Mr. LEWIS of Colorado. I had drawn the inference from statements yesterday by the chairman of the subcommittee and others that in this voluminous bill provision is made for an exemption from the undistributed-profits tax of money used for payment of debts.

Mr. WADSWORTH. No; for the ordinary corporation it is not. For the I–B corporation and the holding company there is a provision in the bill which authorizes them to deduct from their earnings either $60,000 or 30 percent of the earnings or the amount paid for the satisfaction of debt under contract or otherwise, within reason, whichever of the three is the greater; and that applies, as I understand it, to the I–B, family-held corporations, and to the holding companies, but it does not apply, as I understand it—and you can correct me if I am wrong—to the ordinary corporation whose stock is widely held, and the explanation has been given to me that the ordinary corporation is going to benefit under this bill from the fact that the maximum tax on undistributed earnings is to be reduced from something like 32.4 percent to 20 percent. But they are still subject to tax when they pay the debt. The rate may be a little lower, but still you persist in penalizing a man as he tries to struggle out of debt.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Of course, I know the gentleman from New York recognizes that the so-called pressure tax is 4 percent——

Mr. WADSWORTH. I do not understand the term.

Mr. FRED M. VINSON. The 20 percent reduced to 16 percent; in other words, if you have total retention you pay a 20-percent rate; if you have 50-percent distribution you pay an 18-percent rate; and if you have total distribution, a 16-percent rate.

I may say to the gentleman that when the 1936 bill was pending we had various organizations here who pleaded with the committee to fix a flat rate of 25 percent on all net income received by corporations.

In this bill we have reduced the maximum effective rate from 32.4 to 20 percent, which is 5 percent less than that which they sought. Now, this further suggestion. Assume your widely held corporation has a generous distribution policy. If it needs money, it goes out and borrows it if it can.

Mr. WADSWORTH. If it can!

The CHAIRMAN. The time of the gentleman from New York has again expired.

Mr. FULLER. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. FRED M. VINSON. The widely held corporation borrows the money if it can, and it pays an annual interest charge on that money. It is permitted under this bill to retain any part of its net earnings and pay one time, and one time only, up 4 percent upon that amount. Consequently it does not have the recurring interest charge that would fall upon it if it went out and got the money, whether it borrowed the money on a note or sold stocks or bonds.

Mr. WADSWORTH. And may I say in reply to the observation of the gentleman that he does not meet the assertion of my conviction, that the taxing of a payment of debt, no matter how small the tax, is bad.

Mr. FRED M. VINSON. A few years ago we had a flat rate of 15 percent on net income, and when you pay the flat rate of 15 percent you cannot use that money to pay debt, because you cannot use the 15-percent tax money to pay the debt. If you pay a flat rate of 15 percent, you have 85 percent of your net income left. If you pay a maximum rate of 20 percent under this bill, you have 80 percent left to pay on debt or to use as you desire.

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. Yes.

Mr. FULLER. The gentleman from New York stated that the corporation he was familiar with lost money for 4 years and then started to pay it back. Let us say that during that same period of time a partnership or an individual lost money and he had to pay it back or pay an assessment on stock of a defunct bank. If he made a profit in 1937, he got no credit for the past loss. He had to pay his tax just the same.

Mr. WADSWORTH. On the net income.

Mr. FULLER. Then why should a corporation have preference to take care of its past debts over an individual or copartnership which does not have that privilege?

Mr. WADSWORTH. I do not think the corporation has preference in this case.

Mr. FULLER. Certainly it would under those circumstances. The partnership and individual could not claim credit and would have to pay.

Mr. WADSWORTH. I must disagree with the gentleman. My time will not permit me to argue it out. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, if logic could prevail, the words of the last speaker, the gentlemen from New York [Mr. WADSWORTH] should suffice, and we would not need 12 hours of discussion on this bill. But in these days of demagogery another kind of argument seems to be badly needed. I presume there is a slogan in the cloak room, which is holding the Democrats together, to the effect that "no true follower of Roosevelt should ever admit error." Hence, the principle of this tax must be retained; I presume that is only because the New Deal promulgated it. You take 90 steps backward but still cling to the principle. Verily, verily, this bill, in the various forms of relief granted, does indeed rise almost above principle.

The committee says that the effect of the law has been greatly exaggerated. All I can say is that if the Brookings Institute and practically all economic advisers, as well as the businessmen affected, have exaggerated we are truly in a dense fog. I might also say that if General Pershing recovers we will be forced to say that the reports of his illness and condition were greatly exaggerated. With what great joy, apparently, the committee took in hand certain witnesses who complained about the 1936 act, and could inform them that the contents of this proposed measure, as the gentleman from Kentucky [Mr. FRED M. VINSON] often said, would let them out. They were supposed to go out of the committee room and have no further objection to the principle involved.

The bill is very difficult to understand, it is said. I marked the wrapt attention paid yesterday to every word that came from the gentleman from Kentucky. I have recently read his speech of 1936 on the adoption of the present law most carefully. He did not particularly advocate the tax. He merely explained it. Yesterday he did the same thing. He simply explained the provisions. He told you that the capital-stock tax, the normal tax, the excess-profits tax were not in the 1936 bill when it left the House, but that another body added the other taxes to the undistributed-tax feature, and the House had to agree in conference in order to get any measure. He did not then attempt to defend the principle, but as a true follower of the administration he explained it yesterday and simply remarked that there was nothing of which to be ashamed. After 5 long years of futile experimentation the New Deal has, of course, done nothing to be ashamed of. Their objectives may have been good but their administration to attain those ends certainly has carried the Nation to the very brink of the financial precipice and the heart of business is gripped in fear and distress because of

punishments inflicted, threatened, and even now being plotted by those who still have the attentive ear of an all-powerful President.

The gentleman from Kentucky seemed to think that, after all, it is not much of a revenue measure. It was estimated to produce $600,000,000; the result was only $150,000,000.

This tax has often been called the tax without a friend. In your hearts you know that it is a tax without a friend. It has also been called economic insanity by many experts who understand tax and revenue measures. It is, indeed, economic insanity, but your committee acting as a jury, after leaving out the Republican members thereon and making many recommendations of mercy, brought in your verdict. I once read of a jury that brought in a verdict of acquittal. The judge asked: "On what grounds?"

The foreman said, "Insanity."

"What?" said the judge, "all 12 of you?" [Laughter.]

We may vote for this bill because it is at least somewhat better than the present act. However, telegrams come to us this morning which beg, "Don't vote for the bill unless I–B is taken out."

If we leave the Revenue Act of 1936 in force, I–B is no worse than under this proposed bill; even those affected thereby are singled out for more punishment than the others. In other words, they are granted little or no relief from the law now in force.

You desire to get this revenue now, but let me remind you that if you should wait and let those dividends accumulate, when these fellows die you would get a good big whack of it. In 1931 when George F. Baker's father died I think you got about $17,000,000 out of his $73,000,000 estate. When the son died recently you got $60,000,000 out of his estate of $80,000,000, did you not? Why take it now just for immediate gain, and lose that great nest egg that is sure to come to you later?

Clouds of witnesses say that this tax is the largest contributing factor to this deplorable depression. Let us not say that we do not understand this tax bill. When we come to read it by paragraphs we shall see whether we understand it or not. Some of us may wake up to a real understanding of it.

As I noticed how the Members listened with such rapt attention to the gentleman from Kentucky it reminded me of the bishop who often went hunting in the Maine woods. His favorite guide took him on many of these hunting expeditions. Finally the bishop induced him to come to the city and attend his Episcopal Church. After the service he asked the guide, "How did you like it?"

"Well, Bishop," the guide said, "I did not understand the rigamarole, but I riz and I sot with you every time." [Laughter.]

I assume that it will be noticed that you will "riz and set" with the gentleman from Kentucky during the progress of the bill. He has perhaps almost convinced you that this is a harmless proposition, in spite of the mass of testimony presented by those actually to be affected by the measure.

Tax eaters, pensioners, and recipients of Government bounty now probably outnumber other citizens. The gentleman from New York [Mr. WADSWORTH] made some reference to that, and he spoke of it in such a dignified, disarming manner that it should have sunk into the hearts of his hearers, but not perhaps into those of the fireside chat listeners. [Laughter.]

Louis XIV said of his great expenditures, "Why, it is charity for my royal subjects." Finally, pensioners and the receipients of Government benefits get the idea that all property belongs to the Government, and if you are allowed to keep anything at all you ought to be very grateful to your Government.

These anesthetics have dulled the perceptions of good citizens. Behold the great strides made by this administration in its attempt to take unto itself the mantle of Huey Long in his slogan "Share the wealth." That slogan had a great appeal to many people, and it was becoming dangerous to this administration. Even Secretary Wallace lent a good deal of encouragement when he wrote in his book:

> Taxation can be used not only for the regulation of trade; it can be used for its destruction.

This bill in its verbiage should be a boon to lawyers. It will greatly add to their fees; but even your Mr. Alvord said of the measure, in substance, that it was a more impenetrable fog than ever. However, it is clear to the gentleman from Kentucky. Simplification is now acknowledged as impossible. May I remind you that we of the minority must scan carefully your matrimonial commitments. You marry a man for his supposed virtues, but you have to live with his vices. The minority members of the committee have abundantly and conclusively proven that the vices in this bill far outweigh any possible virtues, and we should seek a divorce from this tax principle without alimony.

The measure grants no relief to those making returns for the year 1937. How about those whose fiscal year begins during 1937 and ends during 1938? What a headache they will have trying to figure out whether the relief granted in this bill for the portion of 1938 will outweigh the punishment inflicted for that portion of their fiscal year during 1937.

They will have to throw themselves upon the understanding of their attorney and upon the mercy of the courts.

Let our memories hark back to the arguments and reasons presented for the enactment of the famous section 102. Have you forgotten them? Under that act you were to catch the people who accumulated dividends for tax-dodging purposes. Is your memory not green enough to recall section 102? You assured this House if you could have that section inserted in the law you could get them, but you have failed to catch them, and because of the failure to catch these will-o'-the-wisps, which you really think exist, the President sent that startling "red herring" message here last year, again reciting tax-dodging devices, and giving them as the reason why the Treasury had not received the amount of revenue estimated.

Mr. CELLER. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from New York.

Mr. CELLER. Has the gentleman any suggestion as to how we could strengthen section 102 in order to do away with the undistributed-profits-tax features?

Mr. GIFFORD. Yes. I have some suggestions here. Do not think they are my own. But no attention would be paid to them anyway.

Mr. CELLER. I will be glad to pay attention.

Mr. GIFFORD. I used to think I knew something about tax problems, but I relinquish the claim. I can quote the Brookings Institution, and such economic advisers, whose opinions ought to receive respect. But instead of enforcing section 102, it was thought easier to work another way, and I will shortly tell you what that way was. It was claimed that there was a too universal use of loopholes in the law. You will recall that acrimonious discussion which occurred on the floor when the pot began calling the kettle black. Evidently because so many Democratic supporters would be involved, and because even the money-making Roosevelts themselves were threatened with an investigation, the air suddenly cooled, and recently the question has been resolved into a generous debate under the title of ethics only. Much comment is being made concerning ethics, and it is reaching into high places.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. GIFFORD. After this confession of almost total inability to prove their blanket indictment that tax evasion and avoidance was largely responsible for lack of estimated Treasury receipts, this remarkable doctrine was presented to us. "Since we cannot catch the culprit in the crowd, we will turn the hose on all." After this is done, as one by one the innocent and the deserving emerge and prove their innocence and pure intent, relief will to them be granted. But the hose system will be continued until business shall

be so thoroughly drenched that it will yield to the principle if only they can be delivered from the punishment.

It is the old theory: If you want to find out who blackballed you in a society, just use the process of elimination. Simply find out those who did not, and the ones remaining must be the culprits.

This principle of taxation has been thoroughly discredited and ought to be at once abandoned. Let us not use it as a method to cure alleged social evils. Let us have a real revenue measure and I will cooperate with you. I will gladly join you in reducing exemptions. I will gladly join you in raising the normal personal income tax, even though you spend the money so wastefully and with such extravagance.

Do not longer compare Great Britain's plan of taxation. She has had an income tax for 100 years. The rates on income are high, but there are no local State income taxes. She has merely relatively low local taxes, such as bear so heavily upon our home owners. She does not have an excess-profits tax approaching ours; neither does she have a capital-gains tax which absorbs the very capital structure itself and most adversely affects business. Great Britain has learned much and has probably a better tax structure than ours. You like to quote her high income-tax rates, which I would gladly pay if you would only relieve me of the other taxes which her citizens do not have to bear. Let us hear no more about Great Britain's exorbitant income tax without proper explanation of the lack of other taxes from which we suffer. That alibi is worn threadbare and will not stand investigation.

I have a story here of one of my constituent corporations which was reorganized only 8 years ago. It struggled along after that for 4 or 5 years. Its stockholders furnished the money to reorganize the corporation, which happens to be in the textile business. In 1936 it made a little money and desired to pay the banks its indebtedness to them. As the gentleman from Kentucky said, "Why, we figured out you have relief. If your stockholders will receive instead of dividends preferred stock, why, then, you can pay your indebtedness." They did issue preferred stock, which is now only another liability on the company. You will excuse the language when I repeat what was said to me: "It is a hell of a form of relief."

In closing, may I compliment the gentleman from California after reading his speech of 2 years ago. He presented a pleasing idea to the effect that if these dividends could be forced into the hands of the individual stockholders the revenue from their individual income taxes would be very great and the dividends would also go into the streams of business.

Let him portray the results, and the picture presented to the country today. I congratulate him that he was the one really sincere believer who had the courage to state genuine convictions favorable to the principle involved in this form of taxation. I regret his disillusionment.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield the gentleman 1 minute.

Mr. BUCK. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from California.

Mr. BUCK. The gentleman from California is complimented by the fact that the gentleman from Massachusetts read his speech of 2 years ago. May I take this opportunity of saying that the speech referred specifically to the bill that the Ways and Means Committee reported to the House at that time, the bill which the House passed, and not to the present law?

Mr. GIFFORD. I am pleased that the gentleman defends himself, because I acknowledged that in the first part of my remarks. I did not flatter the gentleman. I am very sincere in my appreciation of him. Usually flattery is 90 percent soft soap, and soft soap is usually 90 percent lye.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield to the gentleman from New York [Mr. CELLER] as much time as he may desire.

Mr. CELLER. Mr. Chairman, I can see that the Ways and Means Committee have worked hard and sincerely. They have eliminated some glaring inequalities in taxation. Nevertheless, it was to be hoped that they would have gone much further in the affording of substantial relief.

Thousands of letters have been received at my office from all parts of the country indicating that business gets small comfort from the measure, although hungering for some real word of cheer and encouragement. The writers of these letters in most instances state that far from receiving the substantial relief which was promised, a study of the bill indicates in many instances that the tax burden will actually be increased.

The measure, on the whole, completely misses the opportunity, so clearly pointed out by Mr. Baruch a day or two ago in his testimony before a Senate committee, to check the influences that have retarded our recent recovery; through tax revision to minimize or avert a major depression from which we may never be able to pull ourselves out; and to promote greater economic well-being for our own people, and, in fact, the people of the whole world.

The committee says, "Any cause for hesitation on the part of business to go forward, so far as taxes are concerned, should now disappear." I say that business does not receive from this bill the full assurance it needs to restore confidence and start the wheels of industry turning again.

Credit must be given the committee for skillful advocacy of its proposals and for its outstanding technical presentation of new and far-reaching complexities. For example, the proposals on capital gains and losses provide for further hardship and complexity by completely segregating long-term and short-term transactions, so that losses on one cannot be offset by gains on the other, and by month-by-month percentages and an optional method of figuring the tax that make it even more objectionable than at present.

Credit must also be given the committee for recognizing some of the evils of the undistributed-profits tax and for relieving some corporations from payment. That is not enough. All corporations, regardless of size or amount of income, should be treated alike. The tax should be repealed outright. Remember, this is the tax that the experts of the Treasury prophesied would prevent depressions. It has encouraged the present business decline.

The committee, however, not only retains the undistributed profits tax principle, but actually proposes a penalty tax of 20 percent on undistributed profits of closely held or family-owned corporations. While the chairman alleges the purpose of providing relief, yet in this case he proposes additional taxes. Elsewhere, he suggests aid to small business, yet in this case he arbitrarily selects corporations with an income of $75,000 on which this new tax would be imposed. This new tax is in addition to the normal tax which has already been paid by the corporation. No satisfactory explanation has yet been offered by the committee why one of the most useful and important groups of business enterprises in this country should be discriminated against in this manner. Get after, by all means, a few culprits who abuse their privileges under the guise of closely held corporations, but do not spread out a huge umbrella and cover and visit upon the innocent, decent, family corporation unprecedented and prohibitive tax punishment.

No real consideration of the effects or consequences of revenue measures now in force is reflected by this bill. No recognition is made of the fact that individual savings and business savings are the two things that sustain business life. No consideration is given to the fact that investment is the sole means of increasing employment and every thinking person must be concerned about the employment situation in our land today. Throughout the bill the technical point of view of a tax authority appears to have controlled. The undistributed-profits tax, generally, and the high capital-gains tax, specifically, spell greater unemployment. They have cost millions of jobs. These taxes militate against investments. The plotted curve of investments parallels the curve of rise and fall of jobs.

What we need in this country right now is the spirit of enterprise. We must put men to work and restore the weak-

ened morale of the Nation. We need courage to face the facts and confidence to assume normal legitimate business risks. There has been too much uncertainty, suspicion, and fear. Unfortunately, this new tax bill offers little to allay this condition.

This bill lays greater emphasis on the amount of money that must be raised than on the means that should be employed for that purpose. We are all agreed that the Government must raise money to operate, but the way to raise this money in large quantities is to incorporate in our taxing system the policies which will increase our national income. Reasonable, fair, and equitable tax rates will not only increase our national income but will also provide the necessary revenue requirements for Government operations. This Congress should not let such an opportunity slip through its fingers.

Despite all my objections, however, I still think that the committee did a good job. Their task was herculean, the complexities enormous. In due course I intend to offer an amendment to strike out in its entirety the undistributed-profits tax. Other amendments will be offered to modify the tax on capital gains and losses. I shall support the McCormack amendment concerning family-held corporations.

Mr. COOPER. Mr. Chairman, I yield 30 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, the report of the Committee on Ways and Means on page 1 reads as follows:

> The subcommittee considered the whole field of internal-revenue taxation in the hope of recommending such changes therein as would improve the equity and certainty of existing law, remove hardships, and encourage business activity.

During the course of my remarks, insofar as my remarks relate to title I–B, I hope the Members will keep in mind the avowed purpose of the Committee on Ways and Means and of the subcommittee thereof in the consideration of this bill and in the reporting of a bill to the House, to make changes that "would improve the equity and certainty of existing law."

The three important features of this bill are the 20–16 plan, the capital gains and losses recommendations, and the recommendation with reference to the small- and medium-sized corporations, because that is what the so-called closely held or family held corporations are, after all.

The subcommittee and the full committee in my opinion have done a very excellent piece of work, with the exception of the recommendations on title I–B. The recommendations with reference to the capital gains and losses constitute a substantial contribution and represent an equally substantial progress over existing law. I recognize there are some who would like to go further. I feel the impulse myself, because I believe lower rates might bring in more revenue, bringing about the incentive to engage in that sphere of activity which includes capital gains within the meaning of our revenue laws. I recognize there is a sound philosophy behind that, involving the speeding up of business and the bringing of happiness and joy through employment to others. Also, with the incentive to invest bringing about more employment, the Treasury will receive more tax dollars.

There is evidence which definitely supports those who are of that school of thought. I have before me figures given by the Treasury Department which show that in 1926, when the 12½-percent rate was in effect, the Treasury received from capital gains and losses $225,485,000. The same year the Treasury received from individual income taxes $506,986,000. In 1935 the Treasury received from individual taxpayers $572,182,000, or $66,000,000 more than in 1926. With the higher rates on capital gains and losses the Treasury received $85,257,000 in 1935; in 1934, $17,197,000; and in 1933, $16,167,000.

However, the report of the committee constitutes progress. The committee worked hard and under circumstances where it could not reduce taxes. It is the easiest thing in the world to draft a tax bill if we can reduce taxes two, three, or four hundred million dollars, or even one hundred million dollars, but when you have to draft a tax bill and try to remove such inequities as you can and at the same time raise the same amount of revenue it is estimated would be raised if the existing law were continued, a different proposition is presented, particularly to a member of the committee, whether on the Democratic or Republican side, who has a consciousness of responsibility and wants to assume that obligation and duty. It is a difficult task.

I sympathize with those who feel the capital gains and losses provision does not go far enough, and not for the purpose of letting somebody evade the payment of taxes but in order to speed up business. In the light of the circumstances which confronted the committee, that it had to raise substantially the same amount of tax dollars, no matter what changes were made, I submit that those who feel the committee has not gone far enough on the capital gains and losses recommendations support the present provision. It is a substantial contribution and is decidedly a step in the right direction.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield briefly.

Mr. CELLER. I shall support with the gentleman the committee's recommendation, but if the 1921 rate yielded more, why is it we do not go back to the 1921 rate?

Mr. McCORMACK. I believe the gentleman's question answers itself. It is a question of opinion. You have reports from the Treasury Department that the present business activity will not bring in the same amount of tax dollars, and you cannot ignore that evidence. Furthermore, this committee has made substantial recommendations, which are incorporated in the bill, with reference to a carry-over which does not exist now and with reference to other considerations that will be of advantage to the taxpayers. The important thing, however, is that it is an important step in the right direction.

The committee worked hard. I want it distinctly understood that anything I say is purely impersonal. It will represent my individual state of mind. I am proud of the work of the committee. I am sorry the committee has seen fit to incorporate in this bill a principle of taxation to which I cannot subscribe and which I believe to be absolutely unsound, unfair, and discriminatory—a principle of taxation which is not for the best interests of business or the Government. I refer to the so-called title I–B, to which I shall refer in greater detail shortly.

I will comment now on the so-called 20–16 plan. The present undistributed-surplus tax is burdensome. Prevailing opinion is unanimous in that respect. As the bill came out of the Committee on Ways and Means 2 years ago and passed the House, the undistributed-surplus tax was the normal tax. Whether or not it would have worked efficiently or satisfactorily is something I cannot say. Many things are correct in theory that do not just seem to work out the way we want them or expect them to when they are put into practical operation. The undistributed-surplus tax has not received a fair test under the present law.

When the bill went over to the Senate, that body put back into the bill the normal rates and then made the undistributed-surplus tax a surtax. This is the main reason, in my opinion, why so many hardships and so many burdensome conditions exist under the present law.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I am pleased to yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. The bill that passed the Senate not only put back the normal rates but increased the rates 3 percent from those then existing. The rates that came to conference ranged from 15 to 18 percent.

Mr. McCORMACK. Exactly. Furthermore, in the bill as it was reported out of the committee and as it passed the House we repealed the excess-profits tax and the capital-stock tax. We made one tax on corporations. That was the effect of the bill as it came out of the Committee on Ways and Means 2 years ago and as it passed the House.

When it came back from the Senate, the capital-stock tax, which raises from $165,000,000 to $170,000,000, and the

excess-profits tax, which is related thereto and are inseparable in our tax scheme, were put back into the bill.

Of course, when there is disagreement between the two branches and a bill goes to conference, there has to be some compromise in order to get a bill, and the result of the conference is the present law, and the results of that have caused burdens and hardships. The amusing thing to me is to hear some distinguished Member of the other branch come out with a statement in the press or make a statement off the floor undertaking to criticize the present law, when the burdensome features of the bill were not inserted in the House but in another body.

I am not going into detail with respect to the so-called "20–16 plan" because the distinguished gentleman from Kentucky [Mr. FRED M. VINSON] has ably covered that. However, I am going to talk on the 20–16 plan to my Republican colleagues in order to appeal to their sense of fairness and endeavor to show them why, with due regard to the welfare of the country and the business of the country, they should support the 20–16 plan; and if any motion to recommit is made, that it should be confined to title I–B, and not confuse a principle of taxation which I think is wrong and unsound and unwise and unnecessary with any other proposition, so that you cannot have a full vote with respect to title I–B when a motion to recommit is made, which will come from the minority side, because under the rules a member of the minority party opposed to the bill must be recognized. So far as I am concerned, I am for the bill with the exception of title I–B; and if title I–B is not stricken out, I am voting for the passage of the bill because the other parts of the bill are absolutely essential, and the other changes recommended by the committee are of such import that despite my opposition to title I–B they overshadow such opposition. If title I–B is retained in the bill, although I hope it is not, then there will be many Democrats situated like myself who cannot vote for recommittal if title I–B is linked up with any other proposition.

Now, what does the 20–16 plan do? For all practical purposes, the 20–16 plan is a return to the normal tax. It is a 4-percent differential, but for all practical purposes it is a return to the normal tax. If a corporation declares 50-percent dividends, it pays an effective rate of 18 percent; if it declares 10-percent dividends it pays an effective rate of 19.6 percent; and if it declares 100-percent dividends it pays an effective rate, which is a minimum rate, of 16 percent. For all practical purposes the 20–16 plan is a return to the normal tax. It is a retention, to as limited an extent as is possible, of the theory of the undistributed surplus.

In this connection let me call the attention of my Republican colleagues to another matter. I wish my colleague the gentleman from Massachusetts [Mr. TREADWAY] were here, because I am going to refer, impersonally, to the fact that several years ago the gentleman from Massachusetts [Mr. TREADWAY], when the Republican Party was in the majority, considered substantially the same thing as a member of the Joint Committee on Taxation as the 20–16 plan.

I have before me the report of the Joint Committee on Internal Revenue Taxation for the year 1928. The members of that committee on the part of the Senate were Reed Smoot, James E. Watson, David A. Reed, Furnifold McL. Simmons, and A. A. Jones; and on the part of the House, William R. Green, Willis C. Hawley, Allen T. Treadway, John N. Garner, and James W. Collier.

On pages 55 and 56 of this report is discussed what was then section 202, and is now section 102.

However, earlier in the report, at page 11, it is said:

> Allow the corporation a deduction in computing net income equal to, say, 20 percent of the excess of dividends paid over dividends received, the deduction in no case to be more than, say, 25 percent of the corporation's taxable net income before such deduction. In the computation no account should be taken of stock dividends.

Over on page 55, connecting up with that question which was being considered, the joint committee said under the heading of "Partial Deductions for Corporations on Account of Cash Dividends":

> The third method, and the one which is recommended, is to allow the corporation a deduction in computing net income equal to, say, 20 percent of the net excess of dividends paid over dividends received, the deduction in no case to be more than, say, 25 percent of the corporation's taxable net income before such deduction. In this computation no account should be taken of stock dividends. This method appears to be of such a nature that it can readily be applied to the present structure of our revenue act.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. In a moment. On page 56 this comment appears, and this is an interpretation of what they recommended, or which they considered recommending. It shows that they had it under consideration—this joint committee, then under control of the Republican Party, members of that party being in the majority. Interpreting that recommendation that they had under consideration this language appears, and this is from the committee:

> While to a considerable extent of the same nature as a tax on undistributed profits—

They admit it was the same as a tax on undistributed profits—

> this method is unlikely to cause unwise distributions from a business standpoint if a reasonable rate of reduction on account of the dividends is provided for.

And 4 percent of the 20–16 plan is a reasonable rate. It will not bring about unwise declared dividends. I now yield to the gentleman from New York.

Mr. REED of New York. I realize the gentleman is a wonderful pleader and is making a great speech before the House, but, just to keep the record straight, and because I realize the desperate plight the gentleman is in——

Mr. McCORMACK. Is the gentleman going to make comments upon my speech, or is he going to ask a question?

Mr. REED of New York. I am going to call attention to the words to be found on page 2 of this same volume in the letter of transmittal signed by William R. Green. I read:

> Volume I is a report prepared by the staff of the joint committee and concurred in by the advisory committee. The joint committee approves in principle the recommendations in volume I, except those relating to section 220, which it neither approves nor disapproves.

Mr. McCORMACK. Oh, I am aware of that.

Mr. REED of New York. Just to keep the record straight.

Mr. McCORMACK. I know the gentleman is correct. I was aware of that fact, and I was about to come to that. I was conversant with the fact that that was the status, and I was about to make that statement. What the gentleman said is true, but the fact remains that that matter was under consideration by the joint committee, of which a majority on the part of the House and the Senate were members of the Republican Party, and it shows that they were then giving serious consideration to the very thing that is contained in the 20–16 plan.

Mr. REED of New York. Is it not a fact that that Commission found and refused to recommend the very thing that the gentleman speaks of?

Mr. McCORMACK. They did not. They neither approved nor disapproved, and that is different from refusing to recommend. I said they gave serious consideration to it.

Mr. REED of New York. Certainly they did.

Mr. McCORMACK. But they did not reject it.

Mr. REED of New York. They did not adopt it.

Mr. McCORMACK. That is different from rejecting it. They neither approved nor disapproved. I will let any gentleman draw his own inference as to what that action constitutes. In other words, they left it open for further consideration.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. FRED M. VINSON. I think it would be interesting to know who composed the advisory committee that cooperated

very closely with the joint committee, and also with the joint committee, who concurred in the report, including the proposal in controversy. The advisory committee was composed of Dr. T. S. Adams, Mr. A. A. Ballentine, the same gentleman who was later Under Secretary of the Treasury under a former administration, Mr. George E. Holmes, Mr. George O. May, and Dr. Thomas Walker Page. They concurred in the report and the recommendations of the joint committee.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I will be glad to.

Mr. JENKINS of Ohio. Is not this the outstanding fact, that the greatest Democrat who operates in this Capitol today, no other than Mr. Jack Garner, opposed the very thing that the gentleman is in favor of today?

Mr. FRED M. VINSON. I understand from a gentleman who was mighty close in on that joint committee work, and happens to be sitting here, says that the idea suggested by the gentleman from Ohio [Mr. JENKINS] is in error.

Mr. JENKINS of Ohio. It cannot be, because the gentleman's name is signed to the report.

Mr. FRED M. VINSON. But he said he neither approved nor disapproved, and I think I heard my friend from Ohio a few moments ago use the words, "did neither approve or disapprove." Dr. Thomas S. Adams was one of the foremost tax men of his day. He was one of the men leading the way. And, of course, the gentleman knows Mr. Ballentine, of New York. They concurred in the proposal.

Mr. McCORMACK. In any event it is interesting to note, I am sure, to those who were not aware of that fact that back in 1928 substantially the same proposition as that contained in the "20–16 plan" was given serious consideration by the joint committee, the majority of whom were Republicans. It shows it was considered. Certainly it is a powerful piece of evidence that the action of the Democratic members of the Ways and Means Committee in recommending the passage of the "20–16 plan" is a sound proposition and in the right direction. It is certainly much preferable to the existing law.

Not a businessman appeared before the committee in opposition to the "20–16 plan." Some said they would like to get back to the normal rates; but everyone testified that he wanted the principle and the policy contained in the so-called "20–16 plan" in preference to the existing law.

Mr. EATON rose.

Mr. McCORMACK. I always yield to my friend, whom I so profoundly respect.

Mr. EATON. I was unfortunate enough to miss the first part of this magnificent address. I always enjoy the amazing eloquence of the gentleman. I was just worried because I could not make out, the gentleman having written a minority report against this bill——

Mr. McCORMACK. Has the gentleman read the separate views filed by the gentleman from Massachusetts?

Mr. EATON. I intend to take a year off to read the whole thing.

Mr. McCORMACK. The gentleman by that statement shows me enough. I commend to him the reading of the separate views of myself and our colleague from Ohio [Mr. LAMNECK] on title I–B.

Mr. EATON. I would like to ask a question.

Mr. McCORMACK. I want the gentleman to make his inquiry, as I always know it is a pertinent one.

Mr. EATON. What I want to ask the gentleman is this: Has this great majority come to the pitiable condition that they have got to bring a tax bill in here and support it by referring to a Scotch verdict that was furnished by the Republican committee in prehistoric times? [Laughter.]

Mr. McCORMACK. The gentleman does not consider that those who were on the joint committee are prehistoric individuals, does he? [Laughter.] When the gentleman refers to a report made in prehistoric times it follows as a reasonable inference that those who brought it back must have been prehistoric individuals.

Mr. EATON. I refer to the fact that it was brought in before the kingdom of God was ushered in, in 1932. [Laughter.]

Mr. FRED M. VINSON. The gentleman means it was antedeluvian in the sense that it came before the flood of 1929. [Applause.]

Mr. McCORMACK. My friend from New Jersey referred to the fact that I filed a dissenting statement to title I–B. So far as I–B is concerned, it is in the nature of a dissenting statement. The gentleman's interpretation, confined to title I–B, is a reasonable and proper one; but it is not a dissent to the bill.

The gentleman, however, anticipated what I was just about to say. I wanted the Members to know my position with reference to the other parts of the bill, to give them my opinion for whatever value it may have, and then to discuss title I–B.

Title I–B, as has been stated, is designed to prevent tax avoidance. Yesterday on this floor the distinguished chairman of the Ways and Means Committee admitted that the great majority of these corporations did not engage in any tax avoidance. Why legislate when we have evidence of that character? Why should we penalize any type of corporations unless the evidence is substantial that it is necessary in the interest of the revenues of our country? Two years ago we legislated against personal holding companies, but the evidence in that instance showed that 9 our of 10 of them were availed of for the purpose of avoiding the payment of taxes. Somebody would incorporate his yacht; somebody would incorporate his farm; somebody would incorporate something else for the purpose of charging expenses and to reduce the amount of his individual income tax. That situation, therefore, is entirely different than the situation that confronts the House today. Today we are concerned with operating companies; we are concerned with the company that is employing men; we are concerned with the company that is producing raw material or manufacturing it into its finished forms, or the corporation that is selling to the consumer. We are concerned with 75 percent of the newspapers of America; of necessity, they are family owned and family controlled or closely held. We are concerned with 60 percent of the textiles in America. We are concerned with the little fellow. There is nothing big about these corporations.

I repeat, there is nothing big about these corporations. They started out small.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. McCORMACK. Mr. Chairman, we are concerned with the small fellow, the men who started in a small way and plowed back their earnings; the men who expanded their business and gave employment to others. These men located their business in a community, and are a part of the community, and in most cases the community grew up around his or their business. He or they plowed back earnings and expanded. Oh, that is the terrible tax dodger. What a criminal he has been in the service rendered to his fellow man and to his country.

We are concerned with the independent business of America. We are not concerned with the monopolists. This tax will bring about results which will flow in the direction of monopoly. This is not for the best interests of America in our fight against monopolies. With reference to that may I call attention to a speech recently made by Hon. Robert H. Jackson, who is leading the fight against the monopolies of America. Under date of January 15 there is the following news article about Mr. Jackson:

Mr. Jackson, who was active in the administration's antimonopoly drive, described the holding company today as parasitic, absentee concentration of ownership and management, and the greatest threat to sound business.

Remember, we are not concerned with holding companies. These are operating companies we are dealing with. Keep that thought in mind.

Mr. Jackson further is quoted as saying:

Size of an industry—size that justifies itself by efficiency and economy—was not what he feared, but vast financial bureaucracies which tried to get control of local industries.

These are local industries we are taxing by title I–B, and every one of you gentlemen know it. It hits the little fellow in your towns and in your districts, the little man who is struggling today, the man who is plowing back his earnings, the man who has plowed back his earnings. He may not be affected by the sugar coating that is put on, but he plows back his earnings and some day he is going to be affected. His growth is going to be retarded.

Continuing this article in reference to Mr. Jackson, and he is a pretty good authority on this particular subject, states:

To illustrate his point he drew on the growth of the Eastman Kodak Co., of this city, saying "there is no better illustration of the kind of business which this Nation ought to foster than the kind of business you have fostered here.

"Have you ever stopped to think how much it has meant to Rochester that George Eastman was interested in building an industry instead of in promotion or stock jobbing?" he went on. "Do you realize what it means that the man who controlled that enterprise lived right here in Rochester, knew as human beings the men who helped manage his company, and shared with his neighbors the desire for better social conditions here?

"Suppose George Eastman had sold control of this company to a group of speculators who would have put it through the usual financial operation. You would have today a crippled, overcapitalized kodak company managed locally by a factory superintendent who would be under the control of a national or perhaps even an international financial group located in some bigger city.

"The management would then have no interest in your community, no close knowledge of local labor conditions or conditions in other local industries. And if they found it to their labor advantage they would move their plant to some other city. If they found it to their financial advantage they would milk or water the company as fast as possible.

CITY'S RECORD HELD SUPERIOR

"It is the pride of Rochester that it has been better able than most cities to develop its owners and its industries together—both local products—and to keep its industries away from absentee financial interests.

"We do not fear because such industry grows large enough to get the benefits of mass production. We do not fear size that justifies itself by efficiency and economy. Men like George Eastman were creators, willing to live and let live.

"But the vast financial bureaucracies which try to get financial control of these local industries are not creators. In the main they are parasites. They do not strive for industrial success based on efficiency. They strive for financial bigness, even if they have to base it on wind and water. It is this financial concentration that the American people fear and distrust.

"My conclusion, based on observations long before I entered public office, is that the greatest threat to the enterprise and sound business of a city such as you or I live in is the threat of the speculating financiers, who grab these locally developed industries for exploitation.

"They invest a little of their own money to control a lot of other people's money. They smother local responsibility and managerial talent with absentee landlordism. They have no sense of trusteeship toward investors or of responsibility toward labor or local management or other local enterprise. They neither know nor regard the sentiments or neighborly interests of the locality.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I will yield the gentleman 5 additional minutes if he will permit me to make an observation.

Mr. McCORMACK. Certainly.

Mr. TREADWAY. I understood while I was getting a sandwich the gentleman referred to a report issued by the staff of the joint committee and designated as such and that the gentleman accused me of having agreed to it. That was a report of the staff, not of the Joint Committee on Taxation. With that correction of the gentleman's statement, I yield him 5 additional minutes.

Mr. McCORMACK. If the gentleman had been here he would have heard my observation. The gentleman from New York [Mr. REED] did not anticipate what I was going to say, that the committee neither approved nor disapproved it. I argued that showed the matter was under consideration at the time.

Mr. MICHENER. Just along where the gentleman ceased his quotation from the news article, may I call his attention to the fact that had Mr. Jackson been speaking in Detroit, everything he said of Eastman applies equally to Henry Ford.

Mr. McCORMACK. What he stated applies to thousands of corporations in this country. I am not concerned with an individual corporation. I am concerned with all corporations of this type. We have a situation here in which this type of corporation is being penalized simply upon the assumption they could avail themselves of the opportunity of avoiding the payment of surtaxes. There is no evidence they have been doing so. On the contrary, there is evidence completely to the opposite effect, that they have not availed themselves of the opportunity of avoiding the payment of surtaxes; that they are not tax avoiders.

May I give an illustration of what this means to the particular type of business to which I have referred. Let us take a closely held corporation with a $200,000 net income. Let us take a generally held corporation. Here is one owned by only 11 persons. Remember this is 10 persons or less involved in the main. One person may own 50 percent of the value, and in that 50 percent may be your father, sister, or daughter, or other relative and their ownership. You might only own 10 percent, and they might own the balance. That is one person within the meaning of this recommendation. It covers two persons owning 53 percent. One person might own 20 percent and the other 33 percent, yet that corporation comes within the provisions of this law, although there might be a hundred or a thousand other stockholders of that corporation.

Let us take a corporation with a $200,000 I–B net income closely held and one not closely held. Suppose both corporations cannot declare a dividend. The closely held corporation pays the same tax as the other corporation. The other corporation declaring no dividends with the same income will pay a normal tax of $40,000, which is the end of the tax. The other corporation, the closely held corporation, would pay an additional tax of $20,000, making a total of $60,000. Suppose these two corporations were in competition. Assume they are in the drygoods business or any other business, and they were in competition with each other. Will you accept the argument that the extra $20,000 does not operate in favor of the competitor? Who can honestly argue that the extra and punitive tax does not result in discrimination? How long can the closely or family owned corporation continue under such conditions? What right have we by law to give, and arbitrarily so, one group of corporations a competitive advantage over another group? Remember, in considering this question we are not dealing with tax avoiders, as the committee admits that the great majority of these corporations do not attempt or are engaged in tax avoidance. The Treasury Department will also admit the same thing. Then why this result which will be unfair and discriminatory?

Take a 10-percent distribution. Both corporations would pay $39,200 normal tax, and then the closely held corporation would pay $16,160 in addition. Twenty percent: They would both pay $38,400, and the closely held corporation would pay $12,320 more. Forty percent: They would both pay $36,800, and the closely held corporation would pay $4,460 more. Fifty percent: They would both pay $36,000, and the closely held corporation would pay $800 more.

Take two corporations, each with a $500,000 net income, one a closely held and the other a generally held corporation. With no distribution they would both pay $100,000, and then the closely held corporation would pay $56,000 more.

I include herein a table that I have had prepared for me showing what a title I–B corporation will pay in taxes, and what a corporation not covered by title I–B will pay. The distribution of dividends in both cases run from no declaration of dividends up to 50 percent. I have also included a point where declaration of dividends by a closely held cor-

poration will constitute the vanishing point where the punitive tax will not apply. Table A shows the normal tax, under the "20–16 plan," that both corporations will pay; table B shows the additional tax imposed on a title I–B corporation and table C shows the total tax of such a corporation. To visualize in one's mind the effect of this proposed tax, table C should be compared with table A.

Title I–B tax burden

(1) ON A CORPORATION WITH A NET INCOME OF $200,000

Percent of net income distributed	Tax under general rule (A)	Title I–B tax burden (B)	Total tax (C)
0	$40,000	$20,000	$60,000
10	39,200	16,160	55,360
20	38,400	12,320	50,720
30	37,600	8,480	46,080
40	36,800	4,640	41,440
50	36,000	800	36,800
52.2	35,824	0	35,824

(2) ON A CORPORATION WITH A NET INCOME OF $250,000

0	$50,000	$28,000	$78,000
10	49,000	23,140	72,140
20	48,000	18,280	66,280
30	47,000	13,420	60,420
40	46,000	8,560	54,560
50	45,000	3,700	48,700
57.6	44,240	6	44,246

(3) ON A CORPORATION WITH A NET INCOME OF $300,000

0	$60,000	$33,600	$93,600
10	58,800	27,768	86,568
20	57,600	21,936	79,536
30	56,400	16,104	72,504
40	55,200	10,272	65,472
50	54,000	4,440	58,440
57.6	53,088	8	53,096

(4) ON A CORPORATION WITH A NET INCOME OF $500,000

0	$100,000	$56,000	$156,000
10	98,000	46,280	144,280
20	96,000	36,560	132,560
30	94,000	26,840	120,840
40	92,000	17,120	109,120
50	90,000	7,400	97,400
57.6	88,480	12	88,492

What is the history of title I–B? I never heard it mentioned in its present form or in any form until a few days before the subcommittee reported to the full committee. It is my distinct impression that it was the intention to approach the solution of this matter from the angle of section 102 of the existing law. This is a natural and proper approach. Section 102 aims to tax the guilty corporation who is withholding earnings for the purpose of avoiding payment of surtaxes by the individual stockholders. It does not, like this proposal, hit the innocent to get at the guilty. Title I–B proceeds upon the theory that we are justified in punishing nine innocent corporations affected by this provision to get at one guilty corporation. I cannot subscribe to that policy or doctrine. I have never heard of that before. This is the first time in my practically 8 years of service on the Ways and Means Committee that I ever heard this question even remotely considered from this angle. It was always discussed from the angle of section 102. This type of corporation is attacked because it is said or felt that this type could be availed of for tax-avoidance purposes. What evidence have we that they have been? Are we going to impose punitive taxes upon assumption? Is that fair? Is that a proper exercise of the taxing power?

The Treasury Department says that it will take some time to prepare an amendment to section 102, probably a few months. That is the information that I have received. Assuming that is correct, are we justified because of a little delay in writing into our tax laws a destructive proposal as this, harmful and destructive in its results?

In a recent radio address a distinguished public official of the Federal Government, an elected representative of his State, said:

> I refuse to believe that American ingenuity or its legal talent is at so low an ebb that section 102 cannot be so redrawn as to make it work properly and cover completely the abuse of improperly accumulated earnings. It is not necessary or sound public policy to tax thrift in business in order to reach malefactors.

In connection with this section, I also want to call attention to the fact that the section has never been employed other than as a deterrent. While interest in it so far as administering it is concerned has been evidenced in recent years, yet it is correct to state that the Department has never undertaken to see how far they could enforce it, to test it out in the courts to have it judicially interpreted. It has been a deterrent to the retention of earnings beyond reasonable needs—a lever to force payment of dividends, and with success. However, that section has real teeth in it, if it is enforced by the Department.

I also want to call attention to the fact that the case of Helvering against National Grocery Stores is at present pending in the Supreme Court and will be argued soon and decided. That case will have a very important bearing on section 102. We should wait until we see what the Supreme Court does on this case. We will then have a clear or better understanding of the meaning of section 102.

Under section 102 and preceding provisions of law relating to the same subject there are 17 reported decisions involving this section and its provisions. In 10 of these cases the Government prevailed. In 7 the taxpayer prevailed. In only 2 cases, so far as I can ascertain, was the testimony of future expansion of business given thought. We see from this that the Government has won most of its cases involving this law.

Argument has been made on what title I–B will bring in as revenue. So far as I know, I have never received an official statement as to what revenue it will produce. I was informed unofficially that it would produce from $30,000,000 to $50,000,000, this information coming to me from Dr. Magill. I have never seen any figures to substantiate this estimate. However, accepting it at its full value, this statement shows that this proposal is not a revenue-raising one. And yet, at the same time, we must bear in mind the terrible results that will flow to the meritorious type of corporations that will be affected thereby.

The argument has been advanced that only a few corporations—from 300 to 600—come under title I–B. I have never seen any figures that support that statement. The dividend policy of 1936 is used as a basis, in part, for this assertion. It must be remembered that the present undistributed-surplus tax was in operation in 1936 and that dividends were forced out. A more normal year would have been the dividends policies of these corporations when a normal rate only was in existence. However, it is a fact that all small closely held corporations are potentially affected by this proposal. All such corporations are hoping to expand. If and when they do, and when they reach the $75,000-income mark, if the present law is not changed by lowering the exemptions, they will come within its meaning and be affected thereby.

It must be borne in mind that this type of corporation exists everywhere throughout the United States. It is the type of corporation that has contributed greatly to the progress of our Nation. This type of corporation has played an important part in the life of the community in which it is located. Such corporations must finance themselves; they must expand out of earnings. Their problems are entirely different from those of a large competing company financed by the sale of stock or bonds to the public. Of necessity, they must retain a larger part of earnings than the other type of corporations. It is not fair to apply to these corporations the test that might reasonably be applied to other corporations, and it cannot be done without untold harm and injury, and that is not confined to the corporation itself.

The argument is advanced that the exemption is $75,000 or 30 percent of earnings, whichever is the greater. It must be

borne in mind that it was only after great reluctance that the specific exemption was increased from $40,000—$50,000, including payment of taxes—to $60,000—$75,000 indirectly. That amount can easily be reduced in the future. The same thing applies to the 30-percent exemption. In connection with this I also want to call attention to the fact that it is not a 30-percent exemption of title I–B net earnings. In fact, it amounts to only a 26-percent exemption on such income. That is arrived at by the fact that from the title I–B net income must first be deducted the normal taxes paid, and the 30 percent applies to the remainder and not the title I–B net income itself.

Argument has been made that this type of corporation, if it retains full earnings, will pay only 11.2 percent more taxes than a competing operating company that is not subject to title I–B. In other words, a generally held corporation retaining all earnings will pay 20 percent, and this type of a corporation will pay 31.2 percent. Yes; but what a difference. That difference, so far as taxes are concerned, represents an increase of over 50 percent in the tax dollars paid by this type of a corporation.

I also call attention to the fact that while the theory upon which this proposal is based is that such corporations might be availed of for the purpose of avoiding payment of surtaxes in the hands of stockholders and have imposed upon them an additional burdensome tax, that such corporations are still under section 102. Such type of corporations is subject to the normal tax, title I–B tax, and also to section 102 tax.

It is also rather a coincidence, but an interesting one, that while this bill was being considered in committee that the Congress passed a bill to stimulate the building of homes. In that bill the creation of corporations under certain conditions were provided for. If such a corporation is a closely held or a family corporation, it is interesting to note that they will not be subject to title I–B. The Congress provided for that, wisely so, but it is interesting to note this exception and, on the other hand, the imposition of this additional punitive tax on other meritorious corporations of the same class.

The power of taxation, except in very rare cases, where the public interest and public health require it, should be used only for revenue. Under no conditions should it be exercised in a discriminatory manner to persons or corporations who are law abiding, who are not tax avoiders or tax evaders, in the application of a tax where fraud is not involved. It is admitted that the corporations affected are not tax avoiders. To tax nine innocent to get at one guilty is wrong.

In conclusion, this tax is inequitable, it is unfair, it is discriminatory, and it is unnecessary. Title I–B should be eliminated from the bill. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, I have been must interested this afternoon in some of the observations that have been made here by my good friends and colleagues on both sides of the House. Before I start a formal discussion of some of the provisions of the bill, I ask the attention of the Members on the left side of the aisle, who I know have the highest regard for and have often quoted the economic conclusions of Col. Leonard P. Ayres, to listen to one of his most recent pronouncements on what he terms "This Business Relapse." We have been told that the tax on undistributed profits has been one of the causes if not the chief cause of what is called the business recession. In a recent issue of the Atlantic Monthly Colonel Ayres, whose economic views are certainly respected if not agreed to by the entire country, states:

> This business slump is not a new depression, for we have never completed in this country the recovery from the great depression that began in 1929.

He states further, after giving some explanation of what various economists believe may have caused the recession—

> Probably the explanation having the widest support among economists is that our present difficulties are the direct results of attempts made by the administration to institute a balanced Budget.

I commend this explanation to the gentleman from Pennsylvania [Mr. RICH] and the gentleman from New York [Mr WADSWORTH], who was talking this afternoon about expenditures. I do sympathize with these gentlemen because I realize that the Ways and Means Committee is only called in after the legislative and appropriating committees which these gentlemen serve on have had their fun directing what clothes Uncle Sam shall wear. Then our committee must find the cloth to fit the pattern.

The Subcommittee on Internal Revenue, on which I serve, has been engaged in the consideration of the revision of the internal revenue structure since November last. The full committee considered our report and now presents to you what it believes to be a complete and comprehensive bill, revising and equalizing those taxes. Apparently the committee's conclusions have met with the support and approval of the majority of the Members of the House, for so far we have had discussion on only two of its recommendations during the entire day and a half of debate which has already occurred in the House; namely, on the undistributed-profits tax and on title I–B, the tax on closely held corporations.

Lest there be no other record made of the numerous relief provisions for taxpayers contained in the present bill, may I call your attention very briefly to a few of them. Little has been said about the revision of the capital-gains provisions of the Federal law, I presume because practically every witness who appeared before the committee admitted that it had proposed to improve the law as to taxation on these gains. So far as I know, nothing has been said about the action of the committee in repealing excise taxes which take from the pocketbooks of individuals $28,000,000 a year.

It is the hope of many of us that eventually we shall be able to repeal all of these special excise taxes, which, for my part, I am frank to say, are unscientifically levied, and are continued only because of the necessity of producing revenue for the support of Government expenditures that the people themselves demand. In this bill we propose to terminate the excise taxes, sometimes called nuisance taxes, which have either a low-revenue yield and are administratively troublesome, cause serious inequities, or are imposed upon necessities. These taxes affect the pocketbook of the individual, and their repeal will bring him direct relief.

I mention these changes in the law merely to show that the concern of this bill is not with corporations alone, but with the individual who, after all, is the one on whom the tax falls whether he owns a share of stock in a corporation or not. I regret to say that I cannot feel any greater concern for a corporation, as far as tax liability is concerned, than I feel for the individual or the man who is a participant in a partnership or who runs his own business.

I listened with considerable delight to the excellent presentation of the views of the gentleman from Massachusetts [Mr. MCCORMACK]. I am unable to agree with him, as are the majority members of the committee, that the tax on closely held corporations is in any way punitive or is in any way a departure from the precedents the House has established. I know it is easy for anyone to stand before you and proclaim that he is in sympathy with the little fellow, meaning, I suppose, the corporation of small income or small capital. Do you realize that the report of the subcommittee that was adopted by the full committee and presented to you in the form of the bill you are considering today relieves 199,400 corporations from any tax at all under title I–B? Do you realize that according to the statistics which have been presented to us there will be not more than 300 to 600 corporations of any size that will come within the purview of title I–B? Do you further realize that in the previous

laws passed by Congress we have taken this same position with reference to those incorporated pocketbooks, the personal holding corporations?

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield for a question?

Mr. BUCK. I will yield briefly to the gentleman from Ohio.

Mr. JENKINS of Ohio. I understood the gentleman to say that under title I–B a large number of corporations had been relieved.

Mr. BUCK. I have not made that statement, but any corporation that comes within title I–B, even if it declares no dividends, will pay a lesser tax than it does under existing law.

Mr. JENKINS of Ohio. I understood the gentleman to make that statement. Does the gentleman wish to correct it?

Mr. BUCK. There is nothing to correct. I suggested that 199,400 corporations out of some 200,000 could not by any possibility come within title I–B.

Mr. JENKINS of Ohio. The gentleman is using that argument to indicate that certain corporations have been exempted from the operation of title I–B?

Mr. BUCK. Suppose the gentleman lets me finish my argument, and then I shall be glad to answer him.

Mr. JENKINS of Ohio. I just want to put the gentleman right. Title I–B does not relieve anybody. It is an additional burden on the people.

Mr. BUCK. Not on the people. Not on anyone if their business is conducted on a profit-sharing basis. Let me suggest this question to the gentleman for his consideration: Did the fact we put an additional tax burden on personal holding corporations prevent the gentleman from supporting that measure?

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Certainly.

Mr. FRED M. VINSON. Under existing law corporations that will pay an I–B tax will pay a higher tax if the existing law remains in effect. To that extent the I–B corporations will be relieved by the operation of this bill.

Mr. BUCK. Of course, that is obvious.

Mr. JENKINS of Ohio. What I have in mind, and we have got to agree on this because there cannot be any dispute about it, is that I–B involves a brand of taxation the like of which we have never had before.

Mr. FRED M. VINSON. We do not agree to that.

Mr. BUCK. No; I do not agree with that at all. Title I–B does not involve any new principle. We have already adopted it in connection with higher rates under I–A with respect to personal holding companies. The gentleman from North Carolina [Mr. DOUGHTON] yesterday put in the RECORD, and I do not believe it is necessary to repeat them, the figures which show accurately the saving any corporation which will pay a tax under title I–B will receive over the tax he would have to pay under the present law.

I now want to say a few words about the individual views submitted by two of my good friends, the gentleman from Massachusetts [Mr. MCCORMACK] and the gentleman from Ohio [Mr. LAMNECK]. In connection with their dissent with respect to title I–B they have claimed that closely held corporations are not organized for the purpose of tax avoidance. Closely held corporations not organized for the purpose of tax avoidance do not come within the provisions of title I–B. The only effect of title I–B is to set up a yardstick by which we can measure the liability for tax purposes of corporations that are not properly distributing their earnings as they accumulate to the profit of their shareholders who avoid taxation.

To my mind, it is inherent that the corporation that earns any money at all should pay to the Federal Government the same number of tax dollars that any other corporation, any partnership, or any individual engaged in business is required to pay. Discrimination? Not an iota. It is only equalization.

There is no evidence that employment will be increased by not enacting title I–B, or that it will be decreased by the enactment of this proposal, as suggested in the independent views. The type of corporation which title I–B reaches, the closely held corporations, are not those which have any effect, generally speaking, upon employment throughout the United States.

It has been suggested that instead of enacting title I–B we should strengthen section 102, which provides a penalty for corporations formed or availed of for the purpose of preventing the imposition of the surtax on shareholders by the accumulation of earnings or profits. The exports of our committee have been trying to strengthen that section for 20 years without avail. Let me cite a recent case in the Federal courts to show you why we feel it necessary to set up this particular yardstick.

Commissioner Helvering brought an action against the National Grocery Co., a New Jersey corporation. The case was decided in the Circuit Court of Appeals for the Third District on October 21, 1937.

This mercantile corporation had a surplus of more than $8,000,000 and its current earnings were $780,000 on January 31, 1931. This was the end of its taxable year. The only dividends it ever paid were $25,000 in 1917 and a dividend of a like amount in 1918. Its liabilities were less than $1,000,000, its accounts payable were never more than $400,000, and its inventories, on the other hand, never exceeded $3,200,000. There was just one stockholder. When he wanted money for his personal needs he borrowed it from the corporation and gave it a note, and he did not even pay interest on the note. He had borrowed a total of $610,000 from the corporation, including $140,000 in that particular year, and when the case came up the sole stockholder testified——

Mr. DISNEY. Mr. Chairman, will the gentleman yield there?

Mr. BUCK. Yes.

Mr. DISNEY. If he had had this amount of money that he had borrowed from the corporation declared out in dividends, he would have paid a surtax on that money.

Mr. BUCK. Of course, he would; yes.

Mr. DISNEY. So by borrowing the money in this way and leaving the dividends undeclared he avoided surtaxes.

Mr. BUCK. He had the use of the money the entire time and did not pay any tax on it at all; and not only that, he went further. He borrowed money and made a contribution to charity, which he then deducted that contribution from his normal tax.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. FRED M. VINSON. And he not only borrowed the money from the corporation but he borrowed it under a contract not to pay interest upon the major part of it.

Mr. BUCK. That is correct. I thought I had stated that he was paying no interest on the money.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. MASON. Would the gentleman tell us how many of these 300 to 600 corporations that will be affected by this tax would come in the same category as this special case we are hearing about now?

Mr. BUCK. This is not a special case; it is simply an example.

Mr. MASON. An example, then, we will say; how many of these 300 to 600 corporations that will be affected could possibly come within the extremely narrow limitation of that case?

Mr. BUCK. May I state that in the exercise of that discretion, the Ways and Means Committee did not deem it

advisable to ask for individual returns, and to hunt down people while enacting general legislation.

Mr. FRED M. VINSON. And is it not true that it would be hard for anyone to imagine a case like this National Grocery Co. case, unless it were presented to the Board of Tax Appeals and again to the courts. One could not conceive the cheek of this fellow in his effort to avoid payment of taxes.

Mr. BUCK. True. Let me finish this case. When the case came up for hearing the president and sole stockholder of the corporation testified to the effect that the accumulation of this $8,000,000 was made in good faith and innocent of any intent to defraud the United States of taxes, and he hoped some day to be able to continue to extend his chain of stores; and the court, relying upon that statement, practically without any corroborating evidence, held that section 102 did not apply and did not permit the United States Government to collect 1 cent of tax from him. Strengthen section 102? Do not you see the necessity of our trying to set up some kind of a standard such as we have offered in title I–B by which any corporation honestly managed for the benefit of its stockholders who in ordinary cases desire to receive profits will be able to conduct its business without loss in revenue to the Government.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. DISNEY. Answering the question of the gentleman from Illinois [Mr. MASON] as to how many of these 300 to 600 corporations would come under this category, does not the record of the hearings show that in comparatively recent years the Department has tried in the courts some 25 cases along this line?

Mr. BUCK. That is correct. Moreover, the record of the hearings shows that over a course of a great many years, only about $9,000,000 has ever been collected in revenue by the United States Government from the operation of section 102, while there is no doubt in the world that many times that amount has been lost to the Treasury by improper accumulation of surplus.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. MICHENER. I think the House would be almost unanimously in favor of the gentleman's proposition so far as the particular case to which he has referred is concerned, but I call the gentleman's attention to the fact that the Members of the House, as a rule, are conversant with conditions in their own districts, and if the Members of the House will but apply this matter to their own particular districts and then figure out how many examples there are——

Mr. BUCK. Oh, I did not yield to the gentleman to make a speech. I have only a limited amount of time.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. FRED M. VINSON. My good friend from Michigan [Mr. MICHENER] earlier mentioned the name of a distinguished American, Mr. Henry Ford. The name of Henry Ford was the only name mentioned in the subcommittee in regard to I–B taxes.

Somebody suggested that we were shooting at Henry Ford. We said no, we are not shooting at any particular person. We are interested in the principle involved. The next day the information came from the Treasury that under the 1936 Revenue Act, Mr. Ford has distributed 69.69 percent of his net income, and, consequently, with such percentage of distribution would not come under the provisions of the I–B tax. A distribution of 57.65 percent in dividends excludes any corporation from the operation of the I–B tax.

Mr. BUCK. Mr. Chairman, I shall have to decline to yield further until I finish my statement. It has been suggested the title I–B will cripple the little fellow. I think I have, perhaps, disposed of that by showing what we have done for the little fellow. But on top of what we have done elsewhere the fact is that we allow every corporation an exemption of $60,000, or 30 percent of the title I–B income, and that means after the payment of normal income taxes, against which allowances for depreciation, depletion, and obsolescence have already been made. I do not see what we can do to keep these corporations going.

It has been suggested that these are local or community organizations. Henry Ford may be a local organization, I do not doubt that he is, and so may this National Grocery Co., and so a furniture company somewhere else may be, but if these corporations pursue a normal-dividend policy, they will not be within title I–B. The gentleman from Kentucky told you yesterday that on the basis of figures that we have from the Treasury Department for the 10 years preceding 1936, the average dividend declaration of all corporations amounted to 79.6 percent of their annual income. But it is not necessary for them to distribute this amount. A declaration of 57.6 percent of the annual income takes them out. Dividend declarations expended by the shareholders promote local prosperity. If on the other hand, there is no distribution of earnings put into circulation in the local communities of what value is the corporation to that community?

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. BUCK. Mr. Chairman, it had been my intention to go a little more into detail in connection with some of the views expressed in the minority report.

It certainly seems to me that even considering and granting all of the alleged objections to title I–B, an operating corporation which is closely held and which does not distribute its earnings, or a major portion of them, 57.6 percent, in dividends, is certainly subject to the same suspicion that attaches to personal holding corporations. It is hopeless to argue that such a corporation might be seriously interfered with by the imposition of a tax of this type. A closely held corporation cannot be hindered in the accumulation of any surplus that it desires, because we have placed in this bill the provision known as the consent-dividend provision, by which the shareholders, upon assuming the liability that would attach to them if they had received the dividends that the corporation could distribute, may still keep the money in the treasury of the corporation; they can build plants or do anything they want. That consent dividend may even be paid partially in cash and partially consented to by some of the stockholders. There is no penalty upon plant expansion; there is no penalty upon the little fellow. The corporation that earns $75,000 net income a year certainly is not a little fellow, and up to that point it is entirely exempt from title I–B.

This tax is aimed only at those particular corporations which by refusing to declare dividends from their earnings aid their stockholders to evade the payment of the annual tax and the surtaxes which run sometimes into the higher brackets.

I fail to find, in a careful analysis, in the arguments that have been presented against this title that the effect upon individual corporations will be to hurt the bona fide operating corporation, which is designed to profit its shareholders. It has been my privilege since November to have had individual consultations, I may say to the gentleman from Michigan [Mr. MICHENER], with representatives of corporation from my own district. In every single case when we sat down over the table and got out the paper and pencil and showed them what we were going to do, they found they were not going to be heard. There is no reason in the world why these 300 or 600 corporations that are improperly accumulating surpluses, even though they are operating companies, should not be treated just the same way as the incorporated pocketbook.

Mr. SOUTH. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. SOUTH. Something has been said about the number of corporations. Is not the fact that it is possible for a corporation to do the things the gentleman has pointed out, the important thing rather than the number? The fact alone that such a thing is possible is sufficient justification for legislation touching that subject.

Mr. BUCK. Certainly it is. I do not care about the number of corporations involved. A tremendous appeal has been made to sentiment by statements that we are going to hurt the little fellow. As a matter of fact, in this bill we are actually helping them out.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield such time as he may wish to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, I want to devote the time that has been given to me to reminiscing a little and sort of talk things over with the brethren. It is good to turn back the pages of time every once in a while and see where we have made mistakes, and the wise man in doing so seeks to profit by the mistakes of the past. Under the New Deal, however, you turn back the pages only to wipe the slate clean so that you may not be troubled either mentally or spiritually by your sins of omission and commission.

Two years ago we were told by the majority members of the Ways and Means Committee that this new wonderful tax bill was going to bring about perfect equality among taxpayers, how it was going to stimulate business, how it was going to result in greatly increased receipts; in fact, we were told that the tax bill of 1936 would bring in the millennium, or as the gentleman from New Jersey said a few moments ago—the kingdom of God.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my good friend.

Mr. EATON. The gentleman is making his address on a very historic occasion. I would like to call to the attention of the House the fact that this is the fifth anniversary of the ushering in of the kingdom.

Mr. KNUTSON. I had not thought of that.

Mr. EATON. And it is being celebrated by the presentation of a tax bill, the greatest in our history, of $5,300,000,000. As the philanthropists of the New Deal look out over the victims to be taxed I think they must feel like one Warren Hastings who when accused of looting the Indians, after describing for three solid days the possibility of loot, stopped and said, "My God! I am astonished at my own moderation." [Laughter.]

Mr. KNUTSON. That reminds me of the time when Blücher first visited England. Sailing up the Thames, standing on the deck gazing upon the city of London, eyes open in admiration, he turned to his companions and said, "My God! What a city to loot!" [Laughter.] And I am thinking that as the new dealers came up the Potomac and beheld the Capitol and all the beautiful buildings along the Mall, they said, "My God! What a city to loot!" The American people will long remember the incursion of the new dealers which can be compared only to the expeditions of Pizzaro, Cortez, and other Spanish conquistadores.

Mr. DISNEY. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Oklahoma.

Mr. DISNEY. The subject of loot would naturally bring up the great examples of A. B. Fall and Harry Daugherty?

Mr. KNUTSON. To a certain extent, yes. It would also bring up the Tennessee Valley Authority and other New Deal orgies.

Mr. EATON. The Republicans were mere amateurs.

Mr. KNUTSON. And some others I could mention.

Mr. EATON. Will the gentleman yield for a correction in his geography?

Mr. KNUTSON. Yes.

Mr. EATON. The gentleman said that they came from the Potomac. They came from the Hudson. The New Deal was conceived and born on the banks of the Hudson.

Mr. KNUTSON. But they sailed around the cape, may I say. You see, it is a wet crowd, and they do not like to travel by land.

Oh, I can remember the fulsome promises that were made us 2 years ago as to how the passage of the 1936 tax would stimulate business, encourage industry, give employment to the idle; in fact, there was little that was not promised. You know, I do not like to take the attitude, "We told you so," but I would like to read a few excerpts from the minority report against the 1936 tax bill. The bill we now have under consideration is the 1936 tax bill after it has been run through a wringer. It has been dehydrated to a certain extent, but the principle is exactly the same.

We on the minority side stated back in 1936 that the tax bill under consideration at that time would discourage and possibly prevent the accumulation of adequate rainy-day reserves and constitute a direct threat to security of business, employment, and investments.

That has happened.

It would cause corporations to restrict the distribution of their existing tax-paid reserves, which can only be rebuilt under penalty. It would discourage business rehabilitation and expansion and have a retarding effect upon recovery and reemployment.

It has had more than a retarding effect. It has been a wet blanket. At the time that tax bill was passed there were 7,000,000 people out of work. Today there are 14,000,000 out of work. May I ask, "Did you plan it that way?" You must have and do not let anyone else tell you differently.

Mr. HARLAN. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Ohio.

Mr. HARLAN. How did the 11,000,000 referred to as being out of employment by the gentleman from New York [Mr. WADSWORTH] grow to 14,000,000 in the last 15 minutes?

Mr. KNUTSON. I will tell the gentleman how. Because Mr. WADSWORTH forgot about the 3,000,000 that have been put out of work since December 1 that the President recently told us about; 11 and 3 make 14.

Mr. RABAUT. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. RABAUT. When at any other time were the unemployed in this country counted?

Mr. KNUTSON. There is a suspicion that many idle were not counted in this last census, which was a haphazard affair designed to make the picture look as bright as possible.

Mr. RABAUT. Were they ever counted before?

Mr. KNUTSON. There never was any occasion to count the unemployed prior to 1930 because the Republicans were in power and we had little unemployment.

Mr. RABAUT. Did the Republican Party take enough interest in them to make a count?

Mr. KNUTSON. We never had any except a few chiselers who did not want to work anyway. Everybody who wanted to work got work under the Republicans.

Mr. RABAUT. Who left them on our doorstep?

Mr. KNUTSON. The World War.

Mr. RABAUT. The gentleman's party.

Mr. KNUTSON. The World War that your party promised to keep us out of back in 1917. You cannot escape your responsibility.

Mr. MASON. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Illinois.

Mr. MASON. May I say, in response to the question when were the unemployed counted, that they have never been counted to this day.

Mr. KNUTSON. Of course not.

Mr. MASON. The only thing that was done was to make an estimate and a poor one at that.

Mr. RABAUT. Why do you on that side use the figures?

Mr. KNUTSON. You admit there were 11,000,000 out of work last November. You also admit there have been 3,000,000 put out of work since December 1.

Mr. RABAUT. We admit it and you advertise it.

Mr. KNUTSON. We are not advertising it.

Mr. RABAUT. Oh, no?

Mr. KNUTSON. We are just reminiscing, may I say to the gentleman from Michigan. I am going to ask to have the rest of this report included in my remarks. I do not care to take the time to read it now.

Mr. MICHENER. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. MICHENER. The gentleman states the majority admits it and we advertise it. I think that should be true. If the conditions of the country are as they are, the time has arrived when it is the duty of the minority, not to sit idly by and let these things go on, but to call the attention of the country to facts that cannot be denied, because when the American people are advised and understand the situation they can be trusted and when they understand what is happening to them there will be no question about the result.

Mr. KNUTSON. May I say to the gentleman from Michigan that when the new dealers forgather out in the ante rooms they admit all the things I am saying. In fact, much of the information I am giving today is information I have received from new dealers.

Mr. SIROVICH. Mr. Chairman, will my distinguished friend yield for a question?

Mr. KNUTSON. Certainly, I yield to my good friend from New York.

Mr. SIROVICH. I am just trying to get the RECORD clear. In 1929 or 1930 when we had the census bill under consideration an amendment was offered by a Member on the Democratic side of the House calling for a complete inventory on the subject of unemployment in the United States in order to find all who were unemployed, so we might know the exact number. I was one of those on the Democratic side of the House who voted to place that provision in the bill, but the amendment was defeated by the Republican side of the House.

Mr. KNUTSON. No; I may say to the gentleman it was defeated by the Democratic side because the Democrats figured we would have all those enumerators to appoint, and they did not want to give us that pap.

Mr. MICHENER. The Democrats were in the majority in the House at that time.

Mr. KNUTSON. Yes, but the President was Republican. A Democratic House defeated that proposal, I may say to the gentleman from New York, and Mr. Garner was the Speaker at that time. I merely mention this so there may be no doubt as to who was in control.

Mr. MICHENER. The gentleman from New York voted with us.

Mr. SIROVICH. I call the attention of the gentleman from Minnesota to the fact I voted for that proposition.

Mr. KNUTSON. Any time a Tammany Member of the House votes to give Republicans patronage he is entitled to my respect.

Mr. SIROVICH. I want the gentleman to know that as a Tammany Member of the House I have always supported civil-service legislation in all bills that have been under consideration, whether they originated in the Republican or the Democratic side of the House.

Mr. KNUTSON. I believe the gentleman is right.

May I now reply to my friend the gentleman from California [Mr. BUCK] who read a statement of Col. Leonard P. Ayres, the economist of the Cleveland Trust Co. I also would like to quote Mr. Ayres. He is a clever man. [Laughter.] Both sides can quote him. At a recent appearance before the Senate Unemployment Committee Mr. Ayres said this:

> The cheapest and most productive investment Congress could make to insure recovery would be the absolute repeal of the undistributed-profits tax.

I am rather surprised the majority did not include this quotation in their report.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from California.

Mr. BUCK. Is it the gentleman's intimation that Colonel Ayres is carrying water on both shoulders?

Mr. KNUTSON. No; I merely say he is clever. The gentleman quoted him and I quote him.

Mr. HARLAN. Mr. Chairman, will the gentleman yield for a question?

Mr. KNUTSON. Certainly, I always yield to the gentleman from Ohio—the greatest free-trader in the House.

Mr. HARLAN. I am wondering if the gentleman approves section 601 of this bill, which takes the excise tax off northern white pine and Norway pine.

Mr. KNUTSON. Who has been tipping off the gentleman?

Mr. HARLAN. I wonder if there is any part of this bill that is acceptable to the gentleman.

Mr. KNUTSON. Let me say that for a long time I have been trying to follow the New Deal, and therefore fear that inconsistency may become a habit with me. Anyone who follows the New Deal is in exactly the same position as the man on the flying trapeze. However, we will discuss that item when we come to it, I will say to the gentleman from Dayton.

The promise that the 1936 tax bill would bring such wonderful benefits to industry, labor, agriculture, and one thing and another, has not borne fruit. For instance, steel is down to 34 percent of production capacity. The automotive industry, which is perhaps the largest industry in the country, is below 40 percent of production capacity. A few moments ago I called up the Association of American Railroads to find out what carloadings are. Carloadings are a very reliable barometer; in fact, they are accepted by outstanding economists as the most reliable of all barometers. I find that for the week ending February 26 the number of cars loaded was 511,930, as against 692,393 for the similar period a year ago. Just think what this tremendous drop in carloading means in terms of more unemployment of railroad employees and what it means in diminished demand for coal and all the other things that go to make up the American railway system and the operation thereof.

I am in accord with the gentleman from Massachusetts [Mr. MCCORMACK], but I would go further than he.

If given an opportunity I shall vote for the repeal of the undistributed-profits tax and for a further modification of the capital-gains tax.

Mr. Chairman, you cannot expect to develop industrial America unless you allow industry to plow back a very considerable part of its income. It is just exactly like farming on the same land with the same crop year after year without putting anything back. After a while what are you going to have? You are going to have worn-out machinery, antiquated machinery, and you will find that those who control these industries must place themselves at the mercy of the big banks if they are to continue their operations.

Let us do this thing right; let us not wait like so many say, "Oh, well, these items will be stricken out in the other body." Why take that chance? Why admit that we should do a thing but that we do not want to do it, although we are willing for the other body to do it?

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. DISNEY. Would the gentleman repeal the capital-gains tax entirely?

Mr. KNUTSON. I might be perfectly willing to try it for a year. We have had a tax bill every year now for the last 6 years. I do not believe its repeal would work any injury. I am not an economist, but I would like to see it repealed or further modified so we can see what effect this would have and what it would contribute toward recovery. God knows, we need recovery in this country.

Mr. DISNEY. Then the gentleman would turn the speculator loose without paying any capital-gains tax at all and let the men who have an earned income pay a tax to offset what the speculators get out of paying?

Mr. KNUTSON. You know, that is just the trouble with you new dealers. When you want to get rid of a few rats you set fire to the barn. As was stated yesterday, why not use a rifle on them instead of a shotgun loaded with slugs?

Mr. DISNEY. As the gentleman knows, the hearings show that a vast majority of the income is from capital-gains taxes. The gentleman will recall that in 1929 the capital-gains tax was within $7,000,000 of being as much as all other revenue from income taxes, and would the gentleman repeal that tax?

Mr. KNUTSON. We are getting very little revenue from capital gains now. But let me say to my friend that in view of the fact that there is a difference of opinion between the gentleman and myself on the question of capital-gains tax, let us agree that the undistributed-profits tax should be repealed.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from New York.

Mr. REED of New York. I just want to say to my friend that he must remember that the present administration is in a desperate plight for revenue. They have even had to stop payments to the old-age security fund in Oklahoma so they can have more to spend down here.

Mr. KNUTSON. Of course, the whole thing is screwy. We are getting down to the bottom of the bin, and instead of saying, "Let us spend less," you look around to see if anybody has escaped the wringer the New Deal set up when they took control of this Government. Everybody is being wrung through the wringer, not only the coupon clipper but the poor devil who buys a loaf of bread or smokes a cigarette. He pays taxes, visible and invisible. They must have got their idea for collecting taxes from the Spanish Inquisition. I cannot think of any other place.

Mr. RABAUT. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman.

Mr. RABAUT. I have observed the gentleman from Minnesota very often in the House, and naturally, I admire him for his long tenure of office here, but it does not seem to me that the gentleman is as much opposed to this bill as he lets on. I would like to know from the gentleman whether or not he is going to vote for this bill.

Mr. KNUTSON. If I do, it will be because it is the lesser of two evils.

Mr. KVALE. Mr. Chairman, will my friend from Minnesota yield?

Mr. KNUTSON. I yield to my good friend.

Mr. KVALE. To get to the nub of the argument, can the gentleman tell us how much less is proposed to be derived from taxes during the coming fiscal year if this bill is enacted into law?

Mr. KNUTSON. There will not be any material difference in the amount, but there will be some difference in the method. I believe this is a correct statement, but I would like to have that question referred to my colleague from Massachusetts.

Mr. TREADWAY. Did not the instructions that came to the Ways and Means Committee through Dr. Magill require that the same amount of revenue should be raised by this bill as under the present law, except we are to change the way in which they get it and take one burden off and put another one on?

Mr. KNUTSON. As I understand it, they are going to discontinue the use of chloroform and try ether. [Laughter.]

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. DONDERO. Has the gentleman any figures to give the House as to the number of men employed in the corporations that will be exempted under this bill and the number of men employed in the corporations not exempted?

Mr. KNUTSON. I am sorry I cannot give the gentleman that information.

Mr. WHITE of Ohio. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Ohio.

Mr. WHITE of Ohio. I would like to cite an example that illustrates exactly what the gentleman is contending.

I know of a company that has today a million-dollar replacement program approved for a period of 3 or 4 years, but they say that good sense alone would not permit them to engage in this million-dollar replacement program so long as they have to turn around and spend $380,000 on top of that in payment to the Government for the privilege of spending the million. Does not that show conclusively what this undistributed-profits tax is doing in the way of being a barrier to unemployment, because the men who would be engaged in the replacement program are denied employment by reason of this penalty, and, in addition to that, the men who would supply the materials to go into it are denied employment, and all because of the penalty imposed by the Government upon the expansion of business enterprise.

Mr. KNUTSON. Let me say to the gentleman from Ohio that the instance that he has just cited is just one of thousands all over the country. You might just as well have put a choke strap on industry back in 1936 as to pass the undistributed-profits tax that was included in that measure. It has had that effect. Arithmetic will tell you that when you have unemployment of from seven to fourteen million there is something radically wrong that cannot be cured with salve and fizz water. [Applause.]

Mr. COOPER. Mr. Chairman, I yield now to the gentleman from Virginia [Mr. SATTERFIELD].

Mr. SATTERFIELD. Mr. Chairman, the Committee on Ways and Means, to whom was referred H. R. 9682, to provide revenue and equalize taxation, has labored long and diligently on this assignment, but its proposal to add a new surtax in title I–B of the bill to apply only to a certain class of companies in this country, in my judgment violates sound principles of taxation and its ultimate effect, if carried out, will be unfair and discriminatory. I have the honor to represent the Third Congressional District of Virginia, within which may be found the city of Richmond, the capital of the mother State. Following the War between the States many business concerns which carry on to this good day were formed. These businesses were started by the fathers of those who operate them today, and in many instances they constitute supporting factors in the industrial life of the city. They are closely held corporations, and, as such, by the terms of this proposed legislation, they are classified and grouped with those corporations which some members of the Ways and Means Committee have characterized as corporations engaged in avoiding individual surtax through an unreasonable accumulation of corporate surpluses. These concerns are thus labeled, and in no part of the act have I been able to discover any provision by which they might even have a slight chance of carrying the burden of proving themselves innocent of these charges. The passage of this portion of the revenue bill will complete their arraignment, and deny them any opportunity to state their case before the department or a judicial tribunal. I can appreciate the desirability of automatic action as an aid in facilitating tax administration, but under no concept of taxation can such automatic action be justified when it is obtained at the expense of penalizing an honest taxpayer.

Apparently the theory upon which title I–B is based is that an operating company could be organized or availed of just for the purpose of unreasonably withholding earnings to avoid payment of surtaxes by shareholders. I understand that members of the committee have been advised that the great majority of corporations affected by title I–B have not been guilty of this practice. Perhaps some have been guilty, and if they have is that ample reason for this legislation? I submit that no law could be more unfair than an act which deliberately classifies an honest company with a company that will chisel and cheat. Heaven forbid that the theory of legislation will ever broaden in this country to include within its scope that which lies in the realm of "maybe," and to punish violators and nonviolators alike. That, my colleagues, is just what I–B does. It is manifestly not a revenue-producing measure; it is a punitive expedition against a whole class without regard to the guilt or innocence of its constituent parts.

In my district many concerns have pursued a continuing policy of plowing back into the business a large percent of

net earnings, with the happy result that these companies have steadily grown, and now furnish employment to thousands of citizens of the city of Richmond. They have become institutions and they form the backbone of industry in that community. Mr. Chairman, we wish for these concerns continued growth; we are proud of their development and expansion. Some were builded on the cold ashes of the Confederacy and today are sizable, respected, going concerns. What matters if they are closely held? Is that reason ample to set them aside in a separate group when we are to consider the broad question of taxation? Why, many of these companies were organized long before the first income-tax law was enacted. They have the traditional ownership of some of the best citizenry in the land. This bill as respects a looked-for relief from many of the great burdens of the present law is, for some, a fulfillment of that hope, but not for those companies whose stock is closely held. For them, only the dismal outlook of additional burdens. Instead of relief they find a doubting Government unwilling or unable to accord the recognition which justly should follow an honest course honestly followed. Unfair practices, if any there be in the operations of any of the concerns in my district, I denounce, and I shall vote for legislation designed not only to curb these practices but to fully punish as well.

It has been said that the Government's principal difficulty arises out of the fact that in litigation it cannot contradict the taxpayer's proof of a bona fide intent to expand the business in the future. I submit that this is not a correct statement on that subject, for certain it is that the Government may point to its experience actually had in the courts in its attempt to follow up on cases of this character. There are 17 reported decisions involving this question. In 10 the Government prevailed. In seven cases the taxpayer prevailed. These decisions reveal the further fact that in five of the seven last mentioned the courts failed to indicate that any testimony bearing upon the representation to expand in the future had any material bearing on the result. In only two such cases was testimony to such effect given controlling weight. The argument which has been employed that the Treasury would find it difficult to prove that expenditures alleged to be for "expansion" were not actually made for that purpose strikes me as weak, indeed. No greater problem is presented than that of discovering the true amount of a taxpayer's depreciable property. The proof involves nothing more than physical facts. I can think of nothing that can be disproved more readily than a false representation with respect to expenditures of this nature.

From every aspect the I–B tax is not a true tax. It is simply a penalty—after all true taxes have been paid—upon corporations which fail to actually distribute earnings. The consideration of this legislative proposal has small claim upon the deliberations of the House when it should be engaged at the moment in thoughtful study of a measure which is more concerned with the ability to pay taxes than in the question of justification for a penalty.

Gentlemen will argue here that in any event the I–B tax will not be a severe burden. A proper answer to that contention, of course, is reference to each case, but regardless of the pro and con on that point, this fact remains that even if the burden were slight that fact would not justify the imposition of a discriminatory tax or penalty.

Fifty-five years ago a certain business was founded in my home city. The founder possessed $12, he plowed everything back into the business above a meager living. The business has grown from one or two employees to one which now employs several hundred. This would not be possible had the undivided-profits tax been in effect. When this gentleman died he left the business to five members of his family. Under the terms of his will the business is held in trust and the ownership cannot be changed. This company must suffer the penalty of an ownership the character of which they are powerless to change and competition with other widely held companies in other parts of the country places them at a distinct disadvantage. Still another concern in my district poses a question embarrassing to answer under the circumstances. They wish to know that in view of the fact that their company was not formed for the purpose of evading or avoiding taxes or as any sort of holding company, and for a number of years has furnished steady employment for an increasing number of employees, why, because 50 percent of its stock is owned by one individual, that its undertaking is un-American or undesirable and that it should be set aside for penalty and harrassment by this legislation. Still another concern informs me that early this year it became evident that replacement of much of its equipment was absolutely necessary. It was worn out and in the interest of economy they had held on as long as they dared. They purchased a plant which had been idle for several years. In order that this newly acquired property could operate efficiently and economically it was imperative that new machinery be added. They spent all accumulated moneys for this purpose and obligated themselves in addition for a sum representing profits for 1938. Under this bill these people must now distribute this year's profits or pay a tax on the profits that are undistributed. If they retain the profits, they pay dearly. If they distribute dividends, they must go to the banker. In the light of this experience are not the provisions of this bill, especially in view of the fact that these expenditures were made for necessary expansion and replacements, absurd? May I submit one other plaintive appeal? One of the oldest concerns in Richmond makes this observation. If the Government must get the revenue, we should think it would be more practical to make a direct tax on capital than to set up a tax that is blocking business. As we understand it, the undistributed-profits tax was aimed at very large corporations that had been for years building up huge surpluses to avoid paying personal income taxes, but the law has turned out that these companies have already built up their surplus account and it is affecting the people who are trying to get a start and build up their business on a sound basis. I do not believe that the membership of this body will support this section of the bill, they will not agree to this misjoinder of the good and the bad.

We have come a long way in the last 150 years, and that progress has been due largely to business leadership. Nearly everyone agrees that private enterprise must drive again. Secretary Morgenthau as spokesman for the administration has publicly taken the position that the basic need today is to foster the full application of the driving force of private capital, that encouragement is needed to spur capital in the direction of productive channels of private industry. We must have expansion. The businessman needs it to meet his expenses and earn a profit. The investor needs it to put his capital to work, and more important and more than anyone else the workman needs it. He needs it for a steady job and regular wages. The Government needs it for the purpose of revenue, and how else can we achieve the increased national income about which so much has been said except by expansion.

America today possesses all the driving force of other days. She is asking for the chance to resume her onward march. I do sincerely believe that the Members of this honorable body may do much to loosen the bonds that now confine her. In no relationship can a greater good be accomplished than in the relations between Government and business. I, for one, am of the opinion that the evolution of the undistributed-profits tax and the many things written and said about it has given it a dignity and a place in the sun far beyond that which its real importance warrants. This bill is the fourth attack upon the subject. In 1934 Congress moved to end the evil of the then prevalent practice of forming personal holding companies to avoid imposition of surtax when it passed section 351 of the acts of 1934, then a surtax of 40 percent was levied upon the undistributed income of all such companies. The following year marked the second advance when Congress raised the levy to a maximum of 60 percent, and now it stands at 75 percent, and I wonder if this House realized in 1936 that the law as it then was written included two provisions for undistributed-profits tax which covered the abuses of improperly retained earnings, and provided a penalty therefor.

As I remember the debates and the hearings upon the revenue bill in 1936 much was said about the danger of corporations, "saving too much," and although the act of that year provided that all retained profits were taxed whether improperly or properly accumulated we had not reached the point where the contention would be seriously advanced that closely held corporations merited a different treatment, a greater penalty than other corporations whose stock was widely held. There were four reasons advanced in 1934 to justify the passage of that act. The first was the theory that surplus funds in the control of a corporation would accelerate the purchasing power if they could be gotten into the hands of stockholders in the form of dividends. What will these people purchase if the concerns which produce the things they buy are seriously injured by reason of the fact that they cannot provide surpluses, or backlogs, if you please, against the coming of rainy days? The second was the theory that the act would soon equalize the taxation of partnerships and corporations. This has proven a myth. It is true that partners pay income taxes on all their earnings and stockholders pay only on dividends, but let us not forget corporation taxes, excess-profits tax, capital-stock taxes, and many others. There is little to choose between the two. The third theory was the argument that through the operation of the undistributed-profits tax stockholders were given more direct control over the policies governing the distribution of dividends. The answer to this argument is plain, the real remedy was in the direction of a changed incorporate procedure and not by the exercise of a questionable governmental pressure applied to corporations. The fourth and last theory was the thought on the part of Government representatives that the Government was missing a great deal of revenue. Think this matter through and I am sure that you will reach the conclusion that people bent on tax avoidance who try to circumvent section 102 with the resultant loss of revenue can unquestionably be apprehended and penalized. Shall we admit the impotency of the legislative arm of this Government to so legislate upon this subject as to make detection and apprehension impossible? I think not. Legislation can and will be passed to curb and correct this evil without the employment of dubious laws by this Government, the effect of which is to castigate and destroy honesty and thrift in business in an effort to reach the unprincipled. That is not the American way.

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the gentleman from Arkansas [Mr. FULLER].

Mr. FULLER. Mr. Chairman, I had not recalled that this is the fifth anniversary of Democratic occupation of the Government until it was called to our attention by our Republican friends. The reason why there is a great Democrat in the White House and the reason why this House is so overwhelmingly Democratic, and will remain so, is because of Republican misrule. It is true that when we came into power we found conditions much worse than we could even anticipate. We found our factories all closed, we found that all of our banks were closed and bankrupt to the last one of them. We found that agriculture was prostrate. We found that we had to do many things we did not want to do. We passed much experimental and remedial legislation.

Mr. WHITE of Ohio. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Yes.

Mr. WHITE of Ohio. How many were there unemployed at that time?

Mr. FULLER. I will tell the gentleman in a moment.

Mr. WHITE of Ohio. As compared with those who are unemployed today.

Mr. FULLER. I will tell the gentleman in a minute. Speaking about unemployment, everybody knows that there are not 14,000,000 unemployed now, I do not care who says so. There is not half as many unemployed today as there were when we came into power after a Republican administration. Oh, there may be three or four million people that used to work under a Republican administration who are out of employment now, but the way we took the census, not in the way that it has always been taken, for economy by allowing relief men to take it, they put on everybody in the community, everybody in the family, stating that they were unemployed. That is where you get this idea of so much unemployment. Why, we had a normal employment until this so-called recession started not long ago, and I am not one of those who believe that this recession was caused by the undistributed-profits tax and by the capital-gains-and-loss tax. There is nothing to that. It is not caused by that at all.

Mr. KNUTSON. Will the gentleman please state to the House what, in his opinion, has caused this new recession or depression?

Mr. FULLER. Oh, it would take a long time to do that.

Mr. KNUTSON. It would require a recital of the New Deal history.

Mr. FULLER. Oh, no. It might say that a good deal of it is due to broadcasting from the Republican side. A lot of it is due to labor trouble and labor legislation. That is what you want me to say, and that is what I believe, not only its effect on business, but what is threatening it and putting the fear of God into business, and when we pass this bill and go back home and get to eating vegetables and berries like the rest, times will get good, and you will never hear any more about this depression. When we add all costs on to the consuming public, we increase the cost of living so high the laboring public cannot buy. The retail merchant cannot order from the wholesaler and he cannot order from the factory. This is one of our major problems.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Oh, let me get going. I have not warmed up yet.

Mr. MICHENER. The gentleman said that the trouble, in his judgment, was due largely to labor troubles.

Mr. FULLER. Yes.

Mr. MICHENER. What is the gentleman's opinion as to whether or not the New Deal is responsible for the labor troubles?

Mr. FULLER. I do not think the New Deal is responsible for the labor troubles, but I think the New Deal has gone the limit in the interest of labor, and all you gentlemen have voted with it. We have had a good deal of criticism about this bill, but no one on the Republican side has presented any constructive legislation for relief from this tax bill. They object to two propositions, and I am going to discuss them. This is the time when we have to have revenue. They claim we ought to balance the Budget, and I subscribe to that, but where are you going to get the money, as our friend from Pennsylvania [Mr. RICH] says. You can only get it by taxation, and taxing the corporations, the very people you want exemptions from paying the taxes, who have been exempted practically all of the time that the Republicans were in power in this country.

Why. You gentlemen have gone along with us and voted for 9 out of 10 of these relief measures, every one of you; and I dare one of you to deny it on the floor of the House, for I will look up your records and show the country just how you voted on these relief measures. You received the same benefits that we Democrats did, yet you criticize us when we bring in a tax bill to help meet the cost.

Mr. MICHENER. The gentleman dared anybody who voted against them to speak of it. I may say that I voted against every one except the last one. We in the city of Detroit are so desperate, with people practically starving, that we have no other place to turn; and I did vote for this last one.

Mr. FULLER. Yes; I know the gentleman did.

Mr. MICHENER. And the majority of Members on this side voted against these relief measures until we were assured that the Passamaquoddy Bay project, Florida Canal project, and such things would not be paid for out of relief money.

Mr. FULLER. I also was against those two projects. But the worthy gentleman from Michigan, I believe, always

prayed that these relief measures would pass. You voted for the last relief measures, so you acknowledge, and I did likewise, with my fingers crossed. We of the South could get along without this last relief measure, but we went along because those in the large cities insisted it was needed. Now you seek to saddle all the blame on us. I realize, of course, that these laws have not been perfect. The pending bill is not perfect, and we do not claim it is; but we are taking the responsibility for this bill, and we have no apology to make for it.

The Republican Members did not attend the committee meetings. Why, my good friend from Minnesota was there hardly any of the time, and what time he was there he wanted to tell us about his good Swedish and Norwegian and other wonderful friends and the kind of tax laws they wanted up in his part of the country. It was my job to greet him kindly, take him by the arm, and get him out of the place so we could get down to business and do something to meet our responsibility. You cannot blame the minority Members; they are good Representatives, and they are doing their jobs well; but we do not want their advice, because we know they are only going to stick a knife in our Democratic backs every time they can on everything we propose.

Every criticism of this bill by these distinguished gentlemen is only an argument in favor of corporations. There is no doubt about that. They have not presented an argument against this bill save on two provisions; one, the capital-gains tax, the undistributed-profits tax; and the other was against I–B; and only corporations were involved unless it was on capital gains and losses; and over those affected by capital gains and losses I shall not lose any sleep, because 85 percent of it is speculation and gambling upon the stock markets of the country, and I have not very much sympathy for them. They ought to pay their taxes just like everybody else, as I do and you do. It is not going to stimulate business any by exempting them or lightening the burden. You know it has always been the policy of this Government, and it is the overwhelming opinion of 99 percent of the rank and file of the people of this Nation, including the Republicans, that those who are able to pay and make large net profits ought to bear the greater burden of taxation for this Government, for they receive more privileges, they receive more attention than the individuals do; therefore, they ought to pay more for this privilege. That is the policy of this bill. We have taken care of the little corporations, we have practically exempted them. That is what the Chamber of Commerce of the United States wanted; that is what big business said: "Take care of the little fellows, the big fellows will take care of themselves." Out of 200,000 corporations making income-tax reports 175,000 are little fellows who make less than $25,000 net a year. So we have reduced the tax on seven-eighths of the corporations of the United States, those who were clamoring for recognition, so they would not be hurt.

It has been the policy not only of the Republicans but to a great extent of the Democrats in the past, before this administration, to give corporations the best of it so far as tax payment was concerned. Why should not a corporation pay the same tax that I as an individual or I and my three brothers as a partnership pay? There is no excuse in the world for their not doing it, and that is just exactly what this bill provides. It is the undistributed-profits tax in a modified form found in this bill under the corporation tax of 16 to 20 percent. If they distribute their profits so we can then collect from the individuals; they do not have to pay the undistributed-profits tax and can escape. I as an individual have to pay on everything I make in the way of net profits. Why should not a corporation do the same? Can anyone answer that in the negative? Will anyone tell me he is not in favor of this proposition?

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield for a question.

Mr. MASON. The fact of the matter is that the corporation does pay the same tax that the individual pays, and if they have undistributed profits they have to pay an additional tax.

Mr. FULLER. In my opinion, they do not do anything of the kind, and I will show you why. There is a set rate, say 16 percent, and they do not usually pay that much. That is all they pay. However, I make as an individual $200,000 a year. I get up in the high brackets, and I have to pay 60 or 75 percent. That is the difference, and that is why they take advantage. It is just like the president of General Motors Co., who made last year $550,000. It is an outrage in any government in the world, but what happened to him? When Uncle Sam got through with him he had less than $200,000 left for himself. That is the principle upon which this bill is based. Tax highly those in the higher-profit brackets. Who are those who oppose this theory?

Mr. Chairman, the claim is made that this Section I–B is a monster. Under the present law, corporations are paying up to 32 percent under the undistributed-profits tax provision. Under this bill, if they distribute their earnings, they will pay less than 20 percent. Section I–B will be in that same bracket.

Let us assume two brothers in business, and they make $200,000 a year and have been making that much for a number of years. They put all this money back into the business. They have paid out no dividends at all. Have they been paying any taxes to Uncle Sam? Yes. The corporation tax only. But nothing on what they should have declared as dividends. They avoid as individuals the high brackets. But I have to pay an income tax on my salary and my income and my profit, yet these brothers in business pay no tax at all except the corporation tax. They hide under their corporate cloak to avoid the higher individual brackets.

Mr. LAMNECK. Will the gentleman yield?

Mr. FULLER. I yield to the distinguished gentleman from Ohio.

Mr. LAMNECK. The gentleman does not mean to say that a man who makes $200,000 does not have to pay a tax?

Mr. FULLER. If he is a corporation, he does.

Mr. LAMNECK. Whether he is or not.

Mr. FULLER. If he is a corporation, yes. If it is a closed corporation they pay the normal corporation tax, of course, but they do not pay anything else and they do not get up into the high brackets. If they make and distribute the profits, then each one of them would have to pay individually, of course, and we would catch them in the higher individual brackets. That is what they seek to avoid as far as possible.

Here is a corporation, widely held, that makes $200,000 a year. Here is another corporation, closely held, I–B, which makes $200,000 a year. At present there is a discrimination between those two corporations, and this discrimination will continue unless we make them pay something if they do not distribute their net earnings. This corporation, being widely held, distributes the profits surplus to those who own its stock. Those who get the money in the form of dividends pay an income tax to the Government. But not so with this other closely held corporation. They pay only one corporation tax, and all their other profits are added to surplus. They claim they put it back into businesses, but by so doing they increase the wealth of the corporation and avoid payment of a just tax.

Let us see how badly these I–B people are hurt. They make the statement that they are being ruined. I will be frank and say I was not originally for the principle of this I–B provision, and I would not have voted for it if it had not been modified to a great extent. This bill has been modified now to such an extent I cannot see how anybody could fail to vote for it.

Let us think of these closely held corporations—and they are all family groups—only being required to pay $19,000 a year when they make $100,000.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Was the gentleman one of those who might have changed his mind about this after being called down to the White House?

Mr. FULLER. That sounds good. But bear in mind that our great President does not send for but a favored few.

Mr. KNUTSON. Was that the time they applied the blow torch?

Mr. FULLER. They never applied it to me. I was called to the White House, but I never left the White House with a different opinion than when I went in. May I say further the President has never tried to put any pressure on me, and I do not know of a man in this House on whom the President has tried to apply pressure. [Applause.] I do not always agree with our wonderful President, but I have much respect for his opinion. He may be wrong at times, but he never quits trying to obtain relief for the great American public, and that is one reason why he is so loved.

Mr. MAY. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Kentucky.

Mr. MAY. Regardless of whether a corporation be closely held or one with a large number of stockholders, would it not have been better to apply the same tax on all corporations, based on their income?

Mr. FULLER. No. Unless you increase the amount of the tax.

Mr. MAY. Rather than create a discrimination as between one class of corporation and another class?

Mr. FULLER. We have it that way now. If these corporations pay out the net profits, or 60 percent thereof, in dividends, they are not hurt. It does not make any difference how much money a closely held corporation makes, if it declares a dividend and pays out a dividend of 60 percent, then they are not hurt. The people will pay on those dividends.

Mr. MAY. Suppose neither corporation pays out any dividend?

Mr. FULLER. We are going to get them under I–B and make them pay just the same as anyone else will have to pay, or just as another corporation would have to pay if its stock was widely held. All corporations have to pay a tax, you understand, between 16 and 20 percent. If they declare a dividend, either one of them, they are reduced from the top 20 percent down toward 16 percent, and that determines the tax.

Here is a corporation that is closely held, we will say by three brothers. The corporation makes $100,000 a year, and it declares a dividend of 21 percent. It pays only 19 percent and a fraction in the form of a tax, the same as a corporation which distributes its earnings. But if this company desires to keep all its profits it has an exemption of $60,000 and must pay a surtax under I–B of the bill.

What is all this noise about? These closely held corporations do not want to pay out dividends, and it is simply because they want to defeat the Government from collecting a tax on the net profits they are making under the present laws.

Take, for instance, four gentlemen in a closely held corporation who practically own the corporation. They do not declare any dividends. If they do declare a dividend, who gets it? They do. If they want to put some of that money back in the business they can do so, but they must pay taxes on it to pay for the protection they receive under this form of Government.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 5 additional minutes to the gentleman from Arkansas.

Mr. FULLER. This shows how they cannot be hurt. A closely held corporation, like other corporations, has credit for obsolescence, replacement, and depletion. In one case on which our committee heard testimony recently a corporation made $2,500,000 and received credit for $800,000 depreciation, although they could not figure out any way on God's green earth how they could possibly spend more than $200,000 of the depreciation item allowed them under the present law.

This bill further gives corporations an opportunity to take money out of their profits to put back into the corporation in order to bring their capital stock up to par. Corporations are given the power to deduct all bad debts. No one who has been criticizing this bill has told you this, but where corporations have outstanding obligations due year after year, if the contract was in effect before the 1st of January 1938 they have a right to take out the yearly payments and not be taxed under the surtax of I–B provision. They have every exemption you could possibly think of. Then how many corporations are there that will come under this provision? Between 300 and 600 is the limit of all of them in the United States.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Michigan.

Mr. DONDERO. Can the gentleman give the House any figures in regard to the number of men employed in these 300 to 600 corporations, which are a very small percentage of those exempted under the bill?

Mr. FULLER. No; I could not give the gentleman those figures.

Mr. DONDERO. I understand 90 percent of the working people of the country are employed by those corporations.

Mr. FULLER. It is immaterial to me how many men these corporations employ.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Tennessee.

Mr. COOPER. Does the gentleman from Michigan mean to say 90 percent of the people of this country are employed by from 300 to 600 corporations?

Mr. DONDERO. I mean to say that the corporations not exempted employ 90 percent of the people employed by corporations.

Mr. COOPER. That is absolutely ridiculous.

Mr. FULLER. It is not only ridiculous, it is a joke. Even Henry Ford is not affected by this, I–B, or closely held corporation provision.

Mr. RABAUT. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield to the gentleman, my able friend, from Michigan.

Mr. RABAUT. Why are we always referring to these corporations as being from only 300 to 600 in number. I do not care if there is only one corporation, if anything is being done to it that is not right it is just as wrong to do it to one as it is to do it to 300 to 600. It makes no difference no matter how many corporations there are.

Mr. FULLER. The gentleman is correct. I know how loyal he is to safeguard his constituency. This does not affect Henry Ford, or I would oppose this provision.

I wish someone had told me before I took the floor what harm we are doing by this bill. The arguments made heretofore have been in favor of protecting corporations in order to save them from paying taxes. It has been the policy of the past to allow them to become rich and opulent. This is the question: Shall we produce the necessary revenue and shall we get it from those most able to pay from net profits? How are we going to get it? An amendment will be offered to strike out I–B, the closely held corporations. What will be offered to take care of this item of $45,000,000 when no one will be affected except those who are able to pay and can stand it? That is the issue. These arguments are made in defense of corporations, and nothing else in the world but corporations. These gentlemen who make these arguments try to make you believe, indirectly, they are talking for the men who work for these corporations, but those men are not affected in any way. Its opponents criticize this bill, but when it comes down to whether or not they are going to vote to protect the corporations and give them privileges an individual or a partnership does not have, you will see that almost all the Republican Members, just like all on the Democratic side, will vote for this tax bill. [Applause.]

To those who have criticism and seek to eliminate some of the provisions of this bill which bring in revenue, let them tell us, if their objections are removed, how we shall get the needed revenue. In my opinion there is only one way, and that is to increase the maximum corporation tax from 20 to approximately 23 percent. It is always easy to

criticize, especially if you are in the minority with no responsibility. Those who seek to criticize should offer remedial legislation. This is not true regarding this bill. We have no complaint as to the attitude of the distinguished minority members of our committee who offer criticism, for the reason we fear if we were in their attitude, for political reasons we might do the same; but we know that these able gentlemen are not sincere and that they at heart concur in the opinion that this is a great relief for business under former income-tax laws.

The question is, Are we for this great tax-relief bill which those who complain say will, to a great extent, remove the obstacles of recovery for business and industry or are we for the present law? If we are not for this remedial relief tax measure, who is it, and from where does he hail who offers a better measure? I am for this measure 100 percent, but I want it known that I do not subscribe to the proposition presented by anyone, be he a public official or private citizen, who advocates the dissolving of family wealth or the redistribution of wealth. To me such a program would be un-American, stifle ambitions, and retard thrift, merit, and ability. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 30 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, what I shall say I shall say extemporaneously, as I feel that this subject is one for heart-to-heart discussion as well as for discussion with an array of figures. Whatever any of us might say on the floor from the standpoint of levity or from the standpoint of partisanship, it is yet an outstanding fact that the people of this country are very much interested in this bill. It is not always true that a large part of the population of the country is interested in tax bills, because sometimes tax bills have been levied in prosperous times when people did not care so much about the imposition of taxes, and sometimes other factors have affected their interest. I dare say, however, that the oldest tax expert on this floor has never seen the time when the general public has been so much interested in a tax bill as it is in the bill now under consideration. Let me tell you why I believe this is true. In the first place, millions of people have been thrown out of work in the last 3 or 4 months, and these people are searching for the reason. The newspapers and public commentators have answered their question and are answering it every day. Just yesterday the Washington Star, a very conservative paper, had this to say on the new tax bill:

> The administration's tax bill, the outcome of weeks and months of investigation by congressional committee and Treasury officials, makes many changes in the existing revenue laws. As an encouragement to business—the kind of encouragement that is so greatly needed if there is to be the expansion which means reemployment—the bill falls considerably short of the right article.
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> Abandoning the policy of taxation for revenue purposes only, the New Dealers undertook in their fiscal legislation to use the taxing power of the Government to carry out their ideas of social reforms. The taxing power of the Government is a terrible weapon if it is lifted against the citizens for punitive purposes. It can strike them down as effectively as any bomb; it can paralyze their activities. The use made of the taxing power by the New Dealers has been paralyzing to say the least.
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> In the face of the demands of businessmen, little as well as big, the administration in its new tax-revision bill clings to the principle of the undistributed-profits tax, although those corporations with net incomes of $25,000 or less are exempt from this form of taxation. The new bill does not place a limitation on the taxation of capital gains that will effectively raise revenue from this source by encouraging, rather than preventing, capital transactions and the investment of new funds in productive enterprise. Further, the new bill contains a new tax, the purpose of which seems to be a penalty, to be imposed on closely held or family corporate-business organizations.
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> As an encouragement to business the bill both in content and in spirit, therefore, is a disappointment. Under the whip and spur of the administration organization the measure probably will be pushed through the House practically without change, although it will be attacked vigorously. The administration, in its demand that the principle of the undistributed-profits tax be retained in the revenue laws, is clearly engaged in a face-saving effort. The tax has been found wrong in principle. If so, it is equally an unsound tax whether applied to very large corporations only or to all corporations.
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> The exemption from the undistributed-profits tax of all corporations whose net incomes are $25,000 or less leaves about 10 percent of the corporations subject to the tax. However, that 10 percent does about 90 percent of all the corporate business in the country and employs approximately 90 percent of the workers of all the corporations. The undistributed-profits tax has the effect of preventing accumulation of adequate reserves, which may be used when times are hard to keep a business going and workers employed. It is a threat to the security of business and of the workers. And still, in this new bill, it is to be applied to those corporations which do the great majority of business and employ the great majority of workers.

The Republican minority of the House Ways and Means Committee reporting against the enactment of the new tax bill, does not mince words about the depression which started last summer. It lays the blame for that depression at the door of President Roosevelt and his policies, especially his tax policies. It dubs this new condition the "Franklin D. Roosevelt depression," and as such it will be known, they insist.

"Although the depression has been with us for months," says the minority report on the tax bill, "the President's only recovery program seems to be a resumption of the spending of huge sums out of the Federal Treasury, a continuation of the futile policy of treating the symptoms instead of the disease." The report insists, as have so many advisers of the administration, including Mr. Bernard Baruch, of New York, that the only thing that will bring recovery from the depression is continuous and unwavering encouragement to business.

This editorial in a conservative way epitomizes the views of most commentators. Most business commentators attack the proposed bill openly and sometimes viciously.

This editorial answers the question brought up by my colleague, the gentleman from Arkansas [Mr. FULLER], who seeks to raise the question that this is only a bill for the benefit of corporations. Of course, the controversial sections of this bill deals only with corporations. I do not believe there is a single new tax section here that applies to the individual. I do not know of any.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield; yes.

Mr. BUCK. I want to get the gentleman straight on that. While we have only discussed the question of tax on corporations so far in the debate, the gentleman certainly does not mean to infer that all the matter of the repeal of excise taxes and all the administrative changes do not deal with individuals. The gentleman knows that they do. Also, what about capital gains?

Mr. JENKINS of Ohio. I can answer all that.

Mr. BUCK. I hope so, because if the gentleman answers it he has got to contradict himself.

Mr. JENKINS of Ohio. No. Here is my position. I say that this bill does not deal primarily with individuals. It is not a bill that deals with individuals as such. It deals with great classes of individuals, certainly, but primarily, this is a bill that seeks to apply a different rule of taxation to corporations. So it is not right, it is not fair, and I should not want anybody to be scared of this bill simply because someone raises the issue that this is a bill which is designed to compel corporations to pay what they apparently are anxious to avoid and that we Republicans are shielding this class of corporations. For this is not true, neither is it true that it is a bill to exculpate individuals in any way.

I do not find any fault with the committee as a committee for bringing in this bill. This probably represents the wishes of the administration, and that is no small consideration. I can say honestly that it is my opinion that if the committee was allowed its full freedom to bring in such legislation as it thought best, it would omit the undistributed-profits tax and the tax on closely held corporations.

Now, let me proceed. I wish to say, especially to my Republican brethren, that I hope that no Republican waver in his opposition of this bill because really there is no reason why he should waver.

The Democrats themselves are not heart and soul in favor of this bill. They cannot be heart and soul in favor of the propositions that I have already mentioned, because the facts are against them. This is also the sentiment of the American Federation of Labor, as appears from its recent action at its convention in Miami, where it went on record as asking for the complete abolition of the undistributed-profits tax. This organization represents millions of people who earn wages. This organization knows that this tax is not conducive to the success of orderly business. They know that unemployment has increased tremendously in their

ranks, and that at the present time there are probably more unemployed people than at any time in the history of the country.

There can be no question that the public generally thinks that the present recession is due absolutely to the policy of the administration toward business. What do I mean by this? What is the policy of the administration with reference to business? What do you think it is? I think the policy of this administration toward business has been to put thumbs down on anybody in business who makes a success of it. They give the impression that a successful man or a successful business has achieved that success by improper methods. They seem to like to crush out everybody who makes any money, and at the same time they claim that they want to raise wages at every opportunity. This is playing both ends against the middle and it cannot be done. No one on either side of the aisle would be in opposition to a policy of government that would establish a high standard of living. Nobody wants to be against high wages, because that has been an American policy from the beginning, but whenever you adopt this new policy of antithrift and the policy that you want to put your foot on the neck of everybody who makes a dollar, then you are irresistibly leading to the point where you stand against the profit motive in business.

If this is your idea, if you want to stand against the profit motive in business, that is your privilege, but I tell you that whenever you carry that out to its logical end and whenever you put your thumbs down on everybody who makes any money and on initiative in every industry that is prosperous, then you are going to come to the place where you are challenging the very life of our American system of production. When you take away the chance for advantage of some kind to the one who assumes the risk and does the work you are changing our system of government. At present practically all our business dealings are founded upon agreement—upon contract—the contracting parties are assumed to know what they are doing and their honor is bound up in their contract. The more we interfere with the freedom of that contracting spirit the more we stifle business. The more we permit the State or the Government to be a party to these contracts the more we tend toward socialism.

I want now to discuss for a moment the undistributed-profits tax as applied to the speech made by the gentleman from Arkansas [Mr. FULLER]. He would have you believe that the undistributed-profits tax is a tax that the corporations are trying to escape, and that if they did escape these undistributed-profits taxes there would be no tax on corporations. That is not correct. The normal tax as provided in this bill is higher on corporations, especially smaller corporations than in the present law. The normal tax remains regardless of whether the undistributed-profits tax is repealed. The undistributed-profits tax is an additional tax imposed on those who do not distribute their earnings to stockholders as fast as they are earned. The question is this and it is simply a question of principle. Do you want to put an additional tax on an organization that has been thrifty, that has proved its business thrift, that has proved that it is minding its business, and has been industrious, and has complied with all of the rules of business with the result that it has made and saved a profit simply because it wants to keep some of this profit for future use? Do you want to give a premium to a corporation that scatters its profit in a prosperous year and makes no provision for the lean year? If you do want to do that, this is your opportunity. I say to you, and I say it by way of credit to the Democratic majority and even to the members on this committee, if they possibly could relieve themselves from the influence of the administration and save their own faces, I think they would repeal this undistributed-profits tax right now. It could be done, and it should be done. There is no question about that, and it should have been done in the special session of Congress which was held in November and December 1937; and if it had been done at that time, what would have been the result? I do not think I would want to go on record, as some people do, who say that all of this recession has been caused by the failure to repeal the undistributed-profits tax, but I do say this was a strong contributing factor. The psychology would have been very helpful if the administration had made a friendly gesture toward business. I am not a special representative of business, I do not carry the flag of business, but that would have been a fine gesture. That would have been a fine time for this administration to have cooperated with nature herself.

All wealth has to come from two sources. It comes out of the ground from the bounty of nature, and from the skill and acumen of man. Nature produces and man improves and adapts for man's use. Last year Mother Nature gave us a bountiful harvest, gave us $5,000,000,000 more than we might have had under a meager harvest. With that $5,000,000,000 to work on, if the administration had cooperated, if it had given any indication that it was going to show a change of heart toward business, if they had come along with a note of encouragement, and had striven to add another five billion to the national income, we could have made a big dent in the national debt that continues to mount menacingly, and we could have balanced the Budget ere this. Such a course would have solved the unemployment question and its accompanying relief problems. Instead of that, just at the taxpaying time, just when the special session was called, the President was again ready to put thumbs down, and when I say the President I mean the President, and I do not mean the committee, or the whole Democratic Party, because I know there are a lot of people in the Democratic Party who do not believe in that policy, and there are members of the committee that do not believe in some of the things that we are vigorously opposing on our side. The White House had to apply its third-degree tactics to bring some of them around.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes. I yield gladly to my Kentucky friend.

Mr. MAY. The gentleman from Ohio is a member of the Committee on Ways and Means and has attended all the hearings on the bill.

Mr. JENKINS of Ohio. I have not attended all of them, but I have attended most of them.

Mr. MAY. The gentleman is at least in a position to give me some information. The principal part of the complaint against the tax bill of 1936 was the undistributed-profits tax. What measure of relief does this bill give from that particular provision, if any? Is there any modification of the undistributed-profits tax in the present bill?

Mr. JENKINS of Ohio. It gives this much relief. It provides the modification of a $25,000 exemption, and then it provides a sliding scale. It makes some concessions and inducements, and the bill is a better bill, I think, on the whole than the 1936 bill, but it still retains that principle and also the tax applies yet to corporations employing probably 90 percent of the employees of the country and those relieved are of a greater number than those still held, and those still held do probably 90 percent of the business of the country.

The undistributed-profits tax is a new tax. The 1936 law is the first to contain the principle. It is not democratic, for Vice President Garner would not accept it when he dominated this Congress, and it is not Republican, for we have always opposed it.

Mr. MAY. Let me say that I agree with the gentleman from Ohio in the proposition that business ought to have some encouragement, because business is the goose that lays the golden eggs, and if it were not for business we would not have any taxes at all.

Mr. JENKINS of Ohio. I am glad the gentleman agrees with me.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. MICHENER. The gentleman suggested this was neither Democratic nor Republican philosophy and then designated it. Does the gentleman mean it is New Deal philosophy?

Mr. JENKINS of Ohio. That is what I mean exactly.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a question?

Mr. JENKINS of Ohio. I yield gladly.

Mr. DONDERO. My good friend the gentleman from Tennessee [Mr. COOPER] said that my remark a minute ago was ridiculous as to the number of men employed in corporations that are not exempted in this bill. Can the gentleman give the House figures showing the number of men employed by the corporations exempted and those not exempted under this bill?

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. COOPER. If that was the gentleman's statement, I misunderstood him. The gentleman from Arkansas [Mr. FULLER] was talking about I–B and I assumed that the gentleman's question was predicated on that.

Mr. DONDERO. Not at all.

Mr. COOPER. I misunderstood the gentleman if that is what he had in mind.

Mr. JENKINS of Ohio. I think I can clarify that situation. The gentleman from Michigan is correct as he understood the situation, and so was the gentleman from Tennessee. The gentleman from Arkansas [Mr. FULLER] was talking about I–B, but the gentleman from Michigan asked him if it was not a fact that under the bill the 10 percent of corporations that would not be exempted employed 90 percent of the people. The gentleman from Michigan had reference to those with earnings above $25,000. By far the greater number of people are employed by those corporations earning above the $25,000 net limitation.

Mr. DONDERO. Exactly. What would the gentleman say as to a comparison with the corporations that are exempted under the bill?

Mr. JENKINS of Ohio. I think 90-10 is about right. Now, Mr. Chairman, I should like to proceed a little further with reference to another provision in this bill that is new. I would not want anyone to be laboring under any impression now that this section I–B is not a new provision. It is a new provision, an absolutely new proposition. There is nothing like it in the tax law. Nothing like it has ever been in the tax law anywhere at any time. That is the proposition that says if there are a great many people owning the stock of a corporation one tax law applies to them; but if there are just a few people in the corporation, and if it happens to be a family or people that are related that they are going to be penalized 20 percent under certain conditions. It gives an exemption in a small way to small corporations, but if you are a medium-sized corporation or a big corporation, if your thrift has brought you success, if your corporation has operated over a couple of generations and you have been a great success, then the law says the Government is going to penalize you unless you distribute over 60 percent of what you have saved. That is the theory of this bill. It involves a new theory. I cannot go into detail with reference to the groups and classifications that are to be taxed in certain amounts. I am only giving the theory. It is this: They say that if a corporation is closely held it must distribute more of its profits than if it is not closely held and that if it fails to do so it must pay an additional tax of 20 percent. For example if 10 individuals own 53 percent or more of the stock and fail to distribute 60 percent of the earnings they must pay a 20-percent higher tax than if 50 persons owned that amount of the stock.

Let me cite you the case of a man who came down here from Chicago and testified before our committee, a fine, upstanding man, who said, "We are a small concern." I was more than a little surprised when I heard him say that, because he said that over a period of years his earnings had been $550,000.

Mr. FRED M. VINSON. I understood him to say net earnings.

Mr. JENKINS of Ohio. Yes; I mean net earnings, over the prosperous years 1929 as compared with other years, about $550,000.

Mr. FRED M. VINSON. No; over 25 years.

Mr. JENKINS of Ohio. No; he said 10 years. Anyhow the case illustrates how this law operates. His business was that of printing. It was founded by his grandfather. The grandfather had failed in business. Under a reorganization plan and the appointment of a receiver he was permitted to take back the property at a certain valuation. He needed a loan to carry on and had to resort to a loan shark who charged him 16-percent interest and took a chattel mortgage on his plant. He paid off his loan in due course and by industry and thrift he plowed back every year what he could afford through his generation. The business came down to his children. It kept on growing under the impetus of industry and acumen. This man now, who appeared before our committee, was probably 65 years of age. He proudly said that his printing establishment was one of the best in the country. He proudly said that not long ago some new process was invented that was going to require experimentation by some printeries, and that his organization was one of the few organizations that could meet the test. He said they had to rebuild and reequip the plant to the extent of about $1,500,000. He said at that time they were employing 4,000 men, but because of the installation of the new process and the new machinery they were now employing another 1,000 men. He said they were able to meet the test, but he said they might not do it again under present conditions, because they could then draw from their surplus which was maintained for just such purposes.

He told us that if next year another proposition of a similar nature would come up he might not be able to meet the situation. He told us:

> We want to march to the forefront. We want to carry on the flag that our grandfather carried. We want to maintain the name of our organization. We want to keep our business as printers preeminently in the foreground in this country, but we cannot do it because you are going to put an additional burden on us. You are going to say to my brothers, nephews, and myself that we cannot do this very thing because you are telling us we cannot handle our own money. You will tell us we are not competent to handle our own money but it should be handled the way you want us to handle it.

He told us he would have to pay a penalty of 20 percent. It is not right. It is not consistent with good business and is not consistent with good taxation theories. It is contrary to any theories of taxation that have been invented up to this time. It is simply a manifestation of this philosophy of putting your thumbs down on anybody who makes money.

What kind of a corporation is a widely held corporation? What are they for and why are they widely held? In many cases they are widely held because they want to reach out and get the money from the lending public. Generally a widely held corporation started out as an experiment and it scattered out in order to get as many people in as possible. If the business was not successful somebody else lost the money. Did you ever receive prospectuses from these wild-west gold and oil schemes offering stock at 10 cents a share? What is the philosophy back of that kind of investment? Scatter it out as far as you can scatter it so that when the business goes down no one individually will suffer, and especially the principal owner who started it.

A closely held corporation is exactly the reverse. It is usually the result of the very finest business efforts of American life. It is thrift and economy carried right around the family circle where everybody knows what everybody else is doing.

Mr. FRED M. VINSON. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. The concern to which the gentleman referred is Donnally & Co.?

Mr. JENKINS of Ohio. Yes.

Mr. FRED M. VINSON. The gentleman will agree with me that Mr. Donnally testified that last year his dividend policy was 60 percent, the year before it was 54 percent, and the next year before that, or 3 years back, when there was not an undistributed-profits tax, it was 68 percent. In 2 of the 3 years that company would be out of the I–B basket and in 1 year they would have 3.6 percent undistributed.

Mr. JENKINS of Ohio. Yes. If the gentleman will follow the testimony there, he will find that Mr. Donnally gave very cogent reasons for everything he did at all times.

Mr. FRED M. VINSON. I am not questioning that. I am merely saying that under his own dividend policy 2 of the last 3 years would be out.

Mr. JENKINS of Ohio. The gentleman will admit Mr. Donnally gave a very fine account of himself and won the respect and admiration of everyone who heard him testify.

Mr. FRED M. VINSON. But by his own testimony he would either be out or else not hurt to any extent.

Mr. JENKINS of Ohio. He came from Chicago to tell our committee and this Congress through his testimony just exactly what the situation was. He was most emphatic in his denunciation of this proposal. The gentleman cannot get any comfort from his testimony.

Mr. Chairman, last week I visited a store in Ohio, not in my own district. This store employs 1,500 clerks. This is a magnificent store located in a town with a population of about 100,000. I dare say there are very few places in the whole of the United States where there will be located a store of the proportions of this store in a city of that size. I suppose there is invested in that store six or seven million dollars.

The manager asked me what we were going to do about the tax. He said, "Are you going to penalize me 20 percent?" I said, "I am not going to penalize you 1 cent." He said, "Before you do, I want you to know my story." He stated further, "My father started right here as a butcher. My grandfather had started before him in a little butcher shop. His son, who was my father, succeeded him. I came in here and worked with my father. I used to run the elevator for $1.50 a week. I used to drive a delivery wagon for $3 a week. Finally I went to Boston Tech and I am a graduate of that school."

He told me he was also a graduate of some other college, the name of which I do not now remember. He gave up a promising professional career to come back to take up the battle when some other one of his relatives was forced to give it up by death or illness or some other incapacity. He went on and told me: "Our store has gone on. Our name has been an outstanding one in this town for generations." He stated, "I have had to fight a lot of things in this town. The trend of the growth of the town went the other way. Real-estate values went the other way and I had to build an additional story on my building. I had to put in additional departments to make my store larger and larger to help the little-business people around here in this section of the city keep their real-estate values up. I have done this all these years. My father and relatives did it before me. I have spent days and nights working this thing up. We are ahead of the hounds yet, but we positively cannot keep ahead of the chain store down here on the choice corners when you give them a 20-percent advantage over me." He says, "I am going to have to close down, or sell out to the chain store."

I said, "My friend, I do not know what you can do to help carry this additional burden, but if you can hang on until the people wake up and vote the Republican ticket and elect a Republican Congress, then we will be able to offer you some relief." [Applause.] My friends, this is a serious situation brought about by the interjection of a new tax scheme, which threatens to destroy many fine business concerns that are the pride of their home cities.

What are you going to do about it? You may challenge that story, but let me call your attention to the story of another man who appeared before the Ways and Means Committee. This gentleman was from New York, and he bore all the earmarks of having been through the mill of hard work and constant devotion to duty. He was prosperous but not boastful. He was candid and sincere, honest, and faithful in everything he said. What was his testimony? This, in effect, is what he said to us:

He said his grandfather started the business, his father worked in it, and he worked in it. I believe he said they had about $7,000,000 investment there. Anyway, he had a large store. Back in 1933 or 1934 he lost $300,000 a year, but now they are on their feet again and ready to go along. His competition has always been the large chain stores. They are right at his heels, coming right after him. They are widely owned. They do not have to pay any additional tax. He is in violent opposition to the 20-percent penalty tax, and he fears that the result will be that he will have to accept the proposition of the chain stores, who want to buy him out. He has fought them off up to this time, and he has been able to beat them. By working 16 or 18 hours a day he and his family have been able to match them. They offered him a good proposition. However, now the time will come when they will know that he has this additional burden, and they will no doubt drive a harder bargain. This is not just. This man is entitled to the praise of his Government for his thrift, and not to be punished by the imposition of a punitive tax.

I want to leave just this thought with you. Do not be thrown into consternation by this talk about having to follow the President. Do not go back on your constituents. I make this direct challenge, that the overwhelming sentiment from constituents is in opposition to this provision. Is there a Congressman here who has received a letter from any constituent anywhere recommending that he vote for the undistributed-profits tax and the I–B basket tax? I pause for a show of hands.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the gentleman from California.

Mr. BUCK. I am pleased to put in the RECORD that I have received such letters.

Mr. JENKINS of Ohio. All right; there is one. Anybody else?

Mr. BRADLEY. I have received such a letter.

Mr. JENKINS of Ohio. Five Members have indicated by raising their hands or otherwise that they have received such leters, and four are on the committee and one is not. There you are; only five out of this large number of Congressmen. It is safe to say no other Congressmen have received letters from any constituents asking them to support this bill.

What is going to happen to this bill? You are going to do the same thing you have always done—follow the President. Then the bill will go over to another body, where these provisions will be taken out, and you will find that they will make the law, not you. The Constitution gives to this branch of Congress the privileged honor of having the authority and duty to first propose all bills for raising revenue. Why do you not assume this today when you have a chance? The opportunity is yours, the responsibility is yours. This is the accepted time and place. I call upon you to assume the leadership that the country and your constituents are expecting you to assume. Why knuckle to the other branch of Congress or to the Executive? The people must pay the taxes, and this is why our forefathers thought the representatives of the people should have the power to levy them. I can assure you the Republicans will stand firm. I wish my faith that you will do the same were as strong as my hope in that respect. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, I was rather surprised at the speech of my colleague who just preceded me. He is usually very accurate in his statements and conclusions, but his remarks today show very conclusively that he knows absolutely nothing about the tax bill reported by the committee of which he is a member.

I hope I have no fantastic theories about the use of the taxing power of the Government to bring about social and economic reforms. So much has been said about the undistributed-surplus tax that I cannot refrain from expressing my own personal opinion about it. I am proud to have had an opportunity to vote for the Undistributed-Surplus Tax Act of 1936 as it came from the committee and as it passed the House, and I for one, am not willing to take any responsibility for what may have been done to that bill by

way of changing it in another body of the Congress. I frankly felt at that time, and so stated, and I believe now if that bill had become law as it passed the House it would have been a splendid tax bill. I believe the theory of an undistributed-surplus tax is sound. If you and I decide to pool our funds and organize a corporation, which, after all, is only a trustee to handle our funds, believing we can make more money out of our combined funds by turning them over to a corporation, we find ourselves enjoying many privileges we would not enjoy as individuals. The money our combined funds earn in the hands of a corporation still belongs to us as the owners and holders of the stock of that corporation. For that reason, I believe this tax is sound.

Just a word with respect to the statement of the gentleman from Ohio regarding the repeal of this law during 1937. I am sure there is not a man in the House who, if fair with himself, will be willing to say he would have voted for the repeal of this act in 1937. Many corporations of this country had already declared dividends before the Congress was called into session. Many of them had determined their tax policy. For this Congress to come here and repeal that law in the middle of December and place a larger tax upon the corporations which had already distributed their surplus would certainly not have been fair. There is not a man here who can say it would have been fair. There would have been far more unrest in the business world than there is today, and a great deal more complaint.

Remarks have been made about the undistributed-surplus tax being responsible for the letting down of business. Let us see what the dividend policy of many of these corporations has been over a considerable period of time. Let us go back 10 years. In 1923 the average dividend distribution by the corporations of the country was 47.4 percent. In 1933, before we had an undistributed-surplus tax, the average dividend distribution was 79.3 percent. In 1934 it was 84.3 percent, and in 1935 is was 78.2 percent. During this 12-year period, from 1923 to 1935, it was 75.50. Therefore, it does not seem to me that it had a great deal to do with the policy in 1936. In a moment I shall call your attention to the dividend policy in 1936 of these same corporations.

There has been much said about I–B. I do not feel that in adopting the I–B policy as it affects the closely held corporations, it is a penalty. I can conceive of no more perfect method for combining the power of money than to organize a corporation, the stock of which is held by a few closely connected persons. They have constant access to the money drawer of that corporation. They are not responsible to any great number of stockholders. They may take money out any time they like, without any responsibility to anybody except to themselves. It is therefore the finest vehicle known to the law for the accumulation of profits for the purpose of evading the payment of income taxes in the high individual brackets.

But slightly over 4 percent of the corporations in the United States have net incomes in excess of $75,000. In 1937 there will likely be slightly in excess of 9,000 such corporations out of slightly more than 200,000 corporations making taxable returns. No corporation, whether closely or widely held, with net earnings of $75,000 or less, is affected by title I–B. Of course, a great number of these corporations are widely held and would not be affected by this provision in any event. Let us see what I–B will do to them. Remember I read the figures to you showing the distribution awhile ago, and during 1936 the corporations of the country distributed their net gains in such amounts as to get the lowest possible effective rate.

In 1936 the corporations in the high-income brackets distributed more than 91 percent of their net gain, which made their effective rate approximately 15 percent.

You cannot convince me, and I do not think you can convince any other man who has thought the thing through and looked at the picture as statistics show it, that with those corporations in the high employment brackets and in the high net gain brackets, this tax has affected them one particle in the employment of men, in the expansion of plant, or in any other manner.

When they distributed 90 percent and got into the 15-percent class, it was solely for the purpose of saving a few cents on their tax rate, and they were not concerned with the employment of people and the expansion of plants. For a few cents more on their rate they could have retained much more of their gains and yet not have attained the maximum under the proposed plan.

In 1936 corporations making under $5,000 a year distributed approximately 36 percent of their net gains, retaining 74 percent.

Now, when you get down to the class which is affected by I–B, let us see what the picture is.

Here is a chart of corporations making between $100,000 and $150,000 a year in 1936; they distributed 75 percent of their net gains, and under this bill those corporations which find themselves within that 4 percent in number, could go out at 57.6. They, therefore, have quite a margin between the amount they distributed in 1936 and the amount necessary for distribution under this title.

Corporations making between $200,000 and $250,000 in 1936, distributed 76 percent. I have here the amount they distributed and the amount they retained and the line which would represent 57.6, would be where this pen is. They, therefore, have a large margin between the amount necessary to take them from under the I–B class, at 57.6 and their 75 percent distribution of last year.

When you reach the corporation with net earnings of $243,000, 30 percent becomes greater than $60,000 and is, therefore, applied, and from there on, regardless of what the amount of net earnings is, naturally, the 57.6 takes the corporation out.

Corporations earning between $250,000 and $500,000 distributed approximately 78 percent.

Between $500,000 and $1,000,000 approximately 80 percent, or about 79 percent.

Between $1,000,000 and $5,000,000, about 84 percent, and when they got up to the $5,000,000 class, they went over the 9 percent line, or about 91 percent, and when that corporation went into the 90-percent distribution class, it was paying 15.6 percent, which would be 5.4 percent less than the maximum they would pay under this bill.

There has been a great deal of discussion here about the attitude of business with respect to this bill.

I have been a member of the Ways and Means Committee for 4 years, and have sat through the writing of four tax bills, but I do not think I have ever heard of the approval by business of any tax bill we have written. Almost without exception those who appear before the committee are against it, and those who believe in it, those who are for it, do not come and submit their opinions to us, and it is an unfortunate thing that a sort of phobia has grown up over this undistributed-profits tax, and hundreds and hundreds of letters have come to Members of this Congress, have come to the members of this committee from people who have not been adversely affected by it, from people who know nothing about it. They have written hundreds of letters concerning this proposed bill when they did not know how it would affect them. They just do not like the idea. One man said that he was the secretary of a commercial organization of one of the great States of this Union. He said they did not like the undistributed-profits tax idea, and they would rather have a 23½-percent rate than to have the undistributed-profits tax provision as it is in this bill, with a maximum of 20 percent. I asked him whether or not he thought all of the little corporations of his State making $25,000 or less would like to have it increased, and he said he thought they would.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from Pennsylvania [Mr. DITTER].

Mr. DITTER. Mr. Chairman, all of us were interested and many of us were amused earlier in the afternoon when the distinguished gentleman from Massachusetts [Mr. McCORMACK] attempted to lay at the door of our colleague [Mr. TREADWAY] the responsibility for the present undistributed-profits tax. He attempted to charge the gentleman, at least by inference, as favorable to the theory of compulsory distribution of dividends because the gentleman was broad-minded enough to give the proposal serious consideration. It would be most gratifying to many of us and most encouraging to the country were we convinced that the majority Members would be willing to give the important tax bill now before us the same degree of careful and serious consideration as that which the ranking Member on our side of the aisle always gives to important proposals. The need today is for deliberative thought and painstaking consideration rather than the blind partisanship which during the past 5 years has been a compelling factor.

The attempt to lay the blame at the door of the Republican Party indicates the plight in which the Democratic Members find themselves today in trying to defend the undivided-profits tax program which they have sponsored and which they now continue to advocate.

There comes to my mind today a cryptic phrase used, an apologetic promise made, by the majority members of the Ways and Means Committee when the 1936 revenue bill was reported to the House. We were assured by the majority that a subsequent Congress could "act more intelligently in the light of the conditions then existing" as the problem of raising revenue was presented. What are the existing conditions? Today is the fifth anniversary of the birth of the New Deal. Five years ago this new philosophy was brought into existence. Eleven million unemployed men today are the fruits of new dealism. These are the existing conditions today. I invite the serious attention of the majority to the question whether these conditions, the business stagnation, the serious unemployment situation, the collapse of confidence, were considered when they decided to advocate this measure or were they only responsive to the demands of the White House that the theory of undistributed-profits tax be continued in our tax program?

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. DITTER. I always yield to my distinguished colleague for whom I have profound respect and great regard.

Mr. DOUGHTON. I did not understand whether what the gentleman said is in the nature of a challenge or an inquiry.

Mr. DITTER. I suggested it probably as an invitation.

Mr. DOUGHTON. I thought it was a challenge. Will the gentleman please restate it so that I can get it exactly right?

Mr. DITTER. I would like to know whether or not the majority Members who now advocate this policy of an undistributed-profits tax gave any consideration, as they promised to do, to the now existing conditions, or were they responsive only to the demands of the White House that this philosophy should be continued in the revenue measure.

Mr. DOUGHTON. Speaking for myself as the chairman of the committee, and for no one else, I say that we did give full consideration to present business conditions and, so far as we could, looked into the future. So far as the demands of the White House are concerned, I have heard of no demands from the White House so far as this tax bill is concerned.

Mr. DITTER. Mr. Chairman, that is a most encouraging assurance. It brings to my mind an observation made yesterday by one of the other Members [Mr. REED of New York] as he directed the attention of the House to the philosophy of the former Administrator of Resettlement, now the molasses master in New York. I feel confident that the distinguished chairman of the Ways and Means Committee will not deny that the former Administrator wielded a real influence with the administration in the earlier days of the New Deal. I feel that I am also on safe ground when I make the assertion that our friend, Professor Tugwell, incorporated in one of the earlier studies of his philosophy of controlling industry the suggestion that the best way that the complete control of industry might be secured was by a tax program such as the Ways and Means Committee now advocates in this bill.

Therefore I feel confident in saying that the majority Members, by accepting and advocating the Tugwellian theory, are responsive to the White House. It cannot be denied that Professor Tugwell suggested that the compulsory distribution of dividends through the imposition of taxes would result in the proper allocation of capital, and thus make possible Government control of industry.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DITTER. Yes; I yield to my distinguished friend.

Mr. COOPER. I know that the gentleman wants to be fair in discussing these matters in his very able manner.

Mr. DITTER. I appreciate that compliment, sir.

Mr. COOPER. The name of Dr. Tugwell has been mentioned several times. It does not take much courage, you know, to jump on somebody who is not here and cannot say anything for himself.

Mr. DITTER. Does the gentleman mean to challenge my courage, or is he a defender of the molasses master?

Mr. COOPER. Will the gentleman allow me to ask the question or not?

Mr. DITTER. I should be happy to, but I rather resented the inference.

Mr. COOPER. I am applying it not only to the gentleman who is now making the remarks, but it was discussed more frequently and more extensively yesterday. What I am trying to convey to the gentleman is that I can assure him as one who was on the Ways and Means Committee, who attended every session, who heard every witness who testified, that when the undistributed-profits tax bill was drawn in 1936, Mr. Tugwell never did appear. I never did hear of his name being in any way connected with the undistributed-profits tax bill that was reported by the Ways and Means Committee. As far as I know, he had nothing in the world to do with it and knew nothing about it.

Mr. DITTER. Please do not take all of my time. I appreciate that observation, but I must resent the implication of a lack of courage in making reference to the distinguished former Resettlement Administrator. I invite on the part of any of the champions of the Tugwellian theory or any defender of the professor himself an answer at this time to the charges I make, that the theory of undistributed-profits tax was advocated by him. I again repeat that the Tugwellian influence was present in the earlier days of the New Deal. It is probably still potent. I also insist that the theory of the undistributed-profits tax came to the Ways and Means Committee as a result of the suggestion of the President. The undistributed-profits tax was not born in the brilliant mind of the distinguished gentleman who now tries to defend it; it came to him as a result of a recommendation from the President.

Mr. COOPER. Mr. Chairman, will the gentleman yield at that point?

Mr. DITTER. I yield.

Mr. COOPER. It is a matter of public record that the President recommended it in a message to Congress.

Mr. DITTER. I am glad that the distinguished gentleman agrees with me. It bears out the previous declaration I made that the message which came from the White House bore the imprint of the Tugwellian philosophy of government, a socialistic philosophy of government, complete industrial control by the government; and that the retention of the philosophy at the present time by the majority Members amounts to nothing more nor less than an approval by them of that philosophy. You are either for or against Government control of industry as you approve or reject this tax proposal.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DITTER. I yield.

Mr. KNUTSON. If the gentleman from Tennessee will turn to page 42 of the hearings on the Revenue Act of 1936

he will see that the gentleman from Pennsylvania is absolutely correct; and may I say further that the gentleman from Pennsylvania is in error. Mr. Biggers reported last fall that there were 11,000,000 out of employment. That was last fall. May I say to the gentleman that since then the President has sent a message to Congress saying that there has been an increase in unemployment of 3,000,000 since the 1st of December.

Mr. DITTER. I appreciate the contribution which my friend has made, but I have no intention whatever of increasing the discomfiture and the distress of my brethren on the other side by making these figures on unemployment too large.

I should like to point out at this time the attitude which has characterized all of the New Deal program and which is present in this undivided-profits-tax proposal. It is the idea of free spending. Taking all of the veneer away, removing all of the varnish, in plain words that anybody can understand, what does this tax amount to? It amounts to but one thing, and that is to cast aside an old, time-honored, long-accepted, usually approved axiom, that it is a wise thing to lay aside something for a rainy day. That is the plain truth of the matter. That is the net result of this policy. It is the policy of the spendthrift. It is the doctrine that we can spend ourselves into prosperity, that we can waste our substance in riotous living, and that the old story of the prodigal son should be used as an incentive for the American people to follow the example of this foolish young man.

I am more interested today in what the folks back home think of the purposes for which this money is to be spent than I am in abstract academic theories of taxation about which we have heard so much during the course of the debate on this revenue measure.

However, I do find it difficult to understand the theory that undistributed-profits taxes are proper for a large corporation but out of order in the smaller group.

If it is indefensible in the one instance, then certainly I see no rhyme or reason for its retention in the other. Are we to believe it is all right to wink at the minor vices and that we are only to hold up to the glaring sun the major vices? If it is wrong to retain the undistributed-profits tax when the corporation makes large sums of money, why is it not just as wrong and just as much a matter to be criticized when that happens in the case of smaller corporations?

What are our people back home thinking today? They are not thinking of this debate on the theory of taxation. They are wondering how you are going to spend the money. I understand a spokesman for the administration yesterday made the declaration that the only salvation he sees at the present time is an extraordinarily large appropriation, a pump-priming process that has been resorted to so frequently in the last 5 years. As I think about this pump priming I cannot help but remember my own experiences on the farm when we had to prime a pump occasionally. I cannot help but remember what the practices were of some of the other folks around about the countryside in the matter of priming the pump. There were some men who did nothing else but prime the pump. They were the lazy, indolent good-for-nothing individuals who never contributed anything either to their own welfare, to their family maintenance, or to the well-being of the community in which they lived; but they were always priming the pump They were expert pump primers, but that was all they were. They never had the ambition, they never had the energy, they never had the resourcefulness, to find out what was wrong with the pump.

They did not have the energy to get down and pull the pump up to see whether or not there was something wrong with the supply of water or whether the suction was gone. They were for everlastingly and everlastingly pouring in more priming to get the old pump working in the hope of getting a little easy water. I think we have been doing a lot of priming in the last 5 years. We have been doing very, very little in the way of finding out the reasons why the pump does not work or helping to put the pump into first-class working order.

Mr. WHITE of Idaho. Will the gentleman yield?

Mr. DITTER. Mr. Chairman, the pump will not work today because we have rejected and repudiated by this New Deal program every sane and sensible rule of reason; we have cast aside every established economic theory and gone wild with experiments; we have insisted that the only way we can get prosperity is by spending ourselves into it. New dealism has insisted that billions of dollars of debt and billions of dollars of taxes and billions of dollars of spending would bring recovery and make the pump work. Well, from all appearances the pump is still very much out of order.

Mr. WHITE of Idaho. Will the gentleman yield?

Mr. DITTER. No.

During the past 2 months our activities have been confined almost exclusively to one thing—spending the money of the taxpayers. In fact, this has been a predominant feature of the program for the last 5 years. The spending habit can be called very properly a peculiar, even though to many of us a painful, New Deal characteristic. Someone has gone so far as to call it a new dealer's favorite pastime. If practice makes perfect, the present administration has left no stone unturned to develop the dissipation of public funds into a fine art of political pillage. The Public Treasury has been raided ruthlessly; the credit of the Nation has been bolstered artificially; the confidence of the people has been destroyed wantonly; billions of dollars have been frittered away foolishly; and now the taxpayer, in a quandary, wonders whether Uncle Sam has doffed his top hat in exchange for the mask of a highwayman.

Every effort for economy has been unavailing. The protests of the Republican Members of the House against the persistent plundering of the Public Treasury have been met by ridicule, scorn, and contempt as one appropriation bill after another has borne mute but eloquent testimony of the insincerity of the administration's assurances that the wild orgy of spending was over. Like a flock of birds, the promises of reductions in expenditures have taken wing and scattered in search of seclusion.

We are paying the price now for this policy of 5 years of profligate management, as the present panic becomes more acute day by day, with increasing unemployment and a corresponding increase in the relief rolls of the country. I hesitate, Mr. Chairman, to use the word "panic," and I would much prefer to call the business stagnation another name, but no other word so aptly and completely describes conditions today. The country is paralyzed with fear. Business is crippled by and dismayed with the dread prospect of a continued spending spree. Leaders are alarmed over the outlook. Private industry is gripped by a panic. And with it all, the profligate management of public affairs continues. I cannot be charged with partisanship or with an antagonistic attitude to the administration, Mr. Chairman, in making this statement, for within the last few days one of the closest friends of the President, a recognized leader in the fields of business and finance, has declared unequivocally that the administration is to blame for the business collapse and its attendant disastrous increase in unemployment. I repeat, Mr. Chairman, with reluctance, that the present panic is a natural result of the administration's failure to put into practice its many repeated promises to reduce Federal expenditures. And may I add, Mr. Chairman, there will be no substantial improvement, no real recovery, so long as the administration persists in the foolhardy philosophy of spending itself into prosperity. It never did and it never will work.

Today, Mr. Chairman, we turn our attention to the other side of our Federal financial operations. Thus far the activities of the House have been directed to spending money—other people's money—the easiest thing in the world to do. Now, the unpleasant task presents itself of finding ways and means of getting the money to pay the piper. Despite the

warnings which have come from the Republican side, the majority Members have appeared to take keen delight in their extravagant excursions at the expense of the taxpayers. They should welcome therefore the privilege they now enjoy of assuming full responsibility for collecting from the citizens the enormous cost of their revelry and dissipation. This 1938 tax bill, burdensome in its weight on an already staggering and stunned business life, oppressive in its exactions upon individual citizens, unsound, unwise, and unwarranted in several outstanding principles, is distinctly and exclusively a New Deal creation. Be assured, Mr. Chairman, that the Republicans seek no part of the honor or the glory which the majority crave and, I should say, which they probably cherish in advocating the enactment of this tyrannous tax measure.

It is to be hoped that the jarring and discordant notes of this oppressive tax bill will be intoned to the country and credit claimed by the administration for its enactment with as much zeal as characterizes the hymns of hate against business leaders and the melodies of a more abundant life.

When the 1936 tax bill was reported to the House the majority committee's recommendation was made with reservations as it apologetically assured the Congress "this will take care of the President's request until the next session of Congress, which can then act more intelligently in the light of the conditions then existing." This statement is a startling declaration. It is a confession. The committee had hopes that something could be done "more intelligently." It is to be assumed that this bill is the result of "more intelligently" approaching this serious question. But, in addition to the confession of a crying need for considering the tax problem "more intelligently," the statement also gave the assurance that the study of a tax measure would be made "in the light of conditions then existing." What are the conditions existing today? The answer to that question is at hand—a panic has paralyzed private industry and stopped the wheels of business activity. Are we to understand that the majority Members claim they have benefited by "the light of conditions" existing today as they advocate the enactment of this measure? If such claim is made, the need for an extra supply of floodlights is all too apparent.

This measure is a face-saver and nothing more for the administration's colossal blunder in urging the enactment of a tax program which has contributed materially to the business collapse and the panic conditions which we face today.

The outstanding feature of the 1936 tax bill was the undivided-profits-tax principle. From the day of its enactment there has been a continued and persistent demand for its repeal. The modification made by the committee at this time is an admission of its mistake in advocating its passage. Since they admit they were wrong then, there is little upon which they can claim they are right now. But to accept the suggestions of the Republicans for an outright repeal of the undivided-profits tax would only magnify the mistake of the majority and make all the more apparent the need for "more intelligently" approaching the tax problem. They, therefore, resort to the expedient of a modification as their only salvation.

No tax measure heretofore imposed on the American people ever raised the universal protest that developed as a result of the adoption of the undivided-profits-tax principle in the 1936 revenue bill. Even the majority admits by suggesting changes at this time that the protests were justifiable, but they apparently fail to recognize the basis for the widespread complaint that has been registered. The objection goes to the heart of the matter. The principle is wrong, the effect is harmful, the result is disastrous. It should be noted that the idea is not new, although it never has been employed to the extent that it has been applied in this and the preceding revenue measure.

In making an appraisal of this feature of the present bill it is fair to examine the claims which were advanced by the proponents of the measure as reasons for its enactment as well as to consider the source from which the suggestion came for this radical procedure. Of course, Mr. Chairman, it is indisputable that some of these claims were red herrings to obscure the real issue and to confuse a sensible approach to the problem of a compulsory distribution of the earnings of a company. These claims merit no consideration.

Among the arguments advanced in support of the undivided-profits tax was the claim that the accumulation of profits in a reserve account was one of the causes of business depressions. If this were a sound argument, then the compulsory distribution of such profits surely should prevent a business collapse. Again there recurs, Mr. Chairman, the assurance of the committee that the Congress could "act more intelligently in the light of the conditions then existing." The present panic must cause a bit of stammering and a slight blush of embarrassment to the proponents who pressed this argument as a reason for adopting the measure. It is based on the same theory as the administration's exploded experiment of spending ourselves into prosperity and is just as tenable as the New Deal doctrine that the less we grow the more wealth we produce. Like most of the New Deal methods, it is based on some half-baked economic notion long since proven unsound. In the light of the conditions now existing it is difficult to see how the tax has increased the purchasing power of the people or had anything but a deleterious effect on our general economy.

Again, Mr. Chairman, it has been urged that this tax would place in the hands of the individual stockholders a greater degree of control over the operations of the company in which they own stock. Assuming that the tax would give such control—and it is most difficult to imagine how it could—can anyone contend honestly that the many intricate and complex problems of corporate management, including among others today the very important question of fair and equitable treatment of the relations between employer and employee, could be solved satisfactorily except by a representative group of stockholders acting for the larger number? To attempt a correction of abuses in those cases of corporate management where they may exist by the imposition of a penalty tax such as the undivided-profits tax is just as indefensible as the name-calling habit of the administration directed against business and business leaders.

The most tenable basis advanced for the adoption of this principle in our tax structure was the argument that it would be a factor in preventing the avoidance of taxes by withholding the payment of dividends. Again a scheme of generality was adopted which might have been justifiable in a negligible number of cases, but which works its hardships upon both the just and the unjust without regard to legitimate business requirements or sensible and sound business practices. If this were the motivating reason for advocating the idea of a tax on undivided profits, then it becomes most difficult to account for the proposal which the committee now makes that corporations with net incomes of $25,000 or less should not be subject to the tax. If the purpose of the majority was to correct an evil, are we to assume that it now advocates correction only of major vices and that it winks at the minor offenses? Is the avoidance any the less a vice if the corporation makes $25,000 a year than if it makes $30,000? Is the majority justified in assuming that the dividend policy of the smaller corporation is necessarily more virtuous by reason of its size than that of the larger company?

The more one inquires in this field the more ridiculous the reasons become for advocating the measure. I believe, Mr. Chairman, that the fault complained of could be remedied by legislation carefully drawn to prevent the accumulation of profits greater than the reasonable needs of the business and which are retained for the purpose of avoiding the imposition of taxes upon the individual stockholders. The present makeshift, face-saver undivided-profits tax, however, has neither rhyme nor reason to support it. I repeat, Mr. Chairman, there can be an improper accumulation of profits in a small

corporation just as there can be in a large one, and on the other hand there can be, and frequently there is, the need for a proper accumulation of profits in a larger body as there is in a smaller one. Again, I submit, Mr. Chairman, that it is unfair to paralyze the just in trying to visit a punishment on the unjust. That was, and still is, what is being done by the undivided-profits tax. If malefactors can only be reached by destructive tax measures on honest businessmen, our legislative resourcefulness has reached a low ebb.

The Republican members of the Ways and Means Committee have presented in a masterly way their objections to the retention of the principle of an undivided-profits tax in the present revenue bill. Their conclusions are sound and should be compelling were it not for the blind partisanship of the majority members who appear to be willing to have another Congress "act more intelligently in the light of the conditions then existing." A detailed recital, Mr. Chairman, of the objections of the Republican members is not necessary. However, I cannot refrain from making a reference to the warning sounded by them that this tax would "put a penalty on prudence and a bounty on improvidence." These are words of wisdom. There is no shifting of responsibility in these words nor no call for assistance to a subsequent Congress "to act more intelligently in the light of the conditions then existing." These words go to fundamentals. This tax strikes a blow at one of the basic principles of business and individual success—thrift. It must be conceded, of course, Mr. Chairman, that thrift is a homely virtue, one that many think is outmoded and one which has been ignored if not entirely forgotten by the present administration. Improvidence has been the order of the day here in Washington for the last 5 years. Bounties have been bestowed to encourage the habit. Prudence has been thrown to the wind for the last 5 years, and penalties have been provided for those who practiced it. It is, therefore, Mr. Chairman, not at all surprising that the majority is compelled to keep in line with the prevailing custom by advocating a tax measure which is contrary to the most elementary rule of sound business training, applicable to the individual, to the family, to the businessman, and to Government as well, to lay something aside for a rainy day. It is an old rule but still a good rule. It is a rule that has been handed down for generations and has stood the test of time. It is a rule that forbids profligacy and frowns upon dissipation. It is a rule that condemns extravagance and is critical of wastefulness. It is a rule that encourages industry and inspires initiative. It is a rule that is trampled under foot by the indolent, the slothful, and the shiftless, all of whom have been invited to look to the Government for a more abundant life. Like many other New Deal doctrines and practices, the undivided-profits tax violates a time-honored, safe and sound rule of conduct. The violation can only result in the continued insecurity of our industrial life and the extended jeopardy of our national welfare.

But there is, Mr. Chairman, another objection to the compulsory distribution of profits which, to my mind is basic and fundamental. I refer to the philosophy of government which seeks to establish a complete control of our business life. We should not ignore the fact that such a tax has been suggested by those who advocate a socialized economy for America. No one here can dismiss lightly the influence upon the President which was, and probably still is, wielded by the former Administrator of the Resettlement Administration, Prof. R. G. Tugwell. Nor can we overlook the fact that the President was the persuasive force in having the undivided-profits tax feature incorporated in the 1936 revenue bill. Professor Tugwell's criticisms of our American system are matters of record. His excursions into social experiments at the expense of the taxpayer have been costly and wasteful ventures. His advocacy of radical and revolutionary changes in our social structure has disturbed the confidence of our people in the stability of our instructions as well as giving encouragement to those who would implant here an un-American system of government.

In view of the influence of the former Resettlement Administrator in shaping the policies of the New Deal, and in view of the President's insistence that the undivided-profits tax feature should become a part of our tax structure, it becomes important to ascertain the attitude of Professor Tugwell on this controversial subject. He has contended consistently for an extension of Government control of industry, advancing the theory that the allocation of capital under Federal authority is necessary to perfect the extended control which he advocates. He declares that—

> Capital allocation would depend on knowledge, from some planning agency, of how much for a measured future period ought to be put to one use rather than to another. Given this information, the first step in control would be to limit self-allocation. This is the first great problem in this field. Industries, because of their past and present successes, regardless of temporary luck, grow overconfident of the future and expand their own activities beyond all reason.

The meaning of this statement is clear and unequivocal. It contemplates the control of industrial operations, including growth and expansions by taking from the hands of the private owner and investor the determination of the use of his capital and lodging it in the hands of "some planning agency." It means not Government regulation but Government management and control.

With this undivided-profits tax principle before us, it is highly significant to note the method suggested by our resettlement experimenter to carry out his program of extended and complete control of industry.

> In general the principle invoked would be to drive corporate surpluses into the open investment market; for most of the trouble comes from self-allocation occurring strictly within a single organization. It is overoptimistic internal expansion and the use of funds earned in the past, to commit the concern to increased activity which cause the problem of surplus which yearly grows more acute * * *. If taxation forced these funds (surpluses) into distribution as dividends they would have to seek reinvestment through the regular channels, and a concern's plans for expansion would be subject to check in the investment market.

I submit, Mr. Chairman, there can be no doubt of the meaning of this statement. Here is the fountainhead from which the theory of an undivided-profits tax sprang. The evident purpose of the majority is to "drive corporate surpluses into the open investment market," to insist upon a scheme of taxation to "force these funds into distribution as dividends" so that the "first step in control (Government control of industry) would be to limit self-allocation" of capital belonging to the individual citizens of the country. No other purpose can be found for the headstrong persistency with which the majority clings to this discredited tax theory in the face of universal protests from all parts of the country.

A solemn warning should be sounded today, Mr. Chairman, as we contemplate this purpose of extending Government control by taxation in the field of private enterprise. We should take heed. We should stop, look, and listen. The American system comes to grips here with a subtle and stubborn socialistic attack which seeks to strangle individual initiative and which would put private industry into a strait jacket of statism not at all unlike the systems in operation in Europe.

A fundamental and a very vital issue presents itself. Is Government control to be substituted for individual enterprise and adventure? Is representative democracy to be aborted into some type of authoritarian state? Is the majority urging the establishment of one-man government? No other plausible excuse can be found for its demand for the continuance of the theory of undivided-profits taxation.

The attitude of the majority compels attention to the President's declaration that under the New Deal "new instruments of public power" have been forged. The compulsory distribution of dividends is one of these instruments. It is one of the most dangerous devices ever conceived and developed to make democracy a delusion and to establish a totalitarian state.

On this fifth anniversary of the birth of the New Deal, with 11,000,000 men standing idle, fearful, timid, suspicious, with undisputed evidence at hand from the lips of adminis-

tration spokesmen that it is responsible for the calamitous conditions today, with a record of a continued resort to un-American policies for a recovery program, let us reject these "new instruments of public power" and reaffirm our faith in our capacity for self-government.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, this bill comes to the country labeled a tax-relief bill. Let us see whether or not it is a tax-relief bill. Let us look at the facts as they appear in the bill and in the report. As a matter of fact, this bill instead of being a tax-relief bill, on the basis of the 1936 returns calls for an additional $100,000,000 of taxes, and perhaps for as high as $130,000,000. In other words, based upon those returns, which yielded $733,000,000, it is a bill which represents approximately an 18-percent increase in corporation taxes as a whole. A few adjustments have been made that apply to some of the smaller corporations which are unable to declare a large percentage of dividends, but as a whole the object of this bill, and it has not been so stated by the committee insofar as I have been able to see, is to increase the corporate taxes of this country $100,000,000 to $130,000,000.

The big corporations, largely because of their sound financial position, have been able to avoid a very large portion of the tax, but the smaller corporations have been unable to avoid it. In order further to foster and maintain monopoly, there has been injected into this bill a title known as the "basket title," or title I–B. What does this title do? I had hoped we would get a fair explanation of that closely held corporations tax from the members of the committee, but we did not get out of the committee a frank statement of what it will do.

Let me tell you what this tax will do. I happen to have in my territory a minimum of 6 and a maximum of 12 or 15 corporations which would be subject to this basket tax. What will this tax do to them? Under this title these corporations will be carried right into 77B proceedings, into bankruptcy. I know about them and I know what the situation is. This tax has not been brought out by the committee in good faith and fairness. This provision imposes a tax that can run as high as 31 percent upon these corporations. What is their picture to start with? I am going to give you the actual picture of conditions up in my country. The corporations in my section have a 16-percent Federal tax to start, and they cannot carry this as a deduction. They have a 6-percent State tax, which makes a total of 22 percent. They can carry the State tax as a Federal deduction but not as a State deduction. This is a total tax of 22 percent if they distribute every dollar they make. Suppose the corporation earns $200,000. What does it first have to do? It must first subtract taxes amounting to $44,000, which leaves $156,000. In order to come within the exemptions contained in the act the corporation must distribute 57 percent of its earnings. How much is that? One hundred and fourteen thousand dollars. Subtract $114,000 from $156,000 and you get $42,000. Almost every corporation of this type in my territory has been carrying its help along on anywhere from a 60- to a 75-percent schedule all during the depression. These corporations have taken care of their people and provided them with just as much employment as they could provide. As a result, they have not made much money and almost all of them are in such a position that if they did make the amount of profit to which I have referred, and if they undertook to declare a dividend of $114,000 out of their $200,000 earnings, making a total distribution of $156,000 or 75 percent of their total income, they would not be able to finance their necessary improvements and would not be able to finance any business they might get.

What is going to be the result? The independent outfit in the small town is going to get it in the neck, because this so-called basket tax is designed to promote monopoly and destroy small business. This is the way the I–B tax works. It does not work intelligently. It works destructively, but, of course, a destructive policy is in line with the program of the administration, and this has been their program all the way through.

This creates a situation where there ought not to be a single vote in the House of Representatives against getting rid of title I–B. What will happen if you pass this bill with that provision in it? What will happen if you pass the bill with a provision still in it for an undistributed-profits tax of 4 percent? The bill will go over to the Senate, where they keep a little better track than the Committee on Ways and Means of actual situations, where they pay attention to facts and not to highfalutin theories, and where they realize what we are up against. The Senate instead of the House will get credit for wiping out these two vicious taxes, one that now exists and the other one this committee has brought in here and is going to attempt to saddle on small business. If a lot of these small corporations attempted to declare a dividend of 57 percent of their earnings on top of the taxes they have to pay and which they cannot deduct they would be in the hands of the bankruptcy court under 77B proceedings in short order. There can be no theory upon which title I–B can be sustained except the theory of destruction.

Some members of the Committee on Ways and Means have attempted this afternoon to justify this I–B tax, this racketeering proposition, on the theory there were two or three corporations which had hidden their earnings and made loans to stockholders instead of declaring dividends. They did not attempt to bring in here a bill to solve the problem. The Bureau of Internal Revenue did not attempt to solve the problem properly under the provisions of section 10 of the law. They attempt to wipe out and put out of business the small concerns in the country districts from which most of us come. I admit this reduction to 4 percent in the undistributed-profits tax does relieve the large corporations and the monopolies this committee and the administration are trying to foster and preserve. This does relieve their problem very largely, but the bill with title I–B in it offers no relief whatever for the small corporations that have been successful in the country districts throughout this country. This is a decree that there shall be no independent business and a decree that we must promote monopoly in this country. The idea of an administration coming out and announcing that it is opposed to monopoly; the idea of an administration coming out and saying it wants to help small business and then coming out with such a ridiculous proposition as this bill contains.

I hope when the House of Representatives comes to consider this bill in detail it will realize that this is not a tax-relief measure but that it adds from $100,000,000 to $130,000,000 to the tax burden of the business corporations of this country and that it almost puts out of business completely the small business corporation on which we have depended for generations in the small districts of this country for the employment of our people.

Do you wonder, with such propositions as this put up to the people, that business has been unable to reemploy the people? You have decreed that they shall not reemploy them. You have decreed that the administration and the Ways and Means Committee shall be against the business corporations of this country reemploying our people. Why do you not be frank about it, and when you come to read this bill consent to an amendment wiping out this undistributed-profits tax, wiping out title I–B, and really giving business a little encouragement to go ahead and reemploy the people?

Business has not been successful enough during the last 4 years so that they ought to be unduly penalized. In the last 4 or 5 years business has gone through the worst years in its history, and I hope when the committee begins reading the bill for amendment you will adopt amendments that will make this a real tax-relief measure. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. Mr. Chairman, I want to ask the committee a question. I notice that the President said today at his press conference:

> There is no valid reason why the new tax bill should repeal the clause making public salaries and bonuses to officials of companies controlled by thousands of stockholders or the closely held, family-owned corporations. It is a question of public morals.

Why was this left out this time, may I ask the gentleman?

Mr. DOUGHTON. Why was what left out?

Mr. HOFFMAN. What I have just read—the publication of the list of salaries of officials of corporations.

Mr. DOUGHTON. The gentleman knows that we passed during the first session of this Congress a bill repealing that provision.

Mr. HOFFMAN. But why was it left out here?

Mr. DOUGHTON. I am not going into any of the whys or wherefores; that is all I have to say.

Mr. HOFFMAN. They just did it, and there was no reason for it?

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN. In a moment.

Mr. FRED M. VINSON. Will the gentleman yield in regard to this particular proposition?

Mr. HOFFMAN. Not just now. I want to ask one more question, and then the gentleman, perhaps, can answer them both at the same time.

What other corporations, of the larger ones, aside from the Ford Co. fall within this I–B?

Mr. FRED M. VINSON. Of course, I may tell the gentleman that the dividend policy of Mr. Ford under the 1936 Revenue Act would exclude him from the operation of the I–B tax.

Mr. HOFFMAN. He does not come within it?

Mr. FRED M. VINSON. He did not come within it when he distributed 69.69 percent.

Mr. HOFFMAN. I asked the question, What other corporations than the Ford Co. fall within the I–B class now?

Mr. FRED M. VINSON. It is a question of distribution, and if the Ford Co. does not distribute 57.6 percent it will come within the I–B tax.

Mr. HOFFMAN. What other corporations, among the larger ones, come in that class?

Mr. FRED M. VINSON. All corporations that are closely held and come within the specific definition as set out in the bill.

Mr. HOFFMAN. Can you name some of them?

Mr. FRED M. VINSON. We did not ask for names.

Mr. HOFFMAN. You were not interested?

Mr. FRED M. VINSON. No; we were interested in the principle involved and not interested in going out and penalizing or punishing any particular corporation, and we would have been subject to criticism if we had sought the names.

Mr. HOFFMAN. But you did not make this principle, as you call it, apply to the small corporations.

Mr. FRED M. VINSON. No.

Mr. HOFFMAN. That is because they have more votes than the big ones.

Mr. FRED M. VINSON. No; it is a question of fairness in meeting the tax burdens.

Mr. HOFFMAN. What is the difference whether there is one corporation or a great number of them, if it is a question of principle?

Mr. FRED M. VINSON. It is a question of ability to pay.

Mr. HOFFMAN. Cannot the little fellow pay his proportion if it is fixed upon a percentage, as well as the big fellow?

Mr. FRED M. VINSON. Yes, if the lesser rate is granted the smaller corporation.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Kentucky [Mr. FRED M. VINSON].

Mr. FRED M. VINSON. Mr. Chairman, I would like to have the attention of the gentleman from Michigan. What was the question the gentleman submitted a few moments ago relative to the publicity proposition?

Mr. HOFFMAN. I thought the gentleman answered it.

Mr. FRED M. VINSON. No; I did not have an opportunity to answer it.

Mr. HOFFMAN. It was a question about why, the President having declared today that the list of those who drew certain salaries should be published, as it was a question of public morals, you do not have that provision in this tax bill the same as the last one.

Mr. FRED M. VINSON. If the gentleman had remembered the action of the House in the last session he would have known today that such a bill reported from the Ways and Means Committee was passed in the first session of this Congress.

Mr. HOFFMAN. I know that.

Mr. FRED M. VINSON. That bill repealed that provision of law. Now the Ways and Means Committee bows to the will of the House. I think we would be in a rather awkward position if we had included that publicity provision in this bill after the House, in a previous session of this Congress, had passed a bill that repealed that section of law. This is the reason we do not have a publicity section in the pending bill.

Mr. HOFFMAN. But the President having stated it is a question of public morals, why not put it back in the bill, if he is right?

Mr. FRED M. VINSON. I gave the gentleman the reason why it is not in the bill now under consideration, and I think the gentleman from Michigan voted with the majority of the House to repeal that section.

Mr. HOFFMAN. I certainly did.

Mr. O'CONNOR of New York. Is it true that the matter of the pink slip is retained in this bill?

Mr. FRED M. VINSON. No.

Mr. O'CONNOR of New York. That was repealed?

Mr. FRED M. VINSON. Yes; that is completely repealed.

Mr. HOFFMAN. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from Wisconsin [Mr. BOILEAU].

Mr. BOILEAU. Mr. Chairman, I shall confine my remarks to only one section of the bill and would like very much to have the attention of the Committee on Ways and Means, if I can, because this is a matter that I consider of great importance. Section 704, page 305 of the bill amends the tax on lumber. During the last session of the Congress a subcommittee of the Committee on Ways and Means, headed by the gentleman from New York [Mr. CULLEN], held hearings on a bill that had as one of its purposes the repeal of the tariff and excise tax on certain types of lumber. Western white spruce was one of those types. The hearings were extensive and the subcommittee did not report the bill favorably to the committee, as I understood it, and no bill was passed. In the consideration of this revenue bill section 704 contains practically word for word the language of the so-called Smith-McCormack bill, or a combination of both. I am not taking a position one way or the other as to whether this tax should be removed from these types of lumber, but I do want to point out and ask consideration from the distinguished chairman of the committee and other members of the Ways and Means Committee that if you are going to take the tax off western white spruce you should also take the tax off Engelman spruce, because Engelman spruce and western white spruce are practically one and the same type of lumber. As a matter of fact, there are only a few experts in the country who can distinguish between the two. They are absolutely competitive and are used for exactly the same purpose, and not one witness before that subcommittee last summer was able to distinguish between the two types of lumber.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. Yes.

Mr. DOUGHTON. The gentleman from Minnesota [Mr. KNUTSON], a distinguished member of the Committee on Ways and Means, who has been heretofore a rabid protectionist, has now become a free-trader in articles that affect his own district, and perhaps he can explain the matter to the gentleman from Wisconsin.

Mr. BOILEAU. I am trying to take myself out of that argument. I am contending for neither repeal nor the retention of the tax. I do not take a position one way or the other, because I have my own views in that respect; but I say if you are going to take the tax off western spruce, there is not a single word of evidence to distinguish as between the two kinds of spruce. If it is good for one, it is good for the other. I am not making any assertions against the gentleman from Minnesota [Mr. KNUTSON], but I do say that American interest own largely much of the spruce lands in Canada, and I submit that probably the interests the gentleman represents are well protected; but if you exempt the western white spruce from this tax, then, in all fairness, I say that certain interests that I represent will not be protected and will be discriminated against. A distinguished member of the Ways and Means Committee, a man for whom I have the highest regard, stated to me a day or two ago that this provision was accepted upon the recommendation of the State Department. I say to that gentleman and to the other members of the Committee on Ways and Means that I have been in contact with the State Department during the last couple of days and have tried to get a statement from them, but have been unable to do so; but I say to you, Mr. Chairman of the Ways and Means Committee, if you will ask the State Department for their opinion, they will readily admit to you that this provision in the last part of this section that attempts to distinguish as between these types of lumber is discriminatory against Engelmann spruce.

Mr. KNUTSON. I take it, then, that if the gentleman is given a seat in the bus he will be willing to coast along.

Mr. BOILEAU. I ask only one thing, and that is that everybody in the country be treated fairly and alike. If you are going to repeal the tax on one part of a particular group, then you should include all the members of that group; and if the gentleman from Minnesota will tell me that anyone in this Congress knows the difference between these two types of spruce, I will sit down. If the gentleman can name one particular use to which western spruce is put that Engelmann's spruce is not put then I have nothing to say; but all the evidence is that they are the same type of lumber, that they are used for identically the same purposes, and here is an important matter for the Ways and Means Committee members to understand: In 1935, when they were considering the trade agreement with Canada, the first proposal was that western spruce was one item on which they could reduce the tariff and excise tax. The Engelmann's spruce men prepared arguments before the reciprocal trade agreements committee showing conclusively that the two were absolutely used for exactly the same purposes; that, as a matter of fact, when they import them across the line they do not distinguish as between Engelmann's spruce and western white spruce, but they come just as spruce, and the reciprocal-trade agreement committee admitted and did provide for the same reduction in the excise tax on Engelmann's spruce as they did on western white spruce, showing conclusively they are one and the same thing.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. TREADWAY. Mr. Chairman, I yield 1 additional minute to the gentleman from Wisconsin.

Mr. BOILEAU. Mr. Chairman, I appeal to the members of the committee to give this serious consideration. I know the committee does not want to discriminate against Englemann spruce. It is used for identically the same purposes. I think that if you gentlemen will go into this matter in even the slightest detail you will be convinced that they are used for the same purposes, and I hope you will give that consideration.

I know it will be futile for me to offer an amendment on the floor of the House without the support of the Ways and Means Committee but I do appeal to the members of that committee before the bill is read under the 5-minute rule to give this matter a little consideration. Ask the State Department, ask any authority in the United States you want to, if there is any difference between the two types of lumber, particularly in the uses to which they are put.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield.

Mr. DOUGHTON. I have been impressed by the statement the gentleman has made, and I can assure the gentleman from Minnesota that I shall be glad to give it thought and consideration. If there is discrimination, I cannot answer for the gentleman from Minnesota.

Mr. KNUTSON. If the gentleman will permit, may I not say that at the time I offered the amendment I had never heard of Engelmann spruce.

Mr. BOILEAU. One reason for that is that the trade recognizes spruce as spruce. Unfortunately, there is discrimination. We want protection.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I am not very jubilant as I appear to champion any tax bill, but I want to say to my colleagues here today and particularly to my Democratic colleagues from Michigan that as a whole they will not have to apologize for this bill when they go back home in this next campaign; and I will say this, moreover, to my Republican colleagues from Michigan that I think in the final analysis they will, on a roll call, vote for this bill in preference to existing law.

Mr. Chairman, we heard a great deal about the relative philosophy of the major parties as regards taxation. It is not surprising to me to hear members of the minority constantly preaching a philosophy that is diametrically opposed to what the Democrats advocate. Nor is this difference in tax fundamentals by any means recent. I remember quite distinctly, long before I came to Congress, some of the discussions in connection with the so-called Mellon plan. I followed them closely. At that time Mr. Mellon, under the proposal which he made, would have gained greater concessions himself than the other 47,000 taxpayers of the State of Pennsylvania put together. As a consequence the Simmons plan was advanced, which had for its purpose concessions made almost entirely to the little fellow and forgetting about reasonable concessions to the corporations and to the wealthy class. As a result of the lack of Republican leadership and influence at that time the Democrats seized the opportunity and wrote the bill known as the Garner bill, which became the law of the land. Under it the great bulk of the concession was made to the average citizen, where it rightfully belonged, and a reasonable concession was made to big business. There is nothing startling, there is nothing secret, there is nothing incomprehensible about tax graduations and exemptions or in making concessions to the little fellow. It is a well-established principle in taxation; as a matter of fact, in many instances we do the same thing in our home States and cities.

We get the tax from the source where it is possible to obtain it. The more a man or corporation earns, the more taxes it pays. Obviously we cannot tax a man who does not have an income, because he could not pay. The bill before the Committee is a great improvement over the present tax law. Much relief is given—many exemptions and corrections made for the better. My Republican friends have said to me, and my people back home without regard to whether they were Republicans or Democrats told me, and many of them have written me, that the little fellow particularly should have some concessions; and on that theory, Mr. Chairman, I went along trying to get all the concessions I could. I think I was very helpful to the corporations and to the people of my State generally. With my friend, Mr.

McCORMACK, of Massachusetts, we fought for and obtained a dozen or more important concessions.

The committee has not assumed an arrogant, one-sided, or lopsided attitude. They made concessions—any number of concessions; and these now appear in the finished bill. However, I am not even now reconciled to the full acceptance of the I–B basket. I was one of those who stood opposed to it as a matter of principle, and I said that no amount of amending or no amount of correcting would completely sell me on the idea; but I want to say that after having heard our distinguished colleague from Kentucky [Mr. FRED M. VINSON] yesterday I have softened up somewhat on the I–B basket. [Applause.] He said that it is a problem of so much tax from a certain amount of tax dollars. He certainly put his finger on the problem and gave a real answer. He pointed out that your Uncle Sammy has to have so many dollars from the earnings of any corporation, be it held by a family or widely held by many stockholders. I say to you that outside of the remaining procreative power, outside of the principle, there is very little left in the I–B basket. If it comes to a test on I–B, I will let my conscience guide me in the proper direction and will vote to strike it out. But on the bill as a whole I want to tell you right here and now I am going to vote for it and I am going to urge my colleagues from Michigan to vote for it. It is my opinion that we are going to get a very substantial amount of support from the Michigan Members on the opposite side of the aisle.

If I had my way about it, I would authorize the printing of about a million copies of FRED VINSON's speech. Each and every Member of this House should order printed from 50 to 100,000 copies of that speech which should be mailed to his own constituents, because it is an exposition no man can successfully argue against. I have seen expert after expert appear before the committee submitting evidence against the bill fall like a straw man. You cannot stand up against the argument put up by the gentleman from Kentucky [Mr. FRED M. VINSON] because he can and did disprove contentions of hardship. As regards the bill as a whole, there are not any arguments against it. When it comes to discussing certain phases like the capital-gains tax, the gentleman from Kentucky [Mr. FRED M. VINSON] cannot be overcome in the argument which he advances. When he tells you that 80 percent or 85 percent of all the capital gains comes from stock-market operations, then there is absolutely no argument or no reason why anyone should expect exemption from taxation. To repeal the capital-gains tax is sheer nonsense when you and I and the little fellows earning two, three, or five thousand dollars have to pay an income tax. How in the world can a man argue for a tax exemption on profits which he made without working? Many of these profits were earned without spending a dollar, by buying stocks and, even before payment is made, ordering them sold and taking a profit. Then they insist Uncle Sam not tax them on huge overnight profits in connection with such operations, whereas other men who have worked and earned their money have to pay a tax. You cannot justify any such philosophy back home and it will not get votes.

I say to my friends on the opposite side of the aisle—and they ought to know by now—that sniping is not going to win an election. They have had three shots at it, and each time they become fewer in number. If they do not cut out this nonsense we will have a one-party Government, and I do not want to see that. I want to see a few Republicans here, because if there are not we will have to stuff a dummy for opposition. [Applause.]

Mr. HOFFMAN. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Michigan.

Mr. HOFFMAN. What about having a Democratic Party instead of a lot of New Dealers?

Mr. DINGELL. We have a Democratic Party that gave the people a New Deal, and it is very much in evidence, as the gentleman's disappointed attitude would indicate.

Mr. HOFFMAN. I say they did—with a $38,000,000,000 debt.

Mr. DINGELL. We still have a party, but you have not.

Mr. HOFFMAN. You have a party.

Mr. DINGELL. May I make just a few statements in regard to some remarks that were made here with regard to business. I was very much disturbed when I noticed in the Detroit papers that Mr. Knudsen, of the General Motors, not of Minnesota, called in 40 newspapermen to Detroit. We do not have 40 representatives of various newspapers in Detroit, so evidently they were called in from all over the country to be given this startling lay-off announcement that General Motors were going to lay off some 30,000 workers and the rest of their employees would be put on a 24-hour-a-week basis. I can only deduce from what I saw in the newspapers that these big screaming headlines indicated premeditation and a definite planned effect.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. DINGELL. Mr. Chairman, there was premeditation, in my opinion, in connection with this dramatic move, because I know from my experience and my contact with the motorcar industry that automobile concerns heretofore were not willing to give out information on lay-offs. If a newspaper man called he was told there was nothing to write about, or "We are tooling up for new models," or "We are inventorying," or "We have laid off for just a few days." Maybe he was told "We want a certain department to catch up," or "A certain department is overstocked on certain parts, but nothing unusual." Automobile manufacturers would always insist there was nothing to write about. In this instance, however, 40 newspapermen were brought in from all over the country, representing all the principal newspaper services and newspaper chains, and all of the big individual newspapers and they were ordered to tell the working people of the Nation, "You wanted a 30- or 40-hour week. We will give you a 24-hour week and see how you like it." This action had the effect of arousing fear in the hearts of the people, of paralyzing the buying power of the Nation. It was either a shameful betrayal or a most asinine, if not a criminal, action of one who is expected in the common interests to act otherwise. If that was not an intentional move, I ask you how in the world they could have used a more efficient method to produce the results which we know now exist?

Mr. KNUTSON. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The gentleman is a newspaperman of long experience. He knows if they wanted to get this information out all over the country all they had to do was to call in the Associated Press, the United Press, or any of the other news services.

Mr. DINGELL. I realize that, but why did they bring in 40 newspapermen? The Detroit News on my desk states they brought in 40. Why did they not give the information to the local representative of the Associated Press, and why not without the blare of trumpets and the dramatics? That is something I am trying to get through my friend's head. They did something never done before. They brought these newspapermen in from all over the country. If I am informed correctly, I think this originated in the Corn Exchange National Bank in New York as a direct slap at the Roosevelt administration and in violation of the best interests of the stockholders.

Mr. KNUTSON. Who controls the Corn Exchange National Bank?

Mr. DINGELL. That is for the gentleman to find out. I am not giving out all my information.

Mr. HOFFMAN. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Michigan.

Mr. HOFFMAN. I notice in this newspaper it is stated:

Joining the opposition, Representative JOHN D. DINGELL, Democrat, said yesterday: "I'll tell the cockeyed world I am against it."

Mr. DINGELL. That is the I–B basket?

Mr. HOFFMAN. Does that hold good today?

Mr. DINGELL. Yes. The gentleman has not brought out anything new. I admit that I am still not sold on the I–B basket proposition as a matter of principle.

Moreover, I may say for the gentleman's edification that I did more in connection with making title I–B painless than he did or ever will.

Mr. HOFFMAN. The gentleman is still against it, as I understand?

Mr. DINGELL. Yes; I am still against title I–B as a matter of principle.

Mr. HOFFMAN. I had some doubt about it before.

Mr. DINGELL. However, I am for nineteen-twentieths of the bill. I venture to say the gentleman will vote for it, too, unless I miss my guess. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. COOPER. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. MCCORMACK] may be permitted to revise and extend in the RECORD his remarks made today on the pending tax bill and include therein certain excerpts from a table and other data.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

ORDER OF BUSINESS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the consideration of the revenue bill in the Committee of the Whole may conclude not later than 4 o'clock p. m. on Wednesday next, at which time, if not before, the bill shall be reported to the House with such amendments as may have been adopted in the Committee of the Whole, and the previous question shall be considered as ordered on the bill and all amendments to final passage, with the exception of a motion to recommit.

Mr. BOILEAU. Reserving the right to object, Mr. Speaker, this is a rather unusual request. It seems to me it may have the effect of depriving Members of an opportunity to offer amendments to the closing pages of the bill. We might go on with the consideration of the bill on Monday, Tuesday, and Wednesday until 4 o'clock and get halfway through the bill, but after that time a Member would have absolutely no chance to debate any amendment he might offer. However, I dislike to object to the request of the gentleman from Texas.

Mr. RAYBURN. I may say to the gentleman I have consulted with various members of the committee, and they believe there will not be very many amendments. Further, if we can reach this agreement, it is the purpose to dispense with business in order on Calendar Wednesday and complete general debate on Monday. I understand there are approximately 2 hours of general debate left. This will give more than 2 whole days in which amendments may be offered to the bill.

Mr. BOILEAU. The gentleman from New York [Mr. SNELL] is suggesting in behalf of the request of the gentleman from Texas that we will have all day Monday and Tuesday for the consideration of amendments, but the gentleman's request does not couple with it a provision that we must pass along on each page as rapidly as possible. Unless I misunderstand the request, I can foresee that if Members can offer any number of amendments they want to, we might take all day Monday and Tuesday and up to 4 o'clock on Wednesday and still get only halfway through the bill. Then Members who wished to offer amendments to the last half of the bill would be deprived of any opportunity to explain their amendments. If the gentleman's request could work out that way, I certainly would have to object. I do not think the gentleman would want to preclude Members from making bona fide amendments.

Mr. RAYBURN. Of course, I do not want to do that, but I do not believe we will take 6 hours on amendments, to be frank about it.

Mr. BOILEAU. As far as I am concerned, I have no amendment to offer until we reach approximately page 305.

Mr. RAYBURN. I may say further to the gentleman that 200 pages of this bill have not been changed at all. They are simply a reenactment of portions of the present law.

Mr. BOILEAU. I appreciate that, and I agree with the gentleman we can probably complete consideration of most of the amendments in 6 or 7 hours. I hope we can do so, and I have no desire to delay consideration. However, I certainly am not going to agree to a request the effect of which may be to preclude me from offering a bona fide amendment. I believe other Members who are not on the floor at the present time and have the same right to offer amendments would take the same position. As I say, I dislike very much to object to any request the majority leader may make, but unless there is some understanding that this bill will progress by pages or by sections, or that some opportunity will be given for debate on each section, I shall be forced to object.

Mr. RAYBURN. Of course, if we cannot come to an agreement about this procedure we shall have to have a session tomorrow to complete general debate, and then we will not set aside the business in order on Calendar Wednesday.

Mr. BOILEAU. Unless the gentleman can work out some agreement whereby Members will have a right to offer bona-fide amendments at any place in the bill, I shall be forced to object. I realize such a procedure is rather impractical, but I do not suppose the gentleman would expect me to stultify myself.

Mr. RAYBURN. I am perfectly willing to make this agreement. I have discussed it with the minority leader, but he did not quite feel like making such an agreement at that time. I would be willing and pleased to have the bill read by title, have amendments offered anywhere in the title, and then read the next title, the next title, and so forth. However, the gentleman from New York, while he is not going to object to this request, as I understand, was not quite ready to agree to a request of that kind.

Mr. BOILEAU. As far as I am concerned, I want to make it clear such an arrangement would be satisfactory to me, as long as Members are not precluded from explaining bona fide amendments. I do not want to delay consideration of the bill and am perfectly willing to cooperate to expedite its consideration, but I do not believe Members should be asked under a unanimous-consent request to preclude themselves from explaining any amendments they might wish to offer to any portion of the bill.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BOILEAU. I yield to the gentleman from New York.

Mr. SNELL. To a certain extent I am entirely in agreement with the gentleman from Wisconsin. Personally, I intend to offer an amendment at approximately page 300 of the bill, to strike out the exception in the provision relating to lumber.

Mr. BOILEAU. That is the same section I have in mind. I want to offer a bona fide amendment to that section.

Mr. SNELL. I expect to offer such an amendment myself. As far as reading the bill by titles is concerned, I am not fussy about that. I merely thought it would probably make for better procedure in the House not to follow such a course.

Mr. RAYBURN. I am willing to couple reading the bill by title with my request.

Mr. SNELL. The best information I can obtain is that very few bona fide amendments will be offered to the bill. I believe most of the Members who wish to do so have expressed their opinion of the bill. Before starting to read the bill for amendment we will have had 12 hours of general

debate, and almost everyone has had an opportunity to say what he wants to say with regard to the bill.

Mr. BOILEAU. I agree with the gentleman.

Mr. SNELL. I believe we would have ample time to give full consideration to the bill. I have discussed this matter with our members of the Committee on Ways and Means, and they believe we would have ample time for all the discussion we desire by 4 o'clock on Wednesday.

Mr. BOILEAU. That is perfectly agreeable. I shall not object to any request that will not preclude Members from offering amendments.

Mr. SNELL. I have no objection to reading the bill by titles.

Mr. BOLAND of Pennsylvania. Mr. Speaker, if the gentleman will permit, I may say that one amendment I know of that will be offered is an amendment to tax fuel oil.

Mr. SNELL. That is one of the amendments I have heard about.

Mr. BOILEAU. It may be that if I had known about that I would not have objected.

Mr. RAYBURN. Mr. Speaker, I withdraw the first request that I made and I now ask unanimous consent that in the consideration of the revenue bill that it be read by titles instead of sections.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. Now, Mr. Speaker, I renew the request I made a moment ago.

Mr. BOILEAU. Mr. Speaker, reserving the right to object, I did not understand that the two requests were to go together, because Members could still keep on offering amendments to title I or title II and take up the time in that way.

Mr. RAYBURN. I understood the gentleman to say that if the bill were read by titles instead of by sections he would not object to this request.

Mr. BOILEAU. I am sorry if there was a misunderstanding of that sort, and so far as I am concerned, I am perfectly willing that the request just granted be nullified, because I meant to make it clear that I would not permit, by unanimous consent, any agreement that might possibly foreclose Members from offering bona fide amendments. If we read the bill by titles we will probably get through long before Wednesday at 4 o'clock, but if we read the bill by titles and Members offer all the pro forma amendments they may want on every section, we might reach 4 o'clock Wednesday and be only halfway through the bill. I thought the gentleman from Texas meant that reading the bill by titles would expedite the matter and therefore his other request would not be necessary.

Mr. RAYBURN. I can tell the gentleman what my understanding is about what was stated. I understood that if the House gave its consent to reading the bill by titles he would then not have any objection to the other request.

Mr. BOILEAU. The gentleman and I certainly did not have a meeting of minds in that respect, and I certainly do not want to hold him or have him hold me on a misunderstanding.

Mr. SNELL. Why can we not agree that we will have a half hour of debate at some time during the consideration of the measure on the lumber proposition? That is the matter the gentleman is interested in, and I am interested in it also.

Mr. RAYBURN. Could we do this, following the suggestion of our able Parliamentarian, have the bill read in its entirety and then have it in order to offer an amendment at any part of the bill?

Mr. BOILEAU. That is perfectly agreeable to me, and I speak also for other Members who have certain amendments in mind, so long as we are not precluded from our right to offer amendments.

Mr. RAYBURN. It does not seem to me that we are getting anywhere on that.

Mr. HOFFMAN. Mr. Speaker, reserving the right to object.

Mr. RAYBURN. I understand the gentleman from Wisconsin has objected.

Mr. SNELL. It is really not a good plan to read a bill of 300 pages in the manner just suggested. I think to read the bill by title is fairly reasonable, but really to read the whole bill in that way is going too far.

Mr. HOFFMAN. Why can we not simply agree not to have any pro forma amendments? That will shorten its consideration.

Mr. RAYBURN. Oh, a great many Members will want to offer such amendments.

Mrs. ROGERS of Massachusetts. Mr. Speaker, reserving the right to object, may I ask the majority leader why there is so much haste about passing this enormously important measure? I have received letter after letter about it.

Mr. RAYBURN. If 3 days under the 5-minute rule is showing very great haste, then my legislative experience has not taught me much.

Mrs. ROGERS of Massachusetts. The gentleman would have no objection to granting a little more time?

Mr. RAYBURN. Frankly, I will say to the gentlewoman from Massachusetts I do not think the debate under the 5-minute rule will last 2 days, much less 3 days.

Mr. BOILEAU. Then why not let the matter go as it stands at the present time?

Mr. RAYBURN. Simply because I wanted to have the remainder of the general debate go over until Monday morning and not have a session tomorrow.

Mr. BOILEAU. I appreciate the gentleman's objective, but I do not think we ought to agree to any program that will preclude Members who are not on the floor at the present time from offering amendments.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. BOILEAU. I object, Mr. Speaker.

EXTENSION OF REMARKS

Mrs. HONEYMAN asked and was given permission to extend her own remarks in the RECORD.

Mr. DOCKWEILER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

THE LATE JOE CRAIL

Mr. DOCKWEILER. Mr. Speaker, it is with profound regret that I announce to the House of Representatives the death of our former colleague, Representative Joe Crail, yesterday in Los Angeles, Calif.

Congressman Crail was dearly beloved by the citizens of the Tenth California District, which he served so ably for 6 years in the Seventieth, Seventy-first, and Seventy-second Congresses. He served with distinction in the Spanish-American War. He performed his duties in this House capably and endeared himself to all those who came in contact with him.

His home city of Los Angeles, the State of California, and the Nation has lost a splendid citizen in the death of former Representative Joe Crail.

CALENDAR WEDNESDAY BUSINESS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday of next week be dispensed with.

The SPEAKER. Is there objection?

There was no objection.

CONGRESSIONAL AUTOMOBILE TAGS

Mr. WHITE of Idaho. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. WHITE of Idaho. Mr. Speaker, since my name has been mentioned and a picture of my automobile has appeared in connection with a libelous statement printed in yesterday morning's Republican newspaper, in a general attack that is being made on Members of Congress in a cam-

paign to intimidate, embarrass, and discredit the Members of this Democratic Congress, I deem it proper and necessary to explain the situation and my position in the matter so that a better understanding may be had as to the privilege extended to Members of Congress in the use of the streets in Washington for parking purposes in exercising their duties to expedite the transaction of Government business. It is a well-known fact that the excessive number of automobiles in Washington creates a very difficult parking problem; to meet this situation and provide a means to expedite the transaction of Government business by the Congressmen with the several Government Departments in the city, special automobile tags conferring certain parking privileges have been issued to the Members under a long-established custom. The District Code provides:

That congressional tags shall be issued by the Commissioners under consecutive numbers, one to each Senator and Representative in Congress, to the elective officers and disbursing clerks of the Senate and the House of Representatives, the Parliamentarian of the House of Representatives, the attending physician of the Capitol, and the assistant secretaries (one for the majority and one for the minority of the Senate), for their official use, which when used by them individually while on official business, shall authorize them to park their automobiles in any available curb space in the District of Columbia, except within fire plug, fire house, loading station, and loading platform limitations, and such congressional tags shall not be assigned to or used by others. (Second Supplement, District of Columbia Code, p. 44.)

Yesterday, in company with a special representative of the water users of the Boise Valley, of Idaho, Mr. E. W. Rising, in keeping an important appointment at the Bureau of the Budget in the Treasury Building, involving a necessary appropriation for the Twin Springs irrigation dam in Idaho, and a conference at the White House, I had occasion to park my car at a curb where I have parked occasionally for the last 5 years in attending to Government business, when as a part of the Washington Post campaign to discredit the Members of Congress, a picture of the car was taken and printed with my name in yesterday's paper.

Mr. Speaker, I am not conscious of any inferiority complex. I am in Washington for the express purpose of representing 189,576 people living in the First Congressional District of Idaho, and it is my purpose to give these people a full measure of representation to the best of my ability, the Washington Post to the contrary notwithstanding. If this paper, owned and controlled by the former Governor of the Federal Reserve Banking System under the Hoover administration, a banking organization with a record of failure to function in its sacred duty to the American people under his administration, which is one of the blackest spots in our country's financial history, had an ounce of sincerity, its psuedo campaign for better traffic conditions would give some attention to the real traffic problems of Washington pressing for solution, they would take a few pictures and print a few facts about real traffic violations and say something about the parking hogs, some of these, easy-time and well-paid individuals, home early from the departments who park their cars in such a way as to shut out the people who do the real work in Washington and come home late to find cars scattered along the curb 7 or 8 feet apart, which in my case hogs all the room needed for parking in front of the very property I own and on which I pay taxes. This Congress clothed with all its power as a supreme lawmaking body may be indulgent of this vicious campaign to intimidate, harass, and discredit the individual Members—but, Mr. Speaker, the Washington Post will find that the Member from Idaho is on the job and using the privileges and advantages he enjoys to facilitate the transaction of Government business for the people of Idaho. [Applause.]

INVESTIGATION OF T. V. A.

Mr. MAVERICK. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. Is there objection?

There was no objection.

WE DEMOCRATS OUGHT TO INVESTIGATE T. V. A. WILLINGLY

Mr. MAVERICK. Mr. Speaker, yesterday I introduced a resolution for a joint investigation of the Tennessee Valley Authority. I believe that the Democratic Party, if it has something that it is proud of, ought to be willing that all of the facts in connection with it be open to the public. We cannot win by hiding our light under a bushel or covering mistakes by silence.

There is a general rule in political parties that you never investigate your friends, and I am more or less a little bit that way myself. But in view of the very serious charges that have been made, and for other reasons, it is utterly impossible for any responsible administration to stand up before the people of the United States without an adequate and honest investigation.

THE HOUSE IS THE DOOR MAT OF EVERY OTHER BRANCH OF GOVERNMENT

There is another thing, generally speaking, in connection with this matter, and that is we of the House of Representatives are constantly receding to the Senate, we are constantly the door mat of every other branch of the Government. Undeniably we have less and less power all the time.

Our prestige is diminishing because we do not more actively assert our representative duties.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. I yield briefly to my good friend from Texas.

Mr. McFARLANE. What phase of the T. V. A. does the gentleman want to investigate?

Mr. MAVERICK. Mr. Speaker, I have only 3 minutes, and it would take 2 or 3 hours to cover that. That is one reason we want an investigation—to have time to study the question.

Now, today the Senate decided that they would have an investigation by one of their subcommittees. I understand that those who will be in charge of it will be the Senator from New York [Mr. COPELAND] and the Senator from New Hampshire [Mr. BRIDGES]. They are fine gentlemen, but if we want to get a fair investigation by friends of the T. V. A., or at least by those who are not enemies, we ought to do it in the House of Representatives, or we ought to have a joint committee of both Houses do it.

Mr. HOFFMAN. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. No; I have just 3 minutes—not just now.

TYPES OF INVESTIGATION—JOINT COMMITTEE THE BEST

Mr. Speaker, I have introduced three resolutions, one for a House investigation, one for a Federal Trade Commission investigation, and one for a joint committee of the Senate and the House. If we have the latter type of investigation by fair men of both Houses we could find the truth, and know our own business and discharge our own responsibilities. We should not have it done by anybody else or pass the buck.

A commission representing both the House and the Senate would have tremendous prestige. They could find out what all this fuss is about and I think it is our plain duty to do it. I think we should do it and do it as soon as we can.

Mr. HOFFMAN. Mr. Speaker, will the gentleman yield?

Mr. MAVERICK. I yield.

Mr. HOFFMAN. In view of the bootlicking attitude of the House during the last 2 or 3 years, does the gentleman not think it presumptuous for us now to ask to take any part in a governmental function?

Mr. MAVERICK. I do not admit that we have assumed a bootlicking attitude, and——

Mr. HOFFMAN. But the gentleman just said that the House has been used as a door mat.

Mr. MAVERICK. Right. A door mat cannot bootlick; we just lie down. We ought to get up and assert ourselves; and I think it is always well, if anyone can regain self-respect, to do it. So I think we ought to reassume our responsibilities; and certainly the T. V. A. is one of the most important. The Government and the dominant party cannot evade this responsibility. If the Democratic Party evades this responsibility, it will harm itself—but, much more important, damage the T. V. A. Let us have a full and free investigation and

have the frankness to face the American people with the truth.

The SPEAKER. The time of the gentleman from Texas has expired.

HOW THE REVENUE BILL OF 1938 EMASCULATES THE UNDISTRIBUTED-PROFITS TAX AND CAPITAL GAINS AND LOSS PROVISIONS AND THUS GIVES THE WEALTHY A $300,000,000 TAX REDUCTION AT THE EXPENSE OF THE MASSES OF THE PEOPLE

Mr. McFARLANE. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. McFARLANE. Mr. Speaker, 12 hours of general debate was granted by unanimous consent to discuss this tax bill, one-half to be divided equally between the Democratic and Republican Members of the House. Naturally it was supposed that this time would be so distributed by the majority and minority members of the Ways and Means Committee, so that those having different views regarding this legislation would have the opportunity to express them.

I requested time from the gentleman from North Carolina [Mr. DOUGHTON], chairman of the Ways and Means Committee, early today in order to express my views on this measure and was told by him that all the remainder of his time had been allotted to members of his committee. Certainly all the time consumed up to now, with one brief exception, has been given to members of the committee to discuss this bill. This attitude on behalf of the Ways and Means Committee or any other committee of the House, whether intentional or otherwise, has the effect of prohibiting other Members of the House from making a connected speech covering the subject before us. It is evidently this same attitude of superiority that has caused the Ways and Means Committee and the Senate Finance Committee to bring in legislation that gives the tax committees of the Congress the exclusive right to obtain information from the Revenue Department.

I am referring to the resolution brought in at the first session of this Congress, last year in June 1937, Senate Joint Resolution No. 155. See also title 26, section 55E of the United States Code.

However, prior to this resolution, under existing law, title 26, section 55E, the House and Senate tax committees introduced and passed this legislation giving themselves exclusive right to secure information from the Revenue Department, and since these tax committees write the laws completely covering the Revenue Department, these laws make it impossible for any other Member of Congress, House or Senate, not a member of the tax committees to receive information concerning legislation affecting this Department. On behalf of some 50 Members of Congress, I tried to secure information from the Revenue Department records regarding the proposed changes in the undistributed-profits tax and capital gains and loss and was given a complete run-around, as shown by the following correspondence:

WASHINGTON, D. C., *December 2, 1937.*

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: We are now receiving a great deal of propaganda over the radio, through the press and otherwise, urging immediate repeal or radical change in the undistributed-profits tax and the capital gains and loss provisions of the income-tax law.

As a member of a group of some 50 members of Congress who are studying this question and are vitally interested in maintaining in substance these present tax provisions, and in their behalf, I request you, without stating the position of the Treasury Department, to furnish me as soon as possible all possible information and arguments in support of these two provisions of the law.

Thanking you, I am,
Sincerely yours,

W. D. McFARLANE.

WASHINGTON, D. C., *December 3, 1937.*

Hon. HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I enclose letter just received from Hon. ALFRED F. BEITER, relative to H. R. 4594, regarding the undistributed-profits tax discharge petition.

At noon yesterday this petition had six signatures and a great deal of pressure is being exerted by certain individuals to secure the necessary number. In this letter Mr. BEITER states:

"President Roosevelt and administration leaders have indicated a desire to see these tax changes made."

I will appreciate the attitude of your Department regarding same.

With kindest regards, I am,
Sincerely,

W. D. McFARLANE.

TREASURY DEPARTMENT,
Washington, December 4, 1937.

Hon. W. D. McFARLANE,
House of Representatives, Washington, D. C.

MY DEAR MR. McFARLANE: I wish to acknowledge your letter of December 2, 1937, requesting without commitment of the attitude of the Treasury all possible information and arguments in support of the provisions of the surtax on undistributed profits and the capital-gains tax.

In accordance with your request, we shall be glad to send you available information as soon as possible.

Sincerely,

H. MORGENTHAU, Jr.

TREASURY DEPARTMENT,
Washington, December 13, 1937.

The Honorable W. D. McFARLANE,
House of Representatives, Washington, D. C.

DEAR MR. McFARLANE: In your letter of December 2, which was acknowledged by the Secretary on December 4, you requested information and arguments in support of the undistributed-profits tax and the capital-gains-and-loss provisions.

Information regarding the undistributed-profits tax was quite fully developed in the hearings which were held before the Ways and Means Committee and the Senate Finance Committee in March and April 1936, relative to the Revenue Act of 1936. Although various unofficial discussions of the tax have appeared since that time, there has been, I believe, no subsequent presentation of official information prior to the executive sessions now being held by a subcommittee of the Ways and Means Committee.

I believe there has been no official statement regarding the operation of the tax on capital gains since the hearings before the congressional committees on the Revenue Act of 1934.

Very truly yours,

HERBERT E. GASTON,
Assistant to the Secretary.

WASHINGTON, D. C., *December 14, 1937.*

Hon. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee of the House,
House Office Building, Washington, D. C.

MY DEAR MR. DOUGHTON: During the past few months we have been receiving much propaganda over the radio, through the press, and otherwise, urging immediate repeal or radical change in the undistributed-profits tax and the capital-gains provisions of the income-tax law. I have tried to carefully follow the record and have failed to find where any members of your committee or of the House have defended these provisions of the tax law, which were enacted last year as the major tax program of the President.

As a member of a group of some 50 Members of Congress who are studying these tax questions and are vitally interested in maintaining in substance these present tax provisions and, in their behalf, I request you as chairman of the Ways and Means Committee to request the Treasury Department to furnish me sufficient copies for our group, as soon as possible, of all possible information, facts, figures, tables, and arguments they are now in possession of in the Treasury Department, or that may be made available by them supporting these provisions of the tax law.

I have requested this information from Mr. Morgenthau, under date of December 3, and he replied December 4, stating:

"In accordance with your request, we shall be glad to send you available information as soon as possible."

However, after talking several times over the telephone with Mr. Gaston, Assistant to the Secretary, and under date of December 13, I received a letter from him, in which he states:

"I believe there has been no official statement regarding the operation of the tax on capital gains since the hearings before the congressional committees on the Revenue Act of 1934."

I talked with Mr. Gaston over the telephone today and he tells me that Dr. Magill states that whatever information is made available must come through your committee. I, therefore, make this request of you, in the interest of securing whatever information is available or may be had, based on Government records to support these laws. Our group is very anxious to have this information as soon as possible and I will appreciate an early reply from you in this regard.

Sincerely yours,

W. D. McFARLANE.

WASHINGTON, D. C., *December 14, 1937.*

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I wrote you December 3d enclosing copy of letter of Hon. ALFRED BEITER, relative to H. R. 4595, a bill

emasculating the undistributed-profits tax, however, I have not had a reply. In this letter, Mr. BEITER states:

"President Roosevelt and the administration leaders have indicated a desire to see these tax changes made."

In my letter to you of December 3d, I requested a statement from you giving the attitude of the Department regarding this legislation.

I will appreciate your also giving me the views of you and your Department regarding the proposed amendments to the capital-gains tax law, now demanded by big business.

Will you kindly let me hear from you promptly in this regard?

Sincerely yours,

W. D. MCFARLANE.

DECEMBER 15, 1937.

HON. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I am just in receipt of your letter, this afternoon at 3:30, dated December 15, from Mr. Roswell Magill, answering my letter to you of December 3.

I wrote you yesterday requesting not only a reply to my letter of December 3 regarding the attitude of you and your Department concerning H. R. 4594, but also wrote you asking the attitude of your Department regarding the emasculation of the capital-gains-tax law.

I realize you are very busy and must parcel out your correspondence to others, and I trust that by the adjournment of this session, at least, I will have a reply to the rest of my letter.

Please advise the attitude of you and your Department concerning proposed changes in the capital-gains-tax law.

Very truly,

W. D. MCFARLANE.

DECEMBER 15, 1937.

The Honorable W. D. MCFARLANE,
House of Representatives.

MY DEAR MR. MCFARLANE: Secretary Morgenthau has asked me to acknowledge and reply to your letter of December 3, with which you enclose a copy of a circular letter by the Honorable ALBERT F. BEITER, and ask the attitude of the Treasury Department regarding the subject matter of this letter, which is a petition which calls for the discharge of the Ways and Means Committee from further consideration of Mr. BEITER's bill—H. R. 4594—to amend the Revenue Act of 1936 with regard to the undistributed-profits tax.

Representatives of the Treasury Department are now engaged in presenting information to a subcommittee of the Ways and Means Committee, which is meeting daily to prepare a bill for a comprehensive revision of the tax structure. The undistributed-profits tax imposed by the Revenue Act of 1936 is among the subjects under consideration. The Treasury has taken the position that the tax structure, as revised, must yield as much revenue as the taxes now in effect. Hence, if amendments are made which reduce the yield of particular taxes, the revenue bill should contain provisions to make up the loss.

H. R. 4594 proposes amendments to the undistributed-profits tax, which seriously reduce its yield, and which are retroactive to January 1, 1937. No provision is made for making up the revenue lost, and the Budget for the current fiscal year would thus be adversely affected. The Treasury is therefore opposed to the enactment of H. R. 4594.

Sincerely yours,

ROSWELL MAGILL, *Under Secretary.*

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., December 17, 1937.

Hon. W. D. MCFARLANE,
House of Representatives, Washington, D. C.

DEAR MR. MCFARLANE: Your letter of December 14 has been received and given attention.

As you know, Congressman FRED M. VINSON, of Kentucky, is chairman of the Subcommittee on Internal Revenue Taxation, which has been making a study of our revenue laws preparatory to bringing out a bill dealing with the subject as soon as it is practicable to do so.

Mr. VINSON has been giving to the press from day to day the substance of what has been tentatively agreed upon.

So far as I know there has been no record kept of the various matters presented by the Treasury Department, as the meetings have been in executive session and no stenographer has been employed. I am sure if you would speak with Mr. VINSON about the matter he will be glad to give you any information concerning the work of the subcommittee that you might desire.

With kindest personal regards I am,

Very sincerely yours,

R. L. DOUGHTON.

THE SECRETARY OF THE TREASURY,
Washington, December 18, 1937.

The Honorable W. D. MCFARLANE,
House of Representatives.

MY DEAR MR. MCFARLANE: I have received your two letters dated December 14 and 15 and note that you desire an expression of the Department's attitude toward proposals to make changes in the method of taxing capital gains.

The Department has not receded from the position I took when, as Under Secretary of the Treasury, I submitted a statement on this subject to a subcommittee of the Committee on Ways and Means in 1933. This statement was included in a published preliminary report of the subcommittee.

I said at that time:

"Hence, on the score of capacity to pay, which is the foundation of an income tax levied at progressive rates, it is hard to see any justification for eliminating entirely an income tax on capital gains."

The Treasury continues to favor the inclusion of a tax on capital gains as a part of our income-tax structure.

The questions of what allowance should be made for capital losses and the precise formula to be employed for the inclusion of capital gains in net income are among the subjects of the current studies of the Treasury Department and the subcommittee of the Ways and Means Committee which has the duty of drafting a revenue bill to be presented at the regular session which begins in January.

Sincerely yours,

H. MORGENTHAU, JR.

WASHINGTON, D. C., *December 20, 1937.*

Hon. R. L. DOUGHTON,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR MR. DOUGHTON: I have your letter of December 17 in answer to my letter of December 14, in which, on behalf of some fifty Members of Congress, I have written you, as chairman of the Ways and Means Committee, requesting all information available supporting the Government's position on undistributed-profits and capital-gains tax available from the Treasury Department to be furnished our group for study, to which you reply:

"So far as I know, there has been no record kept of the various matters presented by the Treasury Department, as the meetings have been in executive session and no stenographer has been employed. I am sure, if you would speak with Mr. VINSON about the matter, he will be glad to give you any information concerning the work of the subcommittee that you might desire."

If you will rerefer to my letter you will find I did not request information concerning the work of the subcommittee. Our group is particularly interested in receiving whatever information is available from the Treasury Department in support of these laws. We would like also to know what recommendations the Treasury Department has made to your committee regarding any change in these laws, and to receive a copy of any such recommendations, together with any written facts in this regard.

Because of conflicting statements appearing in the press from time to time since the tax subcommittee has been considering amendments to these laws, we are vitally interested in wanting to know what is going on and what, if any, proposed changes are to be made and the reasons therefor based upon Government records.

Surely it is not asking too much to request you and the Treasury Department to furnish us this information.

Thanking you for an early reply, I am,

Sincerely,

W. D. MCFARLANE.

WASHINGTON, D. C., *December 20, 1937.*

The Honorable HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I enclose copy of letter I have just written Mr. DOUGHTON, which is self-explanatory.

Our group is interested in securing information as to just what is going on between you and the House Ways and Means Committee relative to proposed amendments in the tax law of which we read daily in the press.

Will you kindly furnish the material that you know is available, or are we as Congressmen to be refused this information?

Thanking you for an early reply, I am,

Very truly,

W. D. MCFARLANE.

THE SECRETARY OF THE TREASURY,
Washington, December 22, 1937.

The Honorable W. D. MCFARLANE,
House of Representatives.

DEAR MR. MCFARLANE: I have your letter of December 20, asking me to furnish you information "as to just what is going on" between the Treasury and the Ways and Means Committee relative to proposed amendments to the tax law, and enclosing a copy of a letter you have written to Mr. DOUGHTON in which you make a similar request. I note that Mr. DOUGHTON has suggested that you speak to Mr. VINSON, the chairman of the subcommittee, and that he will inform you rearding its work on tax revision.

This seems to me to be the correct procedure. The subcommittee of the Ways and Means Committee is the channel set up by Congress for the reception of information and recommendations from the Treasury on tax revision. Representatives of the Treasury have been engaged in oral conferences with the subcommittee almost every day since November 4. Mr. DOUGHTON has advised you that no stenographic record has been kept of these executive sessions, at the conclusion of its work, the subcommittee will no doubt

present a detailed report, containing relevant information on the subjects it has considered, as well as its recommendations. This report, and the public hearings, will give Members of Congress a full opportunity to acquaint themselves with the subcommittee's views, and the information upon which it has acted.

Sincerely,

HENRY MORGENTHAU, Jr.

WASHINGTON, D. C., *January 15, 1938.*

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I have examined the proposed revision of the revenue laws indicated by a subcommittee report on the date of January 14, 1938.

This report clearly indicates a complete scrapping of the present undistributed-profits tax. There remains but a mere skeleton of the principle with the return of tax so insignificant as to not even constitute a factor of revenue. I also note that this report makes substantial concessions to individuals of wealth who have incomes above approximately $60,000 in that they will be relieved of a substantial amount of surtaxes which would be payable under the present revenue law. In contrast to this reduction to the wealthy the scheme would indicate an apparent increase in tax to individuals below $62,000.

In view of the message of the President on tax legislation issued January 3, 1938, and in view of comments appearing in the papers during the past year with respect to the program of taxation being prepared by the Treasury Department, I should like to have some expression from the Treasury Department as to whether these changes referred to above were recommended to the committee by your Department. If these changes were made as a result of your recommendations, what statistical data and information was submitted to the subcommittee which led to the adoption of these changes. In view of the numerous changes proposed, many of which undoubtedly originated from the experience of the Treasury Department, it will be of very great benefit to me and other Members who will be called upon to express our views on the pending bill to have from you an expression of whether the subcommittee's report constitutes, in your opinion, adequate legislation at this time and whether your Department approves the major changes advocated by the subcommittee's report.

In view of the President's closing message to the Congress, "I do not propose to let the people down; I am sure the Congress of the United States will not let the people down," I await with interest a reply as to whether or not your Department will let the people down.

Will you kindly let me hear from you as soon as possible.

Sincerely,

W. D. MCFARLANE.

TREASURY DEPARTMENT,
Washington, January 18, 1938.

Hon. W. D. MCFARLANE,
House of Representatives, Washington, D. C.

DEAR MR. MCFARLANE: In the absence of Secretary Morgenthau, I am replying to your letter of January 15.

An expression of the attitude of the Department toward the report of the subcommittee of the House Ways and Means Committee, to which you refer, is contained in the attached statement by Under Secretary Magill, made on January 15 at the opening of the hearings before the Ways and Means Committee on the subcommittee report.

Most of the tables and charts and statistical material presented by the Treasury at the executive sessions of the subcommittee are contained in the subcommittee report. Others have been inserted in the first day's hearings before the full committee, which I am informed will appear in printed form tomorrow or the next day.

Very truly yours,

HERBERT E. GASTON,
Assistant to the Secretary.

Let us examine the records and see just what effect the granting of such broad powers to the tax committees may have had on legislation. Then next let us examine the President's recommendations to the tax committees and see how those recommendations have been ignored by them. Then let us examine the bill before us and analyze the proposed amendments it makes to existing law and try to find out the basis for these proposed changes and the effect these proposed changes will have on existing revenues.

THE PRESIDENT SPEAKS

The President has repeatedly, in his different messages to Congress, stated his position on the collection of taxes to take care of the operating expenses of the Government. For instance, take the last four messages he has sent to Congress referring to the subject of taxation—March 3, 1936; April 20, 1937; June 1, 1937; and January 3, 1938. Let me read from those messages.

On March 3, 1936, the President sent a special message to Congress, in which he pointed out the need for additional revenue and recommended the undistributed-profits tax, in which he said:

I invite your attention, however, to a form of tax which would accomplish an important tax reform, remove two major inequalities in our tax system, and stop "leaks" in present surtaxes.

Extended study of methods of improving present taxes on income from business warrants the consideration of changes to provide a fairer distribution of the tax load among all the beneficial owners of business profits, whether derived from unincorporated enterprises or from incorporated businesses and whether distributed to the real owners as earned or withheld from them. The existing difference between corporate taxes and those imposed on owners of unincorporated businesses renders incorporation of small business difficult or impossible.

The accumulation of surplus in corporations controlled by taxpayers with large incomes is encouraged by the present freedom of undistributed corporate income from surtaxes. Since stockholders are the beneficial owners of both distributed and undistributed corporate income, the aim, as a matter of fundamental equity, should be to seek equality of tax burden on all corporate income, whether distributed or withheld from the beneficial owners. As the law now stands our corporate taxes dip too deeply into the shares of corporate earnings going to stockholders who need the disbursement of dividends, while the shares of stockholders who can afford to leave earnings undistributed escape current surtaxes altogether.

Thus the President points out one of the most glaring loopholes in our corporate-tax structure, yet this bill now before us practically repeals the undistributed-profits tax, which was designed to and did efficiently correct this evil the President so well has pointed out.

Further commenting on the undistributed-profits tax, the President in his message to Congress said:

This method of evading existing surtaxes constitutes a problem as old as the income-tax law itself. Repeated attempts by the Congress to prevent this form of evasion have not been successful. The evil has been a growing one. It has now reached disturbing proportions from the standpoint of the inequality it represents and of its serious effect on the Federal revenue.

Thus the Treasury estimates that during the calendar year 1936 over $4,500,000,000 of corporate income will be withheld from stockholders. If this undistributed income were distributed, it would be added to the income of stockholders and there taxed as is other personal income. But as matters now stand it will be withheld from stockholders by those in control of these corporations. In 1 year alone the Government will be deprived of revenues amounting to over $1,300,000,000.

And commenting further on the tax situation the President in his message of April 20, 1937, said:

It has become apparent that there is an immediate need for a careful survey of the present tax structure. The Treasury will be prepared by November next to present to the appropriate committees of the Congress information as to such loopholes as may exist in the present revenue laws and suggestions for such new or additional taxes as may be necessary to meet deficiencies, if any, in the revenue-producing power of the present levies. This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of the Congress legislation necessary to remedy defects in the present tax laws.

In his special tax-evasion message to Congress on June 1, 1937, the President specifically pointed out the loopholes which this committee is now supposed to be bringing us legislation to correct the evil he complains of. The President in this message, in part, said:

A condition has been developing during the past few months so serious to the Nation that the Congress and the people are entitled to information about it.

The Secretary of the Treasury has given me a report of a preliminary study of income-tax returns for the calendar year 1936. This report reveals efforts at avoidance and evasion of tax liability, so widespread and so amazing both in their boldness and their ingenuity that further action without delay seems imperative.

We face a challenge to the power of the Government to collect uniformly, fairly, and without discrimination taxes based on statutes adopted by the Congress.

Mr. Justice Holmes said: "Taxes are what we pay for civilized society." Too many individuals, however, want the civilization at a discount.

Methods of escape or intended escape from tax liability are many. Some are instances of avoidance which appear to have the color of legality; others are on the border line of legality; others are plainly contrary even to the letter of the law.

All are alike in that they are definitely contrary to the spirit of the law. All are alike in that they represent a determined effort

on the part of those who use them to dodge the payment of taxes which Congress based on ability to pay. All are alike in that failure to pay results in shifting the tax load to the shoulders of others less able to pay, and in mulcting the Treasury of the Government's just due.

And after quoting Secretary Morgenthau's letter on how the wealthy evade and avoid income taxes, in commenting on the status of our existing tax laws, the President said:

What the facts set forth mean to me is that we have reached another major difficulty in the maintenance of the normal processes of our Government. We are trying harder than ever before to relieve suffering and want, to protect the weak, to curb avarice, to prevent booms and depressions—and to balance the Budget. Taxation necessary to these ends is the foundation of sound governmental finance. When our legitimate revenues are attacked, the whole structure of our Government is attacked.

To make very clear his position, regarding the proposed tax bill now before us, the President on January 3, in his message to Congress, said:

First, the total sum to be derived by the Federal Treasury must not be decreased as a result of any changes in schedules. Second, abuses by individuals or corporations designed to escape taxpaying by using various methods of doing business, corporate and otherwise—abuses which we have sought, with great success, to end—must not be restored. Third, we should rightly change certain provisions where they are proven to work definite hardship, especially on the small-business men of the Nation. But speculative income should not be favored over earned income.

THE TAX COMMITTEE BLAMES THE SENATE

The Congress in carrying into effect the President's recommendations, enacted the present undistributed-profits tax law. It is now amusing to hear the debate we have heard the past 2 days from both sides of the aisle, our side apparently forgetting the history back of this legislation and what the legislation has done in the way of correcting two of our most glaring tax loopholes favoring the wealthy, as shown by the President's statement above quoted. And the other side of the aisle, the Republicans, apparently as indicated by their speeches, have not yet read the pending bill or they do not care to analyze the bill and state accurately the effect of its provisions, for they realize that in this bill they get practically everything they want. It is also amusing to hear those in charge of the bill now try to alibi and blame the Senate for the so-called harsh provisions of the existing law on undistributed profits and capital-gains tax. Mr. DOUGHTON, speaking on the bill, said:

The 1936 House bill gave special treatment to small income corporations and contained many provisions which would have materially lessened the number of inequities and hardships charged against the present law; and, in my opinion, had that bill been enacted into law as it passed the House there would have been little or no just ground for complaint except by those taxpayers, mark you, whose philosophy is opposed to the principle of the income tax.

Yet, when he presented the conference report to the House on June 19, 1936, and asked the House to approve this bill he said (at p. 10269):

The House and Senate conferees are in complete agreement on the revenue bill of 1936, except as to one minor amendment in respect of an appropriation.

Mr. VINSON, chairman of the subcommittee, who is directly responsible for this bill now before us, in his speech on yesterday, in attempting to alibi and justify the bill now before us, which almost completely repeals the undistributed-profits tax and emasculates the capital-gains provision of existing law, also blamed the Senate for the provisions in the Revenue Act of 1936.

On this subject Mr. VINSON on yesterday said:

The House, when it considered the 1936 Revenue Act, passed a truly undistributed-profits tax. It was the only tax that was to be imposed on the corporations of this country. The bill that Mr. Oliphant spoke to and the bill that we defended on the floor of the House and the bill that a vast majority of the Members of the House voted for, repealed the normal corporate tax, the capital-stock tax, and the excess-profits tax, and provided one levy on corporations—an undistributed-profits tax.

This bill went to the Senate. It was a campaign year, and gentlemen opposing the administration blindly struck at it. The result was that the normal tax, capital-stock tax, and excess-profits tax were inserted in the Senate, with the undistributed-profits tax practically stricken out. In conference we had to agree to the insertion, including the present undistributed-profits tax features, or have no bill. It was thought to yield, directly and indirectly, some 600,000,000 added dollars. So it is certain that it is not the bill the President advocated, it is not the bill passed by the House. It is a combination affair.

Yet, my friends, we find the gentleman from Kentucky [Mr. VINSON] was one of the important members of the Tax Conference Committee who heartily recommended the passage of the present law, and yet the gentleman from Kentucky [Mr. VINSON], for his committee, comes back into this House and asks this House to march back down the hill and practically repeal the undistributed-profits tax and lower the capital-gains tax rates more than 50 percent in favor of the wealthy in the higher brackets, and in the same bill ask us to retain the capital-stock tax and the excess-profits tax that he seems to have objected so strongly to the Senate placing in the 1936 Revenue Act. In other words, our tax committee, as shown from the above quotations, say in effect that the House bill was good, but the Senate ruined it; yet, they want to now take the Senate bill as the starting point and emasculate the undistributed-profits tax and the capital-gains tax as contained in that bill. In one breath, Mr. VINSON says the Government realizes "one hundred and fifty million from the corporations under the undistributed-profits tax." Yet, the Revenue Department, according to the gentleman from Massachusetts [Mr. TREADWAY], in speaking in regard to his bill, H. R. 8629, says, at page 2774 of the RECORD, that a repeal of this tax, though coupled with an increase in the normal tax rates on corporations as provided in his bill "would result in a loss of $417,000,000 in revenue."

The changes in H. R. 8629, which the Revenue Department says will result in this loss of revenue, are the following:

First. Complete repeal of the undistributed-profits tax.

Second. Increase of the normal tax rates on corporations to 9 percent on incomes of $2,000 or less, 12 percent on incomes from $2,000 to $15,000, 14 percent on amounts from $15,000 to $40,000, and 16 percent upon the remainder.

Third. A 12½-percent ceiling on capital gains.

Fourth. A capital net loss carry-over of 2 years.

If these changes will result in a loss in revenue of $417,000,000, then think what the committee bill now before us will do. The committee bill emasculates the undistributed-profits tax; it provided a capital net loss carry-over; it has a 16-percent ceiling on capital gains; it increases the definite-tax rate to 16 percent; it reduces from 3 percent to 1 percent the tax on speculators who deal in futures; it repeals many excise taxes; it decreases the tax on nonresident foreign corporations from 22 percent to 20 percent; and it contains numerous minor provisions for escape from tax. What this loss will be and how the tax burden will be shifted from the wealthy to the masses are shown by the following tables:

Loss of revenues upon adoption of new tax bill

Revenues for fiscal year June 30, 1938 (estimated on basis of collections to date):	
Individual income tax	$1,365,000,000
Corporation income tax	1,275,000,000
Miscellaneous internal-revenue taxes, excluding pay-roll taxes	2,330,000,000
Total	4,970,000,000
Revenues for fiscal year June 30, 1939 (estimated under new tax bill):	
Individual income tax	908,900,000
Corporation income tax	973,100,000
Miscellaneous internal-revenue taxes, excluding pay-roll taxes	2,100,000,000
Total	3,982,000,000
Annual loss in revenues not provided for in new tax bill	988,000,000

This loss is due to two factors: (1) The business recession and (2) the reductions in taxes made in the new tax bill. The amount of loss due to each of these factors is shown in the following tables:

Loss of revenues due to business recession

Revenues for fiscal year June 30, 1939 (if present law not changed):	
Income tax	$2,508,000,000
Miscellaneous internal-revenue taxes, excluding pay-roll taxes	2,123,000,000
Total	4,631,000,000
Revenues for fiscal year June 30, 1939 (under new tax bill), excluding pay-roll taxes	3,982,000,000
Loss in revenues due to business recession	649,000,000
Loss in revenues due to new tax bill:	
Total loss in revenue for fiscal year 1939	988,000,000
Loss in revenues due to business recession (from above)	649,000,000
Loss in revenues due to new tax bill	339,000,000

Percentage shift from income tax to other taxes upon adoption of new tax bill

	Present law, fiscal year 1938	New tax bills, fiscal year 1939
	Percent	*Percent*
Income tax	53.1	47.3
Miscellaneous taxes (excluding pay-roll taxes)	46.9	52.7
Total	100.0	100.0

If we consider the amount of pay-roll taxes being collected, we get a better picture of the percentage of taxes being paid by the consumers and small taxpayers. On this point, see the following table:

Percentage shift from income to other taxes, including pay-roll taxes

	Present law	New tax bill
	Percent	*Percent*
Income tax	45.1	37.7
Miscellaneous taxes, including pay-roll taxes	54.9	62.3
Total	100.0	100.0

Comparison of pay-roll taxes with income taxes under new bill

Estimated income tax for fiscal year 1939, if new tax bill adopted	$1,882,000,000
Estimated pay-roll taxes for same year	1,000,000,000

Thus the laborers of the country will have a tax burden equal to more than 53 percent of the total income taxes paid by all individuals and corporations in this country.

THE REVENUE ACT OF 1936 GETS RESULTS

This House agreed with the President on his recommendation of March 3, 1936, and immediately passed legislation giving effect to the principles suggested. While the bill was materially changed in the Senate, the final bill, which became a law contained the principle of the undistributed-profits tax.

We have now had 2 years' experience and let us see what the record shows.

The report of the subcommittee, page 6, shows the following with reference to the taxable year 1936 for corporations, filed to August 31, 1937:

TABLE B.—*Corporation income-tax returns for 1936 filed through Aug. 31, 1937,[1] by size classes of "net income for income-tax computation," showing number of returns, number of balance sheets, certain items of assets and liabilities, income, deductions, and taxes, and effective rate of tax*

[Size classes and money figures in thousands of dollars]

	Size classes, "Net income for income-tax computation"												
	Aggregate	Under 5	5–10	10–15	15–20	20–25	25–50	50–100	100–250	250–500	500–1,000	1,000–5,000	5,000 and over
1. Number of returns	144,914	97,955	14,802	7,476	4,330	2,966	7,162	4,453	3,140	1,240	678	584	128
2. Number of balance sheets	134,695	89,268	14,268	7,207	4,212	2,898	6,951	4,299	3,020	1,183	653	559	127
3. Total assets	90,684,223	6,576,049	3,902,867	2,424,137	1,694,112	1,484,124	4,921,420	5,121,099	8,137,596	6,170,835	6,859,306	19,052,229	25,150,450
4. Bonded debt and mortgages	11,721,600	766,147	234,131	187,534	120,640	90,115	362,269	495,722	991,487	677,144	847,195	3,207,616	3,741,600
5. Capital stock: Common	31,313,183	2,690,816	949,175	687,908	478,983	425,083	1,436,844	1,504,331	2,491,966	2,055,853	1,945,852	5,922,320	10,724,053
6. Preferred	7,006,328	260,318	153,151	127,263	85,987	75,266	286,381	338,210	863,832	473,228	590,469	1,780,921	1,971,304
7. Total capital stock	38,319,512	2,951,134	1,102,325	815,171	564,970	500,349	1,723,224	1,842,541	3,355,798	2,529,081	2,536,321	7,703,241	12,695,357
8. Surplus	19,115,234	905,136	490,285	407,563	315,195	279,276	980,212	1,121,066	1,705,962	1,421,193	1,547,299	4,639,597	5,302,451
9. Deficit	1,132,035	462,124	100,833	50,162	30,474	27,259	95,355	111,272	98,523	95,105	43,313	17,492	122
10. Surplus less deficit	17,983,199	443,012	389,452	357,401	284,721	252,017	884,857	1,009,794	1,607,439	1,326,088	1,503,986	4,622,105	5,302,329
11. Net income for income-tax computation (line 29, p. 2)	5,428,109	122,867	105,102	91,728	75,103	66,337	251,816	312,988	484,177	432,646	472,604	1,169,654	1,843,088
12. Net income for income-tax computation before excess profits tax deduction (line 27, p. 2)	5,442,069	123,886	106,100	92,523	75,703	66,843	253,398	314,662	486,045	433,738	473,799	1,171,355	1,844,017
13. Adjusted net income	4,689,302	107,299	88,465	76,637	62,537	54,495	209,368	262,346	408,363	369,095	397,971	1,009,927	1,642,700
14. Undistributed net income	785,155	67,406	36,577	23,769	16,719	13,183	48,894	58,084	88,582	72,078	71,708	141,412	146,744
15. Dividends received	1,167,575	5,495	4,250	3,739	2,954	3,254	14,446	25,454	50,673	50,199	59,001	268,388	679,742
16. Dividends paid credit	3,807,401	38,573	50,237	51,336	44,078	39,722	152,954	195,583	306,360	286,181	313,967	845,477	1,482,932
17. Depreciation	1,456,292	120,350	46,174	36,528	25,203	22,515	76,209	84,276	122,287	102,870	108,892	306,276	404,704
18. Depletion	172,661	4,733	3,018	2,481	2,429	2,082	8,822	10,143	16,219	14,800	18,450	23,801	65,684
19. Officers' salaries	1,328,073	480,875	137,087	85,338	57,789	43,482	127,248	103,692	103,493	58,210	45,135	57,933	22,790
20. Interest paid	798,845	80,447	33,285	23,961	16,296	13,076	44,798	48,058	62,985	49,360	53,900	181,627	191,052
21. Rent paid	592,622	143,543	39,785	26,666	18,490	15,355	42,790	38,615	45,747	39,675	30,199	52,970	98,788
22. Taxes: Excess-profits tax	13,960	1,019	998	795	600	506	1,582	1,674	1,868	1,092	1,195	1,701	929
23. Normal tax	621,568	10,657	10,340	9,300	7,845	7,135	28,487	38,434	62,583	56,335	61,712	139,308	189,432
24. Surtax on undistributed profits	98,305	4,727	2,993	2,574	2,037	1,748	7,061	8,949	13,447	10,420	10,018	19,005	15,327
25. Total tax	733,833	16,403	14,331	12,669	10,482	9,389	37,130	49,057	77,898	67,847	72,925	160,014	205,688
26. Effective rate of total tax to net income for income-tax computation	13.52	13.35	13.64	13.81	13.96	14.15	14.74	15.67	16.09	15.68	15.43	13.68	11.16
27. Effective rate of total tax to net income for income-tax computation before excess profits tax deduction	13.48	13.24	13.51	13.69	13.85	14.05	14.65	15.59	16.03	15.64	15.39	13.66	11.15
28. Total normal tax and surtax	719,873	15,384	13,333	11,874	9,882	8,883	35,548	47,383	76,030	66,755	71,730	158,313	204,759
29. Effective rate of normal tax to net income for income-tax computation	11.45	8.67	9.84	10.14	10.45	10.70	11.31	12.28	12.93	13.02	13.06	11.91	10.28
30. Effective rate of surtax on undivided profits to net income for income-tax computation	1.81	3.85	2.85	2.81	2.71	2.64	2.80	2.86	2.78	2.41	2.12	1.62	.83
31. Effective rate of total normal tax and surtax to net income for income-tax computation	13.26	12.52	12.69	12.94	13.16	13.39	14.12	15.14	15.70	15.43	15.18	13.54	11.11
32. Percent of dividends paid credit to adjusted net income	81.20	35.95	56.79	66.99	70.48	72.89	73.06	74.55	75.02	77.54	78.89	83.72	90.27

[1] Taxable returns that have passed through the Statistical Section through Oct. 1, 1937.

Source: Treasury Department ,Bureau of Interna /Revenue ,Statistica /Section ,Income Tax Unit.

UNDISTRIBUTED-PROFITS TAX UNDER 1936 ACT

Item 30

This table shows effective undistributed-profits tax for corporations under $5,000 of 3.85 percent; the effective rate decreases as the size of the corporation increases, until corporations over $5,000,000 are found to have paid only 0.83 percent undistributed-profits tax. The effective rate by classification is as follows:

	Percent
Under $5,000	3.85
$5,000 to $10,000	2.85
$10,000 to $15,000	2.81
$15,000 to $20,000	2.71
$20,000 to $25,000	2.64
$25,000 to $50,000	2.80
$50,000 to $100,000	2.86
$100,000 to $250,000	2.78
$250,000 to $500,000	2.41
$500,000 to $1,000,000	2.12
$1,000,000 to $5,000,000	1.62
$5,000,000 and over	.83

It will be noted that item 24, the aggregate surtax on undistributed-profits tax collected, was $98,305,000, of which sum $14,079,000 was collected from all corporations of $25,000 net income and less. The remaining $84,226,000 was collected from all corporations with income in excess of $25,000, which clearly explodes the myth of the hardship suffered, if any, by any corporation having income in excess of $25,000 net. I think that we should not overlook also the fact that prior to 1929 corporate tax rate was approximately 12½ percent, when the maximum rate on individuals was only 25 percent.

At the present time we have increased individual rates to approximately 80 percent, yet, with the undistributed-profits tax, we find—item 26—corporations still pay less than 14 percent of their net income in both normal and undistributed-profits tax, thus a rate of only one-seventh of the tax of the maximum tax imposed upon individuals, including the income of partnerships. Thus we find corporations already have one of the greatest loopholes in our tax laws favoring them 7 to 1 over the tax paid by individuals and partnerships.

ANALYSIS OF DIVIDEND DISTRIBUTION, 1923–36

A study of dividend distribution by corporations for the year 1936 by classes as shown on page 126 of the hearings before the Ways and Means Committee on the 1938 revenue bill, when compared with the statistics of distributions shown for the years 1923 to 1935, leads to the conclusion that the so-called undistributed-profits tax of the present law is a material factor in accelerating dividend distribution.

EXHIBIT 12a.—*Percentage distribution of corporation adjusted net income, 1936* [1]*—Credits for dividends paid and contracts restricting dividends and undistributed net income subject to surtax, by net income classes*

Net income [2] classes	Adjusted net income	Dividends paid credit	Credit for contracts restricting dividends	Undistributed net income subject to surtax
		Percent	*Percent*	
Under $5,000	100	35.95	1.23	62.82
$5,000 to $10,000	100	56.79	1.87	41.34
$10,000 to $15,000	100	66.99	2.00	31.01
$15,000 to $20,000	100	70.48	2.79	26.73
$20,000 to $25,000	100	72.89	2.92	24.19
$25,000 to $50,000	100	73.06	3.59	23.35
$50,000 to $100,000	100	74.55	3.31	22.14
$100,000 to $250,000	100	75.02	3.29	21.69
$250,000 to $500,000	100	77.54	2.94	19.52
$500,000 to $1,000,000	100	78.89	3.09	18.02
$1,000,000 to $5,000,000	100	83.72	2.28	14.00
$5,000,000 and over	100	90.27	.80	8.93
All net income classes	100	81.20	2.06	16.74

[1] Returns filed through Aug. 31, 1937.
[2] Net income for income-tax computation.
Source: Treasury Department, Division of Research and Statistics, Nov. 12, 1937.

Ratio of net cash dividends to net income

Years	Net income	Net cash dividends	Ratio of dividends to net income
1923	$8,322,000,000	$3,151,000,000	37.8
1924	7,587,000,000	3,291,000,000	43.3
1925	9,581,000,000	3,833,000,000	39.9
1926	9,673,000,000	4,286,000,000	44.3
1927	8,962,000,000	4,481,000,000	49.8
1928	10,618,000,000	4,990,000,000	46.9
1929	11,654,000,000	5,653,000,000	48.9
1930	6,429,000,000	5,077,000,000	78.9
1931	3,683,000,000	3,019,000,000	81.9
1932	2,153,000,000	1,893,000,000	87.9
1933	2,986,000,000	1,946,000,000	65.1
1934	4,275,000,000	2,912,000,000	68.1
1935	5,165,000,000	3,159,000,000	61.1
Total	91,111,000,000	47,691,000,000	52.3

NOTE.—The basic figures in the above table are taken from the Treasury statistics appearing in the committee hearings at p. 126. They show net cash dividends to individual stockholders, which are the only dividends subject to surtax. Thus, over a period of 13 years, out of a net income of $91,111,000,000 the corporations kept $43,420,000,000 ($91,111,000,000 minus $47,691,000,000), which amount escaped the surtax on individuals.

Comparison of the above tables indicates the contrast in dividend distribution prior to the undistributed-profits tax with the results for the year 1936 the average of the years 1923 to 1935 is only 52.3 percent for the net income distributed in dividends. For the year 1936 distribution for dividends is 79.15 percent, an increase of more than 50 percent over the average for the 13 years prior to the enactment of the undistributed-profits tax. Striking increase is more noticeable when we compare the distribution for 1936 with that of 1935, the year preceding the imposition of the undistributed-profits tax. The increase in this instance is 18 percent.

I believe the foregoing analysis supports the conclusion that the undistributed-profits tax has accomplished its purpose, as expressed by the President in his message and as intended by this House when it was enacted. Before a repeal of this law is in order, some consideration should be given to the corporate-tax burden at the present time.

On page 122 of the hearings before the Ways and Means Committee of the House of Representatives on revenue revision of 1938, the average tax, expressed in percentage of net income, is as follows:

Average tax as a percentage of average net income under 1936 act

Net-income classes:	
Under $5,000	12.41
$5,000 to $10,000	12.57
$10,000 to $15,000	12.83
$15,000 to $20,000	13.05
$20,000 to $25,000	13.29
$25,000 to $50,000	14.03
$50,000 to $100,000	15.06
$100,000 to $250,000	15.64
$250,000 to $500,000	15.39
$500,000 to $1,000,000	15.14
$1,000,000 to $5,000,000	13.52
$5,000,000 and over	11.10
Total	13.23

The foregoing table shows the total corporate tax for the year 1936 average only 13.23 percent. This rate includes the effect of the surtax upon undistributed net income.

I believe it is also pertinent to point out that the competing nations of Europe impose a tax approximating more than twice the total income tax of this country. For example, the approximate rates imposed by England, France, and Germany are 30 percent, 30 percent, and 30 percent.

Certainly no hardship can be experienced by American corporations in competing in the world markets by reason of the tax laws.

COMMITTEE AMENDMENTS FAVOR RICH

Let us now turn to the bill and see what the committee has done. Sections 13 and 14 provide for a general scheme

of taxing corporations. The plan in general provides for a flat tax of 20 percent, with a credit for dividends paid in the amount of 4 percent. The effect of this scheme is to levy a flat tax of 16 percent, with an undistributed surtax of 4 percent, on the amount of income retained. Such a scheme, it appears, is applicable to all corporations in excess of $25,000 net income. To argue that 4 percent undistributed-profits tax will constitute sufficient incentive for corporations to distribute their income to stockholders when the minimum tax rate of surtax on individuals is 4 percent and the maximum tax rate 75 percent should not impress any Member of this House who has the slightest knowledge of the incidents of tax.

The general scheme of taxing corporations with net incomes of less than $25,000 is by a graduated tax, section 14 of the bill. The rate of tax on the first $5,000 is 12½ percent, 14 percent up to $15,000, and 16 percent on all over $20,000. The following table shows a comparison of the effective rates of tax under the present law for the year 1936 as compared to the effective rates that would have been paid had the corporations been taxed under the rates provided in section 14 of this bill.

Comparison of average tax under 1936 act and under bill on corporations of $25,000 or less

[Based on returns for 1936]

Net income	Average rate, 1936 act	Average rate, under bill	Increase in average rate
Under $5,000	12.41	12.50	0.09
$5,000 to $10,000	12.57	12.94	.37
$10,000 to $15,000	12.83	13.38	.55
$15,000 to $20,000	13.05	13.56	.51
$20,000 to $25,000	13.29	13.87	.58

NOTE.—The average rate under the 1936 act in the above table includes both the normal tax and the undistributed-profits tax, which average rate is less than the average rate under the bill.

The above figures show conclusively that corporations of less than $25,000 net incomes will stand to pay a heavier tax under the bill than under the present law.

In the case of small corporations which distribute their entire net incomes, the increase in tax under this bill will be much greater than is indicated by the foregoing table which computes the tax on corporations of various kinds with net incomes below $25,000. The rates prevailing under the bill as compared to rates under the present law is shown by the following table in cases where complete distribution is made:

COMMITTEE INCREASES TAX ON SMALL CORPORATIONS

Tax on corporations with net incomes of $25,000 or less

Net income	Present normal tax	Tax under new bill	Amount of increase
$2,000	$160	$250	$90
$3,000	270	375	105
$4,000	380	500	120
$5,000	490	625	135
$6,000	600	765	165
$8,000	820	1,045	225
$10,000	1,040	1,325	280
$15,000	1,590	2,025	435
$20,000	2,240	2,725	485
$25,000	2,890	3,525	735

It is difficult for the Members of this House to understand how a committee, with data before it indicating the present law operated to impose hardships upon small corporations, should in the face of this data propose a scheme of taxation which would increase the rate upon this class of business. The treatment accorded such corporations stands out in contrast to the treatment proposed under the bill for corporations with net incomes in excess of $25,000. While it would appear that corporations having a net income above $25,000 were having their taxes increased under the bill as compared to the present law, this is not the case, since such corporations will retain a much larger percentage of their net income than was done under present law. Therefore the tax rate which will apply to these corporations under the bill will be a material decrease of tax which they would pay under the present law. This is obvious when we consider that the maximum rate under the present law is 32.4 percent in the case of complete retention, whereas under the bill the maximum rate is only 20 percent. This gives a reduction to taxpayers having a net income above $25,000, in case of complete retention of their net income, in the amount of 40 percent.

SCOPE OF TITLE I–B

As the excuse for eliminating the undistributed-profits tax, the committee proposes a scheme of taxation for a special increase of corporations known as title I–B, section 451 of the bill. The committee states this applies approximately to no more than 600 corporations and it has been asserted that this is the class or group of corporations we were aiming at in 1936. No other evidence is needed to show the absurdity of this statement than reference to the President's message of March 3, 1936, which has been previously referred to in this speech.

SUMMARY OF REVENUE FROM CORPORATIONS

To sum up the revenue situation as compared to the present law, let us consider the effect of the various proposals as a substitute for the present corporate taxes. On page 57 of the committee report, regarding the revenues to be received under title I–B, the committee states:

The title I–B tax is at the rate of 20 percent upon undistributed title I–B net income. This rate has been selected because in practically all cases it will yield, together with the ordinary corporation tax paid under the general rule, only slightly less than the tax which would be paid on account of normal tax and undistributed-profits tax under the Revenue Act of 1936 by a corporation making equivalent distribution of dividends.

Inasmuch as the greater portion of the undistributed-profits tax on corporations of over $25,000 net income will be lost and only a small amount of additional revenue from corporations under $25,000 will be obtained it is apparent that the revenue loss under this bill from corporations and their stockholders will be over $300,000,000.

Aside from the objections from the revenue standpoint, the provisions of the bill are unnecessarily complicated. Practically every critic in this country that has commented on this bill has noted this feature. The elaborate and unwieldy cushions, alternative deductions and carry-over losses many of them unworkable and productive of litigation are particularly objectional.

These provisions introduced into the law at a time when the administrative machinery of the Government is already overburdened with complicated provisions seem totally unwarranted at this time. Thus while we are seeking to simplify the law, the committee has set us backward by several years by bringing in this mass of conglomerated formulas and newly half-thought-out ideas.

SECTION 117. CAPITAL GAINS AND LOSSES

The next major subject of revision is the so-called capital-gains-and-losses provisions of the bill.

The committee continues the present plan, including in income only a portion of the net income from capital gains in the case of all property held for more than 1 year. However, the comparative simple method of the present law has been abandoned for a far more complicated scheme in which the committee has introduced new elements, such as reduction of the amount taken into account on the basis of months rather than years, and has also included the element of carrying forward net losses in the case of assets held for more than 1 year.

The practical fact of this plan in the case of taxpayers having net incomes of more than $62,000 is to place a maximum tax of only 16 percent on profits held for 5 years or more. This plan operates to reduce substantially the tax on all taxpayers having net incomes in excess of this figure. The committee, on page 7 of the report, states:

Considerable complaint has been made in respect to the present method of taxing the capital gains and losses of individuals. It is claimed that the present tax is so high, especially in the case of taxpayers subject to high surtax rates, that assets become

frozen and few transactions take place. It is claimed that, if some relief were given, transactions would take place and the revenues be increased. Some fault has also been found with the percentage brackets governing the amount of gain or loss to be taken into account. These brackets now are 80 percent in respect to capital assets held more than 1 and not more than 2 years, 60 percent in respect to assets held more than 2 and not more than 5 years, 40 percent in respect to assets held more than 5 and not more than 10 years, and 30 percent in the case of assets held more than 10 years. It has been claimed that these sharp reductions in the percentages of gain or loss taken into account encourage taxpayers to delay taking gains and, on the other hand, stimulate them to realize losses.

While the scheme proposed in the case of large taxpayers results in reduction in the capital-gains tax, this action stands out in contrast to the effect which the scheme will have on small taxpayers. Many of these under the plan will be forced to pay substantially more tax by reason of the brackets substituted for the present law. Furthermore, it appears that large taxpayers are always able to hold investments until the maximum tax advantage can be obtained, whereas the small taxpayers, either through necessity or expediency, find it convenient to take their gains within a shorter period.

This is clearly shown by reference to page 89 of the report of the Committee on Ways and Means:

	Gains entering into net income as a percentage of total gains		
	1934	1935	1936
Under $5,000,000	62.5	74.2	76.0
$5,000,000 to $25,000,000	73.4	73.6	73.9
$25,000,000 to $100,000,000	67.4	71.4	75.3
$100,000,000 to $1,000,000,000	48.6	52.1	57.9
$1,000,000,000 and over	35.0	53.8	32.5
Average	67.2	69.8	

I fail to find in any of the evidence before the Ways and Means Committee, in its hearings or any statistical data from the experience of the Revenue, which would warrant its action in substantially reducing the effective rate of tax on wealthy taxpayers at a time when the committee itself was attempting, as it states, to maintain the present revenue. This unwarranted action is all the more glaring, when we consider the treatment of capital gains in this country, with that accorded to similar transactions in the other leading countries of the world. For example, Great Britain taxes approximately 85 percent of what we designate as capital gains, in the same manner as other income. In Germany, capital gains are inventoried and included in other income in the same manner as ordinary profits. A similar treatment is accorded to capital gains in France. Thus, we alone grant substantial reductions in tax to the wealthy upon no economic ground or upon any tangible evidence of actual hardship. The surrender of the committee to the propaganda emanating from the stock gamblers of New York and other cities is typified by its action in this instance. The criticism which I leveled at the failure of the committee to simplify the law in the case of the corporate tax is equally applicable to the capital-gains provision. Here again the committee took steps which set us back several years in simplification of this subject.

It is also noted that numerous provisions are inserted in the bill under the guise of loophole legislation. An examination of these disclose many of them operate to reduce the revenue rather than increase the total tax.

MISCELLANEOUS REDUCTIONS IN REVENUE

Some of the provisions which operate in favor of the taxpayer are:

First. Loss carry-over for corporations.

Second. Resident foreign corporations.

Third. Repeal of excise taxes on:

(a) Tooth and mouth washes, dentifrices, tooth pastes, and toilet soaps.

(b) Furs.

(c) Phonograph records.

(d) Sporting goods.

(e) Cameras and lenses.

(f) Chewing gum.

(g) Matches.

INCREASES IN REVENUE

While minor changes, such as consolidation of estate-tax schedules, limitation on charitable deductions, and so forth, are designed to increase the revenue, it must be apparent to anyone having even a superficial knowledge of taxation that these minor changes will make no substantial increase in revenue to offset the large loss resulting from the major tax reductions in the bill. It is also clear that the present bill is far from a loophole bill, purporting to correct existing inequities. In 1937 we were promised legislation for this session of Congress to close the loopholes pointed out by the President in his message June 1, 1937, and ignored by the committee in drafting the 1937 bill. What has become of that promise by the committee and the Revenue Department?

MAJOR LOOPHOLES

On August 16, 1937, I pointed out some of the major loopholes in the present tax law. Some of those I had in mind and dealt with in my speech were as follows:

TABLE 15.—*Showing little revenue to be received from the drop-in-the-bucket legislation recommended by committee August 5, 1937, compared to what could be done to stop loopholes*

Class A.—Loopholes pointed out by Representative MCFARLANE:	
(a) Due to inefficiency and laxity in administration:	
1. From table 1	$255,000,000
2. From table 2	108,431,076
3. From table 3	91,177,535
4. From table 4	19,172,481
5. From table 5	152,398,022
6. From table 6	61,871,735
7. From table 7	7,681,134
8. From table 8	4,789,096
9. Evasion of liquor taxes	90,000,000
Total due to inefficiency and laxity in administration	791,321,079
(b) Exempt interest on State and local bonds	200,000,000
(c) Amendments to stop loopholes advocated by me in 1934 (from table 12)	263,000,000
(d) Loopholes written into income-tax law in 1936 (table 14)	165,000,000
Total loopholes pointed out by Representative MCFARLANE from 1934 to date	1,424,321,079
Class B. Changes recommended by subcommittee in 1934, but never made (from table 13)	161,000,000
Class C. Loopholes pointed out by President in his message of June 1, 1937:	
1. Foreign personal holding corporations	10,000,000
2. Foreign insurance companies	2,000,000
3. Domestic personal holding companies	10,000,000
4. Incorporation of yachts and country estates	1,000,000
5. Artificial deductions	3,000,000
6. Multiple trusts	40,000,000
7. Husband and wife partnerships	30,000,000
8. Pension trusts	1,000,000
9. Percentage depletion	20,000,000
10. Community income	15,000,000
11. Nonresident aliens	30,000,000
Total loopholes pointed out by President	162,000,000
Total loopholes as shown in classes A, B, and C	1,747,321,079
Class D. Drop-in-the-bucket legislation recommended in committee report of Aug. 5, 1937:	
1. Domestic personal holding companies	10,000,000
2. Incorporation of yachts and country estates	1,000,000
3. Incorporated talents	500,000
4. Artificial deductions:	
For losses	500,000
For interest and business expenses	250,000
5. Multiple trusts	2,000,000
6. Foreign personal holding companies	10,000,000
7. Nonresident aliens	15,000,000
Total drop-in-the-bucket legislation	39,250,000
Loopholes left untouched	1,627,071,079

If the committee in good faith desired to increase the revenues by imposing taxes upon tax dodgers, they would have dealt with such large loopholes as I pointed out in my speech, and which the President undoubtedly had in mind when he sent his special message to Congress on June 1, 1937, urging that this be done.

EXTENSION OF REMARKS

Mr. PATRICK. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

TRADE AGREEMENTS WITH FRANCE, SWITZERLAND, AND BRAZIL

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a letter and enclosure I received from Mr. Dyer, the Director of the Tariff Section of the Department of Commerce.

The SPEAKER. Is there objection?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, as is well known, the State Department always sends all consular reports regarding foreign trade to the Department of Commerce, to be published periodically. I asked the Department of Commerce to send me detailed reports concerning reciprocal-trade agreements with France, Switzerland, and Brazil.

I received a letter, which I shall insert in the RECORD, in reply stating that the State Department had sent no reports regarding reciprocal-trade agreements of that kind.

I regret very much, Mr. Speaker, that the House tabled my resolution, which asked the Department of State to send photostatic copies of all reports from consular representatives regarding reciprocal-trade agreements. I feel that we should have every bit of information regarding these trade agreements. Star-chamber proceedings, agreements worked out in secret, keep us from knowing what we should know properly to foster our industries. Especially at this time when so many people are out of work is it vital to have this information. It is time to end this behind-the-scenes procedure. The Members of Congress owe it to their constituents to see that the agreements do not hurt the industries and business of their districts. Many of the businesses in the United States are in despair today because of lack of employment. They do not want more unemployment because of the reciprocal-trade agreements.

Mr. Speaker, the letter to which I referred, together with its enclosure, are as follows:

MARCH 3, 1938.

Hon. EDITH NOURSE ROGERS,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSWOMAN: I refer to your telephone conversation of Tuesday with the Chief of our Foreign Tariffs Division, requesting copies of certain periodical reports sent in by American consular officers in Brazil, Switzerland, and France regarding the operation of the reciprocal-trade agreements concluded with those countries.

Upon looking into the matter, we find that the Department of State has not furnished this Bureau with copies of these reports for publication or distribution. We regret that we are therefore unable to serve you in that connection.

This Bureau has begun certain studies of trade results under the agreements, particularly on the export side. If it has not already come to your attention, I am enclosing copy of an analysis we recently issued of the general foreign-trade results during 1937 under the trade agreements, comparing the experience with agreement countries and the nonagreement countries, and also presenting certain total figures with regard to the recorded exports and imports with each of the countries with which such trade agreements have been concluded.

As staff allows, we are making further studies as to how particular lines of important American export products have fared under the agreements in operation. However, these studies are still in the early stages. With regard to the trade experience in individual import commodities on which reductions in the United States import duties have been granted in the course of the agreements, I understand that some studies are under way in the Department of State and in the Tariff Commission.

Yours very truly,

ALEXANDER V. DYE, *Director.*

[Reprint from Commerce Reports of February 12, 1938, issued by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce]

1937 RESULTS UNDER THE TRADE-AGREEMENTS PROGRAM

(Henry Chalmers, Chief, Division of Foreign Tariffs)

In a year when various forces were operating to increase the foreign trade of the United States generally, the value of American exports during 1937 to the 16 countries with which reciprocal-trade agreements have been concluded showed, for the second successive year, a greater rate of increase than to the nonagreement countries as a whole, according to an analysis of the official trade returns of the past year.

RELATIVE INCREASES IN EXPORTS

In 1936, the first year that any large number of reciprocal agreements were in operation, there was a gain of 14 percent over 1935 in the value of American exports to the group of agreement countries, while the increase during the same period to all other countries averaged 4 percent. This tendency for exports to increase more rapidly to the countries with which the United States had made trade agreements continued in 1937. During this past year, when for various reasons foreign trade generally ran higher both in volume and price, American exports to the group of agreement countries showed a further increase in value over 1936 of 41 percent, while the increase to the nonagreement countries averaged 34 percent.

Viewing January 1, 1936, as roughly the beginning of the period when any important portion of the agreements were actually in operation, 1937 completed the second post-agreement year. Considering 1936 and 1937 together, exports of American products to the agreement countries during these 2 years that the program has been substantially in operation have averaged 42 percent more in value than during the 2-year period immediately preceding, 1934–35. American exports to the nonagreement countries as a whole increased between these two periods by 26 percent. The precise rate of change in the trade with the individual agreement countries naturally varied; the trade experience with each of these countries is presented in table 3.

Several powerful influences other than trade agreements have been at work during the past 2 years to increase the volume of foreign trade, both exports and imports. Moreover, only part of the trade with each country was specifically dealt with in the agreements. However, it seems significant that to those countries which had reduced or stabilized their tariffs or other trade barriers on distinctive American products, through such reciprocal agreements, our exports have for 2 years past shown a consistently greater rate of growth than to the other countries as a whole.

RELATIVE INCREASES IN IMPORTS

The experience of the past year with regard to imports from the countries with which agreements have been concluded appears to have been somewhat different than that of exports. During 1936 imports from the group of agreement countries showed an increase in value of 22 percent over 1935; while the increase during the same period from the nonagreement countries as a whole was 16 percent. In other words, the first year's experience was similar to that observed in the case of exports, where the increase in trade was more marked with the agreement countries than with the others. However, that trend did not continue with regard to imports during 1937 on account of several special situations, partly of a temporary character.

Importations into the United States up to the latter months of 1937 had been running unusually heavy for over a year, largely because of exceptional demands for certain industrial materials and deficit farm products. The influence of the trade agreements in stimulating larger imports from foreign countries has therefore been overshadowed during this period by several other factors. The principal other factors have been two: The much increased volume of raw materials, such as rubber, tin, and wool, called for by the sharp expansion in the activity of American industries between the middle of 1936 and the fall of 1937; and the need for considerable importations of certain farm products, notably grain, fodder, and oilseeds, due to the shortage following the drought and short crops of 1936. It happens that the commodities for which our import demand during this past year or so was exceptionally large are obtainable mainly from countries with which no trade agreements have as yet been negotiated.

This combination of forces has resulted in imports into the United States from the trade-agreement countries as a whole having increased during 1937 over 1936 by 18 percent, and from all other countries taken together by 34 percent. The abnormality of the relative import movements during the past year is confirmed by a broader comparison of the course of imports during the 2 years 1936 and 1937, which together represent the post-agreement period, with the average of the 2 preceding years. Imports from the agreement countries during 1936–37 averaged 45 percent greater in value than the average for the 2 preagreement years, 1934–35; while the increase in imports as between the same 2-year periods from all nonagreement countries taken together showed an increase of 51 percent.

TABLE 1.—*United States foreign trade with trade-agreement countries, and with all others, 1937 compared with 1936, and 1936–37 compared with 1934–35*

[Values in millions of dollars]

	Comparison of 1937 with 1936				Comparison of 1936–37 with 1934–35 [1]			
	1936 value	1937 value	Increase, 1937 over 1936		1934–35 average value	1936–37 average value	Increase, 1936–37 over 1934–35	
			Value	Percent			Value	Percent
UNITED STATES EXPORTS, INCLUDING REEXPORTS								
Total, all trade-agreement countries	863	1,255	+362	+40.6	787	1,074	+317	+41.9
Total, all nonagreement countries	1,563	2,090	+527	+33.7	1,451	1,827	+376	+25.9
UNITED STATES GENERAL IMPORTS								
Total, all trade-agreement countries	1,031	1,218	+187	+18.1	774	1,125	+351	+45.2
Total, all nonagreement countries	1,391	1,866	+475	+34.1	1,077	1,629	+552	+51.3

[1] Of the 16 agreements only 1 was in operation throughout 1935, 6 throughout 1936, 12 by the middle of 1936, and 14 throughout 1937. Jan. 1, 1936, therefore appears the most convenient, although approximate, dividing line between the pre-agreement and post-agreement periods. For details as to the effective dates and trade experience of the individual agreements, see table 3.

Source: Published and manuscript records of Division of Foreign Trade Statistics, Commerce Reports, Feb. 12, 1938.

COMPARATIVE INCREASES IN EXPORTS AND IN IMPORTS

The influence of the unusual shifts in import demands of the United States during the recent period appears also when the increase in actual values of the exports to the trade-agreement countries is compared with the increase in imports from the same countries. In terms of dollars, the total increase in the value of exports to the 16 agreement countries during the whole of 1937 over 1936 was three hundred and sixty-two millions; while the year's increase in imports from the same countries amounted to only one hundred and eighty-seven millions, with the most of this net increase in imports having taken place during the first half of the year. However, when comparison is made between the movements of trade during the whole of the post-agreement period, roughly, 1936 and 1937, as against the immediately preceding 2-year period, it is found that the average annual increases in the two currents of trade with the agreement countries have not been far apart: Exports, three hundred and seventeen millions, and imports, three hundred and fifty millions.

PROGRESS OF PROGRAM—NEGOTIATIONS AHEAD

The countries with which the 16 present reciprocal-trade agreements are in operation, together with their colonies, account for well over the one-third of the total foreign trade of the United States. Prospective negotiations have been announced by the United States for five additional agreements, and the revision of one of those now in force. When these new negotiations are concluded, trade agreements will have been made with the countries normally representing close to 60 percent of the total foreign trade of the United States. The essential figures are shown in the following table:

TABLE 2.—*United States trade with agreement countries and with countries announced for negotiation*

[Value in millions of dollars]

Item	Exports, 1937		Imports, 1937	
	Value	Percent of total	Value	Percent of total
Total United States trade, all countries	3,345	100.0	3,084	100.0
Countries with trade agreements concluded	1,255	37.5	1,218	39.5
Additional countries announced for negotiations	699	20.9	612	19.8
Ecuador	5	----------	4	----------
Czechoslovakia	13	----------	37	----------
United Kingdom, including Newfoundland and the British Colonial Empire	619	----------	530	----------
United Kingdom proper	535	----------	293	----------
Turkey	15	----------	18	----------
Venezuela	46	----------	23	----------
Total—countries with agreements concluded or announced for negotiation	1,954	58.4	1,830	59.3

[Commerce Reports carries a section each week devoted to an up-to-date list of all countries with which trade agreements have been concluded by the United States, together with the official texts of any current announcements as to new countries with which negotiations have been announced, and details as to dates and directions for presentation of views.]

TABLE 3.—*United States trade with individual trade-agreement countries, 1934–37*

[Value in millions of dollars]

Trade-agreement countries (in order of effective dates)	Dates effective	United States exports, including reexports						United States general imports					
		1934–35 average value	1936–37 average value	1936 value	1937 value	Percent increase		1934–35 average value	1936–37 average value	1936 value	1937 value	Percent increase	
						1936–37 over 1934–35 [1]	1937 over 1936					1936–37 over 1934–35 [1]	1937 over 1936
Total, all trade-agreement countries		756.8	1,074.0	862.9	1,253.1	+41.9	+40.6	774.4	1,124.5	1,031.3	1,217.8	+45.2	+18.1
Agreements in operation entire 1937:													
Cuba	Sept. 3, 1934	52.7	79.9	67.4	92.3	+51.4	+36.9	91.6	137.8	127.5	148.0	+50.4	+16.1
Belgium	May 1, 1935	54.2	77.0	58.8	95.1	+42.2	+61.7	33.0	67.0	58.9	75.1	+103.1	+27.5
Haiti	June 3, 1935	3.3	4.0	3.9	4.1	+20.0	+3.6	1.2	2.4	1.8	2.9	+97.7	+59.3
Sweden	Aug. 5, 1935	35.6	53.8	43.1	64.4	+50.8	+49.6	37.6	53.4	48.2	58.7	+42.1	+21.7
Brazil	Jan. 1, 1936	42.0	58.8	49.0	68.6	+40.1	+40.0	95.6	111.3	102.0	120.6	+16.5	+18.3
Canada	Jan. 1, 1936	312.8	446.8	384.2	509.5	+42.8	+32.6	259.1	387.2	375.8	398.5	+49.5	+6.0
Netherlands (including the overseas territories)	Feb. 1, 1936	74.9	117.9	81.8	154.0	+57.3	+88.4	92.6	163.9	136.8	191.0	+77.0	+39.6
Netherlands proper		50.0	73.7	53.3	94.1	+47.2	+76.7	34.5	51.6	50.0	53.3	+49.6	+6.6
Netherlands Indies		10.5	19.4	13.8	25.1	+85.3	+82.2	46.4	92.5	69.8	115.2	+99.5	+65.0
Netherlands West Indies		13.9	24.2	14.2	34.2	+74.0	+141.6	10.7	17.2	15.0	19.5	+60.5	+30.2
Switzerland	Feb. 15, 1936	8.0	8.6	7.7	9.6	+7.8	+25.6	15.7	23.8	20.7	26.9	+51.0	+30.0
Honduras	Mar. 2, 1936	5.8	5.2	4.9	5.6	−10.0	+13.6	7.0	5.9	6.1	5.7	−16.2	−6.6
Colombia	May 20, 1936	21.8	33.5	27.7	39.2	+53.6	+41.4	48.8	47.7	43.1	52.3	−2.2	+21.5
Guatemala	June 15, 1936	4.0	6.1	4.6	7.6	+52.3	+67.2	5.3	9.0	8.4	9.6	+68.2	+14.9
France (including colonies)	June 15, 1936	127.4	162.7	144.1	181.3	+27.7	+25.8	67.7	85.6	76.4	94.8	+26.3	+24.1
France proper		116.4	146.9	129.5	164.3	+26.3	+26.9	59.6	70.5	65.3	75.7	+18.3	+15.9
Nicaragua	Oct. 1, 1936	2.5	2.9	2.4	3.4	+16.3	+39.0	2.2	2.5	1.9	3.1	+12.3	+63.7
Finland	Nov. 2, 1936	6.1	9.9	7.5	12.3	+63.0	+64.5	10.6	16.5	15.4	17.6	+55.9	+14.0
Agreements in operation part of 1937:													
Costa Rica	Aug. 2, 1937	2.7	3.8	3.0	4.5	+37.8	+47.9	2.6	3.9	3.3	4.4	+50.0	+32.5
El Salvador	May 31, 1937	3.0	3.2	2.8	3.6	+7.7	+29.8	−3.7	6.8	5.0	8.6	+81.8	+70.5

[1] Of the 16 agreements only 1 was in operation throughout 1935, 6 throughout 1936, 12 by the middle of 1936, and 14 throughout 1937. Jan. 1, 1936, therefore appears the most convenient, although approximate, dividing line between the pre-agreement and post-agreement periods.

Source: Published and manuscript records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

EXTENSION OF REMARKS

Mr. WHITE of Idaho and Mr. MAVERICK asked and were given permission to revise and extend their remarks.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. DOUGLAS (at the request of Mr. SNELL), indefinitely, on account of illness.

To Mr. SHEPPARD, for today, on account of illness.

ADJOURNMENT OVER

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

BILL PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 9306. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 21 minutes p. m.) the House, pursuant to its previous order, adjourned until Monday, March 7, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON BANKING AND CURRENCY

The Committee on Banking and Currency of the House will begin hearings on the Goldsborough bill, H. R. 7188, at 10:30 a. m., Monday, March 7, 1938.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries, 219 House Office Building, announces the following schedule of hearings:

Tuesday, March 8, 1938, 10 a. m.:

H. J. Res. 463. Permitting the transportation of passengers by Canadian passenger vessels between the ports of Rochester and Alexandria Bay, N. Y., and the St. Lawrence River.

Wednesday, March 9, 1938, 10 a. m.:

H. R. 9225. Appointment of 30 traveling inspectors, Bureau of Marine Inspection and Navigation, Department of Commerce.

H. R. 9368. Issuance of certain seamen certificates by inspectors and assistant inspectors of hulls and boilers.

H. R. 8982. To amend Public Law 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

Thursday, March 10, 1938, 10 a. m.:

H. R. 9526. Settlement of accounts of deceased officers and enlisted men of the United States Coast Guard.

H. R. 8715. Conveyance of certain lands of the Mahon River Light Station Reservation to the State of Delaware for State highway purposes.

Tuesday, March 15, 1938, 10:30 a. m.:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938, 10 a. m.:

H. R. 8251. Relative to radio operators on cargo ships.

Thursday, March 17, 1938, 10 a. m.:

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 23, 1938, 10 a. m.:

S. 992. To make electricians licensed officers after an examination.

Wednesday, March 30, 1938, 10 a. m.:

H. R. 8840. Overtime compensation for customs officers and radio inspectors.

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 12, 1938, 10 a. m.:

H. R. 6797, H. R. 8596, and S. 2307. Fish-cultural stations in the the States of Oregon, Washington, and Idaho.

Tuesday, April 19, 1938, 10 a. m.:

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively in the fisheries on inland waters of the United States, and for other purposes.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on or after March 15.

EXECUTIVE COMMUNICATIONS, ETC.

1110. Under clause 2 of rule XXIV, a letter from the Acting Comptroller of the United States, transmitting a special report relating to the requirements of section 21 of the Permanent Appropriation Repeal Act, 1934 (48 Stat. 1235), and the failure of the Treasury Department to comply therewith, was taken from the Speaker's table and referred to the Committee on Expenditures in the Executive Departments.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. VINSON of Georgia: Committee on Naval Affairs. H. R. 9218. A bill to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes; without amendment (Rept. No. 1899). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. H. J. Res. 599. Joint resolution to set apart public ground for the Smithsonian Gallery of Art, and for other purposes; with amendment (Rept. No. 1900). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEMPSEY: Committee on the Public Lands. S. 1759. An act to amend an act entitled "An act to eliminate the requirements of cultivation in connection with certain homestead entries," approved August 19, 1935; without amendment (Rept. No. 1901). Referred to the Committee of the Whole House on the State of the Union.

Mr. DEMPSEY: Committee on the Public Lands. H. R. 9660. A bill to amend an act entitled "An act to eliminate the requirements of cultivation in connection with certain homestead entries," approved August 19, 1935; without amendment (Rept. No. 1902). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. S. J. Res. 211. Joint resolution establishing a Springfield-Greenville Memorial Commission to formulate plans for the construction on Memorial Common, Springfield, Ohio, of a monument to commemorate the Battle of Piqua, and for the construction of a memorial building to commemorate the Treaty of Greene Ville at Greenville, Ohio; with amendment (Rept. No. 1903). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. H. R. 6153. A bill to provide for the erection of a monument to the memory

of Gen. Frederick Funston; with amendment (Rept. No. 1904). Referred to the Committee of the Whole House on the state of the Union.

Mr. GRISWOLD: Committee on World War Veterans' Legislation. H. R. 9725. A bill to liberalize the provisions of existing laws governing death-compensation benefits for widows and children of World War veterans, and for other purposes; without amendment (Rept. No. 1905). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 2347. A bill for the relief of DePass and Maines and Alachua County Hospital; with amendment (Rept. No. 1878). Referred to the Committee of the Whole House.

Mr. SMITH of Washington: Committee on Claims. H. R. 4227. A bill for the relief of Mrs. R. A. Smith; with amendment (Rept. No. 1879). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 4304. A bill for the relief of Hugh O'Farrell; with amendment (Rept. No. 1880). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 5957. A bill for the relief of LeRoy W. Henry; with amendment (Rept. No. 1881). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 6847. A bill for the relief of the Berkeley County Hospital and Dr. J. N. Walsh; with amendment (Rept. No. 1882). Referred to the Committee of the Whole House.

Mr. ROCKEFELLER: Committee on Claims. H. R. 7060. A bill for the relief of James Mohin; with amendment (Rept. No. 1883). Referred to the Committee of the Whole House.

Mr. SMITH of Washington: Committee on Claims. H. R. 7166. A bill for the relief of the estate of Raymond Finklea; with amendment (Rept. No. 1884). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 7424. A bill for the relief of certain persons whose cotton was destroyed by fire in the Ouachita Warehouse, Camden, Ark.; with amendment (Rept. No. 1885). Referred to the Committee of the Whole House.

Mr. CARLSON: Committee on Claims. H. R. 7537. A bill for the relief of certain stevedores employed on the United States Army transport docks in San Francisco, Calif.; with amendment (Rept. No. 1886). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 7998. A bill for the relief of the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich.; with amendment (Rept. No. 1887). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 8123. A bill for the relief of Sonia M. Bell; with amendment (Rept. No. 1888). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 8374. A bill for the relief of Tiffany Construction Co.; without amendment (Rept. No. 1889). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 8377. A bill for the relief of H. W. Adelberger, Jr.; without amendment (Rept. No. 1890). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 8479. A bill for the relief of Jane Murrah; without amendment (Rept. No. 1891). Referred to the Committee of the Whole House.

Mr. EBERHARTER: Committee on Claims. H. R. 8703. A bill for the relief of Earle Embrey; with amendment (Rept. No. 1892). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 8835. A bill for the relief of Fred H. Kocor; with amendment (Rept. No. 1893). Referred to the Committee of the Whole House.

Mr. COFFEE of Washington: Committee on Claims. H. R. 9199. A bill for the relief of Helen M. Krekler and Kemp Plummer; with amendment (Rept. No. 1894). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 9201. A bill for the relief of the Federal Land Bank of Berkeley, Calif., and A. E. Colby; without amendment (Rept. No. 1895). Referred to the Committee of the Whole House.

Mr. SMITH of Washington: Committee on Claims. H. R. 9203. A bill for the relief of certain postmasters and certain contract employees who conducted postal stations; without amendment (Rept. No. 1896). Referred to the Committee of the Whole House.

Mr. CASE of South Dakota: Committee on Claims. H. R. 9205. A bill for the relief of the Comision Mixta Demarcadora de Limites Entre Colombia y Panama; without amendment (Rept. No. 1897). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 9297. A bill for the relief of Dr. Samuel A. Riddick; with amendment (Rept. No. 1898). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 9613) authorizing special-delivery messengers to be covered into the classified civil service as substitute clerks and carriers, and for other purposes; Committee on the Post Office and Post Roads discharged, and referred to the Committee on the Civil Service.

A bill (H. R. 9450) for the relief of Peter Koutsaymanes; Committee on Claims discharged, and referred to the Committee on War Claims.

A bill (H. R. 9483) for the relief of Fred Siegel, Tacoma, Wash.; Committee on Claims discharged, and referred to the Committee on War Claims.

A bill (H. R. 9512) granting an annuity to Emma L. Godey; Committee on Claims discharged, and referred to the Committee on the Civil Service.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. LAMNECK: A bill (H. R. 9735) to authorize an appropriation for the purpose of establishing a national cemetery at Columbus, Ohio; to the Committee on Military Affairs.

By Mr. PETERSON of Georgia: A bill (H. R. 9736) authorizing the acquisition of certain lands for inclusion within the boundaries of the Fort Pulaski National Monument, Ga.; to the Committee on the Public Lands.

By Mr. DOCKWEILER: A bill (H. R. 9737) authorizing a preliminary examination and survey of the streams in Los Angeles and Ventura Counties draining the Santa Monica Mountains, State of California, directly into the Pacific Ocean; to the Committee on Flood Control.

By Mr. LEA: A bill (H. R. 9738) to create a Civil Aeronautics Authority, to provide for the regulation of civil aeronautics, and for other purposes; to the Committee on Interstate and Foreign Commerce.

Also, a bill (H. R. 9739) to amend the Interstate Commerce Act, as amended, by amending certain provisions of part II of said act, otherwise known as the Motor Carrier Act, 1935; to the Committee on Interstate and Foreign Commerce.

By Mr. ALLEN of Delaware: A bill (H. R. 9740) creating Wilmington Delaware Bridge Authority, defining its powers and duties, and authorizing it to construct, maintain, and operate a bridge across the Delaware River at or near Wilmington, Del.; to the Committee on Interstate and Foreign Commerce.

By Mr. DISNEY: A bill (H. R. 9741) for the relief of certain members of the Osage Indian Tribe; to the Committee on Indian Affairs.

By Mr. SCOTT: A bill (H. R. 9742) to amend an act entitled "An act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes," approved June 22, 1936, as amended by act of May 15, 1937, Public, No. 86; to the Committee on Flood Control.

By Mr. SECREST: A bill (H. R. 9743) to authorize the appropriation of $90,000,000 to be distributed over a period of 5 years, to be apportioned to the various States, Territories, and the District of Columbia for the purpose of assisting them in developing a program for the removal of illiteracy among adults, and of providing for training in citizenship and other branches of adult education, to promote the general welfare in the several States and Territories and the District of Columbia; to the Committee on Education.

By Mr. COLLINS: A bill (H. R. 9744) to amend the Social Security Act, approved August 14, 1935 (Public, No. 271, 74th Cong.), to provide for the payment to States of $15 per month per capita for all recipients of old-age assistance, under the several State plans, who are 65 years of age or older and not inmates of a public institution; to the Committee on Ways and Means.

By Mr. HEALEY: A bill (H. R. 9745) to provide for guaranties of collective bargaining in contracts entered into and in the grant or loan of funds by the United States, or any agency thereof, and for other purposes; to the Committee on the Judiciary.

By Mr. VINSON of Georgia: Resolution (H. Res. 430) to make H. R. 9218, a bill to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes, a special order of business; to the Committee on Rules.

By Mr. SHANLEY: Joint resolution (H. J. Res. 607) authorizing the creation of a World War Foreign Debt Commission; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. HEALEY: A bill (H. R. 9746) for the relief of Patrick F. Casey; to the Committee on Naval Affairs.

Also, a bill (H. R. 9747) for the relief of Domenico Conte; to the Committee on Claims.

Also, a bill (H. R. 9748) for the relief of John Francis Prendergast; to the Committee on Naval Affairs.

Also, a bill (H. R. 9749) for the relief of Joseph D. Murray; to the Committee on Naval Affairs.

Also, a bill (H. R. 9750) for the relief of John F. Fahey, United States Marine Corps, retired; to the Committee on Naval Affairs.

Also, a bill (H. R. 9751) for the relief of Byron F. MacDonald; to the Committee on Claims.

Also, a bill (H. R. 9752) for the relief of John Lewis; to the Committee on Military Affairs.

By Mr. JOHNSON of West Virginia: A bill (H. R. 9753) granting an increase of pension to Eddie L. Fetty; to the Committee on Invalid Pensions.

By Mr. KRAMER: A bill (H. R. 9754) granting a pension to Emma Grannis; to the Committee on Invalid Pensions.

By Mr. SMITH of Oklahoma: A bill (H. R. 9755) for the relief of Robert E. Henry; to the Committee on Military Affairs.

By Mr. VINSON of Georgia: A bill (H. R. 9756) for the relief of the dependents of Herbert Mell Lowe; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4303. By Mr. ALESHIRE: Petition of the Board of County Commissioners of Clark County, Springfield, Ohio, memorializing Congress to pass House bill 4199, known as the General Welfare Act of 1937; to the Committee on Ways and Means.

4304. By Mr. BARRY: Resolution of the Long Island City Merchants' and Property Owners' League, Inc., Long Island City, N. Y., to appeal to the Federal Government, the Federal Housing authorities, the New York State housing authorities, the New York City housing authorities, His Honor the Mayor of the City of New York, the Borough president of Queens, the Board of Estimate of the City of New York, and the Board of Councilmen of the City Council for the City of New York, to finance the Federal Housing project in Long Island City and Hunters Point section; to the Committee on Appropriations.

4305. By Mr. CONNERY: Resolution of the Jewish Civic League of Winthrop, Mass., opposing the Boland bill (H. R. 3134) proposing tax of $0.01 per gallon on fuel oil for heating; to the Committee on Ways and Means.

4306. By Mr. CULKIN: Petition of the Propeller Club of the United States, port of New Orleans, La., H. R. Iley, secretary, urging expedition of the passage of the amendments to the Merchant Marine Act of 1936, as embodied in Senate bill 3078 and House bill 8532; to the Committee on Merchant Marine and Fisheries.

4307. Also, petition of the American Radio Telegraphists' Association, New York City, urging the House Committee on Merchant Marine and Fisheries to disapprove the Pettengill bill (H. R. 8251), and recommending to Congress that the requirements for previous service for a radio officer or a cargo vessel be raised to 1 year; to the Committee on Merchant Marine and Fisheries.

4308. Also, petition of the Central New York County Council of the Veterans of Foreign Wars, M. A. Michaels, adjutant, Syracuse, N. Y., urging the Government of the United States to endorse the following program: (1) Nonintervention in foreign affairs, (2) nonparticipation in foreign entanglements, and (3) a strong, adequate national defense; to the Committee on Foreign Affairs.

4309. By Mr. FLAHERTY: Petition of the Massachusetts Warehousemen's Association of Boston, Mass., protesting against the enactment of the train-length bill; to the Committee on Interstate and Foreign Commerce.

4310. Also, petition of the Massachusetts Warehousemen's Association of Boston, Mass., protesting against the enactment of the O'Mahoney Federal licensing bill; to the Committee on the Judiciary.

4311. By Mr. FORAND: Petition of the Providence Chamber of Commerce and others, relative to present economic conditions; to the Committee on Appropriations.

4312. By Mr. FULMER: Resolution submitted by James F. Miles, secretary, the Clariosophic Literary Society, Columbia, S. C., with reference to national defense; to the Committee on Naval Affairs.

4313. By Mr. KEOGH: Petition of the Lancaster Iron Works, Inc., Lancaster, Pa., concerning House bill 9259, controlling of patents; to the Committee on Patents.

4314. Also, petition of the Chamber of Commerce of the State of New York, concerning Federal taxation of fuel oil; to the Committee on Ways and Means.

4315. By Mr. KRAMER: Petition of the International Fur Workers Union, Local 87, Los Angeles, protesting against passage of House bill 6704; to the Committee on Military Affairs.

4316. By Mr. LESINSKI: Resolution of the Propeller Club of the United States, opposing the enactment of House bill 8327, providing for the diversion of water from Lake Michigan through the Chicago Drainage Canal; to the Committee on Rivers and Harbors.

4317. Also, resolution of the Propeller Club of the United States requesting segregation of portions of Senate bill 3078

and House bill 8532 into separate bills as outlined in the resolution; to the Committee on Merchant Marine and Fisheries.

4318. Also, resolution of the National Federation of Post Office Clerks, Local 295, Detroit, Mich., objecting to the provision known as section 5 of the Treasury-Post Office appropriation bill (H. R. 8947); to the Committee on Appropriations.

SENATE

MONDAY, MARCH 7, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Friday, March 4, 1938, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries, who also announced that the President had approved and signed the following acts:

On February 24, 1938:

S. 558. An act amending acts fixing the rate of payment of irrigation construction costs on the Wapato Indian Irrigation project, Yakima, Wash., and for other purposes; and

S. 2383. An act to amend the act authorizing the Attorney General to compromise suits on certain contracts of insurance.

On February 25, 1938:

S. 628. An act to provide for the construction and equipment of a building for the experiment station of the Bureau of Mines at Salt Lake City, Utah.

On February 28, 1938:

S. 2381. An act to amend the Criminal Code by providing punishment for impersonation of officers and employees of Government-owned and Government-controlled corporations.

On March 3, 1938:

S. 3452. An act to extend the lending authority of the Disaster Loan Corporation to apply to disasters in the year 1938.

On March 4, 1938:

S. 2215. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

On March 5, 1938:

S. 1835. An act establishing a small claims and conciliation branch in the municipal court of the District of Columbia for improving the administration of justice in small cases and providing assistance to needy litigants, and for other purposes.

MEMORIAL ADDRESSES ON THE LATE SENATOR ROBINSON, OF ARKANSAS

On motion of Mrs. CARAWAY and by unanimous consent, it was—

Ordered, That on Wednesday, April 20, 1938, at 2 o'clock p. m., the legislative business of the Senate be suspended for the purpose of permitting memorial addresses to be delivered on the life, character, and public service of the Honorable Joseph T. Robinson, late a Senator from the State of Arkansas.

RESOLUTIONS OF MUNICIPAL COUNCIL OF ST. THOMAS AND ST. JOHN

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting for consideration of the Congress two resolutions adopted by the Municipal Council of St. Thomas and St. John, Virgin Islands, without the approval or disapproval of the Governor of such islands, which, with the accompanying papers, was referred to the Committee on Territories and Insular Affairs.

The resolutions above referred to are as follows:

A resolution favoring the enactment of legislation permitting all internal-revenue taxes collected on liquors and articles arriving from the Virgin Islands into the United States to be credited to the municipal treasuries of the government of the Virgin Islands; and

A resolution favoring the amendment of section 4 of the organic act of the Virgin Islands so as to provide that the laws of the United States for the preservation of the interests of navigation and commerce shall not extend to the Virgin Islands until the President by proclamation shall so declare.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following concurrent resolution of the Legislature of the State of Kansas, which was referred to the Committee on Finance:

House Concurrent Resolution 6

Concurrent resolution memorializing the Congress of the United States to enact into law during the present session the Universal Service Act, S. 25 in the Senate or H. R. 6704 in the House

Whereas during the last war the United States drafted less than 5 percent of the population to provide for the common defense; and

Whereas profiteering by selfish individuals and corporations was practiced to such an extent that the Nation was plunged into billions of dollars of debt; and

Whereas there is pending in Congress at the present time companion bills, S. 25 in the Senate and H. R. 6704 in the House, which provide that during time of war the President may draft not only all the manpower but all essential industries and resources of the Nation during the period of warfare; and

Whereas these bills have the endorsement of Veterans of Foreign Wars, the American Legion, other patriotic organizations: Now, therefore, be it

Resolved by the House of Representatives of the State of Kansas (the senate concurring therein), That we request and urge the Congress of the United States to pass during the present session the Universal Service Act, S. 25 in the Senate or H. R. 6704 in the House; be it further

Resolved, That sufficient copies of this resolution shall be printed and the secretary of state is hereby directed to transmit a copy of the same to the President of the United States, the President of the Senate, the Speaker of the House of Representatives of the United States, and to each member of the Kansas delegation to the National Congress.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the General Court of Massachusetts, protesting against the negotiation or adoption of any reciprocal-trade agreements affecting the tariffs on boots, shoes, leather, leatherboard, textiles, wool and fur felt hats and hat bodies, which was referred to the Committee on Finance.

(See resolution printed in full when presented today by Mr. WALSH.)

The VICE PRESIDENT also laid before the Senate a resolution adopted by the General Court of Massachusetts favoring the continuation of projects of the Works Progress Administration, which was referred to the Committee on Appropriations.

(See resolution printed in full when presented today by Mr. WALSH.)

The VICE PRESIDENT also laid before the Senate a memorial of sundry citizens of Mount Vernon, Ohio, remonstrating against the enactment of Senate bill 1270, to regulate barbers in the District of Columbia, which was referred to the Committee on the District of Columbia.

He also laid before the Senate the petition of Joint Council No. 13, United Shoe Workers of America, of the C. I. O., New York City, N. Y., praying for the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also laid before the Senate the memorial of F. L. Soper, of Chicago, Ill., remonstrating against the enactment of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes, which was ordered to lie on the table.

Mr. TYDINGS presented memorials of sundry citizens of Baltimore and vicinity, in the State of Maryland, remonstrating against the imposition of taxes on fuel oil, which were referred to the Committee on Finance.

Mr. CAPPER presented a resolution adopted by the Investment Bankers, of Wichita, Kans., favoring amendment of the so-called Maloney bill, being the bill (S. 3255) to provide for the establishment of a mechanism of regulation among over-the-counter brokers and dealers operating in interstate and foreign commerce or through the mails, comparable to that provided by national securities exchanges under the Securities Exchange Act of 1934, and for other purposes, so as to exempt from its requirements all bonds issued by States, counties, cities, school districts, and other municipalities and also amending the provision relative to membership monopoly, which was ordered to lie on the table.

Mr. LODGE presented a petition of sundry citizens of the Second Congressional District of Massachusetts, praying for the enactment of legislation to abolish the Federal Reserve System as at present constituted and to restore the congressional function of coining and issuing money, and regulating the value thereof, which was referred to the Committee on Banking and Currency.

Mr. COPELAND presented a resolution adopted by the Kew-Forest Regular Republican Club, Inc., of Forest Hills, Long Island, N. Y., favoring the enactment of legislation to abolish deficiency judgments in connection with mortgages and also other measures beneficial to home owners, which was referred to the Committee on Banking and Currency.

He also presented a memorial of sundry citizens of Schenectady, N. Y., remonstrating against the imposition of taxes on fuel oil, which was referred to the Committee on Finance.

He also presented resolutions adopted by the Petroleum Industries Committees of Delaware, Monroe, Chenango, Tioga, Dutchess, and Broome Counties, in the State of New York, favoring the repeal of Federal taxes on gasoline and lubricating oils, which were referred to the Committee on Finance.

He also presented a resolution adopted by Marion Price Post, No. 709, American Legion, in the State of New York, favoring the enactment of the bill (S. 25) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense and promote peace, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Central New York Council, Veterans of Foreign Wars, of the State of New York, favoring a policy of nonintervention in foreign affairs and the maintenance of an adequate national defense, which was referred to the Committee on Foreign Relations.

He also presented a resolution adopted by the Newman Literary Club, of Ogdensburg, N. Y., favoring the enactment of legislation to prohibit the transportation of indecent literature by express or other licensed public carriers, which was referred to the Committee on Post Offices and Post Roads.

He also presented a resolution adopted by St. Albans Post, No. 2030, Veterans of Foreign Wars, of St. Albans, N. Y., favoring the enactment of legislation preventing the placing on ballots the name of any party or of any member of a party advocating the doctrine of overthrowing the present form of the Government of the United States, which was referred to the Committee on Privileges and Elections.

He also presented a memorial of sundry students of Vassar College, Poughkeepsie, N. Y., remonstrating against the enacting of House bill 9218, to establish the composition of the United States Navy and to authorize the construction of certain naval vessels, which was referred to the Committee on Naval Affairs.

He also presented the petition of the Women's Home Missionary Society of the Albany Street Methodist Church, of Schenectady, N. Y., praying for the enactment of legislation to prohibit the transportation in interstate commerce of liquor advertisements, which was referred to the Committee on Interstate Commerce.

He also presented a petition of sundry citizens of Staten Island, N. Y., praying for the adoption of House Joint Resolution 199, proposing an amendment to the Constitution of the United States to provide for a referendum on war, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by the Downtown Restaurateurs' Association, Inc., of New York, N. Y., favoring the repeal of present rules and regulations restricting the free trading in securities on all stock exchanges, which was referred to the Committee on Banking and Currency.

He also presented a resolution adopted by Unknown Soldier Post, No. 1124, American Legion, of New York, N. Y., favoring the enactment of antilynching legislation, which was ordered to lie on the table.

He also presented a resolution adopted by the City Council of Rochester, N. Y., remonstrating against the enactment of Senate bill 3255, to provide regulation of over-the-counter brokers operating in interstate or foreign commerce, which was ordered to lie on the table.

He also presented a memorial of sundry citizens of Rockville Center, N. Y., remonstrating against the enactment of Senate bill 3331, to provide for reorganizing agencies of the Government, extending the classified civil service, and establishing a general auditing office and department of welfare, which was ordered to lie on the table.

He also presented petitions of the Women's Home Missionary Society of the Albany Street Methodist Church, of Schenectady, N. Y.; the Woman's Christian Temperance Union of Hensonville, N. Y.; and of sundry citizens of Silver Creek, N. Y., praying for the enactment of Senate bill 153, to prohibit the trade practices of "block booking" and "blind selling" in the motion-picture industry, which were ordered to lie on the table.

He also presented a memorial of the Women's Home Missionary Society of the Albany Street Methodist Church, of Schenectady, N. Y., remonstrating against the enactment of Senate bill 3022, to amend the law relating to the appointment of postmasters, which was ordered to lie on the table.

He also presented resolutions adopted by the American Labor Party Club, Twelfth Assembly District, of New York, N. Y., favoring an additional appropriation in the present year of $150,000,000 for relief purposes, the enactment of Senate Joint Resolution 176, to provide for the employment by the Works Progress Administration of persons unable to find work in private industry, and also the enactment of proposed legislation to continue Federal projects that may be of a worth-while and permanent nature, which were ordered to lie on the table.

Mr. WALSH presented a resolution adopted by the City Council of Worcester, Mass., protesting against the adoption of any tariff trade agreement which might tend to cause further inroads into the domestic markets of United States industries and affect the employment situation, which was referred to the Committee on Finance.

He also presented a resolution adopted by Local No. 431, American Federation of Teachers, of Cambridge, Mass., protesting against the enactment of the bill (S. 25) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace, which was referred to the Committee on Finance.

He also presented the following resolution of the General Court of Massachusetts, which was referred to the Committee on Appropriations:

Resolved, That the General Court of Massachusetts hereby urges the Congress of the United States to enact such legislation and make such provisions as may be necessary for the continuation of Works Progress Administration projects; and be it further

Resolved, That copies of these resolutions be transmitted forthwith by the secretary of the Commonwealth to the President of the United States, to the presiding officers of each branch of Congress and to the Members thereof from this Commonwealth.

Mr. WALSH also presented the following resolution of the General Court of Massachusetts, which was referred to the Committee on Finance:

Resolutions memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool- and fur-felt hats and hat bodies from any reciprocal-trade agreements

Whereas the boot, shoe, and leather industries of the Commonwealth, once the means of employment and a fair livelihood for thousands of citizens in the great cities of Lynn, Peabody, Haverhill, Brockton, and Lawrence, have in many cases been forced out of business or are on the verge of closing, due mainly to unfair competition of foreign manufacturers and insufficient duties on imports from countries maintaining low standards of labor, wages, and hours; and

Whereas the great textile industries of the Commonwealth are seriously threatened through unfair competition; and

Whereas the loss of a great amount of the boot, shoe, and leather industries of the Commonwealth already suffered has reduced the employment of citizens of the Commonwealth and threatens many more with loss of employment, many of whom have spent a lifetime in said industries, and such loss has seriously affected the economic status of the Commonwealth; and

Whereas, if the textile industry of the Commonwealth is further adversely affected, the industrial life of Massachusetts, upon which its population depends for its existence, will be ruined; and

Whereas reciprocal-trade agreements now being negotiated would deal the final death blow to said industries: Therefore be it

Resolved, That the General Court of Massachusetts strongly opposes any reciprocal-trade agreement which include boots, shoes, leather, leatherboard, textiles, or wool- and fur-felt hats and hat bodies and urges upon all Federal agencies concerned the importance to this Commonwealth of the elimination of said products from any such agreements; and be it further

Resolved, That the secretary of the Commonwealth forward copies of these resolutions to the President of the United States, the presiding officers of both branches of Congress, each Member of Congress from this Commonwealth, each member of the United States Tariff Commission, and to the Secretary of State of the United States.

Mr. BULKLEY presented the following resolution of the Senate of the State of Ohio, which was referred to the Committee on Education and Labor:

Senate resolution endorsing the "building America movement"

Whereas the "build America movement" is in conformity with the national rehabilitation program, which is of prime importance to the continued well-being of our Nation as a whole; and

Whereas such movement will result in increased demand for building materials and supplies, and at the same time utilize the services of skilled labor in our country: Therefore be it

Resolved, That the members of the senate of the Ninety-second General Assembly of Ohio desire to go on record as endorsing the "build America movement" as being the key to our national rehabilitation and reemployment movement; and be it further

Resolved, That a properly authenticated copy of this resolution be forwarded to President Franklin D. Roosevelt and to the United States Senators and to each of the Members of the Congress from Ohio.

NATIONAL CHARTERS FOR NATIONAL COMMERCE

Mr. AUSTIN. Mr. President, while a subcommittee of the Judiciary Committee of the Senate is holding hearings on the O'Mahoney-Borah bill for licensing corporations engaged in interstate commerce, a valuable contribution to thought concerning the subject matter involved in the bill is made by Mr. Matthew Woll, the first vice president of the American Federation of Labor, president of the International Labor Press of America, and president of the Workers' Educational Bureau.

Mr. Woll wrote an editorial entitled "The Real Remedy," which was published on March 3 in the Greenwich Time. While warning that labor and industry have cause for a common effort in protecting each other against autocratic usurpation of power over their destiny by governmental agency, he points out that the real remedy for unemployment is the creation and maintenance of work opportunities for workingmen and women in private industry. He concludes:

Finally, labor as well as industry must ever be on the alert to detect and guard against the fettering of freedom even when a kindly bondage is offered by friendly hands and under the illusion of immediate relief.

I ask unanimous consent to have printed in the RECORD following these remarks the editorial by Mr. Woll to which I have referred, and to have a copy of it referred to the Committee on the Judiciary, a subcommittee of which is considering the O'Mahoney-Borah bill.

The VICE PRESIDENT. Is there objection?

There being no objection, the editorial was referred to the Committee on the Judiciary and ordered to be printed in the RECORD, as follows:

[From Greenwich (Conn.) Time of March 3, 1938]

THE REAL REMEDY

(By Matthew Woll)

At its recent meeting in Miami, Fla., the executive council of the American Federation of Labor called upon Congress to repeal or modify the undivided-profits and capital-gains taxes as a step toward the restoration of public confidence on the part of those who allege they are inspired by fear and distrust.

To many people it may seem strange that in these days when attacks on business and industry find such a ready response leaders of nearly 4,000,000 wage earners should call upon the Government to repeal or modify a tax on undivided profits. If a corporation has earned what are apparently excessive profits—profits which it does not have to pass on to its stockholders to keep them satisfied—why should organized labor object if the Federal Government takes a large portion of them away in the form of taxes to be used for, say, relief?

To find the answer to this question two guiding principles which have always been at the foundation of the American labor movement must be thoroughly understood. The first is a firm belief in our present system—the system of individual initiative and private enterprise with its profit motive, always however, with the understanding that labor must receive its fair share of the profits of production and distribution and that the consumers shall benefit likewise in the form of reduced prices.

The second is that the American worker does not want to be supported by governmental relief payments any more than he desires to be supported by his neighbors, organized charity, or by standing in a bread line. What he wants is an honest job in private industry with wages, hours, and working conditions which will give him and his family the standard of living to which he is entitled. To obtain these he knows that industry must be encouraged by Government and not penalized simply because it happens to be successful. He knows that it must continue to grow and expand if he is to be secure in his job and grow with it.

Relief we must have regardless of the cost when people are out of work and they and their families are hungry. But relief makes no contribution to the solution of the unemployment problem.

Our experience during the past 5 years has proven conclusively that Government spending can only supply temporary relief. There has been a steady increase in unemployment since last September, with scores of thousands of workers laid off in mass production, textile, manufacturing, transportation, and mining industries. The spending of vast sums in relief payments, no matter how necessary they may be, will not restore to the workers their jobs in those industries. As the executive council of the A. F. of L. has well stated:

"The real remedy for unemployment is the creation and maintenance of work opportunities for working men and women in private industry."

How can this best be accomplished?

First, by immediate steps toward the restoration of public confidence in private industry and at the same time create cooperation and understanding between those who own and manage industry, labor, and the Government.

It is of first importance that we create and maintain a friendly and cooperative relationship between industry and labor. This relationship should be brought about not by legal fiat but by a governmental policy that begets the confidence and good will of both. Labor suffers quite as much from governmental control over its relationship to industry as does industry itself. You cannot well regulate the one without at the same time affecting the rights and interest of the other. Failure on the part of Government to adhere to this principle is no less harmful to labor than has been the disregard of this principle by industry when it was in the saddle.

Labor and industry have cause for a common effort in protecting each other against autocratic usurpation of power over their destiny by governmental agency. It makes little difference if such usurpation is exercised by the National Labor Relations Board or any board proposed or designed to fix the wages of labor's hire and the conditions under which both industry and labor shall function side by side. Unless both are alert and join in a common cause for defense against such aggressions we may find later that the time is past in which to retrace our steps. Movements, erroneous or otherwise, once begun generally gain in momentum, and when headed at full speed it is almost impossible to put them in reverse without serious consequences.

Second, there is grave doubt regarding the rapidity and extent to which Government has entered into competition with private enterprise. We may seriously question whether there should be further extension of Government into our economic life. Undue extension as well as undue interference with industry by Government creates unrest in the ranks of both capital and labor, destroys confidence, and if it does not actually create unemployment it checks any increase in the opportunities for employment. By this is not meant that business should not be regulated by certain forms of restrictive legislation. Labor has repeatedly said over and over again and it is repeated here for the sake of emphasis that—

"Natural monopolies such as the public utilities and the railroads must be regulated with a firm hand in the interests of the

public, the security holders and the workers in these enterprises. Insurance companies must be regulated in the interests of their policyholders for whom, after all, they act in a purely fiduciary capacity. Banks must be regulated in the interest of their depositors, their stockholders, and their customers for credit alike. Sanitary laws controlling the processing and distribution of food; various health measures and protective laws against unnecessary, unusual hazards; laws against misrepresentation, fraud, and unfair competition; laws prohibiting child labor and laws relating to minimum wages and maximum hours of work; these are all necessary and proper in the interest of the public as a whole."

But when labor states that it wants to see a very definite check placed on undue Government interference in business it means the rapidly growing tendency to compete with its own citizens which, if carried out to its logical conclusion, must eventually lead to political ownership and operation of all of the processes of production and distribution.

In other words, labor no less than industry demands that every sound private enterprise which has economic and social utility shall be allowed to function and not be stifled or be destroyed by governmental competition or by governmental fiat, whether expressed through its taxing power, restrictive legislation, or through discrimination. Unless industry is allowed the opportunity to make reasonable profits, collective bargaining will be rendered useless and be of no avail.

Third, the seemingly never-ending campaign of propaganda of governmental officials, big and little, as well as by all sorts of governmental bureaus and agencies designed to discredit all business and industry can result only in injuring labor as well as industry.

This harmful and destructive propaganda should therefore cease. American industry is now in a state of convalescence. It needs no severe nostrums. It needs the encouragement of common sense. It needs the joint effort of labor, of management, of capital, of consumers, of all citizens, and, above all else, that of the Government. After all, the Government depends upon agriculture, industry, and commerce, and so does labor, and vice versa.

Fourth, there should be a compete revision of our tax laws. Taxes provide the greatest single contribution to the cost of living today. It makes no difference whether these taxes are paid in the first instance by big business, industry, the public utilities, the railroads, the banks, or the insurance companies, it is the ultimate consumer who pays them in the end.

We must be sure that our method of levying taxes is not designed to favor any particular group. It is of utmost importance that we insure an equitable distribution of the cost of Government, so as not to restrict unduly the production and equitable distribution of wealth in the interest of all. While it is unsound for business to retain earnings not needed, in an economic sense, the difficulty of providing for all the varied conditions that arise suggests the elimination or the modification of the tax on undistributed earnings. Certainly some reasonable percentage should be definitely allowed to provide for future needs without penalty. While the burden on smaller units of business may at the moment be more generally recognized, the burden on the larger units will be recognized in a far more spectacular and disastrous degree as industry passes into the next period of adversity.

Then, too, where the Government imposes a tax that tends to freeze the natural flow of capital from one place to another, resulting in too high values in some cases and too low values in others, paralyzing to an important degree, what ought to be a free flow and unrestricted movement of capital, both into and within the security markets, we will have set at work influences adversely affecting industry's ability to perform and certainly render it unable to expand.

There is abroad the general belief and conviction that the tax policy of the Government, coupled with its apparent attitude toward industry, is preventing the normal expansion of American industry. It is the common belief that undue and unjust taxes are keeping billions of dollars of idle capital lying in the banks of the country because capital is afraid to take excursions into new enterprises or to assist in the expansion of old ones.

Of all forms of taxes it is quite probable that the undivided profits and capital gains taxes in their present form have been the greatest factor contributing to unemployment, which is still at its peak. But, will say our legislators seeking new sources of revenue, these taxes are popular with the mass of the people, they are easy to collect, and they provide large sums with which to continue the payment of relief. If we repeal or modify them, what will we do for money?

There is one answer which seems to me to be a very simple one. It has been truly said that the power to tax is the power to destroy. Likewise this power to tax may be used for constructive and beneficial purposes. Why not use the power to tax as a power to construct in such a way as to take the unemployed off the relief rolls and put the workers back into honest jobs where they would much prefer to be?

In other words, would it not be well to stop penalizing business and industry for being successful in the past and reward them through the agency of the power to tax for returning to that success? This sounds like a paradox, but it can be done.

Suppose the Government should say to industry something like this: "Whenever and wherever you can show that you have spent capital, whether it be undivided profits, capital gains, or new capital invested or borrowed for expansion of your business, the replacement of obsolete machinery, or in any other way which provides additional employment somewhere along the line of production and distribution, the Government will credit you on the basis of the depreciated amount on your tax bill." This procedure would seem highly desirable, not alone because of its incentive to greater employment of labor but because of the vital need of lower selling prices as well. Then, too, it would encourage the capital-goods industry that so frequently lags behind. Isn't it conceivable that industry would much prefer to employ this money in increased production than to turn it over to the Government to be used for relief work allocated, altogether too often with an eye to political expediency?

And the result? This same money which is being handed out in relief payments would go into pay envelopes every week end—honest wages for an honest week's work. The wheels of industry would begin humming again, purchasing power would increase, thereby calling for more production; the national income would steadily increase; additions would be made to the national wealth; unemployment would rapidly decline; and in a very short time the depression would be forgotten.

Finally, labor as well as industry must ever be on the alert to detect and guard against the fettering of freedom even when a kindly bondage is offered by friendly hands and under the illusion of immediate relief. It is this freedom which distinguishes the characteristic of the individualism of America. It ranks in importance with freedom of speech, freedom of the press, freedom to peaceably assemble, and freedom of conscience. It has to do with food, clothing, and shelter for all of us—these prime economic necessities without which no refinement, no culture, no civilization, however conceived or highly wrought, can exist.

Above all else, then, let us substitute sanity, friendliness, helpfulness, and mutual confidence and cooperation in our relations between Government, industry, and labor, instead of attempting to solve our problems in the spirit of prejudice, hatred, bitterness, mistrust, and opposition.

REPORTS OF COMMITTEES

Mr. MALONEY, from the Committee on Banking and Currency, to which was referred the bill (S. 3255) to provide for the establishment of a mechanism of regulation among over-the-counter brokers and dealers operating in interstate and foreign commerce or through the mails, comparable to that provided by national securities exchanges under the Securities Exchange Act of 1934, and for other purposes, reported it with amendments and submitted a report (No. 1455) thereon.

Mr. COPELAND, from the Committee on Commerce, to which was referred the bill (S. 3290) to impose additional duties upon the United States Public Health Service in connection with the investigation and control of venereal diseases, reported it with amendments and submitted a report (No. 1456) thereon.

Mr. McKELLAR, from the Committee on Appropriations, to which was referred the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, reported it with amendments and submitted a report (No. 1457) thereon.

Mr. PEPPER, from the Committee on Education and Labor, to which was referred the bill (S. 1634) to provide for the education of all types of physically handicapped children, to make an appropriation of money therefor, and to regulate its expenditure, reported it without amendment and submitted a report (No. 1458) thereon.

Mr. BURKE, from the Committee on Claims, to which were referred the following bills and joint resolution, reported them severally adversely and submitted reports thereon:

S. 684. A bill for the relief of the city of New York (Rept. No. 1459);

S. 973. A bill for the relief of the city of Baltimore (Rept. No. 1460);

S. 1291. A bill for the relief of the State of Connecticut (Rept. No. 1461); and

S. J. Res. 21. Joint resolution directing the Comptroller General to readjust the account between the United States and the State of Vermont (Rept. No. 1462).

Mr. HATCH, from the Committee on the Judiciary, to which was referred the bill (S. 2946) to extend privileges of the Navy post exchanges to officials and employees of the United States Court for China, reported it with amendments and submitted a report (No. 1463) thereon.

Mr. NEELY, from the Committee on the Judiciary, to which was referred the bill (S. 3554) authorizing the appointment of an additional judge of the District Court for the

Northern District of Alabama, reported it with an amendment and submitted a report (No. 1464) thereon.

COMPENSATION OF CERTAIN IMMIGRATION AND NATURALIZATION SERVICE EMPLOYEES—REPORT OF COMMITTEE ON IMMIGRATION

Mr. SCHWELLENBACH, from the Committee on Immigration, to which was recommitted the bill (H. R. 1543) to amend section 24 of the Immigration Act of 1917, relating to the compensation of certain Immigration and Naturalization Service employees, and for other purposes, reported it without amendment and submitted a report (No. 1284) thereon.

Mr. RUSSELL. Mr. President, I understand that the Committee on Immigration has filed a majority report on the bill (H. R. 1543) to amend section 24 of the Immigration Act of 1917, relating to the compensation of certain Immigration and Naturalization Service employees, and for other purposes. I ask unanimous consent to be permitted to submit minority views of the same measure.

The VICE PRESIDENT. Is there objection?

There being no objection, the minority views submitted by Mr. RUSSELL were ordered to be printed as Report No. 1284, part 2.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

Mr. McKELLAR, from the Committee on Appropriations, reported favorably the nomination of Clifford H. Willson, of Montana, to be regional director of the Farm Security Administration, Department of Agriculture.

Mr. HATCH, from the Committee on the Judiciary, reported favorably the nomination of Ford S. Worthy, of North Carolina, to be United States marshal for the eastern district of North Carolina, which was ordered to be placed on the Executive Calendar.

Mr. PITTMAN, from the Committee on the Judiciary, reported favorably the following nominations:

George F. Alexander, of Oregon, to be United States district judge for the first division, district of Alaska; and

Joseph A. McDonald, of Alaska, to be United States marshal for the fourth division, district of Alaska.

Mr. ADAMS, from the Committee on Public Lands and Surveys, reported favorably the nomination of Ebert K. Burlew to be First Assistant Secretary of the Interior, and submitted a report (Exec. Rept. No. 3, pt. 1) thereon.

Mr. PITTMAN, as a member of the Committee on Public Lands and Surveys, submitted his minority views on the nomination of Ebert K. Burlew to be First Assistant Secretary of the Interior, which were ordered to be printed (Exec. Rept. No. 3, pt. 2).

The VICE PRESIDENT. The reports will be placed on the Executive Calendar.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McNARY:

A bill (S. 3615) to exempt from the tax on admissions certain fees collected in the national parks and monuments; to the Committee on Finance.

By Mr. SCHWELLENBACH:

A bill (S. 3616) authorizing the construction of flood-control works on Mill Creek for the protection of life and property in the city of Walla Walla, Wash., and vicinity; to the Committee on Commerce.

By Mr. LODGE:

A bill (S. 3617) to amend the law granting credit to certain postal employees for time served in the military, marine, or naval service during the World War; to the Committee on Post Offices and Post Roads.

By Mr. TYDINGS:

A bill (S. 3618) to authorize the erection of a United States Veterans' Administration hospital in or near the city of Baltimore, Md.; and

A bill (S. 3619) to provide for credits against and allowances of refunds of certain social-security taxes on employers; to the Committee on Finance.

By Mr. McKELLAR:

A bill (S. 3620) for the relief of Dr. R. N. Harwood; to the Committee on Claims.

By Mr. PEPPER:

A bill (S. 3621) to provide for the recognition of the services of the civilian officials and employees, citizens of the United States, engaged in and about the construction of the Panama Canal; to the Committee on Interoceanic Canals.

By Mr. MINTON:

A bill (S. 3622) for the relief of William T. Windell; to the Committee on Claims.

A bill (S. 3623) to correct the military records of James E. Barry; to the Committee on Military Affairs.

A bill (S. 3624) to extend the times for commencing and completing the construction of a bridge across the Ohio River between Rockport, Ind., and Owensboro, Ky.; to the Committee on Commerce.

AMENDMENT TO STATE, JUSTICE, ETC., APPROPRIATION BILL

Mr. HAYDEN submitted an amendment intended to be proposed by him to the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 23, after line 15, to insert the following:

"Fence construction on the boundary, Arizona: For construction of fence along the international boundary as authorized by the act of August 19, 1935 (49 Stat. 660): *Provided*, That no part of this appropriation shall be expended for the acquisition of lands or easements for sites for boundary fences except for procurement of abstracts or certificates of title, payment of recording fees, and examination of titles, $50,000."

THE PROBLEM OF THE REPUBLICAN PROGRAM COMMITTEE—ADDRESS BY DR. GLENN FRANK

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an address by Dr. Glenn Frank on the subject The Problem of the Republican Program Committee, at Chicago, Monday, February 28, 1938, which appears in the Appendix.]

RATIFICATION OF THE CONSTITUTION BY VIRGINIA

[Mr. BYRD asked and obtained leave to have printed in the RECORD an article by Matthew Page Andrews relating to the ratification of the Federal Constitution by the State of Virginia, which appears in the Appendix.]

APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA

The Senate resumed the consideration of the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes.

The VICE PRESIDENT. The Chair has examined the RECORD and finds that when the Senate took a recess on Friday last no quorum was present. The Chair, therefore, thinks it is his duty to direct the clerk to call the roll for the purpose of securing a quorum, for the Senate begins now just where it left off last Friday.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahey	La Follette	Pope
Andrews	Duffy	Lee	Radcliffe
Ashurst	Ellender	Lewis	Reames
Austin	Frazier	Lodge	Reynolds
Bailey	George	Logan	Russell
Bankhead	Gerry	Lonergan	Schwartz
Barkley	Gibson	Lundeen	Schwellenbach
Bone	Gillette	McAdoo	Sheppard
Borah	Glass	McCarran	Shipstead
Brown, Mich.	Green	McGill	Smathers
Brown, N. H.	Guffey	McKellar	Thomas, Okla.
Bulkley	Hale	McNary	Thomas, Utah
Bulow	Harrison	Maloney	Townsend
Burke	Hatch	Miller	Truman
Byrd	Hayden	Minton	Tydings
Byrnes	Herring	Murray	Vandenberg
Capper	Hill	Neely	Van Nuys
Caraway	Hitchcock	Norris	Wagner
Chavez	Holt	O'Mahoney	Walsh
Copeland	Hughes	Overton	Wheeler
Davis	Johnson, Calif.	Pepper	
Dieterich	King	Pittman	

Mr. MINTON. I announce that the Senator from Tennessee [Mr. BERRY], the Senator from Mississippi [Mr. BILBO], the Senator from Texas [Mr. CONNALLY], and the Senator from New Jersey [Mr. MILTON], are detained on important public business.

The Senator from Colorado [Mr. JOHNSON] is detained from the Senate because of a cold.

The Senator from South Carolina [Mr. SMITH] is absent in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

Mr. AUSTIN. I announce that the Senator from New Hampshire [Mr. BRIDGES] is absent on official business.

Mr. TRUMAN. I desire to announce that my colleague [Mr. CLARK] is detained from the Senate by a cold.

The VICE PRESIDENT. Eighty-six Senators have answered to their names. A quorum is present.

The question is on the motion of the Senator from Oklahoma [Mr. THOMAS] to suspend paragraph 4 of rule XVI in order that he may offer an amendment to the pending bill.

Mr. THOMAS of Oklahoma. Mr. President, before the vote is taken I think, perhaps, a word of explanation should be said.

The last two District of Columbia appropriation bills have carried an amendment giving the District Commissioners the right, in their discretion, to experiment with what are known as parking meter devices. These devices would cost the District nothing; they would pay for themselves. The District would not be compelled to install the devices. The amendment simply gives the Commissioners the right, within their discretion, to make a test of parking meters.

These devices have been experimented with in many cities, and I think almost without exception they have been found to be successful and desirable. Two years ago the District of Columbia appropriation bill carried to a conference committee the item as passed by the Senate; but in conference a number of issues were raised, and as a matter of necessity the amendment went out of the bill. Last year the committee authorized the inclusion of the item in the bill, and I offered it on the floor as a legislative provision. A point of order was made by the Senator from Nebraska [Mr. BURKE], and inasmuch as I had not prepared myself to move to suspend the rule I could not prevent the point of order from being sustained, and no motion was made to suspend the rule, so the item was dead.

Again this year the committee authorized me, as chairman of the subcommittee, to offer the item on the floor. The Commissioners desire to make the experiment, and this year, so far as I know, there is no objection from the city to the experiment. Last year the A. A. A. interposed objections, but this year they did not do so. This year the Keystone Automobile Club made a showing favorable to the test, and I sincerely trust the Senate may authorize the Commissioners, within their discretion, to make this experiment, at no cost to the city, to see whether or not it will work.

Mr. BARKLEY. Mr. President, I do not know that what I am about to state is very important one way or the other; but I observe that the amendment authorizes the Commissioners to permit parking meters to be installed. My observation at the places where parking meters were installed in my own home city in Kentucky, and in the city of Louisville, I think, was that they turned out to be unsatisfactory, and were removed. I suppose that need not militate against the authority which the Commissioners may exercise in their discretion to install such meters here; but my superficial observation with respect to the operation and public understanding of parking meters, which are installed on the sidewalks in the various cities, is that they have not been very satisfactory. There may be some device or some plan that would be satisfactory; but in the towns where the plan has been tried to which my attention has been called, my judgment is that it has caused more trouble than it was worth.

Mr. THOMAS of Oklahoma. Mr. President, it is admitted by everyone that the traffic problem in Washington is more acute than in any other city in the United States. There is no place for parking cars downtown, around the congested areas in the vicinity of the banks and public buildings. These devices are placed on the sidewalk. A 2-inch pipe about 4 feet high is placed in the sidewalk, and on top of the pipe is a little device which contains a slot for the insertion of a nickel. A nickel is inserted, and a small flag—green or red; I think it is green when the device is operated—inside a glass container appears. The device may be set for either 15 minutes, 30 minutes, 1 hour, 2 hours, or a longer time, to suit the location. The car then has a space set off on the street in front of the device, and the car is safe in that parking space during the time for which the device is set. If the car stays there longer than the time required for the green flag to disappear, of course, it is then up to the police to take judicial notice of the situation.

This is merely a plan to regulate parking, and to prevent cars from being parked on the street and permitted to remain there indefinitely. It is intended to enable persons who have business around the banks and stores where parking is permitted, and around public buildings, to take their cars there and park them while they transact their business. It costs them only 5 cents, and their cars are safe for the time that is allowed; and around a bank or public building 30 minutes or an hour is usually sufficient time to enable one to transact his business.

That is the plan of this system. It has been tried in many cities of the country, North, South, East, and West. In some cases, I think, there has been some political trouble. In Wheeling, W. Va., as I recall, the streets are so narrow that when parking meters were tried they were found to be unsuccessful. I went through Wheeling last summer, and I found that hoods had been placed over the devices, which meant that they were not in use. I do not know the cause of that trouble, but in many places the meters have been found to be successful. All over the country, in cities such as Miami, Fla., Jacksonville, Fla., Toledo, Ohio, and in my home city of Oklahoma City, parking meters have been tried and are now in operation, and are found to be most successful. Parking is orderly, and the system gives sufficient time in the parking space for anyone to transact business with a store, or with a bank, or with a public building, in accordance with the time fixed by the traffic managers of the city.

This motion is to suspend the rule to permit an amendment to be offered authorizing the Commissioners, in their discretion, to make a test of parking meters around some place such as Fifteenth Street in front of the Riggs National Bank, or perhaps around the District Building; I do not know where. Inasmuch as the traffic congestion in this city is terrific, and inasmuch as this plan has been a success in other cities, and inasmuch as the Keystone Automobile Club and many other organizations favor a test of the meters here, I am offering this motion to suspend the rule so that I may offer the amendment.

I think that states the case in full.

Mr. BURKE. Mr. President, I raised the point of order against this proposed legislation when it was sought to be attached to the District of Columbia appropriation bill a year ago, and again on Friday, when the matter came up. I did so for two reasons.

In the first place, as a matter of principle it does not seem to me right to rent out space on the public streets and highways. I think all those who have occasion to use the highways ought to use them under the same rights and conditions and regardless of any rental charge. In the second place, and more seriously, I am opposed to the proposal because it seems to me it is not the proper way to handle the traffic situation.

In addition to the circumstance referred to by our majority leader in his city, where parking meters were found to be unsatisfactory and were removed, there have been quite a number of similar instances in various other cities. I know that in some cities they have met with some trouble, although this is an easy way to handle a very difficult situation. I think the District Commissioners ought to apply themselves to a thorough and comprehensive study of the traffic problem in downtown Washington, and I am afraid that adopting this subterfuge and putting in parking meters will merely post-

pone the time when we shall have a real solution of the difficulty.

For that reason I raised the point of order. I believe it would be a mistake to suspend the rule and adopt the amendment.

The VICE PRESIDENT. The question is on the motion of the Senator from Oklahoma [Mr. THOMAS] to suspend paragraph 4 of rule XVI for the purpose of offering the amendment referred to by him. [Putting the question.] In the opinion of the Chair, two-thirds of the Senators present have voted in the affirmative.

Mr. BURKE. I ask for a division.

On a division, two-thirds of the Senators present having voted therefor, the motion was agreed to.

The VICE PRESIDENT. Paragraph 4 of rule XVI having been suspended, the question is on agreeing to the amendment offered by the Senator from Oklahoma [Mr. THOMAS].

The amendment was agreed to, as follows:

Add a new section, as follows:

"SEC. 11. The Commissioners of the District of Columbia are hereby authorized and empowered, in their discretion, to secure and to install, at no expense to the said District, mechanical parking meters or devices on the streets, avenues, roads, highways, and other public spaces in the District of Columbia under the jurisdiction and control of said Commissioners; and said Commissioners are authorized and empowered to make and enforce rules and regulations for the control of the parking of vehicles on such streets, avenues, roads, highways, and other public spaces, and as an aid to such regulation and control of the parking of vehicles the Commissioners may prescribe fees for the privilege of parking vehicles where said meters or devices are installed.

"The Commissioners are further authorized and empowered to pay the purchase price and cost of installation of the said meters or devices from the fees collected, and thereafter such meters or devices shall become the property of said District, and all fees collected shall be paid to the collector of taxes for deposit in the Treasury of the United States to the credit of the revenues of said District."

Mr. CAPPER. Mr. President, on Friday I gave notice of a motion to suspend paragraph 1 of rule XVI for the purpose of enabling me to offer an amendment to the appropriation for Gallinger Hospital increasing the amount from $523,760 to $596,900, so that the 51 employees of Gallinger Hospital who are now working 12 hours daily may be put on an 8-hour basis, the same as they are in all other hospitals and institutions. No one can defend a 12-hour day for any kind of labor, and especially it should not be tolerated here in the Nation's Capital.

The VICE PRESIDENT. The question is on the motion of the Senator from Kansas to suspend paragraph 1 of rule XVI for the purpose of enabling him to offer an amendment.

Mr. BARKLEY. Mr. President, what is the amendment?

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 47, line 15, it is proposed to strike out "$523,760" and to insert in lieu thereof "$596,900."

Mr. BORAH. Mr. President, is this amendment for the purpose of providing additional beds at Gallinger Hospital?

Mr. CAPPER. No, Mr. President. This amendment applies to the labor, the orderlies, and other ordinary laborers about the hospital who are paid a very low wage, receiving about $1,080 a year, and who are now obliged to work 12 hours a day for 6½ days in the week. They should not be required to work more than 8 hours a day.

Mr. BORAH. I read in the newspapers a statement that the Senator from Kansas intended to offer an amendment to cover the expense of providing additional beds in some hospitals to take care of those who are now without care. Perhaps I confused the two matters, so I have nothing further to say.

Mr. KING. Mr. President, I desire to say to the Senator that on Friday, before the recess, we increased by $25,000 the appropriation for nurses at Gallinger Hospital.

Mr. CAPPER. That does not affect my amendment at all.

Mr. KING. I think it does.

Mr. CAPPER. Not at all. My amendment applies only to the employees who are known as laborers and orderlies in the hospital, and who are working 12 hours a day for 6½ days, a total of 78 hours a week.

Mr. KING. The Commissioners have passed upon this question, the Bureau of the Budget and the House have passed upon it, and the Senate committee has passed upon it, and I do not believe the Senator ought to offer the amendment at the present time.

Mr. THOMAS of Oklahoma. Mr. President, in the committee we restored the Budget Bureau estimates for all items having to do with health, including those for Gallinger Hospital. It is proposed by the amendment suggested by the Senator to increase the salaries, or, to put it in another way, to decrease the hours of the employees. That matter was not considered by the committee in detail. Of course, there is a constant demand for an increase in the number of employees and an increase in salaries, but the matter of the health items was considered by the committee, and we recommended the appropriation of the full Budget Bureau estimate. We would not be in favor of the amendment suggested by the Senator.

The VICE PRESIDENT. The question is on the motion of the Senator from Kansas that the rule be suspended. [Putting the question.] Two-thirds of the Senators not having voted in the affirmative, the motion is rejected.

Mr. CAPPER. Mr. President, I have another amendment I should like to propose.

The VICE PRESIDENT. The clerk will state the amendment.

Mr. CAPPER. The amendment provides for financing 110 lectures in the public schools of the District of Columbia by medical experts.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 26, after line 12, it is proposed to insert the following:

For financing 110 lectures by qualified medical experts on the effects of alcoholic beverages and other narcotics, to be delivered at student assemblies in all the public-school buildings in the District of Columbia which have auditoriums, $550.

Mr. THOMAS of Oklahoma. Mr. President, the amendment provides $550 for some educational purpose in regard to narcotics. I have no objection to the amendment and am willing to have it go to conference.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. KING. Mr. President, I offer an amendment, which is a limitation on the appropriation in the bill.

The VICE PRESIDENT. The Clerk will state the amendment.

The CHIEF CLERK. On page 50, line 8, after the figures "$93,680", it is proposed to insert the words "*Provided*, That no part of this appropriation shall be used to pay any clerk of the police court a salary in excess of $3,000 per annum."

Mr. THOMAS of Oklahoma. Mr. President, on behalf of the committee, I have no objection to accepting the amendment.

The amendment was agreed to.

Mr. THOMAS of Oklahoma. Mr. President, I ask unanimous consent that the clerk may correct the totals which may be in error.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

INDEPENDENT OFFICES APPROPRIATIONS—CONFERENCE REPORT

Mr. GLASS. Mr. President, I submit a conference report on the independent offices appropriation bill and ask for its reading and immediate consideration.

The report was read, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8837) making appropriations for the Executive Office and sundry

independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1939, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 17 and 18.

That the House recede from its disagreement to the amendments of the Senate numbered 11, 12, 19, 20, 23, 25, 30, 31, 32, 33, 34, and 35; and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert "$125,000"; and the Senate agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert "$126,000"; and the Senate agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert: "$2,450,000"; and the Senate agree to the same.

Amendment numbered 5: That the House recede from its disagreement to the amendment of the Senate numbered 5, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert: "$88,750"; and the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert: "$77,457,750"; and the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment as follows: In lieu of the the sum named in said amendment insert the following: "$300,000"; and the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$478,225"; and the Senate agree to the same.

Amendment numbered 9: That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment as follows: In lieu of the the sum proposed, insert "$8,250"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert: "$5,261,475"; and the Senate agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "not to exceed $2,000 for the purchase of transportation to be used as evidence of violations of said Act"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$3,250,000"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$8,551,000"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$8,726,000"; and the Senate agree to the same.

Amendment numbered 29: That the House recede from its disagreement to the amendment of the Senate numbered 29, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$26,500,000"; and the Senate agree to the same.

Amendment numbered 36: That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment, insert the following: "or a person in the service of the United States on the date of the approval of this act who being eligible for citizenship has filed a declaration of intention to become a citizen or who owes allegiance to the United States"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 3, 21, 22, 24, 26, 27, 28, and 37.

CARTER GLASS,
JAMES F. BYRNES,
RICHARD B. RUSSELL, Jr.,
ALVA B. ADAMS,
FREDERICK HALE,
Managers on the part of the Senate.

C. A. WOODRUM,
JED JOHNSON,
JAMES M. FITZPATRICK,
GEO. W. JOHNSON,
JOHN M. HOUSTON,
R. B. WIGGLESWORTH,
EVERETT M. DIRKSEN,
Managers on the part of the House.

The VICE PRESIDENT. Is there objection to the request of the Senator from Virginia for the immediate consideration of the conference report.

There being no objection, the Senate proceeded to consider the report.

Mr. NORRIS. Mr. President, the conference report has not as yet been printed, and I have no idea just what was done in reference to some disputed items. I should like to have the Senator from Virginia explain the conference report.

Mr. GLASS. Mr. President, the Senate conferees declined to yield on the proposals in which the Senator from Nebraska is interested, and the House conferees felt obliged to report the disagreement to the House. As soon as the conference report is acted on here, it will be taken up in the House.

Mr. NORRIS. This is not a full report?

Mr. GLASS. It is not a full report, merely a partial report.

The VICE PRESIDENT. The question is on agreeing to the conference report.

The report was agreed to.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

PROTECTION OF ALASKAN SALMON FISHERIES

Mr. COPELAND. Mr. President, for several reasons I wish to speak today about fisheries, particularly the Alaskan fisheries and the salmon fisheries of the Bering Sea. My reason for doing this is that up to this time it did not seem possible to discuss this matter without international complications, if I may put it that way, because, it will be recalled, protests have been made here by the Senators from Washington [Mr. BONE and Mr. SCHWELLENBACH], who called attention to what they regarded as an improper invasion of the rights of American fishermen in the salmon catches made in the Bering Sea region.

A few days ago there appeared in the papers an Associated Press dispatch from Japan reading as follows:

TOKYO, March 1.—The Ministry of Agriculture and Forestry announced today Japan was abandoning its plan to send "research ships" to Alaska to study salmon migration.

An expedition has been examining salmon movements on a 3-year basis, the first ships going to Bristol Bay in 1936. The announcement said friction was aroused in the United States when the ships returned to Alaskan waters in 1937.

The article proceeds:

Pacific coast Senators have bitterly complained against the presence of Japanese fishing boats in Alaskan waters and have importuned the State Department to take action. Ruination of the Northwest salmon industry was threatened, they declared.

As I understand the matter, the Tokyo Government had permission to send these research vessels to Bering Sea. The Government of Japan disclaimed having any other ships in the Bering Sea. It is clear, therefore, that if they have recalled the research ships and have disclaimed any intention to have any other kind of fishing going on in that sea, there can be no complaint now from Tokyo about anything which may be said regarding the general principle which should govern fishing in the Bering Sea.

Mr. President, my reason for speaking today is the news contained in the press this morning. I read from the Washington Herald an article signed by Walter Fitzmaurice:

President Roosevelt has directed the Interior Department immediately to colonize Canton and Enderbury Islands, strategic Pacific Ocean atolls whose United States ownership has been challenged by Great Britain.

Pursuant to the order, it was learned last night, a Coast Guard cutter shortly will land parties of four Hawaiians on each of the islands to clinch the assertion of American sovereignty set forth in an Executive order the President filed Saturday in The National Archives.

Mr. President, since one of the arguments I shall present relates to the assertion of American rights and jurisdiction over the continental shelf in the Bering Sea, which is the same question raised by this Executive order, I thought surely today would be a very proper time for discussing that matter. First, then, since Tokyo has withdrawn ships from the Bering Sea, and since the President has ordered citizens to land on certain islands in the Pacific with a view to asserting American rights there, I think this is the appropriate time to discuss the question I have in mind.

The third reason is that pending in the Commerce Committee are a number of bills relating to the fisheries in Alaska. Of necessity, when those bills reach the floor and are called in regular order on the calendar there is no chance to debate them unless they are made special orders. So I thought it would be wise to have the debate appear in the RECORD.

The bills include the one presented in the Senate by the Senator from Washington [Mr. BONE] and also one presented by the Senator from Oregon [Mr. MCNARY]. I am not conscious how appreciative the Senator from Oregon is of the importance of his bill, but to my mind it is very important and must be given serious thought by the Senate at some time. Of course, I may say, perhaps more or less facetiously, that I am also attempting to establish the reasons why the Supreme Court may ultimately accept our view regarding matters relating to the Alaska fisheries.

There has been a great protest from Alaska and from persons interested in Alaska—and, I may say, thousands of consumers of fish—against the invasion of what we regard to be American waters, with the view to the extraction from those waters of such valuable food as salmon and other fish which are necessary in the proper feeding of our people. I find that this protest is not limited to Americans. I have before me a dispatch from Ottawa, Ontario, dated February 20, printed in the New York Times, which reads in part as follows:

> Despite the sharp warning by Prime Minister Mackenzie King last week, apropos a British Columbia Liberal member's bill calling for the exclusion of Japanese from Canada, and that the Dominion should do nothing which Japan might interpret as an expression of British hostility, another liberal member will revive the subject tomorrow.
>
> Thomas Reid, of Vancouver Island, will move for the gradual expulsion of the Japanese from the Fraser River fishing industry. There are reports that he has some startling facts to submit to Parliament about the conduct of the Japanese fishermen on the river and that he is not likely to be restrained by warnings.
>
> His resolution declares that the fishing industry in British Columbia is still largely in the hands of Japanese, particularly along the Fraser River, and asks that all Japanese fishing licenses be reduced by not less than 40 percent this year and by 15 percent in each year following, until the British Columbia fishing industry is again in the hands of "white Canadian fishermen."

Mr. President, I venture to insert this dispatch in the RECORD to show that while Senators and Members of the other House have protested in America against the invasion of fishing grounds which they regard to be properly American fishing grounds, protest has not been made alone in America, but that our sister country, Canada, has also entertained exactly the same feeling about the matter in question.

Mr. SCHWELLENBACH. Mr. President——

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from New York yield to the Senator from Washington?

Mr. COPELAND. I yield.

Mr. SCHWELLENBACH. Does not the Senator consider it inevitable that if the Japanese succeed in the movement they started last year, and find it profitable, they will extend their operations down the coast, off the coast of British Columbia, off the coasts of the States of Washington and Oregon, and finally to California, on the same theory that they are operating in Bristol Bay?

Mr. COPELAND. Mr. President, I agree fully with the Senator from Washington, who has made a much deeper study of this matter than have I. I believe he is entirely right. But I am going to take the position today that Japan has withdrawn her ships. She says so in the dispatch I have read, and I am going to assume that Japan means what is said by the action taken at Tokyo. Of course, if there were no restrictions placed upon Japan, or upon Great Britain, or France, or the Netherlands, or Norway, and the same methods were employed by fishermen of other countries that were employed by the Japanese fishermen, there can be no question that in a very short time the millions of dollars we have spent to preserve the salmon industry would be wasted. Further, I have no doubt the salmon industry would be destroyed.

Unless these fisheries are conducted under strict supervision, we are going to lose an industry which not alone represents the lifeblood of Alaska but which is tremendously important to the States of Washington and Oregon. So the Senator from Washington is entirely correct in saying that we should be governed by the circumstances and do what we can to make certain that these fisheries are preserved for our people.

We can understand, of course, the irritation of the American and Canadian fishermen, but the matter is far more important than the welfare of the fishermen. It is a matter of vital economic interest to Alaska and to the Northwestern States of our Nation. It is important also to the people of the United States, because the food supply which is provided, and of which I shall speak more in detail directly, is important. But, as I have said, I accept at par the statement of the Tokyo Government that so far as Japan is concerned it has ended this practice. I am going to believe that to be true.

So because this is a time when this matter may be discussed without fear of international discord, I think it is an appropriate time to give the matter consideration.

Mr. NEELY. Mr. President, will the Senator yield for a moment?

Mr. COPELAND. I yield.

Mr. NEELY. I inquire of the Senator if the statements made by the Japanese Government, to which he refers, were made after the time when a large number of Japanese fishing vessels were operating in the waters near the Alaskan coast, to which the able Senator from Washington [Mr. SCHWELLENBACH] referred in an address which I heard him deliver over the radio 2 or 3 weeks ago, or were the assurances given before those vessels appeared in the Alaskan waters.

Mr. COPELAND. Mr. President, the action of the Tokyo Government followed a number of weeks after the last speech the Senator from Washington [Mr. SCHWELLENBACH] delivered, and almost a year after the first speech he made on the floor of the Senate. I listened with great interest to the Senator when he delivered his speeches.

Mr. NEELY. Does the Senator know whether all Japanese fishing vessels have now been withdrawn from the American waters?

Mr. COPELAND. I cannot say whether or not they have.

Mr. SCHWELLENBACH. The Senator from West Virginia understands that the salmon run occurs only during the summer. No vessels are now there. It is not a matter of withdrawing vessels which are now in Alaskan waters. There is no salmon run at this time. The question is whether the Japanese vessels will appear in Alaskan waters next June or July when the salmon run occurs.

Mr. NEELY. That is the very matter in which I am interested. I am not familiar with the season when salmon are caught, but I am interested to know whether the vessels referred to will be there when the fishing season begins if it has not already begun.

Mr. COPELAND. I can understand the anxiety of the Senator, and I share it; but I shall assume, I say again, that the Tokyo Government has withdrawn its activities in the Bering Sea, and that Japanese ships will not again appear there.

At one time I started to write a book on a certain medical subject. It was a very important subject, and I had enough conceit to think that I might push out the boundaries of knowledge by what I might say on that particular subject.

When my book was half completed there came from the press a volume which said the things I had in mind so much better than I could possibly say them that I tore up my manuscript and put the paper in the fireplace.

When I was half through my study of the Alaskan fisheries I read the brief presented by the Delegate from Alaska, Mr. DIMOND, to the Committee on Merchant Marine and Fisheries of the House during the hearings on Mr. DIMOND's bill, which, as I understand, is more or less identical in terms with a bill which is now pending in the Senate Committee on Commerce. If Mr. DIMOND were not present to honor me by his attendance today, I should say, anyway, that I think it is the most complete, comprehensive, and illuminating brief I have ever read. I shall quote from it rather extensively, and I shall paraphrase some of his language, so that I may feel that perhaps it has gone through my "mill," and so that when it appears in the RECORD it may be considered mine. But I wish to confess to the Senate that whatever I say or do in this connection is inspired by Mr. DIMOND's brief, and whatever fame I gain is reflected glory. I am very much obliged to Mr. DIMOND for having come here today.

My first interest in the preservation of our fisheries is professional. For a long time I have been interested in the health and proper feeding of the American people. The problem of the human family is very dear to me so far as the health aspects of life are concerned. I hope I am also interested in the economic prosperity of our people. But I have a great interest in the matter before us because, as time goes on, every civilized country will have a battle to make certain that an unfailing supply of protein foods exist.

The American people get their proteins largely from meat. To speak of another race, the Japanese, for example, depend largely upon fish for their protein food. The food of the Japanese soldier is largely fish and rice. But the time will come, if we continue to apply the doctrine of scarcity in America, when Americans will be struggling to maintain a supply of protein foods. With the increase of population there will be greater and greater demand for that most precious of foods. In the cereals we have all the starches which are needed. We have supplies of sugar, oils, and fats which may reasonably be depended upon, I think, although I shall speak about sugar at another point in my address.

So far as Alaska is concerned, the natives have two sources of supply of protein food—reindeer meat and fish. I do not know how far the Government has gone in the acquisition of the herds of reindeer in Alaska. In my opinion, such herds should be the property of the United States Government. Private interests in Alaska are acquiring the ownership of large numbers of reindeer. If I had my way, I should see that the reindeer were wholly under the control of our Government, because the time may come when reindeer meat will be of value not alone to those who live in Alaska but to many citizens and their families of continental United States. Speaking of food value, salmon is a very remarkable food fish for several reasons. It is remarkable because it is rich in protein, rich in minerals and vitamins, and also rich in fat.

It will be recalled that during the World War Germany had great difficulty in getting sufficient fats to supply the needs of her people. Anyone who has ever opened a can of salmon will have noted the oil in the can. Salmon, because of the presence of fat, has a particular value which is not possessed by any other product which is largely protein.

I think medical authorities will agree with the statement that it would be difficult to find a cheaper or a better source of protein than salmon. Salmon in the can contains 22 percent of protein, which is almost completely digestible. Comparing salmon with beef, or any other meat, there is a great deal of waste material in a given cut of beefsteak, for example. The part of the beefsteak which we discard because it has an admixture of gristle or elements which are not acceptable contains a great deal of protein which is wasted. That is not true in the case of canned salmon. The salmon is all digestible. So salmon has a much higher digestibility ratio than has almost any other protein food.

As I have said, salmon contains 22 percent of protein compared with 16 percent of protein in cod, 17 percent in haddock, 19 percent in halibut, 19 percent in herring, 19 percent in mackerel, 19 percent in shad, and 19 percent in mullet.

Comparing salmon with meat, pork contains 18 percent protein; mutton, 15 percent; veal, 18 percent; and beef, 18 percent. Poultry contains about 21 percent of protein, but all these articles of common consumption are much lower in protein value than the 22 percent found in salmon. However, when we discuss its protein content we do not by any means tell the whole story of the food value of salmon. I have already said that salmon contains of fat—which is of very high energy value—13 percent.

We read much these days about vitamins. Sometimes I think that we read too much about vitamins; but, nevertheless, scientists have made clear that the vitamins are essential to development and growth, and to the repair of tissues and to the carrying on of the functions of the glands and various activities involved in maintaining life. In salmon quite an unusual combination of vitamins is found. The vitamins A, B, D, and G are contained—the vital vitamins. Besides the vitamins we find a very high mineral content in salmon essential to nutrition and to the welfare of the human body. We find lime. I said the other day, in a little running comment between the Senator from Wisconsin and the Senator from New York, that lime is a mineral which should be considered highly by the statesman because he needs it sometimes in his backbone. I do not think that statement need be confined to statesmen; I think it might be made with reference to the press, and also with reference to persons high in authority who are not in the Congress.

Salmon also contains phosphorus, which is necessary for the brain and the proper functioning of the brain and the carrying on of the mental processes. Salmon likewise contains copper and sulphur, and also in salmon is found a percentage of iodine. The absence of iodine induces the development of goiter. There is a great belt in the northern part of our country, bordering on the St. Lawrence and the Great Lakes and on the Canadian border, where there seems to be an amazing lack of iodine in the plant life. South Carolina boasts that the vegetables grown in that State are rich in iodine. It may be that that area was at one time submerged and that in the soil came the iodine from the plant life of the ocean. I should not want to state this as an established, scientific fact, but, at least, it is an explanation; and if there is one man in the world who needs an explanation at times it is the doctor, who is often at his wits' ends to know how to explain something. But it is well known that iodine must be contained in the diet. Children who lack it are likely to suffer from goiter; and the absence of iodine also interferes seriously with the functioning of the various glands in the body, particularly those mysterious glands which are known as the ductless glands. So salmon, as well as other sea food, is particularly important because of the iodine content.

Fresh salmon contains an average of 370 parts of iodine per billion, as compared with 5 parts in milk, 27 in eggs, 5 in beef, 27 in lettuce, 22 in veal, and 19 parts in ox liver, which is a favorite prescription these days for those suffering from anemia. Salmon contains 20 times as much iodine per unit as any of the other food products which I have mentioned.

So, like other sea foods, salmon contains the protein for the building of the muscles and other body tissues, fats for energy, minerals essential for the performance of certain functions of the body, and vitamins for growth and the maintenance of the general well-being.

So, I may say, that salmon is a well-balanced food, and a food which Americans will do well to include in their diet in much greater quantities than they do at present.

I referred a little while ago to vitamins, particularly vitamins A and B, being necessary in the diet of children. It is very common medical practice, and now a common house-

hold practice, to give children cod-liver oil or halibut-liver oil, or other vitamin concentrates.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. LODGE. I have listened with great interest to the Senator's speech. I should like to know whether the Senator thinks that everything has been done which can be done to encourage a wider consumption of sea food and kindred products throughout the country?

Mr. COPELAND. It is natural that the Senator from Massachusetts, in view of the great fisheries of his State and other New England States, should be interested. For years I have said that, to me, it is a crime against health to have only one fish day a week. Fish should be consumed much more freely than they are. I think one of the things that should be developed in relation to fisheries is to find means of carrying fresh fish in larger quantities than at present to every section of the country. In the absence of fresh fish, canned fish or preserved fish should be used. So I say, in direct response to the Senator from Massachusetts, that not sufficient is being done to promote the fisheries and the use of fish as food.

Mr. LODGE. I thank the Senator.

Mr. LEWIS. Mr. President——

Mr. COPELAND. I yield to the Senator from Illinois.

Mr. LEWIS. Mr. President, I rise to seek information from the Senator from New York, recognizing him, of course, in his very high station, as eminent in the medical world, to say nothing of his authorship, which is well known. I heard the distinguished junior Senator from Massachusetts [Mr. LODGE] inquire of the Senator from New York if he had not some feelings or convictions upon the question of the necessity of mankind making greater use of fish in their diet, and I heard the reply of the Senator from New York acceding that it was wise and helpful to include an abundance of fish in the diet. I should like to ask the Senator, Is there not a difference in the effect on the human body and health of some kinds of fish as compared to others? May I be pardoned if I refer to a personal experience which is not unknown to Senators? I once lay ill with pneumonia in Russia. The illness left me for a year in rather an uncomfortable situation. I sought to avoid all meat, but I made an unpleasant discovery with respect to fish. When I ate white fish, such as comes from the lakes of my State and around my State, I experienced no trouble, and when I ate a fish which is here called sole but which, of course, is not sole, it gave me no trouble. But when dining at the Metropolitan Club before returning to my office to work, I made the unpleasant discovery that shad of the Potomac and a fish called "pike" would set me into paroxysms with the miserable asthma that followed pneumonia. I thought possibly it was an accident and possibly due to other foods I had taken with which the fish did not well combine. Repeating the experiment I would discover that the fish which previously did me no injury I could still indulge, but the others would leave me in such ceaseless agony that it was impossible ever to touch them again. I ask my able friend from New York if that is a fair illustration of how certain fish may be food for one but poison for another?

Mr. COPELAND. I am very much obliged to my erudite friend from Illinois. The Senator who is versed not only in statecraft but in everything else that has to do with human knowledge, knows that there is such thing as allergy. He used the phrase that is commonly used that "what is food for one is poison for another." I do not know of any better established fact in all science than the truth of that statement. The Senator is allergic to shad and pike—I think he said pike.

Mr. LEWIS. Yes.

Mr. COPELAND. I do not know their habits, but undoubtedly shad and pike have one which the Senator from Maryland [Mr. TYDINGS], I know is going to disavow so far as shad is concerned. They live in waters often that are—I do not like to use the word "polluted," but I will say contaminated with substances which are absorbed by the flesh of the fish and which are not natural to the desire of the fish or the condition of the fish if the fish live under normal, natural conditions. We used to catch shad in the Hudson River, in my State, and even off the city docks we used to catch shad in great quantities, but the pollution of the water of the Hudson River has been so great that we have seen no shad in the river until the last year. They are now coming back, because we are making efforts in New York to purify the waters of the river. It is some substance due to the fish living under unnatural conditions which is responsible, I should say, for the allergic effect which the Senator experienced. I am not going to charge anything for that advice, but I think it is truthful, nevertheless. [Laughter.]

The Senator lives in Chicago. In the Great Lakes are caught edible fish, the whitefish and the trout. I was born in Michigan. I know the virtues of these particular fish, but the fish consumed by the Senator when he is in the Metropolitan Club in Chicago——

Mr. LEWIS. Mr. President, the Metropolitan Club is here in Washington.

Mr. COPELAND. I refer to the richest club in Chicago. What is it?

Mr. LEWIS. When my family is not in Chicago my home is the University Club.

Mr. COPELAND. When the Senator dines at the University Club in Chicago he eats whitefish from the clearest and purest water to be found on the face of the globe. So he is safe in eating them there. And the same thing is true of the sole which he said he could eat. It is spelled s-o-l-e. [Laughter.]

Mr. LEWIS. The other I obtained from the Senate. [Laughter.]

Mr. COPELAND. I think the Senator was born with the other. I have already said, however, that the consumption of fish adds to the quantity of phosphorus taken into the human body; and since the Senator gives so much useful activity to his brain, he needs a great deal of phosphorus. I recommend to him that in the University Club in Chicago he consume fish, not that he needs to develop his brain—already he has great mental capacity—but in his case the extraordinary functioning of the brain demands a much larger quantity of phosphorus than the average citizen requires.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. COPELAND. I have not quite answered the question, and I desire to do so; but probably the question the Senator from Maryland is about to ask may contribute to illuminate the discussion.

Mr. TYDINGS. I wish to ask the Senator two questions. First, I should like to say that he probably has spent more time on matters of marine commerce and fisheries, with a view to the interests of the United States as a whole, than has any other Senator. I was wondering whether or not the Senator felt that the time had come when, under the Department of Commerce, we should institute measures and methods to reduce to a minimum the pollution of harbors and streams.

The Senator, of course, is familiar with the fact that ships coming into port quite often pump their bilges in localities where there are a great many fish in the water. Some cities have gone to the trouble of providing receptacles for bilge water, so that the oil and other impurities in the bilge water will not contaminate the water of the harbor. It seems to me the Department of Commerce might very properly suggest ways by which a national plan might be carried out, particularly in harbors and streams used by shipping, such as the Great Lakes and the bays and rivers of America, to reduce to a minimum the pumping of bilge water and generally to purify the streams.

Has the Senator considered the question whether the time is ripe for that, or what procedure we may take to accomplish that result?

Mr. COPELAND. Mr. President, I am perfectly clear in my mind that there is a lack of coordination of Federal activities in the direction of purification of the waters of our country and the preservation of its waters in their natural state in order that water life may thrive. We have in the Army engineers authority to deal with pollution. I have great respect for the Army engineers, and I think they carry out their main functions in many respects better than any other department of the Government. What the Senator says about the pollution of harbors is well known to those of us who live in the cities.

Take the case of New York Harbor, for instance: When tankers come into that harbor they often clear out not merely the water that leaks in but also great quantities of waste oil. On the bathing beaches both north and south of New York Harbor, or east of New York Harbor, as one may choose to put it, sometimes there is so much oil floating upon the surface of the water as actually to destroy the cleanliness of bathing garments. The oil gets into the hair of the swimmers, and, all in all, it is a great nuisance. That practice, which is being very largely controlled at this time, must end. Otherwise we shall have more and more difficulty about the preservation of our water life.

I think it would be wise, if I may say so in response to the Senator, if there could be consolidation of effort in the direction of purity of the water, with the thought of preservation of the fish. Civilization brings with it a tremendous number of burdens and nuisances. Factory waste pollutes the water of inland streams, and, of course, such pollution means the death of the fish in those streams. So I say to the Senator, yes; I think there should be coordination of effort.

Mr. TYDINGS. How would the Senator suggest going about it? Would he think it wise for us to ask the Bureau of Fisheries of the Department of Commerce to suggest ways and means by which the desired result might be accomplished all over the country, or to submit proposals for legislation which would not be too restrictive but which would help to minimize the pollution; or what general method could Congress pursue which would accomplish the result to which the Senator refers?

Mr. COPELAND. I think Mr. Bell, the Director of the Bureau of Fisheries, is a very efficient man; and if he were called upon to report to us what should be done to guarantee the continuance of water life and to overcome dangerous pollution, I think he would make a splendid report.

Mr. TYDINGS. I thank the Senator, and I shall get in touch with Mr. Bell.

I desire to ask the Senator one other question.

Sometime ago, particularly in the Chesapeake Bay, the United States Government maintained several fish-hatching stations. These fish-hatching stations in the Chesapeake Bay produced millions and millions of shad eggs, perch eggs, rockfish eggs, and similar eggs. For a long while the number of fish in the Bay, particularly shad, rock, and perch, was very great. About 15 years ago one of these stations was discontinued. Since that time the decrease in the number of shad and other fish in the Chesapeake Bay has been markedly notable.

It so happens that the place I have in mind, called the Susquehanna Flats, is the natural spawning ground of the shad. Does the Senator feel that there is need for increasing fish hatchery facilities, or have we now enough hatcheries to make sure that the supply will not further materially dwindle?

Mr. COPELAND. Mr. President, some of the States—notably the Senator's own State, which has a very active department of conservation—have done much along the line to which the Senator refers. The State of Connecticut has done a great deal of work in connection with the development of lobsters. The lobster is threatened with extermination unless greater efforts shall be put forth to propagate it.

The difficulty about any State activity, at least so far as it relates to the ocean, is that with a lack of coordination of effort which would come through Federal activity a State such as Connecticut will do its duty in the propagation and development of the lobster industry, while the fishermen from my State, for instance, will go out and catch the Connecticut lobsters. There should be such a coordination of effort as will make certain that fish hatcheries shall be actively engaged in their work, and then that there shall be such a regulation of fishing, of which I shall speak later in connection with this pending matter, as to make certain that there shall not be a wasteful use of the fish.

Mr. TYDINGS. I know the Senator is a very busy committee chairman, because he has not only fisheries to consider, but shipping and other things take much of his time. I wish it were possible for the Senator, as chairman of the Committee on Commerce, to find the time to work out some policy which would gradually increase the number of Federal fish hatcheries in places where they would do the most good, for the reason that when the States take charge of that matter, as the Senator himself has said, they shoulder all the expense, but the benefits are received by the citizens of other States. This seems to me to be primarily a Federal job. I wish it were possible to bring in a bill sometime to increase the number of hatcheries in Alaska, and on the west coast, on the Atlantic coast, and on the Gulf coast, with the idea of increasing the food supply from the sea, because unless there are hatcheries in the vicinity of the greatest catches, the fishermen will not, since it will be no use, strip the roe from the female and take it to the hatchery, where the eggs may be hatched. Where hatcheries do not exist the female fish is caught quite often with the spawn about to be deposited, but there is no place to take the spawn.

In former days the Government used to employ men who would take the spawn from the fish as they were caught, and in that way the supply of fish was maintained. I think we have come to a time when we should have more fish hatcheries. The increase in the food value would more than justify the expense. The more plentiful fish are the easier it is to hold down the prices of other foods which are beyond the reach of the very poor, and frequently of the middle class. Therefore it would be a good investment if the Bureau of Fisheries would devise a plan to increase the number of hatcheries so that it would be possible to increase the consumption of fish in the United States.

Mr. COPELAND. I should not want the impression to go abroad that there has been any lack of understanding or desire on the part of the Bureau of Fisheries to do what the Senator has so wisely suggested should be done to a greater extent than has been done heretofore. As I recall, they have a priority list—I think the Senator from Oregon [Mr. McNARY] knows more about this than I do—a long list of places where the Department believes fish hatcheries should be installed. But, of course, the trouble is that when applications for money are made to the Committee on Appropriations they do not meet with success.

Mr. TYDINGS. It seems to me a pity that during the period of the initiation of P. W. A. and W. P. A. projects all over the country some of the money was not allocated to the building of fish hatcheries, which would have not only afforded employment to the unemployed but would have set up a means of increasing the food supply, which would have carried on for a number of years. I hope that, if we have another program of that kind, someone will think of inserting a provision for more fish hatcheries as one of the measures to be undertaken for the relief of unemployment, as well as in an effort to increase the food supply.

I am sorry I myself did not think about it, because there is much need for a permanent activity by which two good objectives may be accomplished with a single appropriation.

Mr. COPELAND. Mr. President, I thank the Senator for what he has said, and I am in full agreement with him. At a later time, when I come to that part of my speech dealing with Mr. DIMOND's effort in this regard, I shall give the exact figures. But my recollection is that an individual salmon spawns 3,000 eggs, and only 7 of those ever grow to sufficient maturity to maintain an independent existence.

I think the Senator from Maryland has hit upon a very important matter. I suppose those of us who are not very enthusiastic about the reorganization bill will have to answer somewhat when we come to the question of the proposal that the Natural Resources Board be made a permanent board.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. McNARY. I thank the Senator, who has probably contributed more to the conservation of fish life than any other Member of this body. Indeed, very few people in this country have given the subject the study the Senator has, or have devoted as much studious time to its serious consideration.

Fish cultural stations, or hatcheries, have been very helpful Government agencies in the conservation and promotion of fish life. I have introduced a bill, with which the Senator is more or less conversant, providing for the construction of fish cultural stations in Idaho, Oregon, and Washington. I have discussed the matter with the Secretary of Commerce and with the Director of the Budget, who have been very sympathetic toward that particular region of the country. The Director stated to me that there were very many applications for funds for such stations, and he has not yet given me an answer about my own bill.

Stations are needed in that section because of the construction of two very large dams to create electrical energy in the Columbia River, one at Bonneville, now nearly completed, and one at Coulee, in the process of completion. The Coulee Dam, which will be about 317 feet high, is so high that ladders or lifts to enable the salmon to negotiate the dam are not feasible. Beyond the dam is a stretch of six or seven hundred miles of the river and the tributaries reaching into Montana and Canada. The territory, heretofore a breeding place of the salmon, of which I am now speaking particularly, will be denied them. I might say in passing that the royal Chinook salmon, found in the Columbia River almost exclusively, is the kingfish of all fish in the United States. I say that without any provincial feeling.

The Bonneville Dam is about 72 feet high. In the construction of the dam the Government has expended something like $7,000,000 to provide means for assisting the fish in going over the dam, by the construction of ladders and lifts. It is not known how many fish will succeed in going over those ladders. Judgments differ. I am very hopeful that the great percentage of the salmon which come in to spawn will climb over the ladders and reach the waters above. No one now knows what will occur to the young salmon above the falls in their downward course in the stream on the way to the ocean. They must go through the tremendous turbines above the dam. Whether or not the fingerlings will survive the turning wheels is yet to be determined. I am still hopeful along that line, but it is a major problem. The only assurance we may have is through fish cultural stations artificially propagating salmon. As the Senator knows, the salmon remain about a year and a half in fresh water, then go on to the sea, where they remain 4 or 5 years, and then return to spawn, and die. The sturgeon also comes into fresh water, as well as smaller fish.

Pollution has not yet reached the point of being a deterrent to salmon on the Columbia River, because of the immense amount of water it carries—and, I might say, the sparsely populated condition of the States of Oregon and Washington, Washington having a population of a million and a half, and Oregon a population of a million.

I think stream pollution is the cause of most of the difficulty in the State streams. I recall that the Committee on Commerce—over which the Senator from New York so splendidly and ably presides—reported a bill, which passed the Senate, and which is now before the House of Representatives, covering the matter of pollution of streams. That is one problem. That is the problem which affects the streams inside the States.

When we come to the fishing and the propagation of fish of a migratory nature coming into the streams that is another problem. The salmon and sturgeon and tuna in the Pacific waters swim up and down the ocean from the lower part of California to Alaskan waters, and are caught by the troller of whom there are thousands. They catch many immature salmon, which never get into cans because they are too soft, but which are killed and thrown back into the water. The tuna come in from far below California, go up to Alaska; and this year they were so plentiful that for the first time in the history of Oregon there was much canning and processing of tuna.

The fresh-water fish are gradually getting fewer in number. Through artificial means, through fish cultural stations, and the clearing up and elimination of pollution in the streams in the States the problem will be solved. Nothing else can solve it. If either method is neglected, or both are neglected, it will be only a few generations before the fish of the sea and of the fresh waters will gradually disappear as a source of food supply.

Mr. LEWIS. Mr. President, to what State does the Senator from Oregon particularly refer in his last observation?

Mr. McNARY. It covers even Chicago, in which the Senator is always interested. My statement covers the Great Lakes and the other lakes of the country. If pollution increases, and communities continue to throw sewage into the streams, and the waste from the factories goes into the streams, the fish in these waters will suffer just as the fish in the seas are diminishing from the causes to which I have referred. Fish do not feed generally out in the very deep water. They must feed along the shores, and it is along the shores that pollution is found. So my observations with reference to the Pacific coast apply with equal force to Chicago and Lake Michigan.

Mr. COPELAND. Mr. President, before the Senator from Oregon takes his seat I wish to ask him a question. When the construction of the great dams to which he has referred was under study, was consideration given to the fish problem, in connection with building the dams?

Mr. McNARY. Oh, yes, Mr. President. Such a study was made long ago. Experimentation has been under way for a considerable time in order to establish the ability of fish to ascend the so-called fish ladders. The ability of the fish to ascend them has been known for a long while. Other dams have been built on many western streams, not particularly for flood control but for reclamation purposes. In the States of Oregon and Washington there are a number of power dams and reclamation dams, but none is as high as the Bonneville Dam.

Mr. COPELAND. The Bonneville Dam is the one I particularly had in mind. What was said when the matter of fish preservation was considered in connection with the building of that great dam?

Mr. McNARY. A joint hearing was had by the commissions of the States of Oregon and Washington. The Board of Army Engineers, under Colonel Robins, one of the greatest engineers this country ever produced, who was sympathetic with the fishing industry and interested in fish culture, made a very thorough investigation. When the money was provided for the building of the Bonneville Dam those who had studied the problem came to the conclusion that ladders, six in number, and four lifts, would take care of most of the fish, both in the matter of ascent of the mature fish upstream, and the descent of the immature fish downstream on the way to the ocean. It was a subject which was given long consideration. The canning industry along the Columbia River, and at Astoria, made a study of the problem. They came particularly to the conclusion that the dam could be constructed without great loss to the fishing industry by the use of lifts and ladders.

It is said that Bonneville Dam is the first place where there have been established what might be called marine elevators which throw the fish up over the dam. We all know that the ladder is always an attractive device to a salmon, because the salmon likes to swim in rough, turbulent water.

He is intrigued by the way the water comes down the ladder and bubbles and froths.

With these devices, plus artificial propagation, I am satisfied that the salmon industry is safe on the Columbia River; and with stream pollution prohibited by Federal law, it will be found that the fish life will be more plentiful than it has ever been in the history of America.

Mr. COPELAND. I thank the Senator. He will be interested in learning that in the appropriation bill for the Commerce Department, which was finally approved in the Appropriations Committee this morning, on the suggestion made to the committee by the Senator from Montana [Mr. WHEELER], an item was added providing that some of these ladders should be installed in connection with irrigation works. Fish go down into the irrigation ditches, and when the waters are used for irrigation purposes the fish are left stranded. So there is a need for means to be installed to give them a way of escape after getting into the irrigation ditches.

Mr. McNARY. Mr. President, I may add that the State of Oregon is progressive. It always has been progressive.

Mr. COPELAND. It has shown that by the selection on several occasions of the sitting Senator.

Mr. McNARY. Some years ago the State passed a law requiring that irrigation streams be screened in order to prevent the young, baby salmon from going through into the ditches used for irrigation purposes. I am glad the Senator now has followed me to the great State of Oregon.

Mr. COPELAND. I thank the Senator. He spoke about the pollution bill, which has been under consideration by both Houses. That bill is in conference, and as yet there has been no agreement on it. I hope it may soon be given the attention which the importance of the subject demands.

When this interesting digression occurred I was speaking about the food value of salmon. I had made a statement to the effect that every mother has learned that cod-liver oil, or some substitute for it, is a very important addition to the diet of the infant and the young child.

It is unfortunate that it is not generally known that the oil on top of a can of salmon as it comes out of the can, and without further cooking, is a splendid source of the same vitamin D that we find in medicinal cod-liver oil. So this food which I am speaking about today is certainly an important food so far as the youngsters of the family are concerned. The oil can be skimmed from the top of the can and given to the children in the same manner as cod-liver oil. It is too bad it is not generally known, because I have no doubt that almost every housewife pours that oil down the sink, when, as a matter of fact, it is a very important food product, because of its vitamin content, and should be preserved for the use of the family. I think I have already spoken about the mineral and protein content of the different forms of fish.

Mr. President, every time we pick up a newspaper we read about war. I read this morning in the press a statement contained in all the newspapers that a distinguished Member of this body was protesting against the naval program because it would promote war, or that there is at least the possibility in it of the promotion of war. I have often wondered how much attention is being given by our military advisers to the necessity of making certain that in event of war—which God forbid may come—we may have abundant foodstuffs for the civilian population and for the soldiers and sailors in the field and on the sea.

I was much interested in reading some months ago—I cannot vouch for the truth of the statement—that England is using her abandoned coal mines as storage places for food—canned food and nonperishable foods of all sorts.

I have been approached by Senators from other States where the fishing industry is important. They have urged upon me the great necessity for fishermen to get decent prices for their product and have cited their impoverishment in consequence of their failure to get decent prices. All this being true, I should think we were doing far less than our duty as a Nation unless we made ample provision for an unfailing supply of foodstuffs, both for civilians and for the Army and the Navy. It is quite all right to talk about battleships and about armaments, artillery, and all the other features of a preparedness program; but it is just as important to make certain that in case of war there shall be no question of the proper feeding of all Americans, wherever they may be.

Suppose there should be a war in which perhaps we were not directly engaged. It might well be that the importation of meat from the Argentine and other places in South America, and from Australia, would be seriously interfered with. As a matter of fact, the quantity of meat which we receive from the Argentine and elsewhere is not by any means a high percentage of the total consumption. But we have entered upon a program of scarcity. I said when the A. A. A. bill was pending, and I have said today, that to my mind the scarcity doctrine in economics so far as there was any relationship between prices and prosperity by reason of scarcity was exploded generations ago. The income of farmers and others has been greatest in times of big crops. I have figures to show what a marked decline has taken place in our own production of pork, dating back to the "plowing under" of the little pigs.

It will not be comforting to the farmers of America to know that in 1937 we imported 18,199,672 pounds of pork, a vastly greater quantity than of beef and veal, which amounted 1,785,434 pounds.

But suppose conditions should arise which would interfere with the importation of meat products, of sugar, of coffee, and of other products which perhaps are not essential to the life of our people but the deprivation of which would be most distressing. I happened to be in England immediately after the war, when the people were still on rations so far as sugar was concerned. I was permitted to use a very small quantity of sugar. Perhaps the Senate may be interested in the following anecdote:

My boy, who was a little fellow then, was very sick in Edinburg. He needed a doctor. The doctor was good enough to pay him several visits and he recovered.

When the time came to pay the doctor, he would not take any money from me. He said, "No! You are a doctor. I cannot charge you anything." Mrs. Copeland said, "How would you like to have 3 or 4 pounds of sugar?" The man was so happy I thought he was going to weep. He said, "My wife would be so pleased. She could put up some preserves." The 4 pounds of sugar which we had in our baggage made one family happy. But suppose we had a war which would prevent our obtaining sugar and coffee, then what?

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. LEWIS. I see both Senators from Michigan in the Chamber. They probably could reply more completely.

Mr. COPELAND. The Senator means that the Senators from Michigan would say that we should develop our beet-sugar industry?

Mr. LEWIS. Let me ask a question of both the Senator from New York and the Senators from Michigan, who are informed on the question, and whose judgment we all respect. If sugar from other sources should be kept from us, to what extent would the development of our beet-sugar industry make up for the deficiency?

Mr. COPELAND. I may say, giving both the Senators from Michigan time to contemplate the question, that it would take a long time, of course, to prepare the soil, grow the beets, pull the beets, and finally make the beets into sugar. If every sugar-beet field in America were worked overtime, we could not begin to meet the normal needs of the American people from domestic sources.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. VANDENBERG. My distinguished colleague [Mr. BROWN] can answer for himself. He is fully familiar with the sugar-beet situation. I know it from about 10 years of contact.

We are now producing domestically about 25 percent of our sugar consumption in the United States. We are suffering under a governmental policy which aims specifically to hold our domestic production down to 25 percent of our consumption. The Wallace theory is that, inasmuch as sugar requires tariff protection in order to survive foreign competition, it is therefore an incompetent crop and is not entitled to enjoy the full benefits of the domestic market. In my judgment an appropriate national sugar policy would permit us to produce 100 percent of our requirements, and thereby would also make the greatest tangible contribution to farm relief of which I can conceive.

Mr. LEWIS. Apart from that, may I say to the Senator that the query arose by reason of the fact that my able friend from New York and read an exposition and commented on the prospect that if our country were at war one of the first things which would happen to us would be that the supply of sugar which normally comes to us from outside countries would be cut off. Fearing such a result—or doubting it, if you please—let me ask the able Senators from Michigan if they feel that the beet-sugar industry of our country could produce sufficient sugar to make up the deficiency in the event of such a contingency as the Senator from New York intimates, if the Government should take off the shackles.

Mr. VANDENBERG. Answering for myself, it probably would depend somewhat upon the time when the emergency arose. It would depend upon whether it happened at a time when sugar-beet planting, cultivation, and development could take place.

I may remind the Senator of what happened in the early 1920's, when, for some reason or other, there was a shortage of domestic sugar. We found ourselves entirely at the mercy of the importer, who is notoriously a gouger, and the retail price of sugar in the United States rose to 35 cents a pound.

The Senator is quite right when he says that we are vulnerable, either in the matter of national defense upon the one hand, or, on the other hand, in the matter of holding the retail price of sugar within a reasonable limit. We are absolutely at the mercy of our failure to be self-contained in respect to the production of sugar.

Mr. BROWN of Michigan. Mr. President, will the Senator from New York yield to me for a moment?

Mr. COPELAND. I yield.

Mr. BROWN of Michigan. I may say to the Senator from Illinois that I am in agreement with much that my colleague [Mr. VANDENBERG] says about the sugar situation; but, of course, as the senior Senator from Illinois has pointed out, there are limits beyond which we could not go in the production of sugar in the United States, at least within any reasonable period of time. The limitation would be fixed by the ability of our beet-sugar factories to handle the sugar beets which would be produced by the farmers of the United States.

It has been said that we produce domestically approximately 25 percent of our consumption requirements. I think the percentage at the present time is actually about 22 percent. I think 30 percent probably would be the limit of our ability to produce with our present factory equipment and production facilities.

I desire to add to what my colleague has said—which well bears out the argument of the Senator from New York—that our experience in 1922 seems to have taught us nothing. Instead, we have had a restrictive sugar policy, just the opposite of the situation in England. England perhaps is not so well adapted to the production of sugar from sugar beets as is this country, but in England a definite bounty system has been adopted. Under war conditions England would be able to produce sufficient sugar to keep the price within reasonable limits. I fear that we could not do so under our present agricultural policy.

Mr. COPELAND. I am very much obliged to Senators for their additions to this discussion. I have looked up the figures and I find that about 80 percent of our sugar requirements are imported. The Senator said we produced about 22 percent.

Mr. BROWN of Michigan. We produce about 22 percent in continental United States. Last year was a poor year and the Senator's statement of 25 or 26 percent is about correct in normal years. Of course the Senator realizes that Hawaii, the Philippine Islands, and Puerto Rico are considered as part of the United States, and, if we add their production, that of the United States would be somewhat higher.

Mr. COPELAND. In any event, 70 or 75 percent of our sugar is imported. That is correct, is it not?

Mr. BROWN of Michigan. If the Senator will yield, let me say that his statement is correct if he includes Hawaii and Puerto Rico as countries exporting to the United States.

Mr. COPELAND. I am speaking about war conditions when, perhaps, we would be walled in so that we would have to depend upon continental United States for our production of sugar.

Mr. BROWN of Michigan. The Senator would be safe in saying that between 25 and 30 percent is produced by American producers.

Mr. COPELAND. I thank the Senator.

Our per capita consumption of sugar has increased from 10 pounds a year to over 100 pounds during the last century. We are using, per capita, about 10 times as much sugar as we used a century ago. Of course, if we had such a condition as I have been discussing, so that we were surrounded and could not bring in the products we wish without fighting for them, we would be at a very great loss to know what to do to obtain an adequate supply of sugar.

The beet-sugar industry could be expanded somewhat, and then there are many substitutes, such as corn sugar, corn sirup, maple sugar, and honey, but the problem of sugar is one which would need to be dealt with in some manner if we were to supply our Army and Navy.

Another product without which we could probably get along and if we had a war we would have to get along without it—would be coffee. Coffee is sometimes called the wine of the American soldier. While it is not a necessary addition to the diet, it is considered by the Army and Navy, as I understand, to be an essential part of the diet.

Of course, all our coffee would have to be imported, and, if we were surrounded, we could not get it. There can be no doubt that, in the event of war or in threat or anticipation of the possibilities of war, the canning industry would play a great part.

The question has entered my mind as to whether or not it is not good sense to make provision against disaster and have at hand an abundance of products which can be kept indefinitely without deterioration. Of such products I can think of no better one than salmon. Canned salmon could be stored away in vast quantities and kept against an emergency. So I wish to speak about that as one of the products which, in the event of war or threatened war, or our embarrassment because of war, should be available in quantities.

We come now to the matter of the Alaskan fisheries. I hold in my hand a report which was made by Commissioner Bell at the hearing held by the Committee on Merchant Marine and Fisheries of the House of Representatives on Delegate DIMOND's wise bill. I shall quote from this report, not verbatim but giving the authority for the figures. Mr. Bell stated that the fisheries of Alaska in 1936, the last year for which complete figures are available, yielded manufactured products of a value, in round numbers, of $50,000,000, and employed, in round numbers, 30,000 persons. Of the total value of manufactured products or of products of industry, the amount credited to the salmon industry totaled $46,496,222. Of this amount, $44,751,633 represented canned salmon. Those figures give some indication of the great possibilities of Alaska in the supply of essential protein food. Of course, under right conditions, that amount could be greatly increased without detriment to the fish themselves. Of this

great quantity of canned salmon, representing a total pack of 8,437,000 cases, Bristol Bay produced a million and a half cases, valued at about $12,000,000. So the fact that Bristol Bay is the chief region for the production of the highly valuable red salmon demonstrates that it is very important to make certain that this great industry, which is essentially an American industry, shall be protected against the invasion of foreigners.

I think the historical facts briefly stated are interesting. The first canning of salmon on Bristol Bay occurred in 1884, when only 20 cases were packed. Apart from that, they used to salt salmon and send it out in barrels of 200. In the 54 years from that time until the present the total number of red salmon caught have amounted to about 588,000,000.

I wish to bring out a fact which is really the heart of what I have in mind to say to the Senate today. The Senator from Oregon [Mr. MCNARY] has told us the life story of the salmon. With all deference to him, I wish to enlarge just a little upon it.

Mr. BROWN of Michigan. Mr. President, will the Senator yield to me?

Mr. COPELAND. I yield?

Mr. BROWN of Michigan. Before the Senator leaves the subject of fish, particularly those of the Great Lakes area, I wish to call his attention and that of the Senate to the bill which I introduced, a companian bill introduced by Representative LUECKE, of Michigan, having passed the other House, authorizing the Great Lake States to enter into a compact for the control of fish and the fishing business on the Great Lakes. Recently a committee representing the fishing interests of that State and a committee representing the fishing interests of the Province of Ontario, Canada, met, and I will say to the Senator, as chairman of the Committee on Commerce, that they made great progress toward an international compact along the lines suggested for our State compact to control fishing in the Great Lakes. The Senator is familiar, having been born in Michigan, with the interest of that State in the Great Lakes fishing. Michigan has the longest shore line on the Great Lakes, and the greatest amount of interest in the fishing industry on those Lakes of any State in the Union. The Senator knows that we cannot adequately control the fishing business by acts of the different State legislatures, so often they differ as to the size of the mesh of the net, and so often they differ as to the season when fish may be taken by commercial fishermen. There seems to be no reason, however, why a general agreement cannot be made covering this business which is common to all the five or six States. I sincerely hope that the Senator's committee will report my bill to the Senate so that we may authorize these States to enter into such a compact and lay the foundation for an international compact between Canada and the United States to cover fishing in the Great Lakes area.

Mr. COPELAND. I assure the Senator that, so far as I am concerned, I shall be happy to help him, because I am a great believer in interstate compacts. It seems to me that a great many things we do in the Congress could be taken care of, and a great many problems over which we worry could be solved by such agreements, which are provided for in the Constitution. I want the Senator to prod me a little, because I want to help him with his bill. I believe in its general principle, and certainly in the subject-matter involved.

Mr. BROWN of Michigan. I will say that I was engaged in the task of prodding the Senator today.

Mr. COPELAND. Very well; I am glad the Senator did it.

Mr. President, I am now going to point to a map on the wall of the Senate Chamber, because it pictures what I have in mind about the habits of the salmon.

As the Senator from Oregon has said, after spawning, the old fish, that have come in to spawn, to die; and when the eggs hatch and the little fish develop and grow, after a year or two they leave the river where they were born and go out to sea. The amazing thing is that when one of these little fish has become a big fish, and when the time comes for it to spawn, it goes back to the very river where it was born. I cannot be too emphatic about that statement, because to my mind it is the convincing reason why we may consider every salmon hatched in our territory our property.

When I was a boy I lived in a little village, and in that village there was what we called the common. Every family having a cow—and, to my great distress, twice a day I was aware of the fact that my family owned a cow—pastured its cow on the common. It was my business to milk the family cow, and take the cow out to the common to feed. When the cow went to the common, and night came, the cow returned to our barn. The fact that that cow mingled with the other cows in the neighborhood did not make it common property. It was our cow. It was my duty to milk that cow.

I have on the wall two or three maps. I shall refer to this one. The place to which the pointer is directed is Bristol Bay, of which I have spoken as a place where great quantities of salmon are caught.

When the little salmon leave the rivers opening into Bristol Bay or any other part of the ocean, they go out into the sea and feed and live for 2 or 3 or 4 or 5 years. Then, when they are ready to spawn, they go to the home waters as unerringly as any domesticated animal goes to its home. Every one of those fish goes back to the place where it was born.

Let me say just a little more about this, Mr. President. That instinct of the fish is one of the most puzzling of psychological phenomena. We know that the homing pigeon goes home. We know that the pet cat lost or carried away perhaps for several miles will go back home. It may be, so far as the domestic animal is concerned, that the instinct was cultivated; but in the salmon it is amazingly developed. In the case of the salmon that go out of Bristol Bay into the ocean over the continental shelf, we do not know where they go to feed, but when the time arrives to spawn, they go by the most direct route back to the home river.

Now, let me state a tremendously interesting fact. We have here [indicating on map] the Aleutian Islands, a part of the mainland of Alaska. In prehistoric times there was a pass at the point where I hold this pointer. Some sort of a cataclysm, an earthquake, or an eruption caused that pass to be closed, so now it is impossible to go through it; but some of these salmon, tagged as they have been in a series of experiments, are found to go up to this pass where their ancestors, thousands or even millions of years ago, used to go through to the Bering Sea. They put their noses against the rock, and find that they cannot go through there; so they skirt along the islands until they come to the main pass, Unimak Pass, and go through that pass instead of the pass which their ancient ancestors used; and then they go over the continental shelf through Bristol Bay to the particular river where they were born.

Mr. POPE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield to the Senator from Idaho.

Mr. POPE. I have not heard all the Senator's discussion; but is he discussing salmon with reference to some bill that is pending, or some international agreement?

Mr. COPELAND. I am talking about salmon in connection with the bill presented in the House of Representatives by Delegate DIMOND, and in the Senate by the Senator from Washington [Mr. BONE].

Mr. POPE. Will the Senator state very briefly what the bill provides with reference to the problem presented by the Senator?

Mr. COPELAND. If the Senator from Idaho will be good enough to wait just a little while, I shall go into that subject; but I desire to make clear in unmistakable words the fact that these salmon, born in American territory, always return to American territory. They are a possession of our country. They belong to us. We have done a great deal to preserve them.

Some years ago we entered into an agreement with Japan about catching crabs in the Bering Sea; but we never entered into an agreement with anyone about catching salmon. Under our arrangement, and under the rules and regulations of the Department, we have provided what kind of nets can

be used, how many salmon may be caught, and what percentage must be permitted to go on their way.

It is distressing to the fishermen of Alaska to find fishermen from another country coming into Alaskan waters and extending their nets a distance of 3 miles across Bristol Bay so that they intercept every salmon that crowds over the shelf. The urge of the salmon to make the fresh water spawning places is so great that they herd together in great crowds like a lot of wild cattle on a stampede. If there are nets 3 miles long the salmon, eager to make the port, rush into the nets and are caught 100 percent. How many years would it be with that sort of fishing before the salmon industry would be destroyed?

I shall not enlarge upon this particular feature of Mr. Bell's statement now. It is very interesting. I ask that it be included in the RECORD in connection with my remarks.

The PRESIDING OFFICER (Mr. POPE in the chair). Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY COMMISSIONER BELL AT HEARING ON H. R. 8344 HELD BY COMMITTEE ON MERCHANT MARINE AND FISHERIES ON FEBRUARY 1, 1938

In 1936, the last year for which complete figures are available, the fisheries of Alaska yielded products of a manufactured value of $50,455,272, and employment was given to 30,383 persons. Of the total value, $46,496,222 was credited to the salmon industry, of which $44,751,633 represented canned salmon. Of the total pack of 8,437,603 cases of salmon, Bristol Bay produced 1,450,067 cases, valued at about $12,000,000. Thus Bristol Bay alone, because of the fact that it is the chief region for the production of the highly valuable red salmon, yielded more than one-fourth of the entire value of all the salmon fisheries of Alaska.

It at once becomes apparent why foreign interests direct their attention to Bristol Bay in any consideration of possible offshore exploitation of the salmon fisheries of Alaska. Bristol Bay is particularly attractive, not only because of the abundance of red salmon but also by reason of the fact that the run of salmon is confined almost wholly to the comparatively short season of about 1 month, thus enabling a quick clean-up and getaway instead of a long-drawn-out period of operation with the catch thinly distributed over several months, involving more expensive overhead costs of operation.

The first canning of salmon on Bristol Bay occurred in 1884, when 400 cases were packed. Prior to this there had been salting of salmon for commercial use to the extent of only a few hundred barrels. In the 54 years from 1884 through 1937 there have been caught in the Bristol Bay region approximately 622,000,000 salmon, of which about 588,000,000 were red salmon, the species chiefly sought. Of these, practically all were canned, the remaining comparatively small number being salted.

For the past 35 years the business has been upon a remarkably stable basis, with upward of 20 canneries in operation and an average annual catch of more than 15,000,000 red salmon. The maximum catch of red salmon in the Bristol Bay district was 24,513,332 in 1917.

As the waters of Bristol Bay are quite turbid, the region is well adapted to the use of gill nets for the capture of salmon. Prior to 1923 a few traps also were used, the maximum number operated being 17 in 1906. In 1937 there were 1,086 gill-net boats in operation, 451 used by resident whites and natives and 635 by outsiders. Resident fishermen numbered 1,216 and outsiders 1,269, a total of 2,485. Shore workers and transporters brought the total up to about 8,000 persons employed in the Bristol Bay salmon fisheries.

The average yearly value of the salmon product of Bristol Bay is about $12,000,000. It is estimated that the investment in this region is about $20,000,000.

All this long-established business can be nullified and practically destroyed in a few years if foreign fishermen should undertake operations. There is no doubt that purse seines, gill nets, and other forms of fishing apparatus can be successfully operated in connection with floating canneries anchored many miles offshore. For hundreds of miles the waters of Bering Sea are comparatively shallow, so that anchorage for floating factories can be readily obtained. In the season of 1937 Japanese nets several miles in length were observed more than 25 miles offshore for the purpose of catching salmon. Some of these nets were in the form of fences, creating artificial shore lines, converging to an apex within which the salmon in more concentrated form could be taken by smaller nets.

In order to get the picture clearly before us, we must sketch briefly the unique life history of the Pacific salmons. The red salmon, the most desired of the five species, rounds out its life usually in 5 years, invariably dying when it spawns in freshwater streams and lakes of Alaska each summer. A few months later the eggs hatch and the young fish spend a year or two in the streams and lakes before going down to sea, where they wander far and wide before returning to their native stream a couple of years later as mature fish, ready to spawn and die.

The salmon fisheries of Bristol Bay have been built up to their present stable and productive basis by reason of laws and regulations restricting commercial fishing to such a degree as to provide a sufficient escapement of breeding fish to the spawning grounds. Under the provisions of the Act of June 6, 1924, not less than 50 percent of salmon must be allowed to proceed to the spawning grounds for reproductive purposes.

The restrictive measures necessarily imposed upon American fishermen have included definite limits upon the time, place, and manner of capturing salmon. The season is limited to an over-all period of 1 month, from June 25 to July 25. Not only this, but there are closed periods aggregating 60 hours each week, and in some waters there is an additional closure, so that fishing is restricted as much as 84 hours out of the total of 168 hours of each week.

Fishing also is confined to unpowered boats, and there is a limit of 150 fathoms upon the aggregate length of gill nets used by each boat. There is also a definite limit of 5½ inches upon the size of the mesh of such nets used for red-salmon fishing.

For many years the capture of all salmon has been limited to gill nets. These are primarily drift nets, operated sometimes as far as 15 or 20 miles offshore. In addition, a few gill nets attached to stakes extending out short distance from the beach line are used.

It will be seen that American fishermen have made heavy sacrifices by reason of restrictive measures necessary to place the Bristol Bay salmon fishery on an enduring basis. An outstanding example of such sacrifice was in the season of 1935 when, owing to seasonal closings by the Secretary of Commerce, only 238,707 cases of salmon were packed, instead of a normal pack of a million or more cases. This drastic regulatory action was taken to restore the weak cycle of the runs of salmon in the years divisible by five. As a result of this severe curtailment of commercial fishing in 1935, there was a sufficiently large escapement of salmon to the spawning grounds to build this cycle up to the level of the cycles of other years. Thus there should be an excellent run of salmon in 1940, instead of the exceedingly weak run that undoubtedly would have occurred if American fishermen had not made a heavy sacrifice in 1935.

If foreign fishermen should intercept the runs of salmon in Bristol Bay before they reach the waters where American boats make their catch, all of the sacrifices of American fishermen heretofore made, and all the efforts of the Government of the United States to protect and conserve this valuable fishery would be set at naught. Salmon canning on Bristol Bay is an American industry based upon a species of fish which spends a considerable part of its life in our lakes and streams. Naturally, American fishermen and American industry are alarmed and show deep resentment toward any foreigners bent upon plundering the salmon runs, regarded by Americans as their property, when the salmon are hurrying home from their sojourn in the sea to complete their life cycle by spawning and dying in the waters where they were born a few years before.

The waters of Bristol Bay are turbulent and shallow, most of the area of 20,0000 or more square miles being less than 50 fathoms in depth; and the region is one of frequent fogs, and stormy weather. It is an area where natural conditions may be taken advantage of by foreign vessels seeking to exploit the fishery resources. The first Japanese floating cannery to operate in the offshore waters of Bristal Bay was in 1930. In each of the seven seasons since then from one to four such vessels with accompanying tenders have operated in these waters. For the most part activities have been confined to the packing of crabs, but for a number of seasons one large vessel accompanied by a fleet of trawlers has been engaged in dragging the bottom for ground fish and manufacturing the bulk of the catch into oil and meal or fertilizer.

With the advent of the first Japanese outfit in Bristol Bay in 1930, the Government of the United States interested itself with a view to determining the character and extent of such operations being conducted from 15 to 25 miles north of the Alaska Peninsula. Authoritative assurances were received that operations would be restricted solely to the taking and packing of crabs caught by large mesh nets set on the bottom. It was pointed out that this type of apparatus and its place of location on the bottom would in no way interfere with salmon. Under the circumstances, a "gentleman's agreement" or understanding was reached early in 1931 that the Japanese operators would not interfere with salmon in any way whatever, and that on the other hand American fishermen would not be encouraged to engage in crab operations in the region.

This arrangement was confirmed informally when, in 1932, three Japanese representatives of crab-packing interests called at the office of the then Commissioner of Fisheries. They gave complete assurance that their operations would be limited solely to the taking of crabs and that they would not interfere with salmon in any way whatever. They were members of the Crab Canners Guild and indicated that they would use their influence to the end that members of the Salmon Canners Guild would not undertake to send vessels to pack salmon off the Alaskan coast.

American industry has never evidenced any particular interest with respect to packing crabs off the Alaskan coast. It is a specialized line of business in which the Japanese are experienced by reason of similar operations off the Asiatic coast. Much hand

work is involved in the preparation and packing of the crabs, and as labor costs are low, the Japanese are able to do the work upon a paying basis and in a way with which American industry would find it difficult to compete. The pack of crabs by Japanese vessels off the Alaskan coast in the long season from spring to fall has aggregated upward of 30,000 cases each year. The pack is taken to Japan and probably two-thirds of it ultimately finds its way to the markets of the United States. It is reported that this country absorbs approximately 65 percent of the total pack of crabs by Japanese interests from all sources. There is comparatively little packing of canned crabs in the United States.

It is believed that the "gentlemen's agreement" in regard to Bristol Bay operations has been generally adhered to by Japanese interests, although two exceptions may be noted. On June 23, 1936, the Japanese floating salmon cannery *Chichibu Maru* was observed by the Coast Guard patrol vessel *Morris* using long salmon nets at a point about 95 miles due east of the Pribilof Islands and approximately 140 miles due north of Cape Cheerful on Unalaska Island. This place was 130 miles from the nearest mainland on the Alaska Peninsula, in a region having a depth of about 50 fathoms. Subsequently it was learned from official sources that this vessel had been licensed to can salmon off the Siberian coast, but while awaiting the clearance of ice from Siberian streams had temporarily proceeded toward the Alaskan coast.

Another instance of the taking of salmon for commercial purposes was reported in the season of 1937, when the Japanese floating cannery *Taiyo Maru*, with three auxiliary vessels, each operating floating nets about 2 miles long in 15 fathoms of water, was observed off Ugashik on July 5 by the Coast Guard patrol vessel *Cyane*. The activities of the *Taiyo Maru* and accompanying trawlers were also observed on July 7 by Mr. H. B. Friele, of the Nakat Packing Corporation, and others, who flew over these vessels and took a number of photographs. It was stated that approximately 20,000 freshly caught salmon were observed on the deck of the *Taiyo Maru*.

Further confirmation of the activities of the *Taiyo Maru* and three accompanying tenders was obtained on July 12, when Agent L. G. Wingard, of the Bureau, and Mr. Aubin Barthold, of the Alaska Packers Association, found these vessels a few miles from their location about a week earlier and circled over them in an airplane for more than an hour, taking a number of photographs. Freshly caught salmon were distinctly noted in boxes on deck of one of the smaller vessels, and the crew was seen stowing boxes of freshly taken salmon in the hold. Each of the smaller vessels had large piles of what appeared to be gill nets placed neatly on the afterdecks, and some on other parts of the vessels. The *Taiyo Maru* had nets, apparently drying, spread in every available space. When located, this fleet apparently was ready to move, as two of the smaller vessels and the mother ship were under way and were soon followed by the other smaller craft.

The Japanese Government advised that it had not licensed any vessels to fish for salmon off the Alaska coast in 1937.

The fact that Japanese interests have for a number of years been casting eyes toward the shores of Alaska, particularly Bristol Bay, with a view to exploiting the salmon fisheries, is evidenced by the action of the Japanese Government in its inauguration of a 3-year program of research to determine the character, extent, and abundance of salmon in the Bristol Bay region. The obvious purpose of this investigation is to determine the feasibility of Japanese vessels securing salmon upon a paying commercial basis in offshore waters of Alaska.

In 1936 the *Tenyo Maru* (657 tons), accompanied by one auxiliary vessel of 61 tons, made a study of migration routes and availability of salmon in Bristol Bay waters. It is understood that the investigation was continued in 1937 by the training ship *Hakuyo Maru;* a motorboat fishing for salmon with gill nets was observed near this vessel by one of the Coast Guard vessels. These investigations complete two of the three seasons of the program along this line announced by the Japanese Government.

The *Hakuyo Maru*, of the Imperial Fisheries Institute at Tokyo, cruised in Bering Sea in 1930 and again each year from 1933 to 1937, inclusive, for the purpose of instructing students in pelagic fishing methods. Usually 30 or more students were aboard, in addition to the crew of 44 men and 15 officers. The *Hakuyo Maru* is a modern steel vessel of about 3,000 tons, Diesel-powered, and well equipped with modern appliances, including machinery for the canning of fish. Salmon, as well as crabs, have been canned in the course of the season's operations. Although the vessel is not Government-owned, the work is subsidized by the Japanese Government, the Fisheries Institute having a semiofficial connection with the Department of Agriculture and Forestry.

In 1937 Japanese businessmen approached American interests on the Pacific coast with a view to undertaking joint operations in extraterritorial waters off the coast of Alaska by American and Japanese fishery concerns. This proposal was sharply resented and rejected by American interests and labor organizations upon the ground that such overtures by Japanese interests would be seriously detrimental to American fishermen and cannery workers, not only because of the immediate division of the runs of fish with a foreign group but because ultimately such foreigners might absorb the bulk of the business as a result of cheap labor and lower costs of operation generally.

Destruction of the salmon fishery of Bristol Bay, Alaska, by foreign interests would work tremendous hardship upon the 2,000 local inhabitants of that territory, who depend almost entirely upon salmon for the staple article of their diet and for employment by the canneries during the summer months. It must be remembered that this district offers comparatively little other employment for the resident population. The region is almost treeless, and therefore no lumber industry exists. Trapping is engaged in during part of the year. The supply of furs, however, is holding up none too well, and unless the natives can have the benefit of salmon fishing they will not be able to earn a livelihood.

As the local population in the Bristol Bay region is insufficient to meet labor needs, it is necessary for the salmon packers to import from the States, or from other parts of Alaska, about 6,000 persons to carry on the salmon-fishery work which is concentrated in a brief period during the summer. The business could not be carried on unless there were such importations of labor for a few months each year. To the extent that the runs of salmon were destroyed by foreign fishing vessels, there would be corresponding loss of employment to American fishermen and cannery workers.

Increased unemployment undoubtedly would be the portion of American fishermen and cannery workers if foreign interests invade the salmon fisheries in offshore waters of Alaska. There is only so much raw material, and if foreign operators get part of it, to that extent American industry would suffer and unemployment would result. Moreover, there is the danger that the supply of salmon for commercial use would be soon exhausted if operations were carried on without regard to restrictive measures for the purpose of assuring an adequate escapement of brood fish.

The unimpaired continuation of the salmon fisheries of Bristol Bay is of very great importance to the Territorial government of Alaska. This is for the reason that the Territory derives upward of 80 percent of its total revenue for the operation of schools, care of indigents, and various other matters coming within the scope of Territorial government, from taxes levied on the fisheries. The highest rates are applicable to the red-salmon fisheries, the chief producing center of which is in the Bristol Bay region. If the salmon fisheries of Bristol Bay were destroyed, the Territory would be forced to revise its entire license-tax program.

Not only is the threatened foreign exploitation of the Alaska salmon of vital consequence to American fishermen, but it is also of real concern to other lines of American industry. Our shipping interests, our railroads, net makers, tin-plate manufacturers, cordage firms, machinery and engine builders, the producers of cotton, foodstuffs, and other supplies, all would feel the loss of business resulting from the virtual destruction of this great salmon industry. Casual consideration of the matter generally leads to the conclusion that only the fishery interests are concerned, but the foregoing outlines how extensively destruction of this industry would be felt in other directions.

Attention is called to the fact that for many years the Government of the United States has spent several hundred thousand dollars annually in the protection and conservation of the salmon of Alaska. This has been not only along the line of enforcing laws and regulations, but has included an extensive program of fish-cultural work; also considerable scientific work has been carried on. It is argued that these activities give the United States a proprietary right or vested interest in the salmon hatched in the streams and lakes of Alaska, and which return there to spawn and die after a year or more spent in the sea.

Mr. COPELAND. Mr. President, we have not failed as a country to do what we could to protect the salmon. A few months ago the junior Senator from Washington [Mr. SCHWELLENBACH] included certain matters in the RECORD, and I find in the report of the hearings on the Dimond bill before the committee of the House of Representatives that Dr. E. B. Clark, of Seattle, the manager of the Association of Pacific Fisheries, used the same material. This shows the expenditure for propagation, conservation, regulation, protection, and study of salmon and halibut in the North Pacific area during the last 11 years. The figures include the three and a half million spent by the United States Bureau of Fisheries in Alaska, and nearly a million dollars for salmon propagation in California, Oregon, and Washington. The Territory of Alaska itself has spent nearly half a million dollars. The State of Washington has spent nearly two million dollars, and Oregon a million and a quarter. The Dominion of Canada during the past 10 years has spent four and a half million dollars in British Columbia waters for conservation and protection. The total amount spent by the United States Government, the Canadian Government, and the various States of the Union has been $16,101,270. I ask that the statement of Dr. Clark giving these figures be inserted in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF DR. E. D. CLARK, SEATTLE, WASH., MANAGER, ASSOCIATION OF PACIFIC FISHERIES

Expenditures for propagation, conservation, regulation, protection, and study of salmon and halibut in North Pacific area during the last 11 years

Agency, purpose, etc.	
U. S. Bureau of Fisheries in Alaska, 10 years, 1927–36, inclusive, for propagation, patrol, research, etc	$3,576,000
U. S. Bureau of Fisheries, salmon propagation in California, Oregon, and Washington, 10 years, 1925–35, inclusive	827,000
Territory of Alaska for propagating salmon, cleaning salmon streams, destroying salmon enemies, etc., 1925–35, inclusive	362,000
Territory of Alaska, rebate on taxes account of salmon fry release by private hatcheries, 10 years, 1926–35, inclusive	90,000
State of Washington, salmon hatcheries, protection, etc., 1926–35, inclusive (salmon eggs handled, 1,420,085,000)	1,966,000
State of Oregon, salmon propagation, protection, etc., 1927–36	1,297,000
State of California, expenditure for salmon propagation, patrol, research, etc., 1927–36, inclusive	635,000
Province of British Columbia, hatcheries, conservation, patrol, research, etc., 1927–36, inclusive	177,000
Bristol Bay (Alaska) packers' contribution for destruction of salmon enemies in that area, 1927–36, inclusive	135,000
Alaska predatory fish bounties, fish ladders, stream improvements, etc. (W. P. A. funds), 1935–36	45,000
Dominion of Canada funds spent in British Columbia waters, mostly for conservation, protection, and regulation of salmon fisheries, 1927–36, inclusive	4,575,000
Dominion of Canada for salmon propagation in British Columbia, 1927–36, inclusive	871,000
International Fisheries Commission expenditures for conservation, regulation, and research on halibut, 1927–36, inclusive	554,270
Biological Board of Canada, experiment and biological stations in British Columbia, 1927–36	991,000
Total for 10 years	16,101,270
Average per year to be added for 1937	1,610,127
Total for 11 years (not including expenditures of International Sockeye Salmon Commission which went into effect in 1937)	17,711,397

Mr. COPELAND. Mr. President, Delegate DIMOND, in his splendid brief, stated:

> Realizing the vast economic value of maintaining such a resource, the United States Government has for many years past, through protective laws and regulations and the rigid enforcement thereof, conserved and protected, and, in fact, saved the salmon from extinction. The Government has done more than that, apparently maintaining the full, natural supply so that in most of the salmon-fishing regions in Alaska we can fairly say that there are as many salmon today as there were before the salmon-packing industry was established. Under the laws and regulations mentioned, the taking of salmon has been limited, both as to time and season and as to the comparative number that may be taken of the run destined for any particular stream or lake.

Mr. President, at this point I shall make reference again to the map. It will be recalled that in 1867 the United States purchased Alaska from Russia. On the 23d of March of that year Secretary Seward, subject to Presidential approval, offered the Russian Government $7,200,000 for Alaska—

> The cession was to be free and unencumbered by any reservations, privileges, franchises, grants, or possessions by any associated companies, whether corporate or incorporate, Russian or any other.

Two days later this offer was accepted, and apparently Russia was so eager to go through with it that her representative remained up until 4 o'clock in the morning to sign the agreement. As a matter of fact, it was ratified in May, and on June 20 the usual proclamation was made. On October 18 a formal transfer of the territory was made at Sitka. General Rousseau took possession in the name of the Government of the United States.

Now we come to the matter of our acquisition of this territory from Russia. The black line on the map [indicating] to which I am now referring, close to Siberia, represents the boundary which was agreed upon in the treaty. That, then, is the international boundary. I am sorry I have not another map, which shows Bering Sea as a closed sea. The Aleutian Islands are here [indicating]; here is the coast of Alaska; then comes the international boundary, which was agreed upon to be the boundary of the cession, which makes Bering Sea practically a closed sea.

The interesting thing about the Bering Sea, north and west of the Aleutian Islands, is that the water is very shallow. The red line on the map before me represents the 100-fathom depth, which Mr. Dimond in his bill has chosen to be the boundary of the area which might be used exclusively by our citizens for salmon fishing.

There is a drop from this 100-fathom line immediately into deep water, the next line being 1,000 fathoms. There is a shelf which projects out from the mainland into the open water at this point [indicating]. We draw a line from the pass which I mentioned, Unimak Pass, through which the salmon return to Bristol Bay and the rivers of the North, and this 100-fathom line extended along below the Pribilof Islands, and so on to the international boundary. Bear in mind that everything between the line marked in red on this map and the Aleutian Islands and the mainland is a shallow body of water, not to exceed 100 fathoms in depth, and in many places very much less than that.

Naturally one wonders how it came about that this shelf several hundred miles in width should possess the peculiarities which I have mentioned. There are two possible explanations. One is that the silt which ran down from the rivers of Alaska gradually filled up the bottom of the sea. Another explanation is that an upheaval or a recession of land came because of some natural cataclysm.

Whatever the reason, we now have a little shallow area which, to my mind, is just as much Alaska as are the mountains on the mainland. It is our territory. Why did we not assert sovereignty, or at least jurisdiction, over that territory when we should have done so? I cannot answer that question. But it is very significant that this very day we get word that the President is asserting ownership of certain islands in the Pacific, because they have become at the moment of vital importance to our country. Why did we not assert jurisdiction over this area long ago? I assume it was because we did not realize the great value of this part of the Bering Sea and its relationship to an industry which is so distinctly an American industry dealing with fish, which are in the very essence of their life the property of the United States.

I know little about law, Mr. President, and I suppose I may be treading on the toes of some lawyers when I say that how in the world we failed in the pelagic seal controversy is beyond comprehension. We failed because we stipulated, with no reason for it, that we would accept the antiquated idea of the 3-mile limit, the marginal limit. I am going to discuss that after a while. We conceded that which we ought never to have done. Counsel failed to establish what scientists now know to be a fact, that the seals on the Pribilof Islands have exactly the same homing instinct that the salmon possesses. The pups—the young seals—are born on the rocks. The mother goes to gather food out of the sea with which to feed her young. Then, because we did the absurd thing of admitting or stipulating that the 3-mile limit was the limit, it was immediately said by those representing other countries, "Then we can shoot the seal when they go beyond that limit." It is a perfectly absurd contention.

As I have said, I may be on dangerous ground. I do not know who the lawyers were, but if one of them gave me such advice, I would get rid of him and hire a new lawyer. Such an agreement should never have been made. However, that is spilt milk. We entered into an agreement finally with Great Britain and Japan, and we pass over to them a certain percentage every year of the skins taken from the seals on these islands, which are essentially ours.

Mr. President, we are not going to make that mistake about the fisheries. I want to go just a little further than

Mr. DIMOND suggests. I want to assert our absolute right to jurisdiction if not the sovereignty over this territory. But I am a little bit ahead of my story, and I will take it up again in a moment.

As Mr. DIMOND says in his brief, the physical characteristics of Bering Sea and Bristol Bay have an important relation to the matter which is here being presented, because the shallow continental shelf of these waters, even as far west as the boundary between the United States and Russia, as delimited in the treaty cession, acts in effect as a submarine bridge over which the Alaska salmon pass and are compelled to pass in order to return to the rivers and lakes of Alaska in which they hatch. That particular feature we have already discussed. They are returning over this bridge to our own rivers and lakes, and crowding, as they do, in their urge to reach the given river, it is possible to erect upon this submarine bridge barriers which Mr. DIMOND says will effectually prevent many of the salmon, in fact prevent any of them, if the operations are extensive, from reaching the waters of Alaska.

Then he says the salmon travel in schools or great bodies almost analogous to the flow of ocean currents. They are dispersed all over the deep ocean, but when approaching land and fresh water is encountered they travel together. Through some instinct they are kept together, just as waters of a river are confined within its banks, so it is not a difficult matter to build up in the shallow waters of the continental shelf and the Bering Sea an almost impenetrable obstacle in the paths of these great salmon runs, so that few, if any, fish can escape and thus be able to get back to the rivers and lakes of Alaska in which they were spawned and hatched.

At this point I take my life in my hands in the presence of these eminent lawyers when I discuss a doctrine which is known in the law as animus revertendi. Mr. DIMOND did not have this in his brief, and I must say that he was good enough to let me have it in mine. I want to present it to these eminent members of the bar.

WILD ANIMALS—ANIMUS REVERTENDI

Wild animals are generally considered in the law as not being susceptible to ownership by private individuals until reduced to actual possession by such individuals. But the State which has dominion over the lands or waters upon or in which the wild animals are found may justly be considered the owner of such animals, since all of them are at least in the constructive possession of the State. All laws for the protection of wild animals found on the public domain, as game, or for their fur-bearing qualities, or for any other purpose, are based upon the assumption of control and ownership by the State.

But with respect to such wild animals there is a well-settled doctrine which apparently had its origin in civil law, and which has become embedded in the common law, to the effect that wild animals which are in the possession of and under the full control of a particular person and thus have become, to all intents and purposes, the property of the person in possession, but which leave the premises or domain of such person still continue to be his property if they have the animus revertendi or intention of returning.

The doctrine is a reasonable one, because if by art or labor, or by any other means, wild animals are either tamed or kept or preserved and permitted to multiply by the wisdom and self-restraint of the person in possession, and thus the owner, it would be a wrong upon him, whether that person be a private individual or a State, to permit the animals which have seen so preserved by his care and labor and art to be taken or slaughtered by others who had not made any such contribution to their existence. The doctrine of the ownership of wild animals which leave the property of the owner, but which have the animus revertendi, is so well recognized that its validity as law cannot be doubted. From a translation of Gaius' Elements of Roman Law, translated by Edward Poste, second edition, Oxford, 1875, the following is taken:

SEC. 68. In those wild animals, however, which are habituated to go away and return, as pigeons, and bees, and deer, which habitually visit the forests and return, the rule has been handed down that only the cessation of the instinct of returning is the termination of the ownership, and then the property in them is acquired by the next occupant; the instinct of returning is held to be lost when the habit of returning is discontinued.

In Bracton, book II, caption 1, we find the following:

What has been said above applies to animals which have remained at all times wild; and if wild animals have been tamed, and they by habit go out and return, fly away and fly back, such as deer, swans, seafowls, and doves, and such like, another rule has been approved, that they are so long considered as ours as long as they have the disposition to return; for if they have no disposition to return they cease to be ours.

How could we have anything clearer than the matter before us? These fish have the instinct to return to American waters. They have had it through a million years. It can never be destroyed. How God has implanted such an instinct in a little cell, no man knows; but it is there. The instinct to return is planted there forever; and so long as that is true of the salmon, they belong to us.

I have referred to Blackstone. Even men who are not trained in the law wander into avenues of thought which sometimes are found to be useful, and sometimes are found to be filled with pitfalls. But Blackstone also supports the doctrine which I have just stated. Let us hear what he had to say about it. He has a long discussion in his Commentaries, but this quotation will show the view of Blackstone:

But however well this notion may be founded, abstractly considered, our law apprehends the most obvious distinction to be between such animals as we generally see tame, and are therefore seldom, if ever, found wandering at large, which it calls dominatae naturae, and such creatures as are usually found at liberty, which are therefore supposed to be more emphatically ferae naturae, though it may happen that the latter shall be sometimes tamed and confined by the art and industry of man—such as are deer in a park, hares or rabbits in an enclosed warren, doves in a dove house, pheasants or partridges in a mew, hawks that are fed and commanded by their owner, and fish in a private pond or in trunks. These are no longer the property of a man than while they continue in his keeping or actual possession; but if at any time they regain their natural liberty his property instantly ceases, unless they have animus revertendi, which is only to be known by their usual custom of returning. A maxim which is borrowed from the civil law, "revertendi animum videntur desinere habere tunc, cum revertendi consuetudinum deseruerint." The law, therefore, extends this possession further than the mere manual occupation; for my tame hawk, that is pursuing his quarry in my presence, though he is at liberty to go where he pleases, is nevertheless my property, for he hath animum revertendi.

So we find the authorities and the great masters of the law preaching the doctrine which Mr. DIMOND and others interested with him are seeking to apply to the salmon to demonstrate the American ownership of these salmon, because they have animus revertendi.

The same principle is supported by Von Savigny in Possession in Civil Law; by Puffendorf, Law of Nature and Nations, book III, caption 1, section 3; by Bowyer, Modern Civil Law, page 72; and many others. The following from Bowyer concisely expresses the rule:

With regard to creatures which have the habit of going and returning, such as pigeons, they remain the property of those to whom they belong so long as they retain the animus revertendi or disposition to return. But when they lose that disposition they become the property of whomsoever secures them. And they must be held to have lost the animus revertendi as soon as they have lost the habit of returning. Such are the doctrines of the Roman law, which are conformable to the English law, with the qualification of Grotius, which is applicable to the case of all animals ferae naturae; that is to say, that a mark or collar prevents the rights of the proprietor of a wild animal being extinguished by its escape from his sight and pursuit.

The great authority of Chancellor Kent (Commentaries, vol. 2, p. 348) supports the doctrine so quoted, as shown by the following brief excerpt:

Animals ferae naturae, so long as they are reclaimed by the art and power of man, are also the subject of a qualified property; but when they are abandoned, or escape, and return to their natural liberty and ferocity, without the animus revertendi, the property in them ceases.

As I have pointed out time and again, through a million years the animus revertendi has been in the soul, or heart, or whatever it is, of the salmon; and that makes him return always to the place where he was born. Therefore, he needs no collar to make certain about the ownership.

Aside from the law writers, there are a number of adjudicated cases which support the doctrine. Of those cases the following are cited: *Amory* v. *Flyn* (10 John. 102); *Goff* v. *Kilts* (15 Wendell 550); *Blades* v. *Higgs*, opinion of Baron Wilde (12 C. B. N. S. 512); *Morgan et al., Executors of John, Earl of Abergavenny, deceased,* v. *William, Earl of Abergavenny* (8 C. B. 768).

A consideration of these authorities, and of other law writers and judges, makes the principle entirely clear. The principle is that if, by the art and industry of man, wild animals may be made to return to a particular place, so as to enable the possessor to deal with them as if they were tame animals, then they are truly the property of the possessor, not only while they are in his actual custody, but even when they leave his custody, provided they have an intention to return to it—the animus revertendi. Property in such animals ceases only when the intention to return ceases, and the termination of the intention to return can be known only by the failure to return. When animals lose the animus revertendi they become wild animals, and thus are no longer susceptible of property in a private individual, although the claim of the state may still be interposed if the animals are on the public domain.

It is likely that the animus revertendi spoken of by the law writers and judges, and upon which the law is based, is really an imaginary thing. Little, if anything, is known about the animus revertendi of one of the wild animals which, either through the art and industry of man or by its own unchangeable instinct, has formed a fixed habit of returning to a certain place. Indeed, all that we know of the intention of the wild animal is that which is shown by its habits, and the law really says that its intention can be known only by its habits. No one has yet set up a mode of mental communication between human beings and wild animals; hence, so long as the habit of returning exists, the intention exists, and when the habit of returning ends the intention must be held to end.

Therefore it is only fair to state that whenever man, either privately or through the organization known as the state, is able to establish control and possession, and thus ownership, over wild animals so that he can take the increase thereof for the use of himself and of other men, in such cases the animal, although commonly called wild, is the subject of property, and definitely remains the property of the person so long as the animal is in the habit of voluntarily subjecting itself to the custody, control, and dominion of that person. It does not matter in principle whether such animals are deer, pigeons, bees, geese, and swans, which have been tamed by the art and industry of man, or whether they be salmon or other animals which are not susceptible of domestication, provided in each case there exists the animus revertendi. That, as has been said, can be known only by the habits of the animals involved.

Now we come to the salmon. With respect to the salmon of Alaska, the animus revertendi is unquestioned and undoubted. These animals of the sea, under the influence of an instinct more powerful than any mere voluntary intention which could possibly exist in other animals through partial or entire domestication, invariably and inevitably, unless destroyed, return to the inland lakes and rivers in which they were spawned and hatched. No ordinary obstruction is too great for them to overcome.

We have heard today from the Senator from Oregon [Mr. McNARY] how they go up great ladders and enjoy struggling with the violence and turbulence of the stream. They ascend rapids and surmount falls which the ordinary observer would think impossible unless he knew the habits of these fish and had seen them in their ascent of the streams. Indeed, if not permitted to return to their spawning grounds, they presently die. They must go back home. No power is great enough to turn them from their course. They either accomplish the return or else they cease to exist. If animus revertendi means anything, then the instinct of the salmon is animus revertendi multiplied a million times and then raised to the *n*th power. That is strong language, Mr. DIMOND, but it is entirely correct.

With respect to other animals to which the doctrine of animus revertendi applies, most if not all of them may be seduced or coaxed or turned aside so that the intention to return is lost, but with respect to salmon this is not the case. The intention to return is part and parcel of every molecule of their bodies. It is something more powerful than themselves. They cannot escape it and they lose it only when life is lost.

Mr. President, we find in the case of the Alaska salmon a great fishery, producing nutritious and palatable food, useful and desirable for mankind, furnishing employment to thousands of people used in the creation of vast wealth which would not otherwise exist, and which is sustained and kept in existence through the self-restraint and self-sacrifice of our citizens and by the power of our Government at much cost and labor. This fishery has its origin in the birth of every individual salmon in the inland waters of Alaska, indisputably under the dominion of the United States, so that it is within the power of our Government to exercise immediate control over every individual member of the species. Furthermore, each individual of the species, as a part of its very being and essence, has what the law writers have described as animus revertendi or an intention to return, a return to the undoubted territorial dominion of the United States. Accordingly, it may be justly said that the principle of the law as laid down by the ancient writers and carried forward to the present day, and concerning which there is no dispute, ought to and must apply to the salmon to the same extent and in the same manner as it applies to other wild animals possessed of the animus revertendi.

Hence, upon principles of ancient law, not weakened or changed in modern times, the United States, as the owner and proprietor of all the lakes and streams of Alaska wherein the salmon are spawned and hatched, has a definite and indisputable property right in the salmon, a right which it is authorized to protect in the adjacent seas within a reasonable distance from our shores, and particularly on the continental shelf, really an undersea extension of the upland, over which the salmon are necessarily obliged to pass in fulfilling their instinct of animus revertendi—their return to the waters of Alaska.

Now, Mr. President, I wish to speak about the proposal of Delegate DIMOND and the Senator from Washington [Mr. BONE]. I am not going to read all this bill, but I wish to speak of the heart of it. Section 2, at the bottom of page 2 of the bill, reads:

> The salmon which are spawned and hatched in the waters of Alaska are hereby declared to be the property of the United States.

I omit a few lines.

> Jurisdiction of the United States over the waters adjacent to the coast of Alaska for the necessary protection and preservation of the salmon fishery shall extend, subject to all valid treaties, to all the waters adjacent to the coast of Alaska, east of the international boundary in Bering Sea between the United States and the Union of Soviet Socialist Republics as defined in the treaty between Russia and the United States, concluded in Washington on March 30, 1867, whereby Alaska was ceded to the United States, the depth of which is less than 100 fathoms.

I think I have already made clear what this means. Once more referring to the map on the wall, the red line of which I have spoken will be seen. We have here [indicating] the Bering Strait, and, as will be noticed, the distance between Alaska and Siberia is very short. There may be salmon north of the Bering Strait; I do not know as to that; but, anyway, if the proposals made by the gentlemen to whom I have referred who have presented these bills are followed, all this continental shelf [indicating], dealt with in this proposal, where the water is a hundred fathoms deep or less shall be

under the jurisdiction of the United States. We will assert our ownership of it. We are also going to assert our ownership to a few little dots of islands out in the Pacific Ocean. I agree to the proposal; I think it is all right. We are going to do here what we should have done long ago, and assert our rights, as, of course, is proper, that we bought from Russia. The red line, which is seen south and east of the Aleutian Islands and north and east of the Aleutian Islands, is the 100-fathom-depth line. It is shallow water, a part and parcel of Alaska, which should be just as much under our jurisdiction as is the mainland. Then, if we enact this proposed legislation—I do not care whether he comes from one section of the world or another—no fisherman of a foreign country or of our own country, for that matter, could fish in this area without a permit. That is all right. I can see no reason why a man from China or India or South Africa should object to having imposed upon him in our sea the same restrictions which are placed upon our citizens. Then, if this rule shall prevail, we will make certain that these precious fish are not taken from the waters in such quantities as actually to destroy all hope of the future so far as salmon fishing is concerned.

Of course, we must admit that there are certain legal questions involved. There will be those who will perhaps object to our exercising jurisdiction over any water area more than 3 miles from the shore. I myself cannot see, however, that such a criticism is well-founded, and I truly believe it is not sustained by any sound understanding of the law of nations.

Once more I express my thanks to Mr. DIMOND for his research. I think at this point we must consider something about international law, which, by common consent, seeks to govern civilized states in their relation to each other.

I have gone far enough in my study of this particular question to realize that international law depends wholly upon the size of the guns and the military and naval power of a nation. There is no codification of the law of nations, and no system of recognized law which can be accepted as the law of nations. But whether the law is a municipal law or an international law, certainly the demands of right and justice must be given great weight.

Pomeroy says international law is "international morality." Mr. DIMOND has dug up a good saying there; but let us consider for a moment some of the aspects of international law, the law of nations.

I quote from Chancelor Kent:

> The most useful and practical part of the law of nations is, no doubt, instituted on positive law, founded on usage, consent, and agreement. But it would be improper to separate this law entirely from natural jurisprudence and not to consider it as deriving much of its force and dignity from the same principles of right reason, the same views of the nature and constitution of man, and the same sanction of divine revelation, as those from which the science of morality is deduced. There is a natural and a positive law of nations. By the former every state, in its relations with other states, is bound to conduct itself with justice, good faith, and benevolence; and this application of the law of nature has been called by Vattel the necessary law of nations, because nations are bound by the law of nature to observe it; and it is termed by others the internal law of nations, because it is obligatory upon them in point of conscience.
>
> We ought not, therefore, to separate the science of public law from that of ethics nor encourage the dangerous suggestion that governments are not so strictly bound by the obligations of truth, justice, and humanity, in relation to other powers, as they are in the management of their own local concerns. States or bodies politic are to be considered as moral persons, having a public will, capable and free to do right and wrong, inasmuch as they are collections of individuals each of whom carries with him into the service of the community the same binding law of morality and religion which ought to control his conduct in private life. The law of nations is a complex system composed of various ingredients. It consists of general principles of right and justice, equally suitable to the government of individuals, in a state of natural equality and to the relations and conduct of nations; of a collection of usages, customs, and opinions, the growth of civilization and commerce, and of a code of conventional or positive law.
>
> In the absence of these latter regulations the intercourse and conduct of nations are to be governed by principles fairly to be deducted from the rights and duties of nations and the nature of moral obligation; and we have the authority of the lawyers of antiquity and of some of the first masters in the modern school of public law for placing the moral obligation of nations and of individuals on similar grounds and for considering individual and national morality as parts of one and the same science.
>
> The law of nations, so far as it is founded on the principles of natural law, is equally binding in every age and upon all mankind.

That is the end of the quotation from Chancelor Kent. What has been said here has been said in effect by many other of the great students of the law. They have pointed out that under the moral aspects of what was formerly generally termed the law of nations, it is impossible to conceive of international law without at the same time conceiving of a rule of action which is founded in reason and, above all else, in good morals.

Under these definitions certainly no nation is entitled, in morals and in what we call international law, to violate the rights and privileges of another state or of the citizens of another state. We could not have any morality in international law if that were to be the case.

In building up an alleged system of international law, I find that a few nations have sought to impress their ideas upon all the rest of the world. If I may—and I do so merely to call attention to the vacillations of the formulation of laws—I call attention to Great Britain; and I do this merely as an example, with, of course, no thought of offense.

Great Britain has done more than has any other nation to cause the nations of the world to have respect for the rules of the sea; but through all these years Great Britain has been the very fortunate possessor of a great navy, and so she has had it in her power to make a law and then to make certain that nobody would disregard it. But, anyway, I think I may say without fear of contradiction that there is no fixed and rigid body of rules which can be considered to be the rules and laws of all the nations.

I am going to come to that subject pretty soon and show the Senate some very remarkable testimony in the way of vote taking in the League of Nations about fixing the marginal limit, which is generally accepted to be 3 miles; but certainly all these rules and regulations, like everything else in the world, must be subject to change from century to century, and even from decade to decade.

Because it is so pertinent to the discussion, I wish to quote from Mr. DIMOND's brief:

> Our present discussion of international law concerns only jurisdictional or marginal seas; that is to say, the seas adjacent to the land masses of the earth. At the outset it may be well to observe that the jurisdiction seaward exercised by any nation may not be the same distance for all purposes.

By that is meant all purposes on the part of a given nation. As we shall see later, we ourselves have not been quite consistent about that in the enforcement of our custom laws and prohibition law and some others, although we did attempt to secure an international agreement on the prohibition 12-mile limit.

Continuing the quotation:

> It may be sufficient for a nation to claim general and practically complete jurisdiction—perhaps sovereignty would be the better term—for only 3 or 4, or 10 or 12 miles, offshore, but equally necessary for the same nation to claim and exercise a more extensive jurisdiction for special purposes such as the protection of the customs, or of the national fisheries, or for national defense.
>
> Some of the law writers, some of the statesmen, and some of the jurists have referred to the minimum marginal belt over which all nations under all circumstances may exercise control as being within the "sovereignty" of the state and some have referred to the larger power which may be rightly exercised according to circumstance and condition for special purposes a greater distance from the shore as being an exercise of the "jurisdiction" of the bordering state.

Mr. LEWIS. Mr. President, I should like to ask the Senator a question.

Mr. COPELAND. I yield.

Mr. LEWIS. Do we own all of the Aleutian Islands?

Mr. COPELAND. Yes.

Mr. LEWIS. Is there not a portion of the Aleutian Islands still owned by Russia?

Mr. COPELAND. I do not think so. If the Senator will look at the map on the wall, he will see that they are all ours. I am sorry I do not have here another map, which is

in my office, which makes clearer the situation regarding the Aleutian Islands and the boundaries of the Bering Sea. In reply to the Senator I may say that, as I understand, the Aleutians are all ours, strung out like a string of pearls toward the eastern world.

Mr. LEWIS. Mr. President, with the kind consent of the Senator, while I hesitate to speak of myself, I cannot help doing so where I am closely connected with the event to which I wish to allude.

I was designated under the McKinley administration as a minority and sent to Russia with two other gentlemen. Russia threatened, or desired, through her financiers, to build a railroad from Moscow to Peking, and to that end sought to build a portion of the railroad across the Bering Sea, upon the idea that a part of the year it was ice and the road could be built. Russia then contended that most of these islands of which we speak of as the Aleutians, and which my very able and industrious friend the Senator from New York has included as being all our own, were a part of her territory, and never had been ceded to us, and would be the basis upon which her railroad project would start, crossing the Bering Sea, to be built primarily to connect the Orient with Russia. I do not know now, I did not know then, and I am not able to inform the Chair or my able friend, on what particular portion of the Aleutians Russia based that claim. Time has gone by. I have always been afraid that there would be conflict sometime between ourselves and Russia, particularly under the present regime, and that among other things Russia would make claim to portions of Alaska upon the ground that they had never been ceded, and upon that tenuous title cause us considerable embarrassment. That is why I intruded myself upon the Senator, to know whether he feels quite secure that all of those islands were included in our purchase when we took Alaska.

Mr. COPELAND. If the Senator will do me the honor to come to the map on the wall a moment——

Mr. LEWIS. I have looked at the map with great care.

Mr. COPELAND. I think the Senator has in mind the island of Diomede, in the Bering Strait, which is Russian property; but the Aleutians are all ours. My memory has been refreshed, and I recall that the railroad was to go across this very narrow strait, and in that event it would be necessary to include in any such project an island owned by Russia.

Mr. LEWIS. I had the wrong idea as to the islands.

Mr. COPELAND. I think it is as I have stated. So far as the Aleutians are concerned, I believe they are all ours at present, anyway. I hope we will be able to keep them.

The question which I was discussing was the sovereignty or jurisdiction we were actually to take over this narrow part of Bering Sea. I have had in mind that we would have at least jurisdiction over that area and assert our right to that.

I wish to quote a few more sentences from Mr. DIMOND:

> The claims of nations over the seas adjacent to their coasts have varied widely from time to time, and there never has been, and is not now, unanimity of opinion among the civilized nations of the earth with respect to the nature and extent of such jurisdiction.

I must not fail to impress that statement upon the Senate. There is no unanimity of opinion about the width of that marginal zone. For instance, in Norway, there is the wonderful Lofoten Bay, where the cod fisheries are located. There is a distance from headland to headland of about 60 miles. Yet from time immemorial Norway has contended that that area is hers. The 3-mile limit has not entered into the question. We have made exactly the same contention as to the mouth of Chesapeake Bay and other properties of our own. In other words, what we call international law is always in a flux, never settled.

Mr. President, I have a map here now which I exhibit to the Senator from Illinois, which I think shows more distinctly our possession of the Aleutians.

Mr. DAVIS. Mr. President, I should like to ask the Senator the distance across Bering Sea.

Mr. COPELAND. I am informed that it is 56 miles.

I now quote further from Mr. DIMOND's statement:

> The claims of nations over the seas adjacent to their coasts, have varied widely from time to time, and there never has been, and is not now, unanimity of opinion among the civilized nations of the earth with respect to the nature and extent of such jurisdiction. It was once the fashion to claim extensive jurisdiction over the high seas, so as to embrace most of the principal trade routes of the world. And at other times the claims of jurisdiction have shrunk to what is popularly known as the 3-mile limit.

Let me emphasize this:

But at no time—

In the past or now—

> have all, or even a majority, of the civilized nations of the world acquiesced in the rigid application of the 3-mile limit rule except as a minimum distance over which territorial jurisdiction may be exercised for any and every purpose.

That is what makes me so wrathy when I think about what happened in the pelagic seal case. It is presumptuous for me to say so, but our lawyers had no business conceding that 3 miles was the limit, and apparently to commit the United States to a 3-mile marginal zone as the limit, because later in my remarks I shall point out that since that time we have gone away beyond the 3-mile limit. We got a good licking in that case because our lawyers gave up too soon.

I continue the quotation:

> At no time have all nations acquiesced in the greatly enlarged claims of jurisdiction to extend, for all purposes, hundreds and even thousands of miles over the high seas. And at the present time, while a number of powerful nations, under the leadership of Great Britain, may assert that the 3-mile limit is the only one recognized by international law, that claim is made upon the theory only that those nations by their control of the sea can make and enforce what they assert to be international law, in other words, a claim of naked force.

I do not know when Great Britain asserted her right to the Irish Sea, which is much wider than 3 miles, or, taking both countries, 6 miles, but Great Britain has made that a closed sea. It is hers. We should remind her of that when she finds any fault if we undertake to make the Bering Sea ours. There is much more reason why the Bering Sea is the property of the United States, or under the jurisdiction of the United States, than that the Irish Sea, which has narrow straits at both ends, should be made hers.

I quote further from Mr. DIMOND's brief:

> From the earliest times it has been understood and commonly accepted upon principles of natural right and justice, and that duty of self-defense and self-protection which is inherent in the societies of men, as well as in human beings, that the authority of sovereignty or jurisdiction of the Nation did not end at its shores washed by the seas but extended some distance beyond. If any principle may be said to have the authority of true international law, the principle which I have just now mentioned possesses that authority.

Then we find a very interesting confirmation of this general principle expressed by my illustrious predecessor, Senator Elihu Root. He was arguing the North Atlantic fisheries dispute, and in his argument he said:

> That is to say, these vague and unfounded claims disappeared entirely, and there was nothing of them left as the basis for any claim of ownership or sovereignty or jurisdiction over any portion of the sea beyond the line that adjoins the land. The sea became, in general, as free internationally as it was under the Roman law. But the new principle of freedom, when it approached the shore, met with another principle—the principle of protection; not a residuum of the old claim but a new independent basis and reason for modification, near the shore, of the principles of freedom.

The reason why the 3-mile limit was fixed in that first place was because at the time the limit was established a cannon would shoot approximately 3 miles. A cannon, if set up on the shore, could shoot 3 miles to sea. After the World War I went to see the emplacement of the Big Bertha. She shot 90 miles. From the time of the 3-mile cannon to the time of the Big Bertha we had an extension of the range of artillery to 87 miles, or whatever it is. So the 3-mile limit is an antique, ancient, moss-covered doctrine which goes back into that period of gunnery when the limit of possibility of shooting a cannon was 3 miles.

Senator Root, speaking about the new freedom, said:

> The sovereign of the land washed by the sea asserted a new right to protect his subjects and citizens against attack threatening their

peace, to protect their revenue, to protect their health, to protect their industries. That is the basis, and the sole basis, on which is established the territorial zone that is recognized in the international law of today. Warships may not pass without consent into this zone, because they threaten. Merchant ships may pass and repass, because they do not threaten. But merchant ships may not enter into the coast trade from port to port without consent.

That, of course, is the foundation of our coastal laws.

But merchant ships may not enter into the coast trade from port to port without consent, because they interfere with the industry of the people, the natural right of the people to carry on the intercourse between their own ports. Fishing ships may not come to engage in fishing, because they interfere with the natural industry of the people on the coast, the natural immemorial right of the dwellers on the sea. Back in the remotest times, in all times, whatever be the rule of freedom of the sea, however free it may be, it is deeply embedded in human nature that the men who dwell by the shore of the sea consider that they have a natural right to win their support from the waters at their doors; and they look with natural resentment at one coming from a distance to interfere with that right; and that immemorial, natural right of the coastal population to secure support from the sea is an object of the right of protection by the sovereign.

That is essentially a relation of sovereignty. Efforts have been made at times by monarchs in former days, when the old theory of ownership prevailed, to separate some portions of the opportunity and grant them to individuals or corporations—special rights to fish, seldom, I think, out in the marginal seas or territorial seas, but in interior waters. However, those instances have been exceptional. The attempt unduly to restrict this great natural right of his subjects, and to create monopolies in particular places, was one of the great things that cost Charles I his head. Universally, now, the relation of the state to the fishing of its coastal population is the sovereign right of protection; and we are certified in this treaty that that is the relation of Great Britain, for in it she declares that this liberty which the inhabitants of the United States are to have forever is to be in common with the subjects of Great Britain.

* * * * * * *

Despagnet has stated the rule very accurately in the work which is already in the hands of the court. He says in section 411 of his work:

"But the reasons which justify the sovereignty of the state beyond the limits of its terrestrial territory are always the same."

Perels summarizes them in three principles:

"First. The security of the adjacent state requires that it shall have exclusive possession of its shores and that it may protect the approaches.

"Second. The surveillance of vessels which enter, leave, or sojourn in its territorial waters is imposed by the guaranty of efficient police and the advancement of its political, commercial, and fiscal interests.

"Third. Finally, the exclusive enjoyment of the territorial waters, e. g., for fishing and coastal trade, may be necessary to secure the existence of coastal populations."

The conclusions of the Institute of International Law at the meeting of 1894 contain what is supposed to be a correct statement of the relation of the state to this kind of right. The resolution adopted there is as follows:

"The state has a right of sovereignty over a zone of sea which washes the shore, subject to the right of innocent passage reserved in article 5. This zone bears the name 'territorial sea.'"

By that doctrine of innocent passage, of course, it is well understood that a vessel merely passing by may go through given territorial waters without interference unless it happens to be an unfriendly naval ship. But the right of innocent passage is universally recognized.

Then Senator Root said:

The president of the tribunal will perhaps remember that in the debate which took place at that meeting of the Institute of International Law the original report of this resolution was a little broader, and it took the form "a state has the right of sovereignty," and that was modified in the final resolution by substituting "a" for "the," so that it read "has a right of sovereignty."

Mr. LEWIS. Mr. President——

The PRESIDING OFFICER (Mr. SMATHERS in the chair). Does the Senator from New York yield to the Senator from Illinois?

Mr. COPELAND. I yield.

Mr. LEWIS. I do not wish to be intruding myself into the very interesting international recital on the part of the very able Senator from New York. It is always of value to keep abreast of any changes on any subject which have occurred since the last event on which we may assume history has paused. I do not profess any sudden impulse, intuition, or knowledge. The subject came under my observation, and I had to study it.

I beg to call the attention of the able Senator to the fact that he is correct in his statement that the 3-mile limit has now become a fiction. It once was a regulatory order by which each nation was limited to 3 miles from its tidal front. I do not know what the original reason was. Whether it was the adoption of the cannon as a means of armament, or the 3-mile shot, or not, we need not pause to consider. We may recall that the civilized countries of the world have refused to follow that ancient doctrine and have departed from it whenever the occasion arose for defense or for the assertion of an interest.

I ask the Senator from New York if he recalls that in his time, and since the time of the argument of Senator Root in regard to the fisheries, England stepped out and contended for the position which my able friend from New York is now insisting upon; namely, that the limitations must always be governed by what appears at the time to be the absolute, asserted interest on the part of the nation, in behalf of either its inhabitants or its property. I refer to the instance of Agadir, and Algeciras, across the way, which the world had contended was the property of Spain; but when Spain stepped forward and claimed possessions which entered into and somewhat intruded upon what England claimed to be her rights in the waters about Gibraltar, England established the position upon which my able friend from New York is now insisting. From that time on it must be conceded that, generally speaking, the arbitrary 3-mile limit was abolished. I cannot say that its abolition has been admitted by all countries.

Mr. COPELAND. I thank the Senator. I am appreciative of his attitude in the matter, because he is an eminent attorney and a great student of the law. I speak as a layman; but I am profoundly impressed, and have reached the conviction, that it is foolish for us to talk about the 3-mile limit as being the recognized limit. It is not anything of the kind, as the Senator from Illinois has said. Great Britain from time to time has asserted its jurisdiction over great areas of water, and all through this development there has been a vacillating policy. I mean vacillating as regards the definition of boundaries; perhaps not vacillating with regard to national policy. But I am perfectly clear that by reason of cession from Russia, by reason of the nature of the continental shelf, by reason of the needs of our people, and by reason of the habits of the salmon, the United States has the right to assert its jurisdiction, if not its actual sovereignty, over that part of the Bering Sea.

I quote further from Mr. Dimond's brief:

It will be remembered that in making his argument Senator Root was pressing for a narrow delimitation of the territorial seas of Canada and Newfoundland in order to preserve, under treaties, the largest possible rights and privileges of American fishermen.

A modern authority, Dr. William E. Masterson, in the introduction of his work entitled "Jurisdiction in the Marginal Seas," has given a clear statement of the lack of any precise rule of international law, commonly so recognized, with respect to the rights of any nation over the waters adjoining its coast; and in this connection he makes the following observations:

"The old claims of the maritime powers to dominion in the high seas were abandoned some two hundred years ago. It has always been evident, however, that for some purposes, at least, it is necessary for the State to retain a certain measure of jurisdiction over the waters adjoining its coast; the Nation's defense and safety must be secured; navigation must be made safe for vessels visiting its ports; health must be protected, the revenue safeguarded against smuggling craft, and the coast fisheries must be reserved for its nationals. The development of the idea of this jurisdiction in the coastal waters has not been without its difficulties. Especially has the maximum distance seaward to which certain laws may be enforced in these waters been a constant and fruitful source of controversy among nations; and so varied has been the practice and so divergent the views of government on this point that it may be safely said that there has not, as yet, emerged from the confusion a clearly defined and crystallized principle of international law, unless it may be said that 3 miles, or 1 league, must be allowed as the minimum distance."

That makes good sense, as I view it. Certainly there is no unanimity of opinion. The most diverse opinions have been presented. But I think Dr. Masterson is right when he says that all we can claim at the moment is that 3 miles, or 1

league, must be allowed as a minimum distance, and that for various reasons we may go far beyond 1 league.

I continue the quotation from Masterson:

A thorough treatment of the historical development of the law relating to jurisdiction in the marginal seas with respect to fisheries, neutrality, crime, pilotage, collision, quarantine, salvage, revenue, and customs is beyond the scope of this volume. The laws passed to protect or regulate these various interests, or claims, involve different considerations, and they have, therefore, developed along different lines: laws securing or regulating a particular interest have been evolved from factors peculiar to such interest. They, thus, necessarily present distinct questions, and should, therefore, be dealt with separately in a study of the law pertaining to jurisdiction in the littoral seas. The attempt within recent years, on the part of some writers, judges, and governments, to fix a single zone beyond which the application or enforcement of them all is forbidden, thus treating them as a single problem, has cast this extremely difficult subject into hopeless confusion, and has littered the juristic literature on the subject with careless assertion. Such attempts are open-veiled efforts to dodge the accurate solution of a perplexing problem. Assertion and hasty generalization have been handed on, copied, and repeated until repetition has led to their acceptance by some as representing statements of a principle of international law. They have resulted in the belief by some English and American writers that no national interests may be safeguarded or regulated under international law beyond a single zone of 3 miles from shore.

I used to be a doctor of medicine. Because students are even smarter than Senators I always tried to make sure that I was on firm ground in matters upon which I was lecturing. I remember in particular one rather mysterious human ailment. All the textbooks of that period said that a factor in the development of this disease was consanguinity of the parents—for example, the marriage of cousins. I had seen a good many cases of the particular disease in my clinic; and, knowing of the statement to which I have referred, I had taken pains always to ascertain from intelligent and informed patients the facts about intermarriage. Out of perhaps 40 or 50 cases I did not find one case of consanguinity of parents. Then I became interested, and searched back into antiquity. I examined the father, the grandfather, and the great-grandfather of one of the current books, and found that about 200 years ago some man, in trying to find a cause for the strange disease, had said that consanguinity of the parents was a great factor. We find the 3-mile limit talked about by some writers and speakers as a definitely settled principle. It is not such at all.

Mr. BONE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. BONE. From what examination I have been able to make of the rules of international law the 3-mile-limit idea has been merely accepted in a sort of fashion, without having any definite foundation in law. Many countries have asserted rights far beyond the 3-mile limit of their local waters. A few days ago I made some remarks on the floor of the Senate in which I pointed out specifically one instance—of Norway asserting rights in waters adjacent to her coast line. The general impression of capable writers seems to be that there is no binding force and effect to the 3-mile-limit contention, which, as the Senator points out, was based on gunshot range. Now we have guns with a range of 30 miles, and if there is anything in the gunshot idea we might legitimately claim a 30-mile limit.

Mr. COPELAND. And the Big Berthas have a range of 90 miles.

Mr. BONE. Yes; but certainly our naval guns have a range of 30 miles, and a 30-mile area would be naturally the area of coast defense.

I attempted to point out in my rather brief remarks some illustrations of the application of the rule. The Senator is absolutely correct in saying that it is not a fixed principle of international law that is commonly accepted and recognized as binding.

Mr. COPELAND. I thank the Senator, and I should like to say to him that I read his speech with great interest. The Senator just now referred to Norway. A little while ago I spoke about Lofoten Bay, which is 60 miles across.

Mr. BONE. I have a map in my file here, but unfortunately I could not have it placed in the RECORD, which shows the contour lines of the claimed waters and presents an astounding picture. The line extends far out. I have no idea how far. The Norwegian Embassy in Washington was unable to give me the distance. That jurisdiction was simply asserted by decree of the King, and I assume, without knowing, that it was probably for defense purposes. I think we might as well explore that theory ourselves in asserting jurisdiction over our coastal waters, for certainly the element of national defense plays an important part.

Mr. COPELAND. I think in the case of Norway there was involved far more than defense. Off the coast of Norway are great cod fisheries, and it is very important that they should be protected. In my judgment, Norway did the proper thing. It asserted the right to certain territorial waters. I am glad it was done. We have a far greater foundation for our claim to the Bering Sea than, so far as I know, any other country has ever had to any area which it has taken over by assertion.

In discussing the 3-mile-limit theory we go away back to 1608. Hugo Grotius, an able Dutch lawyer, in his Mare Liberum, observed:

The empire of a portion of the sea is, it would seem, acquired in the same way as to the lordship—that is, as above stated, as belonging to a person or as belonging to a territory; belonging to a person when he has a fleet which commands that part of the sea; belonging to a territory insofar as those who sail in that part of the sea can be compelled from the shore as if they were on land.

Then, I have other references to the marginal sea, which I will not quote. But, based on the comments of the various writers, I found the statement that it is perfectly obvious that a nation not only can but, as Mr. DIMOND has said, in many cases must exercise for its own welfare unquestioned jurisdiction over the marginal sea at least for the distance which arms can control from the shore. If that were not so, a hostile force might come within that limit and commit injury to the nationals living in the uplands. So, of course, we must conclude that the cannon-shot theory, the old 3-mile-limit idea, is antiquated and should be put in the discard.

An Italian jurist, Galiani, was the first to suggest that the cannon-shot rule should be changed. So other writers and students of the law have taken the same position.

I spoke, as did the Senator from Illinois, about the frequent change of front on the part of Great Britain. In the eighteenth and early nineteenth centuries Great Britain passed and actually enforced a number of statutes in which she claimed jurisdiction for certain purposes as far from shore as 100 leagues, or 300 marine miles. Before that period of time she laid claim to very much greater stretches of water. She went so far, indeed, as to compel all ships of foreign nationals to dip their flags and also their sails whenever they met a British warship in one of those areas. Later, of course, her interest changed, and then she proposed a narrower limitation, and in her British Customs Act of 1876 she proposed other ideas. When the bill was debated in Parliament a good deal of interesting material was used. I find this refence in a review of the act I have just mentioned, the British Customs Act:

Under the construction adopted in these two cases, *Attorney General* v. *Schiers; l'Abandance*, it would seem that section 179 of the act of 1876, which is quoted in abbreviated form above, in effect provides that, if, on the particular voyage, a vessel has had on board or has conveyed any of the goods specified with a view to smuggling the goods into the United Kingdom, the vessel will be liable to forfeiture in case it is found or discovered to have been within the distance limited, whether with the goods then on board or not. There is apparently no limitation as to the place of conveyance or the place of seizure under this provision; the only requirement is that, during the voyage, the vessel must be found or proved to have been within the required distance. Subject to this requirement, interpreted according to its natural tenor, section 179 of the act of 1876 subjects the vessel to which it applies to forfeiture and the persons on board to a penalty, if the vessel has conveyed, or has had on board, any prohibited goods or if any goods have been thrown overboard or staved to prevent seizure, at any place without limit as to distance, and without restriction as to where the vessel shall be liable to seizure.

* * * * * * *

The result of the foregoing analysis is to suggest that in the Customs Consolidation Act of 1876, which constitutes the present law of Great Britain, and which has been declared to conform to

the principles of international law, there are at least three significant sections which involve a claim, however sparingly exercised in recent years owing to the absence of smuggling, to extend customs control to an indefinite distance upon the high seas beyond the 3-mile limit over foreign vessels and subjects, limited in the case of section 179 by the qualification that such vessel or person should be found or discovered to have been on the same voyage, if a vessel in part owned by, or having half the persons on board, British subjects, within 3 leagues of the coast of the United Kingdom, or, in other cases, within 1 league, and, in the case of section 180, limited to vessels, owned in any part by or having half the persons on board, British subjects.

Here is a peculiarly cogent precedent, fortified by a legislative background of two centuries, for the principle that a state is entitled, according to its needs—

"According to its needs"—

to take measures to repress smuggling upon its coastal waters without the limit of the marginal seas. The significant result of the long experimentation with the British hovering acts is that the provisions at present in force apparently apply, without limitation of distance, to any vessel covered by these provisions which has been within the distance limited from the British coast, irrespective of where the offense under which it is liable may have been committed or of the place of seizure.

Mr. President, if a nation may go as far as that to control smuggling, which may involve a few dollars of revenue, how far may a nation go to preserve its fishing rights in order that a great Territory may be safeguarded from starvation, that the government of that Territory may have revenue with which to operate and that the citizens of this Union may have food? If a nation may go that far to control smuggling, surely we may go much further than that to control the welfare of the American people.

The Senator from Washington [Mr. BONE] reminds me of what I intended to say later, that in the matter of liquor we ventured to go not only to the 12-mile limit but 50 miles more, a total of 62 miles. If we could do that to keep a little booze out of the United States, we ought to be able to do that to give our people some substantial food which they are entitled to have.

It is very evident that in the Territorial Waters Jurisdiction Act Great Britain, with the power to enforce her views, determined that she could go just as far as she wanted to go. That is my statement. Now let us see what the law says.

It was declared by the Parliament of Great Britain in 1878 that—

The rightful jurisdiction of Her Majesty, her heirs and successors, extends and has always extended over the open seas adjacent to the coasts of the United Kingdom and over all other parts of Her Majesty's dominions—

How far?—

to such a distance as is necessary for the defense and security of such dominions.

I am not here to find any fault with what Great Britain declares to be her rights; but we have exactly the same sovereign position in the world, and we intend to go to such distance as is necessary for the welfare of our people.

I want to follow up a little this particular act and quote another section, section 7:

"The territorial waters of Her Majesty's dominions," in reference to the sea, means such part of the sea adjacent to the coast of the United Kingdom or the coast of some other part of Her Majesty's dominions as is deemed by international law to be within the territorial sovereignty of Her Majesty; and for the purpose of any offense declared by this act to be within the jurisdiction of the Admiralty, any part of the open sea within 1 marine league of the coast measured from low-water mark shall be deemed to be open sea within the territorial waters of Her Majesty's dominions.

So, you see, Parliament claimed jurisdiction over—

Such part of the sea adjacent to the coast of the United Kingdom, or the coast of some other part of Her Majesty's dominions, as is deemed by international law to be within the territorial sovereignty of Her Majesty.

This gives the widest latitude for claiming jurisdiction over an indefinite extent of the marginal seas, because whatever is claimed will be justified by the assertion that the claim is included by, and is, international law.

I hope that before this session ends we shall have American law, law of the United States, which will assert our rights over Bering Sea and the continental shelf, so that our people may be as well protected, certainly in the field of health, as is the British Government in the field of economics.

It seems that the British became a little excited about this act after a while. They were not quite sure what it did mean; so I find that on May 6, 1895, the Territorial Waters Jurisdiction Act came up for further consideration. At that particular time the House of Lords had under consideration the bill for the regulation of fisheries in Scotland, and the proposed act conferred upon the Secretary of Scotland the right to create a sea-fishery district or districts, including "any part of the sea adjoining Scotland"; also, to empower the Secretary to prohibit certain types of fishing at any place within 18 miles of the coast.

Here I quote from the debates:

The Lord Chancelor was far from saying that 3 miles was to be the limit of territorial waters for all time. Originally, the distance was, as the noble Marquis said, fixed by gunshot, and it was always said that the distance a gun could fire to was 3 miles. How far this principle was to be extended, or whether it was to be extended indefinitely, was a question for consideration, and it was a question which would not be without its difficulty. The distance mentioned by the noble Marquis had already been exceeded by a mile, a gun at Shoeburyness having reached a distance of 13 miles. This might not be the limit. If a gun reached 13 miles it might reach over 20, and then there might be considerable difficulty with a country whose coast was not distant.

Lord Halsbury would like to mention that the question was treated of in an act which he had the honor to pass through the House of Commons in 1878. The difficulty was overcome in that act, which was the 41 and 42 Victoria, caption 73.

Now, listen to this:

In that act they took care—

This is from Lord Halsbury—

to specially avoid any measurements. The distance was left at such limit as was necessary for the defense of the realm. Then the exact limit was given for the particular purpose in view.

I want these things in the RECORD because I assume—I hope I am wrong—that when we assert our rights in the Bering Sea, and assert our jurisdiction up to the 100-fathom line, our mother country, Great Britain, will find fault. I hope she will not do so. I am trying to put her on record here so that she will not have any excuse to do so. Also, I am trying to arrange matters so that our Supreme Court will be with us when the matter of dispute reaches the courts, if it ever does.

The British act took charge of the open seas. In short, jurisdiction was asserted over the open seas of the United Kingdom and of the dominions "to such a distance as is necessary for the defense and security" of the realm.

Earlier this afternoon I quoted Vattel, who wrote away back in the middle of the eighteenth century. I quoted from his book on the Law of Nations. There he said—and I quote again—

The dominion of the state over the neighboring sea extends as far as her safety renders it necessary and her power is able to assert it.

So in the last analysis it is the power of the nation, I suppose, that is back of the claiming. But the position we are taking here today is the position Senator Root and all the great writers on international law to whom I have referred have taken, and what was actually asserted in the British Parliament.

Mr. President, I think it may be interesting to know that these matters which we are here discussing were considered by the founding fathers. It has been generally true that the United States has supported the 3-mile-limit rule. I have already pointed out how much it cost us in the pelagic seal case. It cost us a pretty penny. In the light of our present knowledge of the natural habits of the seal, it would seem that it is a homing animal, with the animus revertendi, just as that instinct is possessed by the salmon.

Away back in the early history of our country Mr. Jefferson, while Secretary of State under Washington, in a

letter to Mr. Hammond, the British Minister, dated November 8, 1793, referred to the various claims and opinions which had been set forth theretofore in relation to the subject, and suggested that "the greatest distance to which any respectable assent among nations has been at any time given, has been the extent of the human sight," which he estimated to be upward of 20 miles. Then he spoke about the smallest distance being the distance of the range of a cannon, about one sea league. This opinion of Jefferson's went further than Washington's. All of Jefferson's opinions have been considered so important that it would be interesting to know just exactly what Moore in his Digest of International Law said about it. He stated:

The President of the United States, thinking that, before it shall be finally decided to what distance from our seashores the territorial protection of the United States shall be exercised, it will be proper to enter into friendly conference and explanations with the powers chiefly interested in the navigation of the seas on our coasts, and relying that convenient occasions may be taken for these hereafter, finds it necessary in the meantime to fix provisionally on some distance for the present government of these questions. You are sensible that very different opinions and claims have been heretofore advanced on this subject. The greatest distance to which any respectable assent among nations has been at any time given, has been the extent of the human sight, estimated at upward of 20 miles, and the smallest distance, I believe, claimed by any nation whatever, is the utmost range of a cannon ball, usually stated at 1 sea league. Some intermediate distances have also been insisted on, and that of 3 sea leagues has some authority in its favor. The character of our coast, remarkable in considerable parts of it for admitting no vessels of size to pass near the shores, would entitle us, in reason, to as broad a margin of protected navigation as any nation whatever. Reserving, however, the ultimate extent of this for future deliberation, the President gives instructions to the officers acting under his authority to consider those heretofore given them as restrained for the present to the distance of 1 sea league or 3 geographical miles from the seashores. This distance can admit of no opposition, as it is recognized by treaties between some of the powers with whom we are connected in commerce and navigation, and is as little, or less, than is claimed by any of them on their own coasts.

The implication of the language will be observed. He makes it perfectly clear that Jefferson was recommending to President Washington a temporary measure, a temporary arrangement, a temporary provision that for the present, as he said, they would take the 3-mile limit. But later, when Jefferson became President and John Quincy Adams was Vice President, we find in the memoirs of Adams, as reported in Moore's Digest of International Law, the following:

The President (Mr. Jefferson, in an informal conversation) mentioned a late act of hostility committed by a French privateer near Charleston, S. C., and said we ought to assume, as a principle, that the neutrality of our territory should extend to the Gulf Stream, which was a natural boundary, and within which we ought not to suffer any hostility to be committed. Mr. Gaillard observed that on a former occasion in Mr. Jefferson's correspondence with Genet, and by an act of Congress at that period, we had seemed only to claim the usual distance of 3 miles from the coast, but the President replied that he had then assumed that principle because Genet, by his intemperance, forced us to fix on some point, and we were not then prepared to assert the claim of jurisdiction to the extent we are in reason entitled to; but he had taken care to reserve this subject for further consideration with a view to this same doctrine for which he now contends.

It will be recalled that Mr. Jefferson said in the quotation I have heretofore given that "Reserving the ultimate extent of this for future deliberation," for the present the 3-mile limit will be recognized. Later during his own Presidency Mr. Jefferson made the declaration I have just quoted.

Because there are a few Republicans left in the United States, it may be of interest to know what Mr. Hamilton said about the matter. I do not know that there are any Hamiltonian Republicans left, but at any rate Mr. Hamilton spoke, and this is what he said, as found in Hamilton's Works, Lodge Edition:

As to the jurisdiction exercised by the United States over the sea contiguous to its shores, all nations claim and exercise such a jurisdiction, and all writers admit this claim to be well founded; and they have differed in opinion only as to the distance to which it may extend. Let us see whether France has claimed a greater or less extent of dominion over the sea than the United States. Valin, the King's advocate at Rochelle, in his new Commentary of the Marine Laws of France, published first in 1761, and again by approbation in 1776 (Book V, title I), after mentioning the opinions of many different writers on public law on this subject, says: "As far as the distance of two leagues the sea is the dominion of the sovereign of the neighboring coast; and that whether there be soundings there or not. It is proper to observe this method in favor of states whose coasts are so high that there are no soundings close to the shore, but this does not prevent the extension of the dominion of the sea, as well in respect to jurisdiction as to fisheries, to a greater distance by particular treaties, or the rule hereinbefore mentioned, which extends dominion as far as there are soundings."

Mr. President, that is interesting. I have pointed out that we have soundings of the waters in Bering Sea, and a line marked in red on the map on the wall of the Senate is the 100-fathom sounding depth. Then there is one just beyond that, the 1,000-fathom depth, which is the last sounding made, apparently. We might with propriety take even a greater depth than 1,000 fathoms, but I can see no reason why we should go beyond that. There is a well-defined line of demarcation between that and the shallow water, which I contend is the boundary of Alaska, a mark which may be argued for.

I continue the quotation from Hamilton's statement:

Or as far as the reach of a cannon shot, which is the rule at present universally acknowledged. "The effect of this dominion," the same author says, "according to the principles of Puffendorf, which are incontestable, is, that every sovereign has a right to protect foreign commerce in his dominions, as well as to secure it from insult, by preventing others from approaching nearer than a certain distance." In extending our dominion over the sea to one league, we have not extended it so far as the example of France and the other powers of Europe would have justified. They, therefore, can have no right to complain of our conduct in this respect.

So we find that Jefferson and Hamilton, representing the two schools of political thought, in that paragraph are in full agreement that the distance over which a nation can extend its jurisdiction may be determined by the nation itself.

We became brave back in 1793 and extended our customs regulations out four leagues, and since then we have not hesitated to go 50 miles beyond the four leagues. So we have made a good start, and I hope that now we will finish the job by asserting complete jurisdiction over Bering Sea.

I have been speaking now about 5 hours and have as yet hardly started on my speech. However, I suppose the leader of the majority will soon be asking for a recess; so let me sum up this afternoon's effort about as follows. I have attempted to demonstrate to the Senate, through a recital of the habits of the salmon and by a recital of the views of the great writers on law, that when an animal such as the salmon possesses that remarkable homing instinct which leads him always to return to the river of his birth, which is in American territory, he is an American product, and no man can gainsay it. There may be migratory fish. The argument which I am advancing today could not be used with reference to such fish. However, so far as I know, the salmon is a fish whose instincts have through all the years driven it always back home. The Territory of Alaska is our territory. The fish spawned in Alaska are our fish. When they grow sufficiently large they go out to sea, and later come back to our rivers. They come back home. So they are ours.

The only way we can protect them and preserve the vast expenditure of money made by the United States, by Alaska, by the Northwestern States, and by Canada, is to have some regulation, some control over the waters adjacent to the mouths of the rivers, or the waters in which the rivers empty, in order that we may make certain that great nets, some of which are 3 miles in length, and I suppose they could be 30 miles in length, may not be used to capture all the salmon on their way back to the home rivers.

To do this effectively, as I see it, we must assert our ownership and jurisdiction over the Bering Sea, at least so far as it has been sounded out to 100 fathoms. Then I would require that every fisherman, American or foreigner, who desires to operate in the Bering Sea should have a permit from the Department of Commerce. There should

be no irritation on the part of any foreign country if we impose upon its citizens no more than is imposed upon the citizens of our country. Going back to the Aurora case in 1804, the decision in which was written by John Marshall, there are many other cases down through the years, all of which point out the soundness of the philosophy which I have presented today.

I think it would be a shame; I think it would be a little less than a national calamity if we should fail to preserve this great fishing ground for our own people. We do not know how soon the time may come when lack of protein foods in the States of the Union may be such as to require us to place dependence upon fish. Great epidemics have swept away millions of human beings. The foot-and-mouth disease destroyed millions of cattle.

The wisdom of the scientists, the work of Dr. Mohler in connection with foot-and-mouth disease, the work of other scientists, will perhaps safeguard our animal supply. But who knows when there may be an epidemic of disease that will wipe out the flocks and herds of our country? Then, indeed, we will be fortunate and happy if we shall have at our disposal the great fisheries of Alaska, an unbounded supply of protein food, one of the most valuable of foods, for our soldiers in time of war and for our people in time of peace. We can preserve if we will that great product for our own uses.

Practically the only resource of Alaska in the way of producing revenue is these fisheries. The only means of living to be had by the fishermen in Alaska comes from the salmon fishing.

Mr. President, I have striven this afternoon to speak in a way which would not be offensive internationally. I said earlier in the day that I should not have said anything except for the statement from Tokyo that it had withdrawn its research ships.

I have tried to speak about the whole problem in a manner so as to give no international offense. But as an American, as one interested in the health and welfare of our people, I know that it is important that there shall be always an unlimited supply of protein food, and in the last analysis we must place dependence upon the sea and look to the sea for such food.

I yield the floor.

THE PROBLEM OF THE REPUBLICAN PROGRAM COMMITTEE—ADDRESS BY DR. GLENN FRANK

During the delivery of Mr. COPELAND's speech,

Mr. CAPPER. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Kansas?

Mr. COPELAND. I yield.

Mr. CAPPER. I ask unanimous consent to have printed in the RECORD an address by Dr. Glenn Frank, delivered February 28, 1938, at Chicago on the subject The Problem of the Republican Program Committee.

Mr. BARKLEY. Mr. President, reserving the right to object, I ask is that the same Dr. Frank who is the head of the Republican "brain trust"?

Mr. CAPPER. Mr. President, he is a fine gentleman who was made director of the policy committee of the Republican National Committee.

Mr. BARKLEY. That is the "brain trust" which is operating in the Republican Party. He is the same man, is he not?

Mr. CAPPER. He is doing a good job, Mr. President.

Mr. BARKLEY. He is the same man, is he not?

Mr. CAPPER. I do not know anything about the "brain trust."

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kansas?

Mr. COPELAND. Mr. President, just a moment. Reserving the right to object, and expressing the hope that this little repartee will appear in the Record after my speech, I should like to say that Dr. Glenn Frank must guess again if he thinks that he can invite into the Republican Party the conservative Democrats, of whom I am one. He will have to do it accompanied by such a thorough revision and reorganization of the Republican Party that it would not be recognized as such. I can see no hope for the Republican Party in any such reorganization. If the Senator and Dr. Frank really want to do something for the country let them organize a new party and make it less conservative and less reactionary than the present Republican Party.

I have no objection to the address referred to being printed in the RECORD.

There being no objection, the address delivered by Dr. Frank was ordered to be printed in the RECORD.

MESSAGES FROM THE PRESIDENT

After the conclusion of Mr. COPELAND'S speech, messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. SMATHERS in the chair), as in executive session, laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

RECESS

Mr. NORRIS obtained the floor.

Mr. BARKLEY. Mr. President——

Mr. NORRIS. Does the Senator from Kentucky desire to have the Senate remain in session longer this evening?

Mr. BARKLEY. No, Mr. President.

Mr. NORRIS. While I have been recognized, I do not desire to speak this evening. It would be agreeable to me to yield to the Senator from Kentucky for the purpose of moving an executive session.

Mr. BARKLEY. There is no executive business to be transacted.

Mr. NORRIS. Then I yield to the Senator from Kentucky for the purpose of moving a recess.

Mr. BARKLEY. There being no nominations on the Executive Calendar, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 50 minutes p. m.) the Senate took a recess until tomorrow, Tuesday, March 8 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 7 (legislative day of Wednesday, January 5), 1938

ASSISTANT ATTORNEY GENERAL

Thurman W. Arnold, of Connecticut, to be an Assistant Attorney General, vice Robert H. Jackson, resigned.

UNITED STATES DISTRICT JUDGE

Bunk Gardner, of Kentucky, to be United States district judge of the Canal Zone, vice Hon. Charles Harwood, whose resignation has been accepted, effective March 10, 1938.

UNITED STATES ATTORNEYS

Joseph W. Kehoe, of Alaska, to be United States attorney for the third division, district of Alaska. (Mr. Kehoe is now serving in this office under an appointment which expired February 21, 1938.)

Francis J. W. Ford, of Massachusetts, to be United States attorney for the district of Massachusetts. (Mr. Ford is now serving in this office under an appointment which expired March 1, 1938.)

Harry C. Blanton, of Missouri, to be United States attorney for the eastern district of Missouri. (Mr. Blanton is now serving in this office under an appointment which expired February 21, 1938.)

J. Howard McGrath, of Rhode Island, to be United States attorney for the district of Rhode Island. (Mr. McGrath is

now serving in this office under an appointment which expires March 20, 1938.)

Sterling Hutcheson to be United States attorney for the eastern district of Virginia. (Mr. Hutcheson is now serving in this office under an appointment which expired January 19, 1938.)

Joseph H. Chitwood to be United States attorney for the western district of Virginia. (Mr. Chitwood is now serving in this office under an appointment which expired January 19, 1938.)

UNITED STATES MARSHALS

Robert L. Ailworth to be United States marshal for the eastern district of Virginia. (Mr. Ailworth is now serving in this office under an appointment which expired January 19, 1938.)

John White Stuart to be United States marshal for the western district of Virginia. (Mr. Stuart is now serving in this office under an appointment which expired January 19, 1938.)

GOVERNOR OF HAWAII

Joseph B. Poindexter, of Hawaii, to be Governor of the Territory of Hawaii. (Reappointment.)

COLLECTOR OF CUSTOMS

Harry T. Foley, of Yonkers, N. Y., to be surveyor of customs in customs collection district No. 10, with headquarters at New York, N. Y. (Reappointment.)

REGISTERS OF THE LAND OFFICE

Patrick J. Kechane, of Arizona, to be register of the land office at Phoenix, Ariz. (Reappointment.)

William F. Jackson, of Oregon, to be register of the land office at The Dalles, Oreg. (Reappointment.)

PUBLIC HEALTH SERVICE

Dr. Randall B. Haas to be assistant surgeon in the United States Public Health Service, to take effect from date of oath.

COAST GUARD OF THE UNITED STATES

TO BE CAPTAIN (ENGINEERING)

Commander (Engineering) George W. Cairnes from March 1, 1938.

TO BE COMMANDER

Lt. Com. Louis W. Perkins from March 1, 1938.

TO BE LIEUTENANT COMMANDERS

Lt. Morris C. Jones from March 1, 1938.

Lt. Miles H. Imlay from March 1, 1938.

TO BE CONSTRUCTOR WITH THE RANK OF LIEUTENANT COMMANDER

Constructor Edward M. Kent from March 3, 1938.

PROMOTIONS IN THE REGULAR ARMY

TO BE COLONELS

Lt. Col. Fredrick Clifford Rogers, Infantry, from March 1, 1938.

Lt. Col. Robert Clifton Garrett, Coast Artillery Corps, from March 1, 1938.

Lt. Col. Burton Ebenezer Bowen, Infantry, from March 1, 1938.

Lt. Col. Robert Ross Welshmer, Infantry, from March 2, 1938.

Lt. Col. Otto Harry Schrader, Coast Artillery Corps, from March 2, 1938.

TO BE LIEUTENANT COLONELS

Maj. William M. Cravens, Coast Artillery Corps, from March 1, 1938.

Maj. Frederick Joseph de Rohan, Infantry, from March 1, 1938.

Maj. Frederick Schoenfeld, Quartermaster Corps, from March 1, 1938.

Maj. Arthur Paul Thayer, Cavalry, from March 1, 1938.

Maj. John Boone Martin, Coast Artillery Corps, from March 1, 1938.

Maj. Paul Joseph McDonnell, Infantry, from March 2, 1938.

Maj. Eustis Leland Poland, Infantry, from March 2, 1938.

TO BE MAJORS

Capt. Howard Foster Clark, Corps of Engineers, from March 1, 1938.

Capt. Howard Clay Brenizer, Field Artillery, from March 1, 1938.

Capt. Morris Handley Forbes, Finance Department, from March 1, 1938.

Capt. Dorsey Jay Rutherford, Coast Artillery Corps, from March 1, 1938.

Capt. Reynold Ferdinand Melin, Ordnance Department, from March 1, 1938.

Capt. Carl Henry Starrett, Infantry, from March 1, 1938.

Capt. Arthur Richardson Baird, Ordnance Department, from March 1, 1938.

Capt. John Virgil Lowe, Chemical Warfare Service, from March 1, 1938.

Capt. Robert Grier St. James, Infantry, from March 2, 1938.

Capt. William Reuben Hazelrigg, Infantry, from March 2, 1938.

PROMOTIONS IN THE NAVY

Commander Jesse B. Oldendorf to be a captain in the Navy, to rank from the 1st day of March 1938.

Lt. Comdr. Walter S. Macaulay to be a commander in the Navy, to rank from the 1st day of February 1938.

The following-named lieutenants to be lieutenant commanders in the Navy, to rank from the date stated opposite their names:

John A. Hollowell, Jr., December 1, 1937.

Edward R. Gardner, Jr., February 1, 1938.

Lt. (Jr. gr.) William McC. Drane to be a lieutenant in the Navy, to rank from the 4th day of November 1937.

Medical Director Perceval S. Rossiter to be a medical director in the Navy with the rank of real admiral, to rank from the 1st day of November 1934.

Assistant Paymaster Albert P. Kohlhas, Jr., to be a passed assistant paymaster in the Navy with the rank of lieutenant, to rank from the 4th day of November 1937.

The following-named machinists to be chief machinists in the Navy, to rank with but after ensign, from the date stated opposite their names:

Fred W. Boettcher, November 2, 1937.

Martin L. Lince, November 2, 1937.

Menard Steltenkamp, November 2, 1937.

Charles Henc, November 2, 1937.

Edwin W. Streeter, November 2, 1937.

Julious H. Ford, November 2, 1937.

Miles A. Coslet, November 2, 1937.

Ernest A. Koehler, January 6, 1938.

HOUSE OF REPRESENTATIVES

MONDAY, MARCH 7, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Thou, O Lord, shalt endure forever and the heavens are the works of Thy hands. We pray that the beauty of the Lord may rest upon us; yea, the work of our hands establish Thou it. Forgive our infirmities of temper, help us to renounce all selfishness, and embrace benevolence; lift us to brighter hopes and clearer visions. Blessed Master, Thou who gavest Thy life for all, guide us along the way that we stumble not and confirm us in all goodness. In all doubts and uncertainties bless us with the grace to ask Thee what wouldst Thou have us do that we may live and work for the elevation of the people. In the bright testimonies of the power of truth and wisdom may we awaken aspiration, enthusiasm, and encouragement in all the ranks of our fellow citizens. As we are on the threshhold of a new week we

pray that it may bring rich blessings of good health and strength to our President, our Speaker, and the entire Congress. In the name of our Savior. Amen.

The Journal of the proceedings of Friday, March 4, 1938, was read and approved.

EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio speech I delivered last night and to also include an editorial from a paper in my district concerning a proposal I made.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. RICH. Mr. Speaker, reserving the right to object, may I call the attention of the majority leader to the fact that this is a request to include a newspaper editorial? I wonder whether the Members on that side are going to permit these editorials to go into the RECORD?

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include in the Appendix of the RECORD an address by my colleague from Texas [Mr. KLEBERG].

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio address delivered by me.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

INDEPENDENT OFFICES APPROPRIATIONS—1939

Mr. WOODRUM submitted a conference report and statement on the bill (H. R. 8837) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1939, and for other purposes.

EXTENSION OF REMARKS

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial in reference to one of my colleagues.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein my views in opposition to the May universal draft bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. NELSON. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. NELSON. Mr. Speaker, 5 years ago Franklin D. Roosevelt became President of the United States. Having this thought in mind, I have taken time to glance through some of the papers, especially those dealing with markets and finance, of March 4, 1933. In so doing, I have made some comparisons with the present.

In the New York Times of 5 years ago, I note this heading, Big Decline in Deposits—$823,733,000 Drop for 21 Banks Here Since February 11 Shows Strain on Institutions. Here is another, which appears under an Akron, Ohio, date line. Rubber Plants Cut Week—Goodyear and Master Tire Cos. Go on 2-Day Schedule. Compare the story given in these captions with that told in headlines which appear in the same New York Times this week. I refer to such as these. Beech-Nut Packing Gains—$2,741,203 Profit for 1937 Equal to $6.24 on Share. American Metal Increases Income—Net of $4,345,186 Last Year Compares With Profit of $1,726,053 in 1936. $9,765,126 Earned by Crane Co.—Consolidated Income is Equal to $3.63 a Common Share, Against $2.04 in 1936. $8,100,521 Cleared by Corn Products. Coca-Cola Earned $24,681,616 in 1937—Profit After All Charges Compared With $20,398,078 in Previous Year. Bethlehem Steel Reports 1937 Gains—Net Income of $31,819,596 or $7.64 a Common Share Against $2.09 in 1936. A. T. & T. Dividends Covered Last Year—$182,342,866 Earned in 1937, or $9.76 a Share.

To those who have heard only stories of oppression and depression from the big corporations, the fact that many have profited immensely will doubtless come as a great surprise. Clearly, 1937 was a good year as compared with the terrible times which marked much of the previous administration.

Let us look at conditions on the farm, where we have some most interesting figures. On the day, 5 years ago, when Mr. Roosevelt became President, corn at the central markets was selling at 23 cents per bushel, oats at 16 cents, and wheat at 49 cents, compared with 59 cents for corn, 30 cents for oats, and 93 cents for wheat now.

Five years ago beef steers were quoted at $3.25 to $6.50 per hundredweight; hogs, pick of good to choice, 160 to 230 pounds, $3.70 top, with pigs, 85 to 140 pounds, $2.50 to $3.15 per hundredweight. On Friday, in Chicago, the fifth anniversary of the Roosevelt inauguration, hogs reached $9.60 per hundredweight, steers sold at $8.60, with weighty veals up to $11 per hundredweight.

Five years ago No. 1 butterfat on the St. Louis market was quoted at 13 to 14 cents. Today in my home town, Columbia, Mo., the price is 28 cents. Five years ago extra creamery butter was quoted in New York at 16 to 17 cents. Now, at my home, it is selling at from 34 to 38 cents.

Five years ago good farm mules, 15.2 to 16 hands, were quoted at $85 to $125. Today the price is double, with extra choice pairs of mules selling up to $500 or better.

Again referring to newspaper headlines, it is good to note this, Farm Exports up 208 Percent for January 1938, as Compared With January 1937.

So, Mr. Speaker, the best answer to the loud lamentations and complaints so frequently heard at this time is to be found in actual facts and figures. Of course, these do not take into consideration all the advancements and gains made, such as the safety of banks, more people in better homes, the building of roads and schools, rural electrification, the betterment that has come to almost 2,000,000 boys through the C. C. C. camps, an enlarged and continuing farm program, help to the aged and disabled, provision for the unemployed, and a greater sense of security, with added confidence and happiness for millions.

Truly, much has been accomplished. Naturally, some mistakes were made in an effort to meet the universal demand that something be done to prevent conditions becoming still worse. These mistakes can be corrected and further progress made in the right direction if those who today have only criticism will show a willingness to cooperate as they did when they were crying out to be saved.

We need again the spirit expressed by the St. Louis Globe-Democrat, of March 5, 1933, the closing words of an editorial on President Roosevelt being—

We must trust him, and we must help him.

[Applause.]

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

THE LATE FRANK MURPHY

Mr. JENKINS of Ohio. Mr. Speaker, I take this time to bring to you the sad news of the passing of one of our distinguished friends and former Congressmen, Mr. Frank Mur-

phy. Many of you knew Mr. Murphy and those of you who came in contact with him appreciated his many fine and manly qualities. He was a noble gentleman. Mr. Murphy served in this House for 14 years. He was a member of the Committee on Appropriations and his service was conspicuous.

He passed away last night in a hospital in Washington and funeral services will be held Tuesday evening at 7 o'clock at the Zurhorst Funeral Parlors at 301 East Capitol Street. May I ask you to remember the time, tomorrow evening at 7 o'clock.

After services in Washington Mr. Murphy's body will be taken to Steubenville, Ohio, and he will be buried in that city on Thursday afternoon at 2 o'clock.

PERMISSION TO ADDRESS THE HOUSE

Mr. SNELL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY

Mr. SNELL. Mr. Speaker, in view of the further amazing statement made by Chairman Arthur E. Morgan, of the Tennessee Valley Authority, as appears in the newspapers this morning, in which that gentleman definitely charges dishonesty in conduct of the business affairs of the Tennessee Valley Authority, also in consideration of the statement issued from the White House last week by other members of the Authority, in view of the high character of Mr. Morgan as testified by the President of the United States when he appointed Mr. Morgan to his present position, and in view of the demands from every part of the country and, further, taking into consideration the President's belief in Chairman Morgan, I do not believe the majority of the House can overlook at this time the request for a full, thorough, complete, and searching investigation of the Tennessee Valley Authority.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. CROWE. Mr. Speaker, on Friday I asked unanimous consent to extend my own remarks in the RECORD and include therein certain editorials concerning the congressional committee which went to Hawaii last October. I am informed there will be an additional charge of $135 for inserting these editorials in the RECORD. I now renew my request that these editorials may be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. FISH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. Mr. Speaker, I think it only right that some member of the minority should answer the gentleman from Missouri [Mr. NELSON] because he has to do more than give those figures about prices in 1933 if he is going to show us on this side that the New Deal administration has brought prosperity to the farmers.

In reply to the statement of the gentleman from Missouri, may I say that in the year 1926 wheat was selling at $1.50, corn at 90 cents, and cotton at 17 cents, and those prices were in real dollars. Furthermore, during the entire 10 years the Republicans were in power, from 1921 to 1930, the price of cotton averaged 17½ cents. Today cotton is selling at approximately 9 cents, after 5 years of the New Deal. You cannot blame that on the Republican Party or on the tariff. [Applause.]

[Here the gavel fell.]

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes; and pending that, I ask unanimous consent that the time allowed for general debate may be extended 1 hour, one-half to be controlled by the gentleman from Massachusetts [Mr. TREADWAY] and one-half by myself.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, the revenue bill of 1938, with Mr. WOODRUM in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Chairman, the fifth anniversary of the New Deal has come and gone. This administration entered into power with great hopes and expectations, but today, after 5 years, it is floundering around and practically broken down and all but collapsed. It is stalled; and it has no policies and no plans to get us back on the road to recovery, prosperity, and employment. We are in the midst of a government of confusion, bewilderment, reprisal, and propaganda without any financial policy except to squander money and increase the national debt until it is almost forty-eight billions. The tax bill that has been presented to us is a makeshift. It is a snare and a delusion. It does not balance the Budget and does not attempt to balance the Budget. It makes no reference whatever to tax-exempt securities, although in its report the committee prides itself on the fact it does away with tax avoidances. The greatest single loophole is the continued issuance of tax-exempt securities by which the rich avoid paying their taxes. The tax bill which we are considering continues the same old policy of excessive taxes, of destructive taxes, and of punitive taxes that has destroyed business confidence in this country, prolonged the depression, and retarded recovery.

This bill will not help in the present juncture of affairs to restore confidence, expand business, and put our wage earners to work.

The President says the old ship of state will continue on its same course, without change of policy. This is the worst news that has come out of the White House for a very long time. If there is no change of policy it means that for the next 3 years we will continue to have increasing unemployment, a worse business depression, and a lessening of business activity.

It is true that in this bill the undivided-profits tax is modified, but the principle remains. The committee merely scotched the undivided-profits tax. Why was it not eliminated if it is wrong? Everybody knows that it has been harmful and that this tax has made it impossible for business concerns to expand or to plow money back into business activity and to put labor to work, and that is the most important issue before us. Why did the members of the committee keep this principle in the bill if the principle is wrong and harmful? Why, to save the face of the President.

Two years ago the President recommended this particular form of taxation as the way out, but instead it has destroyed confidence and sadly reduced business activity; yet now the committee refuses to take this undivided-profits tax out of the bill because it does not want to humiliate the President or hurt his pride. What do the millions of unemployed think about this? What do they care about the pride or the face-saving of the President? They want jobs, and the only way they will get jobs is by the administration's giving business a square deal and letting business expand and employ labor. Everyone is beginning to understand that the

repeated attacks and abuse of business had destroyed confidence and brought on the Roosevelt depression with 12,000,000 unemployed and 4,000,000 on part time. Furthermore, in the very limited time I have I want to point out that there is nothing in this bill that will pay for the proposed $1,000,000,000 Navy expansion program. Who will pay for the $1,110,000,000 in addition to the $550,000,000 carried in the regular appropriation bill which we have recently passed, the biggest peacetime Navy appropriation in all history? Now we are called upon to pass another Navy bill providing for the expenditure of $1,110,000,000. There is no provision in this tax bill for funds for this huge expenditure. Who will pay for it? Why, the people of this country will pay for that $1,110,000,000, particularly the income-tax payers whose incomes average from $2,500 to $50,000, and this includes every Member of the House. You cannot get any more taxes out of the ultrarich. They have been soaked and sweated already. They have been squeezed dry. You cannot possibly get an additional dollar of taxes from those with incomes over $100,000; yet this bill contains those excessive taxes that have driven the rich into buying tax-exempt securities and caused them to take their money out of business. This tax bill retains these excessive taxes up to 79 percent and prevents the expansion of business, because, of course, big money is not available when you need it to develop and stimulate business and employ labor.

This committee absolutely ignores the principle of diminishing tax returns, a principle that has been proved time and time again, and then it asks, "Why is not this a good bill?" The committee takes pride in the bill before us, although it ignores every single sound principle of taxation. In the last analysis this bill does not even pretend to raise enough money to carry on the running expenditures of the Government, but as a tax bill it continues most of the economic fallacies that have all but wrecked business activity.

In the final few minutes I probably have remaining, I want to call the attention of the Republican Members, as well as the entire House, to the testimony of Mr. Bernard M. Baruch, an intimate of the White House, a friend of the President, a lifelong Democrat, a big contributor to the Democratic Party, a successful businessman, and an outstanding student of finance and economics. He testified for 2 days before a Senate committee recently and stated that if the present administration continues these unsound policies it will mean the ruin of business in America. He spent 2 days showing the folly of the economic and financial fallacies of the New Deal, and yet we proceed here in utter disregard of such warnings and refuse to extend any help to business. Here are a few of Mr. Baruch's statements: "If the New Deal remains what it has recently appeared to be, there is no hope for reemployment and substantial recovery," and "I say it with regret but I would be less than candid if I failed to express my opinion that unemployment is now traceable more directly to Government policy than to anything business could or should do and if those policies are not changed, neither business nor Government can ever solve this most terrible of all problems." I make this single prediction: If we do not do something in this Congress by way of legislation to restore confidence and encourage business by doing away with these punitive, destructive, and excessive taxes, more millions will be unemployed, the business of the country will come to a halt and we will have a far worse financial and economic disaster than we had back in 1929.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield for a brief question.

Mr. RICH. If the undistributed-profits tax was not good for banks and insurance companies, how could anyone conceive that it would be good for any business enterprise?

Mr. FISH. The undistributed-profits tax never was any good for any type of business or any kind of enterprise. It was one of those magic wand-waving proposals imposed upon Congress by the President himself. It was a kind of magic flute that when played revenue was to gush forth and fill the Treasury of the United States and, like all unsound and visionary reforms, it was a total failure and did nothing but destroy confidence and bring disaster to American business and unemployment throughout the Nation. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Chairman, the House has just listened to the gentleman from New York [Mr. FISH] tell us how the Democratic administration has ruined business by the enactment of various laws, among them the Revenue Act of 1936. There was never a time when a revenue or tariff bill was pending that Congress was not told business would be destroyed, sometimes when the Republicans were enacting prohibitive tariff measures, such as the Smoot-Hawley law, and at other times when the Democrats were undoing the work of the Republicans. When the security and exchange bill was pending in this House a young gentleman, one of the leading businessmen of St. Louis, my home city, came here and told me the law would put his corporation out of business. The same argument was advanced by him when the existing revenue law was passed, including the undistributed-profits tax and the capital-gains tax. This gentleman, Mr. Edgar M. Queeny, has not written me for a year or more and therefore I do not know what argument he advances in regard to this bill, but I do know the great corporation of which he is at the head is still in business and, more than that, it has from year to year since Mr. Roosevelt became President increased its annual earnings. Seemingly with a great deal of pride Mr. Queeny has just made a public announcement of the activities of the Monsanto Chemical Co. He has a right to be proud of the record of achievement because it shows a decided increase in earnings over the previous year.

Probably the outstanding critic of the Roosevelt administration in St. Louis, the contributions of this gentleman to the Republican National Committee running into five figures, only last week Mr. Queeny called a meeting of businessmen in St. Louis and passed out cards urging them to pledge financial support to the Republican National and State Committees. Can his opposition to Mr. Roosevelt and his administration be due to the destruction of his business, which he said would certainly follow if the security and exchange bill and the revenue bill of 1936 became a law? No; this cannot be the cause, as the earnings of the corporation continue to advance from year to year.

Now, let us see how Mr. Queeny's prediction came true. I hold in my hand an article published in the St. Louis Star-Times of March 5 in which Mr. Queeny proudly recites the advances made by the Monsanto Chemical Co. As I read this article I want you to remember that it comes from the man who said the Democrats would ruin him, would put him out of business. The article follows:

MONSANTO'S 1937 BUSINESS MAKES ALL-TIME RECORD—SALES AND EARNINGS AT NEW HIGH, PRESIDENT EDGAR QUEENY REPORTS

Edgar Monsanto Queeny, president of the Monsanto Chemical Co., in his report to stockholders of the company for the year ended December 31, 1937, pointed out today that sales and earnings of the company established all-time records.

The report shows net sales were $33,202,356, as compared with $28,848,438 in the previous year, or an increase of 15 percent.

Net income before deductions for minority interests and dividends on the company's preferred stock was $5,162,511. After these deductions net income applicable to the common stock was $4,898,309, equivalent to $4.40 a share on the 1,114,388 shares outstanding at the year end. This compares with net income of $4,468,704, or $4.01 a share in the previous year.

TAXES MINIMIZED

Income and undistributed profits taxes were minimized by the establishment of losses occasioned by the sale in November of undeveloped power sites acquired with the assets of the Swann Corporation in 1935, and the results of the fourth quarter of 1937 were benefited therefore by the reversal of unneeded tax liabilities set up in the first two periods of 1937. Provisions for these losses had been made in the accounts of previous years.

In June 1937, to provide funds for continued plant expansion and working capital, the company sold 50,000 shares of $4.50 cumulative preferred stock, which were offered to the public at $101.50 a share. This issue is series A of the 275,000 shares of preferred stock authorized by shareholders at the last annual meeting. The net proceeds to the company after legal, underwriting, and other expenses approximated $4,925,000.

BALANCE SHEETS MERGED

The balance sheet as of December 31, 1937, consolidates those of Monsanto Chemical Co. and its subsidiaries, Monsanto Chemicals, Ltd., Merrimac Chemical Transportation Co., and New England Alcohol Co.

Merrimac Chemical Co. and Monsanto Holdings, Ltd., wholly owned subsidiaries, were liquidated in 1937 and their net assets transferred to the parent company.

During 1937, as in 1936, four quarterly dividends of 50 cents and a special dividend of $1 a share were paid on the common stock. A pro rata dividend of $1.64 a share was paid on December 1, 1937, on the preferred stock and a semiannual dividend of $2.25 a share was declared and is payable on June 1, 1938. Monsanto Chemicals, Ltd., the British associated company, paid regular dividends on its preference shares. All dividends totaled $3,618,018.

Consolidated assets increased by $7,794,679 to $52,741,919. The book value of each share of common stock outstanding increased to $27.17 from $25.82.

A few moments ago I referred to Moody's Manual of Investments for 1937. That even gives a better picture of how the Democrats have ruined this corporation. In 1932, under a Republican President, the Monsanto Co.'s comparative consolidated balance sheet shows current assets of $6,393,261 and current liabilities of $1,117,590, working capital $5,275,671, while in 1936, after 3 years of Democratic rule, 1936, is the last record available in the manual, the current assets were $16,144,675, liabilities $3,743,137, working capital $12,402,538.

A few years ago this corporation opened a branch in England, increased its operations from year to year, and is now operating on a large scale. Of course, they are required to pay taxes to the British Government. I am told by a distinguished member of the Ways and Means Committee the tax on corporations to which this organization is subject in Great Britain is 30 percent. Assume for the moment that this revenue bill carried the British rates. If it did, an army of businessmen would storm Washington that would make Coxey's army look like a joke. I like to see American business expand, but I dislike to see corporations where the owners, through the protection of this Government, made fortunes, go abroad and open branches manufacturing commodities formerly produced by American labor. Even with a tax such as exists in Great Britain this branch is making money because the report in Moody's so indicates.

Mr. Chairman, I say to the gentleman from New York as well as to the House that here is a clear indication as shown by the record that does not justify the gentleman's argument that our revenue law has ruined business. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Ohio [Mr. LAMNECK].

Mr. LAMNECK. Mr. Chairman, I have listened with a great deal of interest to the debate on this bill in the past 2 days, and one thing that I regret to note is that both sides of the aisle in their speeches indicate that the question is a partisan question. I hope that every Member of this House, no matter whether he be Democrat or Republican, will look at this thing from the standpoint of the interest of the country and not as a Republican or a Democrat, because if we do not do that I fear that our decision might not be made along the right lines. I never was more sincere in my life than I am at this minute trying to pass the right kind of a tax bill before we adjourn.

The preliminary part of my remarks I shall devote to some of the things that the gentleman from Kentucky [Mr. FRED M. VINSON] said. He was the chairman of the subcommittee.

His remarks were chiefly directed to title I–B, retaining the undistributed-profits tax on closely held corporations.

Mr. VINSON's arguments was directed almost entirely to a defense of title I–B, retaining the undistributed-profits surtax on closely held corporations.

In general, the most significant point about his address was an omission. At no time during his remarks did he mention section 102, or cite the ineffectiveness of this provision as the necessity for title I–B. This is particularly noteworthy, since the alleged break-down of section 102 was the only reason advanced by the subcommittee for recommending such a penalty tax. Mr. VINSON's failure to make this point would seem to be an admission that there is no real case to support it. If so, the supposed necessity for the enactment of such a provision vanishes.

The major arguments made by Mr. VINSON for title I–B were as follows (p. 2779):

We stand upon the philosophy of taxing according to ability to pay. We divide corporations into three groups.

The inference that title I–B corporations are taxed more heavily than other corporations because they are better able to pay is wholly without foundation. On the contrary, it is difficult to conceive of a tax with less relation to ability to pay. Practically all of the huge corporations, with annual net incomes in excess of a million dollars, are widely held. Under the bill, they will pay a maximum tax of only 20 percent, while smaller I–B corporations will be subject to a tax up to 31.2 percent—56 percent greater.

Moreover, the I–B tax, like its predecessor, the undistributed-profits tax, is levied according to inability to pay. The corporations which can distribute will distribute and avoid the tax. The corporations which cannot distribute will be taxed. And the greater the need to retain earnings the higher the tax. Mr. VINSON said further (p. 2781):

The statement was made that if you have a corporation widely held that makes $300,000 and a corporation making $300,000 closely held, it is not fair to place a higher tax on the $300,000 net income that is closely held. If you have the same dividend policy in a closely held group as in a widely held group, you would not have any trouble about it.

This statement is incorrect. Of course, if each distributes more than 60 percent of net income, there is no tax differential, because neither is an I–B corporation. But if both follow a policy of distributing less than 60 percent annually, there is a severe discrimination against the closely held company. Assuming that the closely held and widely held companies each have a net income of $300,000 or more, the effective rate of tax on the closely held company will be greater than its widely held competitor by the following percentages:

Disadvantage—Effective rate of tax

Percent of net income distributed:	*Percent*
0	56.0
10	47.2
20	38.6
30	28.6
40	18.6
50	8.2

The gentleman from Kentucky [Mr. FRED M. VINSON] went on further to say (p. 2781):

In a $300,000 net-income corporation widely held the stockholders put pressure upon the directors of that corporation to declare dividends. Why? Because they have their money invested in that corporation and they feel they are entitled to a return upon that money if the corporation is making the money. Of course, they are right in that position, and your widely held corporation distributes; and that money pays a corporate tax before it is distributed and then it goes into the hands of the shareholders and pays both normal tax and surtax, and consequently the Government gets the corporation tax and the normal and surtax from individuals. When you come to the closely held corporation, a nondistributor, you get the corporate tax. What we are trying to do here without any punishment is to get substantially the same number of revenue dollars from the same amount of net income, whether it is earned by the widely held corporation or by the closely held corporation.

No such generalization is justified by the facts. A corporation coming squarely within the definition of an I–B corporation in the bill may have a hundred or a thousand minority stockholders exerting pressure on the management to distribute. Conversely, a widely held company may be controlled by a few individuals owning as little as 10 percent of the stock, who can prevent the declaration of dividends if it is to their advantage to do so. The distribution of the stock does not afford a reliable guide to corporations withholding dividends to avoid surtaxes.

It is probably true that closely held corporations, as a class, distribute a smaller percentage of their income than widely held corporations. There is a good, practical reason for this policy, however, which has no relation to the avoidance of surtaxes. The widely held corporation can usually raise adequate funds for capital purposes by issuing new stock or bonds. The closely held corporation, on the other

hand, does not have access to the capital markets and can obtain funds needed in the business only out of earnings. Quoting further, Mr. FRED M. VINSON said (p. 2782):

> There will only be from 300 to 600 corporations that will fall within the I–B category according to the best judgment of the experts in the Treasury of the United States.

There are several criticisms of this estimate.

In the first place, it indicates only that the application of the title is very limited, which in itself means nothing. There is no evidence at all that these 300 to 600 corporations are the ones which should be taxed at heavier rates than the general class of corporations. If the Treasury's informal estimate still stands, that only 1 out of 10 corporations in the I–B classification are actually avoiding taxes, it would appear that only 30 to 60 are proper objects of the I–B tax. It is more than likely that the rest of them—and perhaps all of them—are in the group only because they are so unfortunately situated that they cannot distribute enough to escape it.

I wonder if that is true, and if we are directing this tax to only 30 to 60 corporations, and, if so, I wonder at whom we are directing the tax. Is it the newspapers who might not agree with our policy? Is it Henry Ford, or is it some large corporation closely held? Who is it? I have inquired fro mnumerous people to furnish us a list of those that might be affected by this tax, and I have never been able to get it. I contend this also, that if tax on closely held corporations is carried, it ought to apply to a man whether he makes $5,000 or $10,000, or $50,000, or $500,000, or $1,000,000, or any other amount. If this bill is right, and a tax against closely held corporations is carried, it should apply, regardless of what the profit is, and the reason it does not apply—and I say this in all conviction—is because somebody somewhere is after some corporation or a group of corporations, I do not know who, and as far as I am concerned, I shall never vote for a tax that discriminates against any corporation. I go further and say that if there was only one corporation in this I–B tax, I would be against it, because I am opposed to the principle of discrimination in tax.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. LAMNECK. I do not yield now, because I have not time enough to yield.

The estimate also ignores the fact that a great many more corporations—probably in the thousands—would be taxed under title I–B if they did not distribute more than 60 percent of their income. Instead of determining dividend policies according to sound and prudent business considerations, the management of these corporations will hereafter have to take into account the harsh punitive provisions of title I–B.

Mr. VINSON laid great emphasis on the fact that none of the witnesses appearing before the committee to attack title I–B actually would pay a tax under the title. With only one or two exceptions, however, the companies represented by these witnesses were potentially subject to the tax. The only reason for their exclusion was that last year, or for the 2 or 3 preceding years, they had distributed more than 60 percent of their income. If circumstances this year, or in any future year, should prevent them from continuing their liberal dividend policies, they would automatically become liable for the penalty tax. This, despite the fact that their past dividend policies indicate clearly that none of them is a tax-avoiding corporation.

I want now to call attention to a typical illustration of what this tax does. Suppose a corporation made a million dollars. Under this bill, that corporation would have to pay a tax of $200,000 and that would leave $800,000 to distribute. If they stayed under this bill, they would pay $312,000, and if they did what Mr. VINSON and some members of this committee said they ought to do, that is, distribute this profit to themselves, do you know how much that tax would be? It would be $697,000. Where is there a man that would be so dumb as to distribute to himself a dividend that would require him to pay $697,000, or 69.7 percent of his earnings, when he could get along with 31.2 percent? I do not know where you can find a man that crazy. I do not think you could. Mr. VINSON further said (p. 2781):

> For the 10 years next preceding 1936 the average distribution was 75 percent.

And on page 2783:

> At $100,000, 20.8 percent takes them out of the I–B tax; $150,000 net-income corporations, 41.7 percent in dividends takes them out; $200,000, 51.1 percent in dividends takes them out; and $250,000 and above, 57.6 percent takes them out.

And so forth. It may be conceded that these statistics are correct—that title I–B does not apply to the average corporation, nor to the corporation with $100,000 earnings distributing 20 percent or more. Again, however, these figures indicate only that the penalty tax has a limited application. It is small consolation to the corporation actually taxed to know that it is not an average corporation, or that most of its competitors can escape by distributing only 20 percent of their income. The corporation affected by this provision, without justification, is the one which is closely held, operated for legitimate business purposes and not for tax avoidance, and yet cannot distribute current earnings.

Mr. VINSON laid great stress on the cushions provided.

The fact that it is essential to make so many exceptions to title I–B before it will work at all indicates clearly that the principle itself is unsound. While these exemptions and credits represent a clear improvement over the present undistributed-profits tax, they do not, by any means, cover all the possible or probable hardships. To cite a few examples: What has been done for the corporation whose earnings are not in the form of cash, but in inventories, accounts receivable, or other items which cannot be distributed? Or the corporation with heavy capital losses, which cannot be deducted in computing net income subject to tax? Or the corporation with a contract preventing the declaration of dividends? He said also (p. 2783):

> I have referred to the fact this I–B tax does not go to the extent it is claimed it does. If you paid the entire difference, 11.2 percent more tax, you would be paying then only 1.2 percent more tax than the corporations in England pay today. The corporate tax rate in England is 30 percent.

The important fact about the rate of tax under title I–B is that it applies only to a special group of corporations. Although it is somewhat lower than the present undistributed-profits tax, all corporations are equally affected by that tax, while the I–B tax singles out a particular type of operating company in competition with companies taxed at lower rates. This criticism also holds good in a comparison with the British tax. It should also be noted that the shareholders of a British corporation, upon receiving dividends, are allowed a credit for taxes paid by the corporation. Also he said (p. 2783):

> We provide for a consent dividend. If the company does not want to pay out dividends but wants to keep the money for corporate purposes, the shareholders can agree they will take up the tax on their dividends in their income tax. * * * I do not see why five or six people, possibly of the same family or closely connected, could not agree to take up the tax if they need the money in the corporate business.

The practical value of this credit is very doubtful. The complexity of the provision, which requires more than six pages of the bill to set forth, and the number of limitations prescribed make the extent to which it can be used uncertain. It appears, however, that a corporation which has so few stockholders that it can obtain such consents has no necessity for them, since it could accomplish the same result by paying dividends in cash and inducing its stockholders to reinvest the money. [Applause.]

I want you to go back with me 2 years ago. Those of you who were here at that time will remember that I opposed the surplus-profits tax with all the might I had. I think experience has shown that that tax was no good. If that were not a true statement, why are we revising the tax bill now? Why a new bill if the old bill was right? The reason is that there is not a single businessman in the United States who is

for the 1936 bill; there is not a newspaper of any prominence that is for this bill. I will say that Congress is not for it, if the Members expressed their honest convictions. I will go even further and say on my own responsibility that I do not believe that the members of the Ways and Means Committee are for that provision of this bill. I will go further and say that I know they would not have been for I–B had they been permitted to express their honest convictions.

If we must have a new bill, and if the undistributed-profits tax is no good, I ask why do we not repeal it? [Applause.]

I will go further and ask that if we repeal the undivided-profits tax why do we put in a new provision picking out certain corporations that we want to penalize?

I have a letter here from one of my constituents, the Jeffrey Manufacturing Co., of Columbus, Ohio, a mining-machinery company that employs 2,000 men. Outside of the railroads they employ more men than any other industry in my district. What do they say?—

> As you know, the enactment of the proposed punitive tax on closely held corporations would be a serious blow to the Jeffrey Manufacturing Co. Such legislation would seriously handicap and tend to destroy the many proprietary companies operated by their owners, which throughout our history have been looked upon as a sound safeguard of our industry.

I have three or four other letters that I would like to read, but I do not have time.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Chairman, I ask unanimous consent to extend my remarks, and to include therein a table and an article regarding the taxation of salaries.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CROWTHER. Mr. Chairman, at this time I desire to pay a very deserved tribute to the chairman of the subcommittee, the gentleman from Kentucky [Mr. FRED M. VINSON], with whom it has been my pleasure to serve on subcommittees during the past 5 years under this administration. The former member, the gentleman from Washington, who is now on the Board of Tax Appeals, Mr. Hill, was our chairman for a considerable period of time. He was succeeded by the gentleman from Kentucky [Mr. FRED M. VINSON]. Our associations have always been in the highest degree pleasant and agreeable, and for him I have the highest regard and affection. He is about to graduate from the House of Representatives to occupy a very high position in the judiciary, which I am sure he will grace with dignity and with great ability. [Applause.] I am sure we all wish him a very great measure of success.

I may say in passing that the seven members of the subcommittee during the past 5 years have put in nearly a year and a half of extra time on subcommittee work, meeting after the House adjourned and meeting sometimes 2 months before the House convened for the session. So the task of revising this tax bill was not a new job for us, because we had been engaged in similar activities on three previous occasions. We started the revision on the 4th of November. The next day, the 5th, I remember, I earnestly urged the committee to do two things, repeal the undistributed-profits tax and greatly modify the capital-gains tax by going back to the rates of the 1924 law.

I urged that we do that during the special session of Congress. I stated that those seemed to be the two outstanding features of the law toward which criticism was aimed, not only by the press but by individual corporations and citizens of the country in general. I said:

> I am quite free to admit that a very large portion of it is propaganda but I think we ought to attack this problem now, get rid of it, bring our bill into the special session, secure its passage, and then devote our time to general tax revision and have that bill considered in the regular session.

I could not prevail upon my colleagues in the committee to do that. They were afraid, or, they rather objected—I will not say they were afraid, because they are a courageous lot—to being what they termed "stampeded" into doing anything of such importance without time and consideration having been given to the subject.

I wanted also to repeal the undistributed-profits tax, and starting from scratch find out from our statisticians and our experts just what it would take in the shape of a normal corporation tax to supply the necessary revenue. This I think would have simplified matters tremendously.

I also made another suggestion. In raising the normal corporation income I thought we should avoid all the complications that ensue under the present law and that we should raise it by a slight graduated tax on the gross income of corporations, doing away with deductions, subtractions, and all the multiplicity of combinations that are entered on every tax return in order to arrive at the final tax. Of course, taxing gross income is open to argument and criticism. It may be characterized as a capital levy, but this charge cannot be leveled at my proposition until we get rid of the capital-gains tax, which in many instances is also a capital levy.

This tax on gross income would be easy to collect, it would be easy of determination, and it would provide the necessary revenues. I do not believe in a flat tax. I believe it should be a graduated tax, starting at perhaps one-eighth of 1 percent in the case of small corporations and going up as high as 2 or 3 percent on large corporations. This would give us a wide field. Taking the year 1929, and considering gross income, it would have provided a revenue of $1,600,000,000. Our normal corporation tax receipts at that time were about one billion point two. It would have given us sufficient money. Of course, in bad times the amount of tax money collected would shrink, but that occurs under the present law, and for the same reason.

When we were considering the 1936 act I found the administration was determined to have this undistributed tax in the bill. I urged very strongly that when a corporation could make a showing to the collector of internal revenue that they had used a hundred thousand dollars, assuming there was a $200,000 undistributed net, for the purpose of plant extension, the buying of new plant machinery and putting 150 new men to work, if they could make a satisfactory showing to the collector of internal revenue, that amount of money would be exempted from taxation under the undistributed-profits tax provisions. I said, "If you do not want to do that, give them a preferential rate," but the committee did not like that proposition. Finally someone asked me what I considered a preferential rate. I said that I had not thought the thing through, but it seemed to me if we gave them a rate of 5 percent, and they would have to pay this amount on any money they borrowed to make improvements, that would be about right. At that time we calculated to tax them 42 percent. The capital stock, normal corporation, and excess-profits taxes were repealed in the House bill. Forty-two percent looked like a pretty heavy tax. It looked almost like confiscation. There is no question but what these were being considered as pressure rates.

We had many representatives of corporations, it is fair to say, who came before the committee and stated they would rather have been working in the last year under the House bill than the bill as it came from the conference between the House and Senate. This made me more insistent than ever that we raise our money by a flat corporation tax, find out what rate was necessary to raise it, rather than have these various types of penalty taxes injected into our system.

I am disturbed, and I think the country is disturbed from north to south and east to west, over the growing tendency that appears to be developing under this administration of using the taxing power for the purpose of penalization and punishment rather than for the purpose of raising revenue. [Applause.]

I think it is a radical departure from sound tax policy, and it necessarily retards the development of confidence so essential to business recovery. It brings to mind that old axiomatic saying that "the power to tax is the power to destroy." I think this is evidenced by the flood of communications that have been received by the Members of the House.

I had just one objective in view in allowing this exemption for money put into plant extension or for the purchase of new equipment. I had in mind the relief of the unemployed, and unemployment in 1936 was still staring us in the face as it is now. I said, "Why not make that an objective? Why not make it an objective to industry to employ men and relieve them from taxation on plant expansion, money used for the purchase of machinery equipment, and so forth, which gives them the opportunity to employ more men?" I had in mind that we should work along with corporations and with industry in a spirit of cooperation. We cannot be at sword's point continually and make any reasonable headway in the country so far as business recuperation is concerned.

The capital-gains tax has been considerably modified in this bill. That is the second contentious point, but, to my mind, it has not gone far enough. I think if we went back to the 1924 rate of 12½ percent with a liberal allowance for losses it would be better, because while you enjoy gains you suffer losses. There are being charges made that those involved are stockbrokers, gamblers, and speculators, but still there are many legitimate transactions which deserve the attention of our committee in the preparation of this section.

The lowering of the capital-gains tax would result in a more rapid turn-over of money in this country. We have just as much money as we have ever had. I am not one of those who believe in printing money. There are about six or seven men in the House now who know all about money. Every one of them has a scheme that will cure all the troubles of the world, but I do not believe that can be done as easily as they predict. We have as much money per capita as we ever had, but its velocity has slowed up. I have known two or three men who are supposed to have made money in the slow rise of the stock market. When I asked them if they had really made any money they said, "Yes." I said, "On paper? Have you sold anything?" "No; we have not sold it." "Well, don't tell me you made any money until you have sold it. Show me some concrete evidence." They said, "We won't sell it and pay this tax we have to pay now."

Hundreds of millions of dollars during the last few years have been held almost in hiding because people will not sell and take their profits and pay the tax they are compelled to pay under existing law. A change has been made now that affords some considerable relief, changing the 10-year period for long-term holdings to a 5-year period. In my estimation we have not gone anywhere near far enough.

Then there is the I–B tax, about which so much has been said, the special penalty tax on the closely held or family corporations. I do not believe this tax needs very much discussion, because it must appeal to the average man as being absolutely unfair. In my opinion this tax is absolutely indefensible. It has no place in a tax bill written by the Congress of the United States. It is an admission of one or two things. It is either a candid admission that we as a Congress, following through the work of the committee, do not know how to write section 102, which provides penalties that this I–B section is designed to inflict, or it means that the Treasury Department in its prosecutions, and the courts, are utterly unable to translate the intent of Congress in construing section 102. This I–B provision is a frank admission of one or the other of those failures.

I do not believe there is anything more to be said about that tax. I do not care to make the implication that it was aimed at some few corporations, but if it was aimed at anybody they intended to use an old squirrel rifle and found instead they had used one of those blunderbuss shotguns that spread the shot over a considerable territory. That they have hit more than they knew existed is evidenced by the fact that considerable fault is being found all over the country with this tax. They inflict a particular hardship upon family corporations where the business has been handed down from generation to generation. Some of these institutions have been the very bulwark of America in the spirit in which they have been carried on from father to son. I believe it is a poor plan to penalize such corporations. Of course, some modification has been made in that section, too. The amount of income has been raised, and the amount which the corporations distribute may in some cases relieve them from the penalty of the tax, but still, as a matter of policy, this tax absolutely does not belong in the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from New York.

Mr. TREADWAY. Mr. Chairman, I yield 2 additional minutes to the gentleman from New York.

Mr. CROWTHER. Mr. Chairman, I am going to ask that these figures be placed in the RECORD. They are very interesting. This is an article by a New York accountant. We heard so much criticism in the press a short time ago regarding the munificent salaries that were paid to men in high places in this country that it seems to me these figures should be given some publicity. It appears to me the payment of these salaries results in the Federal Government and the State governments getting nearly all the money. In fact, it becomes necessary for an industrial corporation to pay these large salaries because of the Federal and State taxes, in order to get to the men finally what the corporation really believes they are worth.

For instance, Alfred P. Sloan, president of General Motors, received a salary of $561,311. This sounds like a pretty big salary, and a demagogue would go out on the hustings and talk about "this bird up here who gets half a million or more dollars a year, while you have to live on a loaf of bread and a can of beans"; but he does not tell the fellow out on the hustings that all Mr. Sloan can keep of that salary is $155,896. He pays in Federal taxes $395,000 and in State taxes $55,881. He retains only 27 percent. So it runs down the line.

Mae West, who lately was mixed up in a little one-act radio skit entitled "Adam and Eve and the Wily Serpent," which met with some criticism, had an income of $323,333, but Mae could keep only $112,123 of this amount because she paid in Federal taxes $179,000 and in State income tax $33,000.

Eugene O. Grace, president of Bethlehem Steel, received $180,000 and retained $79,706, or 44.3 percent. He paid 55.7 percent in taxes.

I believe it is only fair that as long as criticisms were leveled at these high salaries there should appear in the RECORD at least a few examples so the general public may have some knowledge of how small a portion of these salaries is retained and how much the Federal and the State Governments get with the long arm of the tax gatherer. [Applause.]

[Here the gavel fell.]

The statement and figures referred to follow:

THE SALARIES NOBODY GETS—OFFICIAL FIGURES CONCEALED HEAVY TAX DEDUCTIONS

(By M. L. Seidman, C. P. A.)

The personal income tax is usually pointed to as the best example of a tax that cannot be passed on to the consumer. One seldom thinks of it as a tax on business. However, when we come to the personal income tax on large salaries paid by industry, there is at least a good deal of doubt as to whether in the last analysis the tax is not really paid by industry itself and not by the individual.

We know that compensation for personal services varies with the talents and capabilities of the individual. All men may be born free and equal, but they do not permanently remain that way. Great executive ability is possessed by but few men and inborn latent ability plays its important part in the market value of a man's services. As a result, if we take the field of government, for instance, there is the clerk whose maximum earning power is, say, $1,500 a year, while the President of the United States receives $75,000 a year, plus reimbursements and privileges worth substantially more than the salary itself.

The same, of course, is true of business. There is the $1,500-a-year clerk, the $10,000-a-year junior executive, and the $100,000-a-year chief executive. To industry the services of some men are, in direct proportion, worth more than that of other men. That same direct proportion, however, is not carried through when it comes to taxing the earnings of these men. The exact opposite is in fact true. For the chief executive who is worth to a business, say, 10 times that of the $10,000 assistant, pays under our income tax laws not 10 times, but 36 times as much in income taxes. And if we assume that it is the net salary, not the gross, that is the basis of comparison between the senior and the junior executive, then in order to net $100,000 the senior executive must pay, not 10 times, but 130 times the tax of the $10,000 man.

To illustrate the point, let us assume that A receives a salary of $11,000 a year, which, after paying his Federal and State income

taxes of approximately $1,000, leaves him with $10,000 net. Assume B's services are worth 10 times that of A, or $110,000. If B were to pay 10 times the tax of A, or $10,000, he would have left $100,000, which is exactly 10 times what A has left. But our progressive surtax rates work out in such a way that in order for B to have left 10 times as much as A, he must receive a salary not of $110,000 but of $230,000, for the tax (including a 10-percent State tax) on $230,000 is about $130,000, leaving B with $100,000 net.

The extra $120,000 goes to the Government. It is paid to B by industry as so much more salary. Actually, it is B's disproportionate income tax over that of A that industry is paying. The Government might just as well have said to industry that if it wants to employ B at a salary which would net him 10 times A's salary, industry must pay the Government a $120,000 tax for that privilege.

Do we ever think of these large salaries from that point of view? The 1936 list of corporation salaries was published the other day. Some spectacular figures were blazoned forth to the country. Nowhere, however, was there indicated how much of these amounts, in reality, represents payment to the Government itself. Below is a partial list of some of these salaries, ranging from the $561,311 paid to Mr. Sloan, of the General Motors Corporation, to the $50,000 paid to Mr. Whiteside, of Dun & Bradstreet. In order to see clearly just how much the recipient does not retain of what he is advertised to have received, the amount of so-called compensation has been split up in each of these cases between the estimated Federal and State income taxes and the net amount retained by the recipient.

As a matter of fact, the tax collector's share is probably much larger than this list shows. For in arriving at the amount of the tax, the salary was in each case considered as the only income of the individual, hence, subject to a tax beginning with a 4-percent rate and ranging upward in the scale of surtaxes. The State's share of the tax has been figured in all cases at an average of 10 percent, which is probably about correct as an average for the list as a whole, though they range from zero in a few States to 15 percent in California.

It is undoubtedly true in all of these cases that the salaries received by these men did not represent their only income. This would mean that the tax rates on these salaries instead of starting at 4 percent, did so at a much higher rate, if they be considered as coming on top of such other income. Take the case of Mr. Sloan, for instance. It is known that during the year 1936 he owned some 25,000 shares of General Motors common stock, which in that year paid a dividend of $4.50 a share. Say that he received at least $100,000 in dividends that year. The lowest combined State and Federal tax rate on his salary on top of the dividend income would be 65 percent and the tax on the salary would be nearer to $460,000, leaving him about $100,000 out of the total salary of $561,000. If the man with the $50,000 salary also had $100,000 net income from other sources, his salary would be taxed at some 70 percent, so that out of his $50,000 salary, he would retain $15,000 and pass along the remaining $35,000 to the tax collector.

These, then, being the facts, would it not seem, in all fairness, that if the truth is to be told with regard to published salaries, the amount kept by the Government in each case should also be published? At least, then, people would understand that by far the greater portion of these salaries is in fact not retained by the named recipients at all, but by the Government itself.

Some 1936 published salaries and estimated income taxes

Salary received	Retained		Name and occupation	Income tax [1]			
	Amount	Percent		Federal	State [2]	Total	Percent
$561,311	$155,966	27.8	Alfred P. Sloan, Jr., president, General Motors.	$349,464	$55,881	$405,345	72.2
459,878	138,885	30.2	William S. Knudsen, vice president, General Motors.	275,256	45,737	320,993	69.8
370,214	122,099	33.0	Gary Cooper, motion pictures.	211,344	36,771	248,115	67.0
362,500	120,556	33.3	Ronald Colman, motion pictures.	205,944	36,000	241,944	66.7
350,833	118,223	33.7	Claudette Colbert, motion pictures.	197,777	34,833	232,610	66.3
323,333	112,723	34.9	Mae West, motion pictures.	178,527	32,083	210,610	65.1
303,423	108,741	35.8	William A. Fisher, vice president, General Motors.	164,590	30,092	194,682	64.2
284,384	104,571	36.8	Warner Baxter, motion pictures.	151,625	28,188	179,813	63.2
269,333	101,260	37.6	Marlene Dietrich, motion pictures.	141,390	26,683	168,073	62.4
260,000	99,206	38.2	Arthur Brisbane, writer (deceased).	135,044	25,750	160,794	61.8
249,500	96,836	38.8	Ruth Chatterton, motion pictures.	127,934	24,700	152,664	61.2
238,744	94,255	39.5	Rudy Vallee, radio.	120,865	23,624	144,489	60.5
216,443	88,902	41.1	C. W. Dayo, president, F. W. Woolworth.	106,146	21,394	127,540	58.9

[1] On basis of $2,500 exemption. [2] Average of 10 percent assumed.

Some 1936 published salaries and estimated income taxes—Con.

Salary received	Retained		Name and occupation	Income tax			
	Amount	Percent		Federal	State	Total	Percent
$180,000	$79,706	44.3	Eugene G. Grace, president, Bethlehem Steel.	$82,544	$17,750	$100,294	55.7
166,862	76,291	45.7	Myron C. Taylor, chairman, United States Steel.	74,135	16,436	90,571	54.3
163,509	75,419	46.1	P. E. Martin, vice president, Ford Motors.	71,990	16,100	88,090	53.9
157,000	73,726	47.0	Samuel J. Briskin, R. K. O. Studios.	67,824	15,450	83,274	53.0
150,000	71,856	47.9	Charles M. Schwab, chairman, Bethlehem Steel.	63,394	14,750	78,144	52.1
137,564	68,374	49.7	Edsel B. Ford, president, Ford Motor Co.	55,684	13,506	69,190	50.3
130,000	66,256	51.0	Walter F. Wanger, president, Wanger Productions.	50,994	12,750	63,744	49.0
126,100	65,164	51.7	Jackson E. Reynolds, president, First National Bank, New York.	48,576	12,360	60,936	48.3
120,161	63,501	52.8	Jasper E. Crane, vice president, du Pont de Nemours.	44,804	11,766	56,660	47.2
115,000	62,056	54.0	David O. Selznick, Selznick-International Pictures.	41,694	11,250	52,944	46.0
108,333	60,190	55.6	R. W. Woodruff, president, Coca-Cola Co.	37,560	10,583	48,143	44.4
100,160	57,831	57.7	S. L. Avery, president, Montgomery Ward.	32,563	9,766	42,329	42.3
95,424	56,363	59.1	B. J. Craig, superintendent, Ford Motor Corporation.	29,769	9,292	39,061	40.9
90,000	54,581	60.6	John E. Zimmerman, president, United Gas.	26,669	8,750	35,419	39.4
83,333	52,248	62.7	Floyd B. Odlum, Atlas Corporation.	23,002	8,083	31,085	37.3
78,000	50,201	64.4	F. H. Brownell, chairman, American Smelting & Refining.	20,219	7,550	27,769	35.6
71,250	47,359	66.5	L. J. Rosenwald, chairman, Sears, Roebuck.	17,016	6,875	23,891	33.5
63,463	43,687	68.8	Edgar M. Swasey, vice president, American Weekly.	13,679	6,096	19,775	31.2
58,330	41,603	70.4	Mary Lewis, vice president, Best & Co.	11,684	5,583	17,267	29.6
55,000	39,231	71.3	Charles E. Mitchell, chairman, Blyth & Co.	10,519	5,250	15,769	28.7
50,000	36,381	72.8	A. D. Whiteside, president, Dun and Bradstreet.	8,869	4,750	13,619	27.2

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Kentucky [Mr. ROBSION].

Mr. ROBSION of Kentucky. Mr. Chairman, ladies, and gentlemen, I own no stock in, neither am I an attorney of, any corporation or other business that might be affected by this tax bill. I do not have any personal interest. I am deeply interested, however, in the thousands of unemployed mine workers, railroad workers, farmers, and other workers, small and large business concerns, and the general welfare of all the people of my district as well as the Nation. I join with labor, farm, industrial, financial, commercial, and other groups, the entire press of the Nation, the Republican Party, and many leaders of the Democratic Party in and out of Congress in demanding relief from excessive taxes. They have pointed out that these excessive taxes are largely responsible for the closed factories, mills, shops, and mines and the general break-down in business of this country. They, as well as myself, are disappointed in this tax bill. Neither the President nor any of his friends in the House contend that there will be any reduction in the taxes taken from business in this bill. In fact, it is stated by the proponents there will be no decrease. We have every reason to believe there will be an increase.

The bill before us merely reduces the taxes for some business concerns and puts a greater amount on other business

concerns. It "robs Peter to pay Paul." It retains the undivided surplus-profits tax that has been condemned as an unsound and dangerous taxing policy by Democrats as well as Republicans and by economists and tax experts generally throughout this country.

When this undivided profits tax bill was passed in 1936, we were told by the New Dealers it would bring us out of the depression. The Republicans and many Democrats opposed it and insisted it would increase our financial and economic difficulties. Subsequent events have proved beyond question how wrong the New Dealers were and how right the Republicans were in their respective contentions.

Disregarding the bitter experience, the administration retains the same principle in the tax bill before us. This bill also increases the tax on closely, locally owned and managed corporations and reduces the taxes on many large holding companies. If there is any corporation or business concern that should not be penalized, it is the business that is locally owned and managed and in most cases built up from the bottom by honest, industrious, capable men in using the undivided surplus profits for enlargement of the plant and business, and thereby increasing employment for workers in their respective communities and localities.

This administration is running true to form in bringing in this tax bill. It has passed a new tax bill each and every Congress during the 5 years it has been in power, increasing old taxes or levying new taxes, or both. This administration still holds to the indefensible and foolish policy that we can tax and squander ourselves into prosperity.

THE NEW DEAL'S FIFTH ANNIVERSARY

Last Friday, March 4, was the fifth anniversary of the New Deal. On the first, second, third, and fourth anniversaries of that "most marvelous event," the beginning of the "Roosevelt dynasty," our New Deal friends in the House and Senate exhausted their vocabularies of powerful descriptive adjectives and superlatives in telling us and the Nation of the wonderful policies and the almost supernatural results of these policies. They were unable to find words to describe adequately and fittingly their great leader, Mr. Roosevelt, and their devotion to him and his army of "brain trusters." They spoke of it on those occasions as the greatest epoch in the world's history. They intimated it was the beginning of the millennium—the answer to the prayers and hopes of countless millions throughout the centuries, leading us to believe that our calendar would be changed and instead of reckoning time from A. D. 1, we would reckon it from F. D. R. 1, March 4, 1933!

On March 3 and March 4 we had general debate on this new tax bill. Under the rules of general debate, this afforded splendid opportunity to our New Deal friends to again open the floodgates of oratory as they did in former years and pay high tribute to the President and his New Deal policies; but our New Deal friends were as silent as a tomb in a deserted churchyard. It remained for the Republicans first to remind the House and the country that that was the fifth anniversary of the never-to-be-forgotten day. [Applause.]

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. ROBSION of Kentucky. I do not have the time and cannot yield.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. ROBSION of Kentucky. I cannot yield now.

Mr. BUCK. I thought Balaam's ass spoke.

Mr. ROBSION of Kentucky. Holy Writ says after Balaam had beaten the ass three times and the Lord had opened his mouth, then he complained to Balaam for whipping him. My friend from California who interrupts me, a good New Dealer, was speechless. He nor other New Dealers did not take the floor last Friday, as he may have done at other times, to boast of the wonderful New Deal until a Republican near the close of the day reminded our New Deal friends that was their fifth anniversary.

Mr. BUCK. I think the gentleman from Kentucky, if he will look——

Mr. ROBSION of Kentucky. Look at the RECORD.

Mr. BUCK. That is just what I want the gentleman to do.

Mr. ROBSION of Kentucky. It is before you and all of us. The RECORD on March 4 shows that my good friend [Mr. BUCK] from California made a speech in favor of this tax bill, including title I–B, but I find nowhere the gentleman even mentioned March 4 or commended in any way the New Deal or the President. It was after the gentleman from California spoke that our Republican colleague, Mr. EATON, from New Jersey, for the first time called attention to the fact that it was the fifth anniversary of the New Deal.

Were the direful results, the result of the New Deal planning? The President said in the campaign of 1936, "We planned it that way and do not let anybody tell you different." Is this dark picture the "more abundant life" spoken of by the President? [Applause.]

WORST PANIC IN THIS COUNTRY'S HISTORY

Our New Deal friends have been silenced with the logic of cold facts. They are now confronted with conditions and not theories. They see the beautiful theories of the "brain trusters" exploded; they see a decline of nearly 60 percent in the automobile industry, a decline of more than 26 percent in freight loadings; they see steel production reaching a new low—29.3 percent of normal production. They see farm commodity prices go down and down from 35 to 60 percent below a year ago. They see a shrinkage in the last year of more than $30,000,000,000 in stocks, bonds, and other securities. They likewise see a shrinkage in the surplus funds of business concerns of more than $7,000,000,000 in the last 5 years. They see 12,000,000 to 16,000,000 idle workers, an all-time high record in this country.

They see the national debt now approaching $38,000,000,000 not counting nearly $5,000,000,000 of bonds issued by Federal agencies, the proceeds of which have been spent by this administration, and the interest and principal of which have been guaranteed by the Federal Government. They see the Federal revenues collected for the fiscal year ending June 30, 1933—$1,855,174,208—increased to $3,800,000,000 for the fiscal year ending June 30, 1935, an increase of over 100 percent in 2 years; and they see the Federal revenues collected jump to nearly $5,800,000,000 for the fiscal year ending June 30, 1937, an increase of more than 200 percent annually over the fiscal year ending June 30, 1933.

They see our Nation confronted with the worst panic in its history. They see that practically all the leading nations of the world that were in a like depression as our country have recovered, with the exception of those engaged in war, and there is very little unemployment in those countries. They also see these nations did not adopt the policies of the New Deal.

Our New Deal friends see in the future increased taxes, deficits, and national debt. They see our Nation threatened with bankruptcy; they see confidence destroyed, class hatred stirred up, strikes and discord multiplied throughout the country; they see the self-reliance, morale, and confidence of the American people broken down.

They see this result after having created the most excessive and burdensome taxes and engaged in the greatest spending program this country has ever known, with the greatest powers ever granted any administration in peacetime.

Therefore, there was no celebration or paeans of praise sung for the New Deal policies or the President on their fifth anniversary. The New Dealers as well as the country were in mourning.

I want you, my hearers, as well as the country, to know that I feel quite as sorrowful as any New Dealer on account of these conditions. They can bring to me no pleasure, because the miners, railroad workers, farmers, the people generally, and business, both large and small, in my district must suffer, and are suffering, as the people throughout the Nation are suffering. The Republican Party and many Democrats and every other patriotic American, while oppos-

ing these unsound and un-American policies which have wrought wreck and ruin in our country, have desired, and still desire, that our country be restored to peace, plenty, and prosperity. We are anxious to cooperate with the present administration on policies that will put our factories, mills, mines, and shops to humming once again, and provide employment for these unemployed millions of our citizens.

THE PRESIDENT QUOTES SCRIPTURE

The President on his fifth anniversary in the White House, March 4, 1938, instead of being able to give a word of comfort to the unemployed and harassed industry, agriculture, and commerce, referred the newspapermen at his press conference to the fifteenth Psalm. In that Psalm we find these words:

He that sitteth not by himself but is lowly in his own eyes.

Does the President undertake to class himself among the meek and the lowly? Knowing as we do his boundless ambition for power and more power, his desire to control through his proposed reorganization bill nearly 900,000 officers and workers of the United States Government, the control of the courts, his impatience with our Constitution, and his regimenting agriculture, labor, industry, and commerce, we are inclined to think that the fifteenth Psalm has no application to the President.

This Psalm also recites, as quoted by the President, but evidently not taken from the King James version:

He that sweareth unto his neighbor and disappointeth him not.

May I also respectfully call to the attention of the President the words found in Ecclesiastes 5: 5:

Better is it that thou shouldst not vow than that thou shouldst vow and not pay.

I trust it will not be considered out of place, inasmuch as the President himself has referred to Holy Scripture, to call attention to what he promised his neighbors and the vows that he made to the American people, and I propose to show that because he did disappoint his neighbor in keeping his promise and because he did not pay his vow, the country finds itself in this panic.

THE PRESIDENT BREAKS VOWS AND DISAPPOINTS NEIGHBOR

I am one of those old-fashioned persons who still believe that the solemn pledges of a party platform and candidates seeking high office should not be made simply to get in but the basis on which to render service after they get in, and I also in my old-fashioned way believe that this Nation cannot, any more than an individual, tax and squander itself into prosperity, and neither can a nation nor an individual continue to spend each year more than it or he takes in and escape the poorhouse or bankruptcy.

Did President Roosevelt and the Democrat Party ever entertain such old-fashioned views? They did until the "brain trusters" and crackpots took possession of the President and the Democrat Party after March 4, 1933.

They try to make us believe now that the rich pay the taxes and that excessive taxes promote prosperity. What did President Roosevelt think of the taxes under the Hoover administration, and who did he say pays the taxes? We quote from his speech delivered at Pittsburgh, Pa., October 19, 1932:

Taxes are paid in the sweat of every man who labors. If excessive, they are reflected in idle factories, tax-sold farms, and hence in hordes of the hungry tramping the streets and looking for jobs in vain. Our workers may never see a tax bill, but they pay in deduction of wages, increased cost of what they buy, or in broad cessation of employment.

You will observe that the President, complaining of the high taxes under the Hoover administration in 1932, yet has increased in less than 5 years the Federal revenues collected by this Government at least 200 percent over those collected for the fiscal year beginning July 1, 1932, and ending June 30, 1933. Yet he said:

Taxes are paid in the sweat of every man who labors. * * * Our workers may never see a tax bill, but they pay in deduction of wages, increased cost of what they buy, or in broad cessation of employment.

Furthermore, confirming that the workingman and the common people pay the greater part of the taxes, in a letter to Mr. Roy Howard, September 7, 1935, he said:

What is known as consumers' taxes, namely, the invisible taxes paid by the consumers in every walk of life, today fall relatively much more heavily upon the poor man than on the rich man. In 1929 consumers' taxes represented only 30 percent of the national revenue. Today—September 7, 1935—they are more than 60 percent of the national revenue.

In other words, the great body of consumers, largely made up of workers, farmers, and the common people, from 1929 to 1935 have had their taxes increased 100 percent. Furthermore, the consumers' taxes in 1929 represented only 30 percent of the national revenue, and on September 7, 1935, these consumers' taxes represented 60 percent of the national revenue, according to the statement of the President. This means a great deal, because the Federal revenues had increased tremendously.

Under the taxing and squandering policies of the national administration for the last 5 years, States, counties, cities, towns, and villages have been encouraged to follow the same policy of increase of old taxes and the addition of new taxes so that today the miners, the railroad workers, the shop and mill workers, the farmers, and the common people generally pay on an average approximately 30 percent of their income for taxes. They are working nearly one-third of the time for the tax collector.

Now, what did the President say was the result of these excessive taxes, referring again to his Pittsburgh speech:

If taxes are excessive they are reflected in idle factories, tax-sold farms, and hence in hordes of hungry tramping the streets looking for jobs in vain. Our workers may never see a tax bill, but they pay in deduction of wages, increased cost of what they buy, or in broad cessation of employment.

The President, in his speech at Pittsburgh on October 19, 1932, not only used the words of a statesman, but his words were prophetic. He has increased Federal revenues, as I have pointed out, more than 200 percent annually. The result is a panic, idle factories, tax-sold farms, 12,000,000 to 16,000,000 hungry needy workers tramping the streets and looking for jobs in vain, a deduction of wages, and a broad cessation of employment. In other words, President Roosevelt told the American people bluntly in 1932 that excessive taxes would bring about a panic. It has arrived.

THE PRESIDENT MADE ANOTHER VOW AND PAID IT NOT

The President made the American people another solemn vow in his speech at Sioux City, Iowa, on September 29, 1932. He was concerned about the high taxes under the Hoover administration when he said:

I shall use this position of high responsibility (the Presidency) to discuss up and down the country at all seasons and at all times the duty of reducing taxes. This I pledge you, and nothing I have said in the campaign transcends in importance this covenant with the taxpayers of this country.

He knew, as had been said by the Supreme Court and tax experts and economists, that "the power to tax is the power to destroy." Yes, he made a pledge and a vow to his neighbors and the people of this Nation:

He that sweareth to his neighbor and disappointeth him not (Psalm 15). Better is it that thou shouldst not vow than that thou shouldst vow and not pay (Ecclesiastes 5:5).

Did President Roosevelt disappoint his neighbors? Did he pay his vows? Who ever heard of President Roosevelt, since March 4, 1933, going up and down the land or anywhere at all seasons or any season urging "the duty of reducing taxes"?

The reduction of the burden of taxes for the welfare of the workers as well as the country must have been important, because he said:

This I pledge you, and nothing I have said in the campaign transcends in importance this covenant with the taxpayers of the country.

What has the President done about his pledge and his vows? He has brought in and forced through a new tax bill every Congress since he has been in power increasing taxes. He now insists that taxes must not be reduced. He

urges us to pass the bill before us which provides for no decrease, but will increase taxes if any business remains to tax.

ANOTHER VOW—STOP DEFICITS AND BORROWING

President Roosevelt said in his acceptance speech on July 2, 1932:

I propose to you, my friends, that Government be made solvent; that the example be set by the President of the United States.

Again the President, on July 3, 1932, in a public address at Albany, N. Y., said:

Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse. * * * Let us have the courage to stop borrowing to meet continuing deficits. Stop the deficits. Let us have equal courage to reverse the policies of the Republican leadership. * * * Our party says clearly that Government income must meet prospective expenditures.

President Roosevelt in those speeches was criticizing the Hoover administration. Under President Hoover, from March 4, 1929, to March 4, 1933, which covered approximately 3½ years of depression, there was a deficit of $3,592,000,000. During those 4 years the Hoover administration took in $17,345,000,000 and spent for the regular expense of the Government, for relief and recovery, $20,937,000,000. I have pointed out the tremendous increase in taxes under President Roosevelt. He has spent in 5 years, in round numbers, not including the five billion of bonds issued by Federal agencies, the principal and interest of which have been guaranteed by the Federal Government, $40,000,000,000. The present administration has an actual deficit of $18,500,000,000, not counting the $5,000,000,000 worth of bonds issued by Federal agencies. In other words, the Roosevelt administration has spent about $23,000,000,000 more than it has taken in.

President Roosevelt in his Pittsburgh and other speeches declared that the Hoover taxes were excessive, and they meant "idle factories, tax-sold farms, and hordes of hungry tramping the streets and looking for jobs in vain." He said on July 3, 1932, in criticizing the Hoover administration expenditures and deficits of less than $4,000,000,000 in 4 years:

Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse. * * * Let us have the courage to stop borrowing to meet continuing deficits. Stop the deficits. Let us have equal courage to reverse the policies of the Republican leadership. * * * Our party says clearly that Government income must meet prospective expenditures.

What must be said of Mr. Roosevelt's deficits of over eighteen billion and an increase of the national debt of approximately that sum, not counting the five billions of bonds? If our Nation under Hoover was headed for the poorhouse, where are we headed under President Roosevelt?

The record for the past 5 years is a dark and dismal one. What about the future? I have before me the official daily statement issued by the United States Treasury of date March 4, 1938. The national debt of March 4, 1938, is $37,744,464,127.40. The national debt on March 4, 1937, was $34,694,283,744.90. The President has been talking about balancing the Budget for the fiscal year 1937–38. This shows a deficit for the last year of approximately $3,050,000,000.

Is the administration cutting down on expenses? It certainly is not. It has already demanded of Congress over one billion for national defense, and recently the President made an additional demand for the Navy, and the Naval Committee has reported favorably that bill carrying an additional sum of about $1,120,000,000. That will mean that in the next fiscal year, this Nation, unless they put on the brakes, will expend approximately $10,000,000,000, and it has been pointed out by some distinguished Democratic Senators on the radio and elsewhere that there will be a deficit for the coming fiscal year, ending June 30, 1939, somewhere between $3,000,000,000 and $5,000,000,000. Therefore, it can be said, as I said in a speech on the floor of the House on February 16, that this administration will continue to increase taxes, deficits, and the national debt. They will continue to discourage, embarrass, and strangle business enterprises, and while it is a dark picture, we must face the facts of continued unemployment, depression, doles, and all those distressing conditions that go with the present New Deal policies.

REPUBLICAN TAX POLICY

Our distinguished friend and loyal administration supporter, Mr. MCCORMACK, of Massachusetts, in his speech against the I–B on undistributed surplus-profits tax in this bill, stated that there might be an increase of Federal revenues if the rates on business concerns were reduced and thereby encourage business. He referred to the tax policies of this Government in 1921–26. The tax policy of this Government from 1921–26 were just the opposite to the tax policy of the present administration. The Republican Party came into power on March 4, 1921. It found business paralyzed. There were, according to the statement of William Green, president of the American Federation of Labor, issued on March 3, 1921, 5,000,000 workers out of employment. This was the all-time high record up to that time of the number of workers out of employment in this country. We also found all the high and burdensome World War taxes still in force. The Republican President and Congress, of which I was a Member at that time, blamed the depression on the high taxes. One of the first acts of the Republican Congress was to pass an act greatly reducing taxes, cutting out many taxes, and removing the taxes on a great army of small-income taxpayers. This measure worked as if by magic. It encouraged agriculture, industry, and commerce. The mines, mills, factories, and shops again became bee hives of activity. Unemployment disappeared. Prosperity was restored and the amount of revenues flowing into the Treasury increased.

The last 10 years, Republican Congresses passed five great tax-reduction bills which were promptly signed by Republican Presidents. President Wilson left a national debt of nearly $26,000,000,000. The expenses of the Government were paid and the national debt was reduced nearly $10,000,000,000. The farmers were receiving $1.50 a bushel for wheat, 90 cents a bushel for corn, and for many years cotton averaged 17½ cents a pound. Our exports greatly exceeded our imports. The farmers had an annual income of approximately $12,000,000,000—the greatest in peacetime of any period in our history—and the national income was the highest in this country in peacetime. It approached $80,000,000,000 or more, and these dollars were worth 100 cents. There were no cut-outs, no doles. no complaint about unemployment; there was no talk of starvation. [Applause.]

The Democrats got control of the House on March 4, 1931, and really had control of the Senate, and there was some increase in taxes. No doubt President Roosevelt, when he made his speech at Pittsburgh, Pa., on October 19, 1932, had studied this wonderful record under Republican administrations of reduced taxes, increased business, and employment. It was during this period of time that the consumers' taxes were only 30 percent of the total revenues of the Government. Labor, farm, financial, commercial, and other groups, as well as the press of the country and the Republican Party are still familiar with that splendid record. They are all now urging that we get back to that splendid policy and encourage agriculture, industry, and commerce, and again provide good jobs and good wages to the American workers. Five years of heavy taxes and squandering have proven beyond doubt that this desirable objective cannot be obtained under the present New Deal policies.

THE REPUBLICAN PARTY FAVORS ADEQUATE RELIEF

When any effort is made to reduce taxes or expense of the Government, some new dealer arises in his place and says that he is opposed to the people starving. There has been much skullduggery and many crimes committed in the name of the hungry and needy people of this Nation.

The New Deal policies have created more unemployment, more distress, and more starvation than any other administration in the history of this country. The Republican Party

favors as strongly as any party or individual adequate care of the needy people of this Nation. The needy people must not be made the goat for these high taxes and increase of the national debt. This Government this year will spend more than $9,000,000,000 for ordinary and necessary expense of government, including national defense. We have appropriated $1,750,000,000 for relief this year. The ordinary expenses of government should not exceed $3,500,000,000. It can be seen at once that the Federal revenues collected would pay for this relief and all necessary running expense of this Government and there would be a substantial surplus left of several hundred million dollars. This would mean a great deal of encouragement to business and the investing public if taxes could be reduced by this sum. It has been clearly shown that not over 60 cents of every dollar of relief money goes to the needy. The other 40 cents out of every dollar goes to the great army of officeholders to pay them high salaries and mounting expenses. I agree with the distinguished chairman, Mr. WOODRUM, of Virginia, when he declares that the relief appropriation could be greatly reduced if we cut out chiseling and let the relief money go to the needy. The administration of relief in this country presents a sordid record of the use of public money in partiality, favoritism, and politics. If we should adopt sane policies, millions of unemployed would be given good jobs at good wages, and the relief rolls would be reduced and finally disappear.

NO RELIEF IN SIGHT

We have pointed out that it would only cost about $5,000,000,000 to carry on the ordinary expense of the Government and carry relief. What about expending from nine to ten billion annually? Where is this money going?

We spent approximately $2,000,000,000 to take productive land out of production and to destroy our crops and livestock. We spent about one billion on irrigation and reclamation projects bringing millions of acres of unproductive land into production. We have spent billions of dollars of the taxpayers' money in promoting hundreds of private enterprises, in making everything from a toothpick to a steam engine in competition with private business, and forcing private business through taxation and other methods to sustain its competitor, the Government.

The Government says to the average businessman, "I'm your competitor. If you make anything, I will take it away from you in taxes. If you lose, you must pay the losses yourself. If I lose as your competitor, I will take the money out of the Treasury."

We must bear in mind all the time that the forty to fifty million workers in this country must depend upon agriculture, industry, and commerce for jobs. The Government cannot provide the jobs. Is it not reasonable and sensible for the Government to encourage those who provide the jobs if this administration is really desirous of recovery instead of changing our form of government? The policies are forcing the people to invest their money in tax-exempt bonds and tax-exempt securities instead of investing it in productive enterprises furnishing employment to our people.

What amazes me is that we hear a lot of speeches from the administration's side about taxes and more taxes, but not a word about reducing taxes and not a word about reducing the expenditures of the Government.

We cannot come out of this depression with this kind of policy. We must cut down expenses; we must cut out these excessive taxes; we must relieve this great horde of hungry citizens tramping and looking for employment in vain; we must start our factories, mills, shops, and mines again. Let business go to work in this country, providing real jobs and real wages, and thereby restore prosperity and happiness to the American people. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Ohio [Mr. HARLAN].

Mr. HARLAN. Mr. Chairman, it seems to me that in discussing this tax bill, we could do well to keep it out of Biblical times, although that, of course, is always interesting.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. HARLAN. Yes.

Mr. BUCK. The gentleman from Kentucky, in quoting certain extracts from the fifteenth Psalm, forgot the third verse:

He that backbiteth not with his tongue, nor doeth evil to his neighbor, nor taketh up a reproach against his neighbor.

Mr. HARLAN. I do not know much about the fifteenth Psalm, but I have a very definite recollection from childhood of having heard that the Lord caused Balaam's ass to speak. In comparison to the efforts of a modern Congressman, that, of course, constituted silence, but the gentleman's figure of speech is a little vague, even so.

I got the impression from the Biblical expressions by the gentleman from Kentucky [Mr. ROBSION] that he probably knew as much about that as he did about the 16,000,000 that are unemployed at the present time, but that is entirely aside from the issue. I wish to discuss this bill in general.

Mr. SHAFER of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HARLAN. I am sorry, but I cannot yield.

There are some reasons why I think we could well do without this section I–B, although the bill with section I–B in it is so highly desirable that I think the bill should be adopted in any event. The discussion of the gentleman from Kentucky [Mr. FRED M. VINSON], of the gentleman from North Carolina [Mr. DOUGHTON], and the gentleman from California [Mr. BUCK], and other members of the committee who have explained the manner in which this bill works, certainly ought to be convincing to the country that this wave of propaganda which has gone about that we are out knifing for some one particular individual because we do not like his politics, or that we are punishing some group of corporations, is nothing but a lot of bunk. The clause in this bill that is most subject to criticism is I–B, but under that section any corporation, regardless of its net income, that is closely held, which distributes 57 percent of its income, is immune from any extra undistributed-profits tax at all; and if its net income is less than $250,000, let us say $100,000, and it distributes 25 percent of its income, it is immune, it is free; and if it is as low as $75,000, it is altogether immune.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. HARLAN. Yes.

Mr. DOUGHTON. I call the gentleman's attention to the consent-dividends clause. These corporations could get entirely out of this by adopting the consent dividend.

Mr. HARLAN. Certainly. Even in the larger corporations, where the corporation does not want to distribute 57 percent of the profits, by the consent-dividend provision, the profits can be retained free of penalty tax and can be turned into personal income of the shareholders, and these men can pay their taxes honestly just as shareholders in broadly held corporations have to do. There is nothing unfair about the treatment of the closed corporation, but there has been a wave of confusion and criticism disseminated over this country, mostly for political purposes. Some agitation, however, has been created by these all-wise, all-seeing, all-knowing, so-called financial services that send out sheets every week as to what is going to happen next month. They have to keep their clients disturbed and agitated and are compelled to give the impression of transcendental wisdom, otherwise they would lose their subscription list. All of that has had the effect of disturbing this country and giving false notions about the bill.

Nevertheless, there are three reasons why I think we would be well to do without section I–B in this bill. First, it is not necessary; second, it is of questionable constitutionality; and, third, it is unwise politically.

I do not believe it is necessary. We have a section in the code, section 102 of this bill, section 104 of the code, which provides that if any corporation loosely held or closely held retains revenue that exceeds the reasonable needs of the business, the Government can come in and collect from 25 to 35 percent of that. The Government has had a couple of failures in efforts to enforce that section. In the De Mille case the Government failed on a point of procedure. The

National Grocery Co. case is now pending before the Supreme Court, and I feel absolutely confident that the Supreme Court is going to correct that error of the court of appeals.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. HARLAN. Yes.

Mr. BUCK. What does the gentleman think of the decision of the third circuit court in the National Grocery case?

Mr. HARLAN. I think it is crazy.

Mr. BUCK. If it is crazy, and I agree with the gentleman, is it not the duty of Congress to adopt some kind of a yardstick by which we can measure this thing?

Mr. HARLAN. We could do that, Mr. Chairman, by inserting in paragraph B, after the phrase "reasonable needs of business," these words, "for current operating expenses, plus contractual obligations."

The paragraph would then read as follows:

> The fact that the earnings or profits (of any corporation) are permitted to accumulate beyond the reasonable needs of the business for current operating expenses, plus contractual obligations, shall be prima facie evidence of a purpose to avoid surtax upon shareholders.

It is because of the fact that the phrase "reasonable needs of business" was too indefinitely defined that the Government lost both the De Mille case and the National Grocery case. In both cases these defendants set up projected plans for expansion which were wholly independent of contract and highly speculative. If this phrase had been properly defined the Government would have won both these cases.

My second reason is that section I–B is of questionable constitutionality. I am going to assume that this tax is a legitimate tax. If the tax provided for in section I–B should be construed by the Court as a penalty to control the distribution of income after it is earned, then, of course, we would have no tax question at all. We would be entirely outside the sixteenth amendment, and the whole thing would fall.

Nevertheless, I am going to assume that a penalty for not distributing profits can be accepted as a tax, which is questionable. If it is a tax, then if we look at the Butler case we find this law:

> The power of taxation, which is expressly granted, may, of course, be adopted as a means to carry into operation another power also expressly granted. But resort to the taxing power to effectuate an end which is not legitimate, not within the scope of the Constitution, is obviously inadmissible.

This principle of Federal taxation is also referred to in the Carter against Carter Coal Company case and also in *United States* v. *Constantine* (296 U. S. 287). I am perfectly aware that the things that were constitutional a short time ago are no longer so, and vice versa. I am also aware that it is very dangerous to prophesy as to whether the Supreme Court will amend the Constitution or not. But, assuming that stare decisis is still the queen of the legal forum, I shall assume that the case of United States against Butler is still the law until it is reversed.

Now, suppose Henry Ford—let us talk about him—does not want to distribute 57 percent of his income. He has enough money, as do a lot of others, to fight this case before the courts. He will come in and say that this is a penalty on him, that we are making a distinction between closely held corporations and broadly held corporations; that these are State corporations and the Federal Government has no jurisdiction to control the number of stockholders in a corporation; it has no jurisdiction to control the number of incorporators. This is not a matter of commerce among the States; it is not a Federal question; and this distinction between closely held and broadly held corporations is unreasonable.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. HARLAN. I hope the gentleman will let me finish my argument. I do not want to get into an argument of the question of constitutionality here; the discussion is too long and involved for this debate. We are not in a court, and when you talk about the Constitution we must first know whether you mean the Constitution A. R. or P. R., ante-Roosevelt or post-Roosevelt, the inelastic strait jacket of Taney, White, and McReynolds or the living, expanding Constitution of Marshall, Holmes, and Stone.

Mr. DISNEY. Mr. Chairman, will the gentleman now yield?

Mr. HARLAN. I yield.

Mr. DISNEY. The gentleman, being a lawyer, understands, does he not, that we can classify taxpayers?

Mr. HARLAN. I do.

Mr. DISNEY. But we cannot discriminate between the individuals of a class. The gentleman does not mean to say that because I–B may carry a higher rate of taxation than the others, that that is a penalty?

Mr. HARLAN. The question that will be before the courts in a case attacking the constitutionality of I–B will be whether it is a reasonable or unreasonable classification. Certainly for purposes of taxation you cannot classify human beings as to whether they have gray hair or black hair; that would be meaningless and unreasonable.

We may divide individuals as to their incomes and corporations as to their incomes and levy a different rate of taxation according to the division, but we cannot, in my opinion, classify corporations, which are citizens of the respective States, depending upon the number of their stockholders, for the reason that the determination of the number of stockholders is entirely a matter of State control. It has nothing to do with commerce between the States or any other power vested in the Federal Government.

We could very well cause paragraph I–B to apply to all corporations, both closely held and loosely held. In other words, we could compel all corporations with net incomes of $250,000 to distribute 57 percent of their income. We could grade that down until when the net income of all corporations, close and loose, should reach $75,000 there would be no extra tax for retained net income. But when you arbitrarily confine this tax, it has many of the characteristics of a penalty and lacks many of the characteristics of a tax, and you are on very dangerous and thin ice constitutionally.

I have heard it said that section I–A, which divides closely held holding companies from broadly held holding companies, is a precedent for a classification for closely held operating companies and broadly held operating companies. This precedent is far from clear. A closely held holding company is nothing but the creation of a trust in which the individual owning the stock in the holding company in his own trustee. Furthermore this trust is instantly and easily revocable, and there is very little purpose in a personal holding company except to avoid either estate or income taxes.

A closely held operating company, however, bears no distinction from a broadly held operating company except in the number of stockholders.

Mr. DISNEY. Mr. Chairman, will the gentleman yield for another question?

Mr. HARLAN. I cannot yield for another question; I am very sorry. The question that will come before the court will be, "Can the Federal Government step into the States and say how many stockholders there shall be in a corporation?" because that is the purpose of the penalty provision, and that I say is dangerous ground.

Section I–B is not needed. The objects there sought can be reached by an amendment of section 102. Section I–B is of questionable constitutionality; but, third and last—and I am talking to the Members of the Democratic side of the House—it is a very, very dumb, unwise political policy. For $30,000,000 or possibly $45,000,000 we are giving all of the flannel-mouthed agitators in the United States something with which to go out on the hustings and confuse the people. They will declaim that we are entering upon a plan of soaking the rich, or something of that kind; that we picked out the Ford Motor Co. Every Ford agency, every concern that sells anything to the Ford Co. will be imbued with the idea that the Democratic administration is after Ford. We all know that it is not true; but why, with this questionable constitutionality, with the possibility

of accomplishing the same thing by other means—why put this in here and give our enemies one more chance to say that we are just retaining enough of the undistributed-profits penalty to save our faces?

You heard that statement made on this floor this morning. A more ridiculous statement has never been made, but it is something they can talk about. We have real issues on which we must go before the people at the next election. We also have this fake issue in which $30,000,000 of revenue may be involved. We simply cannot afford to make the sacrifice, with only $30,000,000 involved and the prospect of securing the same amount by other means.

In conclusion, may I compliment the committee for what it has done. Section I–B is a marvelous piece of work. The more you figure with it the more respect you have for it. The committee has framed this section in a way that it will not work an injustice against anybody, but, for my part, because I do not think it is necessary, I do not think the amount involved is worth the commotion, I question its constitutionality and primarily it is rotten politics, I am going to vote to strike out section I-B when the opportunity affords itself. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, I merely want to correct the RECORD for the benefit of my friend from Kentucky in reference to his quotation from Ecclesiastes.

I think the preacher, Solomon, years ago foresaw our trouble, because he said:

> There is a sore evil which I have seen under the sun: namely, riches kept for the owners thereof to their hurt (Ecclesiastes 5:13).

If the gentleman will accept that addition to the quotation that he made from Ecclesiastes, I am satisfied.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Is that the only citation from the Bible that the gentleman can give to uphold the present administration?

Mr. BUCK. I cited something from the Psalms a little while ago, and if the gentleman cares to give me enough time from his side, I will read the entire Scriptures for his edification.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. SNELL].

Mr. SNELL. Mr. Chairman, I desire to address myself very briefly at this time to subsection C, section 702, found on page 305 of the bill. It is that part of the bill which removes the excise tax carried in the revenue bill of 1932 on Norway pine, northern white pine, and western white spruce grown in Manitoba, Saskatchewan, or Alberta.

In the beginning may I say I am a firm believer in the protective tariff system. There may be some schedules that should be remedied; but if there are, let us take those schedules and correct the defects, but in no way destroy the principle. I have always been in favor of protection for any article grown or manufactured in my part of the country which needed protection from the cheap-labor competition of foreign countries. I am also for protection for any article manufactured or grown in any other part of the United States that needs protection.

In order to get the situation brought about by this amendment clearly before the House, let us look at the history of this tax. In the tariff bill of 1930 there was a tax of $1 per thousand placed on this character of lumber. In the revenue bill of 1932 there was an additional excise tax of $3 provided, or a total tariff of $4 per thousand. This was the law until January 1, 1936, at which time the reciprocal-tariff agreement reduced the tariff 50 percent and the excise tax 50 percent. This change left us with a tax of $2 as against the original $4, which was the tariff on that grade of lumber prior to that time.

This bill proposes to wipe out the excise tax of $1.50 which still remains after the reciprocal-trade agreement.

Mr. Chairman, this tariff and excise tax must have been placed in the law for one of two reasons: either to carry out the principle of protection to this industry or to raise money for the Government. If there is anything in the condition of the country at the present time which indicates we need less protection or less money to carry on the affairs of the Government, that is one thing; but, in my judgment, nothing has been shown thus far which should encourage us to remove this excise tax.

How did this matter come before the House originally? A bill was introduced, H. R. 7518, at the request of the Shevlin, Carpenter, Clark Co., of Minneapolis. A subcommittee of the Ways and Means Committee held hearings on the bill. The evidence showed that this company, which was directly interested in the repeal of the excise tax, formerly manufactured lumber in this country, and it is in fact one of our large lumber manufacturers at the present time. Its timberlands in northern Minnesota, which formerly contained the special kinds of woods designated in this bill, were exhausted. They bought timberland over in Canada and for this reason wanted to be relieved of the excise tax, even though they manufactured their lumber under the more favorable low Canadian costs.

The testimony taken before the Ways and Means Committee at that time showed that this company imported 40 percent of all this kind of lumber brought into this country. As a matter of fact, the only object of that bill was to relieve one of the largest importers of lumber into this country from paying the $1.50-a-thousand excise tax, while the small, individual manufacturers would not be relieved. There are a great many of these smaller concerns scattered throughout Pennsylvania, New York, and the New England States. They employ, all told, 50,000 men. These manufacturers have to manufacture lumber under our laws. They have to pay the social-security tax, the workmen's compensation tax, and all the other taxes that a manufacturer of lumber in Canada is relieved from paying. Therefore, it is a pretty hard proposition for our people to compete directly, under these circumstances, with Canadian manufacturers of lumber.

All this bill does is relieve this large importing company, and the testimony of its own representatives is that it imports 40 percent of this lumber that comes into this country, but you still make the small manufacturer in the United States compete with this low-cost Canadian lumber. If there is any reason for changing these excise taxes, why did not the Committee on Ways and Means eliminate all the excise taxes that were adopted at the same time the lumber excise taxes were imposed? Why did you not eliminate them on oil, coal, and copper the same as you have on lumber?

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. SNELL. Yes; I yield to the gentleman for a question.

Mr. FULLER. The committee understood from the explanation by a Member on the gentleman's side, the gentleman from Minnesota [Mr. KNUTSON], who offered this amendment, that only a small percentage of that lumber came into this country and there was hardly any competition.

Mr. SNELL. I may say this lumber comes in direct competition with lumber produced in the northeastern part of the United States. The testimony before the Tariff Commission so proves, and specially does it come in direct competition with lumber manufactured in New York, Pennsylvania, and New England. This was also the testimony before the gentleman's own committee.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. SNELL. Yes; I yield briefly to the gentleman.

Mr. BUCK. The president of the National Lumbermen's Association has assured the Committee on Ways and Means verbally, and, I believe, all of us individually in writing, that these particular classifications do not come in competition with lumber produced in the United States, and that a specific class of this lumber is no longer produced in the United States.

Mr. SNELL. I am not in agreement with him, and the statistics do not bear out his statements. The report of the Tariff Commission shows the average value of that lumber imported in 1935, the last year on which full reports are available, was $23.99 per thousand. This shows it is exactly the same quality of lumber as that manufactured by the small sawmills in the northeastern part of the United States. Very little of the high-priced lumber comes into this country, as is proved by these statistics showing the value of the imports per thousand.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to the gentleman from South Dakota.

Mr. CASE of South Dakota. I may add that the producers of lumber in the Harney and Black Hills National Forests have wired me that this lumber comes in direct competition with them.

Mr. SNELL. Furthermore, why should you discriminate against these two or three classes of lumber? You have never done that in any other of your bills. You repealed the tax on chewing gum. It would have been just as sensible if you had said, "William Wrigley is the largest manufacturer of chewing gum. We will exempt the tax he pays, but the smaller manufacturers must pay their tax." It would have been just as sensible to have done that, notwithstanding the fact the gentleman shakes his head, as to do what you have done in this bill. It would have been just as sensible to have exempted Spalding from the tax on sporting goods and said the others must pay the tax. There is no other place in repealing these excise taxes where you have discriminated against a certain kind in a general class. In this bill there is a definite discrimination, and it is shown by the testimony brought out before the subcommittee last year. As evidence that the subcommittee was not in favor of this action, it did not report the bill favorably, and not a word of evidence has come before your committee since that time to change your opinion; in fact, it was not even discussed in the committee.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 additional minutes to the gentleman from New York.

Mr. BUCK. May I read to the gentleman, in order to clear the record?

Mr. SNELL. I have read that entire testimony myself. I have it right here.

Mr. BUCK. No; not that.

Mr. SNELL. If the gentleman will give me more time, he may read it.

Mr. BUCK. The gentleman states we have never made any discrimination? Let me read this:

> Lumber, rough, or planed or dressed on one or more sides, except flooring made of maple.

Mr. SNELL. But those exceptions were taken care of in another part of the bill. But you never have taken two or three items out of a general class to favor some corporation or locality. The gentleman's own committee, which held the hearing, did not report favorably the prior bill, but in this bill, without a single word being said about it, without the matter ever having been considered and at the last minute this exception is made.

Mr. FULLER. We thought we were doing you a favor when we did it.

Mr. SNELL. You did not think you were doing us a favor; you thought you were putting somebody in the hole.

Mr. FULLER. Oh, we did not think anything like that.

Mr. SNELL. As a matter of fact, there is not a single man on the Republican side who had anything to do with the policies or in connection with making the rates in this bill, and the gentleman knows it.

Mr. FULLER. Except on that particular provision, and it was a gentleman from the Republican side who made the motion.

Mr. SNELL. You did it simply because you thought you would put us in a hole. However, that does not make any difference. I am a general protectionist. I believe in protection for every part of the country. I have never yet heard any man give a reasonable excuse for making this exception on these three classes of lumber.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. The gentleman suggested we were putting a colleague in the hole. May I say this provision was not mentioned, it would not have been thought of, and it would not have been before the committee if it had not been for that gentleman; and I may say further I did not vote for it.

Mr. SNELL. The Democratic majority of this House is primarily and entirely responsible for the rates in this bill.

Mr. DOUGHTON. We do not deny that.

Mr. SNELL. We have had nothing whatever to do with them.

Mr. DOUGHTON. No.

Mr. SNELL. If you saw fit to join with somebody on our side when he offered an amendment, that is all right, but the responsibility is on the gentleman's side. No reason has yet been given on the floor of this House in regard to why these three classes of lumber should be excepted.

Mr. DOUGHTON. If the gentleman will yield further, I did not vote for it.

Mr. SNELL. I do not know who voted for it, but it is in the bill. In honest fairness to every other part of the country, I believe when the appropriate time is reached in the consideration of this bill this provision ought to come out, and I propose to make a motion to strike it out.

Mr. BUCK. Mr. Chairman, will the gentleman yield further?

Mr. SNELL. I yield.

Mr. BUCK. Does the gentleman believe that his colleague, the gentleman from Minnesota [Mr. KNUTSON], was trying to carry out the theory on the tariff of Col. Frank Knox?

Mr. SNELL. I do not know what my colleague from Minnesota was attempting to do. I have always understood that my colleague from Minnesota is a very ardent supporter of the protective tariff system.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, taxation is a subject that affects all the people. Taxation without representation is tyranny, and representation without taxation is just as bad.

Taxes affect the farmer, they affect the laborer, and, in fact, they affect every individual in our country.

When the undistributed-profits tax was brought before this House 2 years ago, I then stated on the floor that it was the most ridiculous, asinine tax that was ever presented to the American people, and I reiterate the statement at this time. It is destructive taxation with the purpose to destroy. It is suicide taxation. It is insane taxation.

In the first place, I realize that taxes are required to run the Federal Government, but I wish to say to the Members of the House here and now that we need less expenditure of Government funds more than we need additional burdens of taxation if we want the people of this country to be able to secure jobs; if we want business and agriculture to go forward. A majority of the members of the Ways and Means Committee, I feel confident, if they were asked to vote their own convictions on this undistributed-profits tax, would vote it down. I have talked with members of the committee who do not want this tax, and they support it because the President wants it to punish; not for revenue. Oh, such principles in business; yes, even in politics. I cannot conceive of such punishment, such willful destruction.

What do we want to do? Do we want to kill business? When they enacted this undistributed-profits tax 2 years ago, why did they eliminate banks, and why did they eliminate insurance companies from the application of the tax? They said they did not want to affect the solidity of the banks

and insurance companies. They wanted them to continue in operation.

If we have any sense at all, we should realize that if this tax is detrimental to insurance companies and banks it will cripple other business the same as it would cripple insurance companies and banks. Why, in the name of heaven, do we want to cripple other business? Why do we want to cripple a manufacturing establishment that wants to give jobs to our people? The most important question you men have confronting you at the present time is the giving of jobs to individuals. Yet you would kill the goose that lays the golden eggs.

We ought to be pleased that we have a few families in this country that are trying to give honest, legitimate work to the people of the country and to keep their communities alive. Good, sound, close corporations are needed in this country. The very best companies in this country have been the ones that have been brought forth by the efforts of the individual. I was never associated in my life with a stock-selling scheme, and I do not want to be. Yet now you want to encourage us to do this and I shall not be a party to it. We are condemning the large corporations for selling watered stock, and yet we are penalizing and trying to drive out of business the small individual manufacturing concern or the businessman who is interested in his own people and in trying to make a success of the business of this country. We say to such a man, "Because you are a small individual you cannot protect yourself in times of depression. You have to pay your money out in the form of dividends. You must be taxed from 7 percent to 27 percent of your earnings unless you pay them out to your stockholders."

If a corporation earned 10, 12, or 14 percent, it usually paid its stockholders 5 or 6 percent dividends. It put the balance of the earned money into surplus or into improvement of its equipment or its buildings, and because it does this you now propose to charge it from 7 to 27 percent, although it is simply trying to keep its business in good shape. I never knew of anything more idiotic, and I say "idiotic" because I mean just that. We may not be fools, but we do the things fools would do.

You do not encourage them to retain 5 or 10 percent of that surplus to carry them over times of depression for the purpose of meeting their pay roll or for the purpose of paying their preferred-stock dividends. During this depression, as well as the one before this, this has been one of the finest things that any manufacturing establishment has done, to pay dividends during a depression, with this bill that cannot happen again. This is the kind of stock that people want to have in their possession, and yet because they are proposing to follow this course, you bring in this undistributed-profits tax and say, "We do not want you to do this. We do not want you to try to create a surplus to carry you over times of depression. We will cripple you so you cannot run your business and employ labor. We want to penalize you so you cannot exist." If we get another depression you will be the cause of wrecking many business concerns. Are you going to do it?

Just imagine the situation with respect to a majority of the corporations in this country, and I am speaking of the small, legitimate corporations that want to continue in existence. Imagine them being in a position where they have no surplus whatever. If they have not any surplus to meet a depressed condition, they cannot continue with their business, and you wreck them.

This entire tax bill, if it is permitted to retain that feature, ought to be wrecked. You ought to kill it here in the House of Representatives. [Applause.]

We need to encourage business. Stop your ruthless spending. Help the country, the laborer, the farmer, the businessman, or corporation. Now you have your income tax; your capital-stock tax; your franchise tax; local road, county, and school tax; Federal electrical energy tax; social-security tax; borough and city tax; excess-profits tax; now the worst and most destructive tax, the undistributed-profits tax. Let us kill the last one; it is destructive—not for revenue but for suicide of business.

Mr. TREADWAY. Mr. Chairman, I yield now to the gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Chairman, in the short time allotted to me I shall present to this House a bird's-eye view of this forest of taxes that is before us, a forest that we have lost sight of because our minds have been focused upon some of the individual trees that make up the forest. I want, if possible, to bring the entire forest back into a proper perspective.

Mr. Chairman, H. R. 9682 is a very comprehensive and a somewhat complicated tax measure. Its provisions are about as difficult to grasp as the provisions of the farm bill that we passed a week or two ago. This bill itself contains 72,000 words. Its intricacies are confusing. Its labyrinth of words and technical phrases are very difficult to follow.

This tax bill is so comprehensive that it affects indirectly every taxpayer in the United States. Its direct effect is to modify and change four different and distinct types of Federal taxes, namely, income taxes, the capital gains and losses tax, estate and gift taxes, and various excise taxes. Besides modifying these four different types of Federal taxes, the bill seeks to make many administrative changes in the present tax laws, seeking to improve the administration of the same, to close known loopholes, and to remove some of the inequity of the present law. And all this is to be done with two compelling purposes in mind—

First, it must be a "face saving" instrument.

Second, it must yield about the same revenue as the present law. In truth, Mr. Chairman, this proposed tax bill is a real "hoop-skirt bill," one that covers everything but touches nothing.

I notice in the majority report of the Ways and Means Committee, page 3, the statement is made:

> The committee has been convinced that a substantial number of cases of hardship have arisen under the Revenue Act of 1936.

This statement is based upon the testimony of witnesses. The report also indicates that the committee was forced to take cognizance of the fact that five separate and distinct types of complaints were registered with the committee concerning the adverse effect upon business of the undistributer-profits tax. I quote from the report, pages 3 and 4:

> (1) The surtax discourages, in many cases, legitimate business expansion, and, therefore, has an adverse effect on employment.
> (2) It puts a penalty on corporations which find it necessary to use current earnings in the payment of debts.
> (3) It burdens the small and weak corporations more than the large and financially strong corporations.
> (4) It is unfair to corporations with impaired capital, which under State law cannot legally declare dividends.
> (5) The relief provisions applying to corporations having contracts not to pay dividends or requiring the use of current earnings for the payment of debts are so restrictive as to provide relief only in rare cases, although many other cases equally meritorious receive no relief.

In spite of being convinced that a substantial number of hardship cases had arisen under this unsound tax, and in spite of unanimous testimony from the 114 witnesses that testified before the committee as to these five very serious indictments against the fundamental principle of the undistributed-profits tax, the committee saw fit to bring in a report which summarized their conclusions as follows. I quote:

> (a) In many cases the hardships seem to have been exaggerated.
> (b) The undistributed-profits tax is sound and should be retained.
> (c) However * * * it should be substantially modified.
> (d) The committee is of the opinion that, in order to protect the revenue, it is necessary to impose a special undistributed-profits tax on closely held corporations.

These four quotations, found on page 4 of the report, summarize the conclusions of the majority of the committee and indicate clearly the attitude of mind of the majority members. The quotation, "in many cases the hardships seem to have been greatly exaggerated" suggests that in the

opinion of the majority members of the committee the testimony of the 114 witnesses was not to be accepted at its face value, but must be discounted. And this in the face of an earlier statement that—

> This committee has been convinced that a substantial number of hardship cases had arisen under the Revenue Act of 1936.

The conclusion that "hardships had been exaggerated" and the earlier admission "that the committee had been convinced" do not seem to go together. The next two quotations, (b) and (c), taken together, do not make sense, because the one states the tax is sound and should be retained, and the other says it should be substantially modified. These two quotations constitute the "face saving" conclusions. In effect they say, "The principle of the tax is good, but the effect of the tax is bad. Let us therefore hang onto the good principle, but modify the bad effect."

The fourth conclusion, quotation (d), is simply an excuse for imposing a special punitive tax upon closely held corporations. The only justification offered in the report for the imposition of this special tax was "to protect the revenue," which, in plain words, means, we must have the money. However, a different argument was advanced on the floor by the sponsors of this special punitive tax. It was that closely held corporations did not distribute profits, while widely held corporations did distribute profits; therefore, in order to make them equal before the tax law we must impose this special tax. I wonder if this is an invented theory or a demonstrated fact.

I wonder if evidence can be advanced to prove this theory that one kind invariably distributes profits and the other kind does not. If an unbiased survey were made, I believe it would be found that the percentage of closely held corporations paying out profits in the shape of dividends would equal the percentage of widely held corporations paying out profits in the shape of dividends. The crux of this whole problem it seems to me is not whether a certain closely held corporation, 2 out of 3 years, or even 3 out of 3 years, paid out large enough dividends to remove itself from the penalty of this special tax. The crux of this problem is that this same closely held corporation may find it necessary on the fourth year, or the fifth year, for the sake of self-preservation, to retain a large share if not all of its profits, and thereby become liable to the payment of this penalty. This tax penalizes and discourages good business practices, and for that very reason it is unsound and should be entirely repealed.

At this point I cannot refrain from pointing out some of the sugar-coating that has been carefully and purposely spread over this bitter tax pill that the House is expected to swallow. The sugar coating consists of the following, which, of course, we all favor:

First. Repeal of seven insignificant nuisance taxes, namely, the taxes upon toilet articles, furs, phonograph records, sporting goods, cameras, chewing gum, and matches.

Second. Easing of the tax burden upon small corporations.

Third. An allowance made for operating losses in the preceding year.

The majority members of the Ways and Means Committee, in their signed report, make the same extravagant claims for this bill that they made for the 1936 tax bill, namely:

> It will improve our existing revenue system; it will remove inequities; it will equalize the tax burden and it will stimulate business activities.

On the other hand, the minority members of the Ways and Means Committee, in their signed report, make the same dire prophecies concerning the effects of this bill upon business activities as they made in connection with the 1936 tax bill. In view of the bitter experience during the past 2 years of the effects of the 1936 tax bill upon business in general, which group upon the Ways and Means Committee came closer to being right 2 years ago? In the light of that experience, which report do you think is the safer one to follow today—the rosy report of the majority members or the rather gloomy report of the minority members?

In the light of all the testimony and evidence taken in connection with the complicated tax mess in which the Nation finds itself today, I do not believe there is one Member of this House that will say, "The tax bill now before us is a sound tax bill." Most of us, if we are honest and fair, must say that it is some little improvement upon the present iniquitous law. I believe, after reading the testimony, it is safe to say that 114 witnesses that appeared before the committee were against the principle of the undistributed-profits tax, and only one witness was for it. I concede, however, that the testimony shows that under very skillful questioning—yes, exceedingly able questioning—practically all the witnesses admitted there would be a little relief for them under the proposed bill. Those admissions prove beyond the shadow of a doubt the effectiveness of the cross-questioning that was employed at the hearing. Those admissions, however, do not prove that the bill is sound. They do not prove that the bill will cure our present business troubles. They do not prove that the businessmen will be all smiles when the bill passes. Those admissions should give little solace to the members of the majority that really want the Nation to be extricated from the slough of despond in which it finds itself today. Those admissions, although rather gleefully stressed by the sponsors of this bill, taken in connection with the condition today of small business and big business, of good business and bad business, indicate to me that our wilderness wanderings are not over yet; that we are still far from the Promised Land, and that our Moses does not occupy the White House at present.

Mr. TREADWAY. Mr. Chairman, I yield now to the gentleman from Maine [Mr. OLIVER].

Mr. OLIVER. Mr. Chairman, subsection C of section 704 should be stricken from this bill in the name of fairness, justice, and equity to all the sections and citizens of this great Nation.

The language contained in this subsection repeals the existing excise tax of $1.50 per thousand on imported lumber of the northern white pine, Norway pine, and western white spruce species grown in Manitoba, Saskatchewan, or Alberta. It is my understanding that this somewhat insignificant item appears in this 319-page bill as the result of activity coming at the fifty-ninth minute of the eleventh hour of the months-long consideration of this measure. It, furthermore, is my opinion that the most ardent proponent of this language is one lumber concern in Minnesota. Certainly this great body does not mean to legislate on the recommendation of one business concern of this Nation.

It is contended that the repeal of this $1.50 excise tax will only apply, as a practical proposition, to virgin growth of pine. Because our forests have been denuded of their first-growth timber, the Members of this House are expected to believe that this repeal of protection for our own producers and laborers will not disastrously affect large numbers of United States citizens. This is not the true situation. The lumber interests and woods labor of the entire New England area of our country, including New York and Pennsylvania, will feel the chilling effects of the Canadian competition made possible by this tax repeal.

If this repeal of duty only applied to virgin pine, none of us would complain, because we do not produce the upper grades, which sell for a price from $80 to $120 per thousand. In any event, the prevailing tax of $1.50 per thousand does not adversely affect the sale and delivery of $120 per thousand lumber, anyway. We would have no objection to this repeal if this action did not really affect our people much more vitally.

As a matter of record, in 1936, some ninety-two million of Canadian pine, valued at approximately $2,500,000, was imported into this country. This averaged about $26 per thousand, and thus became direct competition with the cut and sale of second-growth and lower grades of pine by our own people.

In the New England, New York, and Pennsylvania region in 1935, there were produced some 250,000,000 board-feet of northern white and Norway pine. This represents about 35 percent of the total domestic production. In the same year, some 99,000,000 board-feet of pine were imported, and of this total, more than 82,000,000 board-feet was the northern white or Norway species. Thus, we find that of total imports of pine, 93 percent was of these two species. These importations represent 33 percent of the northeastern production and 22 percent of the total domestic production. These are extremely high ratios. As a comparison, we may note that imports of west coast fir during 1935 were only 1.3 percent of domestic production.

The gentlemen from the northwestern States will be interested to take cognizance of this threatened further lowering of the bars on pine lumber importations from Canada, because their States have a stake in this question amounting to some 4,000,000,000 feet of red or Norway pine.

Here are some evidences of the kind of Canadian competition that we will force our owners and workers to meet if we enact this subsection:

Pine stumpage in—	*Per M feet*
Canada	$2–$2.50
Maine	6.27
Massachusetts	4.20
New Hampshire	4.27
Vermont	6.13
Rhode Island	6.00
New York	6.40
Pennsylvania	7.42
Connecticut	4.74

With reference to the stake of labor in this matter, I call attention to the wage schedule of Canada and the New England States:

Sawmill wages in Canada, 17 to 25 cents per hour.

Sawmill wages in New England States, 30 to 35 cents per hour.

In closing, I beg your indulgence while I repeat that the repeal of this $1.50 excise tax on pine lumber is unfair to American lumber owners and producers, it is detrimental to American labor, and it is rank discrimination against the northeastern area of our country. Furthermore, coming in here in this bill, like a flea on a great wolf hound, after a subcommittee of the Ways and Means Committee in 1937 refused to report similar language in a separate bill, it should be defeated in the best interests of all those effected. I urge that subsection 704 be stricken from this bill. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Chairman, the present revenue law brought in a new feature of taxation in the United States, in the form of the undistributed-profits tax. The present bill, H. R. 9682, before us seeks to modify it and to eliminate the application of that law to corporations making $25,000 net profit or less. That amount of exemption will apply to 90 percent of the corporations if enacted into law, but that 90 percent does only about 10 percent of the Nation's business, and employs laboring men in almost the same proportion, while the remaining 10 percent of the corporations of the country, which do 90 percent of the Nation's business, will still be subject to the tax. Just how the undistributed-profits tax has penalized and burdened business in this Nation is best exemplified by what it has done to one corporation in my district. In a little town of about 25,000 people exists a small corporation and employs about 40 people. In 1936 that corporation made a profit. It used that profit to pay capital obligations. When the end of the year came they had no money on hand to pay the dividends or the Federal tax on its profit if it did not distribute its profit. It either had to declare a dividend or else pay it out in undistributed-profits taxes, and the corporation chose to borrow the money to pay the dividend. It borrowed 85 percent of the amount it paid out. This year the corporation again made a profit, and used the profit that it earned to reduce its capital obligation, in order to keep a roof over its head, so to speak, in other words, to pay on its mortgage or land contract, or be set out in the street. But it had no money left after it had made this payment with which to pay dividends, or with which to pay taxes to the Federal Government.

Therefore it devised a plan to meet the emergency in which it found itself, issued what is known as a debenture warrant, and sent these certificates or warrants out to the stockholders instead of a check in order to continue in business, because it could no longer borrow upon its security, having borrowed 85 percent of the dividends in 1936. These debenture warrants are nothing more than I O U's. That is what has happened to one company, and what has happened to this little corporation probably has happened to thousands of corporations in the United States. I hold in my hand the warrant or certificate that the company issued in place of the money it should have paid but could not pay. The proof of the damage done by this tax is in the evidence that can be submitted, and this is an example of the damage done by the undistributed-profits-tax principle.

If the ever-normal-granary philosophy of which we have been hearing considerable is correct, to lay up a surplus of food for lean years, then the undistributed-profits-tax philosophy must be wrong, because that takes away the surplus with which labor could be employed during lean years. If one is right, the other must be wrong. More than a century ago the Supreme Court of the United States very appropriately warned the Nation that the power to tax also included the power to destroy, and this form of taxation bears out the correctness of that warning. For that reason I cannot go along with this bill as long as that principle of taxation remains in this proposed piece of legislation.

The question of the tax against closely held corporations may not mean much to many Members of this House, but when it applies to a corporation domiciled in your own State, representing one of the great industries of the Nation, and when that corporation is resident almost within your district and you have many thousands of men working in that factory, living in your district, who are your constituents, it means a lot more to a Member of this House when he rises to speak on the subject of the tax against closely held corporations, such as the Ford Motor Co.

Whether it is intended to do so or not, this bill is leveled directly at the Ford Motor Co., a closely held corporation. The sooner this country understands that Henry Ford is not building automobiles because he needs bread the sooner a great industry in this Nation will be on its way to further expansion and a better day for the laboring men, at least in the State of Michigan, and throughout the entire Nation, because he employs directly and indirectly a million and a quarter people in this Nation. The sooner we understand that the sooner Henry Ford may have on his pay roll 87,000 men again, the number of men employed in normal times, instead of having only 20,000 on the pay roll as at present. I do not know what there is about a closely held corporation that should make it the object of special burdens in the form of taxation. If it is right to exempt the small corporation from this form of taxation it is right to exempt the large corporations.

Henry Ford—while I do not condone everything perhaps that is done in his factory—has led the world in the payment of high wages to the laboring man, beginning more than 20 years ago. The particular section relating to closely held corporations ought to be eliminated from this proposed legislation.

I have received a great many letters, nearly 100, from different corporations in my State on this bill. I have yet to receive the first one asking me to support the principle of the undistributed-profits tax. I can say to my good friend, the gentleman from Oregon, who sits before me, that these letters come from little business as well as from big business. Little business, to a large extent, is dependent upon big business, and the Ford Motor Co. is dependent on little business because that corporation in itself is dependent upon

nearly 7,000 other small corporations for materials and supplies. Little-business men are all affected by this undistributed-profits tax. Many of them will be eliminated. I am gratified to know that a provision has been put in the bill to exempt corporations that make $25,000 or less.

Mr. PIERCE. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. I yield.

Mr. PIERCE. Does not the gentleman remember that men who are affected by the bill only indirectly do not write to us? It is the man who has to pay something who writes to us. We do not, of course, receive letters from a large number of people who have benefited by taxing those that have the incomes.

Mr. DONDERO. The answer to that question is that the letters come from people who have to meet the pay roll. They are the ones who are asked to furnish employment to labor in this country. They are the ones who have to provide the business of the country; not the man who works in the factory, in the corporation, although even that man is dependent upon the condition of business existing in the little plants. If they do not have business, the workingman does not have a job.

Mr. PIERCE. Mr. Chairman, will the gentleman yield for one further question?

Mr. DONDERO. I yield.

Mr. PIERCE. Has not the time arrived in America when these men with these mighty fortunes must know that they hold them in trust for all the people? We have moved on from the day constantly talked about by you people on the left to another age.

Mr. DONDERO. Let me answer that by saying that if Henry Ford had piled his millions up in currency, what the gentleman is saying would be absolutely right; but his great wealth does not exist in that form, it exists in the form of factories, plants, machinery, and branches not only in this country but all over this world. He has furnished employment for 1,250,000 people. Had this law been in effect 30 years ago, when Henry Ford started, he would be still employing 75 people on an obscure street in the city of Detroit, for he would not have had the capital or incentive to expand his business.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. I yield.

Mr. HOFFMAN. Has not the gentleman from Oregon forgotten the parable about the buried talent?

Mr. DONDERO. I shall have to leave Biblical matters to better authority.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. WHITE].

Mr. WHITE of Ohio. Mr. Chairman, the undistributed-profits tax is a breeder of unemployment. This tax places a Government penalty of $380,000 on a firm that wants to spend a million dollars on a program of plant replacement or expansion. It means that the project is not undertaken in 90 cases out of a hundred. By this penalty, the Government makes the cost prohibitive. As a consequence, the jobs that would be required to make the replacement or expansion, and the jobs that would be necessary to produce the materials required for the project, are forfeited on the altar of Government short-sightedness.

Multiply this individual example by thousands of similar cases, among little and big concerns from coast to coast, and you can get some idea of what this foolhardy penalty has meant in terms of jobs in nearly every community throughout the country. It is a tax on employment. Hundreds of millions of dollars' worth of jobs are chained to the fence post of Government-enforced inactivity by this brainless "brain trust" brainstorm.

Stop and realize what this tax has done for another angle in the present depression. Last fall you saw the bottom fall out of buying. Trade volume catapulted downward. The plunge in trade volume immediately brought an equally severe plunge in employment. Why was that? There was no proper cushion of reserves. Because this self-same undistributed-profits tax has been a chunk of stone around the neck of every man and woman whose continued employment during time of business decline depends upon the reserve resources of the concerns for which they work. By placing a penalty upon efforts to restore reserves that were exhausted by the 1929 depression, this tax has poked great holes in the umbrella of the laboring man who must depend upon these reserves to give him some protection in rainy-business weather. When the present rainy-business weather came along the protection of the umbrella was frightfully inadequate because of Government sharpshooting and immediate unemployment was the result. As fast as the plunge came it became translated into joblessness in the flicker of an eyelash.

I have a letter from one small company that used 72 percent of its capital and surplus from 1931 to 1934. They started 1935 with an impairment of $16,700. Their profit for the year just then ending was $8,825.51, before deducting Federal taxes. They sorely needed new machinery and tools. They owed money at the banks and wanted to keep their credit good. And yet they could not buy new machinery, they could not reduce their indebtedness by any fair standard of reason, and they could not add this modest sum to their reserves for a rainy day—because the total income tax would have been $4,122.56 and the tax on undistributed-profits $2,370.61; a total tax of 33 percent on the year's meager profits, despite a capital impairment of $8,177.63 that would not even permit them to legally declare a dividend. When the orders fall off for a concern forced into these circumstances by the Government, you can see that unemployment follows almost instantly.

By penalizing thousands of small companies against debt retirement to the extent that they cannot even afford to pay the money they owe and should pay to preserve their credit, the Government is breeding not only unemployment from this additional angle, but also promoting insecurity and unhealthy, unsound business practice. On this basis the crash of 1929 would have produced twice as many bankruptcies and twice as much unemployment. It creates an economic situation that is pregnant with ultimate disaster.

This third basket provision of the pending bill strikes a special blow at family-owned business enterprises that have been the main livelihood and backbone of countless smaller communities. It promotes monopoly and injures independent business.

The undistributed-profits tax promotes unemployment, destroys the reserves that carry through periods of economic stress, and is a barrier to proper and most desirable debt retirement. I have hundreds of specific examples to prove that its burdens fall heaviest on the employees and owners of small concerns.

When will Congress recognize these facts and take matters into their own hands? I will bet dollars to doughnuts that the majority of the Members of this House know that what I say is true. If they would only follow their own good judgment, the undistributed-profits tax would be repealed here and now. Instead, outside influences are permitted to prevail.

This tax is not the only Government fallacy responsible for current unemployment and business conditions, but it is obvious that it is depriving thousands and thousands of people of the jobs they could otherwise obtain or hold.

When will Congress put the plight of the poor devil who has no job—likewise the plight of the fellow who has one, but is in danger of losing it—ahead of face-saving political devices? The present undistributed-profits tax is a tax on employment. It keeps men and women out of work. For their sake it should be repealed.

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. SHAFER].

Mr. SHAFER of Michigan. Mr. Chairman, whatever else may be said about the bill now under discussion, it misses by a wide margin meeting the demands of business and industry of my district.

The administration recognizes, as we all recognize, that the great trouble at the present time is with what President Roosevelt has called small business. Monopolies and trusts are only a part of the economic structure of this country, and, after all is said and done, the small businesses, community industries, are the backbone of our economic structure.

In line with this view and in an effort to intelligently approach the problems which face us I mailed to the businessmen of my district a questionnaire, in which I asked them to tell me frankly what they believed should be done and what they believed should be undone, or not done, if we are to get out of this depression.

It is recognized by most Members of the Congress and, I think, by the leaders in business generally that fear, uncertainty, and hesitation are very largely responsible for the slowing up of the Nation's business at this time.

Now, in the final analysis, and so far as the practical results are concerned; it makes no difference whether these fears, this uncertainty, and hesitation are founded on well-based facts or whether they are the result of a misunderstanding and misconstruction of administration policies and world conditions or whether they have no more actual basis than the fears of a child in the dark, the fact remains that the practical results of these fears, of this hesitancy and uncertainty is a depression.

One of two things must be done: either those things that small business fears, which the Congress fears, which labor fears, which agriculture fears, which industry fears, must be so clarified as to eliminate those fears, or, whatever in the governmental policy is actually operating to generate and sustain those fears must be eliminated from the picture.

Among other reasons assigned by more than 80 percent of the businessmen of my district who responded to my questionnaire were the following:

General hostility on the part of government against all business.

Lack of faith in the present Congress to do anything that will help business.

Fear of the effect of the enactment of the proposed wage-hour bill, despite the fact that the average wage in the district is far above that proposed in the act.

Labor upheavals, which have disrupted the normal flow of business and the resultant reduction in buying power of the workers.

Relief program, which has created a class unwilling to help itself, but content to live on public doles.

The principal objections voiced to the undistributed-profits and capital-gains taxes were that their operation makes it impossible for business to see its way clear to speculatively produce inventories against future sales. The cash payment of dividends is also opposed for the reason that it often compels corporations to borrow money to meet these obligations to the stockholders.

Some of the employers replying to the questionnaire wrote that these laws were put on the statute books under the "soak the rich" stimulus, and that their result has been to cripple corporations which are attempting to build up a surplus against a period of depression.

A large percentage of employers declared that Congress could best assist them in restoring employment by repealing the excess-profits tax and adjourning. Nearly all urged that Congress refuse to consider further legislation to regiment and control industry. Practically all replies agreed on one point, that business has been placed in a strait jacket.

In view of this response by the businessmen of my district, there is nothing for me to do but to vote against this bill. It does not meet the requirements of the businessmen of my district. I am being guided by the best advice I can secure from my constituency. This advice does not come as the result of a convention, but from businessmen who have sat down calmly and carefully answered to the best of their ability, and in the light of their experiences, the questions which I asked.

I am convinced that if other Members of this Congress would do as I have done, if they would send out a questionnaire designed to bring back the answers from the small-business men of the United States, they would get about the same response I have gotten and in the same ratio.

President Roosevelt in his last press conference warned that the country must not confuse methods with policy. My conviction, in the light of information I have received from my business people, is that it makes no difference whether it is a policy that produces fear, uncertainty, and hesitation in business, or whether it is methods which produce those same fears, the practical effect is the same and that effect is depression and unemployment.

Here, Mr. Chairman, is no special plea of officials of some monopoly or trust. Here are the sober, earnest, carefully thought out answers of the rank and file small-business men of America, as represented by a cross section of the businessmen of my district, in which we are told that these specific things are the basis of our trouble.

If we are going to eliminate the conditions underlying this depression, we are going to have to do it by an intelligent cooperation with the small-business men and industry of this country.

My businessmen have told me what they are afraid of. They have told me what has made them uncertain. They have told me what has caused them to hesitate. Among other things, as I have noted, is the very policy of taxation which we are considering here today.

I can do no less as an honest representative of my district, being thus advised, than to vote against this bill because it does not meet the ojections of my businessmen. It does not eliminate their fears. It does not remove their uncertainty and it will not cure their hesitancy to proceed on sound, long-term business plans.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. BACON].

Mr. BACON. Mr. Chairman, I think it is safe to say that every economist who has studied the undistributed-surplus tax is opposed to it, with the possible exception of those who are employed by the Treasury and former Professor Tugwell who used to be connected with this administration. Mr. Tugwell in his book, Industrial Discipline, advocates the tax on undistributed surpluses in order to prevent the expansion of business. His thesis is that the Government itself should finance and lend money to all industries, that it should not come from the savings of the people.

It is interesting to know what other countries have done in connection with the undistributed-surplus tax. The only country in the world that has it at the present time is Norway. In Norway it became so oppressive on business that they have had to lower it to the figure of 8.8 percent. Sweden tried this tax for some time, and because it was so ruinous to business and caused unemployment, Sweden repealed it. It is interesting also to contemplate that thrifty little country of Holland. In Holland where they are shrewd and wise, and are governed by common sense they have done just the reverse. They have an income tax of 9.05 on corporate earnings except those earnings that are not paid out in dividends. They encourage thrift amongst the corporations. The same is true in France, Belgium, and Denmark. In every one of these countries there is a premium on corporate saving as against dividend disbursements.

England went into this whole matter very exhaustively through a royal commission in 1919, 18 years ago, and they came to the definite conclusion that an undistributed tax on corporation surpluses would be detrimental to the normal expansion of business. England has no such tax. It does not even have a tax equivalent to our section 102.

The Brookings Institute and the Twentieth Century Fund, two great independent organizations devoted to economic research, have gone into the economic effect of this tax most exhaustively. The Brookings report says, for instance:

The conclusion reached is unequivocally that the tax should be repealed.

The Twentieth Century Fund comes to this conclusion:

The committee recommends the repeal of the undistributed-profits tax as it now stands.

The Brookings Institute examined 1,560 small- and middle-sized corporations in making an exhaustive economic research of this problem. It has as the result of examining these businesses recommended that this undistributed-profits tax be repealed.

It seems to me, Mr. Chairman, that the solution to this problem is repeal of the undistributed corporation surplus tax and the strengthening of section 102 of the act so that it can really be enforced. Of course, section 102 deals directly with the private corporation, the family corporation, or whatever you may be pleased to call it, that is designed solely for the avoidance of the payment of taxes. That is the situation we want to remedy, and we all agree it is the problem that should be reached. The solution is the strengthening of section 102 and not the punishment of corporations throughout the country that may want to build up a reserve or surplus in order to spend that surplus in the expansion of business, the making of improvements, or the building of new plants.

I have in mind a middle-size corporation in the State of Pennsylvania that wished to spend $1,500,000 to build a new plant. It went to the bank and the bank said, "We will lend you this $1,500,000 at 4 percent." This company, however, had to build up a surplus in order to pay back the bank, and on this surplus it had to pay over 22 percent to the Federal Government. Therefore, the money would have cost this concern over 26 percent.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. BACON. Mr. Chairman, if this corporation had been able to build this new unit, it would have given permanent employment to 650 men in addition to the employment it would have given by spending $1,500,000 for the construction of a new plant. It could not afford to borrow money at the equivalent of 26 percent, so it did not build the new unit. It did not borrow the money from the bank which the bank was willing to lend. Six hundred and fifty men were deprived of permanent employment as a result of this tax, and so the unemployment problem was thereby aggravated.

Mr. Chairman, I think we should consider the effect of this tax on the unemployment situation. If it is repealed, I believe that legitimate business will use its surplus to expand and build new units, and thereby give employment to the unemployed. I do not think we should overlook the effect of this tax on the unemployment situation. [Applause.]

Mr. Chairman, on last Saturday Mr. Walter Lippmann, in a very timely study of the undistributed corporation surplus tax, called attention to a study recently made by Professor Colm and Professor Lehmann, two German economists who are at the moment in exile in this country. The title of their study is "Economic Consequences of the Recent American Tax Policy." These men are noted economists and their work, as Mr. Lippmann points out, is scientific, disinterested, and free from partisanship. They conclusively prove in their analysis that the combined effect of high income taxes and the undistributed corporation surplus tax throttles new enterprise and prevents the expansion of business, and that these factors, of course, prevent new employment opportunities.

It is well known that the high income taxes are not designed to raise revenue but have been imposed for the declared purpose of redistributing wealth. As Mr. Lippmann points out, the best proof that these taxes laid upon high incomes have not produced great sums of money is the fact that at the present moment the largest revenues are coming from the sales taxes on consumption, levied on the masses of the people, and from social-security taxes levied upon the pay rolls of workmen.

I do not propose here to discuss the wisdom of taxes on high incomes for the purpose of bringing about a redistribution of wealth. I do, however, want to point out that in the past the savings of the well-to-do have been the source of most of what Mr. Lippmann calls adventurous capital. The savings of the people of moderate circumstances generally goes into conservative investment, such as savings banks, life-insurance companies, or institutions which invest their funds only in the safest kind of securities. Therefore, so far as the creation of so-called adventurous capital is concerned, it comes mostly from the savings of the well-to-do, and it is this adventurous capital that to a marked extent translates itself into new enterprises. Of course, it must be realized that all new enterprises are to some degree speculative. The well-to-do no longer invest in new ventures which of necessity must be speculative in character because if they lose their money they get no relief on their other taxes, and if they make a profit the Government takes the largest part of that profit away from them. It is therefore not worth their while to take the risk.

The other source of new enterprise, and particularly the expansion of old enterprise, comes from corporation savings. In other words, it comes from plowing back the profits of a business concern in new developments and new expansion. It was only in this way that the automobile industry was developed. Had the undistributed-profits tax been in effect during the last 25 years, the Eastman Kodak Co. would not have existed today as it had developed from the plowing back of its profits into new inventions and new developments in the kodak business which, in turn, have afforded employment to thousands upon thousands of people in Rochester, N. Y. Thus, the two principal sources of new capital—that is, the savings of the well-to-do and the saving of corporations—are both shut off in this bill. In concluding my remarks I wish to read from Mr. Lippmann's articles on this point:

This explains, as nothing else explains, the paradox that we have large sums of money available for investment and that there is almost no investment in the expansion of private industry. This country has lots of capital. But it belongs either to the middle class, which cannot take risks, or to the rich, who can no longer make any money by taking risks. Therefore, this capital is not available for new private enterprise. It is available only for bidding up the prices of old established properties or for Government financing.

The net conclusion we are driven to is that if, for broad social and national reasons, we wish to continue to tax the rich out of existence, then we cannot afford also to prevent corporations from holding back profits and using them to finance industrial expansion. We can probably afford the present income-tax structure or the undistributed-profits tax. But we cannot afford both if we wish to see capital invested in private enterprise in order to create new jobs and services.

If both kinds of taxation are to be retained, we shall be driven inevitably toward some kind of Government financing of private enterprise supplemented by much greater investment in public works than we have yet considered. For if we cut off the private supply of adventurous capital by income and undistributed-profits taxes, then unless we are to have stagnation and growing unemployment, we shall have to provide a public supply of adventurous capital.

And so, unless the tax laws can be amended so as to encourage adventurous private investment, we shall come inescapably to a time when the Government itself will be the principal banker and the principal entrepreneur.

We are today faced with ever-increasing unemployment. This tax on undistributed corporation surpluses has been blamed by little-, middle-size-, and big-business men throughout the country as one of the major reasons and causes for the depression and ever-increasing unemployment. Whether this is true or not, it has become a symbol of the present depression. Its repeal would create a favorable psychological reaction that would go a long way in putting us back on the road to prosperity. The failure to repeal it will have a bad psychological effect and will be construed by little-, middle-size-, and big-business men as evidence that this administration does not want to hold out a helping hand to business recovery. Business will never be able to take up the unemployment slack as long as this tax remains on the statute books. Its removal will encourage business to seek new opportunities to expand which will result in thousands upon thousands of new employment opportunities in the private field.

It has been claimed by the Democratic members of the House Ways and Means Committee that if this tax is repealed it will mean a loss in revenue of between two hundred and two hundred and fifty millions of dollars. I do not for one minute believe that this is true. On the contrary, I believe that the resulting expansion in business from the repeal of this tax will more than make up this amount of money in the increased sum that will be derived by the Treasury from the regular corporation income tax. But more important, the repeal of this tax may well result in putting 700,000 men to work. Let me remind the committee that only recently we appropriated $250,000,000 which the W. P. A. estimated would put 700,000 men to work in the course of the year at W. P. A. jobs. Would it not be better to forego an income of two hundred to two hundred and fifty million dollars if by so doing we could put 700,000 men to work at real wages rather than to appropriate $250,000,000 to take care of 700,000 men at W. P. A. wages? It seems the Democratic members of the Ways and Means Committee have entirely overlooked the effect of the repeal of this tax with relation to the unemployment situation.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time to the gentleman from Michigan [Mr. WOODRUFF].

Mr. WOODRUFF. Mr. Chairman, President Roosevelt on Friday, March 4, commenting on the fifth anniversary of his becoming Chief Executive, said:

> The significant thing after 5 years is that the old ship of state is still on the same course.

I find myself wondering just what Mr. Roosevelt means, because he has a habit of using words in unusual connections and with unusual meanings.

He says:

> The significant thing after 5 years is that the old ship of state is still on the same course.

Does Mr. Roosevelt mean that, after 5 years of the New Deal policies, it is significant that we are still a constitutional democracy?

Or does he mean that after 5 years of New Deal policies it is significant that we are still on the same course of depression—which we are? Just what does he mean?

On the same day he uttered that statement he took it upon himself to defend the so-called penalty provisions of the bill, imposing special taxes on closely held and family owned corporations, now under consideration.

> Some of these closely held corporations—

He said—

> showed at the end of the year no profits, or were just in the black, according to their books.

At the same time he called attention to the fact that it was possible for these officials to pay themselves "very large salaries which were not known to the public," the implication being, of course, that because of the situation something must necessarily be both reprehensible and dangerous.

Now, Mr. Chairman, every member of the Ways and Means Committee knows that the principle back of the provision of the bill to which the President referred, the thing responsible for its being in the bill, was a professed desire to force earnings of these closely held corporations out of their treasuries and into the pockets of the owners, in order that they be prevented from evading a proper tax on their actual incomes.

The hypothetical case cited by the President disclosed the exact conditions the majority members of the committee profess to see brought about. Certainly the profits had reached the pockets of the owners, and what difference does it make whether they reached this destination through the medium of dividends or that of salaries? The fact remains that they were within reach of the personal income tax law—the declared objective of those who proposed this iniquitous penalty tax originally and those who are now attempting to force it through this House.

The President must quickly have decided his selection of an illustration was an unfortunate one, because he immediately added that—

> These closely held corporations, paying high salaries to their officials who own the corporations, may say that they cannot afford to improve working conditions and to pay better wages, when actually they were making large amounts of money.

Again his shot fell short of the mark, as he would have realized had he not forgotten for the moment the power of collective bargaining in vogue today, the power of the strike, and the compelling effectiveness of a rising scale of wages in a competitive labor market. In these days these three things combine to bring into line those penurious and unwilling employers who may be overly reluctant to pay their employees wages representing a fair share of the wealth they produce.

In further discussing closely held corporations and the salaries paid to their officials, Mr. Roosevelt expressed a wholly new philosophical concept, if it could be called that, and certainly a new economic concept, if it could be called that, when he said that "competing businesses have a right to know what these closely held corporations are making."

Is it possible that here at last we have from the President his explanation for depressions? Carrying the President's concept to its ultimate analysis, not only would competing businesses have the right to know how much these closely held corporations are making but they would also have the right to know the methods by which they make it, their trade secrets, and any other item of information pertinent to what has always been regarded as private business and its methods of operation.

Can it be that Mr. Roosevelt has uncovered as the cause of the depressions the fact that our businessmen have not been frank with each other? Is it possible that all of this unemployment has resulted, that all this fear in business has come about because the American businessmen have had secrets from one another?

Plainly that is what is implied by Mr. Roosevelt's statement.

It seems clear from any normal construction of his words that what Mr. Roosevelt wants is for businessmen to know exactly how much competing businesses pay their hired help from presidents down to office boys; what their trade secrets are; who their customers are; how much each customer is buying; at what price he is getting his goods; how much it costs to produce the goods; how much it costs to market them; and, of course, what the net profits are.

Manifestly, such a condition as this might be Utopian from a standpoint of frankness and childlike trust; but if this is to be the goal of the New Deal in the next 3 years, assuredly readjustments will have to take place in the business structure of the United States never before contemplated by the wildest visionary seeking to bring about a transcendental state of idealism in a capitalistic system.

Again I quote the President:

> The significant thing after 5 years is that the old ship of state is still on the same course.

Yes, Mr. Chairman, the ship of state, unfortunately, is still on the same course. That course has been as clearly charted as it is possible to chart the course of a ship which, after wandering aimlessly hither and yon around the economic seas for 5 long years, finds itself exactly at the point from which it started. Apparently the old ship, with timbers weakened, its hull covered with barnacles, the old hulk loaded to the gunwales with ever-increasing burdens, its sails tattered and torn, its rigging weakened by the many economic gales to which it has been subjected during the past 5 years, is holding to that course. The President's pronouncement that "competing businesses have a right to know what these closely held companies are making" clearly indicates that.

If anything further were needed to destroy in the minds of American businessmen the hope that persecution of all business under this administration would cease, it was that

statement of the President's, together with the three provisions in this bill to which we of the minority so vigorously object.

Mr. Chairman, for more than 3 years we Republicans have been warning that the ship of state has been aimlessly wandering on the economic sea, and because of it the New Deal was delaying the return of prosperity, that it was producing an unsettled condition of business, and that it was fostering fear, doubt, and hesitation that would prolong rather than ameliorate the depression.

During those last 3 years we have been asserting that we could not have an America economically half slave to a political autocracy and half free under the traditional competitive system. We have time and again warned that we must either make a final choice between keeping our profits system or of abandoning the profits system for the adoption of a system based upon complete Federal control, regulation, and enforcement.

When we Republicans have said these things and have uttered these warnings, we have been condemned by the new dealers and by those who believed in the declared purposes of the New Deal planned economy as being reactionary, blindly partisan, prejudiced, biased, and unfair.

On Monday, February 28, before a Senate committee investigating the unemployment situation, the following declarations, among others, were made:

To activate our economy we can rely on the profits system and the hope of gain, or we can try the new European ideas of state regulation and the fear of punishment. We can try either, but we can't try both at the same time. The hope of gain demands more freedom from political domination than is consistent with any fear of punishment.

If it became clear tomorrow that America has definitely chosen her traditional profits system, forces would be released that would rapidly hasten recovery and reemployment. * * *

We have never approached our tax problem from the question, "How can we get the greatest possible encouragement to production and business activity?" We have approached it recently with what seems like a precisely reverse purpose. And yet in increased business and production alone lies the solution of our unemployment problem, as well as of our Budget problems. * * *

One of our principal problems is technological unemployment and the woeful lag of activity in the capital-goods industries. That is where our greatest pool of unemployment resides. That there has been a vast replacement of men by machines is beyond argument. The only possible offset to that is the creation of new industries and the expansion of old ones.

The combined influence of high and unreasonable capital gains and unwise undistributed taxes has almost stopped the development of new enterprises. Financing of new developments is a very risky business. It usually takes a long time and a period of consecutive losses before there are any profits. Under the capital-gains tax, the Government, in effect, is saying: "If you lose, you lose it all. If you succeed, we take most of it." Nobody wants to take such risks.

Another way to build a new industry is by plowing back its profits. Under the undistributed-profits tax that way is also almost completely closed.

The third and last way is to build by borrowing, but that avenue is also barred if the borrowing must be paid from profits.

Considering all three effects together, these taxes close all three approaches toward a solution of technological unemployment, which I think is our greatest unemployment problem. Our prime necessity right now—the development of new industries—is slowed tremendously by these twin taxes. I think we should exempt small industries and new industries during development and also exempt all expenditures of any corporation for expansion of capital facilities or development of new products or for payment of debt incurred for the same.

The regular income-tax structure should also be given a thorough overhauling to discover its maximum revenue-producing efficiency under the law of diminishing returns.

In our great need for revenue the tax laws should be designed for increasing employment and revenue and not for revenge, punishment, hatred, regulation, or advancement of any social theory. It is my belief that if they were scientifically revised for the two purposes I mentioned—maximum revenue and maximum recovery—we could make a very great advance.

There is another field that merits most careful study. I refer to death duties. Before I go further, let me say I am not for their repeal. It is a great deflationary influence. I am not interested in preserving any unearned wealth to a younger generation, my own or others. But I do think our process of suddenly breaking up enterprises and turning them into instant cash, regardless of conditions, should be studied to find a way to prevent the tremendous retardation it imposes on recovery.

Revision of Federal and State tax structures for maximum business activity and at the same time maximum revenue on the law of diminishing returns requires study. It is a matter of public concern of pretty nearly first magnitude. If there is such a thing as science in government this is where it should be applied. The Treasury is no place for the theories of political messiahs.

I repeat with the greatest earnestness that I believe that unemployment can be solved only by a proper readjustment of Federal policy and the tax structure for maximum business turn-over and activity, both nationally and internationally. In this way you will get the greatest Government receipts, the greatest amount of employment, and the greatest sum of money to be used for relief and necessary social work.

As long as employment lags we must spend for relief, but Government expenditure isn't the way to cure unemployment. There is only one way to do that—full private expenditure for consumption and investment in the normal proportions as between capital and consumers' goods.

It is the combination of millions of cautions that holds back the spending and development which could be 10 times more for reemployment than any Government action or all the spending for relief in any year of this depression.

Of course, all this depends on national policy. If it remains what recently it has appeared to be, there is no hope of reemployment and substantial recovery. If it could be changed along the lines I have tried to indicate, I believe that we would have a rapid and immediate rise in all economic indexes.

I have recently heard some public men reproach business for the alleged failure to step forward and employ the millions of jobless, and intimate that if business doesn't, government will. In addition to being illogical and unfair, that raises hopes that can never be realized and expresses a promise to unfortunates that never can be fulfilled.

I say it with regret, but I would be less than candid if I failed to express my opinion that unemployment is now traceable more directly to government policy than to anything that business could or should do, and that if these policies are not changed, neither business nor government can ever solve this most terrible of all our problems.

If the gentleman who so testified had been a Republican, these statements just quoted would have been discounted, of course, as the expression of criticism arising from a partisan bias. The gentleman, however, was not a Republican. He was Bernard M. Baruch, world noted financier, former adviser of Woodrow Wilson, former head of the War Industries Board, intimate and loyal personal friend and adviser to President Franklin D. Roosevelt, frequent house guest at the White House, and one of the chief financial contributors to Mr. Roosevelt's campaign funds.

Mr. Baruch's testimony comes not only as a striking confirmation of the warnings and the criticisms against New Deal policies made by Republicans over the last 3 years, but it comes as a kindly, well-intentioned, courageous, and constructive criticism of President Roosevelt and his New Deal policies, which, Mr. Baruch said very truly, was expressed by him with great regret.

Up to this time neither the President nor any of his spokesmen have had any comment to make on Mr. Baruch's testimony. They have no adequate answer.

Furthermore, in his testimony this friend and supporter of President Roosevelt took exactly the position that we Republicans have from time to time expressed—namely, that insofar as there are any monopolistic practices, involving price fixing or other actions detrimental to industry, labor, or the consumers, the administration should have long since proceeded to prosecute such monopolies and to stop such practices under existing law, which, as Mr. Baruch declared, "is ample for the purpose."

How are we to explain the fact that Bernard Baruch, Raymond Moley, Louis Douglas, Gen. Hugh Johnson, Senator Burton K. Wheeler, Governor Lehman, and many other former close, personal friends and loyal supporters of Mr. Roosevelt, and men noted for their honesty, their patriotism, and their liberal views, have found it necessary to break with Mr. Roosevelt and his fundamental policies? These men cannot be called "princes of privilege," "economic royalists," or "aristocratic anarchists." They cannot be labeled "Republican die-hards" or "partisan critics blinded by political selfishness."

Here is a situation which deserves the most serious and continuous consideration of the Congress and of the American people. Mr. Roosevelt has had 5 years in which to demonstrate his policies. The present national debt, the present condition of business, the 13,000,000 of our people unemployed—depression—is the answer to those 5 years of the

New Deal policy of wandering hither and yon over economic seas. Either all of Mr. Roosevelt's critics—including his former intimate friends and supporters—are wrong and Mr. Roosevelt is right, or else the critics must be right and Mr. Roosevelt wrong. I leave it to the Members of the House to determine which.

Mr. Chairman, in conclusion I wish to say that I hope the Members of this House will, in voting on this bill and its controversial features, be governed by their convictions and not by the insistence of some high authority. [Applause.]

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Chairman, the Michigan minority representative on the committee, Mr. WOODRUFF, has made what really is the closing argument as far as the minority is concerned. I was momentarily absent from the floor or I should have preceded him. He has made a splendid address, in which I concur 100 percent.

I do want to say something in reference to the chairman of the subcommittee, the gentleman from Kentucky [Mr. FRED M. VINSON]. I have served with the gentleman a long time. We all have confidence in him. I am happy to know he is to go to the bench and be a member of the judiciary, where FRED VINSON can be FRED VINSON. Last autumn I went so far as to say to the gentleman from Kentucky, after this subcommittee had been appointed, that if Mr. VINSON were permitted to write this tax bill without outside interference I would feel perfectly safe in going to Michigan with the knowledge that a good job would be done. I am sorry that the gentleman from Kentucky and the majority members of the committee have not been permitted to write the tax bill they would write and bring before the House if they were given a free hand.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. MICHENER. Certainly, I yield to my distinguished friend, the gentleman from Kentucky.

Mr. FRED M. VINSON. Will the gentleman point out any witness who would say the gentleman from Kentucky or any other member of the committee was coerced into agreeing to any provision in this bill?

Mr. MICHENER. No. My regard for the gentleman from Kentucky is so high I do not believe he could be coerced to do anything he thought was absolutely wrong. I do feel, however, that under certain circumstances—such circumstances as existed in this case, for instance—he might yield to powerful persuasion on a question of administration policy, whereas if he were not urged he might act otherwise.

Mr. HOFFMAN rose.

Mr. MICHENER. I venture to say my friend, the gentleman from Michigan [Mr. HOFFMAN], the Will Rogers of the House, who always has some witty remark to make, is going to assume the gentleman from Kentucky might be seduced.

Mr. HOFFMAN. The gentleman is correct.

Mr. MICHENER. I do not believe he could be seduced, because I have profound confidence in his virtue. He would not yield to what he knew was morally wrong.

Mr. Chairman, the committee report advises us that the purpose of this bill is "to improve our existing revenue system, to remove inequities, to equalize the tax burden, and to stimulate business activities." In short, this is presumed to be a rewrite of existing internal-revenue laws. No change is proposed in the rates on normal tax and surtax on individuals. It is estimated that the bill will raise the stupendous sum of $5,300,000,000; that is, this law when placed on the statute books will take from the taxpayers of this country $5,300,000,000 annually to be spent by the Federal Government. Now, if there are 130,000,000 people in the country, that means $40.77 for each man, woman, and child in the country and, parenthetically, let me call your attention to the fact that every dollar taken from the taxpayer in taxes deprives the taxpayer from spending that dollar for necessities, to say nothing of luxuries. It reduces the purchasing power of the people to the amount of the tax collected.

Now, there is no use inveighing against the collection of taxes because the obligations of the Government must be met and the only way this can be done is through the Federal power of taxation. The tax is but the effect, while the spending is the cause. If taxes are to be reduced, spending must be reduced.

Two of our great committees in the House have been overworked during the last 5 years. First, there is the Committee on Appropriations, which must give consideration to and report on all appropriations. This is the spending committee. Second, there is the Committee on Ways and Means, which is charged with formulating laws to raise the revenue and provide the money appropriated by the Committee on Appropriations. The members on these two committees have been in Congress for a long time. They are seasoned Representatives and understand the relationship of spending to taxes and, in my judgment, if these committees were permitted to function without administration interference, the country would be a lot better off. Credit must be given to the Committee on Appropriations because of its attempt to reduce appropriations to the minimum, and seldom does the President send a spending budget to Congress but that the committee and the House make reductions.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. MICHENER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. Would it not be advisable to have the Committee on Ways and Means follow that procedure and reduce the tax bill as the Committee on Appropriations reduces the estimate of the Budget?

Mr. MICHENER. No, I do not agree with the gentleman. I believe the Committee on Ways and Means is charged with the duty of raising the revenue Congress authorizes to be spent. It is an unpleasant and a difficult task, but it is the effect of the spending. The committee that brings out the bill that levies the tax, the Committee on Ways and Means, is not the committee that authorizes the spending, which is the Committee on Appropriations and the House. Neither the House nor the Committee on Appropriations would authorize this extravagant spending if an insistent spending administration at the other end of the Avenue did not insist on it.

Mr. TREADWAY. The gentleman now touches on the very point I had in mind, that the Committee on Ways and Means to a very large extent has followed the suggestions that come from the other end of the Avenue.

Mr. MICHENER. Yes.

Mr. TREADWAY. This committee must raise tremendous sums by taxation in order to meet the extravagant expenditures of the administration.

Mr. MICHENER. Yes. A tax is just the effect of a cause, and the cause is the spending.

The Committee on Ways and Means might be said to be in extremus so far as its task is concerned. All the usual reservoirs from which taxes are drawn have been exhausted. Unusual, untried, inequitable, unwarranted, and fantastic proposals are now being resorted to in an effort to meet the demands of the administration. Some members of the present Committee on Ways and Means served during the period from 1920 to 1930, and they got in the habit of writing bills to reduce taxes, the committee actually reporting bills reducing taxes five times during that period.

In the early days of the New Deal we were told that there would be no necessity for additional taxes but that so great would be the volume of business existing revenue laws would suffice. However, in due season the truth became apparent. We were advised that the first New Deal tax bill was for the sole purpose of plugging up loopholes to prevent tax avoidance. Here was a source that was to pay for the new spending. Ere long it was necessary to raise more money, and in due time another bill was named a "soak the rich" bill. This met with public approval, because where class prejudice is encouraged it is always popular to "soak the rich." Most drastic laws were enacted and surely the rich were soaked.

But killing the goose that lays the golden egg does not provide for the revenue on which to run the Government. The last soak-the-rich bill was passed in 1936, and this bill would not be before us today were it not for the fact that the 1936 New Deal tax law has wrought almost irreparable injury to the economic structure of the country, and the inequities and inconsistencies of that law are the real factors compelling the revision now before us. Of course, our New Deal friends do not like to admit this.

This bill contains 319 pages, is extremely technical, in fact so much so that it is impossible to discuss these technicalities in the limited time allowed for general debate. Then again, one must be a tax expert in order to even read the bill intelligently. In some particulars this bill is an improvement over existing law, and, that being true, at first blush one feels that duty requires that the bill be supported. However, a closer scrutiny has clearly convinced me that the bad in the bill far outweighs the good, and that, being opposed as I am to certain principles embodied in the bill, if these objectionable features are not removed, then I must vote against the bill.

I do not believe that the American people have ever been so wrought up over a tax bill as they are over this one. The features of the bill being most discussed in the press, from the rostrum, over the radio, on the farm, in the store, the shop, and factory are:

(a) The undistributed profits tax clause.

(b) The proposed penalty tax on closely held or family corporations.

(c) The capital-gains tax.

(a) The undistributed-profits tax was an innovation embodied in the 1936 New Deal tax law. Every prophecy made by those of us who opposed the law at the time has come true. There is no demand in the country for the retention of this law, while there is a demand from all sources for its absolute repeal. It cannot be said that these demands come solely from the corporations and business interests, for witness the resolution of the American Federation of Labor in convention assembled demanding the absolute repeal of this iniquitous hindrance to business recovery.

I charge that this law prevents the accumulation of adequate rainy-day reserves; that while it undoubtedly is not the sole cause of the Roosevelt depression, yet it was a large factor in bringing about this condition. It has reduced employment and prevented reemployment of labor. As between the small corporations and the large corporations, it discriminates in favor of the larger corporation, and especially so if that organization is a great monopoly. It strikes at the fundamentals of sound business principles and not only encourages but demands improvidence and places a penalty on any corporation attempting to provide security for a less prosperous day to come.

It will drive capital out of productive enterprise into tax-free securities, for why should the man with money invest it under such conditions when he can buy tax-free securities, secure a greater yield on his money, and have no worry about the management of a wealth-producing corporation? Specific instances have occurred, I believe, in the district of every Member here. For my part, I have had numerous complaints, and here is a typical illustration: During the depression in 1933–34 a small corporation in my district, employing between 300 and 400 men, exhausted its reserve, found no sale for its products, but, having faith in the future, arranged to borrow money at the bank to keep men employed, even though the manufactured goods had to be placed in the warehouse. This was a medium-sized town with three banks, and the banks, cooperating with this small corporation, loaned money to carry on. The contract between the banks and the corporation provided that the money borrowed should be repaid according to the terms of the agreement and that the debt should be reduced to a given point before any dividends were paid on the stock. The company lost money during the years 1932–36 but had a good year in 1937. According to its contract, the profits were to be applied on the indebtedness; but, in the meantime, the Congress placed this undistributed-profits tax, so that when the corporation had $100 to pay on its indebtedness at the bank it had to send practically $40 out of the hundred to Washington as an undistributed-profits tax. If the corporation had distributed this money to its stockholders and not paid its debts, then this tax would not have applied. Can there be any justification for or common sense in such a law? This example may be multiplied many times in every State in the Union.

The majority members of the committee urging the enactment of this bill insist that it is less drastic and will give more leeway to the honest corporation so far as profit distribution is concerned than does the present law. This is true, but the principle of the undistributed-profits tax is still there, and if this principle is accepted as a part of our fundamental law, and if the present spending of the administration continues, there is no doubt but that the necessities of the Treasury will be so great that these exemptions will be repealed when the occasion demands.

(b) Under this proposed tax on closely held or family corporations another new principle is brought into our revenue system. The provision is punitive entirely, is discriminatory, and undoubtedly aims at certain closely held corporations, even though there is nothing in the hearings to indicate just which ones they are. If this is an attempt to put the Ford Motor Co. out of business, why not say so? If it is intended to do away with small community corporations, why not say so?. We all understand, however, that the effect of this law would be to impose an additional tax upon operating corporations in which stock ownership is held by a few individuals or by members of a family. It is intended to cover such corporations in which more than 50 percent in value of outstanding stock is owned directly or indirectly by or for one individual, and runs up to corporations in which 75 percent or more in value is owned by or for 10 or less individuals.

Again, may I use a practical illustration by quoting from a letter received from one of the leading industries in a city of more than 50,000 population. I quote:

> We would doubtless come under the proposed close-corporation feature of the tax law now under consideration. I built this business up from nothing in 27 years by producing good goods, servicing them properly, treating everyone fairly, and giving value received to everyone. It remained my personal business until 4 years ago when I incorporated it in order to give executives an interest in the business. Today it is owned more than 50 percent by myself and the total number of our stockholders is seven. We are a real influence for good in this community, giving steadier employment to our employees than any other organization of any size. Our company, as you can see, was not organized with any thought of evading or saving taxes but a natural evolution of many years of steady work. Is it meant to penalize such organizations? There are several business organizations in this city which would be affected the same way. The provision might force many a merger of two or more companies, although that would, I believe, be impracticable for us.

What this proposed tax will do to this community, as described by the above employer, will happen in thousands of communities throughout the country. The only excuse given for this proposal is that it will prevent tax evasion. The minority report and this debate have clearly demonstrated the fact that section 102 of the present revenue law is designed to meet just this situation. That law is already on the books, can be enforced, and can accomplish everything to be accomplished under this new proposal, with the exception of putting the corporations affected out of business. I charge that this provision of the bill will militate against the independent dealer and in favor of the large chain stores, where the stock is extensively held. It will affect newspapers, department stores, local manufacturers, and local institutions to a great extent. It is against the interests of the small-business man and will do particular injury to the independent concern that has been having difficulty in keeping its head above the economic waters because of competition with the chain stores. Again, it will cause many mergers. The small concern in your home town will find it impossible to compete longer with the great combine. In short, the small corporation will be taken over and the men on the pay rolls in the

smaller communities will find themselves without jobs. It will accentuate the tendency toward the great industrial centers and will do much to ring the death knell to the small-town, home-grown industries. Again, it cannot be said that this tax is being opposed only by the closely held corporations, for the American Federation of Labor at its recent convention in Miami, Fla., resolved that this tax was injurious to American labor and objected to its enactment. I have been making a serious effort to find someone who at heart is for this new innovation, and my investigation has led me to conclude that it gets its inspiration from the administration and can be called strictly an administration policy.

I had a letter the other day from a constituent who advised me that he had $100,000 invested in American Telephone & Telegraph stock; that a short time ago a small factory in his home town, owned by one family, found itself in financial difficulty when one of the members of the family died. That member's stock had to be sold. The man who wrote me invested $100,000 in the home industry to save the home factory, to employ home people.

He asks me why he should be discriminated against in that investment as compared with his investment in the great American Telephone & Telegraph Co., with its more than 600,000 stockholders. There is no answer. It just is not right and cannot be justified. I hope that the administration is not attempting to penalize newspapers or other manufacturing institutions, economic royalists, or any others who have had the hardihood to assert their independence and express their views as free American citizens. The argument made by the chairman of the Ways and Means Committee to the effect that but a few corporations will come under the operation of this tax because of the exemptions provided is not persuasive. Adopt the principle and the exemptions will be easily removed.

(c) The present law providing for the capital-gains tax kills its own effectiveness, tends to retard business transactions of all types throughout the country, lessens revenue collections, and has been most disappointing in every way. There is no justification for its continuance, and I join with those who advocate a return to the 12½-percent limit on capital gains which was in effect from 1921 to 1934. That is an equitable tax, while the present law has reached the diminishing return point.

If the purpose of this bill is "to stimulate business activities," surely that objective cannot be reached by prescribing new formulas for strangling business. Fear and suspicion can only be removed by removing the cause for the condition. An outright repeal of the undistributed-profits tax, a return to the former law affecting capital gains, and a defeat of the proposed tax on closely held corporations will be impelling incentives for business to go forward. Business is not going ahead until it can see ahead, and we cannot blame it. The passage of this bill, as I am advocating, will not in itself return the country to prosperity. It will, however, be a stabilizing factor of far-reaching effect.

The passage of the bill as advocated by the administration will be nothing more nor less than another red light on the highway to recovery. These redlights are becoming discouraging to business, little and big. The only redeeming feature about the bill as it is drawn is that it again reemphasizes the vindictive policy of the administration against the philosophy of saving rather than spending, against frugality rather than profligacy. Outside of administration circles it is generally conceded that the obstacles placed in the way of all business venture by recent laws are not only the contributing but the dominating factor in bringing about our second depression.

If a Republican makes these statements, then there are those among the new dealers who immediately shout "partisan politics." In these circumstances, I will be pardoned in quoting Mr. Bernard Baruch, an outstanding Democrat, a personal friend of the President, and one who has gone along with the New Deal until his interest in his country apparently makes it impossible for him to proceed farther up this blind alley. Appearing before the Senate Committee on Unemployment the other day, Mr. Baruch said:

> I say it with regret, but I would be less than candid if I failed to express my opinion that unemployment is now traceable more directly to Government policy than to anything business could or should do.

The day is gone when we must consider the New Deal in prospect. After 5 years of promises, trial, propaganda, ballyhoo, and failure, we are confronted with the stern reality of the morning after. A Nation exploited by impracticable theorists, a Nation bled white by unbearable and discriminatory taxes appeals to this Congress, its representatives, for relief. We must not disappoint. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, I feel sure that I voice the true sentiment and feeling of every Member of this body on both sides of the aisle when I join with those who have preceded me in paying a very deserved tribute to our distinguished colleague and friend the gentleman from Kentucky [Mr. FRED M. VINSON] who has served as chairman of the subcommittee drafting the pending bill.

I am sure we all recognize that he is one of the ablest Members who has served in this body [applause], a man devoted to the public service and one who has made a record here that deserves the highest praise and commendation of the people of this country. We all give him a full measure of our respect, confidence, and affection, and realize with deep regret that the services rendered by him on this measure will mark the end of his membership in this body. He will soon enter upon a service on the judiciary of this country. He is one of the most accomplished legislators who has served in this body. [Applause.]

I could not refrain from giving an expression of my personal feeling because he and I have served side by side, have sat next to each other as members of the tax subcommittee of the Ways and Means Committee from the time that subcommittee was first created on down to now. I perhaps may be in a position, even to a greater extent than many others, to give evidence to you of the genuine value of the service he has rendered this House and the country in these very difficult matters challenging our thought and attention.

Mr. Chairman, we accept with appreciation the complimentary remarks made by the distinguished gentleman from Michigan and others who have praised the work of the Ways and Means Committee and the subcommittee that has worked tirelessly on the pending bill for several months. We know, of course, it is never a pleasant task to have to levy taxes. We know that the more pleasant duty is to bring in appropriation bills appropriating money, but somebody has to discharge the unpleasant duty of raising the revenue necessary to sustain this Government of ours. When comparatively a handful of men have the responsibility resting upon them of raising practically every dollar of revenue the Federal Government is to receive, I assure you it is not only a great responsibility but it is a very difficult task, indeed. The Ways and Means Committee is charged with the responsibility of discharging this duty. It is interesting for us to remind ourselves of the fact that when the Government was first formed, and the First Congress assembled, there was one committee, the Ways and Means Committee of the House. We know that from that time on down to now many other important committees have come into existence and have their proper function as standing committees of this House.

We have listened to much discussion about the question of taxes and revenue for the Federal Government. Much of this discussion has been directed to the 1936 Revenue Act. We might remind ourselves of the fact that the 1936 act was made necessary by reason of two incidents that occurred. One was the passage of the legislation paying the adjusted-service certificates held by the World War veterans, for which the President was not responsible. The other was the action

of the Supreme Court of the United States in invalidating the Agricultural Adjustment Act and the processing taxes provided under that measure. These two items amounted to about $620,000,000. So in March of 1936 the President of the United States sent to the Congress a special message requesting the enactment of legislation to provide this much additional revenue.

There has been some discussion here as to who originated the idea of the undistributed-profits tax. Some gentlemen have stated that it was the result of views entertained by Mr. Oliphant, general counsel of the Treasury Department, or by Mr. Tugwell, Under Secretary of Agriculture, and there has been some speculation along that line as to who was responsible for advancing the idea that we should have an undistributed-profits tax.

As I took occasion to say a few days ago in endeavoring to reply briefly to some gentleman who had made that remark, as one who was on the Ways and Means Committee at the time, who heard every witness who testified, I can assure you that so far as I know Mr. Tugwell never had anything to do with it and knew nothing about it.

At that time we did not have an Under Secretary of the Treasury, and Mr. Helvering, the Commissioner of Internal Revenue, was the representative of the Treasury Department who worked with the Ways and Means Committee during the consideration of that bill. It was only when the chairman of the committee called for Mr. Oliphant, the general counsel, that he appeared and made a statement before the committee. It was rather interesting to observe when members of the minority side of the Ways and Means Committee undertook to cross-examine him, he took exceedingly fine care of himself, so far as the questions they asked him were concerned. They soon backed off entirely from any criticism. I remember very well one gentleman asking him why it was necessary to penalize the corporations of this country by an undistributed-profits tax. He said, in substance, "I don't insist, I don't even make the charge or the statement that it is necessary to penalize anybody, but I do not believe corporations are entitled to a subsidy out of the Treasury of the United States." That is the situation we have presented.

Of course, the fact is that the undistributed-profits tax was the result of a message from the President of the United States, and I ask your indulgence briefly to quote a few extracts from that message, because I believe it points out clearly the reasons for the enactment of an undistributed-profits tax from the standpoint of fairness and honesty in dealing with the people of this country in the matter of levying taxes. In this message of March 3, 1936, the President had this to say:

> Extended study of methods of improving present taxes on income from business warrants the consideration of changes to provide a fairer distribution of the tax load among all the beneficial owners of business profits, whether derived from unincorporated enterprise or from incorporated businesses, and whether distributed to the real owners as earned or withheld from them. The existing difference between corporate taxes and those imposed on owners of unincorporated business renders incorporation of small business difficult or impossible. The accumulation of surplus incorporations controlled by taxpayers with large incomes is encouraged by the present freedom of undistributed corporate income from surtaxes. Since stockholders are the beneficial owners of both distributed and undistributed corporate income the aim, as a matter of fundamental equity, should be to seek equality of tax burdens on all corporate income, whether distributed or withheld from the beneficial owners. As the law now stands our corporate taxes dip too deeply into the shares of corporate earnings going to stockholders who need the disbursement of dividends, while the shares of stockholders who can afford to leave earnings undistributed escape current surtaxes altogether. This method of evading existing surtaxes constitutes a problem as old as the income-tax law itself. Repeated attempts by the Congress to prevent this form of evasion have not been successful. The evil has been a growing one. It has now reached disturbing proportions from the standpoint of the inequality it represents and of its serious effect on the Federal revenue. Thus the Treasury estimates that during the calendar year 1936 over four and a half billion dollars of corporate income will be withheld from stockholders. If this undistributed income were distributed, it would be added to the income of stockholders and there taxed as is other personal income, but as matters now stand, it will be withheld from the stockholders by those in control of these corporations. In 1 year alone the Government will be deprived of revenues amounting to over $1,300,000,000.

That was the statement of the President of the United States to the Congress. As a result of that message the Ways and Means Committee drafted the 1936 revenue bill. The charge has been made here, and it has been included in publicity throughout the country, that the undistributed-profits tax is a penalty on business, that it is a penalty placed upon corporations. As I view it, just the reverse is the true situation. It is simply an attempt to make the Federal tax law such that it will be fair and equitable to all the people of this country. I think there are many reasons that could be given that would show the soundness of the undistributed-profits tax, but I shall invite your attention briefly to only two of these reasons. One is there can be no doubt that it has helped many people of the country. Many people have received dividends from corporations that had not been receiving them before. Just for a moment let us think what that means to the people. Here is a man who invests his money in the stock of a corporation. In a year's time that money invested by him earns so much. There is so much earning in that corporation that belongs to him as a stockholder, but the board of directors meets and says, in effect, "Well, now, your money has earned, say, 10 or 12 percent, but we have decided we are just going to give you 5 or 6 percent in a dividend, half of what your money has earned, and keep the balance in the corporation."

They do not say to him: Your money has earned so much, here is a check for your share of the earnings, we are going to pay it out to you in the form of a dividend, but we want to repair our capital structure, we want to increase our reserves, we want to build up our surplus; therefore, we would like for you to take some additional stock. They do not say that to him. As a general rule they withhold his money. This allowed a man once in a while to have a chance to see his own money that he placed in these corporations.

The main thing, of course, is the matter of revenue, and that is the thing we have considered, that is the thing that led to the enactment in 1936 of the Revenue Act of that year. Just as an illustration let us take the case of one of the wealthiest men ever produced in the history of this country, a man who built up a large fortune. He saw fit, as he had a right under the law, to operate generally through closely held family controlled corporations. He went along all through the years and paid about 15 percent corporation tax; whereas, if that money had been declared out to him he would have been forced up in the high-surtax brackets as an individual taxpayer. As I say he went along all through the years paying this normal corporation tax of about 15 percent, not allowing the money to be declared out to him in dividends, thereby saving himself large surtaxes that he would have paid as an individual taxpayer. He built up a large fortune, then left his fortune to a charitable trust and the Government did not even get the inheritance and gift taxes from it.

The important thing for us to bear in mind is that it takes so much money to support this Government of ours. If a man of that type is escaping the payment of his fair share of taxes for the support of this Government it is a matter of common sense that the other people have to make up that difference.

I insist that this is not fair. It is not fair for the Representatives of the American people in Congress to allow a situation of that kind to exist, where people can receive direct benefits and advantages under our tax laws. I believe that a greater degree of equality and fairness should be provided in the tax laws that will make the tax burden rest equally and evenly over all the people of this country, giving recognition to that sound principle of taxation according to ability to pay. That was one of the reasons prompting the enactment of the revenue law of 1936. As has been pointed out in the course of this debate, the bill that passed the House on that occasion was a real undistributed-profits-tax bill. The Ways and Means Committee took the message of the President of the United States and drafted the measure within the scope of that message. We provided for the ab-

solute repeal of the normal corporation tax. We provided for the repeal of the capital-stock tax and the excess-profits tax and left the bill as it passed the House as a pure undistributed-profits tax. I believed then and I believe now that it was a sound principle of taxation. We have never had an opportunity for it to be tried. For my part, I would sometime like to see that type of tax given a trial.

After this undistributed-profits-tax bill, which had repealed the normal corporation tax, the capital-stock tax, and the excess-profits tax, passed the House, it went to the Senate. There these three taxes that we repealed were restored to the bill. They put back the capital-stock tax, the excess-profits tax, and the normal corporation tax, and then imposed a very modified undistributed-profits tax on top of it. The facts are that the three taxes that were repealed under the House bill, the normal corporation tax, the capital-stock tax, and the excess-profits tax yield eight times as much revenue as the undistributed-profits tax portion of the existing law.

These three taxes yield $1,200,000,000 annually. The undistributed-profits tax yields $150,000,000. We hear the charge made, however, that because there is a modified undistributed-profits tax in existing law that that is responsible for the business recession, that that is responsible for all the trouble that business is experiencing in this country today. This does not impress me as being worthy of our serious consideration when we realize that the tax burden on corporations of this country is eight times as much through these other sources of taxation as it is from the undistributed-profits tax.

In addition to the repeal of these three taxes to which I have referred, certain very definite relief provisions were provided in the House bill to take care of corporations with impaired capital, to take care of corporations with a deficit, to take care of corporations that were laboring under some provision of State law that prevented their declaring dividends. This series of cushions or relief provisions were taken out of the bill in the other body. As we know, that was a campaign year, that was a Presidential year. After the bill finally passed the Senate it went to conference and some of our minority colleagues had to go to their party convention before we were able to complete the work in the conference. The majority party convention was coming on and a concurrent resolution of adjournment had already passed. In the very nature of things your conferees were unable to work out as satisfactory a measure as they would like to have worked out.

It was the best we could get under conditions as they then existed. The result was that we had the enactment of the 1936 revenue bill. Under the House bill, I may say in passing, all corporations in this country with $10,000 or less net income could retain 42 percent of their net income and not pay one dollar more in taxes than they had paid under law existing before that time. All corporations above $10,000 net income could retain 30 percent of all their net income and not pay one dollar more in taxes than they had paid before. In 1935, 67 percent of all the corporations of this country had less than $10,000 net income, and 88 percent of all the corporations of the country had $25,000 or less net income.

The existing law, as well as the pending bill, does not in any way disturb the deductions that a corporation may take. A corporation is given the most liberal treatment in this country of any country in all the world in the matter of deduction from their gross income to bring them down to the net income on which they are taxed. Many items that are allowed as deductions in this country are not allowed in other countries. Let us take the matter of depreciation alone. It would be interesting to study that one item a little and see the enormous amounts that are allowed the taxpayers in this country for depreciation that they would not get in any other country of the world. In England, before you are allowed a deduction for depreciation you have to replace with a new machine or with a new item, whatever it is. We allow most liberal treatment in the matter of deductions for depreciation.

I recall while the subcommittee was working on this bill a very reliable gentleman came to see me one day to talk about corporation taxes. He said, "My company made about two and a half million dollars net income last year. We were allowed $800,000 depreciation and we cannot use but $200,000 of it." Two hundred thousand was all he could use and he had been allowed $800,000. He had $600,000 absolutely tax-free. He could build an addition to his plant. He could increase his surplus or do anything he wanted. He could pay debts or do anything else he wanted to with $600,000 that was absolutely tax-free. That gives some idea of the liberal treatment which we in this country accord corporations so far as deductions are concerned. Of course salaries, wages, cost of goods, and all of the various items are taken as deductions. We have a $77,000,000,000 gross income reduced to $5,000,000,000 for tax purposes. The fact is our business institutions receive the most liberal treatment so far as the payment of Federal taxes are concerned in this country of any country in the world. Right today Great Britain levies a tax of 30 percent on corporations. It has a 25-percent normal corporation tax and an extra 5-percent armaments tax, which totals 30 percent that the corporations in England have to pay.

The bill now before the House for consideration is a real tax-relief bill. I do not recall at the moment that there is a single maximum rate in this bill but what is lower than that provided under existing law. As has been explained to you, most of the criticism has been leveled at the corporation tax that we levy. There has been more discussion on that phase of it and I shall only ask your indulgence for a little while to further dwell upon that, because it has been fully and adequately explained to you.

We divide corporations into three groups, which is nothing new. We have had classification of corporations before. We have had classification of individual income in this country, and certainly Congress has the right to make reasonable and proper classifications. We divided the corporate tax into three groups. First, on corporations with $25,000 or less net income we levy a normal corporation tax of 12½ percent on the first $5,000, 14 percent on the next $15,000, and 16 percent on the remaining $5,000, or an effective rate of 14.1 percent on corporations with $25,000 and less net income and exempt them completely from the undistributed-profits tax. Of course, bear in mind that does not disturb any of the other advantages that corporations have under existing law so far as deductions and allowances are concerned.

For corporations with $25,000 and above net income we retain the undistributed-profits tax, but in a very modified form. We levy a top rate of 20 percent and allow them a credit for dividends distributed to their stockholders at the rate of two-fifths or four-tenths of 1 percent in tax for each 10 percent that they distribute in dividends. The result is if they distribute half of their net income they get a rate of 18 percent. If they distribute all of their net income, they are brought down to 16 percent. That is what has been commonly described and explained to you as the 20–16 plan.

The third group is the one about which we have heard so much, the so-called title I–B, closely held family controlled corporation group. First, let us remind ourselves that there will be a comparatively small number of these corporations in the country because of the definition provided here. The first test is that of ownership. One person, including members of his immediate family, must own 50 percent or more of the stock of the corporation. Two people must own as much as 53 percent, and that is increased gradually until 10 or less people must own 75 percent of the stock of the corporation. It does not stop there.

We also have a provision that they must have voting control. In other words, they must control the dividend policy of the corporation in order to have that corporation come within this definition.

Some reference has been made to the number of people that might be involved. This ownership test applies in such

a way that these people must have voting control. They must control the dividend policy of this type of corporation before they come within the definition.

It is further provided that corporations with less than $75,000 net income are taken out of the provisions of title I–B. We should bear in mind that a net income of $75,000 means the corporation is a million-dollar corporation, and in most instances it is considerably above the million-dollar corporation class. They are not these weak, struggling institutions to which reference has been made and for which so much sympathy has been expressed. These are large, powerful institutions in this country of ours. In the very nature of things, if they have an income of more than $75,000 after all these deductions are allowed, all the allowances for salaries, cost of goods, wages, depreciation, depletion, and all the other deductible items, it means they are larger than million-dollar institutions.

It is provided that $60,000 or 30 percent of their net income or debts, as defined in the bill, whichever is the largest, shall be used in determining whether they come under title I–B. A great deal has been said about a corporation not being able to pay its debts. A provision to cover this has been included here. My distinguished colleague, the gentleman from Ohio, had a great deal to say this afternoon about a corporation not being able to pay its debts. He completely overlooked the fact that he sat on the committee when we definitely voted to include in the bill a provision that being liable for debts would bring a corporation out of title I–B.

It is estimated by the best authority we could secure that only about 300 to 600 corporations in this entire country would come under the provisions of title I–B. Let us again remind ourselves of the type of business institution this is. It is the type of institution that is closely held by people of the same family or very closely connected. This type of corporation has a large net income. The owners of the corporation pile up the money in reserves and hold it as part of the assets of the corporation, whereas if they had to vote this money out to the stockholders the stockholders would be forced into the higher individual surtax brackets. This is the situation we face, and this is the condition your committee was trying to meet. All the provision does is try to equalize this burden among the people of the country. I cannot see how anybody can insist it is fair or right for a few people to get together and conduct their business in corporate form, holding their net income in the corporation and continuing to pile it up there and paying a flat corporation tax rate on that income, when if the income were distributed to them as individuals they would be forced up into the higher brackets and have to pay the taxes the rest of the people have to pay.

After all, it is only a matter of equality, equity, and fairness among the people of the country. Each of you can rest assured of the fact there is not a single title I–B corporation in this country that will pay to this Government a tax which compares to the amount you have to pay on your salaries as Members of the House of Representatives; and yet all this interest is manifested in this group of people. I am not charging anybody with anything improper, because it is a provision of law, and people pay taxes according to the provisions of the law. They pay what they have to pay under the law. It is a matter of common experience with all of us that we pay only the amount of taxes the law requires us to pay. If the tax laws of our Government are such that this group of citizens may operate their business in such a way they get a decided tax advantage over their fellow citizens who do business as individuals or as partnerships, my position is that it is our duty as the Representatives of the whole American people to try to equalize this situation and see that our Federal taxes are levied with the degree of equity the people of this country have a right to expect. [Applause.]

Before passing from this immediate question I should like to mention that loss sustained on obsolete machinery is allowed in full to corporations. As it now stands corporations receive only a limited benefit under the capital gains and losses tax for machinery that becomes obsolete in their trade or business. For instance, an illustration was given a few days ago of a factory or plant that has a machine for which $100 was paid, and a depreciation allowance of 10 percent a year is charged off for 10 years. At the end of 5 years, however, the machine has become obsolete because another machine has taken its place. Heretofore they had to sell the machine for whatever they could get for it as scrap iron or junk, $1 or $5, and take up their loss as a capital loss. Then they had to have a capital gain against which they could apply this loss. Now we provide that the corporation gets the entire $50 value lost by obsolescence on such a machine. All corporations get the benefit of this provision, and it is a great benefit not only to title I–B corporations but to all other corporations as far as machinery-obsolescence accounts are concerned.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from California.

Mr. BUCK. All depreciable assets are excluded from the definition of capital assets in regard to all corporations.

Mr. COOPER. The gentleman is correct

I wish to mention another point or two in regard to the title I–B tax, because it is apparent this provision is troubling Members more than any other one item. I do not believe anybody can offer any valid criticism against the other provisions of the bill. Certainly nobody can criticize the very liberal treatment we give corporations with $25,000 or less net income. Just stop in passing to remind yourselves how nearly that comes to covering all the corporations in your district. Stop for a moment and reason a little bit for yourselves. We are speaking of a corporation which has a net income of $25,000 after all these allowances have been made. How many corporations do you have in your districts whose net income will run above that figure?

In addition, I may mention the very beneficial treatment given corporations with a net income above $25,000, the so-called 20–16 plan. Under this plan a corporation may make any amount of money it can above $25,000 and pay a maximum tax of 20 percent. It may keep all the rest of what it earns and do whatever it pleases with it, expand its plant, increase its operations, build new plants, or do whatever it wants to do with all that money.

When we had a 15-percent normal corporation tax, a corporation after paying the tax only had 85 percent of its net income to use for whatever purpose it desired. Under this plan, by paying a maximum rate of 20 percent, it has 80 percent of its net income, after payment of tax, with which it may do as it pleases.

There are many other relief provisions in the pending bill. I do not see how anybody could justify a vote against any of these provisions because they accord fair and equitable treatment to the business institutions of this country.

Mr. LUTHER A. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Texas.

Mr. LUTHER A. JOHNSON. I have inquiries from two corporations in my district, about which I spoke to the gentleman, with reference to the capital-stock tax. The criticism of existing law is that if they made a mistake in reporting their capital stock it could not be corrected, and it was suggested that a change should be made whereby if they made a mistake of this kind it could be corrected. Has any change been made in the bill in this respect?

Mr. COOPER. Mr. Chairman, I recall that the distinguished gentleman from Texas spoke to me several times, and doubtless to other members of the committee, about these matters in which his constituents are very much interested, and I will say that in this, as in all other legislative matters, the gentleman from Texas has shown a great degree of interest in looking after the welfare of his people.

With respect to the question as to capital stock valuation, if the gentleman will look to the bottom of page 6 of the committee report he will find that the committee has taken care of that situation. The bill provides that corporations be given the right to declare new capital-stock value as of

June 30, 1939, with the right to a new declaration every third year thereafter. This is a considerable advantage to many corporations.

Mr. LUTHER A. JOHNSON. I thank the gentleman.

The other question was with respect to guessing in advance about the earnings, and if they made a mistake in their guess, they should be given more time.

Mr. COOPER. I recall the gentleman spoke to me about that, and if I understand the situation as it exists with reference to this corporation writing to the gentleman, they will be taken care of. My understanding is they think they may come under the provision of a closely held corporation, and assuming this is true, the bill provides that they have 2½ months after the close of the taxable year, assuming they are doing business on a calendar-year basis, within which to declare out not to exceed 10 percent additional of the dividends that they declared out during the previous year.

Now, with reference to the average distribution of dividends throughout the years of the past. Under the 1936 act the corporations of this country actually declared 81.2 percent in dividends. I realize the charge may be made that they were under pressure of the 1936 undistributed-profits tax, therefore they had to declare out this 81.2 percent in dividends.

Well, let us analyze the situation and see what the facts are, and, after all, I think when we get down to the real facts in these matters much of the troubles disappear, much of the difficulties are exaggerated. I have had so many men come to me and say, "Oh, the undistributed-profits tax has absolutely ruined me." I would say, "Let us sit down with a pencil and a piece of paper and see what this undistributed-profits tax has really done to you. Let us take the amount of your net income, first figure what your normal tax was before there was any undistributed-profits tax, and then figure what it is under existing law." I say to you, frankly, that 9 out of 10 of them I have figured it out with had a tax burden under the 1936 act less than what it would have been under the law before the 1936 act was passed. Now, because they still have this normal corporation tax to pay, they still have the capital-stock tax and the excess-profits tax, which is eight times as much as the undistributed-profits tax, they have charged all of their troubles to this one item.

For 10 years before there was any undistributed-profits tax in this country, from 1926 to 1936, taking good years and bad years, and I believe that is a fairly representative period, because we had many good years as well as some bad years, and this was before there was any undistributed-profits tax, the corporations of this country declared out 76 percent in dividends.

If they follow the policy that was voluntarily followed by them before there was any undistributed-profits tax, there will certainly not be any undue hardship on any of them. I want to give you a few figures that I think should be helpful in considering the proposed title I–B tax. Let us suppose that a corporation makes a net income of $100,000. Bear in mind that is not a small institution, when after all deductions, they wind up with $100,000 of net income, that is a sizeable institution, above the million-dollar mark. If this corporation makes a net income of $100,000 and declares out as much as $21,000, or 21 percent, to the people who own the corporation, just divide up that much money among themselves, they come out from under title I–B. Certainly, you could not expect them to divide up much less than 21 percent of the money among themselves, unless by declaring those dividends to themselves they would be forced up into the high-surtax brackets, and have to pay a higher tax to this Government. As stated, with a net income of $100,000, if the corporation distributes as much as 20.8 percent, it is taken out of the provisions of title I–B. If it has an income of $150,000 and distributes as much as 41.7 percent, it comes from out of title I–B; if it has an income of $200,000 and distributes as much as 51.1 percent, it comes from under the provisions of title I–B. If a corporation has an income of $250,000 net, and above that amount, if it declares out and distributes as much as 57.6 percent, it comes out of the provisions of title I–B. Of course, the reasons for all corporations with income above $250,000 not coming under I–B, if they distribute as much as 57.6 percent, is because the $60,000 specific credit is greater than the 30 percent.

As explained to the gentleman from Texas [Mr. LUTHER A. JOHNSON] a few moments ago, title I–A, the personal holding-company corporations, and title I–B, closely held family controlled corporations, are given an additional 2½ months after the close of the taxable year within which to declare out additional dividends, if they find they have not guessed right, if they have not declared out quite enough.

Suppose a title I–B corporation, with a net income of $1,000,000, is equally owned by two shareholders. If the corporation retains all of its net income, the tax would be $312,000 on the corporation. If this had been a partnership and these two men had done business as a partnership, the tax paid by the partners would aggregate $608,276. In other words, the partnership tax is almost twice as much as the corporation tax on that type.

Mr. McCORMACK. Will the gentleman name any co-partnership in the United States that has a million-dollar income without being compelled to go into the corporate structure?

Mr. COOPER. I do not know that I can name one at the moment but there may be some; but I do believe that the Federal tax law ought not to create a situation where one type of business has a 50-percent advantage over another type of business doing the same business. Why should the Federal tax law say to a free American citizen, "You have to do business in a corporate form in this country, or else you will suffer a penalty of taxes to the Federal Government"?

Why should not a man have the right to do business as an individual or as a copartnership if he wants to? He is a free American citizen and ought to have the right to do business in that form if he wishes. Yet under the Federal tax law which Congress has enacted, and that will stand unless it is remedied by some effort to equalize it, they have to do business in the corporate form. I maintain that it is not fair, it is not right for us to say, through the strong arm of the taxing power of the Government, that a man in this country is compelled to do business in the corporate form or suffer a penalty.

The whole purpose of the undistributed-profits tax, the whole purpose of the so-called title I–B tax, is to equalize the burden of taxation upon all the people of the country so that the burden will rest equally and fairly as nearly as possible.

Just one word in closing. I have been unable to cover many things I would like to cover, but my time has about expired. We have been hearing a great deal about the necessity of relief to business. This bill provides relief, real relief. We have this practical situation. We have existing law under the 1936 act that will continue unless we pass this bill and give this relief. [Applause.]

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

All time for general debate has expired.

Permit the Chair to state for the information of the Committee that under the unanimous-consent agreement heretofore entered into in the House the bill will be read for amendment by titles. The Clerk, therefore, will read to line 20, on page 263, before any amendments may be offered. When the Clerk has reached line 20, page 263, amendments may be offered to any portion of title I and will be considered under the 5-minute rule of the House.

Mr. CELLER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CELLER. Does that mean that we cannot offer any amendment until page 263 is reached?

The CHAIRMAN. That is correct.

Mr. CELLER. But we may offer amendments after each title is read?

The CHAIRMAN. The bill will be read by titles. Title I runs down to line 20 on page 263. When that point is reached amendments to title I will be in order.

The Clerk read as follows:

Be it enacted, etc., That this act, divided into titles and sections according to the following table of contents, may be cited as the "Revenue Act of 1938."

Mr. DOUGHTON (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the reading of title I may be dispensed with.

Mr. McFARLANE. Mr. Chairman, reserving the right to object, and I shall not, I just want to know if the bill will be printed in the RECORD, and whether this request is made just to save the time of reading the bill?

Mr. DOUGHTON. I think it should be. The gentleman is correct.

Mr. McFARLANE. I agree with the gentleman from North Carolina.

Mr. TREADWAY. Reserving the right to object, Mr. Chairman, I would like it definitely understood that in waiving the reading of title I we are not waiving any right to offer amendments.

The CHAIRMAN. That is correct.

Mr. TREADWAY. If we give our consent to considering the title as read in this manner, we may still offer amendments to any part of title I?

The CHAIRMAN. That is the situation.

Mr. TREADWAY. I have no objection.

Mr. CELLER. Reserving the right to object, Mr. Chairman, does that mean that we can offer amendments to any portion of the bill between page 1 and page 263?

The CHAIRMAN. That is correct.

Mr. McFARLANE. Further reserving the right to object, Mr. Chairman, many of us did not have an opportunity to speak during general debate. Will liberal time be allowed under the 5-minute rule, and general debate not be cut off until we have all had an opportunity to be heard?

Mr. DOUGHTON. It is the desire and intention of the committee to allow ample debate under the 5-minute rule.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Title I is as follows:

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TITLE I—INCOME TAX

SUBTITLE A—INTRODUCTORY PROVISIONS

SECTION 1. Application of title.

The provisions of this title shall apply only to taxable years beginning after December 31, 1937. Income, war-profits, and excess-profits taxes for taxable years beginning prior to January 1, 1938, shall not be affected by the provisions of this title but shall remain subject to the applicable provisions of prior revenue acts, except as such provisions are modified by title V of this act or by legislation enacted subsequent to this act.

SEC. 2. Cross references.

The cross references in this title to other portions of the title, where the word "see" is used, are made only for convenience, and shall be given no legal effect.

SEC. 3. Classification of provisions.

The provisions of this title are herein classified and designated as—

Subtitle A—Introductory provisions.

Subtitle B—General provisions, divided into Parts and sections.

Subtitle C—Supplemental provisions, divided into Supplements and sections.

SEC. 4. Special classes of taxpayers.

The application of the General Provisions and of Supplements A to D, inclusive, to each of the following special classes of taxpayers, shall be subject to the exceptions and additional provisions found in the Supplement applicable to such class, as follows:

(a) Estates and trusts and the beneficiaries thereof,—Supplement E.

(b) Members of partnerships,—Supplement F.

(c) Insurance companies,—Supplement G.

(d) Nonresident alien individuals,—Supplement H.

(e) Foreign corporations,—Supplement I.

(f) Individual citizens of any possession of the United States who are not otherwise citizens of the United States and who are not residents of the United States,—Supplement J.

(g) Individual citizens of the United States or domestic corporations, satisfying the conditions of section 251 by reason of deriving a large portion of their gross income from sources within a possession of the United States,—Supplement J.

(h) China Trade Act corporations,—Supplement K.

(i) Foreign personal holding companies and their shareholders,—Supplement P.

(j) Mutual investment companies,—Supplement Q.

SUBTITLE B—GENERAL PROVISIONS

PART I—RATES OF TAX

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There shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 4 percent of the amount of the net income in excess of the credits against net income provided in section 25.

SEC. 12. Surtax on individuals.

(a) DEFINITION OF "SURTAX NET INCOME".—As used in this section the term "surtax net income" means the amount of the net income in excess of the credits against net income provided in section 25 (b).

(b) Rates of surtax: There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual a surtax as follows:

Upon a surtax net income of $4,000 there shall be no surtax; upon surtax net incomes in excess of $4,000 and not in excess of $6,000, 4 percent of such excess.

$80 upon surtax net incomes of $6,000; and upon surtax net incomes in excess of $6,000 and not in excess of $8,000, 5 percent in addition of such excess.

$180 upon surtax net incomes of $8,000; and upon surtax net incomes in excess of $8,000 and not in excess of $10,000, 6 percent in addition of such excess.

$300 upon surtax net incomes of $10,000; and upon surtax net incomes in excess of $10,000 and not in excess of $12,000, 7 percent in addition of such excess.

$440 upon surtax net incomes of $12,000; and upon surtax net incomes in excess of $12,000 and not in excess of $14,000, 8 percent in addition of such excess.

$600 upon surtax net incomes of $14,000; and upon surtax net incomes in excess of $14,000 and not in excess of $16,000, 9 percent in addition of such excess.

$780 upon surtax net incomes of $16,000; and upon surtax net incomes in excess of $16,000 and not in excess of $18,000, 11 percent in addition of such excess.

$1,000 upon surtax net incomes of $18,000; and upon surtax net incomes in excess of $18,000 and not in excess of $20,000, 13 percent in addition of such excess.

$1,260 upon surtax net incomes of $20,000; and upon surtax net incomes in excess of $20,000 and not in excess of $22,000, 15 percent in addition of such excess.

$1,560 upon surtax net incomes of $22,000; and upon surtax net incomes in excess of $22,000 and not in excess of $26,000, 17 percent in addition of such excess.

$2,240 upon surtax net incomes of $26,000; and upon surtax net incomes in excess of $26,000 and not in excess of $32,000, 19 percent in addition of such excess.

$3,380 upon surtax net incomes of $32,000; and upon surtax net incomes in excess of $32,000 and not in excess of $38,000, 21 percent in addition of such excess.

$4,640 upon surtax net incomes of $38,000; and upon surtax net incomes in excess of $38,000 and not in excess of $44,000, 24 percent in addition of such excess.

$6,080 upon surtax net incomes of $44,000; and upon surtax net incomes in excess of $44,000 and not in excess of $50,000, 27 percent in addition of such excess.

$7,700 upon surtax net incomes of $50,000; and upon surtax net incomes in excess of $50,000 and not in excess of $56,000, 31 percent in addition of such excess.

$9,560 upon surtax net incomes of $56,000; and upon surtax net incomes in excess of $56,000 and not in excess of $62,000, 35 percent in addition of such excess.

$11,660 upon surtax net incomes of $62,000; and upon surtax net incomes in excess of $62,000 and not in excess of $68,000, 39 percent in addition of such excess.

$14,000 upon surtax net incomes of $68,000; and upon surtax net incomes in excess of $68,000 and not in excess of $74,000, 43 percent in addition of such excess.

$16,580 upon surtax net incomes of $74,000; and upon surtax net incomes in excess of $74,000 and not in excess of $80,000, 47 percent in addition of such excess.

$19,400 upon surtax net incomes of $80,000; and upon surtax net incomes in excess of $80,000 and not in excess of $90,000, 51 percent in addition of such excess.

$24,500 upon surtax net incomes of $90,000; and upon surtax net incomes in excess of $90,000 and not in excess of $100,000, 55 percent in addition of such excess.

$30,000 upon surtax net incomes of $100,000; and upon surtax net incomes in excess of $100,000 and not in excess of $150,000, 58 percent in addition of such excess.

$59,000 upon surtax net incomes of $150,000; and upon surtax net incomes in excess of $150,000 and not in excess of $200,000, 60 percent in addition of such excess.

$89,000 upon surtax net incomes of $200,000; and upon surtax net incomes in excess of $200,000 and not in excess of $250,000, 62 percent in addition of such excess.

$120,000 upon surtax net incomes of $250,000; and upon surtax net incomes in excess of $250,000 and not in excess of $300,000, 64 percent in addition of such excess.

$152,000 upon surtax net incomes of $300,000; and upon surtax net incomes in excess of $300,000 and not in excess of $400,000, 66 percent in addition of such excess.

$218,000 upon surtax net incomes of $400,000; and upon surtax net incomes in excess of $400,000 and not in excess of $500,000, 68 percent in addition of such excess.

$286,000 upon surtax net incomes of $500,000; and upon surtax net incomes in excess of $500,000 and not in excess of $750,000, 70 percent in addition of such excess.

$461,000 upon surtax net incomes of $750,000; and upon surtax net incomes in excess of $750,000 and not in excess of $1,000,000, 72 percent in addition of such excess.

$641,000 upon surtax net incomes of $1,000,000; and upon surtax net incomes in excess of $1,000,000 and not in excess of $2,000,000, 73 percent in addition of such excess.

$1,371,000 upon surtax net incomes of $2,000,000; and upon surtax net incomes in excess of $2,000,000 and not in excess of $5,000,000, 74 percent in addition of such excess.

$3,591,000 upon surtax net incomes of $5,000,000; and upon surtax net incomes in excess of $5,000,000, 75 percent in addition of such excess.

(c) Tax in case of capital gains: For rate and computation of alternative tax in lieu of normal tax and surtax in the case of a capital gain from the sale or exchange of capital assets held for more than 1 year, see section 117 (c).

(d) Sale of oil or gas properties: For limitation of surtax attributable to the sale of oil or gas properties, see section 105.

(e) Tax on personal holding companies: For surtax on personal holding companies, see title I–A.

(f) Tax on other closely held companies: For surtax on closely held corporations not personal holding companies, see title I–B.

(g) Avoidance of surtaxes by incorporation: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

SEC. 13. Tax on corporations in general.

(a) Adjusted net income: For the purposes of this title the term "adjusted net income" means the net income minus the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations.

(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the net income of every corporation (except a corporation subject to the tax imposed by sec. 14, sec. 231 (a), Supplement G, or Supplement Q) a tax computed under subsection (c) of this section or a tax computed under subsection (d) of this section, whichever tax is the lesser.

(c) General rule: The tax computed under this subsection shall be as follows:

(1) A tentative tax shall first be computed equal to 20 percent of the adjusted net income.

(2) The tax shall be the tentative tax reduced by the sum of—

(A) 16 percent of the credit for dividends received provided in section 26 (b); and

(B) 4 percent of the dividends-paid credit provided in section 27, but not to exceed 4 percent of the adjusted net income.

(d) Alternative tax (corporations with net income slightly more than $25,000): The tax computed under this subsection shall be as follows:

(1) The net income shall be divided into two divisions, the first division consisting of $25,000, and the second division consisting of the remainder of the net income.

(2) To the first division shall be allocated, until an aggregate of $25,000 has been so allocated: First, the portion of the gross income consisting of interest allowed as a credit by section 26 (a) (relating to interest on certain obligations of the United States and Government corporations); second, the portion of the gross income consisting of dividends received of the class with respect to which a credit is allowed by section 26 (b); and third, an amount equal to the excess, if any, of $25,000 over the amounts already allocated to the first division.

(3) To the second division shall be allocated, until there has been so allocated an aggregate equal to the excess of the net income over $25,000: First, the portion of the gross income consisting of interest allowed as a credit by section 26 (a), which is not already allocated to the first division; second, the portion of the gross income consisting of dividends received of the class with respect to which a credit is allowed by section 26 (b), which is not already allocated to the first division; and third, an amount equal to the excess, if any, of the net income over the sum of $25,000 plus the amounts already allocated to the second division.

(4) The tax shall be equal to the sum of the following:

(A) A tax on the $25,000 allocated to the first division, computed under section 14 (b), on the basis of the allocation made to the first division and as if the amount so allocated constituted the entire net income of the corporation.

(B) 12 percent of the dividends received allocated as such to the second division.

(C) 32 percent of the remainder of the amount allocated to the second division, except interest allowed as a credit under section 26 (a).

(e) Corporations in bankruptcy and receivership: If a domestic corporation is for any portion of the taxable year in bankruptcy under the laws of the United States, or insolvent and in receivership in any court of the United States or of any State, Territory, or the District of Columbia, then, when the tax is computed under subsection (c), the tentative tax shall be reduced by 4 percent of the adjusted net income, instead of by 4 percent of the dividends paid credit.

(f) Joint-stock land banks: In the case of a joint-stock land bank organized under the Federal Farm Loan Act, as amended, when the tax is computed under subsection (c), the tentative tax shall be reduced by 4 percent of the adjusted net income, instead of by 4 percent of the dividends-paid credit.

(g) Rental housing corporations: In the case of a corporation which at the close of the taxable year is regulated or restricted by the Federal Housing Administrator under section 207 (b) (2) of the National Housing Act, as amended, when the tax is computed under subsection (c), the tentative tax shall be reduced by 4 percent of the adjusted net income, instead of by 4 percent of the dividends-paid credit; but only if such Administrator certifies to the Commissioner the fact that such regulation or restriction existed at the close of the taxable year. It shall be the duty of such Administrator promptly to make such certification to the Commissioner after the close of the taxable year of each corporation which is so regulated or restricted by him.

(h) Exempt corporations: For corporations exempt from taxation under this title, see section 101.

(i) Tax on personal holding companies: For surtax on personal holding companies, see title I–A.

(j) Tax on other closely held companies: For surtax on closely held corporations not personal holding companies, see the I–B.

(k) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

SEC. 14. TAX ON SPECIAL CLASSES OF CORPORATIONS.

(a) Special class net income: For the purposes of this title the term "special class net income" means the adjusted net income minus the credit for dividends received provided in section 26 (b).

(b) There shall be levied, collected, and paid for each taxable year upon the special class net income of the following corporations (in lieu of the tax imposed by section 13) the tax hereinafter in this section specified.

(c) Corporations with net incomes of not more than $25,000: If the net income of the corporation is not more than $25,000, and if the corporation does not come within one of the classes specified in subsection (d), (e), (f), or (g) of this section, the tax shall be as follows:

Upon special class net incomes not in excess of $5,000, 12½ percent.

$625 upon special class net incomes of $5,000, and upon special class net incomes in excess of $5,000 and not in excess of $20,000, 14 percent in addition of such excess.

$2,725 upon special class net incomes of $20,000, and upon special class net incomes in excess of $20,000, 16 percent in addition of such excess.

(d) Special classes of corporations: In the case of the following corporations the tax shall be an amount equal to 16 percent of the special class net income, regardless of the amount thereof:

(1) Banks, as defined in section 104.

(2) Corporations organized under the China Trade Act, 1922.

(3) Corporations which, by reason of deriving a large portion of their gross income from sources within a possession of the United States, are entitled to the benefits of section 251.

(e) Foreign corporations:

(1) In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, the tax shall be an amount equal to 20 percent of the special class net income, regardless of the amount thereof.

(2) In the case of a foreign corporation not engaged in trade or business within the United States and not having an office or place of business therein, the tax shall be as provided in section 231 (a).

(f) Insurance companies: In the case of insurance companies, the tax shall be as provided in Supplement G.

(g) Mutual investment companies: In the case of mutual investment companies, as defined in Supplement Q, the tax shall be as provided in such supplement.

(h) Exempt corporations: For corporations exempt from taxation under this title, see section 101.

(i) Tax on personal holding companies: For surtax on personal holding companies, see title I–A.

(j) Tax on other closely held companies: For surtax on closely held corporations not personal holding companies, see title I–B.

(k) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

PART II—COMPUTATION OF NET INCOME

SEC. 21. NET INCOME.

"Net income" means the gross income computed under section 22, less the deductions allowed by section 23. For definition of "adjusted net income," see section 13 (a); for definition of "special class net income," see section 14 (a).

SEC. 22. GROSS INCOME.

(a) General definition: "Gross income" includes gains, profits, and income derived from salaries, wages, or compensation for personal service, of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. In the case of Presidents of the United States and judges of courts of the United States taking office after June 6, 1932, the compensation received as such shall be included in gross income; and all Acts fixing the compensation of such Presidents and judges are hereby amended accordingly.

(b) Exclusions from gross income: The following items shall not be included in gross income and shall be exempt from taxation under this title:

(1) Life insurance: Amounts received under a life insurance contract paid by reason of the death of the insured, whether in a single sum or otherwise (but if such amounts are held by the insurer under an agreement to pay interest thereon, the interest payments shall be included in gross income);

(2) Annuities, etc.: Amounts received (other than amounts paid by reason of the death of the insured and interest payments on such amounts and other than amounts received as annuities) under a life insurance or endowment contract, but if such amounts (when added to amounts received before the taxable year under such contract) exceed the aggregate premiums or consideration paid (whether or not paid during the taxable year) then the excess shall be included in gross income. Amounts received as an annuity under an annuity or endowment contract shall be included in gross income; except that there shall be excluded from gross income the excess of the amount received in the taxable year over an amount equal to 3 percent of the aggregate premiums or consideration paid for such annuity (whether or not paid during such year), until the aggregate amount excluded from gross income under this title or prior income-tax laws in respect of such annuity equals the aggregate premiums or consideration paid for such annuity. In the case of a transfer for a valuable consideration, by assignment or otherwise, of a life insurance, endowment, or annuity contract, or any interest therein, only the actual value of such consideration and the amount of the premiums and other sums subsequently paid by the transferee shall be exempt from taxation under paragraph (1) or this paragraph;

(3) Gifts, bequests, and devises: The value of property acquired by gift, bequest, devise, or inheritance (but the income from such property shall be included in gross income);

(4) Tax-free interest: Interest upon (A) the obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia; or (B) obligations of a corporation organized under act of Congress, if such corporation is an instrumentality of the United States; or (C) the obligations of the United States or its possessions. Every person owning any of the obligations enumerated in clause (A), (B), or (C) shall, in the return required by this title, submit a statement showing the number and amount of such obligations owned by him and the income received therefrom, in such form and with such information as the Commissioner may require. In the case of obligations of the United States issued after September 1, 1917 (other than postal-savings certificates of deposit) and in the case of obligations of a corporation organized under act of Congress, the interest shall be exempt only if and to the extent provided in the respective acts authorizing the issue thereof as amended and supplemented, and shall be excluded from gross income only if and to the extent it is wholly exempt from the taxes imposed by this title;

(5) Compensation for injuries or sickness: Amounts received, through accident or health insurance or under workmen's-compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement on account of such injuries or sickness;

(6) Ministers: The rental value of a dwelling house and appurtenances thereof furnished to a minister of the gospel as part of his compensation;

(7) Income exempt under treaty: Income of any kind, to the extent required by any treaty obligation of the United States;

(8) Miscellaneous items: The following items, to the extent provided in section 116:

Earned income from sources without the United States;

Salaries of certain Territorial employees;

The income of foreign governments;

Income of States, municipalities, and other political subdivisions;

Receipts of shipowners' mutual protection and indemnity associations;

Dividends from China Trade Act corporations;

Compensation of employees of foreign governments.

(c) Inventories: Whenever in the opinion of the Commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Commissioner, with the approval of the Secretary, may prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

(d) Distributions by corporations: Distributions by corporations shall be taxable to the shareholders as provided in section 115.

(e) Determination of gain or loss: In the case of a sale or other disposition of property, the gain or loss shall be computed as provided in section 111.

(f) Gross income from sources within and without United States: For computation of gross income from sources within and without the United States, see section 119.

(g) Foreign personal holding companies: For provisions relating to gross income of foreign personal holding companies and of their shareholders, see section 334.

(h) Consent dividends: For inclusion in gross income of amounts specified in shareholders' consent, see section 28.

SEC. 23. DEDUCTIONS FROM GROSS INCOME.

In computing net income there shall be allowed as deductions:

(a) Expenses.—

(1) In general: All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

(2) Corporate charitable contributions: No deduction shall be allowable under paragraph (1) to a corporation for any contribution or gift which would be allowable as a deduction under subsection (q) were it not for the 5-percent limitation therein

contained and for the requirement therein that payment must be made within the taxable year.

(b) Interest: All interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from the taxes imposed by this title.

(c) Taxes generally: Taxes paid or accrued within the taxable year, except—

(1) Federal income, war-profits, and excess-profits taxes (other than the excess-profits tax imposed by section 106 of the Revenue Act of 1935 or by section 602 of this act);

(2) income, war-profits, and excess-profits taxes imposed by the authority of any foreign country or possession of the United States; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefits of section 131 (relating to credit for taxes of foreign countries and possessions of the United States);

(3) estate, inheritance, legacy, succession, and gift taxes; and

(4) taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this paragraph shall not exclude the allowance as a deduction of so much of such taxes as is properly allocable to maintenance or interest charges.

(d) Taxes of shareholder paid by corporation: The deduction for taxes allowed by subsection (c) shall be allowed to a corporation in the case of taxes imposed upon a shareholder of the corporation upon his interest as shareholder which are paid by the corporation without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes.

(e) Losses by individuals: In the case of an individual, losses sustained during the taxable year and not compensated for by insurance or otherwise—

(1) if incurred in trade or business; or

(2) if incurred in any transaction entered into for profit, though not connected with the trade or business; or

(3) of property not connected with the trade or business, if the loss arises from fires, storms, shipwreck, or other casualty, or from theft. No loss shall be allowed as a deduction under this paragraph if at the time of the filing of the return such loss has been claimed as a deduction for estate tax purposes in the estate tax return.

(f) Losses by corporations: In the case of a corporation, losses sustained during the taxable year and not compensated for by insurance or otherwise.

(g) Capital losses:

(1) Limitation: Losses from sales or exchanges of capital assets shall be allowed only to the extent provided in section 117 (d).

(2) Securities becoming worthless: If any securities (as defined in paragraph (3) of this subsection) become worthless during the taxable year and are capital assets, the loss resulting therefrom shall, for the purposes of this title, be considered as a loss from the sale or exchange, on the first day of such taxable year, of capital assets.

(3) Definition of securities: As used in this subsection the term "securities" means (A) shares of stock in a corporation, and (B) rights to subscribe for or to receive such shares.

(h) Wagering losses: Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.

(i) Basis for determining loss: The basis for determining the amount of deduction for losses sustained, to be allowed under subsection (e) or (f), and for bad debts, to be allowed under subsection (k), shall be the adjusted basis provided in section 113 (b) for determining the loss from the sale or other disposition of property.

(j) Loss on wash sales of stock or securities: For disallowance of loss deduction in the case of sales of stock or securities where within 30 days before or after the date of the sale the taxpayer has acquired substantially identical property, see section 118.

(k) Bad debts.—

(1) General rule: Debts (other than those evidenced by a security as defined in paragraph (3) of this subsection which is a capital asset) ascertained to be worthless and charged off within the taxable year (or, in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts, other than those so evidenced); and when satisfied that a debt (other than one so evidenced) is recoverable only in part, the Commissioner may allow such debt, in an amount not in excess of the part charged off within the taxable year, as a deduction.

(2) Securities becoming worthless: If any securities (as defined in paragraph (3) of this subsection) are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall, for the purposes of this title, be considered as a loss from the sale or exchange, on the first day of such taxable year, of capital assets.

(3) Definition of securities: As used in this subsection the term "securities" means bonds, debentures, notes, or certificates, or other evidences of indebtedness, issued by any corporation (including those issued by a government or political subdivision thereof), with interest coupons or in registered form.

(l) Depreciation: A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiaries and the trustee, in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each.

(m) Depletion: In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each case; such reasonable allowance in all cases to be made under rules and regulations to be prescribed by the Commissioner, with the approval of the Secretary. In any case in which it is ascertained as a result of operations or of development work that the recoverable units are greater or less than the prior estimate thereof, then such prior estimate (but not the basis for depletion) shall be revised and the allowance under this subsection for subsequent taxable years shall be based upon such revised estimate. In the case of leases the deductions shall be equitably apportioned between the lessor and lessee. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each. (For percentage depletion allowable under this subsection, see sec. 114 (b), (3) and (4).)

(n) Basis for depreciation and depletion: The basis upon which depletion, exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be as provided in section 114.

(o) Charitable and other contributions: In the case of an individual, contributions or gifts payment of which is made within the taxable year to or for the use of:

(1) the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

(2) a domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

(3) the special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1924;

(4) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or

(5) a domestic fraternal society, order, or association, operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

to an amount which in all the above cases combined does not exceed 15 percent of the taxpayer's net income as computed without the benefit of this subsection. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner with the approval of the Secretary. In the case of a contribution or gift made in property other than money, the amount of such contribution or gift, for the purposes of this subsection, shall be equal to the adjusted basis of the property in the hands of the taxpayer or its fair market value, whichever is the lower. (For unlimited deduction if contributions and gifts exceed 90 percent of the net income, see sec. 120.)

(p) Pension trusts:

(1) General rule: An employer establishing or maintaining a pension trust to provide for the payment of reasonable pensions to his employees shall be allowed as a deduction (in addition to the contributions to such trust during the taxable year to cover the pension liability accruing during the year, allowed as a deduction under subsection (a) of this section) a reasonable amount transferred or paid into such trust during the taxable year in excess of such contributions, but only if such amount (1) has not theretofore been allowable as a deduction, and (2) is apportioned in equal parts over a period of 10 consecutive years, beginning with the year in which the transfer or payment is made.

(2) Deductions under prior income tax acts: Any deduction allowable under section 23 (q) of the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934, or under section 23 (p) of the Revenue Act of 1936, which under such section was apportioned to any taxable year beginning after December 31, 1937, shall be allowed as a deduction in the years to which so apportioned to the extent allowable under such section if it had remained in force with respect to such year.

(3) Exemption of trusts under section 165: The provisions of paragraphs (1) and (2) of this subsection shall be subject to the qualification that the deduction under either paragraph shall be allowable only with respect to a taxable year (whether the year of the transfer or payment or a subsequent year) of the employer ending within or with a taxable year of the trust with respect to which the trust is exempt from tax under section 165.

(q) Charitable and other contributions by corporations: In the case of a corporation, contributions or gifts payment of which is made within the taxable year to or for the use of a domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or the prevention of cruelty to children (but in the case of contributions or gifts to a trust, chest, fund, or foundation, only if such contributions or gifts are to be used within the United States exclusively for such purposes), no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation; to an amount which does not exceed 5 per centum of the taxpayer's net income as computed without the benefit of this subsection. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary. In the case of a contribution or gift made in property other than money, the amount of such contribution or gift, for the purposes of this subsection, shall be equal to the adjusted basis of the property in the hands of the taxpayer or its fair market value, whichever is the lower.

(r) For deduction of dividends paid by certain banking corporations, see section 121.

SEC. 24. Items not deductible.

(a) General rule: In computing net income no deduction shall in any case be allowed in respect of—

(1) Personal, living, or family expenses;

(2) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate;

(3) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;

(4) Premiums paid on any life insurance policy covering the life of any officer or employee, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy; or

(5) Any amount otherwise allowable as a deduction which is allocable to one or more classes of income other than interest (whether or not any amount of income of that class or classes is received or accrued) wholly exempt from the taxes imposed by this title.

(b) Losses from sales or exchanges of property.—

(1) Losses disallowed: In computing net income no deduction shall in any case be allowed in respect of losses from sales or exchanges of property, directly or indirectly:

(A) Between members of a family, as defined in paragraph (2) (D);

(B) Except in the case of distributions in liquidation, between an individual and a corporation more than 50 per centum in value of the outstanding stock of which is owned, directly or indirectly, by or for such individual;

(C) Except in the case of distributions in liquidation, between two corporations more than 50 per centum in value of the outstanding stock of each of which is owned, directly or indirectly, by or for the same individual, if either one of such corporations, with respect to the taxable year of the corporation preceding the date of the sale or exchange was, under the law applicable to such taxable year, a personal holding company or a foreign personal holding company;

(D) Between a grantor and a fiduciary of any trust;

(E) Between the fiduciary of a trust and the fiduciary of another trust, if the same person is a grantor with respect to each trust; or

(F) Between a fiduciary of a trust and a beneficiary of such trust.

(2) Stock ownership, family, and partnership rule: For the purposes of determining, in applying paragraph (1), the ownership of stock:

(A) Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust, shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries;

(B) An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family;

(C) An individual owning (otherwise than by the application of subparagraph (B)) any stock in a corporation shall be considered as owning the stock owned, directly or indirectly, by or for his partner;

(D) The family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and

(E) Constructive ownership as actual ownership: Stock constructively owned by a person by reason of the application of subparagraph (A) shall, for the purpose of applying subparagraph (A), (B), or (C), be treated as actually owned by such person, but stock constructively owned by an individual by reason of the application of subparagraph (B) or (C) shall not be treated as owned by him for the purpose of again applying either of such subparagraphs in order to make another the constructive owner of such stock.

(c) Unpaid expenses and interest: In computing net income no deduction shall be allowed under section 23 (a), relating to expenses incurred, or under section 23 (b), relating to interest accrued—

(1) If such expenses or interest are not paid within the taxable year or within 2½ months after the close thereof; and

(2) If, by reason of the method of accounting of the person to whom the payment is to be made, the amount thereof is not, unless paid, includible in the gross income of such person for the taxable year in which or with which the taxable year of the taxpayer ends; and

(3) If, at the close of the taxable year of the taxpayer or at any time within 2½ months thereafter, both the taxpayer and the person to whom the payment is to be made are persons between whom losses would be disallowed under section 24 (b).

(d) Holders of life or terminable interest: Amounts paid under the laws of any State, Territory, District of Columbia, possession of the United States, or foreign country as income to the holder of a life or terminable interest acquired by gift, bequest, or inheritance shall not be reduced or diminished by any deduction for shrinkage (by whatever name called) in the value of such interest due to the lapse of time, nor by any deduction allowed by this act (except the deductions provided for in subsections (l) and (m) of section 23) for the purpose of computing the net income of an estate or trust but not allowed under the laws of such State, Territory, District of Columbia, possession of the United States, or foreign country for the purpose of computing the income to which such holder is entitled.

(e) Tax withheld on tax-free covenant bonds: For nondeductibility of tax withheld on tax-free covenant bonds, see section 143 (a) (3).

SEC. 25. Credits of individual against net income.

(a) Credits for normal tax only: There shall be allowed for the purpose of the normal tax, but not for the surtax, the following credits against the net income:

(1) Interest on United States obligations: The amount received as interest upon obligations of the United States which is included in gross income under section 22.

(2) Interest on obligations of instrumentalities of the United States: The amount received as interest on obligations of a corporation organized under act of Congress, if (A) such corporation is an instrumentality of the United States; and (B) such interest is included in gross income under section 22; and (C) under the act authorizing the issue thereof, as amended and supplemented, such interest is exempt from normal tax.

(3) Earned income credit: 10 percent of the amount of the earned net income, but not in excess of 10 percent of the amount of the net income.

(4) Earned income definitions: For the purposes of this section—

(A) "Earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include any amount not included in gross income, nor that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income producing factors, a reasonable allowance as compensation for the personal services actually rendered by the taxpayer, not in excess of 20 percent of his share of the net profits of such trade or business, shall be considered as earned income.

(B) "Earned income deductions" means such deductions as are allowed by section 23 for the purpose of computing net income, and are properly allocable to or chargeable against earned income.

(C) "Earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. If the taxpayer's net income is not more than $3,000, his entire net income shall be considered to be earned net income, and if his net income is more than $3,000, his earned net income shall not be considered to be less than $3,000. In no case shall the earned net income be considered to be more than $14,000.

(b) Credits for both normal tax and surtax: There shall be allowed for the purposes of the normal tax and the surtax the following credits against net income:

(1) Personal exemption: In the case of a single person or a married person not living with husband or wife, a personal exemption of $1,000; or in case of the head of a family or a married person living with husband or wife, a personal exemption of $2,500. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be $2,500. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them.

(2) Credit for dependents: $400 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer if such dependent person is under 18 years of age or is incapable of self-support because mentally or physically defective.

(3) Change of status: If the status of the taxpayer, insofar as it affects the personal exemption or credit for dependents, changes during the taxable year, the personal exemption and credit shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month in which case it shall be considered as a month.

SEC. 26. Credits of corporations.

In the case of a corporation the following credits shall be allowed to the extent provided in the various sections imposing tax—

(a) Interest on obligations of the United States and its instrumentalities: The amount received as interest upon obligations of the United States or of corporations organized under act of Congress which is allowed to an individual as a credit for purposes of normal tax by section 25 (a) (1) or (2).

(d) Dividends received: 85 percent of the amount received as dividends from a domestic corporation which is subject to taxation under this title, but not in excess of 85 percent of the adjusted net income. The credit allowed by this subsection shall not be allowed in respect of dividends received from a corporation organized under the China Trade Act, 1922, or from a corporation which under section 251 is taxable only on its gross income from sources within the United States by reason of its receiving a large percentage of its gross income from sources within a possession of the United States.

(c) Net operating loss of preceding year.—

(1) Amount of credit: The amount of the net operating loss (as defined in paragraph (2)) of the corporation for the preceding taxable year, but not in excess of the adjusted net income for the taxable year.

(2) Definition: As used in this title, the term "net operating loss" means the excess of the deductions allowed by this title over the gross income, with the following exceptions and limitations—

(A) The deduction for depletion shall not exceed the amount which would be allowable if computed without reference to discovery value or to percentage depletion under section 114 (b) (2), (3), or (4);

(B) There shall be included in computing gross income the amount of interest received which is wholly exempt from the taxes imposed by this title, decreased by the amount of interest paid or accrued which is not allowed as a deduction by section 23 (b), relating to interest on indebtedness incurred or continued to purchase or carry certain tax-exempt obligations.

(d) Bank affiliates: In the case of a holding-company affiliate (as defined in section 2 of the Banking Act of 1933), the amount of the earnings or profits which the Board of Governors of the Federal Reserve System certifies to the Commissioner has been devoted by such affiliate during the taxable year to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes. The aggregate of the credits allowable under this subsection for all taxable years shall not exceed the amount required to be devoted under such section 5144 to such purposes, and the amount of the credit for any taxable year shall not exceed the adjusted net income for such year.

SEC. 27. Corporation dividends paid credit.

(a) Definition in general: As used in this title with respect to any taxable year the term "dividends paid credit" means the sum of:

(1) The basic surtax credit for such year, computed as provided in subsection (b); and

(2) The dividend carry-over to such year, computed as provided in subsection (c).

(b) Basic surtax credit: As used in this title the term "basic surtax credit" means the sum of:

(1) The dividends paid during the taxable year, increased by the consent dividends credit provided in section 28, and reduced by the amount of the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations;

(2) The net operating loss for the preceding taxable year, in the amount provided in section 26 (c) (1);

(3) The bank affiliate credit provided in section 26 (d).

The aggregate of the amounts under paragraphs (2) and (3) shall not exceed the adjusted net income for the taxable year.

(c) Dividend carry-over: There shall be computed with respect to each taxable year of a corporation a dividend carry-over to such year from the 2 preceding taxable years, which shall consist of the sum of—

(1) The amount of the basic surtax credit for the second preceding taxable year, reduced by the adjusted net income for such year, and further reduced by the amount, if any, by which the adjusted net income for the first preceding taxable year exceeds the sum of—

(A) The basic surtax credit for such year; and

(B) The excess, if any, of the basic surtax credit for the third preceding taxable year (if not beginning before January 1, 1936) over the adjusted net income for such year; and

(2) The amount, if any, by which the basic surtax credit for the first preceding taxable year exceeds the adjusted net income for such year.

In the case of a preceding taxable year, referred to in this subsection, which begins in 1936 or 1937, the adjusted net income shall be the adjusted net income as defined in section 14 of the Revenue Act of 1936, and the basic surtax credit shall be only the dividends paid credit computed under the Revenue Act of 1936 without the benefit of the dividend carry-over provided in section 27 (b) of such act.

(d) Dividends in kind: If a dividend is paid in property other than money (including stock of the corporation if held by the corporation as in investment) the amount with respect thereto which shall be used in computing the basic surtax credit shall be the adjusted basis of the property in the hands of the corporation at the time of the payment, or the fair market value of the property at the time of the payment, whichever is the lower.

(e) Dividends in obligations of the corporation: If a dividend is paid in obligations of the corporation, the amount with respect thereto which shall be used in computing the basic surtax credit shall be the face value of the obligations, or their fair market value at the time of the payment, whichever is the lower. If the fair market value is lower than the face value, then when the obligation is redeemed by the corporation, the excess of the amount for which redeemed over the fair market value at the time of the dividend payment (to the extent not allowable as a deduction in computing net income for any taxable year) shall be treated as a dividend paid in the taxable year in which the redemption occurs.

(f) Taxable stock dividends: In case of a stock dividend or stock right which is a taxable dividend in the hands of shareholders under section 115 (f), the amount with respect thereto which shall be used in computing the basic surtax credit shall be the fair market value of the stock or the stock right at the time of the payment.

(g) Distributions in liquidation: In the case of amounts distributed in liquidation the part of such distribution which is properly chargeable to the earnings or profits accumulated after February 28, 1913, shall, for the purposes of computing the basic surtax credit under this section, be treated as a taxable dividend paid.

(h) Preferential dividends: The amount of any distribution (although each portion thereof is received by a shareholder as a taxable dividend), not made in connection with a consent distribution (as defined in sec. 28 (a) (4)), shall not be considered as dividends paid for the purpose of computing the basic surtax credit, unless such distribution is pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that the former is entitled (without reference to waivers of their rights by shareholders) to such preference. For a distribution made in connection with a consent distribution, see section 28.

(i) Nontaxable distributions: If any part of a distribution (including stock dividends and stock rights) is not a taxable dividend in the hands of such of the shareholders as are subject to taxation under this title for the period in which the distribution is made, such part shall not be included in computing the basic surtax credit.

SEC. 28. Consent dividends credit.

(a) Definitions: As used in this section—

(1) Consent stock: The term "consent stock" means the class or classes of stock entitled, after the payment of preferred dividends (as defined in paragraph (2)), to a share in the distribution (other than in complete or partial liquidation) within the taxable year of all the remaining earnings or profits, which share constitutes the same proportion of such distribution regardless of the amount of such distribution.

(2) Preferred dividends: The term "preferred dividends" means a distribution (other than in complete or partial liquidation), limited in amount, which must be made on any class of stock before a further distribution (other than in complete or partial liquidation) of earnings or profits may be made within the taxable year.

(3) Consent dividends day: The term "consent dividends day" means the last day of the taxable year of the corporation, unless during the last month of such year there have occurred one or more days on which was payable a partial distribution (as defined in paragraph (5)), in which case it means the last of such days.

(4) Consent distribution: The term "consent distribution" means the distribution which would have been made if on the consent dividends day (as defined in paragraph (3)) there had actually been distributed in cash and received by each shareholder making a consent filed by the corporation under subsection (d), the specific amount stated in such consent.

(5) Partial distribution: The term "partial distribution" means such part of an actual distribution, payable during the last month of the taxable year of the corporation, as constitutes a distribution on the whole or any part of the consent stock (as defined in paragraph (1)), which part of the distribution, if considered by itself and not in connection with a consent distribution (as defined in paragraph (4)), would be a preferential distribution, as defined in paragraph (6).

(6) Preferential distribution: The term "preferential distribution" means a distribution which is not pro rata, or which is with preference to any share of stock as compared with other shares of the same class, or to any class of consent stock as compared with any other class of consent stock.

(b) Corporations not entitled to credit: A corporation shall not be entitled to a consent dividends credit with respect to any taxable year—

(1) Unless, at the close of such year, all preferred dividends (for the taxable year and, if cumulative, for prior taxable years) have been paid; or

(2) If, at any time during such year, the corporation has taken any steps in, or in pursuance of a plan of, complete or partial liquidation of all or any part of the consent stock.

(c) Allowance of credit: There shall be allowed to the corporation, as a part of its basic surtax credit for the taxable year, a consent dividends credit equal to such portion of the total sum agreed to be included in the gross income of shareholders by

their consents filed under subsection (d) as it would have been entitled to include in computing its basic surtax credit if actual distribution of an amount equal to such total sum had been made in cash and each shareholder making such a consent had received, on the consent dividends day, the amount specified in the consent.

(d) Shareholders' consents: The corporation shall not be entitled to a consent dividends credit with respect to any taxable year—

(1) Unless it files with its return for such year (in accordance with regulations prescribed by the Commissioner with the approval of the Secretary) signed consents made under oath by persons who were shareholders, on the last day of the taxable year of the corporation, of any class of consent stock; and

(2) Unless in each such consent the shareholder agrees that he will include as a taxable dividend, in his return for the taxable year in which or with which the taxable year of the corporation ends, a specific amount; and

(3) Unless the consents filed are made by such of the shareholders and the amount specified in each consent is such, that the consent distribution would not have been a preferential distribution—

(A) If there was no partial distribution during the last month of the taxable year of the corporation, or

(B) If there was such a partial distribution, then when considered in connection with such partial distribution; and

(4) Unless in each consent made by a shareholder who is taxable with respect to a dividend only if received from sources within the United States, such shareholder agrees that the specific amount stated in the consent shall be considered as a dividend received by him from sources within the United States; and

(5) Unless each consent filed is accompanied by cash, a money order, or a certified check, in an amount equal to the amount that would be required by section 143 (b) or 144 to be deducted and withheld by the corporation if the amount specified in the consent had been, on the last day of the taxable year of the corporation, paid to the shareholder in cash as a dividend. The amount accompanying the consent shall be credited against the tax imposed by section 211 (a) or 231 (a) upon the shareholder.

(e) Consent distribution as part of entire distribution: If during the last month of the taxable year with respect to which shareholders' consents are filed by the corporation under subsection (d) there is made a partial distribution, then, for the purposes of this title, such partial distribution and the consent distribution shall be considered as having been made in connection with each other and each shall be considered together with the other as one entire distribution.

(f) Taxability of amounts specified in consents: The total amount specified in a consent filed under subsection (d) shall be included as a taxable dividend in the gross income of the shareholder making such consent, and, if the shareholder is taxable with respect to a dividend only if received from sources within the United States, shall be included in the computation of his tax as a dividend received from sources within the United States; regardless of—

(1) Whether he actually so includes it in his return; and

(2) Whether the distribution by the corporation of an amount equal to the total sum included in all the consents filed, had actual distribution been made, would have been in whole or in part a taxable dividend; and

(3) Whether the corporation is entitled to any consent dividends credit by reason of the filing of such consents, or to a credit less than the total sum included in all the consents filed.

(g) Corporate shareholders: If the shareholder who makes the consent is a corporation, the amount specified in the consent shall be considered as part of its earnings or profits for the taxable year, and shall be included in the computation of its accumulated earnings and profits.

(h) Basis of stock in hands of shareholders: The amount specified in a consent made under subsection (d) shall, for the purpose of adjusting the basis of the consent stock with respect to which the consent was given, be treated as having been reinvested by the shareholder as a contribution to the capital of the corporation; but only in an amount which bears the same ratio to the consent dividends credit of the corporation as the amount of such shareholder's consent stock bears to the total amount of consent stock with respect to which consents are made.

(i) Effect on capital account of corporation: The amount of the consent dividends credit allowed under subsection (c) shall be considered as paid-in surplus or as a contribution to the capital of the corporation, and the accumulated earnings and profits as of the close of the taxable year shall be correspondingly reduced.

(j) Amounts not included in shareholder's return: The failure of a shareholder of consent stock to include in his gross income for the proper taxable year the amount specified in the consent made by him and filed by the corporation, shall have the same effect, with respect to the deficiency resulting therefrom, as is provided in section 272 (f) with respect to a deficiency resulting from a mathematical error appearing on the face of the return.

PART III—CREDITS AGAINST TAX

SEC. 31. Taxes of foreign countries and possessions of United States.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax, to the extent provided in section 131.

SEC. 32. Taxes withheld at source.

The amount of tax withheld at the source under section 143 or 144 shall be allowed as a credit against the tax.

SEC. 33. Credit for overpayments.

For credit against the tax of overpayments of taxes imposed by this title for other taxable years, see section 322.

PART IV—ACCOUNTING PERIODS AND METHODS OF ACCOUNTING

SEC. 41. General rule.

The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer; but if no such method of accounting has been so employed, or if the method applied does not clearly reflect the income, the computation shall be made in accordance with such method as in the opinion of the Commissioner does clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 48 or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year. (For use of inventories, see sec. 22 (c).)

SEC. 42. Period in which items of gross income included.

The amount of all items of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under section 41, any such amounts are to be properly accounted for as of a different period. In the case of the death of a taxpayer there shall be included in computing net income for the taxable period in which falls the date of his death, amounts accrued up to the date of his death if not otherwise properly includible in respect of such period or a prior period.

SEC. 43. Period for which deductions and credits taken.

The deductions and credits (other than the corporation dividends paid credit provided in section 27) provided for in this title shall be taken for the taxable year in which "paid or accrued" or "paid or incurred," dependent upon the method of accounting upon the basis of which the net income is computed, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period. In the case of the death of a taxpayer there shall be allowed as deductions and credits for the taxable period in which falls the date of his death amounts accrued up to the date of his death (except deductions under section 23 (o)) if not otherwise properly allowable in respect of such period or a prior period.

SEC. 44. Installment basis.

(a) Dealers in personal property: Under regulations prescribed by the Commissioner with the approval of the Secretary, a person who regularly sells or otherwise disposes of personal property on the installment plan may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the gross profit realized or to be realized when payment is completed bears to the total contract price.

(b) Sales of realty and casual sales of personalty: In the case (1) of a casual sale or other casual disposition of personal property (other than property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year), for a price exceeding $1,000; or (2) of a sale or other disposition of real property, if in either case the initial payments do not exceed 30 percent of the selling price (or, in case the sale or other disposition was in a taxable year beginning prior to January 1, 1934, the percentage of the selling price prescribed in the law applicable to such year), the income may, under regulations prescribed by the Commissioner with the approval of the Secretary, be returned on the basis and in the manner above prescribed in this section. As used in this section the term "initial payments" means the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable period in which the sale or other disposition is made.

(c) Change from accrual to installment basis: If a taxpayer entitled to the benefits of subsection (a) elects for any taxable year to report his net income on the installment basis, then in computing his income for the year of change or any subsequent year amounts actually received during any such year on account of sales or other dispositions of property made in any prior year shall not be excluded.

(d) Gain or loss upon disposition of installment obligations: If an installment obligation is satisfied at other than its face value or distributed, transmitted, sold, or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the obligation, and (1) in the case of satisfaction at other than face value or a sale or exchange, the amount realized; or (2) in case of a distribution, transmission, or disposition otherwise than by sale or exchange, the fair market value of the obligation at the time of such distribution, transmission, or disposition. Any gain or loss so resulting shall be considered as resulting from the sale or exchange of the property in respect of which the installment obligation was received. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full. This subsection shall not apply to the transmission at death of installment obligations if there is filed with the Commissioner, at such time as he may by regulation prescribe, a bond in such amount and with such sureties as he may deem necessary, conditioned upon the return as income, by the person receiving any payment on such obligations, of the same proportion of such payment as would be returnable as income by the decedent

if he had lived and had received such payment. If an installment obligation is distributed by one corporation to another corporation in the course of a liquidation, and under section 112 (b) (6) no gain or loss with respect to the receipt of such obligation is recognized in the case of the recipient corporation, then no gain or loss with respect to the distribution of such obligation shall be recognized in the case of the distributing corporation.

SEC. 45. Allocation of income and deductions.

In any case of two or more organizations, trades, or businesses (whether or not incorporated, whether or not organized in the United States, and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such organizations, trades, or businesses, if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades, or businesses.

SEC. 46. Change of accounting period.

If a taxpayer changes his accounting period from fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another, the net income shall, with the approval of the Commissioner, be computed on the basis of such new accounting period, subject to the provisions of section 47.

SEC. 47. Returns for a period of less than 12 months.

(a) Returns for short period resulting from change of accounting period: If a taxpayer, with the approval of the Commissioner, changes the basis of computing net income from fiscal year to calendar year a separate return shall be made for the period between the close of the last fiscal year for which return was made and the following December 31. If the change is from calendar year to fiscal year, a separate return shall be made for the period between the close of the last calendar year for which return was made and the date designated as the close of the fiscal year. If the change is from one fiscal year to another fiscal year a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year.

(b) Income computed on basis of short period: Where a separate return is made under subsection (a) on account of a change in the accounting period, and in all other cases where a separate return is required or permitted, by regulations prescribed by the Commissioner with the approval of the Secretary, to be made for a fractional part of a year, then the income shall be computed on the basis of the period for which separate return is made.

(c) Income placed on annual basis: If a separate return is made (except returns of the income of a corporation) under subsection (a) on account of a change in the accounting period, the net income, computed on the basis of the period for which separate return is made, shall be placed on an annual basis by multiplying the amount thereof by 12 and dividing by the number of months included in the period for which the separate return is made. The tax shall be such part of the tax computed on such annual basis as the number of months in such period is of 12 months.

(d) Earned income: The Commissioner with the approval of the Secretary shall by regulations prescribe the method of applying the provisions of subsections (b) and (c) (relating to computing income on the basis of a short period, and placing such income on an annual basis) to cases where the taxpayer makes a separate return under subsection (a) on account of a change in the accounting period, and it appears that for the period for which the return is so made he has received earned income.

(e) Reduction of credits against net income: In the case of a return made for a fractional part of a year, except a return made under subsection (a), on account of a change in the accounting period, the personal exemption and credit for dependents shall be reduced respectively to amounts which bear the same ratio to the full credits provided as the number of months in the period for which return is made bears to 12 months.

(f) Closing of taxable year in case of jeopardy: For closing of taxable year in case of jeopardy, see section 146.

SEC. 48. Definitions.

When used in this title—

(a) Taxable year: "Taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under this part. "Taxable year" includes, in the case of a return made for a fractional part of a year under the provisions of this title or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made.

(b) Fiscal year: "Fiscal year" means an accounting period of 12 months ending on the last day of any month other than December.

(c) "Paid or incurred," "paid or accrued": The terms "paid or incurred" and "paid or accrued" shall be construed according to the method of accounting upon the basis of which the net income is computed under this part.

(d) Trade or business: The term "trade or business" includes the performance of the functions of a public office.

PART V—RETURNS AND PAYMENT OF TAX

SEC. 51. Individual returns.

(a) Requirement: The following individuals shall each make under oath a return stating specifically the items of his gross income and the deductions and credits allowed under this title and such other information for the purpose of carrying out the provisions of this title as the Commissioner with the approval of the Secretary may by regulations prescribe—

(1) Every individual who is single or who is married but not living with husband or wife, if—

(A) Having a net income for the taxable year of $1,000 or over; or

(B) Having a gross income for the taxable year of $5,000 or over, regardless of the amount of the net income.

(2) Every individual who is married and living with husband or wife, if no joint return is made under subsection (b) and if—

(A) Such individual has for the taxable year a net income of $2,500 or over or a gross income of $5,000 or over (regardless of the amount of the net income), and the other spouse has no gross income; or

(B) Such individual and his spouse each has for the taxable year a gross income (regardless of the amount of the net income) and the aggregate net income of the two is $2,500 or over; or

(C) Such individual and his spouse each has for the taxable year a gross income (regardless of the amount of the net income) and the aggregate gross income is $5,000 or over.

(b) Husband and wife: In the case of a husband and wife living together the income of each (even though one has no gross income) may be included in a single return made by them jointly, in which case the tax shall be computed on the aggregate income, and the liability with respect to the tax shall be joint and several. No joint return may be made if either the husband or wife is a nonresident alien.

(c) Persons under disability: If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

(d) Fiduciaries: For returns to be made by fiduciaries, see section 142.

SEC. 52. Corporation returns.

Every corporation subject to taxation under this title shall make a return, stating specifically the items of its gross income and the deductions and credits allowed by this title and such other information for the purpose of carrying out the provisions of this title as the Commissioner with the approval of the Secretary may by regulations prescribe. The return shall be sworn to by the president, vice president, or other principal officer and by the treasurer, assistant treasurer, or chief accounting officer. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns. Any tax due on the basis of such returns made by receivers, trustees, or assignees shall be collected in the same manner as if collected from the corporations of whose business or property they have custody and control.

SEC. 53. Time and place for filing returns.

(a) Time for filing.—

(1) General rule: Returns made on the basis of the calendar year shall be made on or before the 15th day of March following the close of the calendar year. Returns made on the basis of a fiscal year shall be made on or before the 15th day of the third month following the close of the fiscal year.

(2) Extension of time: The Commissioner may grant a reasonable extension of time for filing returns, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

(b) To whom return made.—

(1) Individuals: Returns (other than corporation returns) shall be made to the collector for the district in which is located the legal residence or principal place of business of the person making the return, or, if he has no legal residence or principal place of business in the United States, then to the collector at Baltimore, Md.

(2) Corporations: Returns of corporations shall be made to the collector of the district in which is located the principal place of business or principal office or agency of the corporation, or, if it has no principal place of business or principal office or agency in the United States, then to the collector at Baltimore, Md.

SEC. 54. Records and special returns.

(a) By taxpayer: Every person liable to any tax imposed by this title or for the collection thereof, shall keep such records, render under oath such statements, make such returns, and comply with such rules and regulations, as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

(b) To determine liability to tax: Whenever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records, as the Commissioner deems sufficient to show whether or not such person is liable to tax under this title.

(c) Information at the source: For requirement of statements and returns by one person to assist in determining the tax liability of another person, see sections 147 to 150.

(d) Copies of returns: If any person, required by law or regulations made pursuant to law to file a copy of any income return for any taxable year, fails to file such copy at the time required, there shall be due and assessed against such person $5 in the case of an individual return or $10 in the case of a fiduciary, partnership, or corporation return, and the collector with whom the return is filed shall prepare such copy. Such amount shall be collected and paid, without interest, in the same manner as the amount of tax due in

excess of that shown by the taxpayer upon a return in the case of a mathematical error appearing on the face of the return. Copies of returns filed or prepared pursuant to this subsection shall remain on file for a period of not less than 2 years from the date they are required to be filed, and may be destroyed at any time thereafter under the direction of the Commissioner.

(e) Foreign personal holding companies: For information returns by officers, directors, and large shareholders with respect to foreign personal holding companies, see sections 338, 339, and 340.

SEC. 55. Publicity of returns.

(a) Returns made under this title shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under title II of the Revenue Act of 1926; and all returns made under this act shall constitute public records and shall be open to public examination and inspection to such extent as shall be authorized in rules and regulations promulgated by the President.

(b) (1) All income returns filed under this title (or copies thereof, if so prescribed by regulations made under this subsection), shall be open to inspection by any official, body, or commission lawfully charged with the administration of any State tax law if the inspection is for the purpose of such administration or for the purpose of obtaining information to be furnished to local taxing authorities as provided in paragraph (2). The inspection shall be permitted only upon written request of the Governor of such State, designating the representative of such official, body, or commission to make the inspection on behalf of such official, body, or commission. The inspection shall be made in such manner, and at such times and places, as shall be prescribed by regulations made by the Commissioner with the approval of the Secretary.

(2) Any information thus secured by any official, body, or commission of any State may be used only for the administration of the tax laws of such State, except that upon written request of the Governor of such State any such information may be furnished to any official, body, or commission of any political subdivision of such State lawfully charged with the administration of the tax laws of such political subdivision, but may be furnished only for the purpose of, and may be used only for, the administration of such tax laws. Any officer, employee, or agent of any State or political subdivision who divulges (except as authorized in this subsection, or when called upon to testify in any judicial or administrative proceeding to which the State or political subdivision, or such State or local official, body, or commission, as such, is a party) any information acquired by him through an inspection permitted him or another under this subsection shall be guilty of a misdemeanor and shall upon conviction be punished by a fine of not more than $1,000, or by imprisonment for not more than 1 year, or both.

SEC. 56. Payment of tax.

(a) Time of payment: The total amount of tax imposed by this title shall be paid on the 15th day of March following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on the 15th day of the third month following the close of the fiscal year.

(b) Installment payments: The taxpayer may elect to pay the tax in four equal installments, in which case the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after such date. If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand from the collector.

(c) Extension of time for payment.—

(1) General rule: At the request of the taxpayer, the Commissioner may extend the time for payment of the amount determined as the tax by the taxpayer, or any installment thereof, for a period not to exceed 6 months from the date prescribed for the payment of the tax or an installment thereof. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension.

(2) Liquidation of personal holding companies: At the request of the taxpayer, the Commissioner, with the approval of the Secretary, may (under regulations prescribed by the Commissioner with the approval of the Secretary) extend (for a period not to exceed 5 years from the date prescribed for the payment of the tax) the time for the payment of such portion of the amount determined as the tax by the taxpayer as is attributable to the short-term or long-term capital gain derived by the taxpayer from the receipt by him of property other than money upon the complete liquidation (as defined in section 115 (c)) of a corporation. This paragraph shall apply only if the corporation, for its taxable year preceding the year in which occurred the complete liquidation (or the first of the series of distributions referred to in such section), was a personal holding company or a foreign personal holding company. An extension under this paragraph shall be granted only if it is shown to the satisfaction of the Commissioner that the failure to grant it will result in undue hardship to the taxpayer. If an extension is granted the amount with respect to which the extension is granted shall be paid on or before the date of the expiration of the extension. If an extension is granted under this paragraph the Commissioner may require the taxpayer to furnish a bond in such amount, not exceeding double the amount with respect to which the extension is granted, and with such sureties as the Commissioner deems necessary, conditioned upon the payment of the amount with respect to which the extension is granted in accordance with the terms of the exension.

(d) Voluntary advance payment: A tax imposed by this title, or any installment thereof, may be paid, at the election of the taxpayer, prior to the date prescribed for its payment.

(e) Advance payment in case of jeopardy: For advance payment in case of jeopardy, see section 146.

(f) Tax withheld at source: For requirement of withholding tax at the source in the case of nonresident aliens and foreign corporations, and in the case of so-called tax-free covenant bonds, see sections 143 and 144.

(g) Fractional parts of cent: In the payment of any tax under this title a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

(h) Receipts: Every collector to whom any payment of any income tax is made shall upon request give to the person making such payment a full written or printed receipt therefor.

SEC. 57. Examination of return and determination of tax.

As soon as practicable after the return is filed the Commissioner shall examine it and shall determine the correct amount of the tax.

SEC. 58. Additions to tax and penalties.

(a) For additions to the tax in case of negligence or fraud in the nonpayment of tax or failure to file return therefor, see supplement M.

(b) For criminal penalties for nonpayment of tax or failure to file return therefor, see section 145.

SEC. 59. Administrative proceedings.

For administrative proceedings in respect of the nonpayment or overpayment of a tax imposed by this title, see as follows:

(a) Supplement L, relating to assessment and collection of deficiencies.

(b) Supplement M, relating to interest and additions to tax.

(c) Supplement N, relating to claims against transferees and fiduciaries.

(d) Supplement O, relating to overpayments.

PART VI—MISCELLANEOUS PROVISIONS

SEC. 61. Laws made applicable.

All administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this title.

SEC. 62. Rules and regulations.

The Commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this title.

SEC. 63. Taxes in lieu of taxes under 1936 act.

The taxes imposed by this title and title I-A shall be in lieu of the taxes imposed by titles I and I-A of the Revenue Act of 1936, as amended.

SUBTITLE C—SUPPLEMENTAL PROVISIONS

SUPPLEMENT A—RATES OF TAX

[Supplementary to subtitle B, part I]

SEC. 101. Exemptions from tax on corporations.

The following organizations shall be exempt from taxation under this title—

(1) Labor, agricultural, or horticultural organizations;

(2) Mutual savings banks not having a capital stock represented by shares;

(3) Fraternal beneficiary societies, orders, or associations, (A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents;

(4) Domestic building and loan associations substantially all the business of which is confined to making loans to members; and cooperative banks without capital stock organized and operated for mutual purposes and without profit;

(5) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(6) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation;

(7) Business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(8) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes;

(9) Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder;

(10) Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses;

(11) Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations (including interinsurers and reciprocal underwriters) the income of which is used or held for the purpose of paying losses or expenses;

(12) Farmers', fruit growers', or like associations organized and operated on a cooperative basis (a) for the purpose of marketing the products of members or other producers, and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (b) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses. Exemption shall not be denied any such association because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the association, upon dissolution or otherwise, beyond the fixed dividends) is owned by producers who market their products or purchase their supplies and equipment through the association; nor shall exemption be denied any such association because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose. Such an association may market the products of nonmembers in an amount the value of which does not exceed the value of the products marketed for members, and may purchase supplies and equipment for nonmembers in an amount the value of which does not exceed the value of the supplies and equipment purchased for members, provided the value of the purchases made for persons who are neither members nor producers does not exceed 15 percent of the value of all its purchases. Business done for the United States or any of its agencies shall be disregarded in determining the right to exemption under this paragraph;

(13) Corporations organized by an association exempt under the provisions of paragraph (12), or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, upon dissolution or otherwise, beyond the fixed dividends) is owned by such association or members thereof; nor shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose;

(14) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this title;

(15) Corporations organized under act of Congress, if such corporations are instrumentalities of the United States and if, under such act, as amended and supplemented, such corporations are exempted from Federal income taxes;

(16) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (A) no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (B) 85 percent or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(17) Teachers' retirement fund associations of a purely local character, if (A) no part of their net earnings inures (other than through payment of retirement benefits) to the benefit of any private shareholder or individual, and (B) the income consists solely of amounts received from public taxation, amounts received from assessments upon the teaching salaries of members, and income in respect of investments;

(18) Religious or apostolic associations or corporations, if such associations or corporations have a common treasury or community treasury, even if such associations or corporations engage in business for the common benefit of the members, but only if the members thereof include (at the time of filing their returns) in their gross income their entire pro rata shares, whether distributed or not, of the net income of the association or corporation for such year. Any amount so included in the gross income of a member shall be treated as a dividend received.

SEC. 102. Surtax on corporations improperly accumulating surplus.

(a) Imposition of tax: There shall be levied, collected, and paid for each taxable year (in addition to other taxes imposed by this title) upon the net income of every corporation (other than a personal holding company as defined in title I–A or a foreign personal holding company as defined in supplement P) if such corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders or the shareholders of any other corporation, through the medium of permitting earnings or profits to accumulate instead of being divided or distributed, a surtax equal to the sum of the following:

Twenty-five percent of the amount of the undistributed section 102 net income not in excess of $100,000, plus

Thirty-five percent of the undistributed section 102 net income in excess of $100,000.

(b) Prima facie evidence: The fact that any corporation is a mere holding or investment company, or that the earnings or profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to avoid surtax upon shareholders.

(c) Definitions: As used in this title—

(1) Section 102 net income: The term "section 102 net income" means the net income minus the sum of—

(A) Taxes: Federal income, war-profits, and excess-profits taxes paid or accrued during the taxable year, to the extent not allowed as a deduction by section 23, but not including the tax imposed by this section or a corresponding section of a prior income-tax law, or by title I–B.

(B) Disallowed charitable, etc., contributions: Contributions or gifts payment of which is made within the taxable year, not otherwise allowed as a deduction, to or for the use of donees described in section 23 (o), for the purposes therein specified. In the case of a contribution or gift made in property other than money, the amount of such contribution or gift, for the purposes of this subparagraph, shall be equal to the adjusted basis of the property in the hands of the taxpayer or its fair market value, whichever is the lower.

(C) Disallowed losses: Losses from sales or exchanges of capital assets which are disallowed as a deduction by section 117 (d).

(2) Undistributed section 102 net income: The term "undistributed section 102 net income" means the section 102 net income minus the basic surtax credit provided in section 27 (b), but the computation of such credit under section 27 (b) (1) shall be made without its reduction by the amount of the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations.

(d) Credit of tax under title I–B: The amount of the tax imposed upon the corporation for the taxable year under title I–B shall be allowed as a credit against the tax imposed by this section.

(e) Tax on personal holding companies: For surtax on personal holding companies, see title I–A.

(f) Closely held corporations not personal holding companies: For surtax on closely held corporations other than personal holding companies, see title I–B.

SEC. 103. Rates of tax on citizens and corporations of certain foreign countries.

Whenever the President finds that, under the laws of any foreign country, citizens or corporations of the United States are being subjected to discriminatory or extraterritorial taxes, the President shall so proclaim and the rates of tax imposed by sections 11, 12, 13, 14, 201 (b), 204 (a), 207, 211 (a), 231 (a), and 362 shall, for the taxable year during which such proclamation is made and for each taxable year thereafter, be doubled in the case of each citizen and corporation of such foreign country; but the tax at such doubled rate shall be considered as imposed by section 11, 12, 13, 14, 201 (b), 204 (a), 207, 211 (a), 231 (a), or 362, as the case may be. In no case shall this section operate to increase the taxes imposed by such sections (computed without regard to this section) to an amount in excess of 80 percent of the net income of the taxpayer. Whenever the President finds that the laws of any foreign country with respect to which the President has made a proclamation under the preceding provisions of this section have been modified so that discriminatory and extraterritorial taxes applicable to citizens and corporations of the United States have been removed, he shall so proclaim, and the provisions of this section providing for doubled rates of tax shall not apply to any citizen or corporation of such foreign country with respect to any taxable year beginning after such proclamation is made.

SEC. 104. Banks and trust companies.

(a) Definition: As used in this section the term "bank" means a bank or trust company incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia), of any State, or of any Territory, a substantial part of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under section 11 (k) of the Federal Reserve Act, as amended, and which is subject by law to supervision and examination by State, Territorial, or Federal authority having supervision over banking institutions.

(b) Rate of Tax: Banks shall be taxable under section 14 (d).

SEC. 105. Sale of oil or gas properties.

In the case of a bona fide sale of any oil or gas property, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration or discovery

work done by the taxpayer, the portion of the tax imposed by section 12 attributable to such sale shall not exceed 30 percent of the selling price of such property or interest.

SUPPLEMENT B—COMPUTATION OF NET INCOME

[Supplementary to subtitle B, part II]

SEC. 111. Determination of amount of, and recognition of, gain or loss.

(a) Computation of gain or loss: The gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the adjusted basis provided in section 113 (b) for determining gain, and the loss shall be the excess of the adjusted basis provided in such section for determining loss over the amount realized.

(b) Amount realized: The amount realized from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received.

(c) Recognition of gain or loss: In the case of a sale or exchange, the extent to which the gain or loss determined under this section shall be recognized for the purposes of this title, shall be determined under the provisions of section 112.

(d) Installment sales: Nothing in this section shall be construed to prevent (in the case of property sold under contract providing for payment in installments) the taxation of that portion of any installment payment representing gain or profit in the year in which such payment is received.

SEC. 112. Recognition of gain or loss.

(a) General rule: Upon the sale or exchange of property the entire amount of the gain or loss, determined under section 111, shall be recognized, except as hereinafter provided in this section.

(b) Exchanges solely in kind—

(1) Property held for productive use or investment: No gain or loss shall be recognized if property held for productive use in trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a like kind to be held either for productive use in trade or business or for investment.

(2) Stock for stock of same corporation: No gain or loss shall be recognized if common stock in a corporation is exchanged solely for common stock in the same corporation, or if preferred stock in a corporation is exchanged solely for preferred stock in the same corporation.

(3) Stock for stock on reorganization: No gain or loss shall be recognized if stock or securities in a corporation a party to a reorganization are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization.

(4) Same—Gain of corporation: No gain or loss shall be recognized if a corporation a party to a reorganization exchanges property, in pursuance of the plan of reorganization, solely for stock or securities in another corporation a party to the reorganization.

(5) Transfer to corporation controlled by transferor: No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and immediately after the exchange such person or persons are in control of the corporation; but in the case of an exchange by two or more persons this paragraph shall apply only if the amount of the stock and securities received by each is substantially in proportion to his interest in the property prior to the exchange.

(6) Property received by corporation on complete liquidation of another: No gain or loss shall be recognized upon the receipt by a corporation of property distributed in complete liquidation of another corporation. For the purposes of this paragraph a distribution shall be considered to be in complete liquidation only if—

(A) the corporation receiving such property was, on the date of the adoption of the plan of liquidation, and has continued to be at all times until the receipt of the property, the owner of stock (in such other corporation) possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and the owner of at least 80 percent of the total number of shares of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends), and was at no time on or after the date of the adoption of the plan of liquidation and until the receipt of the property the owner of a greater percentage of any class of stock than the percentage of such class owned at the time of the receipt of the property; and

(B) no distribution under the liquidation was made before the first day of the first taxable year of the corporation beginning after December 31, 1935; and either

(C) the distribution is by such other corporation in complete cancelation or redemption of all its stock, and the transfer of all the property occurs within the taxable year; in such case the adoption by the shareholders of the resolution under which is authorized the distribution of all the assets of such corporation in complete cancelation or redemption of all its stock, shall be considered an adoption of a plan of liquidation, even though no time for the completion of the transfer of the property is specified in such resolution; or

(D) such distribution is one of a series of distributions by such other corporation in complete cancelation or redemption of all its stock in accordance with a plan of liquidation under which the transfer of all the property under the liquidation is to be completed within 3 years from the close of the taxable year during which is made the first of the series of distributions under the plan, except that if such transfer is not completed within such period, or if the taxpayer does not continue qualified under subparagraph (A) until the completion of such transfer, no distribution under the plan shall be considered a distribution in complete liquidation.

If such transfer of all the property does not occur within the taxable year the Commissioner may require of the taxpayer such bond, or waiver of the statute of limitations on assessment and collection, or both, as he may deem necessary to insure, if the transfer of the property is not completed within such 3-year period, or if the taxpayer does not continue qualified under subparagraph (A) until the completion of such transfer, the assessment and collection of all income, war-profits, and excess-profits taxes then imposed by law for such taxable year or subsequent taxable years, to the extent attributable to property so received. A distribution otherwise constituting a distribution in complete liquidation within the meaning of this paragraph shall not be considered as not constituting such a distribution merely because it does not constitute a distribution or liquidation within the meaning of the corporate law under which the distribution is made; and for the purposes of this paragraph a transfer of property of such other corporation to the taxpayer shall not be considered as not constituting a distribution (or one of a series of distributions) in complete cancelation or redemption of all the stock of such other corporation, merely because the carrying out of the plan involves (i) the transfer under the plan to the taxpayer by such other corporation of property, not attributable to shares owned by the taxpayer, upon an exchange described in paragraph (4) of this subsection, and (ii) the complete cancelation or redemption under the plan, as a result of exchanges described in paragraph (3) of this subsection, of the shares not owned by the taxpayer.

(c) Gain from exchanges not solely in kind.—

(1) If an exchange would be within the provisions of subsection (b) (1), (2), (3), or (5) of this section if it were not for the fact that the property received in exchange consists not only of property permitted by such paragraph to be received without the recognition of gain, but also of other property or money, then the gain, if any, to the recipient shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

(2) If a distribution made in pursuance of a plan of reorganization is within the provisions of paragraph (1) of this subsection but has the effect of the distribution of a taxable dividend, then there shall be taxed as a dividend to each distributee such an amount of the gain recognized under paragraph (1) as is not in excess of his ratable share of the undistributed earnings and profits of the corporation accumulated after February 28, 1913. The remainder, if any, of the gain recognized under paragraph (1) shall be taxed as a gain from the exchange of property.

(d) Same—gain of corporation: If an exchange would be within the provisions of subsection (b) (4) of this section if it were not for the fact that the property received in exchange consists not only of stock or securities permitted by such paragraph to be received without the recognition of gain, but also of other property or money, then—

(1) If the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

(2) If the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property so received, which is not so distributed.

(e) Loss from exchanges not solely in kind: If an exchange would be within the provisions of subsection (b) (1) to (5), inclusive, of this section if it were not for the fact that the property received in exchange consists not only of property permitted by such paragraph to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange shall be recognized.

(f) Involuntary conversions: If property (as a result of its destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation, or the threat or imminence thereof) is compulsory or involuntarily converted into property similar or related in service or use to the property so converted, or into money which is forthwith in good faith, under regulations prescribed by the Commissioner with the approval of the Secretary, expended in the acquisition of other property similar or related in service or use to the property so converted, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund, no gain or loss shall be recognized. If any part of the money is not so expended, the gain, if any, shall be recognized, but in an amount not in excess of the money which is not so expended.

(g) Definition of reorganization: As used in this section and section 113—

(1) The term "reorganization" means (A) a statutory merger or consolidation, or (B) the acquisition by one corporation in exchange solely for all or a part of its voting stock: of at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation; or of substantially all the properties of another corporation, or (C) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its shareholders or both are in control of the corporation to which the assets are transferred, or (D) a recapitalization, or (E) a mere change in identity, form, or place of organization, however effected.

(2) The term "a party to a reorganization" includes a corporation resulting from a reorganization and includes both corporations in the case of a reorganization resulting from the acquisition by one corporation of stock or properties of another.

(h) Definition of control: As used in this section the term "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation.

(i) Foreign corporations: In determining the extent to which gain shall be recognized in the case of any of the exchanges described in subsection (b) (3), (4), (5), or (6), or described in so much of subsection (c) as refers to subsection (b) (3) or (5), or described in subsection (d), a foreign corporation shall not be considered as a corporation unless, prior to such exchange, it has been established to the satisfaction of the Commissioner that such exchange is not in pursuance of a plan having as one of its principal purposes the avoidance of Federal income taxes.

(j) Installment obligations: For nonrecognition of gain or loss in the case of installment obligations, see section 44 (d).

SEC. 113. Adjusted basis for determining gain or loss.

(a) Basis (unadjusted) of property: The basis of property shall be the cost of such property; except that—

(1) Inventory value: If the property should have been included in the last inventory, the basis shall be the last inventory value thereof.

(2) Gifts after December 31, 1920: If the property was acquired by gift after December 31, 1920, the basis shall be the same as it would be in the hands of the donor or the last preceding owner by whom it was not acquired by gift, except that for the purpose of determining loss the basis shall be the basis so determined or the fair market value of the property at the time of the gift, whichever is lower. If the facts necessary to determine the basis in the hands of the donor or the last preceding owner are unknown to the donee, the Commissioner shall, if possible, obtain such facts from such donor or last preceding owner, or any other person cognizant thereof. If the Commissioner finds it impossible to obtain such facts, the basis in the hands of such donor or last preceding owner shall be the fair market value of such property as found by the Commissioner as of the date or approximate date at which, according to the best information that the Commissioner is able to obtain, such property was acquired by such donor or last preceding owner.

(3) Transfer in trust after December 31, 1920: If the property was acquired after December 31, 1920, by a transfer in trust (other than by a transfer in trust by a bequest or devise) the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain or decreased in the amount of loss recognized to the grantor upon such transfer under the law applicable to the year in which the transfer was made.

(4) Gift or transfer in trust before January 1, 1921: If the property was acquired by gift or transfer in trust on or before December 31, 1920, the basis shall be the fair market value of such property at the time of such acquisition.

(5) Property transmitted at death: If the property was acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent, the basis shall be the fair market value of such property at the time of such acquisition. In the case of property transferred in trust to pay the income for life to or upon the order or direction of the grantor, with the right reserved to the grantor at all times prior to his death to revoke the trust, the basis of such property in the hands of the persons entitled under the terms of the trust instrument to the property after the grantor's death shall, after such death, be the same as if the trust instrument had been a will executed on the day of the grantor's death. For the purpose of this paragraph property passing without full and adequate consideration under a general power of appointment exercised by will shall be deemed to be property passing from the individual exercising such power by bequest or devise. If the property was acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent, and if the decedent died after August 26, 1937, and if the property consists of stock or securities of a foreign corporation, which with respect to its taxable year next preceding the date of the decedent's death was a foreign personal holding company, then the basis shall be the fair market value of such property at the time of such acquisition or the basis in the hands of the decedent, whichever is lower.

(6) Tax-free exchanges generally: If the property was acquired after February 28, 1913, upon an exchange described in section 112 (b) to (e), inclusive, the basis (except as provided in paragraph (15) of this subsection) shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon such exchange under the law applicable to the year in which the exchange was made. If the property so acquired consisted in part of the type of property permitted by section 112 (b) to be received without the recognition of gain or loss, and in part of other property, the basis provided in this paragraph shall be allocated between the properties (other than money) received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange. This paragraph shall not apply to property acquired by a corporation by the issuance of its stock or securities as the consideration in whole or in part for the transfer of the property to it.

(7) Transfers to corporations: If the property was acquired—

(A) after December 31, 1917, and in a taxable year beginning before January 1, 1936, by a corporation in connection with a reorganization, and immediately after the transfer an interest or control in such property of 50 per centum or more remained in the same persons or any of them, or

(B) in a taxable year beginning after December 31, 1935, by a corporation in connection with a reorganization,

then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made. This paragraph shall not apply if the property acquired consists of stock or securities in a corporation a party to the reorganization, unless acquired by the issuance of stock or securities of the transferee as the consideration in whole or in part for the transfer.

(8) Property acquired by issuance of stock or as paid-in surplus: If the property was acquired after December 31, 1920, by a corporation—

(A) by the issuance of its stock or securities in connection with a transaction described in section 112 (b) (5) (including, also, cases where part of the consideration for the transfer of such property to the corporation was property or money, in addition to such stock or securities), or

(B) as paid-in surplus or as a contribution to capital,

then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made.

(9) Involuntary conversion: If the property was acquired after February 28, 1913, as a result of a compulsory or involuntary conversion described in section 112 (f), the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of law (applicable to the year in which such conversion was made) determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion under the law applicable to the year in which such conversion was made.

(10) Wash sales of stock: If the property consists of stock or securities the acquisition of which (or the contract or option to acquire which) resulted in the nondeductibility (under sec. 118 of this act or corresponding provisions of prior income tax laws, relating to wash sales) of the loss from the sale or other disposition of substantially identical stock or securities, then the basis shall be the basis of the stock or securities so sold or disposed of, increased or decreased, as the case may be, by the difference, if any, between the price at which the property was acquired and the price at which such substantially identical stock or securities were sold or otherwise disposed of.

(11) Property acquired during affiliation: In the case of property acquired by a corporation, during a period of affiliation, from a corporation with which it was affiliated, the basis of such property, after such period of affiliation, shall be determined, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, without regard to inter-company transactions in respect of which gain or loss was not recognized. For the purposes of this paragraph, the term "period of affiliation" means the period during which such corporations were affiliated (determined in accordance with the law applicable thereto) but does not include any taxable year beginning on or after January 1, 1922, unless a consolidated return was made, nor any taxable year after the taxable year 1928. The basis in case of property acquired by a corporation during any period, in the taxable year 1929 or any subsequent taxable year, in respect of which a consolidated return is made by such corporation under section 141 of this act or the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934 or the Revenue Act of 1936, shall be determined in accordance with regulations prescribed under section 141 (b) of this act or the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934 or the Revenue Act of 1936. The basis in the case of property held by a corporation during any period, in the taxable year 1929 or any subsequent taxable year, in respect of which a consolidated return is made by such corporation under section 141 of this act or the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934 or the Revenue Act of 1936, shall be adjusted in respect of any items relating to such period, in accordance with regulations prescribed under section 141 (b) of this act or the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934 or the Revenue Act of 1936, applicable to such period.

(12) Basis established by Revenue Act of 1932: If the property was acquired, after February 28, 1913, in any taxable year beginning prior to January 1, 1934, and the basis thereof, for the purposes of the Revenue Act of 1932 was prescribed by section 113 (a) (6), (7), or (9) of such act, then for the purposes of this act the basis shall be the same as the basis therein prescribed in the Revenue Act of 1932.

(13) Partnerships: If the property was acquired, after February 28, 1913, by a partnership and the basis is not otherwise determined under any other paragraph of this subsection, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made. If the property was distributed in kind by a partnership to any partner, the basis of such property in the hands of the partner shall be such part of the basis in his hands of his partnership interest as is properly allocable to such property.

(14) Property acquired before March 1, 1913: In the case of property acquired before March 1, 1913, if the basis otherwise determined under this subsection, adjusted (for the period prior to March 1, 1913) as provided in subsection (b), is less than the fair market value of the property as of March 1, 1913, then the basis for determining gain shall be such fair market value. In determining the fair market value of stock in a corporation as of March 1, 1913, due regard shall be given to the fair market value of the assets of the corporation as of that date.

(15) Property received by a corporation on complete liquidation of another: If the property was received by a corporation upon a distribution in complete liquidation of another corporation within the meaning of section 112 (b) (6), then the basis shall be the same as it would be in the hands of the transferor.

(16) Basis established by Revenue Act of 1934: If the property was acquired, after February 28, 1913, in any taxable year beginning prior to January 1, 1936, and the basis thereof, for the purposes of the Revenue Act of 1934 was prescribed by section 113 (a) (6), (7), or (8) of such act, then for the purposes of this act the basis shall be the same as the basis therein prescribed in the Revenue Act of 1934.

(b) Adjusted basis: The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under subsection (a), adjusted as hereinafter provided.

(1) General rule: Proper adjustment in respect of the property shall in all cases be made—

(A) for expenditures, receipts, losses, or other items, properly chargeable to capital account, including taxes and other carrying charges on unimproved and unproductive real property, but no such adjustment shall be made for taxes or other carrying charges for which deductions have been taken by the taxpayer in determining net income for the taxable year or prior taxable years;

(B) in respect of any period since February 28, 1913, for exhaustion, wear and tear, obsolescence, amortization, and depletion, to the extent allowed (but not less than the amount allowable) under this act or prior income-tax laws. Where for any taxable year prior to the taxable year 1932 the depletion allowance was based on discovery value or a percentage of income, then the adjustment for depletion for such year shall be based on the depletion which would have been allowable for such year if computed without reference to discovery value or a percentage of income;

(C) in respect of any period prior to March 1, 1913, for exhaustion, wear and tear, obsolescence, amortization, and depletion, to the extent sustained;

(D) in the case of stock (to the extent not provided for in the foregoing subparagraphs) for the amount of distributions previously made which, under the law applicable to the year in which the distribution was made, either were tax-free or were applicable in reduction of basis (not including distributions made by a corporation, which was classified as a personal service corporation under the provisions of the Revenue Act of 1918 or 1921, out of its earnings or profits which were taxable in accordance with the provisions of section 218 of the Revenue Act of 1918 or 1921);

(E) to the extent provided in section 337 (f) in the case of the stock of United States shareholders in a foreign personal holding company; and

(F) to the extent provided in section 28 (h) in the case of amounts specified in a shareholder's consent made under section 28.

(2) Substituted basis: The term "substituted basis" as used in this subsection means a basis determined under any provision of subsection (a) of this section or under any corresponding provision of a prior income-tax law, providing that the basis shall be determined—

(A) by reference to the basis in the hands of a transferor, donor, or grantor, or

(B) by reference to other property held at any time by the person for whom the basis is to be determined.

Whenever it appears that the basis of property in the hands of the taxpayer is a substituted basis, then the adjustments provided in paragraph (1) of this subsection shall be made after first making in respect of such substituted basis proper adjustments of a similar nature in respect of the period during which the property was held by the transferor, donor, or grantor, or during which the other property was held by the person for whom the basis is to be determined. A similar rule shall be applied in the case of a series of substituted bases.

SEC. 114. Basis for depreciation and depletion.

(a) Basis for depreciation: The basis upon which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 113 (b) for the purpose of determining the gain upon the sale or other disposition of such property.

(b) Basis for depletion.—

(1) General rule: The basis upon which depletion is to be allowed in respect of any property shall be the adjusted basis provided in section 113 (b) for the purpose of determining the gain upon the sale or other disposition of such property, except as provided in paragraphs (2), (3), and (4) of this subsection.

(2) Discovery value in case of mines: In the case of mines (other than metal, coal, or sulphur mines) discovered by the taxpayer after February 28, 1913, the basis for depletion shall be the fair market value of the property at the date of discovery or within 30 days thereafter, if such mines were not acquired as the result of purchase of a proven tract or lease, and if the fair market value of the property is materially disproportionate to the cost. The depletion allowance under section 23 (m) based on discovery value provided in this paragraph shall not exceed 50 percent of the net income of the taxpayer (computed without allowance for depletion) from the property upon which the discovery was made, except that in no case shall the depletion allowance under section 23 (m) be less than it would be if computed without reference to discovery value. Discoveries shall include minerals in commercial quantities contained within a vein or deposit discovered in an existing mine or mining tract by the taxpayer after February 28, 1913, if the vein or deposit thus discovered was not merely the uninterrupted extension of a continuing commercial vein or deposit already known to exist, and if the discovered minerals are of sufficient value and quantity that they could be separately mined and marketed at a profit.

(3) Percentage depletion for oil and gas wells: In the case of oil and gas wells the allowance for depletion under section 23 (m) shall be 27½ percent of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property. Such allowance shall not exceed 50 percent of the net income of the taxpayer (computed without allowance for depletion) from the property, except that in no case shall the depletion allowance under section 23 (m) be less than it would be if computed without reference to this paragraph.

(4) Percentage depletion for coal and metal mines and sulphur: The allowance for depletion under section 23 (m) shall be, in the case of coal mines, 5 percent, in the case of metal mines, 15 percent, and, in the case of sulphur mines or deposits, 23 percent, of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property. Such allowance shall not exceed 50 percent of the net income of the taxpayer (computed without allowance for depletion) from the property. A taxpayer making his first return under this title in respect of a property shall state whether he elects to have the depletion allowance for such property for the taxable year for which the return is made computed with or without regard to percentage depletion, and the depletion allowance in respect of such property for such year shall be computed according to the election thus made. If the taxpayer fails to make such statement in the return, the depletion allowance for such property for such year shall be computed without reference to percentage depletion. The method, determined as above, of computing the depletion allowance shall be applied in the case of the property for all taxable years in which it is in the hands of such taxpayer, or of any other person if the basis of the property (for determining gain) in his hands is, under section 113, determined by reference to the basis in the hands of such taxpayer, either directly or through one or more substituted bases, as defined in that section. The above right of election shall be subject to the qualification that this paragraph shall, for the purpose of determining whether the method of computing the depletion allowance follows the property, be considered a continuation of section 114 (b) (4) of the Revenue Act of 1934 and the Revenue Act of 1936, and as giving no new election in cases where either of such sections would, if applied, give no new election.

SEC. 115. Distributions by corporations.

(a) Definition of dividend: The term "dividend" when used in this title (except in sec. 203 (a) (3) and sec. 207 (c) (1), relating to insurance companies) means any distribution made by a corporation to its shareholders, whether in money or in other property, (1) out of its earnings or profits accumulated after February 28, 1913, or (2) out of the earnings or profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year), without regard to the amount of the earnings and profits at the time the distribution was made.

(b) Source of distributions: For the purposes of this act every distribution is made out of earnings or profits to the extent thereof and from the most recently accumulated earnings or profits. Any earnings or profits accumulated, or increase in value of property accrued, before March 1, 1913, may be distributed exempt from tax, after the earnings and profits accumulated after February 28, 1913, have been distributed, but any such tax-free

distribution shall be applied against and reduce the adjusted basis of the stock provided in section 113.

(c) Distributions in liquidation: Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under section 111, but shall be recognized only to the extent provided in section 112. Despite the provisions of section 117 (b), 100 percent of the gain so recognized shall be taken into account in computing net income, except in the case of amounts distributed in complete liquidation of a corporation. For the purpose of the preceding sentence, "complete liquidation" includes any one of a series of distributions made by a corporation in complete cancelation or redemption of all of its stock in accordance with a bona fide plan of liquidation and under which the transfer of the property under the liquidation is to be completed within a time specified in the plan, not exceeding 2 years from the close of the taxable year during which is made the first of the series of distributions under the plan. In the case of amounts distributed (whether before Jan. 1, 1934, or on or after such date), in partial liquidation (other than a distribution within the provisions of subsection (h) of this section of stock or securities in connection with a reorganization) the part of such distribution which is properly chargeable to capital account shall not be considered a distribution of earnings or profits. If any distribution in complete liquidation (including any one of a series of distributions made by the corporation in complete cancelation or redemption of all its stock) is made by a foreign corporation which with respect to any taxable year beginning on or before, and ending after August 26, 1937, was a foreign personal holding company and with respect to which a United States group (as defined in section 331 (a) (2)) existed after August 26, 1937, and before January 1, 1938, then, despite the foregoing provisions of this subsection 100 percent of the gain recognized resulting from such distribution shall be taken into account in computing net income—

(1) Unless such liquidation was completed before January 1, 1938; or

(2) Unless (if it was established to the satisfaction of the Commissioner by evidence submitted before Jan. 1, 1938, that due to the laws of the foreign country in which such corporation is incorporated, or for other reason it was or would be impossible to complete the liquidation of such company before such date) the liquidation is completed on or before such date as the Commissioner may find reasonable, but not later than June 30, 1938.

(d) Other distributions from capital: If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not a dividend, then the amount of such distribution shall be applied against and reduce the adjusted basis of the stock provided in section 113, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.

(e) Distributions by personal-service corporations: Any distribution made by a corporation, which was classified as a personal-service corporation under the provisions of the Revenue Act of 1918 or the Revenue Act of 1921, out of its earnings or profits, which were taxable in accordance with the provisions of section 218 of the Revenue Act of 1918 or section 218 of the Revenue Act of 1921, shall be exempt from tax to the distributees.

(f) Stock dividends.—

(1) General rule: A distribution made by a corporation to its shareholders in its stock or in rights to acquire its stock shall not be treated as a dividend to the extent that it does not constitute income to the shareholder within the meaning of the sixteenth amendment to the Constitution.

(2) Election of shareholders as to medium of payment: Whenever a distribution by a corporation is, at the election of any of the shareholders (whether exercised before or after the declaration thereof), payable either (A) in its stock or in rights to acquire its stock, of a class which if distributed without election would be exempt from tax under paragraph (1), or (B) in money or any other property (including its stock or in rights to acquire its stock, of a class which if distributed without election would not be exempt from tax under paragraph (1)), then the distribution shall constitute a taxable dividend in the hands of all shareholders, regardless of the medium in which paid.

(g) Redemption of stock: If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancelation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancelation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913, shall be treated as a taxable dividend.

(h) Effect on earnings and profits of distributions of stock: The distribution (whether before January 1, 1938, or on or after such date) to a distributee by or on behalf of a corporation of its stock or securities or stock or securities in another corporation shall not be considered a distribution of earnings or profits of any corporation—

(1) if no gain to such distributee from the receipt of such stock or securities was recognized by law, or

(2) if the distribution was not subject to tax in the hands of such distributee because it did not constitute income to him within the meaning of the sixteenth amendment to the Constitution or because exempt to him under section 115 (f) of the Revenue Act of 1934 or a corresponding provision of a prior revenue act.

As used in this subsection the term "stock or securities" includes rights to acquire stock or securities.

(i) Definition of partial liquidation: As used in this section the term "amounts distributed in partial liquidation" means a distribution by a corporation in complete cancelation or redemption of a part of its stock, or one of a series of distributions in complete cancelation or redemption of all or a portion of its stock.

(j) Valuation of dividend: If the whole or any part of a dividend is paid to a shareholder in any medium other than money, the property received other than money shall be included in gross income at its fair market value at the time as of which it becomes income to the shareholder.

(k) Consent distributions: For taxability as dividends of amounts agreed to be included in gross income by shareholders' consents, see section 28.

SEC. 116. Exclusions from gross income.

In addition to the items specified in section 22 (b), the following items shall not be included in gross income and shall be exempt from taxation under this title:

(a) Earned income from sources without United States: In the case of an individual citizen of the United States, a bona fide nonresident of the United States for more than 6 months during the taxable year, amounts received from sources without the United States (except amounts paid by the United States or any agency thereof) if such amounts would constitute earned income as defined in section 25 (a) if received from sources within the United States; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this subsection.

(b) Teachers in Alaska and Hawaii: In the case of an individual employed by Alaska or Hawaii or any political subdivision thereof as a teacher in any educational institution, the compensation received as such. This subsection shall not exempt compensation paid directly or indirectly by the Government of the United States.

(c) Income of foreign governments: The income of foreign governments received from investments in the United States in stocks, bonds, or other domestic securities, owned by such foreign governments, or from interest on deposits in banks in the United States of moneys belonging to such foreign governments, or from any other source within the United States.

(d) Income of States, municipalities, etc.: Income derived from any public utility or the exercise of any essential governmental function and accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, or income accruing to the government of any possession of the United States, or any political subdivision thereof.

Whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, prior to September 8, 1916, entered in good faith into a contract with any person, the object and purpose of which is to acquire, construct, operate, or maintain a public utility—

(1) If by the terms of such contract the tax imposed by this title is to be paid out of the proceeds from the operation of such public utility, prior to any division of such proceeds between the person and the State, Territory, political subdivision, or the District of Columbia, and if, but for the imposition of the tax imposed by this title, a part of such proceeds for the taxable year would accrue directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, then a tax upon the net income from the operation of such public utility shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title, but there shall be refunded to such State, Territory, political subdivision, or the District of Columbia (under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary) an amount which bears the same relation to the amount of the tax as the amount which (but for the imposition of the tax imposed by this title) would have accrued directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility for such taxable year.

(2) If by the terms of such contract no part of the proceeds from the operation of the public utility for the taxable year would, irrespective of the tax imposed by this title, accrue directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, then the tax upon the net income of such person from the operation of such public utility shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title.

(e) Bridges to be acquired by State or political subdivision: Whenever any State or political subdivision thereof, in pursuance of a contract to which it is not a party entered into before the enactment of the Revenue Act of 1928, is to acquire a bridge—

(1) If by the terms of such contract the tax imposed by this title is to be paid out of the proceeds from the operation of such bridge prior to any division of such proceeds, and if, but for the imposition of the tax imposed by this title, a part of such proceeds for the taxable year would accrue directly to or for the use of or would be applied for the benefit of such State or political subdivision, then a tax upon the net income from the operation of

such bridge shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title, but there shall be refunded to such State or political subdivision (under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary) an amount which bears the same relation to the amount of the tax as the amount which (but for the imposition of the tax imposed by this title) would have accrued directly to or for the use of or would be applied for the benefit of such State or political subdivision, bears to the amount of the net income from the operation of such bridge for such taxable year. No such refund shall be made unless the entire amount of the refund is to be applied in part payment for the acquisition of such bridge.

(2) If by the terms of such contract no part of the proceeds from the operation of the bridge for the taxable year would, irrespective of the tax imposed by this title, accrue directly to or for the use of or be applied for the benefit of such State or political subdivision, then the tax upon the net income from the operation of such bridge shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title.

(f) Dividend from "China Trade Act" Corporation: In the case of a person, amounts distributed as dividends to or for his benefit by a corporation organized under the China Trade Act, 1922, if, at the time of such distribution, he is a resident of China, and the equitable right to the income of the shares of stock of the corporation is in good faith vested in him.

(g) Shipowners' protection and indemnity associations: The receipts of shipowners' mutual protection and indemnity associations not organized for profit, and no part of the net earnings of which inures to the benefit of any private shareholder; but such corporations shall be subject as other persons to the tax upon their net income from interest, dividends, and rents.

(h) Compensation of employees of foreign governments:

(1) Rule for exclusion: Wages, fees, or salary of an employee of a foreign government (including a consular or other officer, or a nondiplomatic representative) received as compensation for official services to such government—

(A) If such employee is not a citizen of the United States; and

(B) If the services are of a character similar to those performed by employees of the Government of the United States in foreign countries; and

(C) If the foreign government whose employee is claiming exemption grants an equivalent exemption to employees of the Government of the United States performing similar services in such foreign country.

(2) Certificate by Secretary of State: The Secretary of State shall certify to the Secretary of the Treasury the names of the foreign countries which grant an equivalent exemption to the employees of the Government of the United States performing services in such foreign countries, and the character of the services performed by employees of the Government of the United States in foreign countries.

SEC. 117. Capital gains and losses.

(a) Definitions: As used in this title—

(1) Capital assets: The term "capital assets" means property held by the taxpayer (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of the kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or property, used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 23 (l).

(2) Short-term capital gain: The term "short-term capital gain" means gain from the sale or exchange of a capital asset held for not more than 1 year, if and to the extent such gain is taken into account in computing net income;

(3) Short-term capital loss: The term "short-term capital loss" means loss from the sale or exchange of a capital asset held for not more than 1 year, if and to the extent such loss is taken into account in computing net income;

(4) Long-term capital gain: The term "long-term capital gain" means gain from the sale or exchange of a capital asset held for more than 1 year, if and to the extent such gain is taken into account in computing net income;

(5) Long-term capital loss: The term "long-term capital loss" means loss from the sale or exchange of a capital asset held for more than 1 year, if and to the extent such loss is taken into account in computing net income;

(6) Net short-term capital gain: The term "net short-term capital gain" means the excess of short-term capital gains for the taxable year over the sum of (A) short-term capital losses for the taxable year, plus (B) the net short-term capital loss of the preceding taxable year, to the extent brought forward to the taxable year under subsection (e) (1);

(7) Net short-term capital loss: The term "net short-term capital loss" means the excess of short-term capital losses for the taxable year over the short-term capital gains for such year;

(8) Net long-term capital gain: The term "net long-term capital gain" means the excess of long-term capital gains for the taxable year over the sum of (A) long-term capital losses for the taxable year, plus (B) the net long-term capital loss of the preceding taxable year, to the extent brought forward to the taxable year under subsection (e) (2);

(9) Net long-term capital loss: The term "net long-term capital loss" means the excess of long-term capital losses for the taxable year over the long-term capital gains for such year.

(b) Percentage taken into account: In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net income:

Period for which capital asset has been held	Percentage of recognized gain or loss to be taken into account
Not over 13 months	100
Over 13 months but not over 14 months	98
Over 14 months but not over 15 months	96
Over 15 months but not over 16 months	94
Over 16 months but not over 17 months	92
Over 17 months but not over 18 months	90
Over 18 months but not over 19 months	88
Over 19 months but not over 20 months	86
Over 20 months but not over 21 months	84
Over 21 months but not over 22 months	82
Over 22 months but not over 23 months	80
Over 23 months but not over 24 months	78
Over 24 months but not over 25 months	76
Over 25 months but not over 26 months	75
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(c) Alternative tax in case of net long-term capital gains: If for any taxable year a taxpayer (other than a corporation) derives a net long-term capital gain, there shall be levied, collected, and paid, in lieu of the tax imposed by sections 11 and 12, a tax determined as follows, if and only if such tax is less than the tax imposed by such sections:

A partial tax shall first be computed upon the net income reduced by the amount of the net long-term capital gain, at the rates and in the manner as if this subsection had not been enacted, and the total tax shall be the partial tax plus 40 percent of the net long-term captial gain.

(d) Limitation on capital losses:

(1) Corporations: In the case of a corporation, losses from sales or exchanges of capital assets shall be allowed only to the extent of $2,000 plus the gains from such sales or exchanges. If a bank or trust company incorporated under the laws of the United States (including laws relating to the District of Columbia) or of any State or Territory, a substantial part of whose business is the receipt of deposits, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale (except such portion of the loss as does not exceed the amount, if any, by which the adjusted basis of such instrument exceeds the par or face value thereof) shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.

(2) Other taxpayers: In the case of a taxpayer other than a corporation—

(A) Short-term capital losses shall be allowed only to the extent of short-term capital gains.

(B) Long-term capital losses shall be allowed only to the extent of $2,000 plus long-term capital gains.

(e) Net capital loss carry-over:

(1) Net short-term capital loss carry-over: If any taxpayer (other than a corporation) sustains in any taxable year a net

short-term capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the succeeding taxable year as a short-term capital loss, except that it shall not be included in computing the net short-term capital loss for such year.

(2) Net long-term capital loss carry-over: If any taxpayer (other than a corporation) sustains in any taxable year a net long-term capital loss, such loss, reduced by $2,000, shall be treated in the succeeding taxable year as a long-term capital loss, but in an amount not greater than the excess of the long-term capital gains over the long-term capital losses for such year. If for the taxable year in which the net long-term capital loss is sustained the net income (computed without regard to long-term capital gains or losses) is less than $2,000, then the reduction in the loss carried forward under this paragraph shall equal the net income so computed.

(f) Retirement of bonds, etc: For the purposes of this title, amounts received by the holder upon the retirement of bonds, debentures, notes, or certificates or other evidences of indebtedness issued by any corporation (including those issued by a government or political subdivision thereof), with interest coupons or in registered form, shall be considered as amounts received in exchange therefor.

(g) Gains and losses from short sales, etc.: For the purpose of this title—

(1) gains or losses from short sales of property shall be considered as gains or losses and sales or exchanges of capital assets; and

(2) gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as short-term capital gains or losses.

(h) Determination of period for which held: For the purpose of this section—

(1) In determining the period for which the taxpayer has held property received on an exchange there shall be included the period for which he held the property exchanged, if under the provisions of section 113, the property received has, for the purpose of determining gain or loss from a sale or exchange, the same basis in whole or in part in his hands as the property exchanged.

(2) In determining the period for which the taxpayer has held property however acquired there shall be included the period for which such property was held by any other person, if under the provisions of section 113, such property has, for the purpose of determining gain or loss from a sale or exchange, the same basis in whole or in part in his hands as it would have in the hands of such other person.

(3) In determining the period for which the taxpayer has held stock or securities received upon a distribution where no gain was recognized to the distributee under the provisions of section 112 (g) of the Revenue Act of 1928 or the Revenue Act of 1932, there shall be included the period for which he held the stock or securities in the distributing corporation prior to the receipt of the stock or securities upon such distribution.

(4) In determining the period for which the taxpayer has held stock or securities the acquisition of which (or the contract or option to acquire which) resulted in the nondeductibility (under section 118 of this act or section 118 of the Revenue Act of 1928 or the Revenue Act of 1932 or the Revenue Act of 1934 or the Revenue Act of 1936, relating to wash sales) of the loss from the sale or other disposition of substantially identical stock or securities, there shall be included the period for which he held the stock or securities the loss from the sale or other disposition of which was not deductible.

SEC. 118. Loss from wash sales of stock or securities.

(a) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that, within a period beginning 30 days before the date of such sale or disposition and ending 30 days after such date, the taxpayer has acquired (by purchase or by an exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contract or option so to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed under section 23 (e) (2); nor shall such deduction be allowed under section 23 (f) unless the claim is made by a corporation, a dealer in stocks or securities, and with respect to a transaction made in the ordinary course of its business.

(b) If the amount of stock or securities acquired (or covered by the contract or option to acquire) is less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities the loss from the sale or other disposition of which is not deductible shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

(c) If the amount of stock or securities acquired (or covered by the contract or option to acquire) is not less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities the acquisition of which (or the contract or option to acquire which) resulted in the nondeductibility of the loss shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

SEC. 119. Income from sources within United States.

(a) Gross income from sources in United States: The following items of gross income shall be treated as income from sources within the United States:

(1) Interest: Interest from the United States, any Territory, any political subdivision of a Territory, or the District of Columbia, and interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, not including—

(A) interest on deposits with persons carrying on the banking business paid to persons not engaged in business within the United States and not having an office or place of business therein, or

(B) interest received from a resident alien individual, a resident foreign corporation, or a domestic corporation, when it is shown to the satisfaction of the Commissioner that less than 20 percent of the gross income of such resident payor or domestic corporation has been derived from sources within the United States, as determined under the provisions of this section, for the 3-year period ending with the close of the taxable year of such payor preceding the payment of such interest, or for such part of such period as may be applicable, or

(C) income derived by a foreign central bank of issue from bankers' acceptances;

(2) Dividends: The amount received as dividends—

(A) from a domestic corporation other than a corporation entitled to the benefits of section 251, and other than a corporation less than 20 percent of whose gross income is shown to the satisfaction of the Commissioner to have been derived from sources within the United States, as determined under the provisions of this section, for the 3-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence), or

(B) from a foreign corporation unless less than 50 percent of the gross income of such foreign corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under the provisions of this section; but only in an amount which bears the same ratio to such dividends as the gross income of the corporation for such period derived from sources within the United States bears to its gross income from all sources; but dividends from a foreign corporation shall, for the purposes of section 131 (relating to foreign tax credit), be treated as income from sources without the United States;

(3) Personal services: Compensation for labor or personal services performed in the United States, but in the case of a nonresident alien individual temporarily present in the United States for a period or periods not exceeding a total of 90 days during the taxable year, compensation received by such an individual (if such compensation does not exceed $3,000 in the aggregate) for labor or services performed as an employee of or under a contract with a nonresident alien, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, shall not be deemed to be income from sources within the United States;

(4) Rentals and royalties: Rentals or royalties from property located in the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using in the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property; and

(5) Sale of real property: Gains, profits, and income from the sale of real property located in the United States.

(6) Sale of personal property: For gains, profits, and income from the sale of personal property, see subsection (e).

(b) Net income from sources in United States: From the items of gross income specified in subsection (a) of this section there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as net income from sources within the United States.

(c) Gross income from sources without United States: The following items of gross income shall be treated as income from sources without the United States:

(1) Interest other than that derived from sources within the United States as provided in subsection (a) (1) of this section;

(2) Dividends other than those derived from sources within the United States as provided in subsection (a) (2) of this section;

(3) Compensation for labor or personal services performed without the United States;

(4) Rentals or royalties from property located without the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using without the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like properties; and

(5) Gains, profits, and income from the sale of real property located without the United States.

(d) Net income from sources without United States: From the items of gross income specified in subsection (c) of this section there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto, and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be treated in full as net income from sources without the United States.

(e) Income from sources partly within and partly without United States: Items of gross income, expenses, losses and deductions, other than those specified in subsections (a) and (c) of this section, shall be allocated or apportioned to sources within or without the United States, under rules and regulations pre-

scribed by the Commissioner with the approval of the Secretary. Where items of gross income are separately allocated to sources within the United States, there shall be deducted (for the purpose of computing the net income therefrom) the expenses, losses, and other deductions properly apportioned, or allocated thereto and a ratable part of other expenses, losses or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as net income from sources within the United States. In the case of gross income derived from sources partly within and partly without the United States, the net income may first be computed by deducting the expenses, losses, or other reductions apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some items or class of gross income; and the portion of such net income attributable to sources within the United States may be determined by processes or formulas of general apportionment prescribed by the Commisisoner with the approval of the Secretary. Gains, profits, and income from—

(1) transportation or other services rendered partly within and partly without the United States, or

(2) from the sale of personal property produced (in whole or in part) by the taxpayer within and sold without the United States, or produced (in whole or in part) by the taxpayer without and sold within the United States,

shall be treated as derived partly from sources within and partly from sources without the United States. Gains, profits, and income derived from the purchase of personal property within and its sale without the United States or from the purchase of personal property without and its sale within the United States, shall be treated as derived entirely from sources within the country in which sold, except that gains, profits, and income derived from the purchase of personal property within a possession of the United States and its sale within the United States shall be treated as derived partly from sources within and partly from sources without the United States.

(f) Definitions: As used in this section the words "sale" or "sold" include "exchange" or "exchanged"; and the word "produced" includes "created," "fabricated," "manufactured," "extracted," "processed," "cured," or "aged."

SEC. 120. Unlimited deduction for charitable and other contributions.

In the case of an individual if in the taxable year and in each of the 10 preceding taxable years the amount of the contributions or gifts described in section 23 (o) plus the amount of income, war-profits, or excess-profits taxes paid during such year in respect of preceding taxable years, exceeds 90 percent of the taxpayer's net income for each such year, as computed without the benefit of section 23 (o), then the 15-percent limit imposed by such section shall not be applicable.

SEC. 121. Reduction of dividends paid on certain preferred stock or certain corporations.

In computing the net income of any national banking association, or of any bank or trust company organized under the laws of any State, Territory, possession of the United States, or the Canal Zone, or of any other banking corporation engaged in the business of industrial banking and under the supervision of a State banking department or of the Comptroller of the Currency, or of any incorporated domestic insurance company, there shall be allowed as a deduction from gross income, in addition to deductions otherwise provided for in this title, any dividend (not including any distribution in liquidation) paid, within such taxable year, to the United States or to any instrumentality thereof exempt from Federal income taxes, on the preferred stock of the corporation owned by the United States or such instrumentality. The amount allowable as a deduction under this section shall be deducted from the basic surtax credit otherwise computed under section 27 (b).

SUPPLEMENT C—CREDITS AGAINST TAX

[Supplementary to subtitle B, pt. III]

SEC. 131. Taxes of foreign countries and possessions of United States.

(a) Allowance of credit: If the taxpayer signifies in his return his desire to have the benefits of this section, the tax imposed by this title shall be credited with:

(1) Citizen and domestic corporation: In the case of a citizen of the United States and of a domestic corporation, the amount of any income, war-profits, and excess-profits taxes paid or accrued during the taxable year to any foreign country or to any possession of the United States; and

(2) Resident of United States: In the case of a resident of the United States, the amount of any such taxes paid or accrued during the taxable year to any possession of the United States; and

(3) Alien resident of United States: In the case of an alien resident of the United States, the amount of any such taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and

(4) Partnerships and estates: In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid or accrued during the taxable year to a foreign country or to any possession of the United States, as the case may be.

(b) Limit on credit: The amount of the credit taken under this section shall be subject to each of the following limitations:

(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country bears to his entire net income for the same taxable year; and

(2) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income for the same taxable year.

(c) Adjustments on payment of accrued taxes: If accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if any tax paid is refunded in whole or in part, the taxpayer shall notify the Commissioner who shall redetermine the amount of the tax for the year or years affected, and the amount of tax due upon such determination, if any, shall be paid by the taxpayer upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 322. In the case of such a tax accrued but not paid, the Commissioner as a condition precedent to the allowance of this credit may require the taxpayer to give a bond with sureties satisfactory to and to be approved by the Commissioner in such sum as the Commissioner may require, conditioned upon the payment by the taxpayer of any amount of tax found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the Commissioner may require.

(d) Year in which credit taken: The credits provided for in this section may, at the option of the taxpayer and irrespective of the method of accounting employed in keeping his books, be taken in the year in which the taxes of the foreign country or the possession of the United States accrued, subject, however, to the conditions prescribed in subsection (c) of this section. If the taxpayer elects to take such credits in the year in which the taxes of the foreign country or the possession of the United States accrued, the credits for all subsequent years shall be taken upon the same basis, and no portion of any such taxes shall be allowed as a deduction in the same or any succeeding year.

(e) Proof of credits: The credits provided in this section shall be allowed only if the taxpayer establishes to the satisfaction of the Commissioner (1) the total amount of income derived from sources without the United States, determined as provided in section 119, (2) the amount of income derived from each country, the tax paid or accrued to which is claimed as a credit under this section, such amount to be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary, and (3) all other information necessary for the verification and computation of such credits.

(f) Taxes of foreign subsidiary: For the purposes of this section a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends in any taxable year shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid by such foreign corporation to any foreign country or to any possession of the United States, upon or with respect to the accumulated profits of such foreign corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits: *Provided*, That the amount of tax deemed to have been paid under this subsection shall in no case exceed the same proportion of the tax against which credit is taken which the amount of such dividends bears to the amount of the entire net income of the domestic corporation in which such dividends are included. The term "accumulated profits" when used in this subsection in reference to a foreign corporation, means the amount of its gains, profits, or income in excess of the income, war-profits, and excess-profits taxes imposed upon or with respect to such profits or income; and the Commissioner with the approval of the Secretary shall have full power to determine from the accumulated profits of what year or years such dividends were paid; treating dividends paid in the first 60 days of any year as having been paid from the accumulated profits of the preceding year or years (unless to his satisfaction shown otherwise), and in other respects treating dividends as having been paid from the most recently accumulated gains, profits, or earnings. In the case of a foreign corporation, the income, war-profits, and excess-profits taxes of which are determined on the basis of an accounting period of less than 1 year, the word "year" as used in this subsection shall be construed to mean such accounting period.

(g) Corporations treated as foreign: For the purposes of this section the following corporations shall be treated as foreign corporations:

(1) A corporation entitled to the benefits of section 251, by reason of receiving a large percentage of its gross income from sources within a possession of the United States.

(2) A corporation organized under the China Trade Act, 1922, and entitled to the credit provided for in section 262.

SUPPLEMENT D—RETURNS AND PAYMENT OF TAX

[Supplementary to subtitle B, part V]

SEC. 141. Consolidated returns of railroad corporations.

(a) Privilege to file consolidated returns: An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year

in lieu of separate returns. The making of a consolidated return shall be upon the condition that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to all the regulations under subsection (b) (or, in case such regulations are not prescribed prior to the making of the return, then the regulations prescribed under section 141 (b) of the Revenue Act of 1936 insofar as not inconsistent with this act) prescribed prior to the making of such return; and the making of a consolidated return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group.

(b) Regulations: The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be determined, computed, assessed, collected, and adjusted in such manner as clearly to reflect the income and to prevent avoidance of tax liability.

(c) Computation and payment of tax: In any case in which a consolidated return is made the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) (or, in case such regulations are not prescribed prior to the making of the return, then the regulations prescribed under section 141 (b) of the Revenue Act of 1936 insofar as not inconsistent with this act) prescribed prior to the date on which such return is made.

(d) Definition of "affiliated group": As used in this section an "affiliated group" means one or more chains of corporations connected through stock ownership with a common parent corporation if—

(1) At least 95 per cent of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and

(2) The common parent corporation owns directly at least 95 percent of the stock of at least one of the other corporations; and

(3) Each of the corporations is either (A) a corporation whose principal business is that of a common carrier by railroad or (B) a corporation the assets of which consist principally of stock in such corporations and which does not itself operate a business other than that of a common carrier by railroad. For the purpose of determining whether the principal business of a corporation is that of a common carrier by railroad, if a common carrier by railroad has leased its railroad properties and such properties are operated as such by another common carrier by railroad, the business of receiving rents for such railroad properties shall be considered as the business of a common carrier by railroad. As used in this paragraph, the term "railroad" includes a street, suburban, or interurban electric railway.

As used in this subsection (except in paragraph (3)) the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.

(e) Foreign corporations: A foreign corporation shall not be deemed to be affiliated with any other corporation within the meaning of this section.

(f) China Trade Act corporations: A corporation organized under the China Trade Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of this section.

(g) Corporations deriving income from possessions of United States: For the purposes of this section, a corporation entitled to the benefits of section 251, by reason of receiving a large percentage of its income from possessions of the United States, shall be treated as a foreign corporation.

(h) Subsidiary formed to comply with foreign law: In the case of a domestic corporation owning or controlling, directly or indirectly, 100 percent of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this title as a domestic corporation.

(i) Suspension of running of statute of limitations: If a notice under section 272 (a) in respect of a deficiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations, provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.

(j) Receivership cases: If the common parent corporation of an affiliated group making a consolidated return would, if filing a separate return, be entitled to the benefits of section 13 (e), the affiliated group shall be entitled to the benefits of such subsection. In all other cases the affiliated group making a consolidated return shall not be entitled to the benefits of such subsection, regardless of the fact that one or more of the corporations in the group are in bankruptcy or in receivership.

(k) Allocation of income and deductions: For allocation of income and deductions of related trades or businesses, see section 45.

SEC. 142. Fiduciary returns.

(a) Requirement of return: Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) shall make under oath a return for any of the following individuals, estates, or trusts for which he acts, stating specifically the items of gross income thereof and the deductions and credits allowed under this title and such other information for the purpose of carrying out the provisions of this title as the Commissioner, with the approval of the Secretary, may by regulations prescribe—

(1) Every individual having a net income for the taxable year of $1,000 or over, if single, or if married and not living with husband or wife;

(2) Every individual having a net income for the taxable year of $2,500 or over, if married and living with husband or wife;

(3) Every individual having a gross income for the taxable year of $5,000 or over, regardless of the amount of his net income;

(4) Every estate the net income of which for the taxable year is $1,000 or over;

(5) Every trust the net income of which for the taxable year is $50 or over;

(6) Every estate or trust the gross income of which for the taxable year is $5,000 or over, regardless of the amount of the net income; and

(7) Every estate or trust of which any beneficiary is a nonresident alien.

(b) Joint fiduciaries: Under such regulations as the Commissioner with the approval of the Secretary may prescribe a return made by one or two or more joint fiduciaries and filed in the office of the collector of the district where such fiduciary resides shall be sufficient compliance with the above requirement. Such fiduciary shall make oath (1) that he has sufficient knowledge of the affairs of the individual, estate, or trust for which the return is made, to enable him to make the return, and (2) that the return is, to the best of his knowledge and belief, true and correct.

(c) Law applicable to fiduciaries: Any fiduciary required to make a return under this title shall be subject to all the provisions of law which apply to individuals.

SEC. 143. Withholding of tax at source.

(a) Tax-free covenant bonds:

(1) Requirement of withholding: In any case where bonds mortgages, or deeds of trust, or other similar obligations of a corporation, issued before January 1, 1934, contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee, or to reimburse the obligee for any portion of the tax, or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon, or to retain therefrom under any law of the United States, the obligor shall deduct and withhold a tax equal to 2 per centum of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods, if payable to an individual, a partnership, or a foreign corporation not engaged in trade or business within the United States and not having any office or place of business therein: *Provided*, That if the liability assumed by the obligor does not exceed 2 percent of the interest, then the deduction and withholding shall be at the following rates: (A) 10 percent in the case of a nonresident alien individual (except that such rate shall be reduced, in the case of a resident of a contiguous country, to such rate, not less than 5 percent, as may be provided by treaty with such country), or of any partnership not engaged in trade or business within the United States and not having any office or place of business therein and composed in whole or in part of nonresident aliens, (B) in the case of such a foreign corporation, 15 percent, and (C) 2 percent in the case of other individuals and partnerships: *Provided further*, That if the owners of such obligations are not known to the withholding agent the Commissioner may authorize such deduction and withholding to be at the rate of 2 percent, or, if the liability assumed by the obligor does not exceed 2 percent of the interest, then at the rate of 10 percent.

(2) Benefit of credits against net income: Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest if he files with the withholding agent on or before February 1 a signed notice in writing claiming the benefit of the credits provided in section 25 (b); nor in the case of a nonresident alien individual if so provided for in regulations prescribed by the Commissioner under section 215.

(3) Income of obligor and obligee: The obligor shall not be allowed a deduction for the payment of the tax imposed by this title, or any other tax paid pursuant to the tax-free covenant clause, nor shall such tax be included in the gross income of the obligee.

(b) Nonresident aliens: All persons, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment of interest (except interest on deposits with persons carrying on the banking business paid to persons not engaged in business in the United States and not having an office or place of business therein), dividends, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income (but only to the extent that any of the above items constitutes gross income from sources within the United States), of any nonresident alien individual, or of any partnership not engaged in trade or business within the United States and not having any office or place of business therein and composed in whole or in part of nonresident aliens, shall (except in the cases provided for in subsection (a) of this section and except as otherwise provided in regulations prescribed by the Commissioner under section 215) deduct

and withhold from such annual or periodical gains, profits, and income a tax equal to 10 percent thereof, except that such rate shall be reduced, in the case of a nonresident alien individual a resident of a contiguous country, to such rate (not less than 5 percent) as may be provided by treaty with such country: *Provided*, That no such deduction or withholding shall be required in the case of dividends paid by a foreign corporation unless (1) such corporation is engaged in trade or business within the United States or has an office or place of business therein, and (2) more than 85 percent of the gross income of such corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under the provisions of section 119: *Provided further*, That the Commissioner may authorize such tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent. Under regulations prescribed by the Commissioner, with the approval of the Secretary, there may be exempted from such deduction and withholding the compensation for personal services of nonresident alien individuals who enter and leave the United States at frequent intervals.

(c) Return and payment: Every person required to deduct and withhold any tax under this section shall make return thereof on or before March 15 of each year and shall on or before June 15, in lieu of the time prescribed in section 56, pay the tax to the official of the United States Government authorized to receive it. Every such person is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this section.

(d) Income of recipient: Income upon which any tax is required to be withheld at the source under this section shall be included in the return of the recipient of such income, but any amount of tax so withheld shall be credited against the amount of income tax as computed in such return.

(e) Tax paid by recipient: If any tax required under this section to be deducted and withheld is paid by the recipient of the income, it shall not be re-collected from the withholding agent; nor in cases in which the tax is so paid shall any penalty be imposed upon or collected from the recipient of the income or the withholding agent for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

(f) Refunds and credits: Where there has been an overpayment of tax under this section any refund or credit made under the provisions of section 322 shall be made to the withholding agent unless the amount of such tax was actually withheld by the withholding agent.

SEC. 144. Payment of corporation income tax at source.

In the case of foreign corporations subject to taxation under this title not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 143 a tax equal to 15 percent thereof, except that in the case of dividends the rate shall be 10 percent, and except that in the case of corporations organized under the laws of a contiguous country such rate of 10 percent with respect to dividends shall be reduced to such rate (not less than 5 percent) as may be provided by treaty with such country; and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section: *Provided*, That in the case of interest described in subsection (a) of that section (relating to tax-free covenant bonds) the deduction and withholding shall be at the rate specified in such subsection.

SEC. 145. Penalties.

(a) Any person required under this title to pay any tax, or required by law or regulations made under authority thereof to make a return, keep any records, or supply any information, for the purposes of the computation, assessment, or collection of any tax imposed by this title, who willfully fails to pay such tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof, be fined not more than $10,000, or imprisoned for not more than 1 year, or both, together with the costs of prosecution.

(b) Any person required under this title to collect, account for, and pay over any tax imposed by this title, who willfully fails to collect or truthfully account for and pay over such tax, and any person who willfully attempts in any manner to evade or defeat any tax imposed by this title or the payment thereof, shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, be fined not more than $10,000, or imprisoned for not more than 5 years, or both, together with the costs of prosecution.

(c) The term "person" as used in this section includes an officer or employee of a corporation or a member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(d) For penalties for failure to file information returns with respect to foreign personal holding companies and foreign corporations, see section 340.

SEC. 146. Closing by Commissioner of taxable year.

(a) Tax in jeopardy.—

(1) Departure of taxpayer or removal of property from United States: If the Commissioner finds that a taxpayer designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect the tax for the taxable year then last past or the taxable year then current unless such proceedings be brought without delay, the Commissioner shall declare the taxable period for such taxpayer immediately terminated and shall cause notice of such finding and declaration to be given the taxpayer, together with a demand for immediate payment of the tax for the taxable period so declared terminated and of the tax for the preceding taxable year or so much of such tax as is unpaid, whether or not the time otherwise allowed by law for filing return and paying the tax has expired; and such taxes shall thereupon become immediately due and payable. In any proceeding in court brought to enforce payment of taxes made due and payable by virtue of the provisions of this section the finding of the Commissioner, made as herein provided, whether made after notice to the taxpayer or not, shall be for all purposes presumptive evidence of the taxpayer's design.

(2) Corporation in liquidation: If the Commissioner finds that the collection of the tax of a corporation for the current or last preceding taxable year will be jeopardized by the distribution of all or a portion of the assets of such corporation in the liquidation of the whole or any part of its capital stock, the Commissioner shall declare the taxable period for such taxpayer immediately terminated and shall cause notice of such finding and declaration to be given the taxpayer, together with a demand for immediate payment of the tax for the taxable period so declared terminated and of the tax for the last preceding taxable year or so much of such tax as is unpaid, whether or not the time otherwise allowed by law for filing return and paying the tax has expired; and such taxes shall thereupon become immediately due and payable.

(b) Security for payment: A taxpayer who is not in default in making any return or paying income, war-profits, or excess-profits tax under any act of Congress may furnish to the United States, under regulations to be prescribed by the Commissioner, with the approval of the Secretary, security approved by the Commissioner that he will duly make the return next thereafter required to be filed and pay the tax next thereafter required to be paid. The Commissioner may approve and accept in like manner security for return and payment of taxes made due and payable by virtue of the provisions of this section, provided the taxpayer has paid in full all other income, war-profits, or excess-profits taxes due from him under any act of Congress.

(c) Same—exemption from section: If security is approved and accepted pursuant to the provisions of this section and such further or other security with respect to the tax or taxes covered thereby is given as the Commissioner shall from time to time find necessary and require, payment of such taxes shall not be enforced by any proceedings under the provisions of this section prior to the expiration of the time otherwise allowed for paying such respective taxes.

(d) Citizens: In the case of a citizen of the United States or of a possession of the United States about to depart from the United States the Commissioner may, at his discretion, waive any or all of the requirements placed on the taxpayer by this section.

(e) Departure of alien: No alien shall depart from the United States unless he first procures from the collector or agent in charge a certificate that he has complied with all the obligations imposed upon him by the income, war-profits, and excess-profits tax laws.

(f) Addition to tax: If a taxpayer violates or attempts to violate this section there shall, in addition to all other penalties, be added as part of the tax 25 percent of the total amount of the tax or deficiency in the tax, together with interest at the rate of 6 percent per annum from the time the tax became due.

SEC. 147. Information at source—

(a) Payments of $1,000 or more: All persons, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employees, making payment to another person, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income (other than payments described in section 148 (a) or 149), of $1,000 or more in any taxable year, or, in the case of such payments made by the United States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, shall render a true and accurate return to the Commissioner, under such regulations and in such form and manner and to such extent as may be prescribed by him with the approval of the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

(b) Returns regardless of amount of payment: Such returns may be required, regardless of amounts, (1) in the case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by persons undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

(c) Recipient to furnish name and address: When necessary to make effective the provisions of this section the name and address of the recipient of income shall be furnished upon demand of the person paying the income.

(d) Obligations of United States: The provisions of this section shall not apply to the payment of interest on obligations of the United States.

SEC. 148. Information by corporations.

(a) Dividend payments: Every corporation shall, when required by the Commissioner, render a correct return, duly verified under oath, of its payments of dividends, stating the name and address of each shareholder, the number of shares owned by him, and the amount of dividends paid to him.

(b) Profits declared as dividends: Every corporation shall, when required by the Commissioner, furnish him a statement of such facts as will enable him to determine the portion of the earnings or profits of the corporation (including gains, profits, and income not taxed) accumulated during such periods as the Commissioner may specify, which have been distributed or ordered to be distributed, respectively, to its shareholders during such taxable years as the Commissioner may specify.

(c) Accumulated earnings and profits: When requested by the Commissioner, or any collector, every corporation shall forward to him a correct statement of accumulated earnings and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed, and of the amounts that would be payable to each.

(d) Contemplated dissolution or liquidation: Every corporation shall, within 30 days after the adoption by the corporation of a resolution or plan for the dissolution of the corporation or for the liquidation of the whole or any part of its capital stock, render a correct return to the Commissioner, verified under oath, setting forth the terms of such resolution or plan and such other information as the Commissioner shall, with the approval of the Secretary, by regulations prescribe.

(e) Distributions in liquidation: Every corporation shall, when required by the Commissioner, render a correct return, duly verified under oath, of its distributions in liquidation, stating the name and address of each shareholder, the number and class of shares owned by him, and the amount paid to him or, if the distribution is in property other than money, the fair market value (as of the date the distribution is made) of the property distributed to him.

SEC. 149. Returns of brokers.

Every person doing business as a broker shall, when required by the Commissioner, render a correct return duly verified under oath, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe, showing the names of customers for whom such person has transacted any business, with such details as to the profits, losses, or other information which the Commissioner may require, as to each of such customers, as will enable the Commissioner to determine whether all income tax due on profits or gains of such customers has been paid.

SEC. 150. Collection of foreign items.

All persons undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner and shall be subject to such regulations enabling the Government to obtain the information required under this title as the Commissioner, with the approval of the Secretary, shall prescribe; and whoever knowingly undertakes to collect such payments without having obtained a license therefor, or without complying with such regulations, shall be guilty of a misdemeanor and shall be fined not more than $5,000 or imprisoned for not more than 1 year, or both.

Sec. 151. Foreign personal holding companies.

For information returns by officers, directors, and large shareholders, with respect to foreign personal holding companies, see sections 338, 339, and 340.

SUPPLEMENT E—ESTATES AND TRUSTS

SEC. 161. Imposition of tax.

(a) Application of tax: The taxes imposed by this title upon individuals shall apply to the income of estates or of any kind of property held in trust, including—

(1) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests, and income accumulated or held for future distribution under the terms of the will or trust;

(2) Income which is to be distributed currently by the fiduciary to the beneficiaries, and income collected by a guardian of an infant which is to be held or distributed as the court may direct;

(3) Income received by estates of deceased persons during the period of administration or settlement of the estate; and

(4) Income which, in the discretion of the fiduciary, may be either distributed to the beneficiaries or accumulated.

(b) Computation and payment: The tax shall be computed upon the net income of the estate or trust, and shall be paid by the fiduciary, except as provided in section 166 (relating to revocable trusts) and section 167 (relating to income for benefit of the grantor). For return made by fiduciary, see section 142.

SEC. 162. Net income.

The net income of the estate or trust shall be computed in the same manner and on the same basis as in the case of an individual, except that—

(a) There shall be allowed as a deduction (in lieu of the deduction for charitable, etc., contributions authorized by section 23 (o)) any part of the gross income, without limitation, which pursuant to the terms of the will or deed creating the trust, is during the taxable year paid or permanently set aside for the purposes and in the manner specified in section 23 (o), or is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, or for the establishment, acquisition, maintenance, or operation of a public cemetery not operated for profit;

(b) There shall be allowed as an additional deduction in computing the net income of the estate or trust the amount of the income of the estate or trust for its taxable year which is to be distributed currently by the fiduciary to the beneficiaries, and the amount of the income collected by a guardian of an infant which is to be held or distributed as the court may direct, but the amount so allowed as a deduction shall be included in computing the net income of the beneficiaries whether distributed to them or not. Any amount allowed as a deduction under this paragraph shall not be allowed as a deduction under subsection (c) of this section in the same or any succeeding taxable year;

(c) In the case of income received by estates of deceased persons during the period of administration or settlement of the estate, and in the case of income which, in the discretion of the fiduciary, may be either distributed to the beneficiary or accumulated, there shall be allowed as an additional deduction in computing the net income of the estate or trust the amount of the income of the estate or trust for its taxable year, which is properly paid or credited during such year to any legatee, heir, or beneficiary, but the amount so allowed as a deduction shall be included in computing the net income of the legatee, heir, or beneficiary.

SEC. 163. Credits against net income.

(a) Credits of estate or trust.—

(1) For the purpose of the normal tax and the surtax an estate shall be allowed the same personal exemption as is allowed to a single person under section 25 (b) (1), and a trust shall be allowed (in lieu of the personal exemption under section 25 (b) (1)) a credit of $50 against net income.

(2) If no part of the income of the estate or trust is included in computing the net income of any legatee, heir, or beneficiary, then the estate or trust shall be allowed the same credits against the net income for interest as are allowed by section 25 (a).

(b) Credits of beneficiary: If any part of the income of an estate or trust is included in computing the net income of any legatee, heir, or beneficiary, such legatee, heir, or beneficiary shall, for the purpose of the normal tax, be allowed as credits against net income, in addition to the credits allowed to him under section 25, his proportionate share of such amounts of interest specified in section 25 (a) as are, under this Supplement, required to be included in computing his net income. Any remaining portion of such amounts specified in section 25 (a) shall, for the purpose of the normal tax, be allowed as credits to the estate or trust.

SEC. 164. Different taxable years.

If the taxable year of a beneficiary is different from that of the estate or trust, the amount which he is required, under section 162 (b), to include in computing his net income, shall be based upon the income of the estate or trust for any taxable year of the estate or trust (whether beginning on, before, or after January 1, 1938) ending within or with his taxable year.

SEC. 165. Employees' trusts.

(a) Exemption from tax: A trust forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of some or all of his employees—

(1) if contributions are made to the trust by such employer, or employees, or both, for the purpose of distributing to such employees the earnings and principal of the fund accumulated by the trust in accordance with such plan, and

(2) if under the trust instrument it is impossible for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, purposes other than for the exclusive benefit of his employees,

shall not be taxable under section 161, but the amount actually distributed or made available to any distributee shall be taxable to him in the year in which so distributed or made available to the extent that it exceeds the amounts paid in by him. Such distributees shall for the purpose of the normal tax be allowed as credits against net income such part of the amount so distributed or made available as represents the items of interest specified in section 25 (a).

(b) Taxable year beginning before January 1, 1939: The provisions of clause (2) of subsection (a) shall not apply to a taxable year beginning before January 1, 1939.

SEC. 166. Revocable trusts.

Where at any time the power to revest in the grantor title to any part of the corpus of the trust is vested—

(1) in the grantor, either alone or in conjunction with any person not having a substantial adverse interest in the disposition of such part of the corpus or the income therefrom, or

(2) in any person not having a substantial adverse interest in the disposition of such part of the corpus or the income therefrom,

then the income of such part of the trust shall be included in computing the net income of the grantor.

SEC. 167. Income for benefit of grantor.

(a) Where any part of the income of a trust—

(1) is, or in the discretion of the grantor or of any person not having a substantial adverse interest in the disposition of such part of the income may be, held or accumulated for future distribution to the grantor; or

(2) may, in the discretion of the grantor or of any person not having a substantial adverse interest in the disposition of such part of the income, be distributed to the grantor; or

(3) is, or in the discretion of the grantor or of any person not having a substantial adverse interest in the disposition of such part of the income may be, applied to the payment of premiums upon policies of insurance on the life of the grantor (except policies of insurance irrevocably payable for the purposes and in the manner specified in section 23 (o), relating to the so-called "charitable contribution" deduction);

then such part of the income of the trust shall be included in computing the net income of the grantor.

(b) As used in this section, the term "in the discretion of the grantor" means "in the discretion of the grantor, either alone or in conjunction with any person not having a substantial adverse interest in the disposition of the part of the income in question."

SEC. 168. Taxes of foreign countries and possessions of United States.

The amount of income, war-profits, and excess profits taxes imposed by foreign countries or possessions of the United States shall be allowed as credit against the tax of the beneficiary of an estate or trust to the extent provided in section 131.

SEC. 169. Common trust funds.—

(a) Definitions: The term "common trust fund" means a fund maintained by a bank (as defined in section 104)—

(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian; and

(2) in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks.

(b) Taxation of common trust funds: A common trust fund shall not be subject to taxation under this title, title I–A, title I–B, or sections 105 or 106 of the Revenue Act of 1935, or sections 601 or 602 of this act, and for the purposes of such titles and sections shall not be considered a corporation.

(c) Income of participants in fund.—

(1) Inclusions in net income: Each participant in the common trust fund in computing its net income shall include, whether or not distributed and whether or not distributable—

(A) As a part of its short-term capital gain or losses, its proportionate share of the net short-term capital gain or loss of the common trust fund;

(B) As a part of its long-term capital gains or losses, its proportionate share of the net long-term capital gain or loss of the common trust fund;

(C) Its proportionate share of the ordinary net income or the ordinary net loss of the common trust fund, computed as provided in subsection (d).

(2) Credit for partially exempt interest: The proportionate share of each participant in the amount of interest specified in section 25 (a) received by the common trust fund shall for the purposes of this supplement be considered as having been received by such participant as such interest.

(d) Computation of common trust fund income: The net income of the common trust fund shall be computed in the same manner and on the same basis as in the case of an individual, except that—

(1) There shall be segregated the short-term capital gains and losses and the long-term capital gains and losses, and the net short-term capital gain or loss and the net long-term capital gain or loss shall be computed;

(2) After excluding all items of either short-term or long-term capital gain or loss, there shall be computed—

(A) An ordinary net income which shall consist of the excess of the gross income over the deductions; or

(B) An ordinary net loss which shall consist of the excess of the deductions over the gross income;

(3) The so-called "charitable contribution" deduction allowed by section 23 (o) shall not be allowed.

(e) Admission and withdrawal: No gain or loss shall be realized by a common trust fund by the admission or withdrawal of a participant. The withdrawal of any participating interest by a participant shall be treated as a sale or exchange of such interest by the participant.

(f) Returns by bank: Every bank (as defined in section 104) maintaining a common trust fund shall make a return under oath for each taxable year, stating specifically, with respect to such fund, the items of gross income and the deductions allowed by this title, and shall include in the return the names and addresses of the participants who would be entitled to share in the net income if distributed and the amount of the proportionate share of each participant. The return shall be sworn to as in the case of a return filed by the bank under section 52.

(g) Different taxable years of common trust fund and participant:

(1) General rule: If the taxable year of the common trust fund is different from that of a participant, the inclusions with respect to the net income of the common trust fund, in computing the net income of the participant for its taxable year shall be based upon the net income of the common trust fund for any taxable year of the common trust fund (whether beginning on, before, or after January 1, 1938), ending within or with the taxable year of the participant.

(2) Exception: If the taxable year of the common trust fund begins before January 1, 1938, and the taxable year of a participant begins after December 31, 1937, the computation of the net income of the common trust fund, and the inclusions with respect to the common trust fund net income, in computing the net income of such participant, shall be made by the method provided in section 169 of the Revenue Act of 1936, and not by the method provided in subsections (c) and (d) of this section.

SUPPLEMENT F—PARTNERSHIPS

SEC. 181. Partnership not taxable.

Individuals carrying on business in partnership shall be liable for income tax only in their individual capacity.

SEC. 182. Tax of partners.

In computing the net income of each partner, he shall include, whether or not distribution is made to him—

(a) As a part of his short-term capital gains or losses, his distributive share of the net short-term capital gain or loss of the partnership.

(b) As a part of his long-term capital gains or losses, his distributive share of the net long-term capital gain or loss of the partnership.

(c) His distributive share of the ordinary net income or the ordinary net loss of the partnership, computed as provided in section 183 (b).

SEC. 183. Computation of partnership income.

(a) General rule: The net income of the partnership shall be computed in the same manner and on the same basis as in the case of an individual, except as provided in subsections (b) and (c).

(b) Segregation of items—

(1) Capital gains and losses: There shall be segregated the short-term capital gains and losses and the long-term capital gains and losses, and the net short-term capital gain or loss and the net long-term capital gain or loss shall be computed.

(2) Ordinary net income or loss: After excluding all items of either short-term or long-term capital gain or less, there shall be computed—

(A) An ordinary net income which shall consist of the excess of the gross income over the deductions; or

(B) An ordinary net loss which shall consist of the excess of the deductions over the gross income.

(c) Charitable contributions: In computing the net income of the partnership the so-called "charitable contribution" deduction allowed by section 23 (o) shall not be allowed; but each partner shall be considered as having made payment, within his taxable year, of his distributive portion of any contribution or gift, payment of which was made by the partnership within its taxable year, of the character which would be allowed to the partnership as a deduction under such section if this subsection had not been enacted.

SEC. 184. Credits against net income.

The partner shall, for the purpose of the normal tax, be allowed as a credit against his net income, in addition to the credits allowed to him under section 25, his proportionate share of such amounts (not in excess of the net income of the partnership) of interest specified in section 25 (a) as are received by the partnership.

SEC. 185. Earned income.

In the case of the members of a partnership the proper part of each share of the net income which consists of earned income shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary and shall be separately shown in the return of the partnership.

SEC. 186. Taxes of foreign countries and possessions of United States.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax of the member of a partnership to the extent provided in section 131.

SEC. 187. Partnership returns.

Every partnership shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this title and such other information for the purpose of carrying out the provisions of this title as the Commissioner with the approval of the Secretary may by regulations prescribe, and shall include in the return the names and addresses of the individuals who would be entitled to share in the net income if distributed and the amount of the distributive share of each individual. The return shall be sworn to by any one of the partners.

SEC. 188. Different taxable years of partner and partnership.

(a) General rule: If the taxable year of a partner is different from that of the partnership, the inclusions with respect to the net income of the partnership, in computing the net income of the partner for his taxable year, shall be based upon the net income of the partnership for any taxable year of the partnership (whether beginning on, before, or after January 1, 1938) ending within or with the taxable year of the partner.

(b) Partnership year beginning in 1937: If the taxable year of the partnership begins before January 1, 1938, and the taxable year of a partner begins after December 31, 1937, the computation of the net income of the partnership, and the inclusions with respect to the partnership net income, in computing the net income of such partner, shall be made by the method provided in sections 182 and 183 of the Revenue Act of 1936 and not by the method provided in sections 182 and 183 of this act.

SUPPLEMENT C—INSURANCE COMPANIES

SEC. 201. Tax on life insurance companies.

(a) Definition: When used in this title the term "life insurance company" means an insurance company engaged in the business of issuing life insurance and annuity contracts (including contracts of combined life, health, and accident insurance), the reserve funds of which held for the fulfillment of such contracts comprise more than 50 percent of its total reserve funds.

(b) Imposition of tax.—

(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the special class net income of every life insurance company a tax of 16 percent of the amount thereof.

(2) Special class net income of foreign life insurance companies: In the case of a foreign life insurance company, the special class net income shall be an amount which bears the same ratio to the special class net income, computed without regard to this paragraph, as the reserve funds required by law and held by it at the end of the taxable year upon business transacted within the United States bear to the reserve funds held by it at the end of the taxable year upon all business transacted.

(3) No United States insurance business: Foreign life insurance companies not carrying on an insurance business within the United States and holding no reserve funds upon business transacted within the United States, shall not be taxable under this section but shall be taxable as other foreign corporations.

SEC. 202. Gross income of life insurance companies.

(a) In the case of a life insurance company the term "gross income" means the gross amount of income received during the taxable year from interest, dividends, and rents. For inclusion in computation of tax of amount specified in shareholder's consent, see section 28.

(b) The term "reserve funds required by law" includes, in the case of assessment insurance, sums actually deposited by any company or association with State or Territorial officers pursuant to law as guaranty or reserve funds, and any funds maintained under the charter or articles of incorporation of the company or association exclusively for the payment of claims arising under certificates of membership or policies issued upon the assessment plan and not subject to any other use.

SEC. 203. Net income of life insurance companies.

(a) General rule: In the case of a life insurance company the term "net income" means the gross income less—

(1) Tax-free interest: The amount of interest received during the taxable year which under section 22 (b) (4) is excluded from gross income;

(2) Reserve funds: An amount equal to 4 percent of the mean of the reserve funds required by law and held at the beginning and end of the taxable year, except that in the case of any such reserve fund which is computed at a lower interest assumption rate, the rate of 3¾ percent shall be substituted for 4 percent. Life-insurance companies issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, continuing for life and not subject to cancelation, shall be allowed, in addition to the above, a deduction of 3¾ percent of the mean of such reserve funds (not required by law) held at the beginning and end of the taxable year, as the Commissioner finds to be necessary for the protection of the holders of such policies only;

(3) Reserve for dividends: An amount equal to 2 percent of any sums held at the end of the taxable year as a reserve for dividends (other than dividends payable during the year following the taxable year) the payment of which is deferred for a period of not less than 5 years from the date of the policy contract;

(4) Investment expenses: Investment expenses paid during the taxable year: *Provided*, That if any general expenses are in part assigned to or included in the investment expenses, the total deduction under this paragraph shall not exceed one-fourth of 1 percent of the book value of the mean of the invested assets held at the beginning and end of the taxable year;

(5) Real estate expenses: Taxes and other expenses paid during the taxable year exclusively upon or with respect to the real estate owned by the company, not including taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and not including any amount paid out for new buildings, or for permanent improvements or betterments made to increase the value of any property. The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder of a company upon his interest as shareholder, which are paid by the company without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes;

(6) Depreciation: A reasonable allowance, as provided in section 23 (l), for the exhaustion, wear and tear of property, including a reasonable allowance for obsolescence; and

(7) Interest: All interest paid within the taxable year on its indebtedness, except on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this title.

(b) Rental value of real estate: The deduction under subsection (a) (5) or (6) of this section on account of any real estate owned and occupied in whole or in part by a life-insurance company shall be limited to an amount which bears the same ratio to such reduction (computed without regard to this subsection) as the rental value of the space not so occupied bears to the rental value of the entire property.

SEC. 204. Insurance companies other than life or mutual.

(a) Imposition of tax:

(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the special class net income of every insurance company (other than a life- or mutual-insurance company) a tax of 16 percent of the amount thereof.

(2) Special class net income of foreign companies: In the case of a foreign insurance company (other than a life- or mutual-insurance company), the special class net income shall be the net income from sources within the United States minus the sum of—

(A) Interest on obligations of the United States and its instrumentalities: The credit provided in section 26 (a).

(B) Dividends received: The credit provided in section 26 (b).

(3) No United States insurance business: Foreign insurance companies not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations.

(b) Definition of income, etc.: In the case of an insurance company subject to the tax imposed by this section—

(1) Gross income: "Gross income" means the sum of (A) the combined gross amount earned during the taxable year, from investment income and from underwriting income as provided in this subsection, computed on the basis of the underwriting and investment exhibit of the annual statement approved by the National Convention of Insurance Commissioners, and (B) gain during the taxable year from the sale or other disposition of property, and (C) all other items constituting gross income under section 22;

(2) Net income: "Net income" means the gross income as defined in paragraph (1) of this subsection less the deductions allowed by subsection (c) of this section;

(3) Investment income: "Investment income" means the gross amount of income earned during the taxable year from interest, dividends, and rents, computed as follows:

To all interest, dividends, and rents received during the taxable year, add interest, dividends, and rents due and accrued at the end of the taxable year, and deduct all interest, dividends, and rents due and accrued at the end of the preceding taxable year;

(4) Underwriting income: "Underwriting income" means the premiums earned on insurance contracts during the taxable year less losses incurred and expenses incurred;

(5) Premiums earned: "Premiums earned on insurance contracts during the taxable year" means an amount computed as follows:

From the amount of gross premiums written on insurance contracts during the taxable year, deduct return premiums and premiums paid for reinsurance. To the result so obtained add unearned premiums on outstanding business at the end of the preceding taxable year and deduct unearned premiums on outstanding business at the end of the taxable year;

(6) Losses incurred: "Losses incurred" means losses incurred during the taxable year on insurance contracts, computed as follows:

To losses paid during the taxable year, add salvage and reinsurance recoverable outstanding at the end of the preceding taxable year, and deduct salvage and reinsurance recoverable outstanding at the end of the taxable year. To the result so obtained add all unpaid losses outstanding at the end of the taxable year and deduct unpaid losses outstanding at the end of the preceding taxable year;

(7) Expenses incurred: "Expenses incurred" means all expenses shown on the annual statement approved by the National Convention of Insurance Commissioners, and shall be computed as follows:

To all expenses paid during the taxable year add expenses unpaid at the end of the taxable year and deduct expenses unpaid at the end of the preceding taxable year. For the purpose of computing the net income subject to the tax imposed by this section there shall be deducted from expenses incurred as defined in this paragraph all expenses incurred which are not allowed as deductions by subsection (c) of this section.

(c) Deductions allowed: In computing the net income of an insurance company subject to the tax imposed by this section, there shall be allowed as deductions:

(1) All ordinary and necessary expenses incurred, as provided in section 23 (a);

(2) All interest as provided in section 23 (b);

(3) Taxes as provided in section 23 (c);

(4) Losses incurred as defined in subsection (b) (6) of this section;

(5) Subject to the limitation contained in section 117 (d), losses sustained during the taxable year from the sale or other disposition of property;

(6) Bad debts in the nature of agency balances and bills receivable ascertained to be worthless and charged off within the taxable year;

(7) The amount of interest earned during the taxable year which under section 22 (b) (4) is excluded from gross income;

(8) A reasonable allowance for the exhaustion, wear and tear of property, as provided in section 23 (l);

(9) Charitable, and so forth, contributions, as provided in section 23 (q);

(10) Deductions (other than those specified in this subsection) as provided in section 23, but not in excess of the amount of the gross income included under subsection (b) (1) (C) of this section.

(d) Deductions of foreign corporations: In the case of a foreign corporation the deductions allowed in this section shall be allowed to the extent provided in Supplement I in the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein.

(e) Double deductions: Nothing in this section shall be construed to permit the same item to be twice deducted.

SEC. 205. Taxes of foreign countries and possessions of the United States.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax of a domestic insurance company subject to the tax imposed by section 201, 204, or 207, to the extent provided in the case of a domestic corporation in section 131, and in the case of the tax imposed by section 201 or 204 "net income" as used in section 131 means the net income as defined in this supplement.

SEC. 206. Computation of gross income.

The gross income of insurance companies subject to the tax imposed by section 201 or 204 shall not be determined in the manner provided in section 119.

SEC. 207. Mutual insurance companies other than life.

(a) Imposition of tax.—

(1) In general: There shall be levied, collected, and paid for each taxable year upon the special class net income of every mutual insurance company (other than a life-insurance company) a tax equal to 16 percent thereof, regardless of the amount thereof.

(2) Foreign corporations: The tax imposed by paragraph (1) shall apply to foreign corporations as well as domestic corporations; but foreign insurance companies not carrying on an insurance business within the United States shall be taxable as other foreign corporations.

(b) Gross income: Mutual marine-insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance.

(c) Deductions: In addition to the deductions allowed to corporations by section 23 the following deductions to insurance companies shall also be allowed, unless otherwise allowed—

(1) Mutual insurance companies other than life insurance: In the case of mutual insurance companies other than life-insurance companies—

(A) the net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and

(B) the sums other than dividends paid within the taxable year on policy and annuity contracts.

(2) Mutual marine insurance companies: In the case of mutual marine insurance companies, in addition to the deductions allowed in paragraph (1) of this subsection, unless otherwise allowed, amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof;

(3) Mutual insurance companies other than life and marine: In the case of mutual insurance companies (including interinsurers and reciprocal underwriters, but not including mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves.

SUPPLEMENT H—NONRESIDENT ALIEN INDIVIDUALS

SEC. 211. Tax on nonresident alien individuals.

(a) No United States business or office.—

(1) General rule: There shall be levied, collected, and paid for each taxable year, in lieu of the tax imposed by sections 11 and 12, upon the amount received, by every nonresident alien individual not engaged in trade or business within the United States and not having an office or place of business therein, from sources within the United States as interest (except interest on deposits with persons carrying on the banking business), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, a tax of 10 percent of such amount, except that such rate shall be reduced, in the case of a resident of a contiguous country, to such rate (not less than 5 percent) as may be provided by treaty with such country. For inclusion in computation of tax of amount specified in shareholder's consent, see section 28.

(2) Aggregate more than $21,600: The tax imposed by paragraph (1) shall not apply to any individual if the aggregate amount received during the taxable year from the sources therein specified is more than $21,600.

(3) Residents of contiguous countries: Despite the provisions of paragraph (2), the provisions of paragraph (1) shall apply to a resident of a contiguous country so long as there is in effect a treaty with such country (ratified prior to August 26, 1937) under which the rate of tax under section 211 (a) of the Revenue Act of 1936, prior to its amendment by section 501 (a) of the Revenue Act of 1937, was reduced.

(b) United States business or office: A nonresident alien individual engaged in trade or business in the United States or having an office or place of business therein shall be taxable without regard to the provisions of subsection (a). As used in this section, section 119, section 143, section 144, and section 231, the phrase "engaged in trade or business within the United States" includes the performance of personal services within the United States at any time within the taxable year, but does not include the performance of personal services for a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, by a nonresident alien individual temporarily present in the United States for a period or periods not exceeding a total of 90 days during the taxable year and whose compensation for such services does not exceed in the aggregate $3,000. Such phrase does not include the effecting of transactions in the United States in stocks, securities, or commodities through a resident broker, commission agent, or custodian.

(c) No United States business or office and gross income of more than $21,600: A nonresident alien individual not engaged in trade or business within the United States and not having an office or place of business therein who has a gross income for any taxable year of more than $21,600 from the sources specified in subsection (a) (1), shall be taxable without regard to the provisions of subsection (a) (1), except that—

(1) The gross income shall include only income from the sources specified in subsection (a) (1);

(2) The deductions (other than the so-called "charitable deduction" provided in section 213 (c)) shall be allowed only if and to the extent that they are properly allocable to the gross income from the sources specified in subsection (a) (1);

(3) The aggregate of the normal tax and surtax under sections 11 and 12 shall, in no case, be less than 10 percent of the gross income from the sources specified in subsection (a) (1); and

(4) This subsection shall not apply to a resident of a contiguous country so long as there is in effect a treaty with such country (ratified prior to August 26, 1937) under which the rate of tax under section 211 (a) of the Revenue Act of 1936, prior to its amendment by section 501 (a) of the Revenue Act of 1937, was reduced.

SEC. 212. Gross income.

(a) General rule: In the case of a nonresident alien individual gross income includes only the gross income from sources within the United States.

(b) Ships under foreign flag: The income of a nonresident alien individual which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States shall not be included in gross income and shall be exempt from taxation under this title.

SEC. 213. Deductions.

(a) General rule: In the case of a nonresident alien individual the deductions shall be allowed only if and to the extent that they are connected with income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined as provided in section 119, under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

(b) Losses:

(1) The deduction, for losses not connected with the trade or business if incurred in transactions entered into for profit, allowed by section 23 (e) (2) shall be allowed whether or not connected with income from sources within the United States, but only if the profit, if such transaction had resulted in a profit, would be taxable under this title.

(2) The deduction for losses of property not connected with the trade or business if arising from certain casualties or theft, allowed by section 23 (e) (3), shall be allowed whether or not connected with income from sources within the United States, but only if the loss is of property within the United States.

(c) Charitable, etc., contributions: The so-called "charitable contribution" deduction allowed by section 23 (o) shall be allowed whether or not connected with income from sources within the United States, but only as to contributions or gifts made to domestic corporations, or to community chests, funds, or foundations, created in the United States, or to the vocational rehabilitation fund.

SEC. 214. Credits against net income.

In the case of a nonresident alien individual the personal exemption allowed by section 25 (b) (1) of this title shall be only $1,000. The credit for dependents allowed by section 25 (b) (2) shall not be allowed in the case of a nonresident alien individual unless he is a resident of a contiguous country.

SEC. 215. Allowance of deductions and credits.

(a) Return to contain information: A nonresident alien individual shall receive the benefit of the deductions and credits allowed to him in this title only by filing or causing to be filed with the collector a true and accurate return of his total income received from all sources in the United States, in the manner prescribed in this title; including therein all the information which

the Commissioner may deem necessary for the calculation of such deductions and credits.

(b) Tax withheld at source: The benefit of the personal exemption and credit for dependents may, in the discretion of the Commissioner and under regulations prescribed by him with the approval of the Secretary, be received by a nonresident alien individual entitled thereto, by filing a claim therefor with the withholding agent.

SEC. 216. Credits against tax.

A nonresident alien individual shall not be allowed the credits against the tax for taxes of foreign countries and possessions of the United States allowed by section 131.

SEC. 217. Returns.

(a) Requirement: In the case of a nonresident alien individual the return, in lieu of the time prescribed in section 53 (a) (1), shall be made on or before the fifteenth day of the sixth month following the close of the fiscal year, or, if the return is made on the basis of the calendar year, then on or before the 15th day of June.

(b) Exemption from requirement: Subject to such conditions, limitations, and exemptions and under such regulations as may be prescribed by the Commissioner, with the approval of the Secretary, nonresident alien individuals subject to the tax imposed by section 211 (a) may be exempted from the requirement of filing returns of such tax.

SEC. 218. Payment of tax.

(a) Time of payment: In the case of a nonresident alien individual the total amount of tax imposed by this title shall be paid, in lieu of the time prescribed in section 56 (a), on the 15th day of June following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on the fifteenth day of the sixth month following the close of the fiscal year.

(b) Withholding at source: For withholding at source of tax on income of nonresident aliens, see section 143.

SEC. 219. Partnerships.

For the purpose of this title, a nonresident alien individual shall be considered as being engaged in a trade or business within the United States if the partnership of which he is a member is so engaged and as having an office or place of business within the United States if the partnership of which he is a member has such an office or place of business.

SUPPLEMENT I—FOREIGN CORPORATIONS

SEC. 231. Tax on foreign corporations.

(a) Nonresident corporations: There shall be levied, collected, and paid for each taxable year, in lieu of the tax imposed by sections 13 and 14, upon the amount received by every foreign corporation not engaged in trade or business within the United States and not having an office or place of business therein, from sources within the United States as interest (except interest on deposits with persons carrying on the banking business), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, a tax of 15 percent of such amount, except that in the case of dividends the rate shall be 10 percent, and except that in the case of corporations organized under the laws of a contiguous country such rate of 10 percent with respect to dividends shall be reduced to such rate (not less than 5 percent) as may be provided by treaty with such country. For inclusion in computation of tax of amount specified in shareholder's consent, see section 28.

(b) Resident corporations: A foreign corporation engaged in trade or business within the United States or having an office or place of business therein shall be taxable as provided in section 14 (e) (1).

(c) Gross income: In the case of a foreign corporation ross income includes only the gross income from sources within the United States.

(d) Ships under foreign flag: The income of a foreign corporation, which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States, shall not be included in gross income and shall be exempt from taxation under this title.

SEC. 232. Deductions.

(a) In general: In the case of a foreign corporation the deductions shall be allowed only if and to the extent that they are connected with income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources within and without the United States shall be determined as provided in section 119, under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

(b) Charitable, and so forth, contributions: The so-called "charitable contribution" deduction allowed by section 23 (q) shall be allowed whether or not connected with income from sources within the United States.

SEC. 233. Allowance of deductions and credits.

A foreign corporation shall receive the benefit of the deductions and credits allowed to it in this title only by filing or causing to be filed with the collector a true and accurate return of its total income received from all sources in the United States, in the manner prescribed in this title; including therein all the information which the Commissioner may deem necessary for the calculation of such deductions and credits.

SEC. 234. Credits against tax.

Foreign corporations shall not be allowed the credits against the tax for taxes of foreign countries and possessions of the United States allowed by section 131.

SEC. 235. Returns.

(a) Time of filing: In the case of a foreign corporation not having any office or place of business in the United States the return, in lieu of the time prescribed in section 53 (a) (1), shall be made on or before the 15th day of the sixth month following the close of the fiscal year, or, if the return is made on the basis of the calendar year then on or before the 15th day of June. If any foreign corporation has no office or place of business in the United States but has an agent in the United States, the return shall be made by the agent.

(b) Exemption from requirement: Subject to such conditions, limitations, and exceptions and under such regulations as may be prescribed by the Commissioner, with the approval of the Secretary, corporations subject to the tax imposed by section 231 (a) may be exempted from the requirement of filing returns of such tax.

SEC. 236. Payment of tax.

(a) Time of payment: In the case of a foreign corporation not having any office or place of business in the United States the total amount of tax imposed by this title shall be paid, in lieu of the time prescribed in section 56 (a), on the 15th day of June following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on the 15th day of the sixth month following the close of the fiscal year.

(b) Withholding at source: For withholding at source of tax on income of foreign corporations, see section 144.

SEC. 237. Foreign insurance companies.

For special provisions relating to foreign insurance companies, see Supplement G.

SEC. 238. Affiliation.

A foreign corporation shall not be deemed to be affiliated with any other corporation within the meaning of section 141.

SUPPLEMENT J—POSSESSIONS OF THE UNITED STATES

SEC. 251. Income from sources within possessions of United States.

(a) General rule: In the case of citizens of the United States or domestic corporations, satisfying the following conditions, gross income means only gross income from sources within the United States—

(1) If 80 percent or more of the gross income of such citizens or domestic corporations (computed without the benefit of this section), for the 3-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within a possession of the United States; and

(2) If, in the case of such corporation, 50 percent or more of its gross income (computed without the benefit of this section) for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States; or

(3) If, in case of such citizen, 50 percent or more of his gross income (computed without the benefit of this section) for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States either on his own account or as an employee or agent of another.

(b) Amounts received in United States: Notwithstanding the provisions of subsection (a) there shall be included in gross income all amounts received by such citizens or corporations within the United States, whether derived from sources within or without the United States.

(c) Tax in case of corporations: A domestic corporation entitled to the benefits of this section shall be taxable as provided in section 14 (d). For inclusion in computation of tax of amount specified in shareholder's consent, see section 28.

(d) Definition: As used in this section the term "possession of the United States" does not include the Virgin Islands of the United States.

(e) Deductions :

(1) Citizens of the United States entitled to the benefits of this section shall have the same deductions as are allowed by supplement H in the case of a nonresident alien individual engaged in trade or business within the United States or having an office or place of business therein.

(2) Domestic corporations entitled to the benefits of this section shall have the same deductions as are allowed by supplement I in the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein.

(f) Credits against net income: A citizen of the United States entitled to the benefits of this section shall be allowed a personal exemption of only $1,000 and shall not be allowed the credit for dependents provided in section 25 (b) (2).

(g) Allowance of deductions and credits: Citizens of the United States and domestic corporations entitled to the benefits of this section shall receive the benefit of the deductions and credits allowed to them in this title only by filing or causing to be filed with the collector a true and accurate return of their total income received from all sources in the United States, in the manner prescribed in this title; including therein all the information which the Commissioner may deem necessary for the calculation of such deductions and credits.

(h) Credits against tax: Persons entitled to the benefits of this section shall not be allowed the credits against the tax for taxes of foreign countries and possessions of the United States allowed by section 131.

(i) Affiliation: A corporation entitled to the benefits of this section shall not be deemed to be affiliated with any other corporation within the meaning of section 141.

SEC. 252. Citizens of possessions of United States.

(a) Any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, shall be subject to taxation under this title only as to income derived from sources within the United States, and in such case the tax shall be computed and paid in the same manner and subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources.

(b) Nothing in this section shall be construed to alter or amend the provisions of the act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1922, and for other purposes", approved July 12, 1921, relating to the imposition of income taxes in the Virgin Islands of the United States.

SUPPLEMENT K—CHINA TRADE ACT CORPORATIONS

SEC. 261. Taxation in general.

A corporation organized under the China Trade Act, 1922, shall be taxable as provided in section 14 (d). For inclusion in computation of tax of amount specified in shareholder's consent, see section 28.

SEC. 262. Credit against net income.

(a) Allowance of credit: For the purpose only of the taxes imposed by sections 14 and 602 of this act and section 106 of the Revenue Act of 1935 there shall be allowed, in the case of a corporation organized under the China Trade Act, 1922, in addition to the credits against net income otherwise allowed such corporation, a credit against the net income of an amount equal to the proportion of the net income derived from sources within China (determined in a similar manner to that provided in section 119) which the par value of the shares of stock of the corporation owned on the last day of the taxable year by (1) persons resident in China, the United States, or possessions of the United States, and (2) individual citizens of the United States or China wherever resident, bears to the par value of the whole number of shares of stock of the corporation outstanding on such date: *Provided*, That in no case shall the diminution, by reason of such credit, of the tax imposed by such section 14 (computed without regard to this section) exceed the amount of the special dividend certified under subsection (b) of this section; and in no case shall the diminution, by reason of such credit, of the tax imposed by such section 106 or 602 (computed without regard to this section) exceed the amount by which such special dividend exceeds the diminution permitted by this section in the tax imposed by such section 14.

(d) Special dividend: Such credit shall not be allowed unless the Secretary of Commerce has certified to the Commissioner—

(1) The amount which, during the year ending on the date fixed by law for filing the return, the corporation has distributed as a special dividend to or for the benefit of such persons as on the last day of the taxable year were resident in China, the United States, or possessions of the United States, or were individual citizens of the United States or China, and owned shares of stock of the corporation;

(2) That such special dividend was in addition to all other amounts, payable or to be payable to such persons or for their benefit, by reason of their interest in the corporation; and

(3) That such distribution has been made to or for the benefit of such persons in proportion to the par value of the shares of stock of the corporation owned by each; except that if the corporation has more than one class of stock, the certificates shall contain a statement that the articles of incorporation provide a method for the apportionment of such special dividend among such persons, and that the amount certified has been distributed in accordance with the method so provided.

(c) Ownership of stock: For the purposes of this section shares of stock of a corporation shall be considered to be owned by the person in whom the equitable right to the income from such shares is in good faith vested.

(d) Definition of China: As used in this section the term "China" shall have the same meaning as when used in the China Trade Act, 1922.

SEC. 263. Credits against the tax.

A corporation organized under the China Trade Act, 1922, shall not be allowed the credits against the tax for taxes of foreign countries and possessions of the United States allowed by section 131.

SEC. 264. Affiliation.

A corporation organized under the China Trade Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of section 141.

SEC. 265. Income of shareholders.

For exclusion of dividends from gross income, see section 116.

SUPPLEMENT L—ASSESSMENT AND COLLECTION OF DEFICIENCIES

SEC. 271. Definition of deficiency.

As used in this title in respect of a tax imposed by this title "deficiency" means—

(a) The amount by which the tax imposed by this title exceeds the amount shown as the tax by the taxpayer upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or

(b) If no amount is shown as the tax by the taxpayer upon his return, or if no return is made by the taxpayer, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax.

SEC. 272. Procedure in general.

(a) Petition to Board of Tax Appeals: If in the case of any taxpayer, the Commissioner determines that there is a deficiency in respect of the tax imposed by this title, the Commissioner is authorized to send notice of such deficiency to the taxpayer by registered mail. Within 90 days after such notice is mailed (not counting Sunday or a legal holiday in the District of Columbia as the ninetieth day), the taxpayer may file a petition with the Board of Tax Appeals for a redetermination of the deficiency. No assessment of a deficiency in respect of the tax imposed by this title and no distraint or proceeding in court for its collection shall be made, begun, or prosecuted until such notice has been mailed to the taxpayer, nor until the expiration of such 90-day period, nor, if a petition has been filed with the Board, until the decision of the Board has become final. Notwithstanding the provisions of section 3224 of the Revised Statutes the making of such assessment or the beginning of such proceeding or distraint during the time such prohibition is in force may be enjoined by a proceeding in the proper court. In the case of a joint return filed by husband and wife such notice of deficiency may be a single joint notice, except that if the Commissioner has been notified by either spouse that separate residences have been established, then, in lieu of the single joint notice, duplicate originals of the joint notice must be sent by registered mail to each spouse at his last known address.

For exceptions to the restrictions imposed by this subsection, see—

(1) Subsection (d) of this section, relating to waivers by the taxpayer;

(2) Subsection (f) of this section, relating to notifications of mathematical errors appearing upon the face of the return;

(3) Section 273, relating to jeopardy assessments;

(4) Section 274, relating to bankruptcy and receiverships; and

(5) Section 1001 of the Revenue Act of 1926, as amended, relating to assessment or collection of the amount of the deficiency determined by the Board pending court review.

(b) Collection of deficiency found by Board: If the taxpayer files a petition with the Board, the entire amount redetermined as the deficiency by the decision of the Board which has become final shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the Commissioner but disallowed as such by the decision of the Board which has become final shall be assessed or be collected by distraint or by proceeding in court with or without assessment.

(c) Failure to file petition: If the taxpayer does not file a petition with the Board within the time prescribed in subsection (a) of this section, the deficiency, notice of which has been mailed to the taxpayer, shall be assessed, and shall be paid upon notice and demand from the collector.

(d) Waiver of restrictions: The taxpayer shall at any time have the right, by a signed notice in writing filed with the Commissioner, to waive the restrictions provided in subsection (a) of this section on the assessment and collection of the whole or any part of the deficiency.

(e) Increase of deficiency after notice mailed: The Board shall have jurisdiction to redetermine the correct amount of the deficiency even if the amount so redetermined is greater than the amount of the deficiency, notice of which has been mailed to the taxpayer, and to determine whether any penalty, additional amount or addition to the tax should be assessed—if claim therefore is asserted by the Commissioner at or before the hearing or a rehearing.

(f) Further deficiency letters restricted: If the Commissioner has mailed to the taxpayer notice of a deficiency as provided in subsection (a) of this section, and the taxpayer files a petition with the Board within the time prescribed in such subsection, the Commissioner shall have no right to determine any additional deficiency in respect of the same taxable year, except in the case of fraud, and except as provided in subsection (e) of this section, relating to assertion of greater deficiencies before the Board, or in section 273 (c), relating to the making of jeopardy assessments. If the taxpayer is notified that, on account of a mathematical error appearing upon the face of the return, an amount of tax in excess of that shown upon the return is due, and that an assessment of the tax has been or will be made on the basis of what would have been the correct amount of tax but for the mathematical error, such notice shall not be considered (for the purposes of this subsection, or of subsection (a) of this section, prohibiting assessment and collection until notice of deficiency has been mailed, or of section 322 (c), prohibiting credits or refunds after petition to the Board of Tax Appeals) as a notice of a deficiency, and the taxpayer shall have no right to file a petition with the Board based on such notice, nor shall such assessment or collection be prohibited by the provisions of subsection (a) of this section.

(g) Jurisdiction over other taxable years: The Board in redetermining a deficiency in respect of any taxable year shall consider such facts with relation to the taxes for other taxable years as may be necessary correctly to redetermine the amount of such

deficiency, but in so doing shall have no jurisdiction to determine whether or not the tax for any other taxable year has been overpaid or underpaid.

(h) Final decisions of Board: For the purposes of this title the date on which a decision of the Board becomes final shall be determined according to the provisions of section 1005 of the Revenue Act of 1926.

(i) Prorating of deficiency to installment: If the taxpayer has elected to pay the tax in installments and a deficiency has been assessed, the deficiency shall be prorated to the four installments. Except as provided in section 273 (relating to jeopardy assessments), that part of the deficiency so prorated to any installment the date for payment of which has not arrived, shall be collected at the same time as and as part of such installment. That part of the deficiency so prorated to any installment the date for payment of which has arrived, shall be paid upon notice and demand from the collector.

(j) Extension of time for payment of deficiencies: Where it is shown to the satisfaction of the Commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the taxpayer the Commissioner, with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulation, or to fraud with intent to evade tax), may grant an extension for the payment of such deficiency for a period not in excess of 18 months, and, in exceptional cases, for a further period not in excess of 12 months. If an extension is granted, the Commissioner may require the taxpayer to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension.

(k) Address for notice of deficiency: In the absence of notice to the Commissioner under section 312 (a) of the existence of a fiduciary relationship, notice of a deficiency in respect of a tax imposed by this title, if mailed to the taxpayer at his last known address, shall be sufficient for the purposes of this title even if such taxpayer is deceased, or is under a legal disability, or, in the case of a corporation, has terminated its existence.

SEC. 273. Jeopardy assessments.

(a) Authority for making: If the Commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay, he shall immediately assess such deficiency (together with all interest, additional amounts, or additions to the tax provided for by law) and notice and demand shall be made by the collector for the payment thereof.

(b) Deficiency letters: If the jeopardy assessment is made before any notice in respect of the tax to which the jeopardy assessment relates has been mailed under section 272 (a), then the Commissioner shall mail a notice under such subsection within 60 days after the making of the assessment.

(c) Amount assessable before decision of Board: The jeopardy assessment may be made in respect of a deficiency greater or less than that notice of which has been mailed to the taxpayer, despite the provisions of section 272 (f) prohibiting the determination of additional deficiencies, and whether or not the taxpayer has theretofore filed a petition with the Board of Tax Appeals. The Commissioner shall notify the Board of the amount of such assessment, if the petition is filed with the Board before the making of the assessment or is subsequently filed, and the Board shall have jurisdiction to redetermine the entire amount of the deficiency and of all amounts assessed at the same time in connection therewith.

(d) Amount assessable after decision of Board: If the jeopardy assessment is made after the decision of the Board is rendered, such assessment may be made only in respect of the deficiency determined by the Board in its decision.

(e) Expiration of right to assess: A jeopardy assessment may not be made after the decision of the Board has become final, or after the taxpayer has filed a petition for review of the decision of the Board.

(f) Bond to stay collection: When a jeopardy assessment has been made, the taxpayer, within 10 days after notice and demand from the collector for the payment of the amount of the assessment, may obtain a stay of collection of the whole or any part of the amount of the assessment by filing with the collector a bond in such amount, not exceeding double the amount as to which the stay is desired, and with such sureties, as the collector deems necessary, conditioned upon the payment of so much of the amount, the collection of which is stayed by the bond, as is not abated by a decision of the Board which has become final, together with interest thereon as provided in section 297.

(g) Same—further conditions: If the bond is given before the taxpayer has filed his petition with the Board under section 272 (a), the bond shall contain a further condition that if a petition is not filed within the period provided in such subsection, then the amount the collection of which is stayed by the bond will be paid on notice and demand at any time after the expiration of such period, together with interest thereon at the rate of 6 percent per annum from the date of the jeopardy notice and demand to the date of notice and demand under this subsection.

(h) Waiver of stay: Upon the filing of the bond the collection of so much of the amount assessed as is covered by the bond shall be stayed. The taxpayer shall have the right to waive such stay at any time in respect of the whole or any part of the amount covered by the bond, and if as a result of such waiver any part of the amount covered by the bond is paid, then the bond shall, at the request of the taxpayer, be proportionately reduced. If the Board determines that the amount assessed is greater than the amount which should have been assessed, then when the decision of the Board is rendered the bond shall, at the request of the taxpayer, be proportionately reduced.

(i) Collection of unpaid amounts: When the petition has been filed with the Board and when the amount which should have been assessed has been determined by a decision of the Board which has become final, then any unpaid portion, the collection of which has been stayed by the bond, shall be collected as part of the tax upon notice and demand from the collector, and any remaining portion of the assessment shall be abated. If the amount already collected exceeds the amount determined as the amount which should have been assessed, such excess shall be credited or refunded to the taxpayer as provided in section 322, without the filing of claim therefor. If the amount determined as the amount which should have been assessed is greater than the amount actually assessed, then the difference shall be assessed and shall be collected as part of the tax upon notice and demand from the collector.

(j) Claims in abatement: No claim in abatement shall be filed in respect of any assessment in respect of any tax imposed by this title.

SEC. 274. Bankruptcy and receiverships.

(a) Immediate assessment: Upon the adjudication of bankruptcy of any taxpayer in any bankruptcy proceeding or the appointment of a receiver for any taxpayer in any receivership proceeding before any court of the United States or of any State or Territory or of the District of Columbia, any deficiency (together with all interest, additional amounts, or additions to the tax provided for by law) determined by the Commissioner in respect of a tax imposed by this title upon such taxpayer shall, despite the restrictions imposed by section 272 (a) upon assessments be immediately assessed if such deficiency has not theretofore been assessed in accordance with law. In such cases the trustee in bankruptcy or receiver shall give notice in writing to the Commissioner of the adjudication of bankruptcy or the appointment of the receiver, and the running of the statute of limitations on the making of assessments shall be suspended for the period from the date of adjudication in bankruptcy or the appointment of the receiver to a date 30 days after the date upon which the notice from the trustee or receiver is received by the Commissioner; but the suspension under this sentence shall in no case be for a period in excess of 2 years. Claims for the deficiency and such interest, additional amounts and additions to the tax may be presented, for adjudication in accordance with law, to the court before which the bankruptcy or receivership proceeding is pending, despite the pendency of proceedings for the redetermination of the deficiency in pursuance of a petition to the Board; but no petition for any such redetermination shall be filed with the Board after the adjudication of bankruptcy or the appointment of the receiver.

(b) Unpaid claims: Any portion of the claim allowed in such bankruptcy or receivership proceeding which is unpaid shall be paid by the taxpayer upon notice and demand from the collector after the termination of such proceeding, and may be collected by distraint or proceeding in court within 6 years after termination of such proceeding. Extensions of time for such payment may be had in the same manner and subject to the same provisions and limitations as are provided in section 272 (j) and section 296 in the case of a deficiency in a tax imposed by this title.

SEC. 275. Period of limitation upon assessment and collection.

Except as provided in section 276—

(a) General rule: The amount of income taxes imposed by this title shall be assessed within 3 years after the return was filed, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period.

(b) Request for prompt assessment: In the case of income received during the lifetime of a decedent, or by his estate during the period of administration, or by a corporation, the tax shall be assessed, and any proceeding in court without assessment for the collection of such tax shall be begun, within 18 months after written request therefor (filed after the return is made) by the executor, administrator, or other fiduciary representing the estate of such decedent, or by the corporation, but not after the expiration of 3 years after the return was filed. This subsection shall not apply in the case of a corporation unless—

(1) Such written request notifies the Commissioner that the corporation contemplates dissolution at or before the expiration of such 18 months' period; and

(2) The dissolution is in good faith begun before the expiration of such 18 months' period; and

(3) The dissolution is completed.

(c) Omission from gross income: If the taxpayer omits from gross income an amount properly includible therein which is in excess of 25 percent of the amount of gross income stated in the return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 5 years after the return was filed.

(d) Shareholders of foreign personal holding companies: If the taxpayer omits from gross income an amount properly includible therein under section 337 (b) (relating to the inclusion in the gross income of United States shareholders of their distributive shares of the undistributed Supplement P net income of a foreign personal holding company) the tax may be assessed, or a proceed-

ing in court for the collection of such tax may be begun without assessment, at any time within 7 years after the return was filed.

(e) For the purposes of subsections (a), (b), (c), and (d), a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day.

(f) Corporation and shareholder: If a corporation makes no return of the tax imposed by this title, but each of the shareholders includes in his return his distributive share of the net income of the corporation, then the tax of the corporation shall be assessed within 4 years after the last date on which any such shareholder's return was filed.

SEC. 276. Same—Exceptions.

(a) False return or no return: In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(b) Waiver: Where before the expiration of the time prescribed in section 275 for the assessment of the tax, both the Commissioner and the taxpayer have consented in writing to its assessment after such time, the tax may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

(c) Collection after assessment: Where the assessment of any income tax imposed by this title has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within 6 years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer before the expiration of such 6-year period. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

SEC. 277. Suspension of running of statute.

The running of the statute of limitations provided in sections 275 or 276 on the making of assessments and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall (after the mailing of a notice under section 272 (a)) be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court (and in any event, if a proceeding in respect of the deficiency is placed on the docket of the Board, until the decision of the Board becomes final), and for 60 days thereafter.

SUPPLEMENT M—INTEREST AND ADDITIONS TO THE TAX

SEC. 291. Failure to file return.

In case of any failure to make and file return required by this title, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the tax: 5 percent if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate. The amount so added to any tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the neglect, in which case the amount so added shall be collected in the same manner as the tax. The amount added to the tax under this section shall be in lieu of the 25 percent addition to the tax provided in section 3176 of the Revised Statutes, as amended.

SEC. 292. Interest on deficiencies.

Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax at the rate of 6 percent per annum from the date prescribed for the payment of the tax (or, if the tax is paid in installments, from the date prescribed for the payment of the first installment) to the date the deficiency is assessed, or, in the case of a waiver under section 272 (d), to the thirtieth day after the filing of such waiver or to the date the deficiency is assessed, whichever is the earlier.

SEC. 293. Additions to the tax in case of deficiency.

(a) Negligence: If any part of any deficiency is due to negligence or intentional disregard of rules and regulations but without intent to defraud, 5 percent of the total amount of the deficiency (in addition to such deficiency) shall be assessed, collected, and paid in the same manner as if it were a deficiency, except that the provisions of section 272 (1), relating to the prorating of a deficiency, and of section 292, relating to interest on deficiencies, shall not be applicable.

(b) Fraud: If any part of any deficiency is due to fraud with intent to evade tax, then 50 percent of the total amount of the deficiency (in addition to such deficiency) shall be so assessed, collected, and paid, in lieu of the 50 percent addition to the tax provided in section 3176 of the Revised Statutes, as amended.

SEC. 294. Additions to the tax in case of nonpayment.

(a) Tax shown on return—

(1) General rule: Where the amount determined by the taxpayer as the tax imposed by this title, or any installment thereof, or any part of such amount or installment, is not paid on or before the date prescribed for its payment, there shall be collected as a part of the tax interest upon such unpaid amount at the rate of 6 percent per annum from the date prescribed for its payment until it is paid.

(2) If extension granted: Where an extension of time for payment of the amount so determined as the tax by the taxpayer, or any installment thereof, has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under section 295, is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph (1) of this subsection, interest at the rate of 6 percent per annum shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

(b) Deficiency: Where a deficiency, or any interest or additional amounts assessed in connection therewith under section 292, or under section 293, or any addition to the tax in case of delinquency provided for in section 291, is not paid in full within 10 days from the date of notice and demand from the collector, there shall be collected as part of the tax interest upon the unpaid amount at the rate of 6 percent per annum from the date of such notice and demand until it is paid. If any part of a deficiency prorated to any unpaid installment under section 272 (i) is not paid in full on or before the date prescribed for the payment of such installment, there shall be collected as part of the tax interest upon the unpaid amount at the rate of 6 percent per annum from such date until it is paid.

(c) Filing of jeopardy bond: If a bond is filed, as provided in section 273, the provisions of subsection (b) of this section shall not apply to the amount covered by the bond.

SEC. 295. Time extended for payment of tax shown on return.

If the time for payment of the amount determined as the tax by the taxpayer, or any installment thereof, is extended under the authority of section 56 (c), there shall be collected as a part of such amount interest thereon at the rate of 6 percent per annum from the date when such payment should have been made if no extension had been granted until the expiration of the period of the extension.

SEC. 296. Time extended for payment of deficiency.

If the time for the payment of any part of a deficiency is extended, there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of 6 percent per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 6 percent per annum for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

SEC. 297. Interest in case of jeopardy assessments.

In the case of the amount collected under section 273 (i) there shall be collected at the same time as such amount, and as a part of the tax, interest at the rate of 6 percent per annum upon such amount from the date of the jeopardy notice and demand to the date of notice and demand under section 273 (i), or, in the case of the amount collected in excess of the amount of the jeopardy assessment, interest as provided in section 292. If the amount included in the notice and demand from the collector under section 273 (i) is not paid in full within 10 days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 6 percent per annum from the date of such notice and demand until it is paid.

SEC. 298. Bankruptcy and receiverships.

If the unpaid portion of the claim allowed in a bankruptcy or receivership proceeding, as provided in section 274, is not paid in full within 10 days from the date of notice and demand from the collector, then there shall be collected as a part of such amount interest upon the unpaid portion thereof at the rate of 6 percent per annum from the date of such notice and demand until payment.

SEC. 299. Removal of property or departure from United States.

For additions to tax in case of leaving the United States or concealing property in such manner as to hinder collection of the tax, see section 146.

SUPPLEMENT N—CLAIMS AGAINST TRANSFEREES AND FIDUCIARIES

SEC. 311. Transferred assets.

(a) Method of collection: The amounts of the following liabilities shall, except as hereinafter in this section provided, be assessed, collected, and paid in the same manner and subject to the same provisions and limitations as in the case of a deficiency in a tax imposed by this title (including the provisions in case of delinquency in payment after notice and demand, the provisions authorizing distraint and proceedings in court for collection, and the provisions prohibiting claims and suits for refunds):

(1) Transferees: The liability, at law or in equity, of a transferee of property of a taxpayer, in respect of the tax (including interest, additional amounts, and additions to the tax provided by law) imposed upon the taxpayer by this title.

(2) Fiduciaries: The liability of a fiduciary under section 3467 of the Revised Statutes in respect of the payment of any such tax from the estate of the taxpayer.

Any such liability may be either as to the amount of tax shown on the return or as to any deficiency in tax.

(b) Period of limitation: The period of limitation for assessment of any such liability of a transferee or fiduciary shall be as follows:

(1) In the case of the liability of an initial transferee of the property of the taxpayer, within 1 year after the expiration of the period of limitation for assessment against the taxpayer;

(2) In the case of the liability of a transferee of a transferee of the property of the taxpayer, within 1 year after the expiration of the period of limitation for assessment against the preceding transferee, but only if within 3 years after the expiration of the period of limitation for assessment against the taxpayer—

except that if before the expiration of the period of limitation for the assessment of the liability of the transferee, a court proceeding for the collection of the tax or liability in respect thereof has been begun against the taxpayer or last preceding transferee, respectively, then the period of limitation for assessment of the liability of the transferee shall expire 1 year after the return of execution in the court proceeding.

(3) In the case of the liability of a fiduciary, not later than 1 year after the liability arises or not later than the expiration of the period for collection of the tax in respect of which such liability arises, whichever is the later.

(4) Where before the expiration of the time prescribed in paragraphs (1), (2), or (3) for the assessment of the liability, both the Commissioner and the transferee or fiduciary have consented in writing to its assessment after such time, the liability may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

(c) Period for assessment against taxpayer: For the purposes of this section, if the taxpayer is deceased, or, in the case of a corporation, has terminated its existence, the period of limitation for assessment against the taxpayer shall be the period that would be in effect had death or termination of existence not occurred.

(d) Suspension of running of statute of limitations: The running of the statute of limitations upon the assessment of the liability of a transferee or fiduciary shall, after the mailing to the transferee or fiduciary of the notice provided for in section 272 (a), be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary (and in any event, if a proceeding in respect of the liability is placed on the docket of the Board, until the decision of the Board becomes final), and for 60 days thereafter.

(e) Address for notice of liability: In the absence of notice to the Commissioner under section 312 (b) of the existence of a fiduciary relationship, notice of liability enforceable under this section in respect of a tax imposed by this title, if mailed to the person subject to the liability at his last known address, shall be sufficient for the purposes of this title even if such person is deceased, or is under a legal disability, or, in the case of a corporation, has terminated its existence.

(f) Definition of "transferee": As used in this section, the term "transferee" includes heir, legatee, devisee, and distributee.

SEC. 312. Notice of fiduciary relationship.

(a) Fiduciary of taxpayer: Upon notice to the Commissioner that any person is acting in a fiduciary capacity such fiduciary shall assume the powers, rights, duties, and privileges of the taxpayer in respect of a tax imposed by this title (except as otherwise specifically provided and except that the tax shall be collected from the estate of the taxpayer), until notice is given that the fiduciary capacity has terminated.

(b) Fiduciary of transferee: Upon notice to the Commissioner that any person is acting in a fiduciary capacity for a person subject to the liability specified in section 311, the fiduciary shall assume, on behalf of such person, the powers, rights, duties, and privileges of such person under such section (except that the liability shall be collected from the estate of such person), until notice is given that the fiduciary capacity has terminated.

(c) Manner of notice: Notice under subsections (a) or (b) shall be given in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

SUPPLEMENT O—OVERPAYMENTS

SEC. 321. Overpayment of installment.

If the taxpayer has paid as an installment of the tax more than the amount determined to be the correct amount of such installment, the overpayment shall be credited against the unpaid installments, if any. If the amount already paid, whether or not on the basis of installments, exceeds the amount determined to be the correct amount of the tax, the overpayment shall be credited or refunded as provided in section 322.

SEC. 322. Refunds and credits.

(a) Authorization: Where there has been an overpayment of any tax imposed by this title, the amount of such overpayment shall be credited against any income, war-profits, or excess-profits tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer.

(b) Limitation on allowance:

(1) Period of limitation: Unless a claim for credit or refund is filed by the taxpayer within 3 years from the time the return was filed by the taxpayer or within 2 years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed by the taxpayer, then no credit or refund shall be allowed or made after 2 years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

(2) Limit on amount of credit or refund: The amount of the credit or refund shall not exceed the portion of the tax paid during the 3 years immediately preceding the filing of the claim, or, if no claim was filed, then during the 3 years immediately preceding the allowance of the credit or refund.

(c) Effect of petition to Board: If the Commissioner has mailed to the taxpayer a notice of deficiency under section 272 (a), and if the taxpayer files a petition with the Board of Tax Appeals within the time prescribed in such subsection, no credit or refund in respect of the tax for the taxable year in respect of which the Commissioner has determined the deficiency shall be allowed or made and no suit by the taxpayer for the recovery of any part of such tax shall be instituted in any court, except—

(1) As to overpayments determined by a decision of the Board which has become final; and

(2) As to any amount collected in excess of an amount computed in accordance with the decision of the Board which has become final; and

(3) As to any amount collected after the period of limitation upon the beginning of distraint or a proceeding in court for collection has expired; but in any such claim for credit or refund or in any such suit for refund the decision of the Board which has become final, as to whether such period has expired before the notice of deficiency was mailed, shall be conclusive.

(d) Overpayment found by Board: If the Board finds that there is no deficiency and further finds that the taxpayer has made an overpayment of tax in respect of the taxable year in respect of which the Commissioner determined the deficiency the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited or refunded to the taxpayer. No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that such portion was paid (1) within 3 years before the filing of the claim or the filing of the petition, whichever is earlier, or (2) after the mailing of the notice of deficiency.

(e) Tax withheld at source: For refund or credit in case of excessive withholding at the source, see section 143 (f).

SUPPLEMENT P—FOREIGN PERSONAL HOLDING COMPANIES

SEC. 331. Definition of foreign personal holding company.

(a) General rule: For the purposes of this title, the term "foreign personal holding company" means any foreign corporation if—

(1) Gross income requirement: At least 60 percent of its gross income (as defined in sec. 334 (a)) for the taxable year is foreign personal holding-company income as defined in section 332; but if the corporation is a foreign personal holding company with respect to any taxable year ending after August 26, 1937, then, for each subsequent taxable year, the minimum percentage shall be 50 percent in lieu of 60 percent, until a taxable year during the whole of which the stock ownership required by paragraph (2) does not exist, or until the expiration of 3 consecutive taxable years in each of which less than 50 percent of the gross income is foreign personal holding-company income. For the purposes of this paragraph, there shall be included in the gross income the amount includible therein as a dividend by reason of the application of section 334 (c) (2); and

(2) Stock ownership requirement: At any time during the taxable year more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by or for not more than five individuals who are citizens or residents of the United States, hereinafter called "United States group."

(b) Exceptions: The term "foreign personal holding company" does not include a corporation exempt from taxation under section 101.

SEC. 332. Foreign personal holding-company income.

For the purposes of this title, the term "foreign personal holding-company income" means the portion of the gross income determined for the purposes of section 331 (a) (1), which consists of:

(a) Dividends, interest, royalties, annuities.

(b) Stock and securities transactions: Except in the case of regular dealers in stock or securities, gains from the sale or exchange of stock or securities.

(c) Commodities transactions: Gains from futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange. This subsection shall not apply to gains by a producer, processor, merchant, or handler of the commodity which arise out of bona fide hedging transactions reasonably necessary to the conduct of its business in the manner in which such business is customarily and usually conducted by others.

(d) Estates and trusts: Amounts includible in computing the net income of the corporation under Supplement E; and gains from the sale or other disposition of any interest in an estate or trust.

(e) Personal service contracts: (1) Amounts received under a contract under which the corporation is to furnish personal services; if some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or if the individual who is to perform the services is designated (by name or by description) in the contract; and (2) amounts received from the sale or other disposition of such a contract. This subsection shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to

perform, or may be designated (by name or by description) as the one to perform, such services.

(f) Use of corporation property by shareholder: Amounts received as compensation (however designated and from whomsoever received) for the use of, or right to use, property of the corporation in any case where, at any time during the taxable year, 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for an individual entitled to the use of the property; whether such right is obtained directly from the corporation or by means of a sublease or other arrangement.

(g) Rents: Rents, unless constituting 50 percent or more of the gross income. For the purposes of this subsection the term "rents" means compensation, however designated, for the use of, or right to use, property; but does not include amounts constituting foreign personal holding company income under subsection (f).

SEC. 333. Stock ownership.

(a) Constructive ownership: For the purpose of determining whether a foreign corporation is a foreign personal company, insofar as such determination is based on stock ownership under section 331 (a) (2), section 332 (e), or section 332 (f)—

(1) Stock not owned by individual: Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

(2) Family and partnership ownership: An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family or by or for his partner. For the purposes of this paragraph the family of an individual includes only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

(3) Options: If any person has an option to acquire stock, such stock shall be considered as owned by such person. For the purposes of this paragraph an option to acquire such an option, and each one of a series of such options, shall be considered as an option to acquire such stock.

(4) Application of family-partnership and option rules: Paragraphs (2) and (3) shall be applied—

(A) For the purposes of the stock ownership requirement provided in section 331 (a) (2), if, but only if, the effect is to make the corporation a foreign personal holding company;

(B) For the purposes of section 332 (e) (relating to personal service contracts), or of section 332 (f) (relating to the use of property by shareholders), if, but only if, the effect is to make the amounts therein referred to includible under such subsection as foreign personal holding company income.

(5) Constructive ownership as actual ownership: Stock constructively owned by a person by reason of the application of paragraph (1) or (3) shall, for the purpose of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by an individual by reason of the application of paragraph (2) shall not be treated as owned by him for the purpose of again applying such paragraph in order to make another the constructive owner of such stock.

(6) Option rule in lieu of family and partnership rule: If stock may be considered as owned by an individual under either paragraph (2) or (3) it shall be considered as owned by him under paragraph (3).

(b) Convertible securities: Outstanding securities convertible into stock (whether or not convertible during the taxable year) shall be considered as outstanding stock—

(1) For the purpose of the stock ownership requirement provided in section 331 (a) (2), but only if the effect of the inclusion of all such securities is to make the corporation a foreign personal holding company;

(2) For the purpose of section 332 (e) (relating to personal service contracts), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such subsection as foreign personal holding-company income; and

(3) For the purpose of section 332 (f) (relating to the use of property by shareholders), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such subsection as foreign personal holding company income.

The requirement in paragraphs (1), (2), and (3) that all convertible securities must be included if any are to be included shall be subject to the exception that, where some of the outstanding securities are convertible only after a later date than in the case of others, the class having the earlier conversion date may be included although the others are not included, but no convertible securities shall be included unless all outstanding securities having a prior conversion date are also included.

SEC. 334. Gross income of foreign personal holding companies.

(a) General rule: As used in this supplement with respect to a foreign corporation the term "gross income" means gross income computed (without regard to the provisions of Supplement I) as if the foreign corporation were a domestic corporation.

(b) Additions to gross income: In the case of a foreign personal holding company (whether or not a United States group, as defined in section 331 (a) (2), existed with respect to such company on the last day of its taxable year) which was a shareholder in another foreign personal holding company on the day in the taxable year of the second company which was the last day on which a United States group existed with respect to the second company, there shall be included, as a dividend, in the gross income of the first company, for the taxable year in which or with which the taxable year of the second company ends, the amount the first company would have received as a dividend if on such last day there had been distributed by the second company, and received by the shareholders, an amount which bears the same ratio to the undistributed Supplement P net income of the second company for its taxable year as the portion of such taxable year up to and including such last day bears to the entire taxable year.

(c) Application of subsection (b): The rule provided in subsection (b)—

(1) shall be applied in the case of a foreign personal holding company for the purpose of determining its undistributed Supplement P net income which, or a part of which, is to be included in the gross income of its shareholders, whether United States shareholders or other foreign personal holding companies;

(2) shall be applied in the case of every foreign corporation with respect to which a United States group exists on some day of its taxable year, for the purpose of determining whether such corporation meets the gross income requirements of section 331 (a) (1).

SEC. 335. Undistributed Supplement P net income.

For the purposes of this title the term "undistributed Supplement P net income" means the Supplement P net income (as defined in section 336) minus the amount of the basic surtax credit provided in section 27 (b) (computed without its reduction, under section 27 (b) (1), by the amount of the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations).

SEC. 336. Supplement P net income.

For the purposes of this title the term "Supplement P net income" means the net income with the following adjustments:

(a) Additional deductions: There shall be allowed as deductions—

(1) Federal income, war-profits, and excess-profits taxes paid or accrued during the taxable year to the extent not allowed as a deduction under section 23; but not including the tax imposed by section 102, section 401, or a section of a prior income-tax law corresponding to either of such sections.

(2) In lieu of the deduction allowed by section 23 (q), contributions or gifts payment of which is made within the taxable year to or for the use of donees described in section 23 (q) for the purposes therein specified, to an amount which does not exceed 15 percent of the company's net income, computed without the benefit of this paragraph and section 23 (q), and without the deduction of the amount disallowed under subsection (b) of this section, and without the inclusion in gross income of the amounts includible therein as dividends by reason of the application of the provisions of section 334 (b) (relating to the inclusion in the gross income of a foreign personal holding company of its distributive share of the undistributed Supplement P net income of another foreign personal holding company in which it is a shareholder). In the case of a contribution or gift made in property other than money, the amount of such contribution or gift, for the purposes of this paragraph, shall be equal to the adjusted basis of the property in the hands of the taxpayer or its fair market value, whichever is the lower.

(b) Deductions not allowed—

(1) Taxes and pension trusts: The deductions provided in section 23 (d), relating to taxes of a shareholder paid by the corporation, and in section 23 (p), relating to pension trusts, shall not be allowed.

(2) Expenses and depreciation: The aggregate of the deductions allowed under section 23 (a), relating to expenses, and section 23 (l), relating to depreciation, which are allocable to the operation and maintenance of property owned or operated by the company, shall be allowed only in an amount equal to the rent or other compensation received for the use or right to use the property, unless it is established (under regulations prescribed by the Commissioner with the approval of the Secretary) to the satisfaction of the Commissioner:

(A) That the rent or other compensation received was the highest obtainable, or, if none was received, that none was obtainable;

(B) That the property was held in the course of a business carried on bona fide for profit; and

(C) Either that there was reasonable expectation that the operation of the property would result in a profit, or that the property was necessary to the conduct of the business.

SEC. 337. Corporation income taxed to United States shareholders.

(a) General rule: The undistributed Supplement P net income of a foreign personal holding company shall be included in the gross income of the citizens or residents of the United States, domestic corporations, domestic partnerships, and estates or trusts (other than estates or trusts, the gross income of which under this title includes only income from sources within the United States), who are shareholders in such foreign personal holding company (hereinafter called "United States shareholders") in the manner and to the extent set forth in this supplement.

(b) Amount included in gross income: Each United States shareholder, who was a shareholder on the day in the taxable year of the company which was the last day on which a United States group (as defined in sec. 331 (a) (2)) existed with respect to the company, shall include in his gross income, as a dividend, for the taxable year in which or with which the taxable year of the company ends, the amount he would have received as a dividend if on such last day there had been distributed by the company, and received by the

shareholders, an amount which bears the same ratio to the undistributed Supplement P net income of the company for the taxable year as the portion of such taxable year up to and including such last day bears to the entire taxable year.

(c) Credit for obligations of United States and its instrumentalities: Each United States shareholder shall be allowed a credit against net income, for the purpose of the tax imposed by sections 11, 13, 14, 201, 204, 207, or 362, of his proportionate share of the interest specified in section 25 (a) (1) or (2) which is included in the gross income of the company otherwise than by the application of the provisions of section 334 (b) (relating to the inclusion in the gross income of a foreign personal holding company of its distributive share of the undistributed Supplement P net income of another foreign personal holding company in which it is a shareholder).

(d) Information in return: Every United States shareholder who is required under subsection (b) to include in his gross income any amount with respect to the undistributed Supplement P net income of a foreign personal holding company and who, on the last day on which a United States group existed with respect to the company, owned 5 percent or more in value of the outstanding stock of such company, shall set forth in his return in complete detail the gross income, deductions and credits, net income, Supplement P net income, and undistributed Supplement P net income of such company.

(e) Effect on capital account of foreign personal holding company: An amount which bears the same ratio to the undistributed Supplement P net income of the foreign personal holding company for its taxable year as the portion of such taxable year up to and including the last day on which a United States group existed with respect to the company bears to the entire taxable year, shall, for the purpose of determining the effect of distributions in subsequent taxable years by the corporation, be considered as paid-in surplus or as a contribution to capital and the accumulated earnings and profits as of the close of the taxable year shall be correspondingly reduced, if such amount or any portion thereof is required to be included as a dividend, directly or indirectly, in the gross income of United States shareholders.

(f) Basis of stock in hands of shareholders: The amount required to be included in the gross income of a United States shareholder under subsection (b) shall, for the purpose of adjusting the basis of his stock with respect to which the distribution would have been made (if it had been made), be treated as having been reinvested by the shareholder as a contribution to the capital of the corporation; but only to the extent to which such amount is included in his gross income in his return, increased or decreased by any adjustment of such amount in the last determination of the shareholder's tax liability, made before the expiration of 7 years after the date prescribed by law for filing the return.

(g) Basis of stock in case or death: For basis of stock or securities in a foreign personal holding company acquired from a decedent, see section 113 (a) (5).

(h) Liquidation: For amount of gain taken into account on liquidation of foreign personal holding company see section 115 (c).

(i) Period of limitation on assessment and collection: For period of limitation on assessment and collection without assessment in case of failure to include in gross income the amount properly includible therein under subsection (b), see section 275 (d).

SEC. 338. Information returns by officers and directors.

(a) Monthly returns: On the fifteenth day of each month which begins after the date of the enactment of this act each individual who on such day is an officer or a director of a foreign corporation which, with respect to its taxable year (if not beginning before August 26, 1936) preceding the taxable year (whether beginning on, before, or after January 1, 1938) in which such month occurs, was a foreign personal holding company, shall file with the Commissioner a return setting forth with respect to the preceding calendar month the name and address of each shareholder, the class and number of shares held by each, together with any changes in stockholdings during such period, the name and address of any holder of securities convertible into stock of such corporation, and such other information with respect to the stock and securities of the corporation as the Commissioner with the approval of the Secretary shall by regulations prescribe as necessary for carrying out the provisions of this act. The Commissioner, with the approval of the Secretary, may by regulations prescribe, as the period with respect to which returns shall be filed, a longer period than a month. In such case the return shall be due on the fifteenth day of the succeeding period, and shall be filed by the individuals who on such day are officers and directors of the corporation.

(b) Annual returns: On the sixtieth day after the close of the taxable year of a foreign personal holding company each individual who on such sixtieth day is an officer or director of the corporation shall file with the Commissioner a return setting forth—

(1) In complete detail the gross income, deductions, and credits, net income, supplement P net income, and undistributed supplement P net income of such foreign personal holding company for such taxable year; and

(2) The same information with respect to such taxable year as is required in subsection (a); except that if all the required returns with respect to such year have been filed under subsection (a) no information under this paragraph need be set forth in the return filed under this subsection.

SEC. 339. Information returns by shareholders.

(a) Monthly returns: On the fifteenth day of each month which begins after the date of the enactment of this act each United States shareholder, by or for whom 50 percent or more in value of the outstanding stock of a foreign corporation is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family as defined in section 333 (a) (2)), if such foreign corporation with respect to its taxable year (if not beginning before August 26, 1936) preceding the taxable year (whether beginning on, before, or after January 1, 1938) in which such month occurs was a foreign personal holding company, shall file with the Commissioner a return setting forth with respect to the preceding calendar month the name and address of each shareholder, the class and number of shares held by each, together with any changes in stockholdings during such period, the name and address of any holder of securities convertible into stock of such corporation, and such other information with respect to the stock and securities of the corporation as the Commissioner with the approval of the Secretary shall by regulations prescribe as necessary for carrying out the provisions of this act. The Commissioner, with the approval of the Secretary, may by regulations prescribe, as the period with respect to which returns shall be filed, a longer period than a month. In such case the return shall be due on the fifteenth day of the succeeding period, and shall be filed by the persons who on such day are United States shareholders.

(b) Annual returns: On the sixtieth day after the close of the taxable year of a foreign personal holding company each United States shareholder by or for whom on such sixtieth day 50 percent or more in value of the outstanding stock of such company is owned directly or indirectly (including in the case of an individual, stock owned by members of his family as defined in sec. 333 (a) (2)), shall file with the Commissioner a return setting forth the same information with respect to such taxable year as is required in subsection (a); except that if all the required returns with respect to such year have been filed under subsection (a) no return shall be required under this subsection.

SEC. 340. Penalties.

Any person required under section 338 or 339 to file a return, or to supply any information, who willfully fails to file such return, or supply such information, at the time or times required by law or regulations, shall, in lieu of the penalties provided in section 145 (a) for such offense, be guilty of a misdemeanor and, upon conviction thereof, be fined not more than $2,000, or imprisoned for not more than 1 year, or both.

SUPPLEMENT Q—MUTUAL INVESTMENT COMPANIES

SEC. 361. Definition.

(a) In general: For the purposes of this title the term "mutual investment company" means any domestic corporation (whether chartered or created as an investment trust, or otherwise), other than a personal holding company as defined in title I–A, if—

(1) It is organized for the purpose of, and substantially all its business consists of, holding, investing, or reinvesting in stock or securities; and

(2) At least 95 percent of its gross income is derived from dividends, interest, and gains from sales or other disposition of stock or securities; and

(3) Less than 30 percent of its gross income is derived from the sale or other disposition of stock or securities held for less than 6 months; and

(4) An amount not less than 90 percent of its net income is distributed to its shareholders as taxable dividends during the taxable year; and

(5) Its shareholders are upon reasonable notice entitled to redemption of their stock for their proportionate interests in the corporation's properties, or the cash equivalent thereof less a discount not in excess of 3 percent thereof.

(b) Limitations: Despite the provisions of paragraph (1) a corporation shall not be considered as a mutual investment company if at any time during the taxable year—

(1) More than 5 percent of the gross assets of the corporaton, taken at cost, was invested in stock or securities, or both, of any one corporation, government, or political subdivision thereof, but this limitation shall not apply to investments in obligations of the United States or in obligations of any corporation organized under general act of Congress if such corporation is an instrumentality of the United States; or

(2) It owned more than 10 percent of the outstanding stock or securities, or both, of any one corporation; or

(3) It had any outstanding bonds or indebtedness in excess of 10 percent of its gross assets taken at cost; or

(4) It fails to comply with any rule or regulation prescribed by the Commissioner, with the approval of the Secretary, for the purpose of ascertaining the actual ownership of its outstanding stock.

SEC. 362. Tax on mutual investment companies.

(a) Supplement Q net income: For the purposes of this title the term "Supplement Q net income" means the adjusted net income minus the basic surtax credit computed under section 27 (b) without the application of paragraphs (2) and (3).

(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the Supplement Q net income of every mutual investment company a tax equal to 16 percent of the amount thereof.

The CHAIRMAN. Amendments to title I are now in order. The Chair will endeavor to protect the rights of Members and give every Member an opportunity to present his amend-

ment and be heard, but under the parliamentary rules members of the committee are entitled to prior recognition.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I do this for the purpose of trying to assist the committee in the consideration of one part of this bill to which I shall offer an amendment, title I–B. The main features of title I–B come on page 275. Nevertheless, references to title I–B are contained in various parts of the bill starting on page 14. Most of them are cross references. It seems to me, therefore, that we should wait until we reach page 275 to offer amendments to title I–B rather than to have these various motions made throughout the bill; although, as I say, a number of references throughout title I are made to I–B, but they are cross references.

Mr. DOUGHTON. I will have no objection to that.

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. FULLER. If title I–B were stricken out according to the gentleman's contention, then, for consistency we would have to amend previous references.

Mr. McCORMACK. Exactly.

Mr. FULLER. I have no objection.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that it be understood that when title I–B is reached Members shall have the right, if the committee takes any action which requires it, to return to these various cross references in title I.

Mr. TREADWAY. Mr. Chairman, reserving the right to object, I do not want to confuse title I–B with an amendment I intend to offer on the undistributed-profits tax.

Mr. McCORMACK. That is the 20–16 plan is it not?

Mr. TREADWAY. Yes. I do not see why we should jump to page 275 when we are only going to page 263 in the first title.

Mr. McCORMACK. We are not; but in the first 263 pages of the bill are several cross references to title I–B; so my request is that before amendments are offered affecting title I–B or references to title I–B, that they wait until I offer my motion to strike out that section and then if my motion prevails, that the Members may have the right to return to these various cross references for the purpose of changing them.

Mr. TREADWAY. I agree with the gentleman that we do not want to refer to title I–B until it is reached in the natural course of reading the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. REED of New York. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. REED of New York: After line 13, page 145, insert the following new section:

"SEC. 122. Deduction for charitable and other contributions in the case of trusts taxable to the grantor.

"(a) Allowance of deduction: If any part of the income of any trust is required to be included in computing the net income of the grantor for the taxable year, there shall be allowed, as a deduction in computing such net income, contributions or gifts made during the taxable year out of the corpus or income of such trust, to or for the use of a domestic corporation, domestic trust, or domestic community chest fund, or foundation, organized, and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual. This deduction shall be allowed without regard to the 15-percent limit imposed by section 23 (o), but the amount of such deduction shall not exceed (1) the amount of the income from such trust which the grantor is required to include in computing his net income for the taxable year or (2) the sum of $20,000, whichever is the lesser. In computing the net income of the grantor for the purpose of the 15-percent limit imposed by section 23 (o), such trust income shall not be included.

"(b) Effective date: The provisions of subsection (a) shall apply to taxable years beginning after December 31, 1937."

Mr. REED of New York. Mr. Chairman, there appeared before our committee—Ways and Means—Dr. William P. Jacobs, president, Presbyterian College, Clinton, S. C., representing the Association of American Colleges. He came to transmit a resolution adopted by the association in their annual session held in Chicago January 20, 1938. The resolution follows:

In annual meeting, January 20, 1938, it was voted:

In view of consideration by the present Congress of amendments to the tax law, the Association of American Colleges, comprising 528 member institutions, respectfully urges amendment of the Revenue Act of 1936 to encourage larger philanthropies for education and charity.

The association believes that the downward trend in gifts to the endowments of privately controlled educational institutions creates an alarming emergency. The decrease has been more than 50 percent in the past 10 years (from $70,000,000 in 1925–26 to $33,000,000 in 1935–36); furthermore it seems clear to us that the cumulative effects of the present tax law will create an even more alarming situation.

The association urges the elimination from taxation of gifts from individuals, in excess of the present 15-percent exemption (with reasonable limitations); and the interpretation of income from donations to revocable trusts for education and charity, as the income of the trust and not of the donor.

The executive committee authorizes and requests President William P. Jacobs, of Presbyterian College, to transmit this resolution to the appropriate committee of Congress.

President Jacobs informed the committee that the Association of American Colleges include 528 institutions, which comprise most of the colleges of liberal arts and sciences of every State in the United States.

I have tabulated roughly by States the number of colleges in each State, which have joined in an appeal to the Congress for relief under this revenue bill:

Alabama	13
Arizona	1
Arkansas	4
California	20
Colorado	2
Connecticut	7
District of Columbia	5
Florida	6
Georgia	17
Idaho	2
Illinois	27
Indiana	14
Iowa	16
Kansas	13
Kentucky	9
Louisiana	8
Maine	4
Maryland	12
Massachusetts	19
Michigan	15
Minnesota	13
Mississippi	7
Missouri	13
Montana	1
Nebraska	6
New Hampshire	3
New Jersey	9
New Mexico	1
New York	46
North Carolina	14
North Dakota	1
Ohio	36
Oklahoma	7
Oregon	5
Pennsylvania	46
Rhode Island	3
South Carolina	12
South Dakota	3
Tennessee	15
Texas	22
Utah	2
Vermont	4
Virginia	19
Washington	5
West Virginia	7
Wisconsin	8

I insert in the RECORD the names of the colleges by States which have petitioned the Congress to amend the revenue law in the particular indicated to permit the flow of philanthropic contributions to them.

An amendment has been prepared by the joint committee to accomplish this purpose, with a limitation that will protect the Treasury from any material loss of revenue from the use of revocable trusts.

The amendment is as follows:

PROPOSED AMENDMENT

The Revenue Act of 1936 is amended by adding after section 121 a new section, reading as follows:

"SEC. 22. Deduction for charitable and other contributions in the case of trusts taxable to the grantor.

"(a) Allowance of deduction: If any part of the income of any trust is required to be included in computing the net income of the grantor for the taxable year, there shall be allowed, as a deduction in computing such net income, contributions, or gifts made during the taxable year out of the corpus or income of such trust, to or for the use of a domestic corporation, domestic trust, or domestic community chest fund, or foundation, organized, and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual. This deduction shall be allowed without regard to the 15-percent limit imposed by section 23 (o), but the amount of such deduction shall not exceed (1) the amount of the income from such trust which the grantor is required to include in computing his net income for the taxable year or (2) the sum of $20,000, whichever is the lesser. In computing the net income of the grantor for the purpose of the 15-percent limit imposed by section 23 (o), such trust income shall not be included.

"(b) Effective date: The provisions of subsection (a) shall apply to taxable years beginning after December 31, 1937."

The facts show that private gifts to endowments of privately controlled institutions have dropped from $70,119,672, during the past few years to $33,538,827. The cost of operation has increased. Unless private gifts are forthcoming, many worthy educational institutions will have to close. I am informed that some have already done so.

The colleges that have presented the resolution to Congress are not tax-supported. Tuition is hardly a factor in defraying the cost of operation. They must depend, therefore, upon philanthropic sources for their support, in fact the continued existence of many of them is contingent upon substantial gifts.

A revenue bill that discourages contributions to our private colleges is not in the interest of the public welfare.

I dare say that there comes to mind another occasion when the life of a small college was at stake. If the same advocate were living and privileged to speak for the little New Hampshire college, he would marshal his facts with consummate skill, and then conclude as he did then:

DARTMOUTH COLLEGE CASE

This, sir, is my case. It is the case not merely of that humble institution; it is the case of every college in our land. It is more; it is the case of every eleemosynary institution throughout our country—of all those great charities founded by the piety of our ancestors to alleviate human misery and scatter blessings along the pathway of life. Sir, you may destroy this little institution—it is weak, it is in your hands. I know it is one of the lesser lights in the literary horizon of our country. You may put it out. But if you do you must carry through your work; you must extinguish, one after another, all those great lights of science which, for more than a century, have thrown their radiance over our land.

It is, sir, as I have said, a small college, and yet, there are those who love it.

Sir, I know not how others may feel, but as for myself when I see my alma mater surrounded, like Caesar in the senate house, by those who are reiterating stab after stab, I would not for this right hand have her turn to me and say, "And thou, too, my son."

MEMBERS OF THE ASSOCIATION OF AMERICAN COLLEGES

OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE FOR YEAR ENDING JANUARY 1938

Office of the Executive Secretary, 19 West Forty-fourth Street, New York, N. Y.

President, James L. McConaughy, president of Wesleyan University.

Vice President, John L. Seaton, president of Albion College.

Treasurer, LeRoy E. Kimball, comptroller of New York University.

Executive secretary, Robert L. Kelly. Guy E. Snavely, June and thereafter.

Remsen D. Bird, president of Occidental College.

Mildred H. McAfee, president of Wellesley College.

Edward V. Stanford, president of Villanova College.

Raymond Walters, president of the University of Cincinnati.

By order of the association, in the case of universities the unit of membership is the university college of liberal arts. Unless otherwise indicated the name of the president or the chancelor is given in the column headed executive officer.

	Executive officer
ALABAMA	
Alabama College, Montevallo	A. F. Harman
Alabama Polytechnic Institute, Auburn	L. N. Duncan
Birmingham-Southern College, Birmingham	Guy E. Snavely
Howard College, Birmingham	T. V. Neal
Huntingdon College, Montgomery	W. D. Agnew
Judson College, Marion	L. G. Cleverdon
Spring Hill College, Spring Hill	John J. Druhan
Talladega College, Talladega	B. G. Gallagher
Tuskegee Normal and Industrial Institute, Tuskegee Institute,	Frederick D. Patterson
University of Alabama	Richard C. Foster
ARIZONA	
University of Arizona, Tucson	Alfred Atkinson
ARKANSAS	
Arkansas State College, Jonesboro	V. C. Kays
College of the Ozarks, Clarksville	Wiley Lin Hurie
Hendrix College, Conway	J. H. Reynolds
Ouachita College, Arkadelphia	James R. Grant
CALIFORNIA	
Claremont Colleges, Claremont	Russell M. Story
Pomona College, Claremont	Charles K. Edmunds
Scripps College, Claremont	E. J. Jaqua
College of the Holy Names, Oakland	Sister Mary Austin, dean
College of the Pacific, Stockton	Tully C. Knoles
Dominican College, San Rafael	Mother M. Raymond
Immaculate Heart College, Hollywood	Sister Mary Redempta
La Verne College, La Verne	Ellis M. Studebaker
Loyola University, Los Angeles	Rev. Charles McQuillan
Mills College, Mills College	Aurelia H. Reinhardt
Mount St. Mary's College, Los Angeles	Mother Dolorosa
Occidental College, Los Angeles	Remsen duBois Bird
St. Mary's College, Oakland	Brother Albert
San Francisco College for Women, San Francisco	Mother M. Guerin
Stanford University, Stanford University	Ray Lyman Wilbur
University of Redlands, Redlands	Herbert E. Marsh, acting
University of San Francisco, San Francisco	W. I. Lonergan
University of Southern California, Los Angeles,	R. B. von KleinSmid
Whittier College, Whittier	W. O. Mendenhall
COLORADO	
Colorado College, Colorado Springs	Thurston J. Davies
University of Denver, Denver	David S. Duncan
CONNECTICUT	
Albertus Magnus College, New Haven	Sister M. Anacletus
Connecticut College for Women, New London	Katharine Blunt
Trinity College, Hartford	Remsen B. Ogilby
Wesleyan University, Middletown	James L. McConaughy
Connecticut State College	Albert M. Jorgensen
St. Joseph College	Rev. Mother Maria Francis
Yale	Charles Seymour
DELAWARE	
University of Delaware, Newark	Walter Hullihen
DISTRICT OF COLUMBIA	
The American University, Washington	Joseph M. M. Gray
The Catholic University of America, Washington,	Joseph M. Corrigan
George Washington University, Washington	C. H. Marvin
Georgetown University, Washington	Arthur A. O'Leary
Howard University, Washington	Mordecai W. Johnson
FLORIDA	
Florida Agricultural and Mechanical College, Tallahassee,	J. R. E. Lee
Florida-Southern College, Lakeland	Ludd M. Spivey
Florida State College for Women, Tallahassee	Edward Conradi
John B. Stetson University, De Land	W. S. Allen
Rollins College, Winter Park	Hamilton Holt
University of Florida, Gainesville	John J. Tigert
GEORGIA	
Agnes Scott College, Decatur	James R. McCain
Berry College, Mount Berry	G. Leland Green
Bessie Tift College, Forsyth	Aquila Chamlee
Brenau College, Gainesville	H. J. Pearce
Clark University, Atlanta	M. S. Davage
Emory University, Emory University	Harvey W. Cox
Georgia State College for Women, Milledgeville	Guy H. Wells
Georgia State Women's College, Valdosta	Frank R. Reade
Mercer University, Macon	Spright Dowell
Morehouse College, Atlanta	Samuel H. Archer
Morris Brown College, Atlanta	William A. Fountain, Jr.
Paine College, Augusta	E. C. Peters
Piedmont College, Demorest	George C. Bellingrath
Shorter College, Rome	Paul M. Cousins
Spelman College, Atlanta	Florence M. Read
University of Georgia, Athens	Harmon W. Caldwell
Wesleyan College, Macon	Dice R. Anderson

IDAHO

	Executive officer
College of Idaho, Caldwell	Raymond H. Leach
Northwest Nogarene College, Nampa	Russell V. DeLong

ILLINOIS

Augustana College, Rock Island	Conrad Bergendoff
Aurora College, Aurora	Theodore Pierson Stephens
Bradley Polytechnic Institute, Peoria	F. R. Hamilton
Carthage College, Carthage	Rudolph G. Schulz, Jr.
DePaul University, Chicago	Michael J. O'Connell
Elmhurst College, Elmhurst	Timothy Lehmann
Eureka College, Eureka	Raymond McLain
George Williams College, Chicago	Harold C. Coffman
Greenville College, Greenville	Henry J. Long
Illinois College, Jacksonville	Dr. H. Gary Hudson
Illinois Wesleyan University, Bloomington	Wiley G. Brooks
James Millikin University, Decatur	John C. Hessler
Knox College, Galesburg	Carter Davidson
Lake Forest College, Lake Forest	Herbert M. Moore
Loyola University, Chicago	Samuel K. Wilson
McKendree College, Lebanon	Clark R. Yost
MacMurray College, Jacksonville	Clarence P. McClelland
Monmouth College, Monmouth	J. H. Grier
North Central College, Naperville	E. E. Rall
Northwestern University, Evanston	Walter Dill Scott
Rockford College, Rockford	Mary Ashby Cheek
Rosary College, River Forest	Sister Mary Thomas Aquinas
St. Xavier College for Women, Chicago	Sister Mary Genevieve Crane
Shurtleff College, Alton	Paul L. Thompson
University of Chicago, Chicago	A. J. Brumbaugh, acting dean
University of Illinois, Urbana	M. T. McClure, dean
Wheaton College, Wheaton	James O. Buswell, Jr.

INDIANA

Butler University, Indianapolis	James W. Putnam
DePauw University, Greencastle	Clyde E. Wildman
Earlham College, Richmond	William C. Dennis
Evansville College, Evansville	F. Marion Smith
Franklin College, Franklin	Wm. G. Spencer
Goshen College, Goshen	S. C. Yoder
Hanover College, Hanover	Albert G. Parker, Jr.
Indiana Central College, Indianapolis	I. J. Good
Indiana University, Bloomington	Herman B. Wells, acting
Manchester College, North Manchester	Otho Winger
Rose Polytechnic Institute, Terre Haute	Donald B. Prentice
St. Mary's College, Notre Dame	Sister M. Madeleva
St. Mary-of-the-Woods College, St. Mary-of-the-Woods,	Mother Mary Raphael
University of Notre Dame, Notre Dame	John F. O'Hara

IOWA

Luther College, Decorah	———
Central College, Pella	Irwin J. Lubbers
Clarke College, Dubuque	Sister Mary Antonia Durkin
Coe College, Cedar Rapids	Harry M. Gage
Columbia College, Dubuque	Thomas Conry
Cornell College, Mt. Vernon	Herbert J. Burgstahler
Drake University, Des Moines	Daniel W. Morehouse
Grinnell College, Grinnell	John S. Nollen
Iowa Wesleyan College, Mt. Pleasant	Harry D. Henry
Morningside College, Sioux City	Earl A. Roadman
Parsons College, Fairfield	Clarence W. Greene
Simpson College, Indianola	Earl E. Harper
St. Ambrose College, Davenport	Martin Cone
State University of Iowa, Iowa City	Eugene A. Gilmore
University of Dubuque, Dubuque	Eugene A. Gilmore
William Penn College, Oskaloosa	Henry E. McGrew

KANSAS

Baker University, Baldwin City	Nelson P. Horn
Bethel College, Bethel College	Ed G. Kaufman
College of Emporia, Emporia	John B. Kelly
Friends University, Wichita	David M. Edwards
Kansas Wesleyan University, Salina	L. B. Bowers
McPherson College, McPherson	V. F. Schwalm
Mount St. Scholastica College, Atchison	Mother Lucy Dooley
Ottawa University, Ottawa	Andrew B. Martin
St. Mary College, Leavenworth	A. M. Murphy
Southwestern College, Winfield	Frank E. Mossman
Sterling College, Sterling	H. A. Kelsey
University of Wichita, Wichita	W. M. Jardine
Washburn College, Topeka	Philip C. King

KENTUCKY

Asbury College, Wilmore	H. C. Morrison, acting
Berea College, Berea	W. J. Hutchins
Centre College, Danville	James H. Hewlett, acting
Georgetown College, Georgetown	Henry N. Sherwood
Kentucky State Industrial College, Frankfort	R. B. Atwood
Nazareth College, Louisville	Mother Mary Catherine Malone
Union College, Barbourville	John Owen Gross
University of Kentucky, Lexington	Frank L. McVey
University of Louisville, Louisville	R. A. Kent

LOUISIANA

	Executive officer
Centenary College of Louisiana, Shreveport	Pierce Cline
H. Sophie Newcomb College, New Orleans	Pierce Butler, dean
Louisiana Polytechnic Institute, Rushton	E. S. Richardson
Louisiana State University, Baton Rouge	James M. Smith
Loyola University, New Orleans	Harold A. Gaudin
Southwestern Louisiana Institute, Lafayette	L. E. Frazar
Xavier University, New Orleans	Mother M. Agatha
Dillard University	William S. Nelson

MAINE

Bates College, Lewiston	Clifton D. Gray
Bowdoin College, Brunswick	Kenneth C. M. Sills
Colby College, Waterville	Franklin W. Johnson
University of Maine, Orono	Arthur A. Hauck

MARYLAND

College of Notre Dame of Maryland, Baltimore	Sister Mary Frances
Goucher College, Baltimore	David A. Robertson
Hood College, Frederick	Henry I. Stahr
Johns Hopkins University, Baltimore	Isaiah Bowman
Loyola College, Baltimore	Joseph A. Canning
Morgan College, Baltimore	Dwight O. W. Holmes
Mount St. Mary's College, Emmitsburg	J. L. Sheridan
St. John's College, Annapolis	Stringfellow Barr
St. Joseph's College, Emmitsburg	Sister Paula Dunn
Washington College, Chestertown	Gilbert W. Mead
Western Maryland College, Westminster	Fred G. Holloway
University of Maryland	H. C. Byrd

MASSACHUSETTS

Amherst College, Amherst	Stanley King
Boston College, Chestnut Hill	Louis J. Gallagher
Boston University, Boston	Daniel L. Marsh
Clark University, Worcester	Wallace W. Atwood
Emmanuel College, Boston	Sister Julie
Harvard University, Cambridge	James B. Conant
Holy Cross College, Worcester	Francis J. Dolan
American International College (Springfield), Chester,	Stow McGown
Massachusetts State College, Amherst	Hugh P. Baker
Mount Holyoke College, South Hadley	R. G. Ham
Regis College, Weston	Sister Genevieve Marie
Simmons College, Boston	Bancroft Beatley
Smith College, Northampton	William A. Neilson
Springfield College, Springfield	Ernest M. Best
Tufts College, Tufts College	Prof. George S. Miller, acting
Wellesley College, Wellesley	Mildred H. McAfee
Wheaton College, Norton	J. Edgar Park
Williams College, Williamstown	Dr. James Phinney Baxter, III
Worcester Polytechnic Institute, Worcester	Ralph Earle

MICHIGAN

Adrian College, Adrian	Harlan L. Feeman
Albion College, Albion	John L. Seaton
Alma College, Alma	Harry Means Crooks
Battle Creek College, Battle Creek	Emil Leffler
Hillsdale College, Hillsdale	Willfred Mauck
Hope College, Holland	Wynand Wichers
Kalamazoo College, Kalamazoo	Stewart G. Cole
Marygrove College, Detroit	George Hermann Derry
Michigan State College of Agriculture and Applied Science, East Lansing	Robert S. Shaw
Nazareth College, Nazareth	Sister Mary Celestine
Olivet College, Olivet	Joseph H. Brewer
St. Joseph's College and Academy, Adrian	Mother M. Gerald
University of Detroit, Detroit	A. H. Poetker
University of Michigan, Ann Arbor	Edward H. Kraus, dean
Wayne University, Detroit	Frank Cody

MINNESOTA

Augsburg College, Minneapolis	———
Carleton College, Northfield	D. J. Cowling
College of St. Benedict, St. Joseph	Sister Claire, dean
College of St. Catherine, St. Paul	Sister Antonia McHugh
College of St. Catherine, St. Paul	Sister Eucharista, president
College of St. Scholastica, Duluth	Mother M. Agnes Somers
College of St. Teresa, Winona	Sister Mary A. Molloy
College of St. Thomas, St. Paul	James H. Moynihan
Concordia College, Moorhead	J. N. Brown
Gustavus Adolphus College, St. Peter	O. J. Johnson
Hamline University, St. Paul	Charles N. Pace
Macalester College, St. Paul	———
St. Olaf College, Northfield	L. W. Boe
University of Minnesota, Minneapolis	J. B. Johnston, dean

MISSISSIPPI

Blue Mountain College, Blue Mountain	Lawrence T. Lowrey
Millsaps College, Jackson	David M. Key
Mississippi State College	G. D. Humphrey
Belhaven	G. T. Gillespie
Mississippi College, Clinton	D. M. Nelson
Mississippi State College for Women, Columbus	B. L. Parkinson
University of Mississippi, University	A. B. Butts

MISSOURI

	Executive officer
Central College, Fayette	Robert H. Ruff
Culver-Stockton College, Canton	W. H. McDonald
Drury College, Springfield	T. W. Nadal
Fontbonne College, St. Louis	Mother Joseph Aloysius
Lindenwood College, St. Charles	John L. Roemer
Maryville College, St. Louis	Mother Odeide Marton
Missouri Valley College, Marshall	George H. Mack
Park College, Parkville	W. L. Young
St. Louis University, St. Louis	Harry B. Crimmins
University of Missouri, Columbia	F. M. Tisdel, dean
Washington University, St. Louis	George R. Throop
Webster College, Webster Groves	G. F. Donovan
Westminster College, Fulton	Franc L. McCluer
William Jewell College, Liberty	John F. Herget

MONTANA

Carroll College, Helena	Emmet J. Riley

NEBRASKA

Creighton University, Omaha	Joseph P. Zuercher
Duchesne College in Creighton University, Omaha,	Mother Eleanor Regan
Doane College, Crete	Bryan S. Stoffer
Hastings College, Hastings	John W. Creighton
Nebraska Wesleyan University, Lincoln	E. Guy Cutshall
York College, York	J. R. Overmiller

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Dartmouth College, Hanover	Ernest M. Hopkins
St. Anselm's College, Manchester	Bertrand C. Dolan
University of New Hampshire, Durham	Fred Engelhardt

NEW JERSEY

Brothers College, Drew University, Madison	Arlo A. Brown
College of St. Elizabeth, Convent Station,	Sister Marie José Byrne, dean
Georgean Court College, Lakewood	Mother M. Cecelia Scully
Princeton University, Princeton	Harold W. Dodds
Rutgers University, New Brunswick	Robert C. Clothier
The College of Arts and Sciences	Walter T. Marvin, dean
The New Jersey College for Women	Margaret T. Corwin, dean
St. Peter's College, Jersey City	Joseph S. Dinneen
Seton Hall College, South Orange	James F. Kelley
Upsala College, East Orange	F. A. Ericsson, acting

NEW MEXICO

University of New Mexico, Albuquerque	J. F. Zimmerman

NEW YORK

Adelphi College, Garden City	Paul D. Eddy
Alfred University, Alfred	J. Nelson Norwood
Brooklyn College, Brooklyn	William A. Boylan
Canisius College, Buffalo	James P. Sweeney
Colgate University, Hamilton	George B. Cutten
College of the City of New York, New York	F. B. Robinson
College of Mount St. Vincent, New York,	Sister Catherine Marie, dean
College of New Rochelle, New Rochelle	Cornelius F. Crowley
College of St. Rose, Albany	Sister M. Rosina, dean
Columbia University, New York	Nicholas Murray Butler
Bard College, Annandale-on-Hudson,	Donald G. Tewksbury, dean
Barnard College, New York	Virginia C. Gildersleeve, dean
Columbia College, New York	Herbert E. Hawkes, dean
Cornell University, Ithaca	Robert M. Ogden, dean
D'Youville College, Buffalo	Mother St. Edward
Elmira College, Elmira	William S. A. Pott
Fordham University, New York	Robert I. Gannon
Good Counsel College, White Plains	Mother M. Aloysia
Hamilton College, Clinton	Frederick C. Ferry
Hobart College, Geneva	William Alfred Eddy
Houghton College, Houghton	Stephen W. Paine
Keuka College, Keuka Park	J. Hills Miller
Manhattan College, New York	Brother Patrick
Manhattanville College of the Sacred Heart, New York,	Mother Grace C. Dammann
Marymount College, Tarrytown-on-Hudson	Mother M. Gerard
Nazareth College, Rochester	Mother M. Sylvester
New York University, New York	Marshall S. Brown, dean
Niagara University, Niagara Falls	Joseph M. Noonan
Russell Sage College, Troy	J. L. Meader
St. Bonaventure College, St. Bonaventure	Thomas Plassman
St. John's University, Brooklyn	Edward J. Walsh
St. Joseph's College for Women, Brooklyn	William T. Dillon, dean
St. Lawrence University, Canton	Laurens H. Seelye
Sarah Lawrence College, Bronxville	Constance Warren
Skidmore College, Saratoga Springs	Henry T. Moore
Syracuse University, Syracuse,	Chancelor (May 29, 1937) W. P. Graham
Union College, Schenectady	Dixon Ryan Fox
U. S. Military Academy, West Point	W. D. Connor
University of Buffalo, Buffalo	Samuel P. Capen
University of Rochester, Rochester	Alan C. Valentine
Vassar College, Poughkeepsie	Henry N. MacCracken
Wagner College, Staten Island	Clarence C. Stoughton
Queens College	Paul Klapper

NEW YORK—continued

	Executive officer
Hunter College	Eugene A. Colligan
Wells College, Aurora	William E. Weld
Yeshiva College, New York	Bernard Revel

NORTH CAROLINA

Bennett College, Greensboro	David D. Jones
Catawba College, Salisbury	Howard R. Omwake
Davidson College, Davidson	Walter L. Lingle
Duke University, Durham	W. P. Few
Elon College, Elon College	L. E. Smith
Flora Macdonald College, Red Springs	Henry G. Bedinger
Guilford College, Guilford College	Clyde A. Milner
Johnson C. Smith University, Charlotte	H. L. McCrorey
Lenoir Rhyne College, Hickory	P. E. Monroe
Meredith College, Raleigh	Charles E. Brewer
North Carolina College for Negroes, Durham	James E. Shepard
Salem College, Winston-Salem	H. E. Rondthaler
Shaw University, Raleigh	Robert P. Daniel
University of North Carolina, Chapel Hill	Frank P. Graham

NORTH DAKOTA

Jamestown College, Jamestown	B. H. Kroeze

OHIO

Antioch College, Yellow Springs	A. D. Henderson
Ashland College, Ashland	Charles L. Anspach
Baldwin-Wallace College, Berea	Louis C. Wright
Bluffton College, Bluffton	A. S. Rosenberger
Capital University, Columbus	Otto Mees
College of Mount St. Joseph, Mount St. Joseph,	Sister Maria Corona, dean
College of Wooster, Wooster	C. F. Wishart
Defiance College, Defiance	Frederick W. Raymond
Denison University, Granville	A. A. Shaw
Findlay College, Findlay	Homer R. Dunathan
Heidelberg College, Tiffin	Clarence J. Josephson
Hiram College, Hiram	Kenneth I. Brown
John Carroll University, Cleveland	W. M. Magee
Lake Erie College, Painesville	Vivian B. Small
Marietta College, Marietta	H. K. Eversull
Mary Manse College, Toledo	Sister M. Catherine Raynor
Mount Union College, Alliance	Melvin W. Hyde, acting
Muskingum College, New Concord	Robert N. Montgomery
Notre Dame College, South Euclid	Mother Mary Evarista
Oberlin College, Oberlin	Ernest H. Wilkins
Ohio Northern University, Ada	Robert Williams
Ohio Wesleyan University, Delaware	Edmund D. Soper
Otterbein College, Westerville	W. G. Clippinger
St. Mary's of the Springs College, Columbus	Sister Mary Aloyse
Kenyon College, Gordon	K. Chalmers
University of Akron, Akron	H. E. Simmons
University of Cincinnati, Cincinnati	Raymond Walters
University of Toledo, Toledo	Philip C. Nash
Ursuline College, Cleveland	Mother M. Veronica
Western College, Oxford	Ralph K. Hickok
Western Reserve University, Cleveland	W. G. Leutner
Wilberforce University, Wilberforce	D. Ormonde Walker
Wilmington College, Wilmington	Walter L. Collins
Wittenberg College, Springfield	Rees E. Tulloss
Xavier University, Cincinnati	Dennis F. Burns

OKLAHOMA

Bethany-Peniel College, Bethany	A. K. Bracken
Oklahoma Agricultural and Mechanical College, Stillwater	H. G. Bennett
Oklahoma Baptist University, Shawnee	John W. Raley
Oklahoma City University, Oklahoma City	A. G. Williamson
Phillips University, Enid	(resigned) I. N. McCash
University of Tulsa, Tulsa	C. I. Pontius
Oklahoma College for Women	M. A. Nash

OREGON

Albany College, Albany	Thomas W. Bibb
Linfield College, McMinnville	Elam J. Anderson
Pacific University, Forest Grove	John F. Dobbs
Reed College, Portland	Dexter M. Keezer
Willamette University, Salem	Bruce R. Baxter

PENNSYLVANIA

Albright College, Reading	J. Warren Klein
Allegheny College, Meadville	William P. Tolley
Bucknell University, Lewisburg	A. C. Marts, acting
College Misericordia, Dallas	Sister Mary Loretta McGill
Dickinson College, Carlisle	Fred P. Corson
Drexel Institute of Technology, Philadelphia	Parke R. Kolbe
Duquesne University, Pittsburgh	S. J. Bryom, acting
Elizabethtown College, Elizabethtown	R. W. Schlosser
Franklin and Marshall College, Lancaster	John A. Schaeffer
Geneva College, Beaver Falls	McLeod M. Pearce
Gettysburg College, Gettysburg	Henry W. A. Hanson
Grove City College, Grove City	Weir C. Ketler
Haverford College, Haverford	W. W. Comfort
Immaculata College, Immaculata	Francis J. Furey
Juniata College, Huntingdon	Charles C. Ellis
Lafayette College, Easton	William Mather Lewis
Lebanon Valley College, Annville	Clyde A. Lynch

PENNSYLVANIA—continued

	Executive officer
Lehigh University, Bethlehem	Clement C. Williams
Lincoln University, Lincoln University	Walter L. Wright
Beaver College	Walter B. Greenway
Cedar Crest College for Women	William F. Curtis
Marywood College, Scranton	Mother M. Josepha
Mercyhurst College, Erie	Sister B. Borgia Egan, dean
Moravian College, Bethlehem	William N. Schwarze
Moravian College for Women, Bethlehem	Edwin J. Heath
Mount Mercy College, Pittsburgh	Mother M. Irenaeus
Mount St. Joseph College, Chestnut Hill	Sister Maria Kostka, dean
Muhlenberg College, Allentown	Levering Tyson
Pennsylvania College for Women, Pittsburgh	Herbert L. Spencer
Pennsylvania State College, State College	R. D. Hetzel
Rosemont College, Rosemont	Mother Mary Ignatius
St. Francis College, Loretto	John P. J. Sullivan
St. Joseph's College, Philadelphia	Thomas J. Higgins
St. Thomas College, Scranton	Brother D. Edward
St. Vincent College, Latrobe	Alfred Koch
Seton Hill College, Greensburg	James A. W. Reeves
Susquehanna University, Selinsgrove	G. Morris Smith
Swarthmore College, Swarthmore	Frank Aydelotte
Temple University, Philadelphia	Charles E. Beury
Thiel College, Greenville	Earl S. Rudisill
University of Pennsylvania, Philadelphia	Thomas S. Gates
University of Pittsburgh, Pittsburgh	John G. Bowman
Ursinus College, Collegeville	Norman E. McClure
Villa Maria College, Erie	Joseph J. Wehrle
Villanova College, Villanova	Edward V. Stanford
Washington and Jefferson College, Washington	Ralph C. Hutchsion
Waynesburg College, Waynesburg	Paul R. Stewart
Westminster College, New Wilmington	Robert F. Gallbreath
Wilson College, Chambersburg	Paul S. Havens

RHODE ISLAND

Brown University, Providence	Henry M. Wriston
Pembroke College in Brown University, Providence	Margaret S. Morris, dean
Providence College, Providence	John J. Dillon

SOUTH CAROLINA

Coker College, Hartsville	Charles S. Green
College of Charleston, Charleston	Harrison Randolph
Columbia College, Columbia	J. Caldwell Guilds
Converse College, Spartanburg	Edward M. Gwathmey
Erskine College, Due West	Robert C. Grier
Furman University, Greenville	Bennette E. Geer
Lander College, Greenwood	John W. Speake
Limestone College, Gaffney	R. C. Granberry
Newberry College, Newberry	James C. Kinard
Presbyterian College, Clinton	William P. Jacobs
Winthrop College, Rock Hill	Shelton J. Phelps
Wofford College, Spartanburg	Henry N. Snyder

SOUTH DAKOTA

Augustana College, Sioux Falls	Clemens M. Granskou
Huron College, Huron	Frank L. Eversull
Yankton College, Yankton	George W. Nash

TENNESSEE

Lane College	J. F. Lane
Cumberland University, Lebanon	Ernest L. Stockton
Fisk University, Nashville	Thomas E. Jones
King College, Bristol	Thos. P. Johnston
Knoxville College, Knoxville	Samuel M. Laing
Lincoln Memorial University, Harrogate	S. W. McClelland
Maryville College, Maryville	Ralph W. Lloyd
Milligan College, Milligan	H. J. Derthick
Southwestern, Memphis	Charles E. Diehl
Tennessee College for Women, Murfreesboro	Edward L. Atwood
Tusculum College, Greenville	Charles A. Anderson
Union University, Jackson	John J. Hurt
University of Chattanooga, Chattanooga	Alexander Guerry
University of the South, Sewanee	B. F. Finney
Vanderbilt University, Nashville	O. C. C.

TEXAS

Abilene Christian College, Abilene	James F. Cox
Baylor University, Waco	Pat M. Neff
Bishop College, Marshall	Joseph J. Rhoads
Hardin-Simmons University, Abilene	Jefferson D. Sandefer
Howard Payne College, Brownwood	Thomas H. Taylor
Incarnate Word College, San Antonio	Sister M. Columkille
Mary Hardin-Baylor College, Belton	Gordon G. Singleton
McMurry College, Abilene	Thomas W. Brabham
Our Lady of the Lake College, San Antonio	H. A. Constantineau
Rice Institute, Houston	E. O. Lovett
St. Edward's University, Austin	Patrick Haggerty
St. Mary's University of San Antonio, San Antonio	Alfred H. Rabe
Southern Methodist University, Dallas	Charles C. Selecman
Southwestern University, Georgetown	J. W. Bergin
Texas Christian University, Fort Worth	E. M. Waits
Texas College, Tyler	D. R. Glass
Texas State College for Women, Denton	L. H. Hubbard
Texas Technological College, Lubbock	Bradford Knapp
Texas Wesleyan College, Fort Worth	Law Sone

TEXAS—continued

	Executive officer
Trinity University, Waxahachie	Frank L. Wear
Wiley College, Marshall	M. W. Dogan
Texas College of Arts and Industries	J. O. Loftin

UTAH

Brigham Young University, Provo	F. S. Harris
University of Utah, Salt Lake City	George Thomas

VERMONT

Benning College	Robert D. Leigh
Middlebury College, Middlebury	Paul D. Moody
Norwich University, Northfield	Porter H. Adams
University of Vermont, Burlington	Guy W. Bailey

VIRGINIA

Bridgewater College, Bridgewater	Paul H. Bowman
College of William and Mary, Williamsburg	John S. Bryan
Emory and Henry College, Emory	J. N. Hillman
Hampden-Sydney College, Hampden Sydney	J. D. Eggleston
Hampton Institute, Hampton	Arthur Howe
Hollins College, Hollins	Bessie C. Randolph
Lynchburg College, Lynchburg	R. B. Montgomery
Mary Baldwin College, Staunton	L. Wilson Jarman
Randolph-Macon College, Ashland	R. E. Blackwell
Randolph-Macon Woman's College, Lynchburg	Theodore H. Jack
Roanoke College, Salem	Charles J. Smith
Sweet Briar College, Sweet Briar	Meta Glass
University of Richmond, Richmond	F. W. Boatwright
University of Virginia, Charlottesville	John L. Newcomb
Virginia Military Institute, Lexington	Gen. Charles E. Kilbourne
Virginia Polytechnic Institute, Blacksburg	Julian A. Burruss
Virginia State College for Negroes, Ettrick	John M. Gandy
Virginia Union University, Richmond	William J. Clark
Washington and Lee University, Lexington	Francis P. Gaines

WASHINGTON

College of Puget Sound, Tacoma	Edward H. Todd
Gonzaga University, Spokane	John J. Keep
Whitman College, Walla Walla	W. A. Bratton, acting
Whitworth College	Ward W. Sullivan
Seattle Pacific College, Seattle	C. Hoyt Watson

WEST VIRGINIA

Bethany College, Bethany	W. H. Cramblet
Davis and Elkins College, Elkins	Charles E. Albert
Marshall College, Huntington	James E. Allen
Salem College, Salem	S. O. Bond
West Virginia State College, Institute	John W. Davis
West Virginia University, Morgantown	C. S. Boucher
West Virginia Wesleyan College, Buckhannon	Roy McCuskey

WISCONSIN

Beloit College, Beloit	Irving Maurer
Carroll College, Waukesha	William Arthur Ganfield
Lawrence College, Appleton	Thomas N. Barrows
Milton College, Milton	Jay W. Crofoot
Milwaukee-Downer College, Milwaukee	Lucia R. Briggs
Mount Mary College, Milwaukee	Edward A. Fitzpatrick
Northland College, Ashland	J. D. Brownell
Ripon College, Ripon	Silas Evans

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University of Western Ontario, London, Ontario	W. Sherwood Fox
Victoria University, Toronto, Ontario	E. W. Wallace
Mount Allison University, Sackville, New Brunswick,	George J. Trueman

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Mr. FRED M. VINSON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this is the first effort that will be made to strike out the revenues produced by this bill. The gentleman from New York [Mr. REED] expresses a very laudable ambition. His is an appeal to the old college boys to make contributions to their alma mater. But we better stop, look, and listen before we are swept off our feet by such a very strong and eloquent appeal.

I am not certain as to the full effect of the amendment. Therefore, I seek information from the gentleman from New York and address this question to him: Is the revocable trust idea contained in the amendment proposed?

Mr. REED of New York. Yes; but there is a limit placed to the extent of $20,000.

Mr. FRED M. VINSON. Mr. Chairman, I come from a small college and it needs money right now just like the colleges of South Carolina, New York, and elsewhere. May I say, Mr. Chairman, if the revocable trust idea is injected in here, and this amendment is so carefully drawn I was not certain it was there, in my opinion, you would be doing a grave injustice to the school that handed you your sheepskin.

I will tell you why. This amendment would permit the creation of revocable trusts, and the taxpayer would get the benefit of that revocable trust in that the moneys placed in trust for these purposes would be free from tax. The college would get the income from the revocable trust, but any time the taxpayer desired to revoke that trust and cover the money in the trust back into his own private exchequer he could do so. Then where would our small colleges be? You would have trusts set up, chairs would be established, and the small college plan to carry on with the income from the trusts. Should the grantor decide he needed the money in the trust and revoke the trust and take the money back into his own private pocketbook, what would happen to that chair and that institution?

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Arkansas.

Mr. FULLER. Is not the 15-percent provision in this bill the same as has been carried in the law for 20 years and longer?

Mr. FRED M. VINSON. There is a 15-percent provision on net income without including this amount as a deduction in existing law and in this bill in regard to charitable, educational, and scientific contributions on the part of individuals, and 5 percent on net income without including this amount as a deduction for corporations for charitable, scientific, and educational contributions. These amounts now are tax free.

Mr. FULLER. This provision has been in the act for many years.

Mr. FRED M. VINSON. I want to call attention to the effect of this provision because in this as in other amendments you must look below the surface to see exactly what would happen, if we in a spirit of enthusiasm and altruism should be carried off our feet by the eloquence of the gentleman from New York [Mr. REED].

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman will agree the House should consider carefully at this time all amendments which are offered. We are not in a position to sustain any loss of revenue, even though a proposition might appeal to us.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from New York.

Mr. SIROVICH. Suppose the word "irrevocable" were substituted for the word "revocable" in connection with these trusts?

Mr. FRED M. VINSON. They would not want it. They would not touch it with a 10-foot pole. It is the revocable feature of the trust in which they are interested. They create the trust and thereby get a tax advantage. The money they would put in would be free from tax, and when they sought to revoke the trust they would get the money back without any tax burden.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. REED].

The question was taken; and on a division (demanded by Mr. REED) there were—ayes 23, noes 82.

So the amendment was rejected.

Mr. TREADWAY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Strike out all of pages 15, 16, 17, 18, 19, and 20, and lines 1 to 10, inclusive, on page 21, and insert in lieu thereof the following:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the adjusted net income (minus the sum of the credit for dividends received provided in section 26 (b) and the credit for the net operating losses for the preceding taxable year provided in section 26 (c)) of every corporation a tax as follows:

"Upon adjusted net incomes not in excess of $5,000, 12½ percent.

"$625 upon adjusted net incomes of $5,000 and upon adjusted net incomes in excess of $5,000 and not in excess of $25,000, 14 percent in addition of such excess.

"$3,425 upon adjusted net incomes of $25,000, and upon adjusted net incomes in excess of $25,000, 16 percent in addition of such excess.

"(c) Exempt corporations: For corporations exempt from taxation under this title, see section 101.

"(d) Tax on personal holding companies: For surtax on personal holding companies, see title I–A.

"(e) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102."

Mr. TREADWAY. Mr. Chairman, the sole purpose of this motion is to do away entirely with the discredited principle of the undistributed-surplus tax.

Under this motion small corporations would be treated practically the same as under the bill as offered by the committee. The committee has already recommended the complete repeal of the undistributed-profits tax, with respect to this group. I am simply extending it to still further groups of the larger corporations. My motion would extend the repeal of the iniquitous undistributed-profits tax to all corporations. If adopted, the motion would tax all corporations solely on the basis of their net income and without reference to their dividend policy. I think it will be admitted that this is the only sound and equitable basis of taxation; in other words, the tax to be levied on the basis of their net income rather than on the way in which they declare their dividends.

The rates of corporation income taxation that my motion provides are as follows:

Twelve and one-half percent on the first $5,000 of net income;

Fourteen percent on that portion of the net income between $5,000 and $25,000; and

Sixteen percent on that portion of the net income in excess of $25,000.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I prefer to complete my statement, and then, if I have the time, I will be pleased to yield.

It will be noted that under this plan the 16-percent bracket provided by the bill with respect to that portion of the net income between $20,000 and $25,000 is eliminated.

As I understand the attitude of the majority of the committee, this bracket was only included in the bill because of the sharp increase which would otherwise occur in the taxation of net incomes slightly over $25,000. There was too big a jump and this bracket was included, as I understand it, to avoid that jump.

The adoption of my motion would make unnecessary the complicated notch provision found on pages 15 and 16 of the bill.

Then one of the outstanding benefits to be derived from this motion is the simplification of the corporation-tax structure. This is a simple amendment and takes the place of seven complicated pages of the bill.

Corporations which under the bill are subject to a flat tax rate of from 16 to 20 percent, depending upon their dividend policy, which I do not approve, would pay under my amendment a flat tax of 16 percent on that portion of their net income in excess of $25,000. At the same time they would have the benefit of the lower brackets of that portion of their net income which was less than $25,000.

Under the bill corporations with 25 percent net income pay an effective rate of 14.1 percent. Under my motion they

would pay an effective rate of 13.7 percent, a slight reduction.

In dollars, the tax on a $25,000 corporation would be $3,425 under my motion as compared with $3,525 under the bill.

On a $50,000 corporation the tax under my motion would be $15,425 as compared with $16,000 to $20,000 under the bill.

On a $100,000 corporation the tax under my motion would be $15,425, as compared with $16,000 to $20,000 under the bill.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Would the gentleman permit me to finish my statement, and then I shall be pleased to yield?

Mr. DOUGHTON. I would like to have the gentleman give the committee the amount of revenue that would be lost under the gentleman's amendment.

Mr. TREADWAY. Yes; I am coming to that, and I wish the majority members of the committee would give us the amount of revenue lost under the bill itself. Although we have asked for that information a number of times, it has never been forthcoming, but the moment any of us find any fault with the scheme suggested by the majority of the committee, the committee is then up in arms and wants an explanation. If the gentleman had postponed his inquiry a moment or two I would have informed him with pleasure what this amendment would do in that respect.

I now call attention to the fact that while the tax under my motion would be less than under the bill, it would be considerably in excess of the tax that was payable before the undistributed-profits tax was enacted by the Democratic majority 2 years ago.

So far as the revenue effect of my motion is concerned, I will say that I have had a nonpartisan, reliable estimate from the highest authority that it will not cost to exceed $81,000,000 based on 1938 incomes. I hope this is information that will sink in on the other side, in view of the enormous figures that they once represented.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I beg leave to finish my statement before I am interrupted. I have almost completed my remarks. I did yield to the distinguished chairman of the committee, as, of course, the gentleman from Texas would expect me to do.

However, as an offset to that $81,000,000, Mr. Chairman, there would be the heartening effect of the amendment on business. I do not think the Treasury would lose a dollar, because no one has appeared except a representative of the Treasury itself to say that this is not an iniquitous tax. I have heard it defended on this floor, but certainly no businessman appeared before the committee and defended it, and the press has not defended it, the people of the country have not defended it, and, therefore, if it is absolutely taken off the statute books, we would find a heartening improvement in business that would offset the loss of $81,000,000, and I think would add to the revenue rather than reduce it. I can see no earthly reason why the Democratic majority is so insistent on retaining an iniquitous principle. I would say that we should not write into law such a principle as that, which has been repudiated from one end of the country to the other, and it ought not to be countenanced by this Congress or advocated by the administration. That is where I lay the blame. I lay it at the door of the administration, and the misleading methods of the administration itself. It is a shame that the majority will not act in their own best light. They have brains enough on that side to know that this is iniquitous and wrong and an out-of-place principle of taxation, and ought not to be on our statute books. I wish the majority today would rise above this partisanship attitude and assert themselves and say "no" to the White House, that they will not stand for such a ridiculous, outrageous, iniquitous principle of taxation.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. FRED M. VINSON. Mr. Chairman, did I hear anything from the distinguished gentleman from Massachusetts [Mr. TREADWAY], any word that would remind us about the necessity for balancing the Budget and saving the credit of the United States? No; he just offers this amendment, hoping to get some political advantage from it. He has no idea that this House, with the intelligence that is present, will adopt his amendment. He knows that the House will give no more than passing notice to it. But I want to tell you what the amendment does. My friend from Massachusetts says that it will cost $80,000,000 and that he gets that information from a nonpartisan source. God bless you, he gets it, in my opinion, from a high priest of the United States Chamber of Commerce. And now, let my friend tell me that I am wrong.

Mr. TREADWAY. If the gentleman wants me to answer the question, I would say emphatically that he is wrong.

Mr. FRED M. VINSON. Oh, I could spell the gentleman's name; I could tell you the man who drew the amendment. Did not Mr. Alvord draw up the amendment? Answer me that, my friend from Massachusetts.

Mr. TREADWAY. I am not ashamed to be advised by such a tax expert as Mr. Alvord.

Mr. FRED M. VINSON. Did not Mr. Alvord draw the bill that the gentleman introduced, and did he not draw this amendment?

Mr. TREADWAY. He did neither, to my knowledge.

Mr. FRED M. VINSON. Ah, my friend, he who hesitates is lost.

Mr. TREADWAY. And who has drawn the bill itself that is before us but the Treasury Department and Mr. Magill? With all due respect to the gentleman from Kentucky, he did not draw this bill.

Mr. FRED M. VINSON. It is a little different to accept the help of officials of the Government, men who desire to perpetuate our institutions and to carry on to provide money to pay the expense of government and calling on a gentleman who, even though he is mentioned as nonpartisan, came before our committee and spoke for the United States Chamber of Commerce.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I would like to know what tax could be put on the statute books of the United States that the chamber of commerce would sponsor. Oh, they will tell you in the corridors and in your office that this is a fine bill, and that the relief provisions of the bill are most splendid and most helpful, but they have been eloquent in their silence when it comes to saying one word in public or to the press in favor of any provision of the bill.

In my opinion, this proposed amendment would cost at least $200,000,000 to $250,000,000 annually, and I will tell you just how I make that computation. The gentleman has a maximum rate of 16 percent in his amendment, and we were told by the Treasury officials that you would have to have an 18.7-percent rate on all corporations to raise the money that we propose to raise. Consequently, it would be 2.7 percent on all the net income of the country. Take a $7,000,000,000 net income and multiply it by 2.7 percent, and I think it figures around $189,000,000, but let us say that it is just 2 percent, to be certain; that makes $140,000,000. Then you lose every dollar in tax upon every dollar in dividends that will be forced out by this 4-percent undivided-profits tax. I am told, not by nonpartisan representatives of the chamber of commerce, but by men whom you know and whom you respect—Joint Internal Revenue Committee

experts—that the cost under this amendment would be between $200,000,000 and $250,000,000.

Mr. TREADWAY. Was not the first estimate the gentleman took from those people whom he respects that it would cost $416,000,000?

Mr. FRED M. VINSON. Oh, yes; under the bill the gentleman introduced which he offered in committee.

Mr. TREADWAY. What became of that?

Mr. FRED M. VINSON. What became of the gentleman's bill?

Mr. TREADWAY. What has become of the difference? This certainly is not the same.

Mr. FRED M. VINSON. It is not the same. Let me say to my friend that this amendment is not the same as his bill.

Mr. TREADWAY. I realize that.

Mr. FRED M. VINSON. Then why does the gentleman ask me what became of the difference between $416,000,000 loss on the bill that he offered before the committee and this amendment?

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I ask that the gentleman's time be extended 5 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. GIFFORD. I want to quote from the gentleman's statement of last Thursday when he said that the undistributed-profits tax part of the bill amounted to $150,000,000 notwithstanding the fact it was expected to be $600,000,000. How can you lose $250,000,000 if you have only $150,000,000 in all?

Mr. FRED M. VINSON. I may say to the gentleman that those figures are correct. The Treasury actually received $150,000,000 from the undistributed-profits tax from the corporations; and it is estimated that two hundred and thirty million to two hundred and fifty million extra dollars came from individual surtaxes because of the pressure rates—a total of three hundred and eighty to four hundred million extra tax dollars.

We lose the amount estimated under the proposed amendment because this amendment reduces the normal corporate rate. We get $1,200,000,000 from normal corporate rates, capital-stock tax, and excess-profits tax. I am inclined to think that the $80,000,000 estimate is on corporate income, but I think that is low; in my opinion, it includes nothing from individuals.

My good friend from Massachusetts got somewhat confused. He was thinking that the amendment he offered was the same thing as the bill he introduced and offered in the committee. Now, I know he has seen the error of his ways. The bill he offered in the committee upon which a vote was taken would have lost, according to Treasury officials, $416,000,000. The proposed amendment is vastly different from his bill. It, of course, only loses between $200,000,000 and $250,000,000. That is a little better; that is progress, I may say to my friend; but I say seriously, that is the trouble about amendments that seek to give some possible political advantage. It is offered in order that it may be said: "We offered an amendment that repealed the undistributed-profits tax." Mr. Chairman, we repeal the undistributed-profits tax for corporations with net incomes of $25,000 and less. The only undistributed-profits tax we have until we get to I-B is a 4-percent rate, the same rate that an individual pays, as a normal tax upon any dividend that would be paid out. And it only applies to corporations with net income of more than $25,000. We maintain that it is just as fair for the Federal Government to get a 4-percent tax on money retained as it is to collect it from the shareholder as a normal tax when distributed.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. DOUGHTON. The gentleman from Massachusetts, in making his statement, said that the nonpartisan authority had estimated the loss as only $80,000,000. He disputed that and said in his judgment we would not lose anything. That is exactly what he said.

Mr. McFARLANE. Mr. Chairman, if the gentleman will yield, I wish he would explain the difference between the bill and the $416,000,000 and the gentleman's amendment.

Mr. FRED M. VINSON. I do not recall the exact language of the bill, for it was long and complicated but there was also something there about capital gains and losses, something about a 12½-percent rate.

The point I want to illustrate is this: On one hand there is a nonpartisan representation of the United States Chamber of Commerce stating the loss is $80,000,000; on the other hand are officials of the Government telling us that we will lose between $200,000,000 and $250,000,000 annually if the amendment is adopted. The amendment should be voted down.

[Here the gavel fell.]

Mr. KNUTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it is always a pleasure for us on this side to hear the able and amiable gentleman from Kentucky. If there is one man in the House who can make black look white, and vice versa, it is our good friend; and the loss that we are about to sustain in his departure is the gain of the Federal judiciary.

The gentleman from Kentucky has taken the United States Chamber of Commerce for a little buggy ride. I hold no brief for the United States Chamber of Commerce, but that body is made up of manufacturers and businessmen all over the country. I dare say that in the aggregate they are the biggest employers of labor and certainly they should have the right to express opinions upon legislation that may mean the life or death of the organization in which they are interested. I do not see that they should be deprived of the right of telling us how they feel upon measures pending before this body. Oh, I know that under the New Deal standard any corporation, or any concern, or any individual who has been successful, or who has been able to meet his pay roll in these trying times brought on by the New Deal depression, is an outlaw. The gentleman did not refer to the fact that labor also asks for the repeal of this tax. And why? Because labor realizes that this indefensible tax is doing more to keep 15,000,000 people pounding the pavements looking for work than any other one thing upon the statute books. Is it a crime for business to come here and tell us what they would like, what they need in order to reopen their shops and factories and give employment to the 15,000,000 idle?

The gentleman from Massachusetts offered his amendment in good faith and it should be adopted. I know, of course, that it will not be, because too many of you have been at the other end of the Avenue having the blow-torch applied to you. [Laughter.]

Oh, we are never going to have perfection in government, Mr. Chairman, until we take postmasters, United States marshals, and what not out of patronage. Evidently there must be some vacancies that remain to be filled.

Mr. Chairman, I yield back the balance of my time.

Mr. HOFFMAN. Mr. Chairman, I rise in opposition to the pro forma amendment.

WHY NOT PUBLICITY FOR SALARIES AND BONUSES OF WHITE HOUSE OCCUPANTS?

Mr. Chairman, March 4, at his press conference, the President is quoted as saying:

> There is no valid reason why the new tax bill should repeal the clause making public salaries and bonuses to officials of companies controlled by thousands of stockholders or the closely held family corporations. It is a question of public morals.

If officials of corporations which are privately owned and who disclose to those for whom they are working the amount of salaries and bonuses which they receive, as they do by the entries on their corporate books and their annual reports, have they not fulfilled all obligations, legal and moral, which they owe to their stockholders? They at least

have placed the information as to their income derived from the corporation within the reach of those who employ them.

But the President says that the question whether this same information should be available to all, whether interested in that corporation or not, is "a question of public morals."

By inference, he charges that those who do not agree with him are in favor of an unmoral or immoral—whichever you prefer—position.

If it is immoral on the part of those corporation officials who fail to disclose by publication in newspapers and magazines the amount of their salaries and bonuses, what can be said of the occupants of the White House?

Why not be consistent?

The President, his son, James, who is his secretary and a lieutenant colonel, are employees of 130,000,000 people. To the 130,000,000 who hire them the amount of the President's salary as Chief Executive and the amount of James Roosevelt's compensation as secretary to the President, is known to be, respectively, $75,000 and $10,000 per year.

But, following the President's line of reasoning, why should not the public be advised as to the value of the byproducts which emanate from the Executive office? Why should they not be advised as to the amount of earned income which the President receives from other sources, so that they may have some yardstick to measure the amount of time which is required of him to carry on the job for which they employed him?

Are not the people just as much interested in knowing whether the President who receives from them $75,000 per year, also receives $175,000, or any other large sum, as earned income from some other source, but which comes to him because he is President, as they are in knowing what salary Mr. Knudsen receives from General Motors?

Are not the people interested in knowing whether the statements of Frank Kent, a responsible writer, to the effect that James Roosevelt is reported to have received from the insurance agency with which he is connected $150,000, and that, according to the magazine, Time, he is now worth $500,000, earned in the last few years, are true?

There has been a great deal of "clatter" on the floor of the House about excessive salaries. We have heard much from the White House about undue enrichment. The old saying, "What is sauce for the goose is sauce for the gander," might have some application here.

Why not let the occupants of the White House and those connected with it tell the American public just how much they earn from activities not directly connected with the Government but which come to them because of their connection with the Government because of their official positions?

By learning this, the people might be able to form some accurate estimate as to the value of the service rendered the public; also form some judgment as to the comparative amount of time, based on the amount received from outside sources, that each one receiving a salary from the Government devotes to public business.

If the question of whether the tax law shall contain a provision requiring the publication of the salaries and bonuses of the officials of private corporations involves a moral issue, and the failure to so require subjects us to the charge of being immoral, how much stronger is the case against those occupying positions of public trust and confidence, who fail to disclose to the public the amounts which they receive while in public service. [Applause.]

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have nothing but praise for the members of the Ways and Means Committee, and particularly the chairman of the subcommittee who devised this bill, but this should not prevent us from voicing our sentiments with reference to certain phases of the bill. There should be free and open discussion of the entire matter. There should be no resentment or objection to any Member speaking his mind.

In reference to the subject of the undistributed-profits tax, it might be well for us to take a leaf out of the books of European countries and find out what other countries on the continent of Europe do with reference to the undistributed-profits tax. I say with all due respect to the gentleman from Kentucky that Great Britain, for example, in 1919 was advised to adopt the undistributed-profits tax principle, but it rejected that tax. The present Prime Minister of England last year offered a suggestion of the same tenor, and again it was rejected by the House of Commons. Great Britain, despite the fact it has not an undistributed-profits tax, balances its budget.

We find in many European countries that instead of penalizing corporations because they husband their resources and build up their surpluses, they allow credits and reduce the tax.

THE IDEA OF PENALIZING CORPORATE SAVINGS HAS NOT WORKED ABROAD

Norway adopted a tax on corporate savings in 1921. It was at the rate of 10 percent. It allowed credits for losses in prior years. It is generally objectionable and has been lowered year by year.

Sweden adopted a general tax on undistributed profits in 1919. It was abandoned in 1926, except for the businesses of real estate and marketable securities.

Switzerland: Some Swiss cantons levy such a tax. Although the rates are high, the amount thus collected cannot exceed a moderate percentage of net income.

Czechoslovakia taxes undistributed profits at the rate of 8 percent, while dividends over 6 percent are taxed at the rate of 6 percent.

France imposes an undistributed-profits tax of 4 percent. But at this rate it is still cheaper to retain earnings than to pay them out.

Netherlands favors business saving. It taxes corporations 9.05 percent on their dividends but exempts them on their retained earnings.

Denmark favors business savings. It reduces taxes one-fourth on the portion of corporate profits reserved for certain purposes.

Belgium encourages retention of corporate profits by taxing disbursements at the higher rate of 24.2 percent and business savings at the lower rate of 9.9 percent.

Great Britain considered the idea of taxing corporate savings in 1919. It was rejected because it was believed that such a tax would penalize business at a time when the national welfare required the maintenance of corporate savings that were as large as possible.

The American Federation of Labor at its convention in Miami went on record as unalterably opposed to the principle of the undistributed-profits tax. Matthew Woll came out with a strong statement against it and pointed out that this tax was militating against the placing of workers in jobs.

Of all forms of taxes it is quite probable that the undivided profits and capital gains taxes in their present form have been the greatest factor contributing to unemployment, which is still at its peak.

But, will say our legislators, seeking new sources of revenue, these taxes are popular with the mass of the people, they are easy to collect, and they provide large sums with which to continue the payment of relief. If we repeal or modify them what will we do for money?

THERE IS ONE ANSWER

There is one answer which seems to me to be a very simple one. Suppose the Government should say to industry something like this: "Whenever and wherever you can show that you have spent capital, whether it be undivided profits, capital gains, or new capital invested or borrowed for expansion of your business, the replacement of obsolete machinery, or in any other way which provides additional employment somewhere along the line of production and distribution, the Government will credit you on the basis of the depreciated amount of your tax bill."

This procedure would seem highly desirable not alone because of its incentive to greater employment of labor but because of the vital need of lower selling prices as well. Then, too, it would encourage the capital-goods industry that so frequently lags behind. Isn't it conceivable that industry would prefer to employ

this money in increased production than to turn it over to the Government to be used for relief work allocated altogether too often with an eye to political expediency?

And the result: This same money which is being handed out in relief payments would go into pay envelopes every week end—honest wages for an honest week's work. The wheels of industry would begin humming again, purchasing power would increase, thereby calling for more production, the national income would steadily increase, additions would be made to the national wealth, unemployment would rapidly decline, and in a very short time the depression would be forgotten.

Mr. Chairman, if it is true this tax is a sort of job-killer, we should rip it out of our tax fabric in its entirety.

The committee deserves great praise. It has gone very far with reference to the undistributed-profits tax principle. It has eliminated the tax on corporations, the income of which is under $25,000. But I do not know why it stopped there. I would rather have seen it make up the deficit that might have been created through doing away with the undistributed-profits tax by increasing general taxation, so that corporations might have a larger tax. But business would be revived and unemployment lessened.

What is the experience of business generally as to this tax? What are businessmen's reactions? I have many thousands of letters. The following are typical:

THE FINANCING OF BUSINESS EXPANSION

A small electric company:

The financial condition of this company is sound. It has a good earnings record. But the tax has raised a problem with respect to a new plant. If the tax were not in existence, earnings would probably have been used for that purpose and a new plant built. But, as matters stand today, we have not yet decided to build the plant and one of the principal reasons a decision has not yet been reached is because it would appear necessary to raise perhaps a half million dollars of additional cash to carry out the building program by the sale of additional common stock to stockholders, general public, or both. Naturally there is some question about the advisability of increasing the amount of outstanding stock on which the company will need to earn in future years, and also the unfavorable condition of the securities market raises numerous problems even if we decided to make a stock offering.

A candy firm:

Very substantial plans for the early part of this year in the line of radical improvements and additions in mechanical equipment and the like were abandoned. * * * Our architects, prominent industrial ones, * * * told me the other day that their business had fallen off substantially, due not to high prices but to the unwillingness of their accounts to proceed with new buildings in the face of the undistributed-profits tax.

A feed manufacturer:

Last year we had intended to build additional storage providing for 1,000,000 bushels of grain; however, as the cost would have had to come from our surplus earnings, due to the undistributed-earnings tax, our entire expansion program had to be abandoned. Our only hope to expand will have to come with the relief offered by removal of the burden imposed by this tax or from a reorganization, which, of course, would cause us a considerable hardship.

A nut company:

We need to expand our plant badly, but we do not feel that we can pay 25 percent for the privilege of using earnings for this purpose. Therefore, we do not plan to expand our operations until we are able to raise new capital under favorable terms. Formerly we reserved a reasonable part of our earnings to provide for the orderly expansion of our business.

A brewery:

In the past we have made all improvements, including new buildings and purchase of new equipment, from earnings. It has been necessary for us, since this tax has become effective, to analyze each new improvement and ascertain whether the returns from such improvement would be sufficient to offset the amount of tax to be paid upon the undistributed earnings applied to such purpose. This has held up an expansion program and as a result thereof we have contracted for no new buildings or no new equipment.

A manufacturer of glass machinery:

It may interest you to know that just this morning we have had an informal meeting to determine what we should and could do in regard to purchasing considerable new machinery for our plant. Our superintendent and his assistants have made recommendations for the purchase of new machinery to replace some of our older machines and these expenditures call for an investment of approximately five or six times the amount of the annual depreciation charge on machinery as allowed by the Income Tax Bureau. If we purchase this machinery, it means that 80 percent of the money must come out of our surplus account or must be retained out of our current year's profits. We hesitate to spend any of our surplus for machinery as we feel that the surplus should be used to carry on the business and to give employment to our men during lean periods. On the other hand, if we retain some of our current year's profits, it means subjecting these profits to the undistributed-profits tax, which in reality means that the cost of the machinery is increased by the amount of the undistributed-profits tax. So, no matter which way we try to turn, we meet with discouragement. The net answer is that our decision this morning was to cut down and reduce the amount that we will appropriate for purchasing new machinery. This is not good business for us, neither is it good business for the machinery manufacturers.

NEW INDUSTRIES AND WEAK FIRMS

All the difficulties of the tax that relate to the corporate surplus are accentuated for companies in new and developing industries, and for those with impaired capital. The testimony of the corporation executives is emphatic on both situations, and particularly voluminous and vehement when treating the problems of firms in a weak financial position or with an impaired capital structure.

An aircraft manufacturer says:

The tax definitely affects us in the solution of the creation of a reserve for business expansion. Without the undistributed-profits tax our current profits would go a long way toward providing a reserve for business expansion. With the undistributed-profits tax we are forced to pay such a high rate of tax that practically nothing is left for business expansion. As a result we find that new capital is needed from time to time to take care of the rapid expansion and development of our business, and as yet we are not certain whether it is more advantageous to sell additional capital stock and pay the usual commission or retain our current profits and pay the high rate of tax. Either method is very costly to the company.

A motor-vehicle company:

This company lost money in its operations during the years 1930, 1931, 1932, and 1933. In 1934 the company broke about even. We made a little money in 1935 and had a fairly good year in 1936. However, our reserves have been practically wiped out, and our books today show that our surplus is only approximately $41,000.

We do not have an accumulation of any reserve for business expansion, due to losses in prior years and large dividends paid in 1936. Further, under the 1936 Revenue Act, we will be unable to accumulate reserve for business expansion in future years, except by withholding payment of dividends and by paying of heavy penalty imposed on such action. All previous reserves were used up in depression years.

A building-materials firm:

This firm lost $500,000 from 1930 to 1934. In 1935 it broke even; in 1936, it made, after depreciation, $70,000. The working capital is depleted. But it was required to pay a normal tax of $9,000 and an undistributed-profits tax of $11,000.

A maker of stone- and metal-working tools:

It seemed ironical to us that after having losses for 5 continuous years that we were forced, in order to save tax payments, to pay a dividend in 1936, the first year which has shown a profit. Therefore, it was impossible for us to start during 1936 a reserve for lean years or years of losses. We had to borrow $5,000 more at the bank in 1936 in order to replenish our working capital after payment of said preferred dividends.

A small corporation—unidentified as to product:

This company has a [large] deficit. * * * In 1937, based on the first-quarter showing, it should earn $90,000. On this amount a State income tax of $5,400 is due, leaving a Federal basis of $84,600. The normal tax on this is $11,530, and the undistributed-profits tax $14,978, or a little over 31 percent of the net income subject to Federal taxes.

The company cannot legally pay a dividend; on this basis 5 years would be required to wipe out the deficit. During this period the company would pay about $75,000 in undistributed-profits taxes, and a total of all Federal and State income taxes of $160,000. The money required on investment and equipment needed to meet competitive conditions would not be available.

A plating concern:

This company, capitalized at $400,000, at the end of 1935 had a deficit of $270,000. In 1936 it earned $170,000. All this amount should have been applied to debt payment, but the tax law required a dividend payment if a heavy penalty was to be avoided. On the other hand, the Delaware law made it illegal to distribute a dividend on the impaired capitalization. The company, therefore, reorganized its capital structure and paid dividends.

An iron works:

Our company, following the panic of 1929, has lost over half a million dollars. This loss not only wiped out all of our surplus laid up in prosperous years, but has left us badly in debt. Now, due to

the fact that we are in debt, on our small net earnings which we made last year for the first time since 1929, we are obliged to pay the Government 27 percent rather than 13.5 percent, because we were obliged to apply these earnings on our indebtedness and could not distribute these earnings in dividends.

HARD TO SECURE CAPITAL

The difficulty of obtaining capital from sources other than surplus earnings is indicated in the following statements by corporation officials.

An oil company:

The argument has been put forward in favor of this law that a company can always get temporary working capital by borrowing from the bank, or permanent working capital by an issue of stock. This may possibly be good enough theory, but anyone whose memory recalls conditions in 1930, 1931, and 1932 will know with what success such attempts would have met during the depression.

The law is worse for those industries faced with the dilemma of retaining a fair portion of their earnings in the business, at the cost of paying a punitive and ruinous tax so as to be prepared for a sudden demand for necessary working capital, or avoid the payment of the tax by distributing all their earnings and thereby leave themselves high and dry when the sudden demand for working capital arises. To say that such capital can be provided temporarily by bank loans or permanently by issue of stock is no solution. If the bank loan is resorted to, and is carried over from one year into the next, then the portion of the next year's profit that is applied toward paying off the bank loans is still subject to the tax. A stock issue is likewise unsatisfactory. The market may not be propitious at the time the money is needed, and the cost, time, trouble, and general inconvenience in complying with all the requirements constitute a serious deterrent. Furthermore, an issue of common stock provides permanent capital which may not be needed, whereas an issue of debentures or redeemable preferred stock will entail payment of the undistributed profits tax on any earned profit used to pay off the debt or the preferred stock.

A chemical company:

Remember that under our new security laws it is quite properly very difficult to obtain money from the public for speculative purposes. Also remember that the high surtaxes paid by very wealthy men have eliminated any incentive for these men to finance such new developments.

A motorcar maker:

The very existence of this tax hinders the securing of new capital in the form of a stock investment and is a definite hindrance in * * * the securing of funds from banking connections or in borrowing them in the way of bond issues from the public. Public financing of a corporation that has distributed its earnings and impaired its cash position is, at best, extremely difficult.

A large cigar manufacturer:

Fresh capital through underwriters and public offering is available only to a comparatively limited few corporations. The small or locally known corporation does not have this market for additional capital open to it. Forcing corporations to rely for growth on such public offerings will work to the benefit of the few larger and internationally known corporations and toward putting an effective brake on the growth of all the rest.

A locomotive maker:

Much can be said with respect to the propriety of capitalizing earnings retained within an enterprise. This is a difficult procedure, however, due to the Supreme Court decisions on the taxability of stock dividends. The Treasury Department rulings have helped to clarify this situation somewhat, but there is still a great deal of doubt as to what dividends paid in capital stock, even when of another kind or grade, are taxable in the hands of the recipient and what are not. Due to the necessity for paying such dividends in capital stock of another kind or grade from that upon which the dividend is payable, it is frequently difficult to create a market for such other capital stock sufficiently active to permit the recipient to sell such stock at a reasonable price for the purpose of raising funds with which to pay his income tax. A further complication is created by the inability to determine the dividend-paid credit allowable to the distributing corporation on a dividend paid in capital stocks, which credit is measured by the fair market value at the time of distribution of the security used for dividend purposes, regardless of its par value or the amount transferred from surplus in respect thereof. In other words, the inability of the recipient to find a ready market for such securities reacts not only upon him but upon the distributing corporation itself, in the determination of the dividend credit to which it is entitled.

Corporations that have obtained new capital by issuing securities also find that this method of obtaining capital has disadvantages.

A paper specialties manufacturer says:

We had no obligations outstanding before the tax became effective except a small serial note issue, part of which must be paid back regularly each year regardless of taxes. It did, however, affect our plans for new financing after the tax became effective. We had already planned on a considerable expansion which was necessary.

We could have gotten money from a bank to be repaid in 5 years at a very low interest rate, and we would have gotten it that way except for the undistributed-profits tax. This tax would have made it very, very expensive if we had borrowed the money from a bank for 5 years, because the amount necessary to pay back to the bank each year would have been so heavily taxed. We finally decided on preferred stock with no maturity date and no sinking-fund provision, the dividend rate of which was considerably higher than the bank rate would have been.

A motor-vehicle firm:

By withholding dividends and retaining the net earnings of the company, which are estimated at $250,000 for the current year in the business, its capital requirements could be satisfactorily met, but to do this would involve the payment of approximately $80,140 undistributed-profits tax.

Rather than pay such an exorbitant premium for capital, the directors have decided to secure additional capital by increasing the preferred stock of the company. Under existing conditions the larger stockholders are unwilling to increase their investment in the business, and as a consequence the new stock to the amount of $300,000 will be sold to brokers at a discount of not less than 10 percent plus the expense of legal fees, engineers' reports, and other incidental expenses.

In one instance the undistributed-profits tax is operating to continue a receivership.

A paper manufacturer says:

Since receivership the company has experienced a revival in business and a much better market for its product. Having had interest charges lifted and adjusted, it is now making money and should be shortly in position to propose a satisfactory plan of reorganization to its creditors and its stockholders.

The question now arises as to whether it would be advisable to submit a plan of reorganization promptly, or whether it would not be preferable to continue in receivership for a longer time, because when reorganization plans are submitted and approved, the company would immediately become subject to the undistributed-profits tax under the act of 1936, and as these profits could not be distributed they would be lost through the imposition of additional taxes.

It would seem, therefore, to me, that a company in our position would have a definite advantage over its competitors in remaining in receivership as long as possible.

The figure of $25,000 of earnings is rather arbitrary and valueless, it seems to me. Twenty-five thousand dollars might represent a very large profit for a small corporation and might be more than ample to meet the requirements in the way of surplus or reserves, but $25,000 might mean nothing to a large corporation requiring thousands of dollars for sound business expansion. The important thing is not the total number of corporations. It is stated you do eliminate from this tax some 90 percent of all the corporations of the country, but it is what the corporations do that counts in determining the good or bad effects of tax legislation. The Treasury returns show that possibly 80 percent of the corporations furnish only 10 to 15 percent of the taxable income. The remaining 20 percent earn 85 to 90 percent of the taxable income of American business. It is this small percentage of corporations that gives employment to the great mass of labor. These corporations employ most of the labor, and furthermore, this 20 percent of corporations buy all the great raw materials of the country, and therefore in fact give most employment. For that reason there is some merit in the amendment that has been offered. Give benefits to these larger corporations. You then help create more jobs by allowing more spending for new equipment, new buildings, new factories, in short, expansion.

I quote, partly, a good editorial from the New York Times:

THE PROFITS TAX

The new tax bill proposed by the House Ways and Means Committee contains one substantial improvement. For the great bulk of corporations it reduces the tax on undistributed profits to a nominal figure. In actual practice this is a highly important step for the better. But the committee's concessions have the appearance of being grudging ones. Its bill is needlessly complicated in form. For all but the smallest corporations the principle of the tax is retained. For family owned corporations the tax is kept with nearly all of its original unsound and punitive provisions. The concessions made in the capital-gains tax, moreover, are not important.

In other words, the committee has missed a great opportunity. By making no effort to save face, by acknowledging frankly that the tax had failed, by unmistakably repudiating its principle, by

revising the capital-gains tax drastically—in short, by doing handsomely in full what it does grudgingly in part, the committee might have changed overnight the anxious and depressed state of mind of the business community.

* * * * * * *

Rightly or wrongly, the undistributed-profits tax in particular has become for the business community a symbol for Government "persecution" of business. That is why, apart even from any other aspect, its repeal has become psychologically so important.

Mr. McFARLANE. Mr. Chairman, the apparent psychology of the House in regard to this tax legislation is peculiar, to say the least. Our friends on the Republican side of the aisle have offered an amendment to repeal the undistributed-profits tax. I wonder where is the gentleman from Pennsylvania [Mr. RICH], who is repeatedly on his feet wanting to know where we are going to get the money to balance the Budget. I have not seen him here in several days.

I believe it is conservatively estimated that if this amendment is adopted it will take out the very heart of this tax bill. The gentleman from Kentucky states eliminating this provision will reduce the revenues from $200,000,000 to $250,000,000. I say that if the undistributed-profits tax means what it states and what the record shows it means, its repeal will take out of the Treasury directly and indirectly considerably more money than the amount mentioned by the gentleman from Kentucky, because last year, according to the income-tax returns—and I have the records here and will be glad to read them to you, the individual income-tax returns; and no one has attempted to deny that the undistributed-profits tax is responsible for a large part of the increase in these returns—increased $427,324,000 over the previous year.

Corporation income-tax returns last year increased $318,400,000 over the previous year. If you repeal this tax and take from the American people and the corporations of this country the incentive to distribute dividends, you are taking away one of the greatest driving forces back of these increased-tax returns.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. I believe it is fair to say the undistributed-profits tax for the first year it was in operation brought into the Treasury between $380,000,000 and $400,000,000 extra, but this amendment increases the maximum rate 15 percent of the 16 percent, so you would have 1 percent applicable to the entire net-income base, which would be something like $70,000,000 or $75,000,000, and then you would have an increase in the lesser amount. I believe my estimate may be low, but certainly the returns will be at least that much.

Mr. McFARLANE. I understand that, but I want to call attention to the fact that the President in his message to the Congress made this very significant statement, which I believe the committee has, perhaps, overlooked; at least, I want to call it to the attention of the committee. This statement will be found in the President's message to Congress of January 3, 1933:

The total sum to be derived by the Federal Treasury must not be decreased as a result of any changes in schedules.

[Here the gavel fell.]

Mr. McFARLANE. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. McFARLANE. On pages 4 and 5 of its report, the Ways and Means Committee makes this statement in regard to the undistributed-profits tax:

It is proposed to tax the group of corporations with net incomes in excess of $25,000 at a flat rate of 20 percent. This rate of tax, 20 percent, imposed by the bill upon corporations which are taxable under the general rule and retain all their earnings, compares with a rate of 32.4 percent under the 1936 act. This represents a reduction of approximately 40 percent in the maximum rate of tax on such corporations.

The bill now before us reduces the tax rate on this great mass of corporations in the so-called second basket 40 percent, yet this amendment would strike out the whole section and, in my opinion, would eliminate well over $300,000,000 in taxes. The committee eliminates 40 percent in this so-called second basket, and all through the bill are similar reductions. I call upon the committee to explain to the House where and how they expect to maintain an even and equal revenue under the bill now before us. I ask them for complete break-down figures showing net increases and losses on the different provisions of the bill. This is the thing that is worrying me, and it is what the gentleman from New York [Mr. SNELL] called upon the committee to bring in.

He asked the committee to give us a break-down showing where we expected to get the money under the proposed bill. I have listened in vain for this information. I should like to know where we are going to get the money under this bill in an amount at least equal to the revenue to be obtained under existing law. Here is a 40 percent reduction, a material reduction, to corporations earning over $25,000 net income, brought about by practically repealing the undistributed-profits tax as it affects them. While it is true the committee has jacked up the rates on the so-called 20–16 tax on corporations earning over $25,000 net incomes, they have materially reduced the revenues.

On page 57 of the report they speak of the third basket, about which we have heard such a sham battle waged on this floor. This title I–B is a farcical sham on the revenues of the Treasury. The revenues received under that provision will be materially less than they are under existing law as so stated by the committee in their report on page 57, so where are we going to get the money lost by the material reductions made in 12 or 15 places I could point out in the bill if I had the time? There are a few trivial increases in the bill, but they are not of any major importance.

So I say to you, frankly, you ought not only to vote down this amendment but I have an amendment which I shall offer to restore the present undistributed-profits tax with respect to corporations with net incomes in excess of $25,000. Very clearly, I think, we are going to be compelled to have such an amendment if we are to maintain the revenues of this country, and we are running into the ninth year of a unbalanced Budget, with a deficit running well into the billions of dollars. So, it seems to me, we ought not only to vote down the gentleman's amendment but we should vote to strike out of this bill the material reductions that are going to eliminate a large part of the revenue so badly needed at this time.

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, after hearing or reading most of the discussion of this bill in the last 3 days, I find myself marveling that gentlemen of wide political experience and long acquaintance with human nature address themselves to the details of this bill and discuss figures, as in the remarks to which we have listened, instead of realizing and recognizing the vital point.

This bill is not at bottom a matter of taxation, it is not a matter of revenue in its effect on the people of this country. If men of our intelligence cannot readily comprehend these details, if those of us who have never served on the Committee on Ways and Means have to make inquiry about these figures, how can you presume that the masses of the businessmen of this country will give any heed whatever to such discussion as that to which we have just listened?

The one vital thing in this bill is its attack upon confidence. The one all-important thing at this moment is to pass a measure that the people of the United States—I will not say will understand, they will not understand any bill that we pass on this subject—but that will encourage the people of the United States to renew their business activities, will revive opportunities for men to work, and so will put an end to the terrible depression through which we are now passing. This is the question of the moment. This is the question for you to meet.

If I were tempted to talk of this thing primarily as a politician, I would not take the floor. I would keep silent and thank heaven for your stupidity. [Laughter and applause.] Whom the gods would destroy they first make mad; and the Democratic Party is at this moment mad because it evades the real question, because it gives no answer to those who are appealing to us for help.

I have received but a single letter asking me to vote to continue this undistributed-profits tax. Yesterday a Senator told me he had received a thousand letters on the subject and had not received one in favor of this undistributed-profits tax. Perhaps, it is a good tax. Money must be raised. I am not now questioning that. I say that the businessmen of this country demand in unison, as a mass, unanimously demand that you repeal this tax. So while I, as a politician, would keep quiet and joyously watch you go over the precipice, yet, as a citizen of the United States, as a man who believes its welfare is more important than that of any political party, I point out to you the need, I beg of you that you will consider the fact that what you ought to do at the moment is to allay fear, is to restore confidence to the business world. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The question was taken; and on a division (demanded by Mr. TREADWAY) there were—ayes 33, noes 78.

So the amendment was rejected.

Mr. HARLAN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HARLAN: Page 86, line 4, after the word "business", insert "for current operating expenses, plus contractual obligations."

Mr. HARLAN. Mr. Chairman, the purpose of this amendment is clarification of the phrase used on page 84—

Reasonable needs of the business.

This is under section 102 of the bill. The first paragraph of that section provides that any corporation, whether closely held or not, that holds its income for the purpose of avoiding taxation, shall be subject to a tax of 25 percent on the first $100,000 and 35 percent above that amount. Then the next paragraph to which this amendment addresses itself reads as follows:

The fact that any corporation is a mere holding or investment company, or that the earnings or profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of the purpose to avoid surtax upon shareholders.

I would make the phrase read:

Reasonable needs of the business for current operating expenses, plus contractual obligations.

The Revenue Department has lost two cases in which they have attempted to enforce this section, and because of losing those cases they have come before us to ask us to adopt title I–B. The reason they lost these cases was because the Cecil DeMille Co. said:

We need all of this revenue for future development.

The National Grocery Co. came in and said the same thing and the courts in both cases declared that was a reasonable need of their business, because their future development could be anything they wanted to say it was. In other words, it was entirely in their own minds, and entirely speculative. If we define "reasonable needs of the business" as "current operating expenses plus contractual obligations" there will be no place for anyone to use their imagination, and it will confine these corporations that are attempting to evade this tax to what was meant when this section 102 was passed, and if the pending amendment had been in the bill both of those cases would have been won and we would not have had all of this agitation for section I–B on close corporations. If this amendment is adopted, the strongest argument for the retention of I–B will be removed, and then we can either strike it out or make I–B apply to all corporations, closely or broadly held.

Mr. COOPER. Mr. Chairman, will the gentleman yield.

Mr. HARLAN. Yes.

Mr. COOPER. The gentleman's amendment would just go I–B one better. The gentleman's amendment would put all the corporations in the country under section 102, and it would be far worse than it is now.

Mr. HARLAN. My amendment would do just exactly what the Revenue Department tried to do in the National Grocery case and in the DeMille case. That was the objection that the Treasury Department, headed by Mr. Helvering, had to this. It was because the court held that anything the owner of the corporation said was his reasonable need of business was accepted as "reasonable need of business."

Mr. CELLER. Did the Treasury Department offer any suggestion by way of strengthening section 102 at all? Did they give the gentleman any language at all?

Mr. HARLAN. So far as I know, they have not. The only amendments that have been made to section 102 have been corrective amendments, to make it fit in with the rest of the act. They say that they cannot enforce section 102 because it cannot get through the courts.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. HARLAN. I ask unanimous consent to proceed for 2 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. McCORMACK. And may I say I agree with the gentleman in his argument about section 102. The Department has never undertaken to enforce it, and the National Grocery case is now pending before the Supreme Court.

Mr. HARLAN. And if this had been in the law, there would not have been any question about it.

Mr. McCORMACK. We do not know now what section 102 means, because the Department has never enforced it. They have used it as a lever, as a deterrent, that is all.

Mr. McFARLANE. The Department did not ask the gentleman to offer this amendment?

Mr. HARLAN. It did not.

Mr. CRAWFORD. May I submit this question: Assuming we get back to processing taxes and your firm decides you want to use $50,000 to increase your floor stock in order to avoid processing taxes that they may assess on floor stock, would that be construed as reasonable requirements of the business?

Mr. HARLAN. It is current operating expenses of the business, certainly.

Mr. FRED M. VINSON. Mr. Chairman, let us assume a corporation wanted to use $10,000 to build a wing to the plant.

Under the express language of the gentleman's amendment they would be subject to the provisions of section 102.

Mr. HARLAN. They would be, provided they had put it into some contractual obligation.

Mr. FRED M. VINSON. That is right.

Mr. HARLAN. That is all they have to do. They can expand as far as they want.

Mr. FRED M. VINSON. In other words, it goes further than 102 has ever gone; it goes further than I–B goes.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I ask unanimous consent that the gentleman's time may be extended 2 minutes that I may ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. Will the gentleman tell us how far that National Grocery Co. case went? Did it go beyond the circuit court of appeals?

Mr. HARLAN. Yes; it is now pending in the Supreme Court on an application for certiorari from the court of appeals, and I think that writ has been granted.

Mr. McCORMACK. I understand the Court has granted the writ and that the Court is going to pass on the question.

Mr. CELLER. What is the condition with respect to the Cecil de Mille case?

Mr. HARLAN. The Cecil de Mille case was tried before the Board of Tax Appeals. As I remember it, the Board of Tax Appeals found against the Treasury. They carried it to the court of appeals, and the court of appeals threw it out because the Treasury Department did not have their record in proper shape. That is my recollection.

Mr. CELLER. There was no appeal from that?

Mr. HARLAN. There was no appeal from that.

[Here the gavel fell.]

Mr. FRED M. VINSON. Mr. Chairman, the gentleman from Ohio says that the Bureau of Internal Revenue has endeavored to enforce section 102 in only 2 cases and that they have lost both of these cases. I may say that from the time we have had an income-tax law we have sought to do that which 102 does—either upon the shareholder or as 102 does upon the corporation.

Until 1928 or 1929 there had been collected some $78,000 under section 102. I want to show its inefficacy. From 1928 or 1929 down to the present time $12,000,000 or $14,000,000 has been collected under section 102. The mere fact that this provision is on the statute books has some deterrent effect. The trouble with section 102 is that you have to show intent on the part of the corporation to accumulate these unreasonable reserves for the purpose of avoiding the payment of surtaxes. The National Grocery case about which you have heard is certainly illustrative of the difficulty of enforcing section 102, or making it effective.

I want, however, to direct my remarks to the amendment offered by the gentleman from Ohio. He is a distinguished Member of this body, he is a good lawyer, and his purpose is unquestioned. In my opinion this amendment would do that which he would not do under any circumstances if he had time to reflect upon the effect of the amendment. I shall read this section as altered by the amendment offered by the gentleman from Ohio:

Prima facie evidence: The fact that any corporation is a mere holding or investment company, or that the earnings or profits are permitted to accumulate beyond the reasonable needs of the business—

Mark this limitation—

for current operating expenses plus contractual obligations shall be prima facie evidence of a purpose to avoid a surtax upon shareholders.

For instance, if a corporation owes money then this contractual obligation provision will operate. If the corporation does not owe money they are in the trap. In other words, this limitation does what I know my friend from Ohio would not want done.

Mr. HARLAN. Mr. Chairman, will the gentleman yield for a question?

Mr. FRED M. VINSON. I yield.

Mr. HARLAN. This whole section pertains to section 102 income, does it not?

Mr. FRED M. VINSON. That is right.

Mr. HARLAN. And section 102 income eliminates taxes and previously allowed charitable contributions. This allowed losses and they are already eliminated.

Mr. FRED M. VINSON. But we are dealing with prima facie evidence, that if this condition exists there is prima facie evidence that 102 attaches. I submit my friend from Ohio does not want to do that. I ask him in the case of a corporation that earned $50,000 in a given year and wanted to spend $25,000 of it to build an addition to their plant, whether this $25,000 would be exempt? And I ask you to remember that the penalty under 102 is much greater than the tax under I–B. The tax under 102 is on the money retained after very generous deductions. Under 102, the base taxed is much larger than the 1–B base, and the rate runs from 25 to 35 percent. Back to the amendment—if they wanted to build this extra wing to their plant the cost of that addition would not be retained for current operating expenses or for the payment of contractual obligations; and then under this amendment you would have prima facie evidence that the corporation fell within 102.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am very glad the gentleman from Ohio [Mr. HARLAN] offered the amendment. Personally I cannot subscribe to it because the amendment goes too far, but it is a step in the right direction. As a result of the offering of this amendment, the answer of the gentleman from Kentucky [Mr. VINSON] is the finest argument I have heard in this debate against section I–B. His defense of the committee's position against the amendment offered by the gentleman from Ohio is the best argument against I–B that could be advanced because everything he said is sound. Everything he said applies equally to section I–B as to the amendment offered by the gentleman from Ohio to section 102.

Mr. FRED M. VINSON. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Of course, the tax in I–B does not apply to the entire net income.

Mr. McCORMACK. May I talk quietly to my friend? If you go over the country and take all corporations, whether they are to be covered by this sugar-coated proposition or not, they are potentially subject to the principle of I–B. They pay the normal corporation tax the same as any other corporation; then they pay the I–B tax; then they are subject to the section 102 tax. The committee said this type of corporation could be availed of for the purpose of avoiding section 102, although there is no evidence of that fact, and, to be consistent, having imposed this extra 20-percent tax on retention, they should eliminate these corporations from section 102, but instead of that the corporations are also subject to section 102. In other words, let us take this particular type of corporation located in every little city and practically every town in the country. Many towns have grown up around this type of corporation. May I say in passing, this is going to hit the South more than it will hit the industrial East, because you are developing down there and family or closely held corporations have been the basis of development in New England and in every industrial section of this country.

The South will suffer and the West will suffer, because those sections are not developed like the industrial East is at the present time. Title I–B retards growth and development. That argument has not and cannot be denied. Its principle is wrong. It is not based on logic or truth. It is predicated upon an unsound and unwise premise, and you cannot make a truth out of that which is inconsistent with it, no matter how sugar-coated the exemptions might be.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. FORD of California. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from California.

Mr. FORD of California. Is it not true that section I–B will hit 90 percent of the closely held newspapers in the country which are ramming and hammering away all the time on this tax question?

Mr. McCORMACK. I may say there are two things included in the gentleman's question. Yes, it will hit 75 percent of the newspapers because, of necessity they are closely held, usually being built up by one family. This is necessary in order to have independence of views. I will fight a newspaper when I think it is wrong; but I want the press to be free. I believe in freedom of the press. I believe in freedom of speech. I believe in religious freedom. I believe in the rights guaranteed me by the Constitution, and I believe in preserving those rights. This question does not involve them at all. I am arguing that it is wrong to impose a tax on one corporation and impose a heavier tax upon another corporation in the same line of business. [Applause.]

May I tell you about the National Grocery Co. case, and I do not defend that at all. I agree with the majority of the Board of Tax Appeals, although it was decided by a bare majority vote.

I believe the majority decision in that case was correct, but the vote was a majority one, showing the closeness of the decision, and the honest difference that existed between the members of the Board of Tax Appeals. When the case went up to the Circuit Court of Appeals of the Third District the vote there was 2 to 1 the other way. This is the first time that a case under section 102 has gone up to the Supreme Court. Why can we not wait until the Supreme Court interprets section 102? Why should we not wait for that opinion before passing this drastic provision?

Mr. Chairman, when this bill goes over to the Senate, the section, according to what I recently read in the newspapers, is going out. Therefore, why not be practical? For 5 years we have been holding the fort over here. One hundred and fifty Members on this side have got to go back into districts that before their election were Republican districts. They will have to meet this issue; it will be raised by their opponents. They will have to explain if they can why they voted for a tax punitive in its nature, that adversely affected businesses located in their districts. Outside of the principle involved, the political feature calls for the elimination of I–B and with that elimination we have a very good bill that we can defend in our districts. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, the amendment of the gentleman from Ohio and the speeches of the gentleman from Ohio and the gentleman from Massachusetts show conclusively the necessity for having something done along the line of the provisions of I–B. They talk about section 102 and try to lead us to believe that section 102 will take care of the situation. But if there are not taxpayers escaping taxes under the present law, they would not make this desperate effort to strengthen 102 rather than to enact section I–B.

The truth of the matter is, as we all know the situation to be, that the Department has been trying to enforce section 102 for 15 years and this under both Democratic and Republican administrations.

Their efforts have been a failure and futile, as everyone knows. Those representing the Treasury Department tell us in all sincerity that effort after effort has been made and suit after suit has been brought but they have not succeeded yet. They have collected only approximately $9,000,000 or $10,000,000 in 15 years, whereas it is well known that hundreds of millions of dollars have been leaking away that should be justly paid and which it is intended by title I–B shall be paid.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Is it not true that for the last 15 or 20 years those in a position of responsibility have been making a desperate effort to work out language in section 102 that would be effective, and did not the gentleman referred to here, my friend from Massachusetts, Mr. Alvord, formerly connected with the Committee on Ways and Means and the Treasury, and now one of the leading tax experts of the country, state that they knew of no way to strengthen section 102?

Mr. DOUGHTON. That is correct and every effort that has been made to strengthen section 102 has been a failure. If it could not be done in 15 years of diligent effort on the part of the Treasury Department and the Department of Justice, how can we on the floor of the House in 15 minutes of consideration write a statute to take care of the situation, or make the law efficient? It is so ridiculous and so absurd it is not worth the attention of the House for a minute.

The gentleman from Massachusetts says he believes in the freedom of the press. I believe in the freedom of the press, too, but not in the freedom of the press to escape taxation. I do not believe in that form of freedom of the press, and I never will. However, I hope the press does not desire such freedom and I am sure many of the papers are willing to pay their fair share of taxes.

Mr. HARLAN. Mr. Chairman, from the remarks of the gentleman from Kentucky, whose legal ability is too high for me even to compliment, I know he does not wish this question to go off on a quibble. I am assuming what he says is correct, although I question it. I therefore ask unanimous consent that the amendment may be modified by inserting, between the words "for" and "current", the words "outstanding debts", so the amendment will read "for outstanding debts, current expenses, plus contractual obligations."

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The amendment was rejected.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, had come to no resolution thereon.

MESSAGE FROM THE SENATE

A message by the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8837) entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1939, and for other purposes."

EXTENSION OF REMARKS

Mr. CROWTHER. Mr. Speaker, I ask unanimous consent to revise and extend in the RECORD the remarks I made in Committee of the Whole today, and include therein a short newspaper article containing a list of salaries and the portion of them paid in taxes to the Federal Government.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to revise and extend in the RECORD the remarks I made in connection with an amendment offered this afternoon, and include therein a list of the colleges to which I referred.

The SPEAKER. Is there objection to the request of the gentleman from New York.

There was no objection.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to revise and extend in the RECORD the remarks I made today and include therein an article from the Detroit Free Press.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address I delivered on chain stores.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

FILIBERTO A. BONAVENTURA

Mr. POAGE. Mr. Speaker, I ask unanimous consent to file minority views on the bill (H. R. 8569) for the relief of Filiberto A. Bonaventura.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

EXTENSION OF REMARKS

By unanimous consent, Mr. QUINN was granted leave to extend his own remarks in the RECORD.

Mr. MICHENER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein two short statements.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CONNERY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a speech, together with certain letters I have written, in connection with the bill (H. R. 2730) to protect American labor, to insure employment opportunities for America's workers, to increase the purchasing power of America's farmers, to provide markets for the products of America's workers and America's farmers, to relieve the distress created through the entry into American markets of articles, goods, or commodities, the products of foreign workers at total landed costs (including the payment of tariff duties, if any) which are less than the costs of production of similar or comparable articles, goods, or commodities, the products of America's workers and America's farmers.

This bill was introduced by my brother, the late William D. Connery, Jr., last year.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

ADJOURNMENT

Mr. FRED M. VINSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 9 minutes p. m.) the House adjourned until tomorrow, Tuesday, March 8, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings in room 219, House Office Building, on the following bills as indicated:

Tuesday, March 8, 1938:

H. J. Res. 463. To permit the transportation of passengers by Canadian passenger vessels between the port of Rochester, N. Y., and the port of Alexandria Bay, N. Y., on Lake Ontario and the Saint Lawrence River.

Wednesday, March 9, 1938:

H. R. 8982. To amend Public Law, No. 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

H. R. 9225. To amend section 3 of the act of May 27, 1936 (49 Stat. 1381), entitled "An act to provide for a change in the designation of the Bureau of Navigation and Steamboat Inspection, to create a Marine Casualty Investigation Board, and increase efficiency in administration of the steamboat inspection laws, and for other purposes."

H. R. 9368. To amend the act of March 4, 1915, as amended; the act of June 23, 1936; section 4551 of the Revised Statutes of the United States, as amended; and for other purposes.

Thursday, March 10, 1938:

H. R. 8715. To authorize the Secretary of Commerce of the United States to grant and convey to the State of Delaware fee title to certain lands of the United States in Kent County, Del., for highway purposes.

H. R. 9526. To amend the act of May 27, 1908, authorizing settlement of accounts of deceased officers and enlisted men of the Navy and Marine Corps.

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River, establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho, and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River, establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho, and for the conduct of necessary investigations, surveys, and stream improvements, and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8523. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

COMMITTEE ON BANKING AND CURRENCY

The Committee on Banking and Currency of the House will continue hearings on the Goldsborough bill, H. R. 7188, at 10:30 a. m., Tuesday, March 8, 1938.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train limit bill, on or after March 15.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m., each morning of March 15, 16, 17, and 18, Chairman LANHAM presiding.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1111. A letter from the Secretary of War, transmitting the draft of a bill to authorize attendance of Philippine Army personnel at service schools of the United States Army; to the Committee on Military Affairs.

1112. A letter from the Secretary of the Interior, transmitting the draft of a bill relating to restrictions of Osage property acquired by descent or devise; to the Committee on Indian Affairs.

1113. A letter from the Secretary of the Interior transmitting a copy of resolutions passed by the Municipal Council of St. Thomas and St. John; to the Committee on Insular Affairs.

1114. A letter from the Attorney General of the United States, transmitting the draft of a bill to change the manner of appointment of probation officers; to the Committee on the Judiciary.

1115. A communication from the President of the United States, transmitting a supplemental estimate of appropriations for the fiscal year ending June 30, 1939, for the War Department, for maintenance of the office of the United States High Commissioner to the Philippine Islands, amounting to $16,500, of which amount $2,100 is made immediately available (H. Doc. No. 534); to the Committee on Appropriations and ordered to be printed.

1116. A letter from the Secretary of the Navy, transmitting a draft of a bill to provide for the retirement, rank, and pay of chiefs of naval operations, Chiefs of Bureau of the Navy Department, the Judge Advocates General of the Navy, and the major generals commandant of the Marine Corps; to the Committee on Naval Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 8885. A bill for the benefit of the Goshute and other Indians, and for other purposes; with amendment (Rept. No. 1909). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. WOOD: Committee on War Claims. H. R. 3045. A bill for the relief of Margaret Redmond; with amendment (Rept. No. 1907). Referred to the Committee of the Whole House.

Mr. WOOD: Committee on War Claims. H. R. 8365. A bill for the relief of the stockholders of the North Mississippi Oil Mills of Holly Springs, Miss.; with amendment (Rept. No. 1908). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 9767. A bill for the relief of sundry claimants, and for other purposes; with amendment (Rept. No. 1910). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. LAMBERTSON: A bill (H. R. 9757) to relinquish jurisdiction to the State of Kansas to prosecute Indians or others for offenses committed on Indian reservations; to the Committee on Indian Affairs.

By Mr. GRIFFITH: A bill (H. R. 9758) to authorize the Secretary of the Treasury to acquire, by condemnation or otherwise, such land in the city of Ponchatoula, Tangipahoa Parish, La., as may be necessary for the location of a post-office building in said city, and also to construct a suitable building thereon, and making an appropriation therefor; to the Committee on Public Buildings and Grounds.

By Mr. SCHULTE: A bill (H. R. 9759) to provide for the punishment of assault with a dangerous weapon in the District of Columbia; to the Committee on the District of Columbia.

By Mr. MAY (by request): A bill (H. R. 9760) to amend the act of March 2, 1899, as amended, to authorize the Secretary of War to permit allotments from the pay of military personnel and permanent civilian employees under certain conditions; to the Committee on Military Affairs.

By Mr. MOTT: A bill (H. R. 9761) to exempt from the tax on admissions certain fees collected in the national parks and monuments; to the Committee on Ways and Means.

By Mr. McCLELLAN: A bill (H. R. 9762) to establish the Hot Springs division of the western judicial district of Arkansas; to the Committee on the Judiciary.

By Mr. CASE of South Dakota: A bill (H. R. 9763) to provide for the punishment of persons transporting stolen animals in interstate commerce, and for other purposes; to the Committee on the Judiciary.

By Mr. ANDREWS: A bill (H. R. 9764) to authorize an appropriation for reconstruction at Fort Niagara, N. Y., to replace loss by fire; to the Committee on Military Affairs.

By Mr. CALDWELL: A bill (H. R. 9765) to authorize the purchase and distribution of products of the fishing industry; to the Committee on Merchant Marine and Fisheries.

By Mr. REES of Kansas: A bill (H. R. 9766) to prohibit the movement in interstate commerce of adulterated and misbranded food, drugs, devices, and cosmetics, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. HILL: A bill (H. R. 9768) authorizing the construction of flood-control works on Mill Creek for the protection of life and property in the city of Walla Walla, Wash., and vicinity; to the Committee on Flood Control.

By Mr. LAMNECK: Resolution (H. Res. 431) authorizing the Secretary of the Treasury to furnish the House of Representatives with certain information, with regard to those who may be affected by H. R. 9682; to the Committee on Ways and Means.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Massachusetts, memorializing the Congress of the United States and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Massachusetts, memorializing the Congress of the United States in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

Also, memorial of the Legislature of the State of Kansas, memorializing the President and the Congress of the United States to consider their House Concurrent Resolution No. 6,

dated February 19, 1938, with reference to Senate bill 25 and House bill 6704, concerning the Universal Service Act; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. KENNEDY of Maryland: A bill (H. R. 9767) for the relief of sundry claimants, and for other purposes; to the Committee on Claims.

By Mr. COLLINS: A bill (H. R. 9769) for the relief of Thomas J. Grayson; to the Committee on Claims.

By Mr. FLANNERY: A bill (H. R. 9770) granting a pension to Thomas R. Koch; to the Committee on Pensions.

Also, a bill (H. R. 9771) for the relief of John Kumple; to the Committee on Military Affairs.

By Mr. GRIFFITH: A bill (H. R. 9772) for the relief of Bryan D. Burns, Philip Burns, and Albert Burns; to the Committee on Claims.

By Mr. LAMNECK: A bill (H. R. 9773) for the relief of William E. Burgoon; to the Committee on Naval Affairs.

By Mr. LARRABEE: A bill (H. R. 9774) for the relief of Samuel T. Monroe; to the Committee on Claims.

By Mr. McSWEENEY: A bill (H. R. 9775) for the relief of Lima Locomotive Works, Inc.; to the Committee on Claims.

By Mr. MERRITT: A bill (H. R. 9776) for the relief of the estate of Edith M. Napier; to the Committee on Claims.

By Mr. REECE of Tennessee: A bill (H. R. 9777) granting a pension to Verdie Ellen Rankin; to the Committee on Invalid Pensions.

By Mr. SCOTT: A bill (H. R. 9778) granting a pension to Mrs. J. W. Jones; to the Committee on Invalid Pensions.

By Mr. STEAGALL: A bill (H. R. 9779) for the relief of Charles C. Young, United States Navy, retired; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4319. By Mr. CONNERY: Resolution of the General Court of the Commonwealth of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Foreign Affairs.

4320. Also, resolution of the General Court of the Commonwealth of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4321. By Mr. CRAWFORD: Petition of Albert Illikman and other Saginaw residents, protesting against foreign entanglements and petitioning Congress to restore to Congress the right to coin and regulate money according to the Constitution; to the Committee on Foreign Affairs.

4322. By Mr. CROWE: Petition of the Madison Retail Advancement Association, of Madison, Ind., endorsing the present principle of Federal aid for highway improvements and opposing any change in this principle; to the Committee on Appropriations.

4323. By Mr. FLAHERTY: Petition of the United Steel and Metal Workers, L. I. Union No. 511, Boston, Mass., affiliated with Committee for Industrial Organization, demanding the immediate passage of Schwellenbach-Allen resolution; to the Committee on Appropriations.

4324. By Mr. FORD of California: Petition of the Council of the City of Los Angeles, Calif., recording its opposition to any plan or proposal to terminate, reduce, or restrict the air passenger and express service now operated by Transcontinental & Western Air, Inc., between Kansas City, Mo., and Chicago, Ill.; to the Committee on Interstate and Foreign Commerce.

4325. By Mr. LUTHER A. JOHNSON: Petition of Ross M. Sherwood, secretary-treasurer, Texas World's Poultry Congress committee, College Station, Tex., favoring House Joint Resolution 566, concerning the issuance of postage stamps in honor of the seventh world's poultry congress and exposition; to the Committee on the Post Office and Post Roads.

4326. By Mr. KRAMER: Resolution of the Council of the City of Los Angeles, relative to air passenger and air express service of Transcontinental & Western Air, etc.; to the Committee on Interstate and Foreign Commerce.

4327. By Mr. KEOGH: Petition of the Empire Brush Works, Port Chester, N. Y., concerning the Patman chain-stores bill (H. R. 9464); to the Committee on Ways and Means.

4328. Also, petition of Walter N. Rothschild, president, Abraham & Straus, Inc., Brooklyn, N. Y., concerning title I–B of House bill 9682; to the Committee on Ways and Means.

4329. Also, petition of the Illinois Terminal Railroad System, traffic department, New York City, concerning House bill 5931, to amend the Revenue Act of 1932, by imposing an excise tax on tapioca, sago, and cascava; to the Committee on Ways and Means.

4330. Also, petition of Sweet-Orr & Co., Inc., New York City, concerning the proposed Federal tax of 1 cent a gallon on fuel oil; to the Committee on Ways and Means.

4331. Also, petition of the California Packing Corporation, San Francisco, Calif., opposing the enactment of House bill 3134, imposing a 1-cent tax on fuel oil; to the Committee on Ways and Means.

4332. By Mr. LAMNECK: Petition of C. E. Woolman, of Columbus, Ohio, and other Columbus citizens, urging the adoption of Senator Bailey's 10-point program; to the Committee on Government Organization.

4333. By Mr. LEAVY: Resolution of the Nespelem unit of the Washington Miners and Prospectors Association, opposing any reduction in the tariff on lead and zinc on the basis that such reduction as might be consummated by trade agreement with Canada or any other foreign power would operate to curtail activity in this phase of mining in northwestern United States and consequently result in further unemployment, loss of capital, and distress among domestic producers; to the Committee on Ways and Means.

4334. By Mr. LUCE: Petition of the Massachusetts General Court regarding reciprocal-trade agreement with Great Britain; to the Committee on Ways and Means.

4335. Also, memorial of the Massachusetts General Court, for continuation of Works Progress Administration projects; to the Committee on Appropriations.

4336. By Mr. McCORMACK: Memorial of the Massachusetts General Court, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4337. Also, memorial of the Massachusetts General Court, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Foreign Affairs.

4338. By Mr. McLEAN: Petition of the Young Peoples' Society of the Presbyterian Church, of Roselle, N. J., registering disapproval of war as an instrument of national policy, and petitioning Congress to pass such legislation as will keep the United States from becoming involved in a war on foreign shores or from becoming involved in any war in which the interests of the whole American people are not affected; to the Committee on Foreign Affairs.

4339. Also, petition of the Union County committee for the Ludlow amendment; to the Committee on the Judiciary.

4340. By Mr. PFEIFER: Petition of the Chamber of Commerce of the State of New York, New York City, opposing the 1 cent per gallon tax on fuel oil; to the Committee on Ways and Means.

4341. Also, telegram of Abraham & Straus, Inc., Brooklyn, N. Y., opposing adoption of title I–B of the tax bill (H. R. 9682); to the Committee on Ways and Means.

4342. Also, telegram of Frederick Loeser Co., Brooklyn, N. Y., concerning corporation tax in the new tax bill; to the Committee on Ways and Means.

4343. Also, petition of the Brooklyn Peace Council, Brooklyn, N. Y., concerning the super-Navy bill; to the Committee on Naval Affairs.

4344. Also, petition of the Concord Oil Corporation, Brooklyn, N. Y., protesting against the 1 cent tax on fuel oil (H. R. 3134); to the Committee on Ways and Means.

4345. Also, petition of the United Colored Voters and Civic League of Brooklyn, Inc., Brooklyn, N. Y., concerning the Wagner-Van Nuys antilynching bill; to the Committee on the Judiciary.

4346. Also, petition of the Illinois Terminal Railroad System, H. A. Tuohy, eastern traffic manager, New York City, concerning House bill 5931, to amend the Revenue Act of 1932; to the Committee on Ways and Means.

4347. By Mr. QUINN: Resolution of the District Council No. 6 of the United Electrical, Radio and Machine Workers of America, Local No. 610, Wilmerding, Pa., against the use of Government funds for strike breaking; to the Committee on the Judiciary.

4348. By Mrs. ROGERS of Massachusetts: Petition of the General Court of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4349. Also, petition of the General Court of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and felt hats and hat bodies from any reciprocal-trade agreement; to the Committee on Foreign Affairs.

4350. By Mr. SHANLEY: Resolution presented by the Bridgeport Committee for Industrial Organization city council with regard to the Schwellenbach-Allen resolution; to the Committee on Appropriations.

4351. By Mr. WIGGLESWORTH: Petition of the General Court of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4352. Also, petition of the General Court of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Foreign Affairs.

4353. By the SPEAKER: Petition of the Springfield General Welfare Unit, Springfield, Ohio, petitioning consideration of House bill 4199 with reference to general welfare; to the Committee on Ways and Means.

4354. Also, petition of the Florida Aviation Association, Inc., urging the Senate and House of Representatives to create a standing and permanent Committee on Civil Aeronautics; to the Committee on Rules.

4355. Also, petition of Florence Mohn, Mount Vession, Ohio, and others with reference to Senate bill 1270 and House bill 3291 concerning Sunday-observance bills; to the Committee on the District of Columbia.

SENATE

TUESDAY, MARCH 8, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, March 7, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Dieterich	King	Pope
Andrews	Donahey	La Follette	Radcliffe
Ashurst	Duffy	Lee	Reames
Austin	Ellender	Lewis	Reynolds
Bailey	Frazier	Lodge	Russell
Bankhead	George	Logan	Schwartz
Barkley	Gerry	Lonergan	Schwellenbach
Berry	Gibson	Lundeen	Sheppard
Bone	Gillette	McAdoo	Shipstead
Borah	Glass	McCarran	Smathers
Bridges	Green	McGill	Thomas, Okla.
Brown, Mich.	Guffey	McKellar	Thomas, Utah
Brown, N. H.	Hale	McNary	Townsend
Bulkley	Harrison	Maloney	Truman
Bulow	Hatch	Miller	Tydings
Burke	Hayden	Minton	Vandenberg
Byrd	Herring	Murray	Van Nuys
Byrnes	Hill	Neely	Wagner
Capper	Hitchcock	Norris	Walsh
Caraway	Holt	O'Mahoney	Wheeler
Chavez	Hughes	Overton	
Copeland	Johnson, Calif.	Pepper	
Davis	Johnson, Colo.	Pittman	

Mr. LEWIS. I announce that the Senator from Mississippi [Mr. BILBO], the Senator from Texas [Mr. CONNALLY], and the Senator from New Jersey [Mr. MILTON] are detained on important public business.

The Senator from South Carolina [Mr. SMITH] is detained in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

Mr. TRUMAN. I announce that my colleague [Mr. CLARK] is detained from the Senate by a cold.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

IMPROVEMENT OF EFFICIENCY OF THE LIGHTHOUSE SERVICE

The VICE PRESIDENT laid before the Senate a letter from the Acting Secretary of Commerce, transmitting a draft of proposed legislation to improve the efficiency of the Lighthouse Service, and for other purposes, which, with the accompanying papers, was referred to the Committee on Commerce.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate resolutions adopted by the American Federation of Actors, New York City, and District Council No. 28 of Queens and Nassau Counties, Brotherhood of Painters, Decorators and Paperhangers of America, in the State of New York, favoring the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which were referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by the executive officials of the Creek National Council, assembled at Okmulgee, Okla., protesting against the enactment of the bill (S. 3364) conferring jurisdiction on the district courts of the United States for the State of Oklahoma to hear and determine certain causes involving property belonging to Indians of the Five Civilized Tribes, and for other purposes, which were referred to the Committee on Indian Affairs.

He also laid before the Senate a letter from Lester P. Barlow, of Washington, D. C., in relation to his offer to grant to the Government free rights under any patents which he may obtain for the manufacture and use of the Barlow aerial mine in connection with the national defense, which was referred to the Committee on Naval Affairs.

He also laid before the Senate a paper in the nature of a memorial from officials of the Creek National Council, Okmulgee, Okla., remonstrating against the enactment of the bill (S. 1652) to provide for the payment of certain Creek equalization claims, and for other purposes, which was ordered to lie on the table.

Mr. WAGNER presented numerous petitions and letters, telegrams, and papers in the nature of petitions, from sundry citizens and organizations, all in the State of New York, praying for the reopening and operation of the New York, Westchester & Boston Railway Co., which were referred to the Committee on Interstate Commerce.

Mr. CAPPER presented a resolution adopted by the governing body of the city of Bonner Springs, Kans., favoring amendment of the so-called Maloney bill, being the bill

(S. 3255) to provide for the establishment of a mechanism of regulation among over-the-counter brokers and dealers operating in interstate and foreign commerce or through the mails, comparable to that provided by national securities exchanges under the Securities Exchange Act of 1934, and for other purposes, so as to exempt from its requirements all bonds issued by States, counties, cities, school districts, and other municipalities and also amending the provision relative to membership monopoly, which was ordered to lie on the table.

RECIPROCAL-TRADE AGREEMENTS—MEMORIALS

Mr. LODGE. Mr. President, I present several petitions or memorials from the State of Massachusetts relative to the protection of Massachusetts industry from foreign competition. They come at a particularly striking time, Mr. President, for today is a very black day for those who earn their living by making shoes.

Last year Czechoslovakia sent 3,653,000 pairs of shoes into this country—an all-time high. Those of us from shoe-producing centers therefore demanded tariff increases to protect American workers against this threat to their jobs.

Now comes the trade agreement with Czechoslovakia. As reported in the press, it does not give us an increase in duties. Far from it. On the contrary, with an almost unbelievable indifference to the welfare of American workers, it promises not to raise the duties.

Last year 4,163,000 pairs of foreign-made shoes came into this country. Under the trade agreement this must rise to 4,796,000 pairs before any steps will be taken to bring relief, and then the steps will be taken only after consultation with foreigners, and only if the administration happens to feel like it. Plainly the President, through the State Department, is inviting more foreign-made shoes to enter the United States, thus causing more unemployment in the United States. As a believer in the principle of reciprocity, I deplore this willful perversion of the principle. I denounce the unseemly haste to conclude a foreign treaty when there is so little helpful action to bring real work at real wages to those at home.

Nor should we forget that this agreement will increase our trade involvements with a nation lying in the heart of the European war zone.

Continued unemployment of American workers and increased jeopardy to the peace of the United States are a high price to pay to achieve the Hull policy of preserving democracy in Czechoslovakia. What further sacrifices may we expect from the proposed trade agreement with Great Britain?

The VICE PRESIDENT. Without objection, the petitions or memorials presented by the Senator from Massachusetts [Mr. LODGE] will be received, noted in the RECORD, and appropriately referred.

The memorials presented by Mr. LODGE and the references thereof are as follows:

Resolution of the General Court of Massachusetts, memorializing Congress to adopt measures continuing projects of the Works Progress Administration; to the Committee on Appropriations;

Resolutions of the General Court of Massachusetts, memorializing Congress and the United States Tariff Commission to adopt measures excluding foreign-made boots, shoes, leather, leatherboard, textiles, wool and fur felt hats and hat bodies; to the Committee on Finance; and

Resolutions of the city council of Worcester, Mass., protesting against the adoption of any tariff trade agreement which might tend to cause further inroads into the domestic markets of United States industries and affect the employment situation; to the Committee on Finance

REPORTS OF COMMITTEES

Mr. WALSH, from the Committee on Finance, to which was referred the bill (H. R. 8099) to amend certain administrative provisions of the Tariff Act of 1930, and for other purposes, reported it with amendments and submitted a report (No. 1465) thereon.

Mr. CHAVEZ, from the Committee on Post Offices and Post Roads, to which was referred the joint resolution (S. J. Res. 269) to authorize the Postmaster General to withhold the awarding of contracts for a period of 60 days, reported it with an amendment.

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs, to which was referred the bill (S. 3464) to extend the Metlakahtla Indians' Citizenship Act, reported it without amendment and submitted a report (No. 1466) thereon.

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the bill (H. R. 5753) to authorize advance of the amounts due on delinquent homestead entries on certain Indian reservations, reported it without amendment and submitted a report (No. 1467) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WALSH:

A bill (S. 3625) to provide for the retirement, rank, and pay of Chiefs of Naval Operations, Chiefs of Bureau of the Navy Department, the Judge Advocates General of the Navy and the Major Generals Commandant of the Marine Corps; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 3626) for the relief of Jerome Monroe; to the Committee on Claims.

By Mr. BAILEY:

A bill (S. 3627) for the relief of H. D. Bateman, P. L. Woodard, and J. M. Creech; and

A bill (S. 3628) to confer jurisdiction on the Court of Claims to hear, determine, and enter judgment upon the claims of Government contractors whose costs of performance were increased as a result of enactment of the National Industrial Recovery Act, June 16, 1933; to the Committee on Claims.

By Mr. SHEPPARD:

A bill (S. 3629) to authorize attendance of Philippine Army personnel at service schools of the United States Army (with accompanying papers); to the Committee on Military Affairs.

By Mr. PEPPER:

A bill (S. 3630) for the establishment of a system of regional industrial banks, so as to furnish additional credit and capital facilities for business purposes; to the Committee on Banking and Currency.

A bill (S. 3631) to provide for assistance to States, counties, health districts, and other political subdivisions of the States in the construction of additional hospital facilities for the medically needy; to the Committee on Commerce.

REORGANIZATION OF EXECUTIVE DEPARTMENT—AMENDMENT

Mr. BERRY submitted an amendment intended to be proposed by him to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes, which was ordered to lie on the table and to be printed.

AMENDMENT TO NAVAL APPROPRIATION BILL

Mr. WALSH submitted an amendment intended to be proposed by him to the bill (H. R. 8993) making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1939, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 12, line 25, after the word "trophies", to insert the words "and medals."

AMENDMENT TO STATE, JUSTICE, ETC., APPROPRIATION BILL

Mr. BROWN of Michigan submitted an amendment intended to be proposed by him to the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 19, line 1, to strike out "$588" and insert the following: "$5,588, including not to exceed $5,000, to be immediately available, to enable the United States to participate in the meetings of the said association and of its executive committee, including travel and subsistence, in the calendar year 1938."

AMENDMENTS TO INTERIOR DEPARTMENT APPROPRIATION BILL

Mr. FRAZIER and Mr. NYE, jointly, submitted amendments intended to be proposed by them to the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, which were referred to the Committee on Appropriations and ordered to be printed, as follows:

At the proper place in the bill to insert the following:

"$30,000 to be used in surveys of the Little Beaver Creek in North Dakota and Montana, the Knife River in North Dakota, and for other surveys of the Missouri River tributaries in North Dakota."

At the proper place in the bill to insert the following:

"Buford-Trenton project, North Dakota: For commencement of construction, $600,000, to be expended from the reclamation fund and to remain available during the fiscal year 1939."

REORGANIZATION OF EXECUTIVE DEPARTMENTS—CIVIL SERVICE COMMISSION

Mr. CAPPER. Mr. President, I received a letter this morning from William Green, president of the American Federation of Labor, which states so succinctly and forcefully my own views in opposition to destroying the effectiveness of the Civil Service Commission, as proposed in the pending bill to reorganize the executive departments, that I desire to call special attention to it.

Mr. Green says that the proposal really is to abolish the Civil Service Commission, and transfer its function to a single administrator. My own opinion also is that if the change is made, it might be well to designate the new administrator as chief patronage dispenser for the administration in power.

Mr. Green points out that in the handling of appeals employees would not have the same confidence in the judicial attitude of one man that they have in a nonpartisan board of appeals, and I heartily agree with him.

Also Mr. Green states, and I believe correctly, that the faith of the people of the Nation in the merit system and administration of civil-service legislation will be strengthened through maintenance of the bipartisan Commission, but will be greatly weakened if this nonpartisan board is replaced by a single administrator.

I send Mr. Green's letter to the desk and ask unanimous consent that it be printed as part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMERICAN FEDERATION OF LABOR,
Washington, D. C., March 7, 1938.

Hon. ARTHUR CAPPER,
Senate Office Building, Washington, D. C.

DEAR SIR: The officers and members of the American Federation of Labor are deeply interested in the provisions of Senate bill 3331, generally known as the reorganization bill. We are in accord with the provisions of this measure which have for their purpose the promotion of efficiency and economy, provided that these economies of governmental operation are not effected at the expense or sacrifice of wages and standards of employment already secured by Government workers. We rely upon the Members of Congress to jealously guard and protect both the wage and work standards now in effect for Government employees.

There is one feature of the proposed Government reorganization bill to which the officers and members of the American Federation of Labor are strongly opposed. I refer to the section of the reorganization bill which reads as follows:

"SEC. 201. (a) There is hereby established in the executive branch of the Government an organization to be known as the Civil Service Administration (hereinafter referred to as the "administration"), at the head of which shall be a civil-service administrator (hereinafter referred to as the "administrator"), who shall be appointed by the President by and with the advice and consent of the Senate, for a term of 15 years, and shall receive a salary at the rate of $10,000 per annum. The administrator shall be selected without regard to any political affiliations, shall be a person specially qualified for the office of administrator by reason of his executive and administrative qualifications, with particular reference to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law."

This proposed measure would, if enacted into law, substitute a single administrator, to be appointed by the President, for the Civil Service Commission of three members as now constituted. The bill now before Congress proposes to abolish the Civil Service Commission and to transfer its administrative functions to a single administrator. The Fifty-seventh Annual Convention of the American Federation of Labor, which was held at Denver, Colo., October 1937, expressed itself upon this matter as follows:

"*Resolved*, That the Fifty-seventh Convention of the American Federation of Labor endorse the proposition that the United States Civil Service Commission continue to be the agency charged with the administration of the laws and regulations affecting civilian personnel within the classified civil service of the United States; and be it further

"*Resolved*, That the Fifty-seventh Convention of the American Federation of Labor endorse the proposition that the United States Civil Service Commission continue to be a bipartisan Commission."

The American Federation of Labor has consistently supported the merit system in Government employment and has favored its application in a broad and extended way so as to cover those employed by the Government so far as that is practicable and possible. It is the men and women of labor who are vitally affected by the administration of civil-service laws. They have faith and confidence in a bipartisan Civil Service Commission; they would not have the same confidence in a single administrator.

Much of this state of mind is based upon the fact that the Civil Service Commission is called upon to serve both as an appellate court in matters of transcendent importance and vital interest to civil-service employees and a legislative body. We all know that important questions which involve policy and interpretations must be passed upon. We are convinced that such questions can be treated more justly, fairly, and in a more comprehensive way by a deliberative body than by a single administrator. Experience has shown that the decisions of one man would be frequently challenged and that a single administrator would be accused, whether justly or unjustly, of being influenced by partisan and personal considerations. All of this would tend to undermine the confidence of the people in the merit system and in civil-service administration.

Under our form of government courts of appeal and courts of last resort are made up of three or more members. Because the Civil Service Commission serves in many instances in a judicial capacity, it is inconceivable that we would substitute the principle of a one-man court in the administration of civil-service legislation.

In behalf of the officers and members of the American Federation of Labor I sincerely and earnestly request you to oppose the substitution of a single administrator for the bipartisan Civil Service Commission, as is embodied in the pending reorganization bill.

I am confident that the faith of the masses of the people in the merit system and the administration of civil-service legislation will be strengthened through the maintenance of a bipartisan Civil Service Commission. On the other hand, confidence in the administration of civil-service laws will be greatly impaired if a single administrator is substituted for the bipartisan Civil Service Commission.

I sincerely hope and trust you may find it possible to support the point of view of the officers of the American Federation of Labor which I have outlined in this communication.

Very sincerely yours,

WM. GREEN,
President, American Federation of Labor.

Mr. BYRNES. Mr. President, with reference to the letter which the Senator from Kansas [Mr. CAPPER] asked to have inserted in the RECORD, I ask permission to have printed in the RECORD following the remarks of the Senator from Kansas a letter from Mr. Jacob Baker, president of the organization of employees affiliated with C. I. O., endorsing the provisions of the reorganization bill, and particularly with reference to the single civil-service administrator; also, a statement by Mr. Luther Steward, president of the other organization of Federal employees, endorsing the reorganization bill, and particularly the provision as to a single civil-service administrator.

The VICE PRESIDENT. Is there objection?

There being no objection, the letter and statement were ordered to be printed in the RECORD, as follows:

UNITED FEDERAL WORKERS OF AMERICA,
Washington, D. C., March 1, 1938.

Hon. JAMES F. BYRNES,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRNES: In previous statements that I have made and that have been issued for the United Federal Workers of America, we have made clear our general support of the reorganization bill which you have presented to the Senate. As you know, there are a number of specific details in which we should like to have it modified, but in general, we recognize clearly the great desirability of the improvements to the public service that this bill will make possible.

Because of the fact that Senator WALSH's office asked me last week as to our view upon one item in the bill, namely, the provision of a civil-service administrator in place of a Commission, it occurs to me that you may be interested in our views upon this point. In our judgment the essential thing is that the classified civil service on the one hand, and that part of the Federal service that is under the salary-classification statute, on the other, shall be expanded to include the whole civilian personnel of the Government. The important thing is that the civil service shall be efficiently administered. The administration

of civil-service laws and rules is performed by an extensive executive staff, both within the Departments and within the civil-service agency itself. In our view it is not of vital importance whether the head of the civil-service agency shall be a single administrator or a commission. We recognize that there are many advantages in a single administrator that result from identified and exactly placed responsibility, and that such an administrator may be held wholly responsible for the effective administration of his agency. However, we do not feel that it is of vital importance whether the head of such an agency shall be one man or a commission of three. The essential thing is that responsibility shall be clearly defined and the administration maintained at the highest possible level.

The point has been made that a bipartisan commission may protect the nonpartisan quality of the civil service more effectively than a single person. In our judgment, this finally comes down to the idea that a single minority member can protect the nonpartisan quality of the service more effectively than a single administrator. Essentially the function of the head of the civil service agency is to lay out broad policies, and to establish the basic rules of administration. Political pressures are brought to bear upon the staff, and the pressures are just as great whether the staff is under a commission or a single individual.

Yours very sincerely,

JACOB BAKER.

STATEMENT OF LUTHER C. STEWARD, OF THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES, BEFORE REORGANIZATION COMMITTEE

We approve the idea of the single administrator with the detailed functions as set forth in section 202. It is certainly not expected that any single individual personally would undertake to do all these things, but authority is provided for the setting up of the necessary qualified technical staff to do many things in connection with the improvement of the Federal personnel matters, where at the present time no authority is vested anywhere, with the result that nothing is done and the Federal personnel system lacks uniformity, lacks standardization, because it is nobody's job, it does not devolve upon any one individual or any one institution to do these very necessary things.

* * * * * * *

Most decidedly no one would contemplate putting all of those under one individual, but you cannot divide responsibility in connection with personnel matters and get effective results, and any idea that might still persist in some quarters that a commission to administer things by a partisan commission, with the majority and minority representation on there, history indicates that there has been a long list of failures in respect to administration by such a party. The most eloquent testimony as to the inefficacy of commission administration is usually offered by those who attempt to administer as a part of such a cumbersome body.

CONSTRUCTION OF SUPERHIGHWAYS

Mr. BULKLEY. Mr. President, I ask unanimous consent to have printed at this point in the body of the RECORD a short editorial from yesterday's Washington Herald concerning superhighways.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The editorial is as follows:

[From the Washington (D. C.) Herald of March 7, 1938]

TOLL ROADS A SAVING

One of the favorite ways of decrying the superhighway plan which is now before Congress is to say that the idea is as old as the hills.

It is certainly 20 years old, for bills on the subject have been introduced into Congress as long ago as that.

But to use that as an argument against the Bulkley bill is just as sensible as to say that all the talk of a trans-Atlantic air service is nonsensical, because people have been dreaming about it ever since Lindbergh flew from New York to Paris.

Twenty years ago a superhighway scheme based on tolls would probably have been a failure, mainly because we had very little notion of how an express highway ought to be built.

One need only drive over the winding Vanderbilt Parkway on Long Island to realize how extraordinary bad roads used to be 30 years ago.

Even within the last 5 or 6 years new parkways have been built which are already out of date owing to faulty construction.

It is only now that conditions are ripe for a superhighway system. We know how to build roads so as to make them almost foolproof for dangerous drivers; our existing roads in the populous States are so crowded that there is a crying need for the superhighway; and we have millions of workmen hungry for employment.

Gen. R. C. Marshall gave some interesting figures in an address last week before the Washington Society of Engineers.

A series of tests made last year in Germany over the Bruchsal Nauheim Autobahn showed that the gasoline consumption over 92 miles of the autobahn was just about half what the same car going about the same pace used over 101 miles of the ordinary high road between the same cities.

That is like saying that the saving in gasoline on a superhighway between Washington and Philadelphia in a medium-sized car would be 4 or 5 gallons.

As soon as the public began to realize the saving in gasoline alone, to say nothing about the wear and tear on brakes and tires, they would very soon find the toll roads a real economy.

DEDICATION OF WHEELER DAM—ADDRESSES BY SPEAKER BANKHEAD AND MISS ANNIE E. WHEELER

[Mr. HILL asked and obtained leave to have printed in the RECORD an address delivered by Hon. WILLIAM B. BANKHEAD, Speaker of the House of Representatives, and also an address delivered by Miss Annie E. Wheeler on the occasion of the dedication of the Wheeler Dam on September 10, 1937, which appear in the Appendix.]

FOREIGN POLICY OF THE UNITED STATES—ADDRESS BY SENATOR LA FOLLETTE

[Mr. BONE asked and obtained leave to have printed in the RECORD an address delivered by Senator LA FOLLETTE in New York City on March 6, 1938, on the foreign policy of the United States, which appears in the Appendix.]

AGRICULTURAL RELIEF—ADDRESS BY SENATOR BANKHEAD

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an address delivered by Senator Bankhead at Charlotte, N. C., on March 5, 1938, on the subject of the Agricultural Relief Act, which appears in the Appendix.]

AGRICULTURAL RELIEF—ADDRESS BY SENATOR M'GILL

[Mr. NEELY asked and obtained leave to have printed in the RECORD a radio address on the subject of Farm Legislation, delivered by Senator MCGILL on Friday, March 4, 1938, which appears in the Appendix.]

SOCIALIZED MEDICINE—ARTICLE BY JOSEPH F. THORNING

[Mr. WALSH asked and obtained leave to have printed in the RECORD an article by Joseph F. Thorning on the subject of socialized medicine, which appears in the Appendix.]

PROPOSED OLYMPIC FOREST NATIONAL PARK

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an article by Irving Brant, published by the Emergency Conservation Committee of New York, entitled "The Olympic Forests for a National Park."]

PROPOSED INVESTIGATION OF T. V. A.

Mr. NORRIS. Mr. President, I desire the attention of the Senate for a few moments today while I discuss the general situation in reference to the T. V. A. I am moved to do this because of the widespread publication of various charges of all kinds which are being made through a press which as a rule is unfriendly, and always has been unfriendly, to the T. V. A.

It is with some embarrassment that I discuss some of the problems to which I shall refer, because some of them are now pending in court; and I have always tried to follow the rule that when a case is properly in court, and undecided, it should not be discussed on the floor of the Senate or of the House of Representatives unless there is some extraordinary reason for doing so.

The unfortunate difficulty, however, which has arisen within the T. V. A. itself, wherein there is a bitter dispute between two factions of the T. V. A., the widespread publicity which has been given, and the demand which has been almost universally made that an investigation of some kind should be undertaken, have caused me in this instance to feel obliged to pursue a different course, especially in view of the fact that in the propaganda which is being circulated against the T. V. A. those who believe as I do have been criticized by a large portion of the critics because it is claimed that we are not in earnest, or that the investigation which has been proposed by the Committee on Agriculture and Forestry is not a fair way to reach and deal with the difficulty.

Mr. President, I first became acquainted with Dr. Arthur Morgan a short time, perhaps a very few weeks or only a few days, before the President appointed him as chairman of the Tennessee Valley Authority. I had known him by reputation prior to that time. I was very closely associated with him from the time of his appointment up to about a year ago, and I had great and very deep affection for him. I have visited in his family. He has visited in mine. We have had numerous conferences in my office relative to the

activities of the T. V. A., and I thought I was in entire agreement with him. I believed he was earnestly trying to carry out the law which Congress had passed in reference to the T. V. A. I was shocked beyond expression and suffered untold agony of heart when gradually I began to see, as I thought, that he was moved by an intense jealously against some of his associates on the Board, and that his jealousy has led him beyond reason and beyond logic. Mr. President, when jealousy, that green-eyed monster, obtains possession of the human heart, it is not long until it has control of the human intellect, the human mind.

About the time Mr. Lilienthal's term expired, when it was necessary for the President to reappoint him or to appoint a successor to him, about 3 years after the T. V. A. became active, I was dumfounded one day when Dr. Arthur Morgan, the chairman of the Board, came into my office and frankly announced that if Mr. Lilienthal should be appointed to succeed himself he, Dr. Morgan, would resign. Surprised as I was, dumfounded as I was, I did my best honestly to find out what was the difficulty. I was shocked beyond expression; and as we proceeded with our conversation, and the violence of Dr. Morgan with reference to his associate continued to increase, when he used language in reference to his associate that I had no reason to believe was well-founded, when he used language and epithets which I shall not repeat, I became more and more bewildered. I tried to find out some concrete thing which would bear out the general epithets he applied to Mr. Lilienthal. At first I thought there must have been some terrible occurrence within the Board or Dr. Morgan would not have made the severe charges which he then made.

I had numerous interviews with Dr. Morgan, running on for months, sometimes lasting half a day at a time. I spent many a weary night in worrying about the problem; but I was never able to get from Dr. Morgan's lips any concrete instance which appealed to me as being wrong on the part of Mr. Lilienthal. I had known Mr. Lilienthal about the same length of time I had known the Chairman of the Board. I had had numerous conferences with Mr. Lilienthal and with Dr. Harcourt Morgan. I was sometimes consulted, I think, in the various controversies that came up, before decisions were reached. I tried my best, with my limited knowledge and ability, to give advice which I thought was honest and right. Up to that time, I think the record will show that the members of the Board of the T. V. A. always had acted—there may have been exceptions to the rule; I do not know—by unanimous vote when they reached a decision. There was disagreement, as I should expect; but the various matters of difference were argued and fought out around the table, and finally a unanimous conclusion was reached.

Mr. Lilienthal had delivered many addresses throughout the Tennessee Valley, and some elsewhere, in response to invitations which he did not, and, in my judgment, ought not, to have refused, explaining the activities of the Board, their problems, and their troubles. He had become rather "cocky," I thought, especially in the Tennessee Valley, and when he was first appointed he was received rather coldly because he came from Wisconsin. There were many people in the Tennessee Valley who thought the members of the Board should be chosen from the Tennessee Valley. But I think he overcame that prejudice, and he had reached a position after 3 years when his popularity perhaps exceeded that of any other member of the Board. I did not think that ought to be any cause of complaint. If I had been Chairman of the Board I would have been delighted if every other member of the Board had received the approval of all the people in the Tennessee Valley and elsewhere in the United States. It seemed to me that their popularity could not be too great.

In the various conferences I had with Dr. Morgan, in which I labored with him to the best of my ability for a long time, I was unable to see the why or the wherefore of his feeling. Gradually it began to dawn on me that Dr. Morgan was jealous of Mr. Lilienthal. I did not think it was in the make-up of the man to be jealous of anyone. But many little things happened which were significant, and I had to assign some reason for them, because I investigated the few concrete instances he related to me, and I did not think there was any importance in them. But I had to find some reason for Dr. Morgan's animosity against Mr. Lilienthal, so I considered it my duty to look into the matter further, and I never found anything which, in my judgment, was wrong, nor did I find that at any time or at any place any disrespect was shown to the chairman by Mr. Lilienthal.

I have gone over the work in the Tennessee Valley with Dr. Morgan. I have gone over some of it with Mr. Lilienthal. I have had many conferences with both of them together, and I have had many conferences with each of them separately and alone, and I was not aware that such a hatred existed or that there was any cause for it. So far as I could find, Mr. Lilienthal was, without exception, courteous in the supreme degree to the Chairman of the Board.

Matters went on until finally the President, after making an investigation, became satisfied, I suppose, that Mr. Lilienthal had performed his duty in an excellent way, was honest and fair and wise and knew his business, and that it would be an injustice to him to turn him down at the expiration of his term. I entertained the same feeling. I reached that conclusion. I have sometimes thought that I would have felt better if I had reached a different conclusion, and Dr. Morgan could have gone on, but the more I looked into it the more I thought that Mr. Lilienthal had done his duty, was able, and understood his business. I would not have had it in my heart to turn him down, because someone had said terrible things about him and charged him with many things which, on investigation, I found to be groundless and untrue. I would have taken that position even though I offended the best friend I had. I do not know what the President thought, but I suppose he felt as I did. At least he reappointed Mr. Lilienthal, and the Senate confirmed the appointment.

Then I labored with Dr. Morgan to keep him from resigning. I pointed out to him that this great undertaking in the Tennessee Valley was larger than any man, much larger than he was, much greater than I, much larger than the President of the United States, and that no matter how he might feel personally, he ought to assist in carrying on that great work to completion, and bring to the people of this generation and to posterity the blessings which I had always supposed he believed would accrue from the proper development and utilization of the natural resources which God has given us in the Tennessee Valley.

After a while the task appeared hopeless, and I began to think that it would be better if Dr. Morgan would resign. It was not long, after a few more conferences, before I began to hope that he would resign. Then it dawned on me that he would not resign, as, of course, he did not have to; and I am not finding fault with him for that.

Now the matter has been taken to the public. I think that on investigation it will be found that many things which have been said are groundless. The controversy has worked on the mind of that great man, that engineer, to such an extent and to such a degree that I believe in my heart he could not possibly see a virtue in Mr. Lilienthal. Nothing Mr. Lilienthal might do would suit him. He often complained to me that the other members of the Board had not paid the proper respect to him as Chairman. Now in a publication he is finding fault with Mr. Lilienthal, as I read between the lines, because he has been too respectful. He says he is "oily" and "smooth." He does not believe that he is sincere at any time. So it seemed to me the matter was hopeless.

I regard Arthur Morgan as a great engineer; but after what has happened in the last year, after hearing of things which have developed as to what happened prior to that time, things which other members of the Board overlooked and let Dr. Morgan have his way, I have reached the conclusion that, great as Dr. Morgan is, he cannot work with others unless they will always without question submit to his judgment. He must be the "whole thing."

There are a great many good men like that; there are a great many great engineers just like that. So I have no

disrespect for Dr. Morgan. I do not want to be disrespectful to a man whom I have loved as dearly as one man can love another. I thought he was extreme in some things; I did not agree with all his ideals; but, in my judgment, they always came from a pure heart and honest mind.

I might call attention to some of the things which have been circulated. For instance, Dr. Morgan has gone to the newspapers with a lawsuit involving a claim of a Member of this body against the T. V. A. I do not want to settle that controversy. I do not think the Senate is called upon to settle it. It is in court where it belongs. I think that if a Member of this body, a member of any other governmental body or commission, or any other official of the Government, owned land which had to be condemned and taken when the Board provided for the flooding of an area by building a dam, he should not lose his rights because he happened to be a Senator or a President or a member of a commission. He ought to be protected just as everyone else is, but absolutely to no greater extent. His claim ought to have the same standing as the claim of a carpenter or a farmer if there was such a claim.

Dr. Morgan has not made any direct charge. He has made insinuations, and some implications have been drawn from his insinuations that I would not repeat. I do not know whether or not they are true. However, he has tried to obtain publicity out of all that to the effect that he saved the T. V. A. millions of dollars by his intervention.

I think when the truth is known—although we shall have to get it from one side or the other, and from reading the record of the trial so far as it has gone—it will be found that all members of the T. V. A., Dr. Morgan and his two associates, H. A. Morgan and Mr. Lilienthal, were opposed to the so-called Berry claims. They did not believe they were valid. They did not believe that the T. V. A. ought to pay anything to satisfy those claims.

The T. V. A. retained many experts to examine those marble quarries and the other side employed some. They all knew that if they came to trial it would be a question of expert testimony on both sides. Each side had its experts.

At that stage of the proceedings Mr. Lilienthal and Harcourt Morgan had a controversy with Dr. Morgan as to whether they should try to get a noted expert on that subject, one of national reputation, one whose judgment would probably go far with any disinterested juror, and have him examine into the case and render his opinion. There was no proposal that either side should be bound by the findings of the man they wanted to get, who was Dr. Finch, the head of the Bureau of Mines in Washington. Dr. Morgan did not want him. There was a disagreement, such as might honestly occur in any board between honest men. There was no reason for getting excited. There was no evidence on which to base against either side a charge of corruption or dishonesty, or a charge that an attempt was being made to rob the Government, as Dr. Morgan has so plainly indicated, and has practically stated in so many words.

Dr. Morgan did not want to have Dr. Finch called in. The other two members of the Board thought it ought to be done, and so a communication, as I understand, was sent to the Secretary of the Interior, the head of the Department in which the Bureau of Mines is located, asking that Dr. Finch be loaned to the T. V. A. to go down to the Tennessee Valley and make this examination. For some reason—I do not know why—that was refused, and he did not go.

In due time the case came on for trial. Lawyers, I think, will clearly understand the situation. Condemnation proceedings were commenced in Federal court, as provided in the law. The judge appointed commissioners to hear the evidence and report their findings to the court, and the commissioners have reported. I do not know, but I am inclined to think that the court has not yet passed on those findings. The commissioners who were appointed, or referees or whatever it may be desired to call them, were unanimous in their report, and they decided in favor of the T. V. A. The T. V. A. was represented by its attorneys. I did not hear the testimony given at the trial, but I understand the trial was very ably conducted on both sides; and that was about all there was to it.

Senators, it is with some embarrassment that I discuss a question of that kind. I do not want to express an opinion about the justice or injustice of the claim against the T. V. A., because it is now before a Federal court for decision. Dr. Morgan charges that the other members of the Board were really in conspiracy with the claimants wrongfully to rob the Government of the United States. That is a serious charge. I want it investigated, but so long as it is in court I do not want to discuss it at any length.

The question arose in the T. V. A. as to whether they should try to get Dr. Finch, a noted expert, to examine the deposits in question. When lawyers have a case of that kind they generally believe they have a good case. In this case the T. V. A. lawyers had talked with their own expert. They were satisfied that he was right. But they knew, as every lawyer knows when he goes into a lawsuit, that the other side has a different viewpoint, and in this case the T. V. A. lawyers knew that the other side had experts who did not agree with their experts.

If they could get a noted expert, an outstanding man like Dr. Finch, and he expressed the opinion that the claims were worthless, even condemnation proceedings might have been avoided. Anyone, no matter which side he was on, would have been impressed with the facts as Dr. Finch would have found and reported them. They were not under any obligation to accept his findings, it is true, but the T. V. A., representing the Government, would have been fortified if Dr. Finch's examination had corresponded with the findings of the other experts. They ran that risk. The T. V. A. lawyers in trying the case would run that risk, and would decide whether to ask Dr. Finch to come, based on whether or not they believed they had a case which could not be overthrown. They would naturally wish to strengthen it if they could, and when they went before the commission which was appointed to take the evidence they would have been more invincible than ever if Dr. Finch had testified in their behalf.

I do not find fault with Dr. Morgan for disagreeing and saying, "We have enough evidence. We will not send for that man." I am not finding fault with either side to the controversy for what they did. So far as I know, they acted with the best of purpose. But, as I see it, had I been the T. V. A. attorney, I would have wanted Dr. Finch, and would have tried to get him.

Mr. President, Dr. Arthur Morgan spread this story all over the United States. People generally have an idea, and perhaps many Senators have an idea, that when these claimants, and Mr. Lilienthal, and the other Morgan, were about to rob the Government of millions of dollars, Dr. Morgan stepped in and called a halt, and saved the day. He did not do anything of that kind. I suppose he was suspicious. I think he has reached such a stage in his mentality that if he saw Lilienthal going to church he would charge him with being treasonable, because he would say, "He is trying to fool God Almighty."

That is a lamentable state to be in; and I say with regret that I have had to reach the conclusion that that is the case, because of the many things I have seen and found from what investigation I could make of this quarrel.

Dr. Morgan has recently widely circulated letters. He has sent letters to many Senators. I do not know to how many Senators he has sent letters. He sent one to me, and I think one to the President, and he has sent letters to other people generally, and to the newspapers. He sent a copy of a letter that Mr. J. D. Ross wrote to the head of the law school at Knoxville. His name has escaped me. Can the Senator from Tennessee give me his name?

Mr. McKELLAR. I cannot give his name just now. I will give it later.

Mr. NORRIS. I know him very well. I have a very high regard for him. It seems that the letter written by Mr. Ross in some way got into the hands of Dr. Morgan. I do not charge that there was any conspiracy to get that kind of a letter and turn it over to him, but it happened that he

got it. Dr. Morgan sent out copies of Mr. Ross' letter, and the newspapers have published it. Many enemies of the T. V. A. have spread the story, saying, "Dr. Morgan is in perfect accord with J. D. Ross"—J. D. Ross, the great engineer, known all over the United States, to some extent known as an international engineer. I think he is one of the finest and most conscientious men I ever met, a man who has had wide experience, and who is an expert in all lines pertaining to generation and distribution of electricity, and the acquirement of municipal distributing and generating plants.

Great praise is given to Mr. Ross, because it is said he agrees with Dr. Morgan; and Dr. Morgan, in his letter with which he sent out the letter of Mr. Ross, said, in effect, "These are the sentiments that I have advocated always. That is the way to settle this controversy down in Tennessee."

I remember, when I got the letter, it was made perfectly plain that Mr. Ross' letter had no application whatever to the situation in Tennessee. It did not have anything to do with the proposition of a municipality acquiring a distribution plant, which is one of the great difficulties with which the T. V. A., as well as the municipalities, have been contending.

I was not an expert, and my word did not go far. I do not know that it went anywhere. But I read in the newspapers eulogies of this great engineer, Ross. I had never heard some of the newspapers praise him before, but they eulogized him then and said, "He is behind Morgan. He is against Lilienthal. He knows. Let us follow Morgan. These two great experts are in complete harmony."

I have a telegram from Mr. Ross, who is in Seattle. I suppose it was the idea of Mr. Ross that he did not want to become involved in this controversy if the President thought he ought to stay out of it. I do not know. Be that as it may, Mr. Ross sent a telegram to the White House addressed to me and authorized the White House to turn it over to me. The telegram was immediately sent to me.

Mr. Ross evidently feels aggrieved or injured that he should be held up as supporting Morgan and as being opposed to Lilienthal in the present controversy.

I shall read the telegram to which I have referred. I think it does away completely with one of the things which was heralded over the country as being a great argument in favor of Dr. Morgan and the position he has taken against Lilienthal.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BURKE. Does the Senator have the letter to which he referred so that we may have the benefit of the letter as well as the telegram?

Mr. NORRIS. No; I do not have it here. I have it in my office.

The telegram reads as follows:

Am informed that Dr. Arthur Morgan has sent you and other Members of Congress copy my letter to Dr. Neal—

That is the name of the lawyer in Knoxville—

together with a covering letter of his own which has created the impression that my views on power policy are essentially the same as his own—

Dr. Morgan's—

and that I share his hostility to the policies of Mr. Lilienthal and Dr. Harcourt Morgan, of T. V. A. Board. I desire to repudiate with all possible emphasis any such deductions from my letter. I have always supported Lilienthal and Dr. Harcourt Morgan and believe they have been and are under exasperating difficulties trying to administer T. V. A. as intended by Congress. I feel that the very principle of State regulation has failed and stand as always for strong public competition in power field unless and until the private competitor gives proper rates or is bought out at a fair price.

J. D. Ross.

It seems to me that ought to dispose of or throw some doubt upon the claim that Dr. Arthur Morgan has been trying to derive popularity and commendation from the fact that Ross agreed with him and did not agree with Lilienthal in the present controversy.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. WHEELER. Did the Board make an offer to compromise for any amount of money?

Mr. NORRIS. I understand not. The Senator refers to the so-called Berry claims?

Mr. WHEELER. Yes; I am referring to those claims. I am wondering whether or not the Board made an offer of compromise.

Mr. NORRIS. No. I understand no compromise was offered on either side.

Mr. McKELLAR. Mr. President, a few moments ago the Senator from Nebraska asked me who was the head of the law school at Knoxville. It is Robert M. Jones.

Mr. NORRIS. The telegram which I read states it is Dr. Neal.

Mr. McKELLAR. Dr. Neal was formerly the head of the law school. Judge Robert M. Jones is now the head.

Mr. NORRIS. It was Dr. Neal who wrote the letter.

I do not intend to discuss at any length the proposition of investigation, or the motion I have made to discharge the Committee on Commerce from consideration of the resolution providing for an investigation in the first place, because the Senator from New Hampshire [Mr. BRIDGES] was not here yesterday when I expected to speak, and is not here today, and I do not want to take it up in his absence. In the second place, I have been requested by the Senator from Utah [Mr. KING] not to do it at this time. The Senator from Utah joined in submitting the resolution, and he desires to have a conference with a view to the possibility of a compromise agreement, which will avoid any dispute in regard to the resolution.

But I must say a few words, because charges have been made and circulated over the country to the effect that in submitting the resolution providing for an investigation by the Federal Trade Commission, I was trying to whitewash the Board. I resent that implication. Whether Senators agree with me or not, I think the Members of this body will believe me when I say that such charges are unfounded, and that I submitted the resolution without talking with anybody about it. I had no conference. I am responsible for it, solely and only. So that if there was an idea to whitewash, I would have to know it, because I am the only man in the conspiracy. I know the charge to be false. I know it to be unfounded. I confess it hurts when I read in reputable newspapers that I am trying to whitewash the T. V. A.

I am in earnest about that resolution. Senators may not agree with me. They may think the investigation ought to be conducted by some other agency. When the time comes I shall be ready to take up that question, and I shall abide by the judgment of the Senate. I refer to it now only to cast the lie into the teeth of those who are circulating over the country a report to the effect that because I was the father of the T. V. A. I want to whitewash it and protect it, even when it is guilty of wrongdoing.

There is not a man living on earth who would be quicker than I to expose a wrong or an evil practiced by any member of the T. V. A. Board. I do want the T. V. A. to succeed. It has a reputation all over the world, and men come from Europe to examine into it. The power interests and some newspapers have always fought the T. V. A. I confess they have a right to do so. Senators have a right to do so. I find no fault with that attitude. But when the report is circulated over the country that I, who as much as any other man in the world ought to protect the T. V. A., am guilty of trying to whitewash it of wrong or fraud by the introduction of this resolution, those who are responsible for circulating the report do not know what they are talking about. The charge or the insinuation has been made that before I introduced the resolution I talked with others who were with me in trying to do this whitewashing. I have seen some reference to the President of the United States in that connection. And yet the President of the United States did not know, any more than Senators, that I was going to introduce the resolution.

I never consulted with him about it. If it is wrong, I assume all the responsibility. I claim to have been moved by the highest motives. I want the investigation to take place. An honest investigation, in my judgment, will do good; it will free the T. V. A. from the insinuations against it, and if there be anything wrong, sinful, or corrupt, it will expose the condition, as I want it to be exposed, if it exists. That is the way I think I can best protect it. It is a mistake when anything is near and dear to one's heart, as the work of the T. V. A. has been to mine, to think that it can be protected by covering up thievery or robbery or dishonor. An effort to cover up, if any wrong existed, would merely add another reason why it should go down in disgrace. But I do not want the investigation to be conducted by those who have hated the T. V. A. from the day it was born and who still hate it, who hate it worse than the devil hates holy water.

I am not asking that I be appointed a member of the committee because the public would say, and Senators would say, perhaps, "He is not qualified because he has been active all the time for the last 20 years in advocacy of this project; he is interested; he must not be put on the investigating committee." I do not ask that I be put on the committee, but I desire to have the investigation performed by a body that is removed from all prejudice, a commission that is competent, in my judgment, and has shown its competency in other years, a commission that has the equipment and the machinery to investigate it at once and to give us a fair and unbiased report.

But, as I have said, I do not care to discuss that aspect of the matter now, because it will come up later, perhaps on my motion to discharge the Committee on Commerce from the further consideration of the resolution submitted by the Senator from New Hampshire and the Senator from Utah.

Dr. Morgan, in one of his contributions—and they are now almost daily—referred not only to the so-called marble case in the Norris Reservoir but also to the three-judge court case. I think I know a great deal about that. I followed the litigation; I kept in touch with the attorneys from its initiation.

That was the case where 19 private power companies got an injunction against the T. V. A. It was a very sweeping injunction. The case was recently decided in favor of T. V. A. by a three-judge court, and I anticipate that it will go on to the Supreme Court. I understand there were 52 lawyers on one side and 6 or 7 on the other. The case on the part of the T. V. A. was prepared and made ready for trial mainly by Mr. Fly, a very able lawyer, in my opinion, an outstanding attorney, who has the highest regard for professional etiquette and ethics. The T. V. A. employed Mr. O'Brien, an attorney of national reputation, a man whom I have not met, but I know of him by reputation as being a very high-class attorney. He was associated with Mr. Fly in the trial of the case. I have gone all over it with Mr. Fly both before and since the trial. Dr. Morgan refers to that case in one of the magazine or newspaper articles with which he has covered the country and makes mention of his assistance in that great trial. It was, perhaps, the greatest trial that T. V. A. has ever undertaken. It was long drawn out. I think there were more lawyers engaged in it, and there were more questions raised than in any other case the T. V. A. has had to face. It was a very difficult case to try, from the viewpoint of either side. I prefer to let the investigation show what happened there. I think I know what happened. If Mr. Fly is right—and I have permission from him to use the information he has given me at any time or any place I desire to use it, but I am not going to use it; some of it is documentary—briefly, I can say that the lawyers getting ready for the trial of that case were worried more about Dr. Morgan and the possibility that he would "throw" the case than any other thing involved in it. They reached that conclusion, and they refused to let him testify after conference with him in which they went over it all. Mr. Fly said that he interfered with the witnesses the T. V. A. had; that he was unprofessional and unethical, probably in his supreme jealousy that Lilienthal, perhaps, was on that side, although he took no part whatever in the trial. Anyway, Mr. President, there is nothing to Dr. Morgan's credit because of his activities in that case. Without him the attorneys won the case on its merits, and I am told that it is in excellent shape to go up to the superior court.

That will be a subject of investigation, as it ought to be. Let the chips fall wherever they may; if there is nothing wrong, an honest investigation will so disclose; and if there is anything wrong, likewise that will be disclosed. I hope it will, if such is the case.

Mr. President, why does this onslaught come all at once, just at the time when the Congress is considering the Gilbertsville Dam and when an item providing for the construction of that dam is in conference between the two Houses? At Gilbertsville there will be the greatest dam of any the T. V. A. will be called upon to erect in the Tennessee River, a key dam; one that is necessary to make the river navigable; one that everybody concedes must be built—if not now, then at some other time. Mr. President, it is conceded that it will be the greatest flood-control dam in all the T. V. A. system. It will be more efficacious for flood control on the Mississippi and the Ohio than any reservoir east of the Mississippi River. We ought not to hesitate a moment to construct it, and as rapidly as we can, regardless of cost. That is only an incident. Six million two hundred thousand acre-feet of water will be impounded in the reservoir, of which 4,600,000 acre-feet will be useful. It will control the flood-waters of the Ohio from the mouth of the Tennessee to the Mississippi, and from there on down, to a greater extent than any other reservoir that is not now under construction. The Fort Peck Reservoir up in Montana on the Missouri will do much toward flood control, but it is under construction. There is no other reservoir that will equal or compare with the one at Gilbertsville; and now, when it is hanging, as it were, by a thread, all this onslaught is made. If we would eliminate from it what little power may be involved, there would be no opposition; if we had eliminated the question of power from the dams the T. V. A. has constructed, there would not have been opposition; there would not have been any place for Dr. Morgan to find assistance and support in going out over the country and intimating what I believe is untrue—that his associates are dishonest and dishonorable men and that they are stealing from the Government of the United States.

Mr. POPE. Mr. President, will the Senator yield for a question?

Mr. NORRIS. I yield.

Mr. POPE. Is there any difference of opinion between Dr. Morgan and the other members of the board as to the Gilbertsville Dam?

Mr. NORRIS. There has not been, as I understand. I do not know what the situation is at this moment.

Mr. BARKLEY. Mr. President, if the Senator will yield at that point, from the very inception of the proposal to construct a dam in that part of the Tennessee River there has not only been no disagreement, but all the members of the board have rather aggressively fought for the construction of a dam there.

Mr. NORRIS. I think that is true, including Dr. Morgan.

Mr. BARKLEY. Yes.

Mr. NORRIS. But now we hear it said in Congress, in the Senate and in the House, "Why should we appropriate any money for the T. V. A., or build another dam, as long as this controversy is going on, and as long as two members of the board are trying to steal from and rob the Government of the United States?"

Mr. President, the greatest thing in the work of the Tennessee Valley Authority is flood control. As a constitutional matter, I think flood control can be linked up with navigation, because by control of floods it is possible to make the rivers navigable at all seasons of the year; so flood control is the greatest benefit that will come from activities of this sort. The T. V. A. are doing various other things in the Tennessee Valley, such as erosion-control, forestry, experiments with crops, experiments with fertilizer, and so forth, all of which are provided for by the act. If we do not want to do that kind of work, because it costs a great deal of money, we need not appropriate for it. I think it

is one of the best appropriations Congress ever made, because after all, Mr. President, what this country is in danger of in the years which are to come, which are beyond our lifetimes, is that the side hills of the country will be washed away when they have been denuded of their forests, and that the fertile soil of the plains and the side hills will go down our streams and out into the Atlantic Ocean. I do not believe Congress ever engaged in any better work than the control of the floods of our rivers. As I see the matter, we must have some logical, efficient method of control, or a great part of our country will become uninhabitable. I do not want our posterity to have the right to say of you and of me that we did not do our duty while we were in control of the Government.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Montana.

Mr. WHEELER. The Senator mentioned a dam in Montana, the Fort Peck Dam.

Mr. NORRIS. Yes.

Mr. WHEELER. That is essentially a flood-control dam; but, in addition to that, the people of my State were given to understand that a power plant would be constructed there for the purpose of pumping water for irrigation and reclamation purposes. The Fort Peck Dam is in the heart of the Dust Bowl. It would cost about $6,000,000 to construct the power plant. Ever since that time I have been trying to get through an authorization and an appropriation of six or eight million dollars for the purpose of constructing a power plant to pump water on the dry lands in the heart of the Dust Bowl for the benefit of those people. I have not yet been able to get it through. I hope, however, that at some time in the not distant future we shall be able to secure an appropriation which will take care of that matter. The amount of money involved is a comparatively small one. The economic and social benefits to be derived from cheap power in northeastern Montana are multiple.

Mr. NORRIS. I would go farther than the Senator from Montana would go in that direction. I should be glad to have him accomplish what he is trying to do. That is only a small matter; but I should like to establish power in that lished power in the Tennessee Valley. I myself have had lished power in the Tennessee Valley. I myself have had the question up with the authorities. I am deeply interested in it, and I commend the Senator from Montana. I shall be glad to help him in any fashion that I can in my weak way; but I understand that when the dam is finished the necessary steps will be taken so that at any time in the future power can be installed.

Mr. WHEELER. I thank the Senator from Nebraska. I will deeply appreciate, as will the people of my State, the assistance of the Senator in procuring the enactment of my bill authorizing the installation of power-generating facilities at Fort Peck Dam. What the Senator says about the plans for power is true, for power is provided; but what is the use of having such an opportunity if we do not take advantage of it, if we are not going to establish a power plant to furnish cheap power to the people of eastern Montana, and likewise set a precedent for furnishing adequate power for irrigation and reclamation in that area?

Here, as a matter of fact, is an opportunity of doing something for the Dust Bowl rather than talking about it. Here is an opportunity actually to get water on the land by pumping it by electrical apparatus. I know the Senator from Nebraska is favorable to it. He will not go any farther than I will in the direction of establishing a power plant there; but as yet I have not been able to induce the powers that be to establish or construct an electrical generating plant for the purpose of pumping water for the Dust Bowl, for irrigation and reclamation.

I knew the Senator from Nebraska would do everything in his power to help along that line. As he knows, I am one of those who have been very strong for the T. V. A., and I still am. While I do not know anything about this controversy, I hope the Senator's resolution will be adopted, and that an investigation of the T. V. A. will be ordered.

Mr. NORRIS. Mr. President, I entirely agree with the Senator from Montana. I think we ought to do just what he says. We ought to do it all over the United States. This program of controlling floods ought not to be confined to the Tennessee Valley. We ought to go to the White River, we ought to go to the Arkansas River, we ought to go down into Missouri and Arkansas and elsewhere, and do the same thing to the rivers there that we have done on the Tennessee River. When we have done it, and have completed the great dam in Montana, we shall have made the Missouri, the Tennessee, the Ohio, and the Mississippi to some extent almost normal in height the year around.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Kentucky.

Mr. BARKLEY. A moment ago the Senator referred to the fact that it is strange that all this controversy is aired just at the time when the Senate amendment authorizing the beginning or the continuance of construction of the Gilbertsville Dam is in conference, and is, as I understand, to be voted on in another body. On yesterday the Acting Comptroller General made a report for a 3- or 4-year period in which he took occasion to criticize the entire T. V. A. Does the Senator know whether that report was released at this particular time for the purpose of having any influence on the matter to which I refer?

Mr. NORRIS. No; I do not; but I will say to the Senator from Kentucky that from the very beginning of the T. V. A. the General Accounting Office have been unfair, and I think wrong, in their attitude toward it. I do not desire now to discuss that matter. I discussed it once before in the Senate, and I am ready to do it again; but I do not expect to go into it today, except to say that the General Accounting Office have never treated the T. V. A. with justice or with fairness. They have done in the past what this morning's newspapers seem to indicate they are again doing—announcing something to the newspapers, and the newspapers spread it over the United States. Nobody knows whether or not it is true. They say such a thing is about to happen, and when the matter is over the probabilities are that it will be found that a mountain has been made out of a mole hill. In some cases there is absolutely nothing to it but a malicious attempt to injure the T. V. A.

Mr. BARKLEY. I wonder if the Senator can inform us whether it is customary for the Comptroller General to withhold his reports for a period of 3 years, instead of making them more frequently.

Mr. NORRIS. No; I myself do not quite understand why the present Comptroller General is now making reports that were made by the former Comptroller General when he was in office.

Mr. BARKLEY. A part of them is merely a reiteration.

Mr. NORRIS. I do not know anything about it.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Washington.

Mr. SCHWELLENBACH. Does not the law provide that these reports shall be made annually?

Mr. NORRIS. Yes.

Mr. SCHWELLENBACH. Does not the fact that at this particular time the Acting Comptroller General brings in a 3-year report have some significance?

Mr. NORRIS. I notice that. To me it looks very suspicious on its face. I do not know that the report is out yet. The newspaper report which I read said it was coming out. Some newspaper got hold of the information and spread it all over the United States.

Mr. BARKLEY. The reports are supposed to be made to Congress, as I understand.

Mr. NORRIS. Yes; the reports are supposed to be made to Congress, but, as a matter of fact, they have been made to newspapers when they thought there was something wrong in them; and Congress got hold of the reports after a while. I went into that subject several years ago when the same thing happened with the T. V. A. I put the correspondence in the RECORD at that time, and it is all there. I

showed what a terrible injury had been done to the T. V. A. when, after all, when the matter was looked into, there was absolutely nothing whatever to it. I cannot deny that something wrong may be found now. I do not claim to know. I want the T. V. A. investigated.

Mr. President, in conclusion I desire to say that, after all, this is only part of a great program in which we want to save our country from ultimate destruction.

The Tennessee Valley is an illustration of it. The great forests on the sidehills of that valley were taken away and denuded. The soil was robbed of its forests and of its grasses. Gradually it commenced to erode, and was washed down into the Tennessee River, until vast tracts had lost all their fertility. Land was cheap in the early days, and it was easier to go to another place and permit another tract to be eroded than to try to preserve or remake one that had already been injured.

I want to do something now for posterity. I want this program to go on until all the floodwaters and all the streams of the United States, back to the little rivulets, are properly handled and properly controlled. I want to leave to posterity a country which will be as rich in fertility as we found it when we took possession of it. In other words, I want our children and our children's children to live in a country which is happy and prosperous, and not to have left to them another China.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. WHEELER obtained the floor.

Mr. McNARY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Dieterich	King	Pope
Andrews	Donahey	La Follette	Radcliffe
Ashurst	Duffy	Lee	Reames
Austin	Ellender	Lewis	Reynolds
Bailey	Frazier	Lodge	Russell
Bankhead	George	Logan	Schwartz
Barkley	Gerry	Lonergan	Schwellenbach
Berry	Gibson	Lundeen	Sheppard
Bone	Gillette	McAdoo	Shipstead
Borah	Glass	McCarran	Smathers
Bridges	Green	McGill	Thomas, Okla.
Brown, Mich.	Guffey	McKellar	Thomas, Utah
Brown, N. H.	Hale	McNary	Townsend
Bulkley	Harrison	Maloney	Truman
Bulow	Hatch	Miller	Tydings
Burke	Hayden	Minton	Vandenberg
Byrd	Herring	Murray	Van Nuys
Byrnes	Hill	Neely	Wagner
Capper	Hitchcock	Norris	Walsh
Caraway	Holt	O'Mahoney	Wheeler
Chavez	Hughes	Overton	
Copeland	Johnson, Calif.	Pepper	
Davis	Johnson, Colo.	Pittman	

The PRESIDING OFFICER (Mr. GILLETTE in the chair). Eighty-nine Senators having answered to their names, a quorum is present.

Mr. WHEELER. Mr. President, I wish to discuss the amendment I have offered to the reorganization bill. I presume I will be charged by some with not standing behind the President, but in view of the assertions which have been made upon the floor of the Senate that the pending bill was drafted by the select committee, I think no one can accuse a Senator who is opposing the pending measure as opposing the President's program.

Recently I picked up a little college magazine which had been sent to my daughter, in which I found this statement:

> The intrepid La Follette arose to tell the truth once more. "Mr. President," he declared, "I had supposed until recently that it was the duty of Senators and Representatives in Congress to vote and act according to their convictions. * * * Quite another doctrine has recently been promulgated * * * and that is the doctrine of standing back of the President. For myself, I have never subscribed to that doctrine and never shall. I shall support the President in the measures he proposes when I believe them to be right. I shall oppose measures proposed by the President when I believe them to be wrong."

Mr. President, that has always been my philosophy, and I thought it was the philosophy of democratic institutions. It has not, however, been the philosophy of some members of the present administration, nor has it apparently been the philosophy of some Members of the Congress. In my humble judgment, when we abandon that philosophy of government we are going to be very rapidly led to the philosophy of government which is sweeping Europe at the present time.

The bill now pending before this body purports to deal with the subject of reorganization of the executive branch of the Government. That there is real need for reorganization of the executive branch is generally recognized by everyone interested in public affairs. It is not a new problem, nor is it one which can be attacked without serious thought and consideration.

Generally speaking, any well-directed program of reorganization should have as its primary objective economy in the use of public funds. The steadily mounting costs of government, or rather the steadily mounting expenditures by the Government, are matters of vital concern not only to the Members of the Senate and the present House of Representatives but to every taxpayer in the United States.

Mr. President, I do not intend to discuss at this time in great detail the program of reorganization contemplated by Senate bill 3331, because, with the exception of certain proposals to concentrate in the Executive greater and broader powers, I do not find that there is before the Senate for consideration any real program of reorganization.

I do not find, either, Mr. President, that through the enactment of the bill any saving in Government spending or in the administrative cost of Government is in prospect. It is significant also to note that those sponsoring the bill do not promise economy. I may say to the Senate at this point that while I believe reorganization demands clamor more strongly from the urge to save, I nevertheless incline to the view that it would be both unwise and untimely, even in periods of national distress, to accede to a demand for reduced expenditures, no matter how popular that demand may be, without scrutinizing with utmost care the changes proposed for the purpose of preserving or attaining, in connection with such changes, the highest possible standard of efficiency. I would not be disturbed, therefore, by the lack of assurance as to economy, if I could find in Senate bill 3331 the promise of a higher standard of efficiency. That seems also to be missing.

As evidence of my interest in the subject of reorganization I invite the attention of the Senate to Senate Resolutions 350 and 351, which I offered, and which were adopted by the Senate of the Seventy-second Congress during its second session. Senate Resolution 350 directed the Comptroller General of the United States to submit to the Senate a detailed report of the savings that might be effected through the reorganization of some of the more outstanding and more or less specialized branches of general administration. Pursuant to Resolution 350, the Comptroller General of the United States filed a report on May 6, 1933. When I read that report I was impressed with the possibility of bringing about in those phases of administration very substantial savings in public expenditures. At that time the provisions of the Economy Act of June 30, 1932, as amended by the act of March 3, 1933, were in effect, and pursuant thereto the President, by Executive Order No. 6166, dated June 10, 1933, directed consolidation of the disbursing functions of the Government and also a partial consolidation of the purchasing activities of the Government. I am not informed whether either of these consolidations resulted in economies believed to be possible by the Comptroller General, whose report indicates a saving in the purchasing and warehousing activities of at least $50,000,000 and an actual cash saving of approximately $41,000,000 in a single year through reorganization and consolidation of accounting and disbursing functions.

Mr. President, I pointed out that in answer to the resolutions which I offered, and which were adopted by the

Senate, calling for the Comptroller General to make a report as to what could be saved by the reorganization of the purchasing and warehousing activities of the Government, the Comptroller General reported that something like $50,000,000 could be saved in that field, and $41,000,000 a year could be saved through reorganization and consolidation of accounting and disbursing functions of the Government. I should like to be advised whether the Senator from South Carolina is informed as to whether the consolidation of accounting and disbursing activities and the partial consolidation in the purchasing and warehousing activities of the Government, effected by order No. 6166, actually resulted in economy; and if so, in what appropriations those economies are reflected, if the Senator can give me that information.

Mr. BYRNES. I could not give that information with respect to any appropriation bill. I am familiar with the mergers, and my information was that they did result in savings and they promoted efficiency, but if anyone ever attempted to state the exact amount of money that was saved or could be saved, I am not aware of it.

Mr. WHEELER. My own information was to the effect that the consolidation which did take place as a matter of fact did not result in savings, because the activities formerly handled in one bureau and placed in another bureau under merger had not been handled in such a way that savings have actually taken place, but, on the contrary, those activities have cost more money than before.

Mr. BYRNES. In view of the question asked by the Senator from Montana, I shall make it my business to look into the matter and give him the information he asked for.

Mr. WHEELER. Mr. President, Senate Resolution No. 351 directed the heads of all departments, independent establishments, and Government owned or controlled corporations to submit to the President of the United States and to the Senate a detailed report of all functions performed by said departments, establishments, and corporations, together with the authority for the performance of each function and the annual cost thereof. The data made available by that resolution will assist materially in pointing out to those interested in the subject of reorganization instances of overlapping, duplication, and the concentration under one jurisdiction of unrelated activities. Those reports, as I have previously stated, were required to be made to the President, as well as to the Senate, and it would seem to me, Mr. President, that the information which they contained, being available, as it was, to both the President and the Senate, could have been used to lay before the Senate definite and well-thought-out proposals to curtail, abolish, or regroup activities in which the Government is now engaged. Such a proposal is not before us through Senate bill 3331, except as to the present United States Civil Service Commission and the General Accounting Office. Just why the Senate should be asked in connection with the program of reorganization to relinquish its constitutional right of absolute control over the finances of the Government by lessening the effectiveness of the General Accounting Office is not clear to me.

With this brief statement concerning some of the obvious purposes and objections to the bill, I desire now to proceed to a discussion of an amendment which I submitted on January 5, and which, as the Senators have doubtless already observed, is intended to prevent any reorganization which might be deemed advisable by the President from becoming effective until it shall have been approved specifically by joint resolution of Congress. The amendment and its purpose are, I think, perfectly clear and understandable. Since under the Constitution the power to create the functions and establishments of the Government is vested exclusively in the Congress, I believe most emphatically that the provisions of the Senate bill 3331 proposing to invest in the Chief Executive the authority and power to reorganize the agencies and functions of the Government should be amended, as I have proposed, to make possible a proper discharge of the responsibility incumbent upon the Congress.

I now wish to take up the bill. I wish to discuss it briefly, to analyze it, and see where it leads us to. It begins by providing—

> The President shall investigate the organization of the various agencies of the Government and shall determine what changes therein are necessary to accomplish any of the following purposes:
> (a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government.

I shall stop there for the moment because, while the bill contains four other provisions, yet if the President finds that any one of these objectives can so be attained, he can then abolish any single department of the Government. He can abolish 99 percent of the bureaus set up in the Labor Department. He can abolish 99 percent of the bureaus set up in the Department of Agriculture.

Mr. O'MAHONEY. Mr. President, the Senator used the word "department." He does not use it in the sense of an executive department, does he?

Mr. WHEELER. I have not used it in the sense of an executive department. If the bill were enacted into law, I take it the President could not abolish the Department of Agriculture, but he could abolish the Forest Service. I may be mistaken, and if so, I should like to be corrected on that point, but as I read the bill, if the President found it necessary in the interest of economy he could abolish the Forest Service.

Mr. O'MAHONEY. Then the Senator means to restrict the definition to bureaus under a department?

Mr. WHEELER. Bureaus under the executive departments.

Mr. O'MAHONEY. There is a specific saving clause in the bill which prevents the abolition of a department.

Mr. WHEELER. Yes. Perhaps I have used the wrong word. What the President could do is to abolish 99.9 percent of all the bureaus in a department and all functions of those bureaus.

Mr. O'MAHONEY. The language to which the Senator refers is to be found in clause 3 on page 3. He may "abolish the whole or any part of any agency, or the functions thereof."

Mr. WHEELER. Exactly.

Mr. O'MAHONEY. It is just a question of interpretation as to what would be done under that provision, and whether the restrictions which are mentioned in clause (1) would not curtail the operation of that very broad power.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRNES. The Senator in his argument a few moments ago stated, as I understood him, that there was nothing which would cause him to believe economy would result from carrying out the proposals contained in the bill. The Senator will agree, however, that if the President should ever do what the Senator says—abolish 99 percent of the duties of the departments—some economy would result?

Mr. WHEELER. Yes. My reason for stating there was nothing to lead me to believe there would be any economy was the statements which I understand the Senator from South Carolina has made on the floor of the Senate to the effect that no economies could be promised as a result of reorganization.

Mr. BYRNES. Mr. President, I believe the Senator from Montana has simply been reading the newspapers, and has not been reading the RECORD, because the Senator from South Carolina has not made that statement. The Senator from South Carolina has said, and says again, that the object set forth in the resolution is to promote the greatest possible economy consistent with efficiency in government. And it is the opinion of the Senator from South Carolina that great economies should be effected. The Senator from South Carolina could do it; and I have said heretofore that I have confidence that the President, in compliance with his promise to reorganize Government activities in the interest of economy, could and would do it.

Mr. WHEELER. I agree that the Senator from South Carolina could do it. I not only agree that the Senator from South Carolina could do it, but I agree that the Congress of the United States could do it, and I agree that it should be done, because there is a great deal of overlapping, and there are many duplications in the various departments. I was struck by that fact in the investigation of the Bureau of Indian Affairs, in the investigation into the

Attorney General's Department, and in the investigation of other departments at various times, including the one which is now in progress, which has led us into certain branches of the Interstate Commerce Commission. I have come to the conclusion that there is an overlapping and that there ought to be a reorganization. I find no fault with the desire for reorganization.

What I want to impress upon the Senate is that, while I agree that consolidations should be effected and while I have argued for such consolidations upon the floor of the Senate and have introduced resolutions for the purpose of trying to bring about consolidations and to require the heads of the departments to take steps in that direction and to inform the Congress about overlapping functions, no proposal has ever been sent to the Congress of the United States to accomplish that purpose.

Who is going to do that?

Mr. BYRNES. The Senator would not say that no such proposals were ever sent to the Congress, would he?

Mr. WHEELER. I do not know of any.

Mr. BYRNES. In June 1932, when Congress granted to the President certain powers of reorganization, President Hoover sent an Executive order to the Congress. There was a provision in the grant of authority requiring the approval of the House. The House adopted a resolution disapproving the Executive order.

Later there were 27 Executive orders issued under the law which was passed March 3, 1933. Among other things, those orders had to do with the Farm Credit Administration, and a number of mergers. There were not as many consolidations as I would like to have seen, but there were quite a number.

Mr. WHEELER. What I said was that there had not been any such proposal since my resolution was adopted. I know, as a matter of fact, as does the Senator, that when such proposals were turned down during Mr. Hoover's administration, it was at a time when Mr. Hoover was not very popular in the Congress of the United States, and it was at a time when, to a large extent, the Democrats were in control.

Mr. BYRNES. That is true.

Mr. WHEELER. So the condemnation of the action of the House of Representatives for its action at that time by the Senator is a condemnation of the Democratic majority in the House at that time.

Mr. BYRNES. There is no question of politics involved.

Mr. WHEELER. It is going to be charged, of course, that those who do not go along with this program and turn over to the President of the United States the power to reorganize and shuffle governmental bureaus around, or abolish them, in any way he sees fit, are against the President.

Mr. BYRNES. The Senator has referred to abolishing departments.

Mr. WHEELER. Under this bill he could abolish a bureau.

Mr. BYRNES. Yes.

Mr. WHEELER. For example, he could abolish the Reclamation Bureau entirely. He could abolish the Veterans' Bureau under this bill, could he not?

Mr. BYRNES. Certainly, as to the Reclamation Bureau he could do so. Is the Senator opposed to abolishing any bureau?

Mr. WHEELER. Not at all.

Mr. BYRNES. If some of them are not abolished, I do not see how we are going to effect any economies.

Mr. WHEELER. Everyone who knows anything at all about the subject is aware that the functions of the President in this connection will be turned over to subordinates.

The President of the United States cannot possibly sit down and determine what should be done with these various departments, nor can he determine which ones should be abolished and which ones retained. It is a physical impossibility for him to do it. So who is going to do it? Some professor or some clerk in the department is going to do it. They are going to be the boys who will do the work, and they are going to say to my people in Montana, "We are going to abolish the Bureau of Indian Affairs," or "We are going to abolish the Reclamation Bureau," or "We are going to put the Reclamation Bureau in some other department." Although they have never set foot on an Indian reservation in their lives, and have never seen an Indian, except in a moving picture in New York City, they are going to sit down in some office in Washington, prepare reports, and tell the Members of the Senate and of the House what ought to be done with the Indian Office, and tell the people in Montana what they ought to have and what they ought not to have.

Then they may say, with reference to the Forest Service, "The Forest Service should be taken out of the Department of Agriculture and put in the Interior Department," as has already been proposed. The Forest Service has been functioning in the interests of the people of the United States, and is recognized as nonpolitical, as being above partisanship. It is recognized by everybody who comes in contact with it as being an efficient bureau, competently managed. So some clerk who has never been in a forest in his life, except perhaps in Rock Creek Park, and whose whole service has been in one of these bureaus, is going to tell the sheep growers and the cattle growers how the Forest Service is going to operate and how it shall function in the State of Montana, the State of Colorado, and the State of Wyoming. Does the Senator from Wyoming mean to tell us that he wants that done? I say it is absurd.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRD. As a matter of fact the President's committee has already made such a recommendation.

Mr. WHEELER. Of course, the President's committee has made such a recommendation, and we all know he wants it.

Mr. BYRD. The President has endorsed the recommendations of the President's committee.

Mr. WHEELER. Of course.

Mr. BYRNES. Has the President stated that he would abolish the Forest Service?

Mr. WHEELER. No. He wanted to transfer it from the Agriculture Department to the Department of the Interior.

Mr. BYRNES. Has the President made that statement?

Mr. WHEELER. The report makes that suggestion, and the President has endorsed the report of the Brownlow Committee.

Mr. BYRNES. If the Senator will read the letter of the President, he will see that the President submitted the report of his committee for the consideration of the Senate. The Senator cannot state upon his own authority, and no other Senator can state upon his own authority, that the President has made any such recommendation.

The Senator asked me for some information.

Mr. WHEELER. Yes.

Mr. BYRNES. One of the orders signed by President Roosevelt as a result of the act of March 3, 1933, was with reference to the Disbursing Office. I have some information before me from the hearings before the House Committee on Appropriations in connection with the Treasury Department appropriation bill for 1939. This throws some light on the amount saved. I read:

> Mr. TABER. Does it not cost more than it did before?
>
> Mr. BARTELT. No, sir; on the basis of the appropriations, it costs $168,385 less annually.
>
> Mr. TABER. Will you be able to tell us where that saving appears?
>
> Mr. BARTELT. That would be a rather difficult thing to do, because we do not keep separate cost figures for the service rendered to the different agencies of the Government, but I can give you a statement which will give you some idea of where this saving appears.
>
> Mr. TABER. All of the statements we have had heretofore have indicated that it was costing more instead of less.
>
> Mr. BARTELT. In addition to that, we have absorbed additional work, which would otherwise have cost $174,212, making a total annual saving, really, of $342,000. The saving from the beginning has been about $1,250,000.

That was the result of one order signed by the President under the act of March 3, 1933.

Mr. WHEELER. I am glad to learn that they contend that there was some saving. My information is to the contrary.

Mr. BYRNES. The report will give to the Senator information as to the orders signed by the President under the act of March 3, 1933, consolidating various activities. If the Senator would like, I will get for him a statement as to the savings under the others.

Mr. WHEELER. I should appreciate it.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. O'MAHONEY. Inasmuch as the Senator referred to the Forest Service and its operations in the Rocky Mountain regions of the West, I assume he is perfectly well aware that at least three bureaus in the Federal Government are now regulating grazing upon the public domain.

Mr. WHEELER. Yes.

Mr. O'MAHONEY. We have grazing under the Forest Service, grazing under the Taylor Grazing Act, Bureau of the Department of the Interior; and in the Department of Agriculture, under the Farm Security Administration, there is another bureau which is engaged in the purchase of land under the Bankhead-Jones Act, and administering lands purchased for the reestablishment of submarginal lands; and another bureau which is also undertaking to regulate grazing upon that area. There is no reason to believe, is there, that these three functions should not be united under one head? Nor is there any reason to believe that the President might not decide to put them all in the Forest Service and allow the Forest Service to remain in the Department of Agriculture.

Mr. WHEELER. I agree entirely with the Senator. Not only that, but let me say to the Senator that there is one he omitted. There is a bureau which regulates grazing on the Indian reservations.

Mr. O'MAHONEY. That is correct.

Mr. WHEELER. The Senator from Wyoming [Mr. O'MAHONEY] and the Senator from South Carolina [Mr. BYRNES] are not so naive as not to know what will actually happen if this bill passes. They know, as every other Member of the Senate knows, that if this bill shall pass, we will not have any more to say about it than we will have to say about what is going to be written into the trade treaty with Great Britain. After we give the President the power proposed in the bill, the Senator from Wyoming and the other Senators from the West will go down to the department with their hats in their hands and say, "Please, Mr. Secretary," or "Please, Mr. Bureaucrat, don't do anything to hurt our people." What will the Senator have to tell his people? He will have to write to them and say, "We cannot do anything at all about it; we do not have anything to do with it, because we have delegated our power to the President. The Congress of the United States of America has given up its power." The people can howl, but nothing can be done about it, because the Senators from Massachusetts, the Senators from Indiana, and the Senators from every other State will have delegated the powers of Congress to legislate to some bureaucrat. That is the effect of this bill.

The other day a group of Senators were eating luncheon. Someone said, "We go down to the departments, and they do not pay any attention to us."

Why should they? Why should the departments have any respect for Members of the United States Senate?

Mr. DAVIS. Do they not ask, "How did you vote?"

Mr. WHEELER. Why should they have any respect for the Congress? A poor fellow working on the W. P. A. in Montana has been called on the carpet and threatened with being "fired," not because he was inefficient, not because he was incompetent, but because he was a friend of mine. Another is told that if he should say anything for me or commend my activities and philosophy of government, he should resign. His requested resignation is being held in abeyance. Do they have any respect for Senators and Members of the House? Not at all. Why should they have? The people of this country are only going to have such respect for the Senate and House of Representatives as institutions as the respective bodies deserve, and when we confess to the American people that we have not the ability to do the job that belongs to us under the Constitution of the United States, that is, to reorganize the executive departments, how can they have any respect for us? Further than that, we not only say we cannot do it, we cannot work out the plan in the first instance, but we are going further than that, and saying that the House of Representatives and the Senate of the United States have neither the ability nor the moral character to pass upon whether or not a proposal is correct or incorrect.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. I assume the Senator will admit the reason why we are called on now to pass a reorganization bill is that almost from time immemorial Congress in the creation of various bureaus, more than 130 of which are floating around here like Halley's comet with a tail but no head, has not assigned them to any department, has not made them responsible to any department, and so they have grown like Topsy, until the time has arrived when the question is so complicated and so intricate that, admitting the ability of Congress to bring about proper reorganization—and I do not discredit the ability of Congress to do anything it sets its mind to do—would it not be a physical impossibility for Congress itself to go into all the details of the bureaus and independent offices of the Government within any reasonable time at any session of Congress and accomplish reorganization?

Mr. WHEELER. I am very glad the Senator has asked me that question. If I had a say about it, I would appoint a joint committee of the Congress of the United States for the sole purpose of studying this question and of restoring to Congress its proper functions. Is there not sufficient ability in the Members of the House of Representatives and the Senate of the United States to sit down during the interim between the sessions of Congress and ascertain and determine what ought to be done and what ought not to be done?

If we concede that there is not sufficient ability in the Congress of the United States to initiate reorganization in the first place, then, I am willing to turn it over to the President and say to him, "Send your recommendations here"; and if he sends his recommendations here, so far as I am concerned, if they are within the bounds of reason, I will fight to eliminate unnecessary bureaus just as hard and just as earnestly as will any other Senator upon the floor; and I will do it even though it may affect the interests of my own State.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. What the Senator has suggested is precisely what has happened. There was a joint committee on reorganization appointed, composed of a certain number of Members of the House and Members of the Senate. So long as they acted as a joint committee they made absolutely no progress whatever. They had finally to separate into Senate and House committees in order to make any progress, because of the difficulties and jealousies that were injected into the situation. As a result of that separation, that activity, and that study, we have a bill now before the Senate. It is my honest judgment that if he had continued simply to act as a joint committee without separating the joint committee into two branches representing the House and the Senate we would not now have any bill for the consideration of the Senate or the House.

Mr. WHEELER. What was done was to separate the committee into two branches and discuss a bill as to whether or not we were going to abdicate and turn over our power to the President of the United States.

Mr. BYRNES. Mr. President, does the Senator believe a joint committee could do any better?

Mr. WHEELER. I do not care whether it is a joint committee or a single committee.

Mr. BYRNES. The Senator suggested it should be a joint committee. I will advise the Senator that that has been tried more than once. In 1920 there was a joint committee

which sat for many weeks—in fact, for months—and its recommendations were submitted to Congress, and Congress did—what? What it has done for 50 years—nothing.

Mr. WHEELER. The fact that a joint committee in 1920 was appointed and did not do anything—the fact that President Hoover sent a recommendation down here and we did not accept it—is no defense for the failure of Congress to act. It is a reflection upon the Democratic Party if they did not act if action should have been taken. The mere fact that the Congress of the United States considered the question in 1920, and the mere fact that it turned Mr. Hoover down when he was at the height of his unpopularity in the United States of America, is not any reason why the Congress of the United States, with an overwhelming Democratic majority in the Senate and an overwhelming Democratic majority in the House of Representatives should say to the people of the United States, "We Democrats are incompetent to legislate and we are going to turn the power over to the President of the United States; we are going to let him abolish various bureaus at his will, and we are going to say that some of the bureaucrats in the Treasury Department, for instance, or some professor from Columbia University or from Harvard University are more competent to work out a plan and say what functions the Government ought to perform than is the Congress of the United States." Is it any wonder, Mr. President, that the people throughout the world are losing faith in democratic institutions?

Mr. BYRNES. Mr. President——

Mr. WHEELER. Let me finish. I say, we have got to recognize the fact that under democratic institutions there is sometimes inefficiency in government. Certainly there can be more efficiency—although it is not always attained—under dictatorships. But, Mr. President, the American people have got to recognize that it is necessary for them to pay the price in order to maintain their liberties and democratic institutions, and that price is delay and some inefficiency in government. I say to the Senate that it is far better that we maintain the bureaus we now have than it is to turn over dictatorial powers to the President of the United States and admit to the world that the Congress of the United States, overwhelmingly Democratic in the House and overwhelmingly Democratic in the Senate, is incompetent to function. I refuse to admit it.

Mr. BYRNES. Mr. President, will the Senator now yield?

Mr. WHEELER. Yes.

Mr. BYRNES. The Senator from South Carolina has not referred to the administration in 1920 or to any other administration. The Senator from South Carolina said that for 50 years Congress had failed to do anything. Joint committee after joint committee has been appointed; President after President has made recommendations; President Wilson urged reorganization; Theodore Roosevelt urged it. Did he want to be a dictator? Did Wilson want to be a dictator? Did Hoover want to be a dictator? Did he look like a dictator?

Mr. WHEELER. He did to me. [Laughter.]

Mr. BYRNES. Yet the Senator believes that when this power is asked by the President of the United States he wants to be a dictator.

Mr. WHEELER. No. I refuse to let the Senator put those words in my mouth. I did not say that at all. I do not believe the President wants to be a dictator, and I never have believed that he wants to be a dictator, but when Congress abdicates and the power is given to the President to curtail functions of government, what are we doing?

Mr. BYRNES. I will tell the Senator what we are doing. We are doing just what the Senator did on March 3, 1933. The Senator was in the Chamber at that time when a bill was passed on this subject, but he never saw any danger of a dictator.

Mr. WHEELER. What was the bill?

Mr. BYRNES. The Treasury and Post Office appropriation bill, which contained this exact language, except that under this bill——

Mr. WHEELER. What bill was it?

Mr. BYRNES. The Treasury and Post Office appropriation bill, giving the President of the United States the power to do everything the Senator now complains of.

Mr. WHEELER. Does the Senator mean the Economy Act?

Mr. BYRNES. No. I knew the Senator would like to have me say the Economy Act. I refer to the act of March 3, 1933, when a bill containing language similar to that of the pending bill was passed. The Senator was here, but he never raised his voice in criticism of it. Now, however, he talks about a dictatorship and about the safety of the Republic being endangered. What has come over the Senator since March 3, 1933?

Mr. WHEELER. I will be glad to tell the Senator what has come over me. Does the Senator say that I voted for that bill?

Mr. BYRNES. I said there was not even a request for a roll call.

Mr. WHEELER. Oh!

Mr. BYRNES. There was not a single word said about it; the Senator did not raise his voice; but now he thinks the Republic is endangered. If he thought so then, why did he not say so? Why did he not demand a roll call.

Mr. WHEELER. That is very simple. The Senator knows——

Mr. BYRNES. Why did he not demand a roll call?

Mr. WHEELER. Was I on the floor of the Senate at the time?

Mr. BYRNES. If the Republic was in danger, and the Senator was not here, he should have been here. [Laughter.]

Mr. WHEELER. Oh, no; I have not said that the Republic was in danger. I am not going to let the Senator from South Carolina state that I now say the Republic is in danger.

Mr. BYRNES. I am glad to hear that.

Mr. WHEELER. I have never made that statement, and I refuse to let the Senator put me in that position.

Mr. BYRNES. Who is in danger, then?

Mr. WHEELER. Well, you are in danger. [Laughter.]

Mr. BYRNES. I am perfectly satisfied, so far as I am concerned.

Mr. WHEELER. Of course the Senator is perfectly satisfied; but he was perfectly satisfied to have the Supreme Court packed, and I was not. The Senator had a right to feel that way, and I had a right to feel the other way.

Mr. BYRNES. I felt that way until the Supreme Court unpacked itself when Mr. Justice Roberts changed his mind.

Mr. WHEELER. Has not the Senator ever changed his mind?

Mr. BYRNES. I have, and will do so again. But Justices of the Court changed their minds. I never run after a train after I have caught it.

Mr. WHEELER. As a matter of fact, the Senator ought to have known that the President would have obtained the resignations of two Justices, for everybody else knew it, and he would have gotten them sooner if he had not attempted to pack the Court.

Mr. BARKLEY. What has the Supreme Court fight, which is over and dead, to do with this matter?

Mr. WHEELER. I thought it was over and dead. However, I do not propose to have the Senator from South Carolina put words into my mouth to the effect that the Republic is in danger. I do not think that is the case. I never have thought so; nor do I think the President of the United States wants to set himself up as a dictator. I do not feel that way now, and I never have felt that way. Of course, if the Senator from South Carolina wants to put that expression in my mouth and have it go out over the country, he may do so; but he is not going to get me to say it, because I never have believed it. I never have believed a great many of these scarehead statements made by various persons with reference to this administration, and I never have believed we ought to be half so afraid as we seem to be of a great deal of legislation that has been passed.

If the Senator wants to get into a discussion of it, I think a large part of it has been miserably executed. It is not half so much the fault of the legislation as it is the fault of its execution; and I think the way politics has been played with the W. P. A. in my State is a scandal. I have not complained about it, but it has been done.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from Nebraska.

Mr. BURKE. I was interested in the statement made a while ago on the floor of the Senate that although the President's committee had made a report with some very startling things in it, no one should suggest at any time that that report represented the President's ideas.

In the letter of the President under date of January 12, 1937, with which all of us ought to be familiar, submitting this matter, I read the President's own language:

> The committee has now completed its work, and I transmit to you its report, Administrative Management in the Government of the United States. I have examined this report carefully and thoughtfully and am convinced that it is a great document of permanent importance. I think that the general program presented by the committee is adequate, reasonable, and practical, and that it furnishes the basis for immediate action. The broad facts are known; the need is clear; what is now required is action.

Then, again, still reading from the President's letter, at the top of the following page I find the following:

> I endorse this program and feel confident that it will commend itself to you also—
>
> Speaking of the Congress—
>
> with your knowledge of government—

And so forth. So, if the Senator will permit me, even though some of the more obnoxious features of the report made by the President's committee have been eliminated, I think we are entirely justified in saying that that whole report was what the administration wanted, and that they will get just as much of it as they can before they get through.

Mr. WHEELER. Let me call the attention of the Senator to the fact that as I understand the original report and the original bill which was introduced, they at first provided that the Interstate Commerce Commission and all of the other independent organizations which are arms of the legislative branch of the Government were included in them, and that that is what the proponents of the measure wanted. Is that correct?

Mr. BYRNES. No, Mr. President. Such a proposal was in the report. The bill to which the Senator refers, I assume, is the bill we have discussed. It did not mention any of those organizations. When introduced by the late Senator Robinson it was in exactly the same language as the bill of March 3, 1933, to which I have called attention.

Mr. WHEELER. Let me say that the Senator from South Carolina knows that those back of the proposal wanted to put the Interstate Commerce Commission and the Federal Trade Commission and all the other bodies of that character under the executive branch of the Government, and they were first included in the report, were they not?

Mr. BYRNES. Mr. President, I do not know any such thing.

Mr. WHEELER. The Senator does not know it?

Mr. BYRNES. No.

Mr. WHEELER. Let me say to the Senator that I happen to know that that is the case, because some of those who were back of the measure called me up by telephone and asked me if I would be for the reorganization bill, and I said not unless those commissions were completely taken out. I said, "If you want to reorganize the various departments, I think they should be reorganized"; but I never for one moment dreamed that they were going to put those organizations back in the bill and send the bill here in that form without ever notifying us at all.

Mr. BYRNES. The Senator says certain persons telephoned him. Will the Senator tell us who telephoned him?

Mr. WHEELER. I could do so.

Mr. BYRNES. Mr. President, I do not know who the Senator means as back of the measure. No person has talked to me about this bill except the members of the President's committee who appeared before the committee, and no amendment offered by me to the bill was ever shown to anybody inside or outside of any department, nor did anybody communicate with me about it.

Mr. WHEELER. I am not interested in whether persons communicated with me or with the Senator from South Carolina about the bill. I think it is perfectly all right for them to do so. I have no objection to anybody communicating with me, whether from the executive departments or anybody else. When the time comes that Members of the Senate become afraid to have somebody talk to them, they ought to get out of the Senate. I think it is perfectly legitimate for persons to talk to us. I do not agree with those who say that the executive departments should not initiate legislation and send it down to Congress if they want to do so. I have never objected to any man from the departments coming down and talking to me about legislation. I think it is a good thing; I think it is perfectly all right, because we in the Senate are so busy that it is quite impossible for us to attend personally to all these matters. On the other hand, I have never been afraid to let somebody else come and talk to me for the other side, because we ought to hear both sides of the various matters which are pending before us, and we ought to be big enough to talk with representatives of both sides of every question that comes up before Congress; and if we are so weak that we cannot listen to arguments on both sides of any question or if we are fearful we may be corrupted by talking to anyone, we ought to get out of the Senate.

Mr. BYRNES. Mr. President, the Senator and I can agree upon that subject, because the Senator and I both know that the Constitution of the United States says that the President shall recommend measures to Congress. Lincoln recommended measures to Congress, Jefferson recommended measures to Congress, and Jackson recommended measures to Congress, time and again.

Mr. WHEELER. Of course, it is all right for Presidents to do so.

Mr. BYRNES. We shall not have any quarrel about that particular phase of the matter. I was simply stating the facts.

Mr. WHEELER. But when the Senator from South Carolina says I am afraid the Republic is going to be destroyed, I wish to say that my opposition to this bill does not mean I am afraid the Republic is going to be destroyed if the bill is enacted, for I do not think any man can destroy this Republic. I never charged the Senator from South Carolina with being afraid the Republic was going to be destroyed because he did not agree with me on the utility holding-company bill and the "death sentence." I think it is entirely unfair for the Senator to try to put those words in my mouth, and if he tries to do so he is not going to get away with it.

Mr. BYRNES. The words seem to have bothered the Senator. He has repeated them for the third time. I shall be glad to withdraw them. I simply asked the question; but if it is at all offensive to the Senator, I will withdraw it.

Mr. WHEELER. Oh, no; the Senator from South Carolina did not ask a question. He said I was afraid of it.

Mr. BYRNES. If the Senator is not afraid of it, then we are all satisfied, and, I hope, happy. I am.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from Indiana.

Mr. MINTON. Not everybody is satisfied, because all of us received in our mail today a pamphlet or leaflet about the third crisis; so we know that Mr. Frank Gannett is not satisfied.

Mr. WHEELER. I am not responsible for Mr. Frank Gannett. I am not responsible for anybody else than myself. I am not interested in Frank Gannett's views. I am interested in how this bill may affect the people of my State, who

elected me to represent them. They did not elect some of these professors from Harvard or some of these bureaucrats in Washington to do their thinking for them.

Mr. BYRNES. Mr. President, the Senator will admit that they did elect the President of the United States.

Mr. WHEELER. Yes; they did.

Mr. BYRNES. And under this bill the President is given the power to reorganize the departments; and the same people who voted for the Senator from Montana voted for the President of the United States.

Mr. WHEELER. Yes; but I want to read again what was said by the late Senator from Wisconsin, Mr. La Follette. I read it a few minutes ago.

Mr. BARKLEY. Mr. President, will the Senator yield at that point?

Mr. WHEELER. Will the Senator permit me to go on for just a moment?

Mr. BARKLEY. Certainly. I do not wish to interfere with the Senator's trend of thought.

Mr. WHEELER. I want to call attention again to this language, because so many persons say, "The President of the United States has a mandate, and you ought to vote with the President of the United States, and you ought to turn over the power to him because he has a mandate." I read a moment ago what the late Senator from Wisconsin, Mr. La Follette, said on the floor of the Senate. He said this:

> Mr. President, I had supposed until recently that it was the duty of Senators and Representatives in Congress to vote and act according to their convictions. * * * Quite another doctrine has recently been promulgated, * * * and that is the doctrine of "standing back of the President." For myself, I have never subscribed to that doctrine and never shall. I shall support the President in the measures he proposes when I believe them to be right. I shall oppose measures proposed by the President when I believe them to be wrong.

Mr. BYRNES. Mr. President, I will say to the Senator that I am in hearty accord with that statement; but the Senator will agree that I made no statement about turning power over to the President because he has a mandate from the people. The Senator was talking about this duty being performed by professors from Harvard or Yale; and I was calling the attention of the Senator to the fact that this bill gives to the President just such power as the law of March 3, 1933, gave to him. He had the power for 2 years. He did not abuse it, and I was asking why we had any right to assume that he would now abuse it.

Mr. WHEELER. I am not assuming that the President will abuse it. I promised to yield to the Senator from Kentucky, and I now do so.

Mr. BARKLEY. Mr. President, the Senator is objecting to this bill because Congress itself is not doing the reorganizing instead of authorizing the President to do it.

I am not worried about any Harvard professors or any Columbia professors. The Senator and I have both utilized the services of very distinguished professors from those universities in the drafting of important legislation, and we did not object to their assistance.

Mr. WHEELER. I hope we may have it again.

Mr. BARKLEY. So do I; and I may say to the Senate that we both know they rendered indispensable services in certain matters of legislation. But can the Senator name a single Member of the United States Senate or any Member of the House of Representatives who in 50 years, except at the suggestion or urgent request of some President, has ever introduced a reorganization bill in the Congress of the United States?

Mr. WHEELER. Do not misunderstand me; I am offering an amendment providing that the President of the United States shall work out a reorganization plan and send it to the Congress and that it shall be affirmed by joint resolution of the House and the Senate before it goes into effect.

The Senator from Kentucky is the Democratic leader of the Senate, and the leaders in the House of Representatives are administration men. With that leadership in the Senate and in the House of Representatives, there is no reason why the bills the President may send us should not have prompt attention.

Mr. BARKLEY. Of course, we all agree that they should have prompt attention, regardless of any temporary position I may happen to occupy here—and I am not concerned about that. I sometimes wish I did not occupy it. But I do occupy it, and so long as I shall I am going to do the best I can to meet its responsibilities.

Mr. WHEELER. The Senator is doing a very good job.

Mr. BARKLEY. I am not interested in personalities; but if Congress is so able and so efficient in the reorganization of the departments of this Government and the various bureaus, more than 130 of which they have created from time to time without locating them anywhere, why should we even be willing to allow the President to initiate a reorganization plan before we pass upon it?

Mr. WHEELER. Let us see who created these bureaus, at whose instance we created them in the first place, and who suggested where they should be put. Practically every single bureau that has been created was initiated by some President of the United States; but if these new bureaus have not been put under some department but are floating around in the air, it is because of the fact that the administration did not ask that they be put in some department.

Mr. BARKLEY. I am not so certain about that. I do not think the Senator is accurate in his statement. Since I have been in the Senate, and since any independent bureau has been initiated or created or suggested, the only case within my recollection in which Congress itself located the agency in a department was in the matter of the Federal Housing Authority, which by a very close vote, I think by a majority of two votes, was placed in the Interior Department, instead of being left among the one-hundred-and-thirty-odd which float around in Washington without any responsibility to anyone in particular.

Mr. WHEELER. If honest men are appointed on a particular commission, what difference does it make whether they are under the Department of Commerce or some other department, or are separate?

Mr. BARKLEY. That is the very point I think the Senator ought to consider in determining his own course. It certainly has had some weight with me in determining my course. I think a lot of fuss and feathers have been raised over reorganization, about the possible transfer of some bureau from one department to another, when everyone knows the bureau would probably be just as efficiently operated in one as in the other.

Mr. WHEELER. I think they will be just as efficiently operated if they are not under any department.

Mr. BARKLEY. Certainly they should owe a responsibility to somebody besides the President of the United States.

Mr. WHEELER. Does the Senator mean to tell me that the Federal Housing Administration would be more efficient whether or not it was under some department, or does the Senator believe that the Interstate Commerce Commission would be more efficient if it were under Secretary Roper?

Mr. BARKLEY. No; we have exempted these quasi-judicial agencies of the legislature.

Mr. WHEELER. Of course.

Mr. BARKLEY. We are passing on legislation before us. There is no use fighting a windmill. We are talking about the bill as it is presented. With regard to the bill to which the Senator has referred, which the President commented upon in the language quoted by the Senator from Nebraska, he specifically said that he approved of the report as a basis for action by the Congress. He did not commit himself to every provision or every suggestion, any more than our committee did, but it was to be used as a basis for what the committee could consider, and did consider, and the rough draft of a bill, never introduced, never officially considered, as was explained here a few days ago, I believe when the Senator was not present, a bill written by the President's Commission simply to show how it would look insofar as it might coordinate with their report. It was never officially

considered by the committee, and is not now in any sense before the Senate for its consideration.

Mr. WHEELER. I would not argue for 1 second about the bill which was sent here, because I do not know what was in the bill. I am merely commenting on the bill before us today. I am merely discussing the provisions of the pending bill.

Mr. BARKLEY. Mr. President, will the Senator yield further?

Mr. WHEELER. I yield.

Mr. BARKLEY. Suppose the President should make a separate order allocating every one of these independent bureaus and agencies to some department, and should send the orders in separately, more than 130 of them. How long would it take the Congress of the United States, and especially the United States Senate, with all its facilities for unlimited debate, to consider those one-hundred-and-thirty-odd orders?

Mr. WHEELER. I think that is entirely beside the question, and if the Senator is talking about fighting windmills that certainly is fighting windmills.

Mr. BARKLEY. It may be a separate windmill in each case, but it would be a separate one, and how long would it take the Senate to consider all of them if they were sent here to us separately?

Mr. WHEELER. Suppose they were sent to us jointly. I am not arguing that they be sent separately. The President can send them in any way he desires to send them. I am calling attention to the fact that under the bill he cannot only abolish bureaus in the departments, he can also abolish functions. I desire to call attention to the bill itself. I do not care what was in the other bill. It does not mean anything, except that it may show the intention of some of those who wanted to reorganize something they had in mind. Let us eliminate that. But when we are speaking about bureaus being more incompetent because they are not under some executive head or some department, I cannot agree with the Senator upon that.

Mr. BARKLEY. Mr. President, I am not saying they are more incompetent; but many of these independent agencies duplicate work in some respects, they overlap in many respects, and to the extent to which any group or large number of agencies of the Government are covering the same field, where they might be coordinated, consolidated, and joined, I say to that extent there is incompetency and inefficiency in all of them.

Mr. WHEELER. No one disputes that. Before the Senator entered the Chamber I called attention to the fact that I offered a resolution, which passed the Senate, calling for transmission to Congress of a report setting forth the functions of the different departments. That would be the basis, and should have been the basis, it seems to me, for presenting the matter to the Congress.

The present bill states as one of its objects, "To reduce expenditures to the fullest extent consistent with the efficient operation of the Government." What does that mean? It means that the President of the United States could, if he desired, abolish the T. V. A. We all know he would not do that, but he would be given the power to do it.

Suppose we had a President who was opposed to T. V. A., and he were given that power? He could send word to the Congress that he had abolished it. Congress could pass a bill saying, "We are against that." The President of the United States could veto the bill, and in order to reestablish the T. V. A. we would have to pass it over his veto by a two-thirds majority. Is that what Congress wants to do? I do not believe so. Because of the fact that we have a Democratic majority in the Congress and a Democratic President we assume that we are always going to have such a majority and a Democratic President.

Mr. BYRNES. The power is limited to July 1, 1940.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. I am not interested in the politics of the situation. I am not interested from the standpoint of whether Democrats are in control or in a majority, or whether they will always be or will be for only a short time. I do not think that ought to be a matter which should govern anyone in deciding how he will vote on the pending bill.

We have assumed that it will take any President two years and a half or three years to work out these reorganizations. We have limited his authority to the 1st of July 1940. It is assumed that he will do the work gradually, and that when he finds that there is a set-up anywhere in the departments which ought to be reorganized or consolidated, or finds bureaus which should be transferred to some other department, he will do that at the time. It is not assumed that the President will wait until the 30th day of June 1940, and then by one order reorganize all the departments. If he were to do the work in a gradual way and each of the orders had to come to the Senate or to the Congress and be approved before it could be operative, we would never have any reorganization in the Government departments.

Mr. WHEELER. It is being stated that we have to delegate the power to the President of the United States. That is equivalent to saying that the Congress of the United States is incompetent to legislate. Perhaps we are. If we are incompetent, if we have not the moral stamina and have not the courage to legislate, then we ought to go back home and tell the people so. If that is the case, let us adjourn the Congress and let the departments do the legislating for the people of the United States.

Mr. BARKLEY. Mr. President, I am not saying the Congress is incompetent, and I do not believe it is incompetent, but I am saying that in all these years it has not done anything about this matter. Whether it is because of incompetence, or negligence, or lack of time, or because of the large number in our respective bodies it is impossible to concentrate upon the subject, the fact is that Congress has not done anything about it, but has created, unintentionally and gradually, the situation which we are now trying to correct.

Mr. WHEELER. Let us assume we have not met the problem—and I agree that we have not done anything about it; but I repeat what I stated a moment ago, if we are to have a democratic republic in the United States of America, we are going to have inefficiency in government, but the answer to those who are saying that we cannot function under a democratic government is a dictatorship, is not delegating our powers to a President of the United States or to the executive branch. The answer to the evils of democracy is more democracy, and have it intelligently and honestly applied.

Mr. BARKLEY. Certainly the Senator does not believe that the virtues of democracy can be increased by more inefficiency?

Mr. WHEELER. Not at all.

Mr. BARKLEY. Mr. President, we all agree that democracies are in some respects more inefficient than dictatorships. We all agree that one man, by exercising his own will, can do a certain thing more speedily than the representatives of the people may do the same thing. But I agree with the Senator that we ought to pay the price of some inefficiency in order to preserve our democratic institutions. However, there is no reason why we should overdo inefficiency in order to enjoy democracy.

Mr. WHEELER. We hear so much today about inefficiency in Government and inefficiency on the part of the Congress. We hear it said that Congress talks too much and that it is inefficient.

Mr. President, in those countries which are now in effect totalitarian states the head of the government has taken over all power for the purpose of promoting efficiency in government; and how much efficiency do they have? Of course, one man can do the job of governing more quickly and perhaps better than many men can do it, but experience has taught us that in those countries where the people have given up their liberties in order to get efficiency and security they have obtained neither. It was the more democratic governments of the world which won the last Great

War, because they proved to be more efficient than those governments which were monarchies or over which dictatorial powers were exercised.

So, Mr. President, I am unwilling to give up the power which Congress now has.

If I may, I wish to go back to the analysis of the bill.

First, in order to reduce expenditures to the fullest extent consistent with the efficient operation of government, the President can do what?—

SEC. 2. (a) Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof—

What is meant by the word "functions"? I went to Webster's Dictionary and found the definition of "function" to be as follows:

1. Action, activity, doing, performance (rare).
2a. The natural and proper action of anything; special activity; office, duty, calling, operation, or the like.
2b. The natural or characteristic action of any power or faculty; especially one of the characteristic processes or elementary activities of consciousness; a mode of conscious action.
2c. The course of action which peculiarly pertains to any public officer in church or state; the activity appropriate to any business or profession; official duty.
3. Profession; occupation; office; as, the clerical function. Also, (obsolete) body or class of persons of one trade or profession.
5. Any quality, trait, or fact so related to another that it is dependent upon and varies with that other.

In Bouvier's Law Dictionary "function" is defined as follows:

The occupation of an office: by the performance of its duties, the officer is said to fill his function.

So what is meant when it is said that a function can be abolished? If we take the accepted common-law definition of the word "function," it is meant that the President can change the law, because the law provides what the functions of an office are.

The wording of the bill continues:

Is necessary to accomplish any of the purposes set forth in section 1 of this title.

One of the things set forth in section 1 of title I is "to reduce expenditures to the fullest extent." Then he can do any of these things "subject to the limitations hereinafter provided."

What are those limitations?

(1) Transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency.

So he can transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency.

(2) Regroup, coordinate, consolidate, reorganize, or segregate the whole or any part of any agency, or the functions thereof; or
(3) Abolish the whole or any part of any agency, or the functions thereof.

It is said, however, "But this ends in 1940." Let us see whether it might end in 1940. Some other President comes into office. Let us suppose the work of reorganization has not been completed by that time. When the reorganization bill was first brought to Congress it provided that its powers should extend until 1942. Is that correct, I ask the Senator from Virginia?

Mr. BYRD. Three years.

Mr. WHEELER. From the date of congressional action upon the bill.

Mr. BYRNES. From the date of the approval of the bill.

Mr. BYRD. That would extend it beyond the present term of the President of the United States.

Mr. WHEELER. Yes, that would extend it beyond that term. However, that provision was finally eliminated, so it is now provided in the bill that it shall extend until 1940.

Mr. BYRNES. I thought the Senator from Montana was about to refer to what some other President might do. We wanted to assure the Senator that whatever was done would be done only by the present President or the Vice President. We knew that would be more satisfactory to the Senator from Montana.

Mr. WHEELER. The Senator is right in assuming that. However, let me call his attention to what may happen if the reorganization has not been completed when a new administration comes in and says, "We want to extend this time," or "We want to reenact this measure." The next administration may not be a Democratic administration. Another conservative Republican administration may come into power. That is possible, though not probable, but they may get in and may say to the Democrats, "You voted to give this power to the President of the United States when a Democratic administration was in power. We are now asking for the same power under a Republican administration."

Would the Senator from Nebraska [Mr. NORRIS] want to turn over to a Mr. Harding or a Mr. Coolidge or a Mr. Hoover, or to some reactionary, who might even be a Democrat, the right to say that he could abolish in whole or in part the T. V. A. or any of the functions thereof? The only thing the Senator could do about it would be to say, "We will trust the President of the United States." Senators do not trust themselves; they do not have confidence and trust enough in themselves to act intelligently, and they do not have the moral courage to pass a bill cutting down expenses, and they are going back home and say to their people in Minnesota, in Virginia, in Oregon, in Kentucky, in Pennsylvania, "No; I could not do it. The Senate of the United States as an institution, and the Congress as an institution, were not capable of legislating intelligently or honestly in the interest of the people of the United States."

What are the people going to say to Senators who tell them that? They are going to say to them what they ought to say to them: "If you cannot do it we will send somebody down there who can. If Congress as an institution for all these years has not been able to do what was in the interest of the people of the United States, why not abolish it in the interest of economy—efficiency and economy?"

Mr. MINTON. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. MINTON. I wish to ask the able Senator if he does not think that Congress has many times confessed itself unable to handle those things which were legislative duties by the creation of certain commissions and bureaus to carry out what Congress could not do? For instance, we could not write the rates for the railroads, so we created the Interstate Commerce Commission.

Mr. WHEELER. What Congress did then was to pass a bill creating the Interstate Commerce Commission, but it said, "We cannot take care of the details. Work out those details." So we set up that Commission to pass upon those things. The Interstate Commerce Commission is an arm of the legislative branch of the Government. It is responsible to Congress. It is not alone. We did the same with reference to other commissions. But when the reorganization plan first came to the Congress those advocating the measure wanted to take even those bureaus out from under the control of Congress and put them under the control of the executive branch of the Government.

Mr. MINTON. Under this reorganization bill, are we not trying to do just what we do when we create a bureau? We propose to delegate certain legislative powers under certain standards.

Mr. WHEELER. What are the standards?

Mr. MINTON. The Senator has read the bill and should know.

Mr. WHEELER. Yes; I have read it. I have just been reading it. This is a curbstone opinion, but I wish to say that, in my humble judgment, there is a serious question as to whether the Congress has a right to delegate its powers—to do what? Not only to create and coordinate bureaus but to abolish them, and to abolish the functions of those bureaus.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. When the Interstate Commerce Commission itself was created the very argument the Senator is now making against this bill was made against its creation.

Mr. WHEELER. No; it was not. I beg the Senator's pardon.

Mr. BARKLEY. Congress was authorized by the Constitution to regulate commerce, and Congress ought to be able to function in the regulation of commerce without delegating its authority. The same occurred with reference to the creation of the Tariff Commission.

Mr. WHEELER. Oh, no.

Mr. BARKLEY. Violent opposition to the creation of the Tariff Commission arose on the floor of the Senate because, it was said, we were delegating to an agency of Congress the power to reduce or regulate tariff rates on imports into the United States, which up to that time had been a congressional function.

Mr. WHEELER. I still think it should be a congressional function.

Mr. BARKLEY. So the same arguments the Senator is now making were made, in a little different form, against the creation of other agencies of government. I happened to be a Member of the other House when that legislation was written.

Mr. WHEELER. The Senator is wrong when he says the same argument is being made. We did not say to the Interstate Commerce Commission, "You can abolish the T. V. A.; you can abolish the Reclamation Service; you can abolish the Indian Service; you can abolish the National Labor Relations Board; you can abolish the Veterans' Administration; or you can abolish any of the functions of the Veterans' Administration that you want to abolish."

Let Senators go home and tell the veterans that they do not think Congress is competent to legislate for them. Let the Senators from New Jersey, for example, go home and tell their people that they do not think Congress is competent to say what the functions of the Veterans' Administration are, and therefore such functions are turned over to whom? Not to the President of the United States. We are turning them over to some bureaucrats who will say what functions the Veterans' Administration shall set up and what it shall not; and we are going to put it up to some bureaucrat to say whether any given activity shall be transferred, retransferred, reorganized, or abolished. Perhaps the Veterans' Administration ought to be abolished. I do not think so. But if it should be abolished, the Congress of the United States should be the authority to pass upon the question, and to say whether or not any bureau or department shall be cut to pieces, reorganized, or abolished.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRNES. I do not desire to interrogate the Senator on the question of policy; but with reference to the legal question suggested I desire to ask him whether he is familiar with the case of Isbrandtsen-Moller Co. against the United States?

Mr. WHEELER. No; I have not read it.

Mr. BYRNES. The case arose as a result of the transfer of the Shipping Board to the Department of Commerce.

Mr. WHEELER. That is an entirely different thing.

Mr. BYRNES. The transfer occurred under a reorganization section containing the same language that is now under discussion, and a three-judge court held that there was a proper delegation of authority.

Mr. WHEELER. I believe that is an entirely different thing. It is proposed in this bill to go further than that. It is proposed not only to say to the President that he may consolidate two bureaus, or abolish one of them, but to allow him to delegate the power to abolish the functions of any activity.

Mr. BYRNES. I may say to the Senator that the language of this bill is exactly the language of the act of March 3, 1933, with the exception that we have eliminated the so-called independent agencies. The three-judge court, in construing the act of 1933, held that it was a proper delegation of legislative authority; and the Supreme Court sustained the decision.

Mr. WHEELER. I said that my statement was a "curbstone" opinion, because I had not looked into it.

Mr. BYRNES. That is the reason why I asked if the Senator was familiar with the case to which I referred.

Mr. WHEELER. Who decided it?

Mr. BYRNES. It was decided by a three-judge court, and the case went to the Supreme Court of the United States, where the decision was sustained but on other grounds. The United States Supreme Court did not pass directly upon the question.

Mr. WHEELER. I should like to see presented to the Supreme Court of the United States, even as the Court is presently constituted, the question whether or not Congress has a right to delegate to the President of the United States the authority to abolish functions of government.

Mr. BYRNES. I will say to the Senator that the question has been presented in another case and the act of 1933 was held to be a proper delegation of power. This is not the first time Congress has sought to delegate such power.

Mr. WHEELER. Even though we may have the power to do it, certainly there can be no question that we owe a moral duty to the people who have elected us to the Congress of the United States not to give any such power to anybody.

Under this bill, as I understand its provisions, the United States Tariff Commission may be abolished. The Social Security Board may be abolished. We have just established the Social Security Board and put it into operation, but it is proposed to turn it over to somebody in the Treasury Department or some other department to decide whether or not it shall be abolished. The Federal Housing Administration may be abolished. Not only may it be abolished in toto, but any part or any branch of it may be abolished. It may be abolished in Montana and not in South Carolina.

Mr. DAVIS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. HILL in the Chair). Does the Senator from Montana yield to the Senator from Pennsylvania?

Mr. WHEELER. I yield.

Mr. DAVIS. Does the bill propose to grant to the President of the United States power to abolish the United States Employees' Compensation Commission?

Mr. WHEELER. I think there is no doubt about it.

The President may abolish the United States Employees' Compensation Commission unless it is specifically exempted; and I see no special exemption for it, as I read the bill.

The President may abolish the Rural Electrification Administration. He may abolish the Reconstruction Finance Corporation, or any of the functions of that agency. He may abolish the Farm Credit Administration.

Suppose the Senators from the West should go back home and say to the people that the President of the United States has authority to abolish the Reclamation Service, or to abolish any of the functions of that service; or suppose the Senators from the Tennessee Valley region should go back home and say to the people that the President has authority to abolish the Tennessee Valley Authority, or 99 percent of all the executive branches. Suppose Senators from farm States should go back home and tell the people that the President has authority to abolish the Market News Service of the Department of Agriculture if he sees fit, or to abolish the functions thereof. Let Senators from the farm States go back home and tell the people that the President has been given the power to abolish crop reporting.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. GLASS. I merely wish to inquire of the Senator if he does not think we ought to give the President the right to abolish Congress if we pass this bill.

Mr. WHEELER. We might just as well. When we go back home and say to the people of our States that we have given the President the power to abolish all these functions, they are going to say, "You may as well stay at home."

It is proposed that we give the President power to go into the Department of Agriculture and abolish the boll-weevil control and eradication program which is for the benefit of the farmers of the country.

Let the Senators from Idaho go out to Idaho and tell the farmers that they voted to give the President such power, and that because the President cannot possibly exercise it in person, the power will be delegated to some little fellow in one of the departments who has never seen the State of Idaho.

Bless my soul. When the present administration first came into power, and the Public Works Administration was set up, I went to the office of the Administrator to talk about a reclamation project. I saw there some lawyer who came out of a bond house in the city of New York. I talked to him about irrigation and reclamation and about the law of the State of Montana. He did not know anything about it, and I spent almost 2 days trying to explain to him something about irrigation and reclamation.

In the Bureau of Indian Affairs a bright, capable lawyer was appointed, but he had never seen an Indian reservation. He knew nothing about Indian affairs. We appointed as Assistant Commissioner of Indian Affairs a man who, so far as I know, had never been upon an Indian reservation unless he traveled through it on the train.

Men such as I have described are the ones who will say what bureaus shall be abolished and what functions shall be abolished in the interest of the farmers of the Middle West, of the Indians in the Northwest, and of all the people of the South, and everywhere else. Then Members of Congress will go down to the departments with their hats in their hands saying, "Please do not do this." How can Senators or Representatives expect to command any respect under such circumstances? Almost every Senator upon the floor has come to me and complained about the treatment he has received in some department. He has not been shown the proper respect. He has been kept waiting for hours. I repeat, why should the departments have any respect for Senators when they have no respect for themselves? They say to themselves and say to the world, "We have not the courage or the intestinal stamina or the intelligence to vote upon a bill which is sent to the Congress by the President of the United States to save money, so we are delegating our authority." It is inconceivable to me.

To continue:

> The President * * * may * * * abolish the whole or any part of any agency, or the functions thereof.

I have called attention to what a "function" is.

In subparagraph 4 of subsection (a) of section 2, on page 3 of the bill, the President is authorized to—

> Prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BONE. The Senator's statements impel me to ask whether or not it would be possible, if such a bill were enacted into law, for a President with the viewpoint of a Coolidge or a Hoover to abolish any Federal project, or so circumscribe it as to destroy its usefulness. I have in mind such projects as the Bonneville Dam and the T. V. A.

Mr. WHEELER. Certainly it would be possible.

Mr. BONE. We know what the attitudes of President Coolidge and President Hoover were toward projects of that kind. It was their purpose and aim to make it impossible for the Muscle Shoals plant ever to compete in the power field. If, by some awful mischance, the country should elect a President with such an attitude of mind, is it the Senator's view that under the sort of legislation which is proposed the result might be as I have indicated?

Mr. WHEELER. As I have stated, under subparagraph 4 of subsection (a) of section 2 of the bill, on page 3, the President is authorized to—

> Prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head.

In addition to that, as I stated a moment ago—

> The President * * * may * * * abolish the whole or any part of any agency or the functions thereof.

So with reference to the Grand Coulee Dam, with reference to the T. V. A., or with reference to the Fort Peck Dam, the President might abolish the whole or any part of the functions of such agencies. Suppose the President should say, with reference to an electric-power plant in connection with one of these projects, "I am going to abolish the functions of the man who operates it, or I may abolish any other functions in connection with them." Thus the whole project would be completely wrecked.

It is not a question of not trusting the President of the United States. When he made his Victory Dinner speech a year ago at the Mayflower Hotel in the city of Washington, he asked the people of the United States, if my recollection serves me right, "Can you not trust the Congress?"

It is being said that the courts of the country should not hold a law passed by Congress to be unconstitutional because the Congress ought to be trusted. Now we are saying that we cannot trust ourselves; that we have not the ability, we have not the honesty, we have not the integrity to legislate in the interest of the masses of the people of the United States of America.

I read further from the bill:

> Nothing in subsection (a) shall be construed to authorize the President (1) to abolish any executive department.

In other words, he cannot abolish the office of Secretary of the Interior, but he can abolish all the bureaus and functions under the Secretary of the Interior. He cannot abolish the office of the Secretary of Agriculture, but he can abolish everything else except the name and title of the Secretary of Agriculture.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. MINTON. If he cannot abolish the office of the Secretary of Agriculture and his Department, how can he abolish the T. V. A.?

Mr. WHEELER. Because the bill expressly gives him the power to abolish any bureau or any function under a department. He can abolish 99 percent of the functions of the office of Secretary of Agriculture; he can abolish 99 percent of the functions of the Department of the Interior; he can abolish some of the functions of the War Department; he can abolish some of the functions of the Navy Department and bureaus of the Navy Department; he can go into the Department of Justice and abolish the antitrust division of the Department of Justice. Whether it be agreed that some governmental agencies have not any use—and some of them have not and ought to be abolished—I am unwilling to say to the people of my State that I will not take the time and make the effort to do the work and I am not going to try to protect their interests as best I know how but let men not conversant with the needs and problems of my State make the decisions for me.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BONE. Is there an antitrust division in the Department of Justice?

Mr. WHEELER. There is supposed to be.

Mr. BONE. Has it ever functioned?

Mr. WHEELER. I think it has. It recently functioned in a very important oil case, and, so far as I know, it did a very good job. I had hoped that Mr. Jackson would remain in the antitrust division of the Department of Justice, notwithstanding the criticisms that have been made against him in the press and elsewhere, for I felt that he was a very competent official and had made and would continue to make an excellent record in that branch of the Department of Justice.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. SMATHERS. In one breath the Senator says that some bureaus and bureaucrats are a great evil to the country and in the next breath he complains that the President

may abolish them. I should like to have him explain just how those two views are consistent.

Mr. WHEELER. I did not know that I had said that. Perhaps I did not make myself plain to the Senator, and, if not, I am sure it is my fault. What I meant to say was that some governmental bureaus, undoubtedly, could be abolished, though not all of them, and undoubtedly some of them should be abolished. But does the Senator for a moment want to leave it up to the bureaucrats in the Treasury Department, the men who have to do the work there, to say whether or not some function of the Government operating in the State of New Jersey should be abolished and that the Senator himself should not have anything to say about it? Of course, the State of New Jersey is so close to the city of Washington that those connected with the executive departments have to travel through the Senator's State in going to and coming from New York. So it does not make much difference as to the Senator's State, because they can see all of it in a couple of hours, as they pass through it on the train. But when it comes to the great West, many of those in the executive departments have never been there; they have never seen it; they never expect to go there, and yet they may want to abolish the functions of the Indian Bureau that takes care of 17,000 Indians in my State and thousands of Indians in other States.

I do not want some little fellow here who has never seen those Indians and hardly ever heard of them to have the power to abolish the Indian Office without ever consulting those of us who know something about the Indians, and without our having something to say as to what shall be done, and I do not want forever, after we have delegated the power, to be estopped from saying anything.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. Does the Senator mean that any little bureaucrat about whom he is speaking is going to abolish himself or his bureau?

Mr. WHEELER. No. He will take care of himself.

Mr. BARKLEY. Does the Senator mean that any little bureaucrat in one department would abolish a little bureaucrat in another department?

Mr. WHEELER. Yes, indeed.

Mr. BARKLEY. How? What authority would one little bureaucrat in one department have to abolish a little bureaucrat in another department?

Mr. WHEELER. Does the Senator think that one man, namely, the President of the United States, is himself going to sit down and be able to determine what departments should be abolished and what functions of the Government should be abolished?

Mr. BARKLEY. I think if any of them are to be abolished the President of the United States will be able to do that very thing. He certainly would not delegate to any little bureaucrat in one department the power to abolish a little bureaucrat in any other department.

Mr. WHEELER. If he does not do that, then he will never get anything done in the next 2 years or the next 40 years.

Mr. BARKLEY. In that event he would not be any more efficient about it than the Congress has been.

Mr. WHEELER. If Senators want to rise here and foul their own nests, that is all right, so far as I am concerned. Let me say that I agree that the Members of the Senate at times deport themselves in such manner that they bring discredit upon themselves; but in these times when we see spreading all over the world, propaganda that parliamentary governments are a failure, I do not think that the Members of the Senate should stand up before the people and say that our parliamentary institutions are a failure.

If they do so, how do they expect the people of the country to keep from ridiculing the Congress and doing so from the housetops? In the midst of a depression, in the midst of the hard times that prevail, and in the face of hunger and want which are stalking abroad in the United States of America today, how long do Senators think we are going to maintain parliamentary institutions in the United States of America if the leaders of the party stand up before the Congress and say "We are incompetent; we are inefficient; and we have not sufficient intelligence to enact legislation?"

We get the kind of respect from the people of the country that we deserve, no more and no less, just as we get the kind of government in the United States of America that the people deserve, no better and no worse. If we have a poor government, if there is a poor Senator or a poor Representative from your State, Mr. President, or from my State, it is because the people do not deserve better representation. If there is crookedness in the city of New York or the city of Chicago or the city of Boston, it is because the people of those communities do not deserve anything better, for, Mr. President, your forefathers and mine, up and down the Atlantic seaboard, spilled their blood in order that you and I, their posterity, might have a government by majority of the people, that we might have parliamentary government here.

When Benjamin Franklin came out of the Constitutional Convention a lady stepped up to him and asked, "What is it, a republic or a monarchy?" He replied, "It is a republic, madam, if you can keep it." When Senators stand on the floor of the Senate and say that the Congress is inefficient, I say they are breaking down the very institutions of this Government of ours. All I am suggesting is that the President of the United States be permitted to go ahead and make his recommendations to the Congress; send his representatives here, if you please, to urge Representatives and Senators to act favorably on his recommendations; but let the Congress itself exercise the powers that are delegated to it under the Constitution of the United States of America to say whether or not various bureaus and various functions set up, not by the President, not by some bureaucrat, but by the Congress of the people of the United States, shall be abolished or maintained. No one should have that power except the Congress which created them.

Mr. President, I have pointed out some of the provisions of the pending bill and stated what could be done under them. Under this bill the Executive could go into the Department of Agriculture and abolish the meat-inspection service in the interest of the packers of the country. He could abolish the administration of the Food and Drugs Act in the Department of Agriculture or any of the functions thereof. What does that mean? It means that he could simply annihilate the Department. The Department could be maintained, but that particular service could be annihilated.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BONE. If some of the major functions of the Department of Agriculture, for instance, should be abolished by Executive order, that of course would immediately affect the mechanics of enforcement and operation of the present Agricultural Act.

Mr. WHEELER. Certainly.

Mr. BONE. Would or would not that be, in effect, legislation?

Mr. WHEELER. Of course it would be.

Mr. BONE. I am trying to follow the Senator's argument. If an Executive order should abolish the functions of a department which, under the law, was charged with the execution of a law like the Agricultural Act we have just passed, I am wondering whether that would not be, in effect, legislation.

Mr. WHEELER. Of course it would be. The effect of this bill is to let the President of the United States legislate, and abolish any single function of the Government of the United States except those specially exempted from the bill. It means that he may legislate; that in the case of the Department of Agriculture, for example, he may abolish the Food and Drug Administration. Is that legislation? Of course it is.

Mr. BONE. My point in asking the question was this: If some function of a Cabinet officer like the Secretary of Agriculture should be abolished, the exercise of that function, the performance of the duties under statutory enactment, would have to be vested in someone else. Of course that executive has not been selected by act of Congress. I am merely thinking now.

Mr. WHEELER. Let me say to the Senator that the bill goes further than that. The President cannot abolish the Secretary of Agriculture.

Mr. BONE. No; but he can abolish his functions.

Mr. WHEELER. He can abolish all functions under the Secretary of Agriculture, and by doing that he can in effect abolish the Department of Agriculture. He can abolish every one of its functions, which is legislation and nothing but legislation. When a function of government is abolished, that is absolutely legislating.

Mr. BONE. If in a law we should direct the Secretary of Agriculture to perform certain functions, and then there should be a Presidential edict that that function was abolished so far as that officer was concerned, would it then be necessary for the President, by Presidential fiat, to vest in some other official the function which Congress had vested in the Secretary of Agriculture, for instance?

Mr. WHEELER. He would not have to do it.

Mr. BONE. Then would that nullify the act of Congress?

Mr. WHEELER. Absolutely. The President could nullify practically every act of the Congress of the United States; and in order to do it he would only have to say, under section 2 of the pending bill, that it was necessary to do it to reduce expenditures to the fullest extent consistent with the efficient operation of the Government—and who could pass upon that matter? No one.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. WHEELER. Yes.

Mr. NORRIS. I am very much interested in the Senator's discussion of this question, and I desire to submit a proposition to him for consideration.

As I understand, there are two kinds of orders which may come down from the President. One would be to transfer a bureau, or to combine two bureaus. The power to do that would not involve the change of any law as to the functions of those bureaus.

Mr. WHEELER. That is correct.

Mr. NORRIS. But another order might come down, which it seems to me ought to have different consideration from an order of the kind I have just mentioned; and that would be an order abolishing the functions of some bureau, or entirely abolishing the bureau. Does not the Senator think we would be justified in providing a different method of acting on one sort of order than the method we provided in the case of the other?

Mr. WHEELER. I think there is a vast difference between them.

Mr. NORRIS. I can see that, in the first place, Congress itself cannot do the work of reorganizing the executive branch of the Government. It must delegate the task to somebody. If the Senator's amendment applied only to orders which abolished the functions of some bureau, or entirely abolished the bureau itself, and had no reference to any other orders but let them go into effect, I think that would not be objectionable from my viewpoint. Then it could be provided that orders abolishing bureaus, or the functions of bureaus or departments—which would mean changing a law—should be differently treated, and should be approved by Congress.

To meet the objection that delay would occur, and I myself think that is a serious objection, there would be so many orders that Congress would not get around to passing upon them, so they would defer action and would get no good out of the right to pass on the order, if there is any good in it. Would it not be well to provide that the orders I have last mentioned should be approved, not by joint resolutions, because joint resolutions have to go to the President for approval, but by concurrent resolutions which would not have to go to the President for approval, and to provide that when such a concurrent resolution was introduced in either branch of Congress it should be a privileged matter and therefore could not be delayed indefinitely? Would not that meet the situation?

Mr. WHEELER. So far as I am concerned, I should have no objection at all to making such an order a privileged matter and having it passed upon by a concurrent resolution. I think that is a very good suggestion. I have not thought the matter through, but offhand I think it an excellent suggestion.

Speaking generally, I think the other course which the Senator suggested is a correct one. There are a great many persons in my State who are not concerned about anything except the Forest Service. Every person in the Western States, where we have large forests, has been very much concerned for fear the Forest Service, which has generally been recognized, I think, by everybody who knows anything about it, as a very efficient organization, may be transferred to some other Department.

The Forest Service fights the great fires that happen in the West, and it has an efficient organization. There was a tremendous demand, when this administration came into power—I do not mean to say on the part of the President, because I do not think he knew anything about it, but a tremendous demand upon the part of the politicians—to have at their disposal jobs in the Forestry Service, and likewise in the National Park Service, in which we in the West are vitally interested. The demand was such that it almost overwhelmed Senators and Representatives, and a great many Senators and Representatives were pounding the Department on the back to get patronage and "pap" in the various parks. I think, as a matter of fact, a number of the Democratic committees in my State passed resolution after resolution demanding that something of the kind be done. It was said that the employees in those organizations were Republicans. That was not true. They are nonpartisan organizations. Perhaps they leaned to the Republican side, but at any rate they were efficient and they were honest.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. I merely wish to say that the employees of the Forest Service and the Park Service are civil-service employees.

Mr. WHEELER. Yes; but, nevertheless, there was some provision of law by which they could be transferred around, and we were constantly being pounded on the back in an effort to destroy those services. The people in the West, in every western State, do not want those services kicked around as political footballs. They say the services have been honestly and efficiently conducted, generally speaking, and they want them left where they are.

A controversy has been going on between the Interior Department and the Agricultural Department. The Interior Department has been seeking control of a certain activity and the Agricultural Department said it should stay where it is, in the Agricultural Department. I have not any interest at all in the matter, excepting that I know that all the stockmen, all the cattlemen, all the sheepmen, all those who have been interested in preserving the national forests from destruction by fire, and all the people who come in contact with them, have petitioned and said, "We do not want the Forest Service transferred." It was generally reported that it was to be transferred. I think every Senator from the West knows that to be the case; and they do not want it done because they cannot see that they will have more efficient service under such an arrangement, and, as a matter of fact, I think the Forest Service is more efficient in the Agricultural Department. I think the Forest Service should be and should remain there as a matter of efficiency. I think everyone who is familiar with it knows that that is so and knows the reasons why it should be in that Department.

I do not wish, however, to take up the time of the Senate with a discussion of that matter.

Mr. POPE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from Idaho.

Mr. POPE. I was very much interested a few minutes ago when the Senator said that while the President could not abolish the Secretary of Agriculture, he could abolish all the bureaus, agencies, and boards under the Secretary of Agriculture.

Mr. WHEELER. That is true.

Mr. POPE. For instance, in the administration of the Farm Act he could abolish all of the personnel, notwithstanding the fact that an appropriation might have been made for carrying out the work.

Mr. WHEELER. That is correct.

Mr. POPE. How does the Senator square that statement with the standard which appears at the top of page 2, under different subsections?

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government.
(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues.

And then, in subsection (d), on line 13, it is provided that he may abolish—

Such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

Would the Senator say, then, that notwithstanding appropriations might have been made by the Congress for these different bureaus and agencies, and they might be functioning efficiently, the President could abolish every one of them, notwithstanding the revenues for their support were available, so that all that would be left would be a Secretary of Agriculture with nothing to do?

Mr. WHEELER. Of course he could. He would have the power to do it. Who could challenge the power? There would be no appeal from his action. The President does not have to take all five of these. It says:

And shall determine what changes therein are necessary to accomplish any of the following purposes.

Mr. POPE. Subsection (b) does provide that he may operate within the revenues provided.

Mr. WHEELER. Oh, no.

Mr. POPE. That is my interpretation.

Mr. WHEELER. The Senator's interpretation is entirely wrong, in my judgment. How is he to save expenses, as the Senator from South Carolina suggested? How is he to save expenses unless he cuts down some of the bureaus? If he can cut down one bureau, he can cut down all he wants to. Do not misunderstand me; I do not think he would; but I am saying that he would be able to, and it would be entirely within the discretion of the President as to what bureau should be abolished in order to reduce expenditures "to the fullest extent practicable within the revenues."

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BONE. The functions of a department are, of course, the very heart and essence of the departmental operation. The functions of the departments are fixed by statute.

Mr. WHEELER. That is correct.

Mr. BONE. If the President could abolish the functions of a department, would he be able thereby to repeal a statute, in effect?

Mr. WHEELER. Of course, in effect, he would repeal a statute.

Mr. BONE. In other words, we pass a law and then it is repealed by a Presidential edict. Is that the effect, in the Senator's estimation?

Mr. WHEELER. Certainly that is the effect.

Mr. POPE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. POPE. How could we have efficient government under the standards laid down if all of the agencies of the Government were abolished, let us say, as the Senator stated, that all the agencies of the Department of Agriculture were abolished? How could we have efficient government under the laws enacted?

Mr. WHEELER. It seems to me the answer is perfectly simple. For instance, there are a great many people in this country who would say that the Government could still carry on efficiently as a government if we should abolish the T. V. A. If the pending bill were the law, the President of the United States could abolish the T. V. A., if he desired to do so, and we could not reestablish it without overriding his veto by a two-thirds vote.

There are many people in the United States who thought that the A. A. A. was inefficient and expensive to the Government, that it was not necessary to the efficient operation of the Government to carry it on. There are many people in this country who would say that we ought to abolish what is known as the Packers' Act, and that the Government of the United States could operate more efficiently and more cheaply if we abolished it. There are some people in this country who would go so far as to say that we ought to abolish all of the Department of Agriculture and every function in that Department, and that the Government of the United States would function more efficiently and more cheaply.

The President could under the pending measure abolish the functions of the Department with reference to the eradication of the boll weevil in Georgia, and you could do nothing about it except take your little hat in your hand and go up there and say, "Please don't abolish that."

As I pointed out a while ago, the President could abolish the Rural Electrification Administration; and many people in this country would say that the Government would operate much more efficiently and much more cheaply if we should abolish the Rural Electrification Administration.

As a matter of fact, 17,000,000 people said in effect at the last election that many of the New Deal bureaus which we created ought to be abolished because of the extravagance and the waste and the inefficiency, in order to preserve the Government of the United States, and to have it operate efficiently. Who is going to decide about these things? Is the President of the United States to decide? No. We can say, "Yes; he is going to do it." But we know, and everyone else knows, that it is a physical impossibility for any President of the United States, no matter who he is, to perform these functions himself. The President of the United States is burdened today as no other man has ever been burdened, with the powers which rest upon his shoulders at this time.

The Presidency of the United States today is quite different from what it was 15 or 16 years ago, when I came to the Senate. Now everyone is looking to Washington for everything under the sun. Bankers, businessmen, lawyers—all are coming to Washington, and the power is being concentrated here. There is a growing sentiment that Government is becoming inefficient, and it would not prevent the functioning of the Government, as we ordinarily have understood Government, if we should abolish all of the functions of the Department of Agriculture entirely.

We certainly could abolish the Indian Bureau, as I am sure the Senator from New Mexico [Mr. CHAVEZ], who sits before me, agrees.

Mr. CHAVEZ. I hope we will.

Mr. WHEELER. The Senator thoroughly agrees that we could abolish the Indian Office without doing a disservice to the Indians of the country.

Mr. CHAVEZ. Yes.

Mr. WHEELER. Some others would not agree with that, but the Senator from New Mexico agrees. He would also agree that we could abolish a lot of the functions performed by the Indian Office, and it might be a help to the Indians.

Mr. CHAVEZ. Certainly.

Mr. WHEELER. But he would not want to have the right to say what functions ought to be abolished, and he would not want to leave it to the Indian Office to say what functions should be abolished and which they should retain.

Mr. POPE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. POPE. Is it not likely that the President will abolish too few of these agencies, rather than too many? I can imagine what would happen if he attempted to abolish the Department of Agriculture, or attempted to abolish the various agencies under the Department of Agriculture, or attempted to abolish the Rural Electrification Board. I am sure we have always found it easier to establish these boards than to abolish them.

Mr. WHEELER. What is in the mind of the President I do not know. I assume the Senator from Idaho is much

more conversant with what is in his mind than I am. Some of us have been here when we did not have a liberal administration. The Senator from Nebraska [Mr. NORRIS], the Senator from Idaho [Mr. BORAH], the Senator from Oregon [Mr. MCNARY], and the Senator from California [Mr. JOHNSON] can remember the time when in this body there was only a little handful of 14 or 15 Senators who were looked upon as radicals, or liberals. We can remember what happened when we had Mr. Harding and Mr. Daugherty and the "Ohio gang" here. We can remember how they operated, and how they ran over everyone who was a liberal.

The Senator from South Carolina says we did not do this for Mr. Hoover. Certainly. The Democrats were in control. They were afraid of what might take place. But let a Republican President come into power, and there would not be three men upon this side of the Senate who would not be standing here opposing what the President was doing and saying, "My gosh; he is going to do everything of the kind."

We had better watch out. We are in the majority today, but we do not know how long we are going to be in the majority. We had better not pass laws delegating the powers of the Congress to the executive branch of the Government and give the executive branch the power to legislate, to abolish functions of the Government which belong to the Congress.

Mr. President, I am not one of those who want to defeat the bill. I want to see some of the departments reorganized. I want to see some of the boards consolidated. I want to see some of them abolished, because there are many of them which ought to be abolished—boards for which we have no use, and which ought to be abolished because they are worthless. But I do not want to see Congress as an institution go before the country and acknowledge that it is impotent.

Perhaps some of my colleagues do not feel and think as deeply about this as I do, but I repeat what I stated a while ago. When we see 70,000,000 of the most highly educated people on the face of the globe, like the people in Germany, putting themselves under the iron heel of a dictator in order to obtain security, or rather promised security and efficiency, I say they are no different from the people in the United States. We are not God's chosen people by any manner of means, and the same hysteria that sweeps Germany in time of depression may sweep the United States; but God forbid it ever should. Such things may happen, and when we see a large majority of the people of Europe going under the iron heel of dictators, and when we see the propaganda being spread for fascism, and communism, and nazi-ism in this country, it makes us stop and wonder whether we in this country, with a civilization which is only in its swaddling clothes, will be able to stand up against the pressure being exerted all over the world.

Mr. President, I am not an alarmist. I am not one of those who think the President of the United States wants to be a dictator. That is not the question involved at all. The question is whether or not we ourselves, not the President, are going to admit our inefficiency; whether we ourselves are going to say to the country, "We cannot legislate."

The question is whether when the President sends down a proposal that is honest and clean and decent, for the benefit of the people, are we, the Senate and the House of Representatives, not going to accept it because we do not have sufficient courage and brains to do what is right and honest; are going to let partisanship, intolerance, bigotry, the greed for pap and patronage, and all the things that go with them, interfere to such an extent that we will not legislate in the interest of the people of the United States. That is the question which will be answered by the vote on my amendment requiring congressional approval of various reorganizations.

Senators, admit that we cannot so legislate if you wish to; go to your people in Idaho, and say to them, "We cannot legislate, we are incompetent." I refuse to go home to my people and say, "I do not have intestinal stamina enough to stand up and demand that Congress shall act." Senators, go to your farmers, your cattlemen, your stockmen, your miners, and tell them that, but I shall not do so.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BONE. Does the Senator from Montana believe that this is a definite and purposeful retreat from democratic ideals and parliamentary forms?

Mr. WHEELER. It is a definite retreat on the part of Congress.

Mr. BARKLEY. Mr. President, what is it a retreat from? Where have we gone in the reorganization of our democratic institutions by congressional action that will involve retreat, if we authorize someone to do what we have done?

Mr. WHEELER. It is a retreat by Congress from the exercise or the performance of its legislative functions and duties. I will say to the Senator that inefficient though the bureaus may be, in my humble judgment in these times it would be far better not to reorganize them than to acknowledge to the people of the United States that we, their Representatives in the Congress, the greatest parliamenary institution in the world, do not have the ability, the integrity, nor honesty, and decency enough to do the right thing.

Mr. BARKLEY. When we go back to the people and tell them that we do have the honesty and decency and the ability to do this, and they ask us why we have not done it, what is our answer to be?

Mr. WHEELER. The answer is that we have the honesty and decency and ability to do it, and that it can be done.

Mr. BARKLEY. But that we have not done it.

Mr. WHEELER. Very well, we have not done it. Does the Senator want to go to the people and say, "Congress cannot do it"?

Mr. BARKLEY. No. I am never anxious to go to the people and tell them that Congress cannot do a given thing, no matter what it is; but I would in this case be compelled to go back to them and say that Congress has not done it, and it has taken no step to do it of its own accord, and if we are to be governed by the history of Congress in the last 50 years with respect to reorganization, there is no hope that Congress will do it.

Mr. WHEELER. Would it not be just too bad if we did not do it for another 50 years?

Mr. BARKLEY. I think it would. If we go on creating independent agencies and adding to the chaos and confusion of government for 50 years at the same rate that we have done it in the last 50 years, I think even the Senator from Montana himself at that stage would be willing to delegate to someone the authority to make some changes.

Mr. WHEELER. I am willing to delegate the details of reorganization, but I do not want Congress to delegate the power of legislation to any President of the United States.

Mr. BARKLEY. The Senator is willing to delegate the authority, but he does not want it exercised unless the action shall be referred back to Congress, so we can, if we wish, stop the exercise of the delegation.

Mr. WHEELER. No; I want the Congress of the United States to maintain the position the fathers of the country intended it should maintain under the Constitution of the United States.

Mr. BARKLEY. I am not opposed to that.

Mr. WHEELER. That is what the Senator seems to be opposed to.

Mr. BARKLEY. I should like for it not to maintain it simply academically, but actively, if we could do it.

Mr. WHEELER. The Senator is the Democratic leader. [Laughter.]

Mr. BARKLEY. What has that to do with it?

Mr. WHEELER. The Senator is the leader.

Mr. BARKLEY. I may be the titular leader, but there are a good many who do not acknowledge me as such. [Laughter.]

Mr. WHEELER. I am not one of them.

Mr. BARKLEY. I am not calling any names. I know the Senator from Montana is not one of them. The Senator and I have been associated for many years most pleasantly from a legislative standpoint and from a personal standpoint, and I do not attribute to the Senator anything but the most generous motives toward me. However, the Senator keeps referring to me as the Democratic leader. I do not see how that has anything to do with the question being debated by the Senator and me.

Mr. WHEELER. I did not mean to say it in an offensive way at all.

Mr. BARKLEY. No; I know that; but the Senator meant something by it or he would not have alluded to it.

Mr. WHEELER. I meant that the Senator is the leader of the Democratic majority in the Senate. The Senator is the Democratic leader and has a tremendous amount of power, and if he uses that power to put these things through by concurrent resolution or any other way he will have the backing of a majority of the Senate.

Mr. BARKLEY. Abler leaders than I am or can ever hope to be have been in the Senate for many years, and they have never been able to exercise any such authority or influence as that; and I am not ambitious enough to believe that I can do what other great leaders have failed to do in the past.

Mr. WHEELER. People talk about the inefficiency of the Government. When Mr. Coolidge came into office it was said there were to be no more bureaus. The same thing was said when Mr. Hoover came in. Mr. Hoover denounced the bureaucrats. The Democratic Party denounced bureaucracy, but when the Democrats came into power more bureaus than ever were established.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. CHAVEZ. Of course, I have not been in the Senate as long as the Senator from Kentucky or the Senator from Montana, but it appears to me that bureaucracy will increase no matter whether the reorganization bill passes or not so long as Congress appropriates the money.

Mr. WHEELER. Certainly.

Mr. CHAVEZ. We are never going to abolish an agency or commission or a board of the Government so long as the Congress gives them the money with which to continue.

Mr. WHEELER. Yes.

Mr. CHAVEZ. So, after all, Congress is partly responsible.

Mr. WHEELER. Of course.

Mr. CHAVEZ. If Congress will stop appropriations, the bureaucracies will be ended.

Mr. WHEELER. There is no doubt about that at all. Most of the appropriations are recommended by the executive branch of the Government, and if it wants to stop the appropriations, the bureaus do not have to be reorganized. The executive branch can simply say to the Congress that some particular bureau is not necessary and that we should not appropriate money for it.

Mr. CHAVEZ. But we are not going to get any bureau in the Government to make any such suggestion.

Mr. WHEELER. Of course not.

Mr. CHAVEZ. Congress will have to do its duty and say, "We are appropriating money because we think it should be appropriated," but not at the suggestion of any bureaucrat.

Mr. WHEELER. I agree entirely with what the Senator from New Mexico has said.

Mr. President, in these days we hear a great deal of criticism of our Government. We hear a great deal of criticism of the courts. We hear a great deal of criticism of the Congress of the United States. We hear a great deal of criticism of the executive branch of the Government. After all, whether our courts are good or whether they are bad is more or less a relative matter. We hear this form of government of ours criticized, and it is said that we in Washington are inefficient.

The Senator from Kentucky [Mr. BARKLEY] and I have traveled together in Europe. We have attended international conferences. As he knows, I have nothing but the highest regard and respect for him both as Democratic leader and as a Member of the Senate of the United States. I think he is able, and I know that he is conscientious and sincere.

But, Mr. President, when asked whether our courts are not inefficient we ought to say, "Yes; of course our courts make mistakes." Of course the Congress of the United States makes mistakes. The President of the United States makes mistakes, and everyone makes mistakes. The reason we make mistakes is that we are human beings. There is inefficiency under our form of government. But all we have to do is to compare our courts with the courts of any other country in the world. Let the laboring man, the farmer, or anyone else compare our courts with the courts of any other country in the world, and what will he find? Of course he will find that sometimes corruption creeps in, that sometimes there is inefficiency; but he will finally come to the conclusion, when comparing our courts with the courts of other countries, that our courts are the best in the world.

The same thing is true with respect to our Congress. Inefficient though we are, I like to think that we have more intelligence in the Congress of the United States than exists in any other parliament in the world.

Mr. President, I like to think that our Government generally is more efficient than any other government, and more interested in carrying on for the rank and file of the people of the country. I may say without fear of contradiction that we have the greatest form of government that has ever been conceived by the mind of man. Knowing those things, why should we give up the rights and the duties which are imposed upon the Congress of the United States? Why should we go back to our people and say that we are inefficient, that we cannot legislate, and therefore we must delegate it to somebody, and that when we have delegated it we cannot do anything more about it except to take our hats in our hands and go down to some Department and say, "Please, Mr. Bureaucrat, do not abolish this function of our Government. Do not abolish this particular office, and do not coordinate it with some other office"?

I cannot believe that Senators, under any conception of our Government, will do anything of the kind. I do not believe the Congress wants to admit that it is incapable of legislating. I think my amendment should be adopted, so that any proposals for reorganization, or for the abolition of any functions of government, shall come back to the Congress.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. SHIPSTEAD. As I understand the Senator's amendment, he is not opposed to a reorganization of the executive departments.

Mr. WHEELER. That is correct.

Mr. SHIPSTEAD. He merely does not want to delegate the authority without recourse.

Mr. WHEELER. The Senator is correct. My amendment simply provides that the reorganization shall not go into effect until a resolution is passed by both Houses of Congress approving it.

Mr. SHIPSTEAD. The Senator from Nebraska suggested that the approval of Congress should be by concurrent resolution instead of by joint resolution.

Mr. WHEELER. I can see no objection to providing for a concurrent resolution. I merely want the power to pass upon it retained in the Congress.

Mr. McKELLAR. Mr. President, will the Senator again state his amendment? I happened to be absent from the Chamber when he read it.

Mr. WHEELER. My amendment merely provides that when the President works out the reorganization plans, whatever they may be, they shall be sent to the Congress, and shall not take effect until the Congress of the United States by joint resolution—I am willing to say by concurrent resolution—approves them.

I am told that under such a provision reorganization will never be accomplished. If it is not accomplished, it will be because Congress is not competent to legislate. I am unwilling to admit that the Congress of the United States is

incompetent or inefficient, or for any other reason is unable to legislate in the interest of the masses of the people.

Let me say to the Senator from Tennessee that I have pointed out how the President, under the provisions of this bill, might abolish the T. V. A. or abolish any of the functions of any part of the Government. He might abolish 99 percent of all the functions of the Government.

I yield the floor.

Mr. McNARY. Mr. President, when the Senator commenced his very able address I desired to make an observation concerning the language of his amendment to which reference has been made. I desire to say that the Senator, by the use of the words "joint resolution," does not relieve himself of the embarrassment which he has discussed in connection with the responsibility of Congress. As the Senator knows, a joint resolution requires the signature of the President and is subject to his veto. A two-thirds vote would be required to override the veto.

Mr. WHEELER. Yes; but the reorganization could not go into effect until after the President had submitted it to Congress.

Mr. McNARY. Yes. It seems to me a concurrent resolution would be simpler than a joint resolution. As I recall—I have not the record before me, but the Senator from South Carolina will remember—in 1932, during the Hoover administration, we passed a similar provision respecting the grant of power to the President, which permitted the action of the President to be nullified by a simple resolution of either House of Congress. If the power proposed to be granted to the President should be exercised by him, his product would come back to the Senate. Under the Senator's proposal, a joint resolution would be necessary before the reorganization could take effect. If the Senator's amendment were amended so as to require a concurrent resolution instead of a joint resolution, the concurrent resolution would not go to the White House. If the authority of the President were modified—as was done when Mr. Hoover was President—so that a simple resolution of either House of Congress could nullify the President's action, the veto power would reside in either the Senate or the House of Representatives.

Is the Senator willing to permit the Senate and the House to recover their power, when once conveyed, to the point where either House may nullify the edict of the Executive?

Mr. WHEELER. I have not given any thought to it; but, offhand, I should say there ought to be a concurrent resolution approving the action of the President before the reorganization plan goes into effect. As I say, I have not given consideration to that feature of the matter.

Mr. McNARY. I hope the Senator will consider it.

Mr. WHEELER. I have no pride of authorship in my amendment. I merely want to see retained in the Congress of the United States the right to pass upon the action of the President, and to approve or disapprove of it.

Mr. McNARY. I am not discussing the proposition of whether we should give this right or power to the President. Assuming that we should, I think we should not dispose of all our rights when we grant such authority.

Mr. WHEELER. Exactly.

Mr. McNARY. We should retain some right to correct any errors which may be made. It is possible to retain that right in three ways: First, by providing for a joint resolution, which would require the signature of the President. Second, by providing for a concurrent resolution, which would require the voice of the two branches of Congress. Third—the more simple way—by providing that the disapproval of one House of the Congress should nullify the act of the President.

Mr. WHEELER. I thank the Senator very much for directing my attention to the matter.

Mr. McNARY. I hope the Senator will consider the various ways of accomplishing what he has in mind.

Mr. WHEELER. I shall be glad to do so.

Mr. McNARY. The simplest provision would be one under which either the Senate or the House, if it were dissatisfied with the promulgation of the President in connection with the consolidation or abolition of an office, would have authority to nullify it.

Mr. WHEELER. I thank the Senator.

Mr. BYRNES. Mr. President, I expect to occupy the time of the Senate for only a short time.

The Senator from Montana states that we should not put ourselves in the position of passing this bill and then going down town with hat in hand to plead with some bureaucrat, "Please do not abolish this particular office or that particular office." I can assure the Senator from Montana that if no office is ever abolished until it is abolished by Mr. Bureaucrat, there will never be any abolishing done. There is nothing in the bill conferring upon any bureaucrat the power to merge, consolidate, regroup, or abolish.

I think the Senator from Montana is unduly alarmed about the transfer of this great power. He says that if we transfer the power to the Executive, and then go back home and tell the people that we were willing to transfer the power, the people will have some unpleasant things to say to us.

In 1932 the Senator from Tennessee [Mr. MCKELLAR] and other Senators joined me in reporting such a measure. We went back home, and, as a result, more Democrats were elected than we had had in this body in a long, long time.

I am sorry that at this moment the Senator from Montana [Mr. WHEELER] is leaving the Chamber, because I wanted to reassure him about many of his fears. The Senator says we are giving too much power to the President because we say in the bill that he shall have power to abolish functions. If the Senators who are present will turn to page 3 of the bill, they will observe that the following language appears, beginning in line 9:

> Prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head.

Following that, the language is:

> (b) Nothing in subsection (a) shall be construed to authorize the President * * * (6) to create or establish any new agency to exercise any functions which are not expressly authorized by law in force on the date of enactment of this act.

I have an amendment, which has been approved by the committee, to change that language from the words "to create or establish any new agency" to the words "authorize any agency, old or new, to exercise any function not expressly authorized by law on the date of enactment of this act." At least we stop the creation of any new functions by the President.

The Senator from Montana time after time referred to giving some bureaucrat the power to abolish a function. If the President ever gives bureaucrats power to abolish functions, certainly nothing will be done.

Before the President may sign any order abolishing any functions pursuant to the provisions of this bill, he must, after investigation, finally declare that—

> Any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish any of the purposes set forth in section 1 of this title.

What are the purposes? Reading them, he must find and declare that it is necessary in the interest of efficiency—

> To group, coordinate, consolidate, reorganize, and segregate agencies and functions of the Government, or any part thereof, as nearly as may be, according to major purposes—

Or—

> to reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head.

The President must find, before he can disturb the function of any department, that it is necessary in order to accomplish the purposes set forth, or any one of the purposes set forth. He may not do it for any other purpose.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BYRD. I think the Senator should emphasize that he may do so to accomplish any of the other purposes.

Mr. BYRNES. I just got through stating that very idea, and every Member of the Senate heard me. There is no use repeating it, because I am satisfied the Senate heard what I said. But if the Senator prefers, I will say again——

Mr. BYRD. Does the Senator think that any limitation upon the power of the President is contained in the provision?

Mr. BYRNES. The Senator asked me to emphasize that, and I will, and then I will go on and express what I think it means. I stated, Mr. President, that if the President can find and declare that it is essential to accomplish at least one of those purposes, he can then proceed to take action. The Senator from Idaho asked the question during the debate whether the Senator from Montana would say that the President, after signing the Agricultural Adjustment Act, could abolish 99 percent of its functions. Yes; he could, as the Senator from Idaho intimated by his question. If the President of the United States should find and declare by his order that it was necessary in the interest of efficiency to do it, it would be done. But can anyone imagine the President, who has approved in the last few weeks the Agricultural Relief Act, then within the next 2 years saying, "In the interest of efficiency, in the interest of the Government, it is essential to abolish the functions of that act"?

Why must he be given the power? When we consider that there are 132 separate agencies existing today in this Government we can see why. If some of them should be merged and the number of employees be reduced, we should see why. Who else could undertake the task? If he is to accomplish any real economy, some functions should be abolished, and if he did so, what would happen? Two things would happen: First, he would have to advise the Congress that he had found it necessary to take such action in order to accomplish one of the purposes set forth by the Congress in this measure.

The opponents of the bill cry that there is no recourse to the Congress and they assume that he will abolish the Agricultural Adjustment Act, and do other dreadful acts. We are called upon to assume that these ruinous operations will be carried on by Franklin D. Roosevelt. We cannot make the assumption as to any other President, because this bill is limited, by its very language, to June 30, 1940, and, therefore, it applies to President Roosevelt, or if, unhappily, misfortune should overtake him, then Vice President Garner, and so it is useless to talk about an imaginative President Harding or any other President exercising this power.

If it should be assumed that the President of the United States, President Roosevelt, would issue an order abolishing the functions of the Agricultural Adjustment Act, the Congress of the United States would have the power immediately to pass a joint resolution overriding his action. Such a resolution would not pass by two-thirds, it would pass by nine-tenths of the votes of the Congress. There is not a Senator who has any doubt as to that. Of course, Senators can conjure up a great many frightful ghosts. The Senator from Montana, for instance, said that the President could abolish the meat-inspection service in the interest of the packers. Yes, he could do that; but if anyone wants to believe that the President of the United States, in the interest of the packers, would abolish the meat-inspection service he is at liberty so to believe; but I do not believe it, and the people of this Nation do not believe it.

The Senator from Montana also says the President could abolish some other agency such as the Food and Drug Administration and that he could abolish all its functions. Who is going to do that before June 30, 1940? The Senator wants the Senate to assume that President Roosevelt is going to abolish the Food and Drug Administration by abolishing its functions. I will not assume that, and no one else will assume it. When did we first begin indulging in such assumptions? Is this something new?

Mr. McGILL. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. McGILL. The Senator uses the expression that the President under this measure might abolish the functions under the Agricultural Adjustment Act and some other act. Does the Senator mean that the power would be vested in him to abolish the function of a law, or merely the function of some agency within the department administering the law?

Mr. BYRNES. Mr. President, under the language of this bill, as under the language of the act of March 3, 1933, and the act of June 30, 1932, if the President transferred an agency from one department to another, finding and declaring that it was overlapping or a duplication and that in the interest of efficiency or economy it should be transferred, he could by an order abolish the function, setting forth the function and sending the order to the Congress.

Now, let me call the attention of the Senator from Kansas to the act of March 3, 1917, which provided:

The Bureau of Efficiency—

Not the President, but the Bureau of Efficiency—

shall investigate duplication of service in the various executive departments and establishments of the Government, including bureaus and divisions, and make a report to the President thereon, and the President is hereby authorized, after such report shall have been made to him, wherever he finds such duplications to exist, to abolish the same.

In that act there were no standards such as are provided in the pending bill; the power is given to abolish. There was not one argument made about dictatorship in connection with that bill, or about democracy and its trials and tribulations, or about the influence of a Hitler abroad. My only objection was that nothing was done under that measure.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Kansas.

Mr. McGILL. The Senator has read from language which to me purports to state that the President might abolish the function of an agency of the Government. I have not, however, construed the measure before us to mean that he could abolish the function of a law, and, in fact, repeal the operation of an act of Congress setting up such an agency as the Agricultural Adjustment Administration, but that he would have to transfer to some other agency within the department the operation of administering the law.

Mr. BYRNES. Mr. President, when done for the purpose of preventing overlapping or duplication of effort or in the interest of economy, and under the other standards set forth, the President would have that power. I was going on to call the attention of the Senator to other acts, because I wanted to follow and outline them up to date.

Mr. BURKE. Mr. President, will the Senator yield for one question in connection with what he read a moment ago from the act of 1917 before he gets away from it?

Mr. BYRNES. Very well, I yield.

Mr. BURKE. As I understood the reading of that act, it provided that if the Bureau set-up reported to the President that a duplication existed in different departments or bureaus, the President could take steps to abolish such duplication. Is not that a very different thing from saying that the President shall have the authority to abolish the whole or any part of any agency or the functions thereof?

Mr. BYRNES. I told the Senator from Kansas I was going on to state one after another the powers that have been given to the President. I started with the first one. I agree that as to this particular act of 1917 the language is entirely different from the act that follows it. It is only one act in a series of acts I am outlining and I am coming to the act of 1932.

Mr. President, in 1932 the Congress passed on what is known as the act of June 30, 1932, which contained almost the same language of the bill now pending before the Senate. No one contended that it was such a great sacrifice of the powers of the Senate. Nothing was argued about it being an abject surrender of power. The fact is that the Senate unanimously passed that bill, and it became a law. The only difficulty about it was that it provided substantially what the Senator from Montana now contends for, because that act provided that an order should be submitted to the Congress and if either branch of Congress within 60 calendar

days should adopt a resolution disapproving of such Executive order, or any part thereof, such Executive order should become null and void to the extent of such disapproval. The Senator from Tennessee [Mr. McKELLAR] will remember that.

In conformity with the power conferred by that act, several Executive orders were submitted to Congress. The inevitable result was that when they came to Congress, influence was brought to bear upon the Congress, "not to touch my child, I am in favor of reorganization, but do not touch this department," and so one branch of Congress immediately disapproved of such an Executive order.

With reference to the suggestion that we should provide that an order should not become effective until a concurrent resolution is adopted, the Attorney General, Mr. Mitchell at that time, rendered an opinion. Referring to the suggestion, the Attorney General, in his opinion, said:

> By section 407 it was provided that the Executive order should be transmitted to the Congress in session and should not become effective until after the expiration of 60 days from such transmission, and that "if either branch of Congress within such 60 calendar days shall pass a resolution disapproving of such Executive order, or any part thereof, such Executive order shall become null and void to the extent of such disapproval."

Now this is what the Attorney General said:

> It must be assumed that the functions of the President under this act were executive in their nature or they could not have been constitutionally conferred upon him, and so there was set up a method by which one House of Congress might disapprove Executive action. No one would question the power of Congress to provide for delay in the execution of such an administrative order, or its power to withdraw the authority to make the order, provided the withdrawal takes the form of legislation. The attempt to give to either House of Congress, by action which is not legislation, power to disapprove administrative acts, raises a grave question as to the validity of the entire provision in the act of June 30, 1932, for Executive reorganization of governmental functions.

The Committee on Appropriations then considering the matter reached the conclusion that the opinion was sound; that if there were a proper delegation of power by the Congress to the President as its legislative agent to carry out certain functions within certain standards, once that power was delegated and vested in the President it could not be taken from the President by a concurrent resolution or by anything less than legislation. Consequently, on March 3, 1933, still during the Hoover administration, the Congress passed a bill which proposed to give to the President these powers, but, in conformity with the view set forth by the Attorney General in this opinion, to provide that it should become effective without congressional action, and that the burden was upon the Congress to set it aside by a joint resolution if it desired to do so.

I know the argument is made, "Oh, that requires a two-thirds vote, because the President has the power to veto any joint resolution which may be passed disapproving an Executive order." I have no fear of the Congress failing to disapprove an order of the President merging or regrouping functions or agencies of the Government if there is any substantial reason for the action of the Congress.

My fear is that no matter what order is signed by a President, I do not care how little economy it may effect, whenever it is sent to the Congress of the United States the pressure that will be brought to bear will prevent any economy or any reorganization in the interest of efficiency.

The Senator from Montana [Mr. WHEELER] asks, "Shall we confess our inability to do this thing ourselves?" Yes; I confess anything that is true. It has been true in all the history of the Congress; and if the Congress never has done what is now proposed, why should we sit here and say to the world, in the eloquent language of the Senator from Montana, that we have more intelligence in the Congress of the United States than exists at any other place on the face of the earth? Of course that sounds well. That sounds well to me. It ought to sound well to anybody. Then, following that we are told, "This Government is the greatest government on earth." That is fine, too—Star-Spangled Banner stuff, Old Glory, and we can all sit up and applaud it—but what are the facts? No matter how much we may like to boast about ourselves, the fact is that with all the intelligence that is possessed by Congress, greater than can be found at any other place on earth, if intelligence is to be applied to efficiency in government and to economy in government we have not done it. Instead of doing it, we have added agency after agency until now they number over 130.

The Senator from Montana says, "I think this is the most efficient and the best government in the world." If so, let me ask why nearly every State in the Union has resorted to reorganization during the past 10 or 12 years. They have done it because they know they cannot permit bureaus and departments and establishments to grow up like mushrooms all over a capital, with the result of increasing expenses.

We talk about economy. How are we to economize if we do not do something about it? And since Congress never has done it, what reason have we to expect Congress now to do it?

Mr. ADAMS. Mr. President, would the Senator mind being recalled in his argument to the opinion of Mr. Mitchell, the Attorney General? I merely desire to make an inquiry. As I understood the contention there, it was that the power having been completely delegated, it could not be withdrawn except by an act of legislation. That is the way I understand the opinion.

Taking that as a premise, the question I desire to submit is whether Congress could not delegate power conditionally, to be exercised only if a certain condition should exist; in other words, if Congress could not specify that the power to reorganize should be dependent upon the approval of one or both Houses, evidenced by a resolution of the Senate or the House, or by a concurrent resolution.

I am quite willing to concede that if the power is conclusively delegated, and the delegation has been complete, it can be withdrawn only by an appropriate legislative act passed by both Houses and approved by the President; but my inquiry is whether the Congress cannot make its delegation of authority conditional upon the approval of one or both Houses.

Mr. BYRNES. Mr. President, I will say in the first place that I read to the Senator the language of the opinion. The concluding words were as follows:

> The attempt to give to either House of Congress, by action which is not legislation, power to disapprove administrative acts, raises a grave question as to the validity of the entire provision.

Offhand, I do not know that that is in direct answer to the question of the Senator from Colorado; and I shall be glad to give further consideration to it.

Mr. BURKE. Mr. President, will the Senator yield for a moment on the point the Senator from Colorado has raised?

Mr. BYRNES. I will.

Mr. BURKE. The Senator from South Carolina is an able lawyer. Recognizing the distinction between a condition precedent and a condition subsequent, there seems to be no reason that I can ascertain why the question asked by the Senator from Colorado should not be answered in the affirmative—that it is entirely within the power of Congress to grant authority to the President never to be fully exercised by him until certain things are done; one of them, that he should make an investigation and make certain findings; another one, that one or both Houses of Congress should give their approval to it. All of those conditions, it seems to me, limit the full grant of authority so that there can be no merit in the contention that this action would be outside the powers of Congress.

Mr. BYRNES. Mr. President, as I read the opinion of the Attorney General, it would be; but I am not going to discuss the matter further at this time, because, as I said to the Senator from Colorado, I always believe in being frank about these things, and I shall be glad to consider the matter in the light of that question.

Mr. BROWN of Michigan. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Michigan.

Mr. BROWN of Michigan. I am very much interested in the question raised by the Senator from Colorado [Mr. ADAMS]. I had the same matter in mind. Would the Sen-

ator from South Carolina object to having the opinion of the Attorney General at that time placed in the RECORD in connection with his remarks?

Mr. BYRNES. I shall be delighted to have it done. I ask unanimous consent that the opinion be printed in the RECORD as part of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The opinion is as follows:

CONSTITUTIONALITY OF PROPOSED LEGISLATION AFFECTING TAX REFUNDS

The proviso in the urgent deficiency bill (H. R. 13975, 72d Cong., 2d sess.), authorizing a joint committee of Congress to make the final decision as to whether refunds of taxes over $20,000 shall be made and to fix the amount thereof, is obnoxious to the Constitution of the United States, because, inter alia, it attempts to entrust to members of the legislative branch, acting ex officio, executive functions in the execution of the law, and it attempts to give to a committee of the legislative branch power to approve or disapprove executive acts.

DEPARTMENT OF JUSTICE,
January 24, 1933.

SIR: I have your letter of January 23, relating to the urgent deficiency bill, H. R. 13975, recently passed by both Houses of Congress and submitted for your approval.

You call particular attention to the paragraph appropriating a lump sum for refunding taxes illegally or erroneously collected, and ask for my comment upon it. It is as follows:

"BUREAU OF INTERNAL REVENUE

"Refunding taxes illegally or erroneously collected: For refunding taxes illegally or erroneously collected, as provided by law, including the payment of claims for the fiscal year 1933 and prior years, $28,000,000: *Provided*, That a report shall be made to Congress by internal-revenue districts and alphabetically arranged of all disbursements hereunder in excess of $500 as required by section 3 of the act of May 29, 1928 (U. S. C., Supp. V, title 26, sec. 149), including the names of all persons and corporations to whom such payments are made, together with the amount paid to each: *Provided*, That no refund or credit of any income or profits, estate, or gift tax in excess of $20,000 shall be made after the enactment of this act until a report thereof giving the name of the individual, trust, estate, partnership, company, or corporation to whom the refund or credit is to be made, the amount of such refund or credit, and the facts in connection therewith are submitted by the Commissioner of Internal Revenue to the Joint Committee on Internal Revenue Taxation and action thereon taken by said committee. The said committee or its duly authorized staff shall have full access to all the papers and shall examine into and pass upon the case, and no refund or credit in excess of $20,000 shall be made until the Joint Committee on Internal Revenue Taxation shall have so passed on such refund or credit, fixed the amount thereof, and made its report to the Commissioner of Internal Revenue, and no refund or credit in excess of $20,000 shall be made without the approval of said committee. This proviso shall not apply to refunds or credits made pursuant to a judgment of a court having jurisdiction over the subject matter, or a decision of the United States Board of Tax Appeals, which has become final."

Question arises at once whether the proviso authorizing the joint committee of Congress to make the final decision as to whether refunds over $20,000 shall be made and to fix the amount thereof presents constitutional objections.

By other existing legislation the Congress has set up in the Treasury Department an administrative system of examining into claims for refund of taxes alleged to have been erroneously or illegally collected, and authorizing the administrative allowance of such claims, and the system in force involves the appropriation from time to time of lump sums, not for any particular claim, but available generally for administrative repayment of taxes determined in the Treasury to have been illegally or erroneously collected. This legislation establishes administrative or executive functions, and the process of applying and executing the law involves administrative and executive action.

Under the proviso in the urgent deficiency bill the action of the executive officers in the Treasury Department charged with the duty of executing the law respecting refunds would be subject to review by a joint committee of the Congress, and the members of that committee would exercise final authority and make the decisions as to whether refund should be made and in what amounts. The Constitution of the United States divides the functions of the Government into three great departments—the legislative, the executive, and the judicial—and establishes the principle that they shall be kept separate, and that neither the legislative, executive, nor judicial branch may exercise functions belonging to the others. The proviso in the urgent deficiency bill violates this constitutional principle. It attempts to entrust to members of the legislative branch, acting ex officio, executive functions in the execution of the law, and it attempts to give to a committee of the legislative branch power to approve or disapprove executive acts. If the functions to be performed by the joint committee are administrative or executive in character, the bill is subject to the further objection that the selection of the personnel by the Congress is an infringement of the constitutional function of the Executive to make appointments and is an attempt by the legislative branch to make appointments of officials performing administrative or executive functions.

If the process of examination and allowance of a claim for refund of taxes may be viewed as a legislative function, the proviso in this bill is equally obnoxious to the Constitution because a joint committee has not power to legislate, and legislative power cannot be delegated to it. These principles are settled by many decisions of the Supreme Court of the United States, to only a few of which need reference be made. In *United States* v. *Ferreira* (13 Howard, 39, 46–51), the Court considered a statute purporting to authorize a district judge to pass upon claims arising under the Spanish treaty, but which provided that the claims should only be paid by the Secretary of the Treasury if deemed by him to be just and equitable. The Court held that the functions of the judge under this statute were not judicial and could not be conferred upon him as a judge, but that he might be considered as acting as a commissioner, and said:

"The duties to be performed are entirely alien to the legitimate functions of a judge or court of justice, and have no analogy to the general or special powers ordinarily and legally conferred on judges or courts to secure the due administration of the laws. And, if they are to be regarded as officers, holding offices under the Government, the power of appointment is in the President, by and with the advice and consent of the Senate; and Congress could not by law designate the persons to fill these offices. And if this be the construction of the Constitution, then as the judge designated could not act in a judicial character as a court, nor as a commissioner, because he was not appointed by the President, everything that has been done under the acts of 1823, and 1834, and 1849, would be void * * *."

In *Kilbourn* v. *Thompson* (103 U. S. 168), the Court held that duties which the House of Representatives attempted to confer upon a committee were judicial in character and not susceptible of exercise by the legislative department. See also *Crenshaw* v. *United States* (134 U. S. 99); *Myers* v. *United States* (272 U. S. 52). A very recent case is that of *Springer* v. *Philippine Islands* (277 U. S. 189). The organic act, under which the Philippine Government operates, provides for separation of legislative, executive, and judicial functions, as does the Constitution of the United States, and vests in the Executive the power of appointment of executive officers. The Philippine Legislature passed an act attempting to create a board of control, consisting of the Governor General, the president of the senate, and the speaker of the house of representatives, to vote the stock in and have a voice in the management of the Philippine National Bank and other governmental corporations. The Court said:

"Legislative power, as distinguished from executive power, is the authority to make laws, but not to enforce them or appoint the agents charged with the duty of such enforcement. The latter are executive functions. * * *

"Not having the power of appointment, unless expressly granted or incidental to its powers, the legislature cannot engraft executive duties upon a legislative office, since that would be to usurp the power of appointment by indirection; though the case might be different if the additional duties were devolved upon an appointee of the executive."

It held the act of the legislature violative of the Organic Act.

There are various ways in which refunds of illegally collected taxes may be provided for. Congress, if it chooses, acting under the power to make appropriations from the Public Treasury and the power to maintain the immunity of the Federal Government from suit in the courts, may withhold the power to make refunds from the executive branch and from the courts, and itself deal with the subject by the method of making specific appropriations from time to time to pay specific claims which it deems just. Dealt with in that manner, the authorization of the refund constitutes a legislative act. If Congress confers jurisdiction on the courts to examine such claims and award judgment against the Government, the function of allowance becomes a judicial act, although there still remains the necessity for legislative action in the form of appropriations to pay the judgments. Where, as under existing law, machinery has been set up in the Treasury Department for administrative examination and allowance of these claims by executive officers, the function of executing this law becomes an executive one and must be left with executive officers appointed not by the legislative branch but by the Executive.

It will be seen, therefore, that the matter of making refunds may involve either legislative, executive, or judicial functions, depending on the system adopted, but in the present case it is unnecessary to make any close analysis of the nature of the function of refunding illegally collected taxes. If it be an executive or judicial function, clearly a joint committee of the Congress may not execute it, and if it is a legislative function it is equally clear that a joint committee may not perform it. Action by a committee is not legislation, and a committee of the Congress cannot legislate.

If the process attempted by this bill were reversed and a joint committee were required merely to examine these claims and make recommendations to the Congress as to their allowance, to be followed by appropriate legislative action in the form of a statute for their payment, passed in the usual way, and approved by the President or passed over his veto, a different situation would exist.

This proviso cannot be sustained on the theory that it is a proper condition attached to an appropriation. Congress holds the

purse strings, and it may grant or withhold appropriations as it chooses, and when making an appropriation may direct the purposes to which the appropriation shall be devoted and impose conditions in respect to its use, provided always that the conditions do not require operation of the Government in a way forbidden by the Constitution. Congress may not, by conditions attached to appropriations, provide for a discharge of the functions of government in a manner not authorized by the Constitution. If such a practice were permissible, Congress could subvert the Constitution. It might make appropriations on condition that the executive department abrogate its functions. It might, for example, appropriate money for the War Department on condition that the direction of military operations should be conducted by some person designated by the Congress, thus requiring the President to abdicate his functions as Commander in Chief. During the administration of President Buchanan a bill provided for an appropriation for the completion of the Washington Aqueduct and prescribed that its expenditure should be under the superintendence of Captain Meigs. In a special message to the House (June 25, 1850) the President said:

"I deemed it impossible that Congress could have intended to interfere with the clear right of the President to command the Army and to order its officers to any duty he might deem most expedient for the public interest. If they could withdraw an officer from the command of the President and select him for the performance of an executive duty, they might upon the same principle annex to an appropriation to carry on a war a condition requiring it not to be used for the defense of the country unless a particular person of its own selection should command the Army."

Attempting to have committees of Congress approve executive acts, or execute administrative functions, or participate in the execution of laws is not a new idea. Carried to its logical conclusion it would enable Congress, through committees or persons selected by it, gradually to take over all Executive functions or at least exercise a veto power upon Executive action, not by legislation withdrawing authority, but by the action of committees, or of either House acting separately from the other. On May 13, 1920, President Wilson vetoed an appropriation act on the ground that it contained a proviso that certain documents should not be printed by any executive branch or officer except with the approval of the Joint Committee on Printing. Among other things, he said:

"The Congress and the Executive should function within their respective spheres. Otherwise, efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction. The Congress has the power and the right to grant or deny an appropriation, or to enact or refuse to enact a law; but once an appropriation is made or a law is passed, the appropriation should be administered or the law executed by the executive branch of the Government. In no other way can the Government be efficiently managed and responsibility definitely fixed. The Congress has the right to confer upon its committees full authority for purposes of investigation and the accumulation of information for its guidance, but I do not concede the right, and certainly not the wisdom of the Congress endowing a committee of either House or a joint committee of both Houses with power to prescribe 'regulations' under which executive departments may operate. * * *

"I regard the provision in question as an invasion of the province of the Executive and calculated to result in unwarranted interference in the processes of good government, producing confusion, irritation, and distrust. The proposal assumes significance as an outstanding illustration of a growing tendency which I am sure is not fully realized by the Congress itself and certainly not by the people of the country."

President Wilson then went on to call attention to other violations of the same principle and referred to the law creating the Public Buildings Commission, the membership of which included two Senators and two Representatives, acting ex officio—the Senators appointed by the President of the Senate and the Representatives appointed by the Speaker of the House—and to the fact that so constituted, the Commission was exercising administrative functions and that its members were performing executive acts; that Members of Congress, as such, were engaged in executive functions as members of the Commission; and that the Congress under this statute was making appointments to executive offices.

In the act of June 30, 1932, making an appropriation for the legislative branch of the Government for the fiscal year ending June 30, 1933, and for other purposes, and with a view to economy in the operation of the Government, the Congress gave authority to the President, by Executive order, to consolidate, redistribute, and transfer various Government agencies and functions, and established a general formula for his guidance.

By section 407 it was provided that the Executive order should be transmitted to the Congress in session and should not become effective until after the expiration of 60 days from such transmission and that "if either branch of Congress within such 60 calendar days shall pass a resolution disapproving of such Executive order or any part thereof, such Executive order shall become null and void to the extent of such disapproval." It must be assumed that the functions of the President under this act were executive in their nature or they could not have been constitutionally conferred upon him, and so there was set up a method by which one House of Congress might disapprove Executive action. No one would question the power of Congress to provide for delay in the execution of such an administrative order, or its power to withdraw the authority to make the order, provided the withdrawal takes the form of legislation. The attempt to give to either House of Congress, by action which is not legislation, power to disapprove administrative acts, raises a grave question as to the validity of the entire provision in the act of June 30, 1932, for executive reorganization of governmental functions.

Since the organization of the Government, Presidents have felt bound to insist upon the maintenance of the Executive functions unimpared by legislative encroachment, just as the legislative branch has felt bound to resist interferences with its power by the Executive. To acquiesce in legislation having a tendency to encroach upon the Executive authority results in establishing dangerous precedents. The first Presidential defense of the integrity of the powers of the Executive under the Constitution was made by Washington himself when the House of Representatives insisted on being recognized as part of the treaty-making power, and in his message then to Congress he said:

"It is essential to the due administration of the Government that the boundaries fixed by the Constitution between the different departments should be preserved;"

From that day to this the Presidents, with very few exceptions, have felt the necessity for refusing to overlook encroachments upon the Executive power. John Adams, Jefferson, Madison, John Quincy Adams, in succession, had occasion to resist interference with the Executive power. On at least six occasions President Jackson found it necessary to resist encroachment. On one occasion he said:

"I deem it an imperative duty to maintain the supremacy of that sacred instrument (the Constitution) and the immunities of the department entrusted to my care."

In 1877 President Grant vetoed an act of Congress which attempted to make the Clerk of the House of Representatives an officer to perform executive duties, on the ground that it was an encroachment upon the constitutional right of the executive branch to appoint officers of the United States. President Hayes vetoed appropriation bills containing riders attempting to interfere with the President's power as Commander in Chief of the Army. On June 4, 1920, President Wilson vetoed the Budget bill which created the office of Comptroller General, because it provided that the incumbent could only be removed by a joint resolution of Congress. In his message he said:

"I am convinced that the Congress is without constitutional power to limit the appointing power and its incident, the power of removal derived from the Constitution. * * * I can find in the Constitution no warrant for the exercise of this power by the Congress. * * * Regarding as I do the power of removal from office as an essential incident to the appointing power, I cannot escape the conclusion that the vesting of this power of removal in the Congress is unconstitutional * * *."

A similar bill was enacted and approved in the next administration, but the soundness of President Wilson's views on the constitutional question was subsequently established by the decision of the Supreme Court of the United States in *Myers* v. *United States* (272 U. S. 52).

Many other instances might be referred to. An excellent historical account of these will be found in an address delivered by the Honorable Charles Warren on Presidential Declarations of Independence (Boston University Law Review, vol. X, January 1930, No. 1). Each President has felt it his duty to pass the Executive authority on to his successor, unimpaired by the adoption of dangerous precedents. You have not hesitated to act when occasion has arisen (*United States* v. *George Otis Smith*, 286 U. S. 6, 28 Note 3). The proviso in this deficiency bill may not be important in itself, but the principle at stake is vital. Encroachments on the Executive authority are not likely to be deliberate, but that very fact makes them all the more insidious. In the present instance there is no basis for suggesting that the Congress intentionally transgressed constitutional limitations. One House did not consider the point, and in the other it is not clear that any definite conclusion was reached respecting it.

During the Senate's consideration of this urgent deficiency bill the constitutional objections to the proviso relating to tax refunds do not seem to have been mentioned. When the proviso was considered in the House constitutional objections to it were presented in an able address by Congressman WOOD, whose views were supported by other Members of the House, learned in constitutional law, and no serious attempt in debate appears to have been made to controvert the arguments thus advanced.

There is one other factor in the case bearing on the disposition you may make of this measure. If this bill is spread upon the statute books through receiving your approval or being passed over a veto, not only would the proviso respecting the power of the joint committee to authorize refunds be void but the deficiency appropriation for payment of refunds would fall with it. Whenever a provision in a statute is found invalid, question arises as to whether the whole act falls or only the objectionable section. This depends on whether the unconstitutional provision is separable from the rest of the act, and in deciding that question the courts endeavor to ascertain from the terms of the act and its subject matter whether Congress would have intended the balance of the act to stand without the obnoxious provision (*Dorchy* v. *Kansas*, 264 U. S. 286, 289). Under these principles, the provision in this bill appropriating money for refund of taxes, together with the proviso respecting powers of the joint committee, are clearly separable from the rest of the act but not from each other. In my opinion, the appropriation for tax refunds and the proviso attached to it must stand or fall together. Who can say

that Congress would have made this appropriation without the proviso? I have no basis for such an assumption. If the Congress makes an appropriation attaching to it an invalid condition, we would hardly be justified in rejecting the condition as void and treating the appropriation as available. The safe course is to treat the two as inseparable.

The result is that if this bill should take the form of a statute the Secretary of the Treasury would be confronted with the fact that the appropriation for tax refunds, as well as the proviso attached to it, is void, and would not be available for payment of refunds, with the result that if no prior appropriations are available payment of all refunds of any amount would stop until further appropriations for that purpose were made by the Congress. This would be unfortunate, in that it would result in delay and injustice to taxpayers and the accumulation of interest charges against the Government.

It affords an additional reason why this measure may well be returned to the Congress without your approval to give that body the opportunity to eliminate the proviso, or, if it be dissatisfied with the existing machinery it has established by law for the making of tax refunds, to substitute some other method not open to constitutional objections.

Respectfully,

WILLIAM D. MITCHELL.

To the PRESIDENT.

Mr. BYRNES. Mr. President, I desire to assume for a minute that under a proposal of this kind an Executive order should be filed, and the Executive order should provide that there should be a reorganization seeking to put these separate bureaus and independent organizations into the regular Departments of the Government with the idea of reducing expenditures. Assume that a commission has five members. It may be a boundary commission, or it may be a fisheries commission, or it may be one or the other of the 130 organizations which have been established through the years that are past. The members are drawing salaries of $10,000 a year each. The Members of the Senate could not today locate these commissions, and would not know their members if they should locate them. But assume that the President, in attempting to carry out the measure, should send an order to the Congress which would affect these various commissions, which would require that their duties thereafter be performed by an official in a department instead of by the five commissioners, and that the jobs of those five gentlemen should disappear with the Executive order.

Mr. President, Senators sometimes talk here about employees of a department getting out of the department at 4:30 in the afternoon; but I promise you that if anybody should be in front of the office doors of United States Senators on the day after the publication of such an order, his life would be in danger in the mad rush that would ensue from the men downtown whose jobs were abolished trying to get to see the Senators who are responsible for their appointment.

Not one of them was appointed who did not have not only some ability but some political influence. Somebody from his home State is responsible for him; and the man on the boundary commission in the North would appeal to his Senator. I can hear him appealing now: "I was a great lawyer. I was happy in my home; and you, sir, were responsible for my accepting this position." Very few of them ever accept appointments without concluding shortly thereafter that they were drafted by the Government, and that, to save the Nation, it is essential that they should continue in office. Such a man would picture how his law business was destroyed, and the Senator from Arizona brought him here, "and now, by reason of this bill, the President has abolished my job, and I am coming to you. Fireman, save my child! Save me!" I can hear them, with tears in their voices, as they appeal to Senators. I can see them coming from the Mexican Boundary Commission, and the Waterways Bureau, and the various organizations in the list I have here.

Mr. BURKE. Mr. President, will the Senator yield for a question?

Mr. BYRNES. No; not just now. I will yield in a minute. Here is a list on this page, and here is another list—the Foreign Service Buildings Commission, the Foreign Trade Zones Board, the Migratory Bird Conservation Commission, the National Munitions Control Board, and all the other control boards. When they marched up Capitol Hill the next morning, Senators would have to forget all other business until action was taken. Talk about a concurrent resolution! The only thing that would be concurrent would be the demand that the Senate open. The Chaplain would not have a chance to offer prayer at the beginning of the session. There would be a concurrent or joint resolution overwhelming any Executive order that sought to destroy at one stroke all of these jobs which for years have been the means of livelihood, and splendid livelihood, of these gentlemen.

If such a condition is desired, enact the pending measure, send this invitation to the President, and see what economy and efficiency will result. I say "invitation"; and I mean that.

What would the amendment of the Senator from Montana accomplish? Could anything be done that cannot be done now? The Constitution provides that it shall be the duty of the President of the United States to submit measures. He shall, not may. He shall submit measures. Today he can submit a measure setting forth that these one-hundred-and-thirty-odd organizations shall be consolidated.

It is not necessary to pass the pending bill inviting the President to submit a reorganization bill. It is not necessary to say, "We want you to submit it, and we put certain limitations upon it." He could throw all limitations to one side. Under the Constitution he can submit a bill tomorrow morning proposing this reorganization. Why does he not do it? Because he has sense enough to know that if he did it the proposal would not get 10 votes in the Senate. If we should adopt the Wheeler amendment, we might as well strike out the reorganization section of the bill. It is nothing but an invitation to the President to do what he can now do, but does not do, because it would not amount to anything.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BURKE. Is not the complete fallacy of the Senator's argument easily demonstrable by merely calling his attention to the fact that we had a radio commission of five members, yet Congress passed, at the suggestion of the President, a bill establishing the Communications Commission? The members of the Radio Commission were all subject to lose their jobs, and some of them did lose their jobs, including one member of the Commission who happened to be an appointee from my own State, and who made much the same plea the Senator indicates might be made to the Senator from Arizona. But Congress went ahead and abolished the Radio Commission.

The same was substantially true in the case of the Federal Reserve Board. We passed a new law setting up the same kind of a board with a little different name, and most of the members of the Federal Reserve Board went out of office. I see nothing impossible at all about Congress saying, when the President sends a reasonable recommendation for a consolidation or abolition of a bureau, "the sensible thing is to go right along with it." I have more confidence in the Congress than the Senator apparently has.

Mr. BYRNES. Mr. President, if the Senator believes what he says, he certainly has more confidence in the Congress than I have. The Senator speaks of the Federal Reserve Board. We merely added another job.

Mr. BURKE. The men who were on the old Board were put out of office and three of them never were appointed on the new Board.

Mr. BYRNES. That can be done. A commission can be abolished provided there is an increase in the membership of the new commission, more jobs added. But if we are to abolish the Commission and leave somebody out of a job, it is just against the rules.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BARKLEY. With reference to the Radio Commission, of course, as the Senator will recall, the Commission was created to deal only with radio matters at first, but we afterward decided not only to continue the functions as to radio,

but we took in telephones and all sorts of communications, and made it a communications commission, increased infinitely its work and, of course, we had to abolish the less important commission in order to merge its functions into the new commission, which was increased not only in size, but in authority and in scope.

Mr. BYRNES. That was the purpose of the change.

Mr. BARKLEY. Yes.

Mr. BYRNES. Mr. President, we can make Fourth of July speeches about the matter, but the history of the Congress shows that Congress just cannot make these changes, and I have no hesitation in saying it, because I believe it to be true.

I call attention to the establishment of the Department of Labor. Congress delegated its power, a terrible thing! Congress provided:

> The President is authorized to transfer at any time the whole or any part of any office, bureau, division, or other branch of the public service engaged in statistical or scientific work from the Department of State, the Department of the Treasury, the Department of War, the Department of Justice. * * *

We gave him power to pick a bureau here out of one department and put it in another, to take a function there out of one department and have it exercised by another department. From time to time thereafter we did the same thing. I called attention a few days ago to the power that was given to a Republican President to abolish the Customs Bureau. That was in 1912. I have a copy of the act before me. Whenever the President concluded that it was in the interest of the reduction of expenses he was authorized to abolish ports of entry and districts which had been established by law, exercising the power to abolish them, to close down their functions entirely, as well as abolish offices.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. McGILL. Under that provision, was the President authorized to abolish the function of a law, or merely to transfer the administration of it from one agency of the Government to some other agency?

Mr. BYRNES. He was authorized to abolish districts, but not to transfer an agency in a district.

Mr. McGILL. He was not authorized to abolish the operation of the law?

Mr. BYRNES. No.

Mr. McGILL. I asked the Senator a while ago whether or not, under his construction of the pending measure, the President would be authorized to abolish the functions of an act of Congress—a major act, such as the Agricultural Adjustment Act. On reading the bill that has not been my construction of it. However, it seems that the Senator is of the view that under the provisions of the pending bill the President of the United States, if the bill should be enacted, would be authorized to abolish the functions of the Agricultural Adjustment Act.

Mr. BYRNES. Yes.

Mr. McGILL. That is, an act of Congress?

Mr. BYRNES. Yes. In my opinion, the language would permit the President to abolish the functions of any agency of the Government if he saw fit to do so. It is the exact language that was in the act of 1933. But thereafter, of course, the Congress would have the right, by resolution, to disapprove the order of the President in abolishing that function.

Mr. McGILL. I understand that under the provisions of the bill the President might abolish the functions of some agency or transfer them to some other agency. The point I am making is: Could the President under this measure, if it were enacted, abolish the agricultural adjustment law itself—abolish the administration of it entirely?

Mr. BYRNES. No; I do not construe it as repealing a law at all. I did not get the point the Senator was making.

Mr. BARKLEY. In other words, if the Senator will yield, if the President should find that the functions or the work being performed by any agency or bureau could be performed by some other agency or bureau without the consolidation of those particular agencies or bureaus, he might transfer the work or the function of one to the other, and then abolish the one from which he transferred the function.

Mr. McGILL. That has been my construction; but I have asked the Senator from South Carolina a question, and evidently did not make myself clear.

Mr. BYRNES. I did not understand the Senator until he asked the question the last time. Unless the function of an agency were abolished, there would be no saving. That is what the Senator had in mind, and I did not understand it. But when the function is transferred, the agency must be abolished if we are to make any saving at all.

Gentlemen talk about economy. They say there is no economy in the bill. We cannot economize if we transfer functions to another department just to have them performed by different people in some other way. We would not bring about any saving.

Mr. President, I do not want to take up any more time this afternoon. There is one matter I do insist we must have in mind in the discussion of the measure. If this measure shall be enacted, we will give the President of the United States this power for 2 years. From March 3, 1933, the power was vested in the President. Was any department abolished? Were 99 percent of the functions of any agency abolished? Was there any abuse of discretion by the same man who would exercise the power proposed to be given by the pending measure? No. Did anyone raise any question about it at the time the power was vested in the President? No. Has anyone raised any question since? No.

Mr. President, I have several times stated that I have no fear now about this measure except that the President might not exercise the power to the extent he should exercise it. I know the influence that is brought to bear upon him, just as men seek to bring influence to bear upon the Senate and upon the House of Representatives. My only fear is that we cannot get a consolidation by Executive order to the extent it should come about.

I believe there should be economy, and we cannot have economy in the administration of government unless we bring about a reorganization, and abolish any agency whose functions are merged. It means that someone must be separated from the pay roll. We cannot keep all on the pay roll and effect any economy. We cannot do both these things. We cannot go in different directions at the same time.

So far as I am concerned, I have not yet reached the point where I can believe that the President of the United States, who had this power vested in him in 1933 for 18 months, and who signed 32 orders in the interest of economy and efficiency, will, when the power is now given to him, abolish the Agricultural Adjustment Act, abolish the Forestry Service, tear down all of the buildings around Washington, and destroy the Government itself. I am only afraid he will not abolish enough jobs to effect real economy.

However, I submit to the Senate that the amendment of the Senator from Montana is nothing but a statutory invitation to the President to do something he has power to do today, namely, to submit an Executive order with respect to any agency. We should not deceive ourselves into believing we are taking any step toward reorganization of the executive departments if we merely extend it an invitation to do that which the Constitution says it is the President's duty to do—to submit measures. That should not be done, because it never would amount to anything. The House has already passed by an overwhelming vote a bill giving this power to the President of the United States. A similar bill is on the calendar of the Senate. The Senate bill does not even go as far as the House bill does.

Mr. BAILEY. Mr. President, before the Senator takes his seat I wish to have him make clear some confusion which I think will result through the operation of the provision contained in the third paragraph on page 3 giving the President power to abolish the whole or any part of any agency, or

the functions thereof. I understand that he has said quite frankly that that provides power to abolish the functions of agencies. There is no doubt about that, is there?

Mr. BYRNES. I do not think so.

Mr. BAILEY. When we come to the definition of agencies we find on the bottom of page 7 the following:

(1) The term "agency" means any executive department, independent establishment, independent agency, commission, board bureau, service, office, administration, authority, division, or activity in the executive branch of the Government, whether in the District of Columbia or elsewhere, and shall include the municipal government of the District of Columbia, and any corporation a majority of the stock of which is owned by the United States and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests.

That is a very sweeping definition of agencies, and I confess to some confusion with respect to the functions of any agency within the terms of the definition. It says:

The term "agency" means any executive department, independent establishment—

And so forth. But there is a separate definition of independent establishment. That is in subparagraph 2 on page 8. I confess that there is some confusion in my mind as to the extent of the power to abolish the functions of any agency, but it seems to me to be extremely sweeping with that definition covering agencies all through the Government. I wish to ask the Senator from South Carolina if he does not agree that if we should pass the measure the President, under that power, could abolish the functions of the Tariff Commission.

Mr. BYRNES. I may say to the Senator that in connection with and to complete his statement he must read the exceptions on page 3.

Mr. BAILEY. Yes; but the exceptions on page 3 would not relate to the Tariff Commission. The Senator will agree to that.

Mr. BYRNES. Yes; but I am saying that in considering the question those exceptions must be taken into consideration. I am not referring to the Tariff Commission.

Mr. BAILEY. I wish to get some illustrations in order to be definite. The Tariff Commission is one. It is admitted that under this power the President could, upon the enactment of this legislation, abolish the functions of the Tariff Commission.

Mr. BYRNES. Provided he submitted to the Congress a statement showing that he had found and declared that it was necessary and essential to accomplish the purposes set forth in the standards of the act. I mean that that is necessary before the power can be exercised. He must send that statement to the Congress.

Mr. BAILEY. I think the Senator will agree with me that that would be within the President's discretion. What he shall find we have to respect. His right to declare would be absolute.

Mr. BYRNES. He would have to send it to the Congress. If the President abolished the Tariff Commission, and declared that he did so after finding that it was in the interest of efficiency to do it, the Senator would vote to disapprove that act, would he not?

Mr. BAILEY. I might; yes.

Mr. BYRNES. The Senator from South Carolina would have no question about it. He would immediately say, "I approve of it."

Mr. BAILEY. I do not care to enter into a discussion of that matter now. I am thinking now about the power and not what I would do when the President's action was submitted to the Congress for its approval or disapproval.

Mr. BYRNES. That power is subject to the finding that it is necessary to take certain action in conformity with the standards established and subject to the action of the Congress.

Mr. BAILEY. The Senator will agree with me that my vote would be simply 1 vote, and that I would have to get 63 additional votes in order to override the President's veto?

Mr. BYRNES. Yes. That is why I ask the Senator if he knows of any Senator who would vote to override it.

Mr. BAILEY. We cannot know what any Senator would do in advance of the event.

Mr. BYRNES. The Senator from North Carolina says he might vote to disapprove, and I say I would vote to approve.

Mr. BAILEY. I should like to make a request of the Senator from South Carolina, the compliance with which would be of some assistance to the Senate. Would the Senator make a list of those agencies the functions of which the President would have the power to abolish under this measure? I will use it for the RECORD. I did not really know how to draw the line within the definitions.

Mr. BYRNES. Mr. President, I do not have such a list. I should be glad to discuss the matter with the Senator from North Carolina, but I do not know that I want to promise to conjure up and make out a list. I shall be as helpful as I can to the Senator.

Mr. BAILEY. How about the Federal Alcohol Administration. Would the President have the power to abolish the functions of that organization?

Mr. BYRNES. I think so.

Mr. O'MAHONEY. Mr. President, will the Senator yield to me for a moment?

Mr. BYRNES. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. In order to clear up what I conceive to be a misunderstanding of the purpose and the effect of the bill, and in order to make clear my own interpretation of the bill, I should like to call the attention of the Senator to language on pages 2 and 3 of the bill. The Senator from North Carolina asked what the power would be under subparagraph (3) on page 3—the power to "abolish the whole or any part of any agency, or the functions thereof." The Senator from South Carolina said in response to the question that in interpreting that provision one must take into consideration not only the limitations contained in the language beginning in line 12 but also the standards set forth in section 1. My own feeling is that the standards set forth in section 1 have been misinterpreted.

Necessarily they are stated in broad terms. But as I conceive this bill, it would not be within the power of the President by any Executive order in effect to repeal a law. The Senator from Kansas [Mr. MCGILL] a short time ago asked a question upon that point.

The standards set forth in the bill are five in number, and they ought to be read together, in spite of the fact that the bill in section 1 provides that the purposes may be followed separately.

Section 1 reads:

The President shall investigate the organization of the various agencies of the Government and shall determine what changes therein are necessary to accomplish any of the following purposes.

Section 2 requires the President to make a finding that one or more of these purposes is necessary to be carried out by the Executive order that he desires to make.

The five provisions of section 1 read as follows:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, consolidate, reorganize, and segregate agencies and functions of the Government, or any part thereof, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government; and

(e) To eliminate overlapping and duplication of effort.

As I interpret the reorganization bill, and as I understood the mind of the committee which reported the bill, in the last three paragraphs are to be found the heart and soul of the reorganization, namely, to group, coordinate, consolidate, reorganize, and segregate agencies and functions of the Government, or any part thereof, as nearly as may be, according to major purposes, and, finally, to eliminate overlapping and duplication of effort.

As I conceive it, the purposes—"(a) to reduce expenditures to the fullest extent consistent with the efficient operation of the Government," and "(b) to increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues"—are not to be interpreted as indicating an intention upon the part of the Congress that the President shall have authority to cut off functions authorized by law. My belief is that those two provisions were put in rather as a matter of argument than as a matter of purpose; and, so far as I am concerned, I should be quite willing to have them eliminated from the bill or made supplementary to the other three purposes.

Do I state the case as the Senator from South Carolina understands it?

Mr. BYRNES. I do not agree to the elimination of the provision, as one of the standards, that the President must find that the change is essential in order to increase the efficiency of the operations of the Government. Otherwise, I heartily agree with what the Senator says.

Mr. O'MAHONEY. The argument is being made that under the technical language of the bill as it has been reported, it would be possible for the President to abolish the Tariff Commission or the functions of the Tariff Commission.

Mr. BYRNES. The Senator is right if we disregard any of the purposes.

Mr. O'MAHONEY. That would mean, in effect, repealing a law. It is not my understanding that that was the intention of the committee.

Mr. BYRNES. It was not the intention of the committee to repeal any law.

Mr. O'MAHONEY. In other words, the regrouping, the consolidation, and the abolition of functions are all designed for the purpose of economy, or for the purpose of increasing the efficiency of the operations of the Government, but not for the purpose of repealing any law.

Mr. BYRNES. That is correct.

Mr. POPE. Mr. President, will the Senator from South Carolina yield to me for a question on that point?

Mr. BYRNES. I yield.

Mr. POPE. The Senator will recall that I was very much concerned a while ago when the Senator from Montana [Mr. WHEELER] made the bald statement—to which I understood the Senator from South Carolina to agree—that an agency which might be the sole agency for carrying out a law such as the Rural Electrification law might be abolished, and, in effect, the law completely destroyed through the destruction of all the work and the functions of that agency.

Mr. O'MAHONEY. That is not my interpretation of the bill.

Mr. BYRNES. I do not recall the Senator from Montana asking me any question about the Rural Electrification Administration.

Mr. POPE. I understood the Senator from South Carolina, when he obtained the floor, to say, not that that particular thing might be done, but that a similar thing might be done with reference to other agencies.

Mr. BYRNES. I desire to insist that any function or agency may be abolished only in connection with the standards fixed.

Mr. POPE. In line 12 on page 2, I call attention to the following language:

> And by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

Mr. BYRNES. The Senator from Idaho will note the first two lines, with regard to the authority to regroup or consolidate. The last line must be read in connection with the first two lines:

> To reduce the number of such agencies—
>
> How?—
>
> by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

The language to which I have called attention is part of the same sentence.

Mr. POPE. Then the Senator would carry his thought over to subsection (3) on page 3?

Mr. BYRNES. The language is, "by regrouping or consolidating." If a function were regrouped or consolidated, such regrouping or consolidation would therefore abolish those functions which were no longer essential. Suppose the same function is performed by two different agencies——

Mr. BAILEY. Mr. President——

Mr. O'MAHONEY. Mr. President, may I interrupt just once more?

Mr. BYRNES. I have the floor. I sat down only because I was somewhat tired. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. A day or so ago the Senator from Virginia [Mr. BYRD], in making an inquiry addressed to me with respect to the interpretation of subparagraph (3) on page 3, indicated his belief that the language of that provision would permit the President, by Executive order, to abolish a function in one State and allow it to continue in another. In order that my own position may be perfectly clear I wish to say that there is nothing in this language which seems to me to give the President any authority to deal capriciously with a law.

Mr. BYRD. Mr. President, may I answer the Senator? The advice which I obtained was obtained from one of the legislative counsel. Under the provisions of the bill, the President has the right to abolish the whole or any part of any agency. Take the Rural Electrification Administration as an example: No one can deny that under the provisions of the bill the President has the right to abolish the function which is now being performed by the Rural Electrification Administration. This afternoon is the first time I have heard that there has been any question about it in the mind of anyone. I will say further that the authority to abolish the whole or any part of any agency would permit the President to abolish rural electrification in any one State and continue it in the 47 remaining States.

The Senator from Wyoming [Mr. O'MAHONEY] is a much better lawyer than I am, and if I am incorrect he can correct me. Until this afternoon no one has questioned in the slightest degree the proposition that under the provisions of the bill the President would have the right to abolish a function of government, which is a policy of government, including the authority and powers of the particular department. He could abolish not only the complete function but any part of it.

Mr. O'MAHONEY. I did not understand until this afternoon that such an opinion had been growing in the minds of Senators; and I rise merely for the purpose of allaying that opinion, if I can, or at least of explaining my own understanding.

Mr. BYRD. I will say to the Senator that the present bill will have to be amended in order to allay that opinion.

Mr. O'MAHONEY. Let me say to the Senator that it does not seem to me that any reasonable interpretation can be placed upon this language which would authorize the abolition of a function in one State while permitting it to operate in another. There is no justification for a geographical distinction.

Mr. BYRD. I understand that; but the language of the bill permits the President to abolish the whole or any part of any agency.

Mr. O'MAHONEY. Yes; but all that language is governed by the standards set forth in section 1. As I have stated, my interpretation is that the standards set forth govern the other provisions of the bill.

Mr. BYRD. From the standpoint of practical operation, those standards place no restrictions upon the power of the President, because he is the sole judge as to whether the standards are complied with. There is no appeal from his decision. The standards are very broad. One standard is:

To reduce expenditures to the fullest extent consistent with the efficient operation of the Government.

Upon the basis of that one standard the President could predicate an order for the abolition of any function of Government he chose to abolish. The standard to which I refer is set forth in lines 1 and 2 of page 2, under subsection (a) of section 1.

Another standard is:

(c) To eliminate overlapping and duplication of effort.

The President does not have to read all the standards together, as the Senator from Wyoming said a short time ago, because the bill clearly provides that if the President complies with any one of the standards, in his own judgment, subject to no appeal, he may abolish, in whole or in part, the functions of any Federal agency. I again submit that he might abolish the functions of an agency in one State and permit them to continue them in the remaining 47 States.

Mr. O'MAHONEY. The Senator recalls that I said, speaking for myself, that I should not object to a clarifying amendment which would make it certain that the interpretation to be placed upon the powers granted would be the interpretation I have stated.

Mr. McGILL. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Kansas.

Mr. McGILL. I merely wish to submit an inquiry to the Senator from Wyoming, inasmuch as he is on the committee and has studied the bill.

Let us assume that under a major act of the Congress an agency of the Government has been set up to administer the law, and that no similar agency exists elsewhere in the Government service. Is it the opinion of the Senator that under the provisions of this measure the President would have authority to abolish such agency and thereby bring to pass a cessation of the operation of the law?

Mr. O'MAHONEY. It is my opinion that such a result was not the intention of the committee or of the drafters of the bill.

Mr. McGILL. If that is what the bill means in its present form, the Senator will agree that it ought to be changed?

Mr. O'MAHONEY. Speaking for myself, I will.

Mr. POPE. Mr. President, will the Senator from Wyoming yield to me at this point?

Mr. O'MAHONEY. The Senator from South Carolina [Mr. BYRNES] has the floor.

Mr. BYRNES. I will yield to the Senator in a moment.

One of the standards to which attention has been directed is:

To eliminate overlapping and duplication of effort.

To abolish the whole or any part of an agency in order to eliminate overlapping and duplication of effort is entirely consistent with the preceding statement. If overlapping exists, there is a duplication. Then, to abolish the function, subsection (d) must be construed as a whole:

To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

Mr. POPE. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. POPE. It occurred to me that in line 12, following the word "and," the words "in furtherance of such object" should be inserted, so as to read:

And, in furtherance of such object, by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

It seems to me that some amendment carrying the meaning suggested should be inserted. Then the entire paragraph would read:

To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and, in furtherance of such object, by abolishing such agencies or such functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.

In other words, my thought has always been that the abolition of these agencies had to be in conjunction with the reorganization or readjustment of the agencies. Certainly one particular agency might be abolished and its functions carried out in some other way. It shocks me to hear anyone say, in connection with this matter, that the President would have power to abolish the whole organization of the Rural Electrification Administration, and destroy the act, after the Congress had appropriated sufficient money to carry out the work; or to hear anyone say that the President would have authority to destroy the T. V. A. I had not thought that could be a proper interpretation.

Mr. O'MAHONEY. It certainly was not the intention of the committee, as I understand.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BAILEY. I merely wished to ask the Senator from South Carolina a simple question. He answered it. Then the Senator from Idaho [Mr. POPE] answered it; the Senator from Wyoming [Mr. O'MAHONEY] answered it; the Senator from Kansas [Mr. McGILL] answered it; and the Senator from Virginia [Mr. BYRD] answered it. They all answered it differently. If I am blind on this subject, it is because of an excess of light. However, the language reads:

The President * * * may * * * abolish the whole or any part of any agency, or the functions thereof.

The agency is defined. The functions are created by act or law of Congress. The abolition of a function is a revocation of law. I do not think we can avoid that conclusion.

Mr. BARKLEY. Mr. President——

Mr. BYRNES. I yield to the Senator from Kentucky.

Mr. BARKLEY. Before moving a recess I wish to express the hope that tomorrow we may reach the consideration of the details of the bill.

We have had a very interesting general debate now for a week. It seems that if we are to get down to cases the time has about arrived when we ought to be considering amendments which are to be offered to the bill. Much of the debate which has taken place so far probably will be duplicated when specific amendments are offered. There has not been any consideration so far even of the committee amendments, to which there is no serious objection. I hope that tomorrow we may get down to a consideration of the bill—not only of committee amendments but of other amendments which are to be offered to the bill.

Mr. BURKE. Mr. President, a parliamentary inquiry: Are we not now considering the first committee amendment to the bill?

Mr. BARKLEY. I doubt it.

Mr. BURKE. Parliamentarily speaking, are we not considering the first committee amendment to the bill?

The PRESIDING OFFICER. The question now before the Senate is on agreeing to the first committee amendment. That is the parliamentary situation.

Mr. BARKLEY. It has not been discussed during the week when, technically and parliamentarily speaking, we have been considering it. I am merely expressing the hope that at a very early hour tomorrow we may at least get down to a consideration of the committee amendments and other amendments.

Mr. BYRD. Mr. President, a number of Senators desire to be heard on the bill. It has been under discussion for only 8 days. Apparently there is now quite a division of opinion as to what the bill means, even in the minds of those who are in favor of it. I hope the Senator from Kentucky will not insist that we vote on the amendments tomorrow.

Mr. BARKLEY. Oh, no; I am not insisting when we shall vote on amendments, although the committee amendments have not been discussed at all, and can be disposed of without much difficulty. I assume, however, that if any weaknesses or defects in the bill are disclosed, they will be corrected, or at least an effort will be made on the part of those

who want to correct them to do so by specific amendments; and such amendments can be more intelligently discussed when they are offered and under consideration than when pot shots are being taken at the bill as a whole.

Mr. BYRNES. Mr. President, I will say to the Senator from Kentucky that I do not think the committee amendments are controversial. Certainly I have had no intimation that the committee amendments themselves are controversial. I think the controversy will arise by reason of amendments to be offered to the bill from the floor; and I should like to make some headway with the consideration of the committee amendments.

Mr. BARKLEY. I merely express the hope that at a very early hour we may proceed to consider specific amendments, so that we may discuss them at length when they are offered.

Mr. DAVIS. Mr. President, I had expected to speak on the bill today; but in view of the lateness of the hour I shall not do so. I give notice, however, that tomorrow I expect to address the Senate on the bill.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. HARRISON, from the Committee on Finance, reported favorably the nomination of Harry T. Foley, of Yonkers, N. Y., to be surveyor of customs in customs collection district No. 10, with headquarters at New York, N. Y. (Reappointment.)

He also, from the same committee, reported favorably the nominations of sundry doctors to be assistant surgeons in the United States Public Health Service.

Mr. TYDINGS, from the Committee on Territories and Insular Affairs, reported favorably the nomination of Joseph B. Poindexter, of Hawaii, to be Governor of the Territory of Hawaii. (Reappointment.)

The PRESIDING OFFICER (Mr. HILL in the chair). The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state in their order the nominations on the calendar.

THE JUDICIARY

The legislative clerk read the nomination of George F. Alexander, of Oregon, to be United States district judge for the first division, district of Alaska.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Joseph A. McDonald, of Alaska, to be United States marshal for the fourth division, district of Alaska.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Ford S. Worthy to be United States marshal for the eastern district of North Carolina.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

DEPARTMENT OF THE INTERIOR

The legislative clerk read the nomination of Ebert K. Burlew, of Pennsylvania, to be First Assistant Secretary of the Interior.

Mr. BARKLEY. Mr. President, that nomination will have to be passed over, because it involves some discussion.

The PRESIDING OFFICER. Without objection, the nomination will be passed over.

DEPARTMENT OF AGRICULTURE

The legislative clerk read the nomination of Clifford H. Willson, of Montana, to be regional director of the Farm Security Administration.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That concludes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 5 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 9, 1938, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate on March 8 (legislative day of January 5), 1938

UNITED STATES DISTRICT JUDGE

George F. Alexander to be United States district judge for the first division, district of Alaska.

UNITED STATES MARSHALS

Joseph A. McDonald to be United States marshal for the fourth division, district of Alaska.

Ford S. Worthy to be United States marshal for the eastern district of North Carolina.

FARM SECURITY ADMINISTRATION

Clifford H. Willson to be regional director of the Farm Security Administration.

HOUSE OF REPRESENTATIVES

TUESDAY, MARCH 8, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our Father and our God, may these moments give our souls a blessed opportunity to listen. Through complexity of thought and feeling, through all our wanderings, we thank Thee that we are Thy children and that there shines clearly the light of our divinity. In the name of Him who loved us hear the yearning of our hearts. Cleanse our purposes and desires and let the zeal in well-doing never cease. We pray that we may put our hands in Thine and walk with Thee in trust and peace. When the way is uncertain, the day dreary, and cares oppress, inspire us to perform well our daily tasks. Keep our lips clean and our thoughts pure, and enable us to realize that in the end truth and right shall succeed. Bring the voice of gladness and cheer into our homes, and may they ever show forth the beauty of love and gentleness. Through Christ our blessed Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 9181. An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes.

NAVY AUTHORIZATION BILL

Mr. O'CONNOR of New York, from the Committee on Rules, reported the following resolution (H. Res. 432), which was referred to the House Calendar and ordered printed:

House Resolution 432

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 9218, a bill to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 12 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Naval Affairs, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as

may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit, with or without instructions.

EXTENSION OF REMARKS

Mr. PETTENGILL. Mr. Speaker, I ask unanimous consent to extend my own remarks and include therein a letter from Chairman Morgan, of the T. V. A., written to my colleague the gentleman from Texas [Mr. MAVERICK], and I do this with the consent of the gentleman from Texas.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

PROPAGANDA AND PUBLICITY IN GOVERNMENT AGENCIES

Mr. THOMAS of New Jersey. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. THOMAS of New Jersey. Mr. Speaker, I arise today to call attention to a resolution which I have just introduced empowering the Speaker to appoint a committee of nine Members of the House of Representatives to investigate the question of propaganda and publicity in our various governmental agencies.

These agencies at the present time are spending millions of dollars of the taxpayers' funds each year in the dissemination of propaganda, and it is about time we called a halt. One of the first things I think we ought to do is to have the House investigate the matter. So I sincerely hope that you give favorable consideration at an early date to the resolution which I have introduced today.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent to extend my own remarks and include therein a brief statement on unemployment by the Federation for Social Service of the Methodist Church.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. LUDLOW and Mr. O'TOOLE asked and were given permission to extend their own remarks in the RECORD.

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by inserting a copy of a radio address delivered last Sunday over station WJAS in Pittsburgh.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Mr. McLEAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. McLEAN. Mr. Speaker, I send to the desk a concurrent resolution, which I ask to have read.

The SPEAKER. Without objection, the Clerk will read the concurrent resolution.

The Clerk read as follows:

Resolved by the House of Representatives (the Senate concurring), That pursuant to the provisions of paragraph F, section 4, of Public Law No. 17, chapter 32, United States Statutes at Large, that Arthur E. Morgan, David E. Lilienthal, and Harcourt A. Morgan be, and they are hereby, removed from office as directors of the Tennessee Valley Authority.

Mr. McLEAN. Mr. Speaker, it is the purpose of this resolution to meet a situation which Congress thought might develop when the Tennessee Valley Act was passed and the Authority created. The reference in the resolution to the statutes is to the original Tennessee Valley Act.

The Tennessee Valley Authority is an agency of the Government created by Congress to carry on a phase of Government business. The idea behind the provision referred to is that the men appointed to manage this business should at all times be amenable to Congress. Recent events have brought their discord to public view. Investigation in many ways has been suggested. There is no necessity for an investigation. The Tennessee Valley Authority is demoralized, and as a result the Government is not getting, and for some time has been deprived of the sound and impartial judgment of men who should be enthusiastically executing a trust. These three men have lost their usefulness to the Government and should be replaced. There is sufficient evidence before Congress to justify their removal. It can be found in the hearings before the Committee on Military Affairs and the Committee on Appropriations. This testimony makes it unnecessary to come to the unseemly controversy now going on between them to justify their several positions. When a business is demoralized it is not necessary to charge fraud or corruption, incompetency, or inefficiency to justify reorganization.

The best interests of the Government will be served by substituting men who are big enough to avoid pettiness and jealousies, and who will confine themselves to the business with which they are entrusted, and not spend their time in self-aggrandizement and exploitation by appearances on the public platform throughout the length and breadth of the land when their job requires them to be acting in unison in another place. No successful business can be conducted through the medium of a conference held on a three-way telephone connection.

There is no occasion to waste money on an investigation. A very much better determination of the condition of things can be had by replacing the present Board. If these men are removed, three others will be appointed by the President. There can be no charge of partisanship. The Tennessee Valley Authority will be in friendly hands, and the interests of the Government will be better served.

The time for an investigation was 2 years ago, at which time I introduced a resolution providing for it. An investigation now will simply continue the demoralization and delay necessary reforms. If anything is to be done toward disentanglement, it should be done at once.

The T. V. A. is the creature of Congress. Congress has known, or should have known, the conditions which recently have come to light. We can perhaps now understand why the T. V. A. development has cost so far upward of $500,000,000. Attention has been directed to these things on many occasions, and for whatever fault may develop Congress, and each individual Member thereof, must take full responsibility so long as these conditions continue to exist.

There is no necessity to take sides on behalf of one or the other members of the Authority in this connection. They are equally at fault. Dr. A. E. Morgan is entitled to no special commendation for his recent exposures after having remained silent and, by his own admission, suppressing evidence that should have been presented to congressional committees for upward of 2 years.

[Here the gavel fell.]

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a short article on the tax bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. MARTIN of Colorado. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include a very short newspaper paragraph referring to myself.

The SPEAKER. Is there objection?

There was no objection.

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a short newspaper article.

The SPEAKER. Is there objection?

There was no objection.

TRADE AGREEMENTS

Mr. LORD. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. LORD. Mr. Speaker, I note by the morning's newspapers that the treaty with Czechoslovakia has been completed, and that that trade agreement, among other things, reduces the tariff on shoes. Both my district and the Nation generally are very much interested in this tariff agreement and its reduction, which spells ruin to the manufacturer of shoes produced in this country to sell for less than $2. I notice by this treaty that it must be approved by the Assembly of Czechoslovakia, while in this country we just accept it without its being referred to this House at all. I think we should make some change in our procedure so that trade agreements with other countries will be referred to the Congress of the United States before they are allowed to go into effect and perhaps ruin certain lines of business.

The reciprocal-trade agreements of President Roosevelt and Secretary Hull will ruin the shoe industry in the United States on the class of shoes shipped here from Czechoslovakia. Had they wanted to ruin this industry in the United States they could not have gone about it in a better way. The increase in the number of pairs of shoes coming into the country will mean from 20 to 25 percent on this particular class of shoes manufactured here.

At most I had anticipated that they would not reduce the tariff but would leave it at the present level. However, in order to protect the industry the tariff on cemented shoes should have been raised from 20 to at least 30 percent, and all others left at the prevailing rate.

President Hoover, by Executive order, raised the rate on McKay-sewed shoes from 20 to 30 percent at the time when the McKay-sewed shoes were threatening the industry. The reduction in tariff which this administration has made, and the increase of perhaps 50 percent in the number of pairs that may come into the country from Czechoslovakia, will put out of business entire factories manufacturing the particular shoe they ship here.

According to the press, Secretary Hull said, "Every nation in the world was welcome to subscribe to the national trade principles this Government was pursuing." Under this treaty, as I understand it, every other country can ship shoes here under the same tariff provisions as Czechoslovakia.

At the present time we are consummating a reciprocal-trade agreement with England. The Bata Shoe Co. has factories in England, therefore any trade agreement made with England will open up this Bata Shoe Co. menace on another front to the markets of the United States.

The Government agrees to reduce the duty from 30 to 20 percent ad valorem on McKay-sewed shoes, from 20 to 10 percent on molded soled sandals, and from 35 to 25 percent on leather-soled shoes with fabric uppers. No change was made on the 20-percent duty on cemented soled shoes that is the great menace to our industry at the present time, except agree not to increase it. This should have been raised at least to 30 percent.

I note the administration has reserved the right, if the Bata Shoe Co. should ship more shoes into the country than this agreement provides for, to consult with the Czechoslovakian officials, and should they exceed this suggested quota that the Government reserves the right to increase the tariff on the excess importations. Our Government certainly is going a long way when it lets the Bata Shoe Co. tell the Secretary and the President what we should do with regard to tariffs on shoes.

BECOMES EFFECTIVE

The agreement becomes effective on April 6, providing the National Assembly of the Czechoslovakian Republic approves it. Right here, again, I want to call to the attention of the Members of this body that agreements with other countries must be referred to their legislative bodies before becoming effective, while this Congress has given the dictatorial power to the President to make reciprocal-trade agreements without any reference to the Congress. If trade agreements had to be referred to the Congress, as they should be, and as they have to be in all other nations that we treat with, I believe we would get a little more protection for our industries.

This trade agreement spells ruin for the shoe industry on the line of shoes in the United States and may bring our workers down to the wage scale corresponding with that of foreign countries. [Applause.]

CALL OF THE HOUSE

Mr. PLUMLEY. Mr. Speaker, I make the point of order that there is no quorum present.

The SPEAKER. The gentleman from Vermont makes the point of order that there is no quorum present. The Chair will count. [After counting.] Evidently there is no quorum present.

Mr. DOUGHTON. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 30]

Anderson, Mo.	Colden	Hancock, N. C.	O'Connor, Mont.
Barden	Cole, Md.	Harlan	Palmisano
Barry	Cooley	Hennings	Rankin
Bell	Creal	Hook	Sabath
Biermann	Culkin	Jenks, N. H.	Sadowski
Binderup	Deen	Johnson, Okla.	Smith, Maine
Boykin	Dorsey	Kelly, N. Y.	Taylor, Colo.
Brooks	Douglas	Lesinski	Tobey
Buckley, N. Y.	Drewry, Va.	Long	Whelchel
Burch	Fernandez	Lucas	White, Idaho
Byrne	Fish	McSweeney	Wilcox
Cannon, Wis.	Flaherty	Magnuson	Withrow
Carter	Frey, Pa.	Maverick	Zimmerman
Cartwright	Fulmer	May	
Casey, Mass.	Gasque	Mitchell, Ill.	
Celler	Gwynne	O'Connell, Mont.	

The SPEAKER. Three hundred and sixty-two Members have answered to their names, a quorum.

Mr. DOUGHTON. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, with Mr. WOODRUM in the chair.

The Clerk reported the title of the bill.

Mr. WADSWORTH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. WADSWORTH: Page 15, line 15, strike out the word "and"; page 15, line 18, strike out the period, insert a semicolon and the word "and"; page 15, after line 18, insert:

"(C) Four percent of the amount due or irrevocably set aside to pay or retire indebtedness of any kind incurred prior to June 22, 1936, if such amounts are reasonable with reference to the size and terms of the indebtedness, but not to exceed 4 percent of the adjusted net income."

Mr. WADSWORTH. Mr. Chairman, Members who happened to be in attendance on Friday afternoon last may recall that in some remarks I made to the Committee at that time I emphasized what I believed to be a most unwise—and that is putting it mildly—provision of the tax on undistributed earnings. That provision is the one which has the effect of penalizing the payment of a debt by a corporation subject to the law. It will be recalled that all undistributed earnings are taxed under existing law, and the payment of a debt out of the earnings is not regarded as a distribution. I believe that is a very unsound provision. It might be said that the Committee on Ways and Means has somewhat tapered the tax on undistributed profits of corporations

widely held, and has set up what is called, I believe, the 20–16 program. The maximum tax to be imposed on a corporation is 20 percent, in the event they withhold all earnings, and the minimum tax is 16 percent. My amendment adds a subparagraph to the paragraph entitled "General rule," in line 8, page 15. I shall read the text of the bill, which is brief, in order to make plain the purpose of my amendment. The text of the bill reads:

The tax computed under this subsection shall be as follows:
(1) A tentative tax shall first be computed equal to 20 percent of the adjusted net income.
(2) The tax shall be the tentative tax produced by the sum of—
(a) Sixteen percent of the credit of dividends received provided in section 26 (b); and
(b) Four percent of the dividends paid credit provided in section 27, but not to exceed 4 percent of the adjusted net income.

I propose to add an additional subparagraph (c), which would read as follows:

(c) Four percent of the amount due or irrevocably set aside to pay or retire indebtedness of any kind incurred prior to June 22, 1936, if such amounts are reasonable with reference to the size and terms of such indebtedness, but not to exceed 4 percent of the adjusted net income.

It will be seen that all I ask is to put the payment of a debt out of earnings on the same standing as the distribution of a dividend; but not to exceed 4 percent of the adjusted net income can be deducted.

Mr. SIROVICH. Mr. Chairman, if the gentleman will yield, is it the purpose of the gentleman to create a sinking fund out of which ultimately to pay the company's debt?

Mr. WADSWORTH. No; it has nothing to do with sinking funds. It is the purpose of the amendment to lift from the payment of a debt the curse that is now placed upon it.

[Here the gavel fell.]

Mr. WADSWORTH. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Without objection it is so ordered.

There was no objection.

Mr. WADSWORTH. Mr. Chairman, let me repeat: It is the purpose of this amendment to lift from the payment of a debt by a corporation the curse that is now placed upon it, to the extent permitted under the 20–16 program. My amendment will have no effect upon the 16-percent-income tax nor on the maximum of 20 percent, but it will add to the eligible exemptions the payment of a debt up to 4 percent of the adjusted net income. That is all it does. It has little if any effect upon the revenue, but it does in effect say on behalf of the Congress that when a corporation pays a debt at least up to the extent of 4 percent the payment of the debt shall not be taxable. It does not tear to pieces this paragraph at all; it merely establishes the principle that the payment of a debt shall not be unduly penalized, as is the present case, and as is the case in the bill pending before us.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. FITZPATRICK. Would they pay that debt before it was due under the operation of the gentleman's amendment? Assuming they did, then they would avoid paying interest on the debt and also avoid paying the tax, would they not, if they paid the debt before it was due?

Mr. WADSWORTH. So long as they paid the debt or a portion of it.

Mr. FITZPATRICK. Would the gentleman's amendment make it so they could pay the debt before it was due? Because, if they did, they would avoid paying interest and would avoid paying the tax also.

Mr. WADSWORTH. If the creditor were willing to accept payment before the debt were due, it is all the better that it should be paid.

Mr. FITZPATRICK. That is what I wanted to find out.

Mr. HARTER. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. HARTER. As I understand the gentleman's amendment, it is to permit corporations which owe money to pay upon the debt without having that sum taxed in an amount not in excess of 4 percent of their adjusted net income actually.

Mr. WADSWORTH. That is it exactly. I took the language of this amendment from another provision of this bill. On page 283, under title I–B, you will find that in the closely held, or family held, corporation provision this same exemption is given to such corporations by the committee in this very bill. On page 283, line 16, subparagraph 3, is found this language:

Amounts used or irrevocably set aside to pay or to retire indebtedness of any kind incurred prior to January 1, 1938, if such amounts are reasonable with reference to the size and terms of such indebtedness.

[Here the gavel fell.]

Mr. FRED M. VINSON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it is always a very easy matter to make a plausible statement about anything that reduces taxes. I believe that my colleagues will bear with me while I say that when the 1936 act was pending I was very much interested in the insertion of cushions, so-called, that would take care of contracts not to pay dividends, the deficit of corporations, and the amortization of debts.

Some corporations will want to use this 4 percent of the adjusted net income to pay debts, other corporations may want to use this 4 percent of their adjusted net income to provide for plant expansion, other corporations may want to use this 4 percent of their money for equally meritorious purposes.

What have we done in this bill? Existing law places a maximum effective rate of 32.4 percent. We have reduced this maximum effective rate to a maximum of 20 percent. As a result 12.4 percent of the net income of a company, saved in the reduced rate, may be used without the imposition of any tax, may be used in any way the corporation desires, whether to pay debt, to build plants, to buy inventory, or what not. The reason we came down to the 20-percent rate was to have a general cushion so that a corporation might use more of their net income for corporate purposes. It was suggested that we should have a 25–15 plan instead of a 20–16 plan; in other words, have the top rate 25 percent and the bottom rate 15 percent; but we maintained that the maximum rate should be 20 percent under the general rule.

My friend from New York says that 4 percent of the adjusted net income, if it is all retained, can be used for the payment of debt. That is true. But when we had a 15-percent flat rate, 15 percent of the net income could not be used for debt. In other words, under the old law when we had the 15-percent rate, you had 85 percent to use any way you wanted to. Under the proposed bill you have 80 percent which you may use for any purpose for which you want to use that money.

Consequently I say this amendment would be a limiting proposition, because it would not help the corporations that want to use the money for plant expansion, to buy inventory, or to pay increased wages. It would be limited simply to the debt proposition.

It is very difficult to estimate what this provision means, but from the best information I can get from experts who are here on the floor, this amendment means a revenue loss of between forty and fifty million dollars.

May I give you one last thought? We have a pressure rate of 4 percent on net income. Assuming that income is distributed, in the hands of any shareholder the normal tax is 4 percent. In other words, this special rate is identically the same on undistributed earnings as would be the normal tax in the hands of a shareholder.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in connection with the amendment offered by the gentleman from New York, I agree with the statements of my distinguished friend the gentleman from Kentucky [Mr. VINSON]. It seems to me that we have

proposed, generally speaking, for practically all the corporations, a decided improvement over existing law. We have provided that so far as corporations with a net income of $25,000 or less are concerned they must pay a flat rate of 12½ percent on the first $5,000, 14 percent on the next $15,000, 16 percent on the next $5,000, and above that the 20–16 plan in relation to all other corporations except the closely held or family held corporations, in which case we still apply the undistributed-surplus tax.

In other words, Mr. Chairman, the committee has done a very fine piece of work in covering practically 90 percent of all corporations, or a little in excess of 90 percent—probably 95 percent of all corporations—but on 5 percent of the corporations, which includes the small- and medium-sized corporation, we have still continued the undistributed-surplus tax. Mr. Magill admitted that in his testimony, and so far as the family held corporation is concerned, the present inequitable, burdensome undistributed-surplus tax is continued.

The present law at least applies fairly with its burdensomeness to all operating corporations, but the proposal of the committee creates an inequity and a discrimination against the small- or medium-sized corporation. I agree it takes care of the little fellow; I agree it takes care of the big fellow; the little fellow by exempting him and subjecting him to a flat tax, and the big fellow by bringing it down to 20–16. The committee has done great work in connection with these two groups. But the little independent, the small- and the medium-sized fellow, the fellow a little bigger than the little fellow, and the medium-sized fellow, is squeezed out. He is still subject to the present undistributed-surplus tax. If we put him under the 20–16 plan we then place him in the same position as other corporations, as we should.

Mr. Chairman, I thoroughly agree with the position taken by my friend from Kentucky in respect to the amendment offered by the gentleman from New York [Mr. WADSWORTH]. The committee has done a mighty good job with reference to the great majority of corporations, but unfortunately, we have created a discrimination against the small and the medium-sized corporations which mean so much to the Nation; the corporations that have contributed so much to the development of the United States. We can go forward and support this bill in our various districts, meeting our constituents, and telling them we have done a great job if we eliminate section I–B. I am opposed to the amendment offered by the gentleman from New York [Mr. WADSWORTH] and my only purpose in speaking upon it is mainly to point out the inequality, the unconscionable and unintentional discrimination that will result if the proposal with reference to the closely held and the family held corporation is continued.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. WADSWORTH].

The question was taken; and on a division (demanded by Mr. WADSWORTH), there were—ayes 50, noes 120.

So, the amendment was rejected.

Mr. CELLER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. CELLER: Page 47, amend section 26 by adding two additional sections to be known as subsection (e) and subsection (f), as follows:

"(e) A general credit shall be allowed for the sum of all amounts paid within the taxable year in discharge of a debt, or irrevocably set aside within the taxable year for the discharge of a debt.

"(f) A general credit shall be allowed for the sum of the amounts paid out during the taxable year for the construction or improvement of real property, and for the purchase and the installation of equipment and machinery, and for the expansion or replacement of plant or other productive facilities (including amounts paid out for the equipment and development of mining properties), to the extent that no deduction or allowance is or has been made for such amounts in computing net income."

Mr. CELLER. Mr. Chairman, I offer this amendment purely for clarification purposes. I presume the amendment will not carry. The machine is too well oiled. I offer it, however, so that you may give some thought to it, and perchance the Senate, when it considers our bill, may likewise give some thought to this subject.

Surplus is not always money in the bank. It is not always tangible assets. It sometimes consists of land, machinery, buildings, patents, equipment, or intangible assets like good will. If it were always money in the bank, it might not be difficult for corporations that have incurred debts as a result of operations in prior years to pay those debts or a goodly portion of them out of the current profits they may make this year. If such corporations which earn more than $25,000 and are subject to this undistributed-profits tax pay those debts, they not only sustain the burden of paying their debts out of current profits but they sustain an additional burden, namely, the payment of the undistributed-profits tax. To my mind, this is highly unfair.

While I admit if this amendment prevails, it might destroy utterly the 4-percent maximum undistributed-profits tax, and for this reason I am not going to press the amendment, I had hoped the distinguished members of the Committee on Ways and Means would have considered the subject of allowing credits generally for the payment of debts to debt-ridden corporations which may make profits in only one year and sustain debts in many other years.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Tennessee.

Mr. COOPER. In view of the statement made by the chairman of the subcommittee, does not the gentleman realize the committee did fully and thoroughly consider this matter, and that it has brought in a bill which reduces the existing rate 12.4 percent in order to allow corporations to use their money for any purpose they see fit?

Mr. CELLER. I agree with the gentleman the committee sincerely made every effort to bring about relief, but it has not achieved that result. I believe the committee has not gone far enough, and I say this in all kindliness. I do not mean to criticize the committee unduly. Nevertheless, I cannot fail to say that the committee followed too blindly the Treasury Department.

In addition to the fact these debt-ridden corporations have this additional burden, we ought to consider the creation of jobs and how the profits tax discourages jobs. For example, if we do not allow credits for expansion, for the purchase of new machinery and for the purchase of new equipment—which involves the purchase of raw material and the transportation thereof by railroad and automobile, thereby creating more jobs—I believe to that extent we are reducing the opportunity for more employment.

For instance, I have in my own district a concern called the Sperry Co. This company has a great many experiments in process by way of expanding and developing its patents. Two of the men in this concern are inventors. They may have 1 successful patent or 1 successful invention and 99 unsuccessful ones. The money they make one year on a successful patent or invention they must expend on the unsuccessful ones for experimentation, laboratory tests, and what not. If you do not allow them proper credits against the profits tax, you prevent and discourage expenditure of current profits on other inventions. Under my amendment this comes under the head of expansion. If they make money one year, they should be permitted to have a credit against their profit for the development or the expansion of these patents in the way of expenditures for machinery, equipment, laboratories, assistants, experts, and so forth.

My amendment also includes the development of mining properties. I understand some of the Members come from mining communities and would want mining included in this provision.

I believe this amendment, Mr. Chairman, would be a job preserver rather than a job destroyer.

Think of this, also, gentlemen: Corporate income-tax returns for 1931 showed that more than half of corporations reported net losses. In 1932 more than three-fourths of corporations showed loss. In 1933 two out of every three cor-

porations suffered net loss. The total corporate losses from 1930 to 1934 were over twenty-nine billions.

If there had been no surplus in years prior to 1931, they could not have remained in business. If the undistributed-profits tax had been in effect prior to 1931, there would not have existed this huge surplus. Taxes would have frittered it away. Corporations would not have been able to weather the storm of the depression. They would have had to close shop. Thank goodness for that surplus. But think of the future. Depressions have a nasty habit of recurring. Surplus helps greatly. The instant tax prevents any gathering of surplus.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BOILEAU. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BOILEAU: Page 169, after line 23, insert a new subsection, to be known as subsection (d), as follows: "(d) Compensation of officers and employees: Under regulations prescribed by the Commissioner, with the approval of the Secretary, every corporation subject to taxation under this title shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered if the aggregate amount so paid to the individual is in excess of $15,000. The Secretary of the Treasury shall submit an annual report to Congress, compiled from the returns made, containing the names of and amounts paid to each such officer and employee and the name of the paying corporation."

Mr. BOILEAU. Mr. Chairman, I may say to the Members that this amendment does not present anything new. This is a reenactment of the existing law. As you know, title I of this bill is largely the reenactment of existing law. Of course, there are some changes, but the philosophy of title I is very much like that of the existing law.

Title I in this bill leaves out subsection (d) of section 148 of the present law, which provides that corporations filing returns shall file a statement listing all of the officers or employees who receive in excess of $15,000 a year in the form of salary, compensation, or bonuses, or in any other way, as payment for personal services rendered. This is the law on the statute books at the present time.

Last year the House had under consideration a bill presented by the Committee on Ways and Means to repeal that section. This bill was passed in the House but was not approved by the Senate, and as a result the law at the present time is identical with the provision I propose to have inserted in title I. In other words, my amendment contains the same provision as the existing law. The gentleman from Kentucky, the distinguished chairman of the subcommittee, for whom we all have the highest regard, stated last Friday in reply to a question of the gentleman from Michigan [Mr. HOFFMAN] that the reason the committee did not insert this provision in the bill was the House had taken action last year showing it did not want this provision to continue.

He also said the committee would be in a rather awkward position to present such a provision on the floor here.

I know, or at least I assume, there are many members of the Ways and Means Committee who really favor this proposal because it was so heartily endorsed by the President of the United States just the other day. I assume, therefore, there are many members of the Ways and Means Committee who want to have this provision retained but find themselves in the same awkward position as the gentleman from Kentucky, and for this reason I want to be of any service I can to the gentleman from Kentucky and other members of the committee and to prevent them from being placed in this awkward position I offer it to the House. I hope many of them will support it. I am sure many of the Democrats will want to support the President, who stated the other day it was a question of public morality to have this information made public.

Now, bear in mind there is a great deal of confusion among the people throughout the country as to the purport of this provision. It does not mean that every person who has an income of $15,000 shall have his name posted in the post office, or something of that kind. It just means that every corporation shall submit to the Secretary of the Treasury a list of officers and employees of the corporation who receive in excess of $15,000 for personal services rendered.

In my judgment, many of these corporations where the stock is widely held by people throughout the country are paying excessive amounts to officers of the corporation, with vice presidents of such corporations receiving $15,000, $20,000, and even figures that are much higher than this.

[Here the gavel fell.]

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. BOILEAU. There are vice presidents receiving such salaries who perform no other service for the corporation than to permit their block of stock to be used to support other officers in holding down their jobs and to control the management of the corporation.

I submit that if we give publicity to these high salaries it will have a tendency to bring salaries down within the range of compensation for services actually performed.

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield.

Mr. PETTENGILL. I do not find in this bill any provision repealing existing law. So I wonder, if this bill is passed, whether the provision we have now with reference to this matter will not continue to be the law?

Mr. BOILEAU. No; I think the gentleman is in error about that.

Mr. PETTENGILL. I would like the judgment of the gentleman from Kentucky on that point.

Mr. BOILEAU. I will permit the gentleman from Kentucky to answer, but I am sure the gentleman will agree with me.

Mr. FRED M. VINSON. If the bill passes as it comes to the House, that provision will not be in existence.

Mr. BOILEAU. Then my amendment is necessary to carry out the wishes expressed by the President the other day; is not that right? The gentleman and I understand each other, and I think the gentleman knows that I am not referring to any special message but to a statement that the President gave the press, and I hope no other gentleman besides the gentleman from Kentucky misunderstands the President's position in this regard.

Mr. FRED M. VINSON. I was merely endeavoring to state that the noninclusion of this section in the bill would be a repeal of that provision as it affects return in taxable years after the passage of the act.

Mr. BOILEAU. I think we all agree on that, and I simply wish to present this matter to the House squarely on its merits. We have it in existing law now, and there has not been any real abuse.

Some people have talked about this list being a sucker list. Let me tell you there are not many suckers in this group that receive salaries of $15,000 or more from corporations. One very distinguished friend of mine yesterday in this House while talking about the amendment said he knew of an incident where it was used as a sucker list and he, as the head of a certain educational institution, paid $250 for a list of these men. I asked him, "Was it a paying proposition?" and he replied, "Well, we broke about even on it." So these fellows are not suckers. The mere fact they get $15,000 or $20,000 or $30,000 as vice presidents of corporations with nothing to do except attend a directors' meeting once a month, shows they are not suckers.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. BOILEAU].

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 48, noes 85.

Mr. BOILEAU. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. BOILEAU and Mr. DOUGHTON to act as tellers.

The House again divided; and the tellers reported—ayes 60, noes 118.

So the amendment was rejected.

Mr. VOORHIS. Mr. Chairman, I offer the following amendment, which I send to the desk.

Mr. FISH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. FISH. I have an amendment to offer to the same section that has just been considered. Will I lose any rights if the gentleman from California proceeds now with his amendment?

The CHAIRMAN. Amendments are in order to any portion of title I. The gentleman from New York can offer any amendment to title I at any time before the conclusion of its consideration. The gentleman from California offers an amendment which the Clerk will report.

The Clerk read as follows:

THE TAX EQUALITY AMENDMENT

Amendment offered by Mr. VOORHIS: Insert after line 12, on page 58, a new section to be numbered 29 and to read as follows:

"SEC. 29. Limitation of tax-exemption privilege.

"(a) Income from State obligations and offices subjected to tax, but credit against tax allowed in amount equal to tax on income derived from outstanding State obligations. Notwithstanding anything in section 22 (b) (4) or any other provision of this act or of any other law to the contrary, income derived by a taxpayer from securities issued by a State or Territory, or any agency, instrumentality, or political subdivision thereof, as well as income derived by a taxpayer from any office of or any employment with a State or Territory or any agency, instrumentality, or political subdivision thereof, shall be included in the taxpayer's gross income and shall be taken into account in computing the tax of such taxpayer: *Provided, however,* That against the total tax so computed there shall be allowed a credit equal to the amount of tax which would have been payable under this act if such taxpayer had a net income equal in amount to the actual income, if any, derived by such individual from securities issued by a State or Territory, or any agency, instrumentality, or political subdivision thereof, prior to the enactment of this act.

"(b) Consent given to States to tax income from Federal obligations and offices. Consent is hereby given to every State and Territory to levy and collect taxes, or to authorize the levy and collection of taxes by agencies, instrumentalities, or political subdivisions thereof, on the income derived by any resident of such State or Territory from any securities issued after the enactment of this act by the United States or any possession, agency or instrumentality thereof, as well as income derived by any resident of such State or Territory from any office of or any employment with the United States or any possession, or agency, or instrumentality thereof: *Provided,* That such taxes are levied and collected without discrimination against the income from such securities, offices, and employments and in favor of income derived from securities, offices, and employments of such State, Territory, or agency, instrumentality, or political subdivision thereof."

Mr. COOPER. Mr. Chairman, I reserve the point of order against the amendment.

Mr. VOORHIS. Mr. Chairman, all this amendment seeks to do is to say, in effect, that the sixteenth amendment to the Constitution meant what it said. The Supreme Court yesterday overruled its own prior decisions in the cases of Gillespie against Oklahoma and Burnet against Coronado Oil & Gas Co. and held that income derived from oil leases on State-owned lands is properly taxable by the Federal Government. I have offered this amendment in the hope that if Congress gives to the Supreme Court a clear-cut opportunity to decide on the basis of an act of Congress the question as to whether or not the Federal Government has the right to tax the salaries of State officials and income from State bonds and, conversely, whether or not the States have the right to tax the income of Federal officials and income from Federal bonds, the Court would decide that the sixteenth amendment gives us just what it says—the power to tax income "from whatever source derived."

DOES NOT VIOLATE CONSTITUTION BUT UPHOLDS IT; DOES NOT ENDANGER LOW INTEREST RATE ON PUBLIC BONDS

First, let me explain what this amendment does not do. It does not permit either the Federal Government or the States to tax property of the other governmental body. It applies only to the income and to persons deriving that income, and says in effect that when people derive income, if you levy an income tax, that income shall be taxable. This is certainly a sensible idea. In the second place, it does not apply to any securities issued before the passage of this act. In the third place, it does not endanger the interest rate upon bonds. I have prepared a chart here to show the interest rate on municipal bonds, and it shows that the interest rate on municipal bonds was as much below the rate on nonpublic bonds before 1913 as it was afterward. In other words, there was as much of a spread between rates of interest on public and nonpublic bonds before there was any income tax for public bonds to be exmept from as there was afterward.

In the next place, it does not involve any risk that the States will be able to "attack" or "destroy" the Federal Government, because they cannot tax income from Government bonds or salaries in a discriminatory fashion, but must only tax them as they tax the income from their own bonds or salaries. Next, in States without income taxes, it does nothing. Those that do have income taxes could only levy such taxes as they levy against their own bonds and salaries. Next, it does not deal with Federal taxation of income from Federal securities. That is a matter for us to decide and can be dealt with by our not authorizing any more tax-exempt bonds. And if the States could tax income from Federal bonds, I do not believe we would authorize any more tax-exempt issues.

AMENDMENT PLACES PUBLIC OFFICIALS ON SAME BASIS AS OTHER CITIZENS—WHERE THEY BELONG

What does it do? It puts all public officials in the same position as all other citizens with regard to taxation. It removes exemption of Federal officials from State income taxes, and of 5,000,000 local officials from Federal income taxes. These people, ourselves among them, have the best jobs in this country and benefit most from taxes, and they should pay all the taxes anyone else does.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. Yes; I yield to the distinguished gentleman from Texas.

Mr. McFARLANE. If this amendment is adopted, it will remove some of the old, worn-out decisions of the Supreme Court, and take those loopholes out of the law that will give the Federal Government many millions of dollars.

AN ISSUE THAT WILL NOT DOWN

Mr. VOORHIS. It will remove the worst loopholes that we have. Mr. Chairman, regardless of whether this amendment is thrown out on a point of order, I present here an issue that has to be faced, either by this method, by a special bill, which I believe is adequate, or, if not, then by a constitutional amendment. A number of people have introduced such amendments. The gentleman from Maryland [Mr. LEWIS], in an excellent speech made last summer in the House, estimated that the loss in revenue from this source alone since 1913 has been $3,000,000,000.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. VOORHIS. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. VOORHIS. Mr. Chairman, this amendment applies only to income taxes and only in the future. It permits the Federal Government to require payment of taxes on income from State and local securities and permits the States to require payment of taxes on income from Federal securities. It requires the inclusion now as part of gross income the income from State and local bonds and then allows a credit only equal to the tax on this income if it were the only income received by the taxpayer. The effect of this is to put such a taxpayer into the proper income-tax bracket; to give him his exemption in the lower rather than the higher brackets.

I have ample authority for this amendment. I could quote if I had time, from Senator GLASS when he was Secretary of the Treasury and declared that it is the height of injustice to do as we are doing now and pretend that this income from public sources literally does not exist for tax purposes England, Canada, Australia, no longer issue tax-exempt bonds. They have been through the experience we are now going through. They have profited by the results of tax exemption. We in America should do likewise.

SITUATION MORE AND MORE SERIOUS

Today our Government is losing far more revenue from this source than was the case a few years ago, because most of these tax-exempt bonds are held by people with very large incomes. The Government loses, therefore, the taxes it would collect in the very highest brackets.

Chief Justice Taney, of the Supreme Court, stated in an opinion on one occasion:

> It is the law of this (the Supreme) Court that its opinion upon the construction of the Constitution is always open to discussion when it is supposed to have been founded in error, and that its judicial authority should hereafter depend altogether upon the force of the reasoning by which it is supported.

If anybody cites the case of McCulloch against Maryland, I say it is not pertinent because it involved a discriminatory tax such as this amendment does not permit. Justice Holmes said that it is revolting to have no better reason for a rule of law than that it was laid down in some earlier decision of the Court; and that it is still more revolting if the grounds upon which it was laid down have vanished long since.

If income taxes can be levied at all they ought to be levied on all income. The sixteenth amendment says so, common sense say so, and I believe the Court would say so if given a chance.

[Here the gavel fell.]

Mr. FULLER. Mr. Chairman, I rise in opposition to the amendment. Mr. Chairman, the proposition submitted in the amendment offered by the gentleman from California is, to a great extent, a very popular one. The question as to whether the Government can collect taxes on the income of State officials and on tax-exempt securities is a question on which the American people are very much divided. There is no doubt about the authority to tax-exempted securities. The question here involved is whether it will pay the Government to do so.

My personal sentiment and expressed convictions are for the theory presented by the gentleman from California. This matter, however, has been before the Ways and Means Committee ever since I have been a member. It has been discussed and measures are pending at this time before various committees. May I not say that we are at a loss to know how we can reach this tax subject by congressional legislation in view of the fact the Supreme Court has decided that we cannot tax the income of State officials under our Federal Constitution. If the gentleman's contention is so grave and so truthful that the Supreme Court has now got so liberal that it will reverse itself, why, then, does it not reverse itself and pay taxes upon their own incomes?

Mr. VOORHIS. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. VOORHIS. I would be in favor of the last suggestion made by the gentleman, but I would ask the gentleman this question: Whether it is not a fact that the decisions of the Court so far have been in every case based upon prior decisions of the Court made before the income-tax amendment was adopted, and that the Court has, therefore, never had an opportunity to pass upon that new point of law?

Mr. FULLER. They passed upon it positively and recently in a New York case and held that the Federal Government could not tax the salary of a State official. That was a direct confirmation of former decisions of many years' standing. The Supreme Court has never shown any disposition to hold otherwise. I doubt if there is a lawyer on the floor of this House, or for that matter any Member, who thinks we can collect a tax on the salary of a State official except by constitutional amendment. The amendments are referred to the Judiciary Committee and not the Ways and Means Committee.

Mr. Chairman, this is a question that could be argued for a long time, but I shall not go into it further than to say that this is no place to try to legislate on such an important measure with so much of a legal question involved. I am strong for a law making State, county, and municipal officials, including the Federal judiciary, subject to a Federal income tax and for making Federal officials subject to a State income tax. I endeavored to draw a bill for this purpose, but after much investigation and consultation with the best of Federal legal talent came to the conclusion it required a constitutional amendment. I am also opposed to the exemption of Federal and other bonds from income taxes. This amendment is subject to a point of order raised by the gentleman from Tennessee, and I ask for the ruling of the Chair. [Applause.]

Mr. VOORHIS. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. VOORHIS. If the Ways and Means Committee considers this subject, I am ready to grant that it would be a far better way to meet the situation. If they do it, then my time shall not have been wasted.

Mr. FULLER. Will the gentleman withdraw his amendment?

Mr. VOORHIS. I would rather not.

The CHAIRMAN. The gentleman from Tennessee will state his point of order.

Mr. COOPER. Mr. Chairman, I make a point of order against the pending amendment on the ground that it is not germane to the bill. The bill has for its purpose, as stated in the title, to provide revenue for the Federal Government. The pending amendment, of course, seeks to go much further and affects the collection of revenue by States. The amendment therefore is not germane to the bill.

The CHAIRMAN. Does the gentleman from California desire to be heard upon the point of order?

Mr. VOORHIS. Briefly.

The CHAIRMAN. The Chair will hear the gentleman.

Mr. VOORHIS. Mr. Chairman, I am not a lawyer. Probably I do not need to state that. In the first place, however, it seems to me that this amendment does provide revenue; and, in the second place, the amendment, as I explained in my remarks, is intended only to carry out what seems to me to be a clear constitutional provision.

Mr. McFARLANE. Mr. Chairman, may I be heard on the point of order?

The CHAIRMAN. The Chair is ready to rule.

The amendment is clearly subject to a point of order.

The purpose of the pending bill is to raise revenue for the Federal Treasury. Section (b) of the amendment offered by the gentleman from California [Mr. VOORHIS] starts out as follows, "Consent given to States to tax income from Federal obligations and offices," and has for its purpose conferring upon States the right to tax Federal incomes for the purpose of raising revenue for the State.

Section 3039, volume 8, of Cannon's Precedents says:

> An amendment offered to a revenue bill proposing a tax for any other purpose than that of raising revenue is not germane.

Regardless of the merits of the amendment, the Chair thinks it is clearly subject to the point of order and not germane to the pending bill, and therefore sustains the point of order.

Mr. DISNEY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, a confusion has arisen here as to where resolutions proposing constitutional amendments relating to tax-exempt securities are pending. Those resolutions are pending in the Committee on the Judiciary and not in the Ways and Means Committee.

Back in 1923 such resolutions came before the Ways and Means Committee and hearings were had on the subject at that time. At the present time jurisdiction is lodged in the Committee on the Judiciary and no longer in Ways and

Means. Matters of the kind we are discussing at the present moment are legislative subjects and are embodied in resolutions now pending in the Ways and Means Committee, but resolutions having to do with constitutional amendments are under the jurisdiction of the Committee on the Judiciary.

Mr. KOPPLEMANN. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, on February 18 I inserted in the Appendix of the RECORD an address I made, which was read by a gentleman in Spokane, Wash., by the name of George B. Wright. At this time, when the House of Representatives is tax-minded and we are trying to discover means for raising funds for Treasury purposes, we are also thinking heavily upon the subject of wasteful expenditures by the Congress and this Government.

Mr. Chairman, may I read what the gentleman from Spokane writes me? [Reading:]

A PLEA FOR NEUTRALITY

Hip, hip, hooray for Ireland,
And then another hip;
They say that Ireland runs the world
Without a single ship!

And yet it's very plain to all,
As plain as plain can be,
Pat wants no help a-tall a-tall
From Britain's big nav-ee!

The little Swiss Republic,
Whose folks make holes in cheese,
Has not a single ship-of-war
Upon the seven seas!

And still they get along quite well,
And have for centuries;
Like you or me, if they can pay,
They travel where they please.

Take little ancient Sweden,
In trade she's doing fine,
Yet boasts no great flotilla
Nor big ships-of-the-line.

In ocean-going commerce
She's third upon the sea;
From debts for monstrous armaments
Her people still are free!

Oft have the lords of Europe
With blood drenched Belgian plains;
No superdreadnoughts guard her coasts,
Yet Belgium still remains!

Where are the bold conquistadores
Who fought and died for Spain?
If lasting empire they sought
Their blood was shed in vain.

Let Germans and Italians,
Let French and British, too,
Fight for another thousand years;
We've better work to do.

The interallied war debt
We've pared and scaled it down;
Yet they whose empires we saved
Pay neither sou nor crown.

Again they seek assistance,
Imperial swords they've gripped;
Their empires again to save
Our youth they would conscript!

And he who says pour wealth and lives
Into the old rat hole
Of Europe's age-long bickerings
Has treason in his soul!

Why all those floating fortresses
To guard our native strand?
Let's spend those naval billions
To make a better land!

Down with imperial compacts
That beckon us to kill;
Onward along the path of peace,
This is America's will!

Mr. FISH. Mr. Chairman, I move to strike out the last two words, and I am not going to reply to the speech that has just been made on the peace of the world.

Mr. Chairman, I was not in the Chamber when the Boileau amendment came before the Members for decision, but if I had been I would have voted against the amendment because I believe it is going much too far, unnecessarily too far, to ask for the publication of the salaries of those receiving $15,000, or $25,000, or $50,000 a year. But if somebody on the Democratic side will offer an amendment amending the Boileau suggestion, by striking out "$15,000" and inserting in lieu thereof "$100,000," I will vote for such an amendment gladly. I hold in my hand a newspaper which gives a list of those receiving salaries over $100,000.

In the first place, I think it is a matter of interest to the stockholders and to the wage earners of these great concerns, as well as to the pubic generally. I want to point out that among the first 16 largest corporation officials or individuals receiving over $300,000 a year in salary, 9 of them are in 1 single company, which is certainly an unhealthy state of affairs. It will do more to promote radicalism, socialism, and communism in this country and undermine the faith of our people in capitalism or our economic system than anything else. One company pays nine of its officers over $300,000 apiece, and I refer to the General Motors Corporation.

Starting with Mr. Alfred P. Sloan, Jr., the president of that company, who received a salary of $561,331 in 1937, the list includes the vice president, Mr. William S. Knudsen, who is probably general manager also, and who received $459,876, and seven other General Motors Corporation officials, who received over $300,000 a year.

I would like to see an amendment offered on the Democratic side that the names of all individuals receiving salaries over $100,000 a year be made public, because it is of real concern to the stockholders, to the employees, as well as to the general public.

Mr. FULLER. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Arkansas.

Mr. FULLER. Not only that, but those gentlemen are connected with a widely held corporation. The general public owns the stock of that corporation and these men who are receiving these enormous, outrageous salaries have very little money invested in that business.

Mr. FISH. I know nothing about that feature of it. All I know is that I am shocked at such excessive salaries in one great corporation. What are they going to do? Suppose they do not pay any dividends this year. I am a small stockholder myself, holding very few shares in the General Motors Corporation. But suppose that company pays no dividends, are these officials and vice presidents going to continue to draw the same huge salaries? Here are nine men in that one corporation receiving over $300,000 a year apiece for a total of three and a quarter million dollars. What is to stop them? The only thing I know of is to subject their enormous salaries to publicity. I would like to see their salaries published next year to find out what they received in 1938. But it is up to you on that side to offer such an amendment.

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. DOUGHTON. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. I agree with some of the observations of the gentleman from New York. These are unconscionable salaries. These salaries are still in existence, and they were published. Is that not evidence of the fact that publicity has not had the effect of reducing those salaries? We have had this publicity law in effect for several years. These salaries have been made public, but still high salaries are being paid, so that line of reasoning does not hold good.

Mr. FISH. I believe we can legislate better and more wisely on a subject of this kind when we have the facts out in the open. Furthermore, I believe it is the right of millions of stockholders and millions of wage earners in these large corporations to have this information. I see no harm in publishing them. Therefore, I hope someone on the

Democratic side will offer such an amendment, and I will be pleased to support it.

[Here the gavel fell.]

The pro forma amendment was withdrawn.

Mr. McFARLANE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: Page 15, after the word "subsection", in line 9, insert the following: "shall be equal to the sum of (1) a normal tax computed at the rates and in the manner prescribed by section 13 (b) of the Revenue Act of 1936 and (2) a tax computed at the rates and in the manner prescribed by section 14 (b) of the Revenue Act of 1936 (relating to surtax on undistributed profits), except that in the case of a corporation which is within the provisions of subsection (e), (f), or (g) the tax computed under this subsection."

Mr. McFARLANE. Mr. Chairman, this amendment restores the normal surtax rates placed in the law in 1936 and now in effect. Let us understand what we are doing and what we have done. Under existing law the normal tax rates on corporations with incomes in excess of $25,000 are from 8 to 15 percent. The undistributed profits tax rates under existing law are from 7 to 27 percent. When the President sent down his message on March 3, 1936, recommending the undistributed-profits tax, he pointed out the justification for the law we now have. In this justification he pointed out that the corporations of this country had in surplus dividends in excess of $4,500,000,000, and that they were withholding this large sum of money to the great detriment of the stockholders of the companies. Based on the information it had before it and after careful consideration by the committee and by the Congress, this Congress enacted the present tax on undistributed profits.

Has this law proved of great detriment to the corporations of this country? Let us refer to the records; and what do we find? The only records I can find are shown in the report of the subcommittee, and clearly point to the contrary—that the law has caused no serious detriment to corporations with net incomes in excess of $25,000. I have tried to listen to all the debate on the floor in regard to this bill, and every speaker I have heard has been much interested in the small corporations. Let us correct the evil in regard to them. We all agree we should relieve the small corporations having net incomes under $25,000 of the burden of the undistributed-profits tax. Such action would relieve 88 percent of the corporations of the country. Under my amendment, however, I am seeking to keep the undistributed-profits tax in effect as regards corporations with net incomes in excess of $25,000. I am also attempting to stop the enormous loss of revenue in the committee bill, which is mainly devoted to tax reductions, as shown by the following:

TAX REDUCTIONS IN THE BILL

1. Corporations with net incomes of $25,000 or less: In lieu of the present graduated normal tax with rates ranging from 8 to 15 percent and also in lieu of the tax on undistributed profits with rates ranging from 7 to 27 percent, there is substituted in the bill a graduated tax with rates ranging from 12½ to 16 percent. This class of corporations, of course, should have this relief, even though it will clearly result in a loss of some revenue.

2. Corporations with net incomes in excess of $25,000: In lieu of the present graduated normal tax with rates from 8 to 15 percent and, also in lieu of the present tax on undistributed profits with rates from 7 to 27 percent, this bill provides, in section 14, a flat rate of 20 percent which can be reduced to 16 percent by making dividend distributions. This is said by the committee to represent a 40-percent reduction in the maximum rate of tax. See page 5, committee report.

3. The "third basket" corporations—sections 451–459 in this bill: In lieu of the present graduated normal tax with rates from 8 to 15 percent and, also in lieu of the present undistributed-profits tax with rates from 7 to 27 percent, the bill provides, in section 14, a flat rate of 20 percent which can be reduced to 16 percent by making dividend distributions and in section 451 it also provides a flat rate of 20 percent which according to the statement of the committee—page 5—does not apply unless the percentage of earnings paid out in dividends "is very considerable less than the average of dividends paid out by all corporations in the United States." In any event it applies only to a few corporations, "not more than 300 to 600," so the committee states—pages 5 and 53. The net result of the "third basket" is not to increase the tax upon these corporations, instead the possibility of reduction is so imminent that the committee maintains—page 57 of the committee report—that the total tax upon these corporations will be "only slightly less" than the tax now paid by them.

4. Loss carry-over for corporations: In addition to these rate reductions, corporations with net incomes of over $25,000, but not corporations with net incomes of $25,000 or less, are allowed by sections 27 (b) and 26 (c) to carry over and deduct losses of the preceding taxable year sufficient in amount to reduce the tax of 20 to 16 percent.

5. Deficit deductions for third-basket corporations: For the purpose of the "third basket" tax, deficits of the preceding years may be used to reduce the tax under section 451 to zero.

6. Capital gains and losses—reductions in percentages: Under present law only a portion of capital gains are taxed. Sometimes the percentage subject to tax may be as low as 30 percent. The bill changes the schedule of percentages so that on the face of the schedule the lowest percentage is 40 percent, but the story is not so simple. The result as stated by the committee—page 8 of its report—is that the highest possible tax rate on capital gains of assets held over 5 years "will be 16 percent," after allowing the further benefits described in paragraph 8. Under the present tax law the highest possible tax rate on capital gains is 31.6 percent where the assets are held more than 5 years.

7. Capital loss carry-over—page 8, committee report: But the capital-gain tax may be reduced by capital losses of the preceding year. No such reduction is allowed under the present law. It is purely for the benefit of the wealthy taxpayers and the stock speculators. To the small taxpayer, the farmer, or the grocer who has capital gains once or twice in a lifetime, this does not mean a thing. To the man of wealth who can "arrange" his affairs, it means big exemptions from the capital-gains tax. These exemptions are described by the committee—page 33 of its report—as "more liberal deductions of capital losses."

8. Alternative tax on capital gains—section 117c of the bill: A new gadget is included for making a further reduction in the capital-gains tax on the wealthy taxpayers. It is called an alternative tax. The committee explains that it is to be used by a taxpayer where it will result in a tax which is "less than the tax he would pay under sections 11 and 12," which are the sections prescribing the rates for all individuals who are not given the privilege of this reduction. The committee expects, so it says—page 37 of its report—"no material net loss of revenue," but the committee says—page 33 of the report—that they have provided:

Elimination, as to the capital gains of individuals, of the highest surtax brackets provided for other income.

9. Resident foreign corporations: According to the committee report—page 48—foreign corporations engaged in trade or business within the United States or having an office or place of business in the United States will have their taxes reduced from 22 percent to 20 percent.

10. Escape from capital stock and excess profits taxes: An opportunity to make new valuations for capital stock purposes is provided and such opportunity is to exist at intervals of 3 years. "The corporation fixes its own valuation." (See report, p. 61.) It is allowed to fix "a valuation which in the long run will produce the smallest aggregate of capital stock and excess-profits taxes." The bill provides regular intervals at which the corporation may use this method of escape.

11. Taxes repealed: The bill (see report, p. 63) eliminates taxes from the following articles:

(1) Tooth and mouth washes, dentifrices, tooth pastes, and toilet soaps.
(2) Furs.
(3) Phonograph records.
(4) Sporting goods.
(5) Cameras and lenses.
(6) Chewing gum.

12. It exempts palm oil and palm oil residue from processing tax.

13. It exempts from excise tax the sale of supplies for certain aircraft.

14. It reduces the tax on sales of produce for future delivery from 3 to 1 percent, which should be of interest to the speculators who deal in "futures."

15. It removes the tax on ordinary matches.

16. It also eliminates the "hot oil" taxes.

TAX INCREASES IN THE BILL

1. The rate on insurance companies which now are given extensive tax privileges and pay little tax, is increased from 15 to 16 percent, so that they will pay a wee bit more under the bill.

2. Banks pay little Federal income tax under the present law, and their rate is increased from 15 to 16 percent. The same is true of China trade act corporations and corporations operating in possessions of the United States. (See sec. 14 (d) of the bill.)

3. A 2-percent tax is levied upon the sale of tractors to be used for highway transportation in combination with a trailer.

If this amendment is agreed to, I expect to offer a further amendment to strike from the bill the controversial section about which we have been fighting the windmill, which will raise very little revenue, anyway. It is conservatively estimated title I–B, or the so-called third-basket tax, will raise less than $30,000,000 of revenue. The provision contains cushions and all kinds of alternative payments and exemptions. The Ford Co. and all the other big corporations are admittedly exempted from the operations of the third-basket tax. Therefore, if you adopt this amendment and place in this bill the provisions of existing law with respect to the undistributed-profits tax, I shall offer this further amendment in regard to title I–B. The table on pages 6 and 7 of the committee report shows the effective rate on the undistributed profits of corporations under existing law will average less than 3 percent. The individual income-tax rates range from 1 to 79 percent, but the effective total corporation tax rate in this country, as shown by the table on page 6 of the committee's report, is only 13.52 percent.

[Here the gavel fell.]

Mr. McFARLANE. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Of course, that rate is computed on a base which includes intercorporate dividends. As the gentleman knows, 85 percent of the intercorporate dividends are not taxed. We tax only 15 percent.

Mr. McFARLANE. I understand; but that makes very little difference in the amount of taxes paid.

Mr. FRED M. VINSON. It makes a difference of 2 or 2.5 percent, approximately.

Mr. McFARLANE. When you add that 2 percent to it, you have less than half the corporation tax in effect in England, less than half the corporation tax in effect in France, and less than half the corporation tax in effect in Germany. We hear all this hullabaloo and this fighting-the-windmill talk here that we are taxing our corporations too much, when we really are taxing them less than half the rates in effect in all the countries of major importance in Europe.

What are we going to do about it? The committee report on page 5, in connection with corporations with net incomes in excess of $25,000, states this about the rate:

It is proposed to tax this group of corporations—

Of course, they discarded the normal tax rate of from 8 to 15 percent on these corporations and discarded the undistributed-profits tax on them, and inserted in lieu thereof the so-called 20–16 plan, under which these corporations will largely be relieved of that tax when they distribute these undistributed profits, which this table shows these corporations have been able to do without working any hardship upon them.

I call to your attention the fact this committee does not show you any record from the Bureau of Internal Revenue to justify the outright repeal of the undistributed-profits tax, so where do we get all of this agitation for its repeal? We get it from the National Manufacturers' Association, the United States Chamber of Commerce, the Liberty Leaguers, and that bunch of propagandists, who, as shown by Senator LA FOLLETTE's committee, have spent millions of dollars in the past 2 years in an effort to take this tax out of the law. Apparently Congress has swallowed that line of propaganda hook, line, and sinker. It is from those sources we get this propaganda.

Now, let me call your attention to what the committee admits it is doing under this proposed provision striking out the undistributed-profits tax. They say in the report:

This rate of tax, 20 percent, imposed by the bill upon corporations which are taxable under the general rule and retain all their earnings compares with a rate of 32.4 percent under the 1936 act. This represents a reduction of approximately 40 percent in the maximum rate of tax on such corporations.

This admits they are giving this group of corporations with over $25,000 net income a reduction of 40 percent. We were called here, apparently, to take care of the little corporations, and everybody is interested, apparently, in the little corporations. Let me call your attention to what the committee is doing to the little corporations. While they are repealing the undistributed-profits tax, they are jumping the effective rate from 11 percent to 14 percent, and they are increasing the little-corporation tax with a net income of $2,000 more than 50 percent, and, on a sliding scale, they are increasing the effective normal rate about 3 percent.

So I hope the committee will vote in favor of this amendment. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Texas [Mr. McFARLANE].

Mr. Chairman, I have listened with considerable interest to the remarks of the gentleman from Texas, who is one of the very diligent and able, conscientious, and patriotic Members of this House. I am always interested in anything he has to say touching legislation. However, I cannot agree with him as to his pending amendment.

It will be recalled by members of the Committee that when this question was up, or when the original undistributed-profits tax was enacted, the bill, as it passed the House, was not the same as the present law. Had the bill, as it passed the House, been enacted into law and not amended so vitally by the Senate, I am sure the hardships that have been alleged and which, possibly to some extent, exist, would not have been encountered.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Texas.

Mr. McFARLANE. At the time the gentleman presented the conference report, did not the gentleman tell us that the bill which had been worked out between the House and the Senate was a very satisfactory bill?

Mr. DOUGHTON. I do not recall making that statement. It was the best bill we could get under the circumstances. It was never satisfactory to me.

Mr. McFARLANE. The rates in the existing law of 7 to 27 percent on undistributed profits are quite different and

much lower than the rates in the House bill. The rates in the House bill were up to 47 percent.

Mr. FRED M. VINSON. If the gentleman from North Carolina will permit, up to 42 percent, as I recall, but the Senate increased the normal rate 3 percent. The normal rates as passed by the House and the Senate were 15 and 18 percent, and that is what we went to conference on.

Mr. McFARLANE. That is right.

Mr. DOUGHTON. Of course, we have two extremes of view in regard to this proposed legislation. There are those who think there should be nothing done while there are others who believe we should do too much. We have endeavored to steer between these two extremes and bring in a bill that we feel is justified after giving the matter most careful consideration.

My friend, the gentleman from Texas, alludes to the fact that in England and in France they levy a much higher corporation tax. In reply to that statement, I may say that in the first place I know that our financial condition today is not so desperate as it is in England, not requiring such extraordinarily high taxes, and I certainly trust we will never get in that condition. I also call the gentleman's attention to the fact that in England the conditions with respect to matters of taxation are not the same. They have there one taxing authority or one taxing jurisdiction, and the tax of 30 percent covers practically all the expenses of the British Government, while in this country we have a Federal tax, a State tax, as well as county and municipal taxes, with taxes upon taxes, and, after all, the one corporation tax is not the only tax that the taxpayers of this country have to pay. Therefore there is no analogy whatever between the taxing system of Great Britain and the taxing system of the United States.

Mr. KELLER. Mr. Chairman, will the gentleman yield for a question?

Mr. DOUGHTON. I yield to my friend from Illinois.

Mr. KELLER. Is it not true also that the English people pay exactly the same hidden taxes, as we call them, that we pay here?

Mr. DOUGHTON. Yes; probably to some extent. But they have but the one corporation tax, while we have State taxes as well as Federal taxes.

Mr. KELLER. But they have heavier taxes.

Mr. DOUGHTON. Mr. Chairman, I trust the amendment will be voted down.

[Here the gavel fell.]

The CHAIRMAN. If the Chair may be permitted to make a statement, there are now on the Clerk's desk six or seven amendments to title I that Members have sent to the desk. The Chair therefore thinks the Chair should recognize Members who have offered these amendments before recognizing Members who have pro forma amendments to offer.

Mr. GIFFORD rose.

The CHAIRMAN. Does the gentleman desire to discuss the amendment pending before the Committee?

Mr. GIFFORD. There is such a mass of pro forma amendments that it is impossible to say what amendment one would like to discuss.

The CHAIRMAN. No pro forma amendment is pending at the present time. The pending amendment is the amendment offered by the gentleman from Texas [Mr. McFARLANE], upon which debate is exhausted. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. McFARLANE) there were—ayes 16, noes 52.

So the amendment was rejected.

Mr. McFARLANE. Mr. Chairman, I offer another amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: Page 19, after the word "follows", in line 15, strike the remainder of the subsection and insert the following:

"Upon special class net incomes not in excess of $2,000, 8 percent.

"$160 upon special class net incomes of $2,000, and upon special class net incomes in excess of $2,000 and not in excess of $15,000, 11 percent in addition of such excess.

"$1,590 upon special class net incomes of $15,000 and upon special class net incomes in excess of $15,000, 13 percent in addition of such excess."

Mr. McFARLANE. Mr. Chairman, this amendment strikes out the increased normal rates on corporations under $25,000 net income. This is the first class. Let me give you a picture as to what existing law does to these small corporations, and first let me give you a picture of just why we have an alibi and an excuse for this bill being in here, if any excuse is needed. Big business told us that we had made a great mistake in the enactment of the undistributed-profits tax, and they have put into their slush fund an enormous sum of money, and Senator LA FOLLETTE's committee has recently clearly shown that. They have propagandized the country and scared a few Members of Congress into introducing bills right away to repeal outright the undistributed-profits tax. It is all based on the argument about the little corporation which we were going to help. Here is a fellow that needs relief, and I am very glad to help him if I can, but the little fellow that was supposed to get relief got it in the neck as usual. Under this bill they have repealed the undistributed-profits tax on the little corporations making $25,000 net income or under, and that affects 88 percent of the corporations of the country. But they increase the normal corporation tax on these small corporations of net income of $25,000 and less.

Tax on corporations with net income of $25,000 or less

Net income	Present normal tax	Tax under new bill	Amount of increase
$2,000	$160	$250	$90
$3,000	270	375	105
$4,000	380	500	120
$5,000	490	625	135
$6,000	600	765	165
$8,000	820	1,045	225
$10,000	1,040	1,325	280
$15,000	1,590	2,025	435
$20,000	2,240	2,725	485
$25,000	2,890	3,525	735

Table B, pages 6 and 7, of the subcommittee report, clearly shows from the records of the Revenue Department that the Revenue Act of 1936 was worth while, and the so-called undistributed-profits tax hardships we have been propagandized so much about are not borne out by the Government records. We have the effective rate on these small corporations, and it goes to as low as 2.64 percent—item 30 in said table—so the undistributed-profits tax was not hurting them very much. But we repeal that under this bill and increase the normal rate of from 8 to 15 percent in existing law to from 12½ to 16 percent under this bill, or an average of a little better than 3 percent. That will increase the normal corporation tax on small corporations with incomes of around $2,000 about 50 percent, and proportionately all down the line. Of course, it would not increase the amount that much if they had to pay a large undistributed-profits tax under existing law, but the records we have here do not show they paid very much taxes. But that is the falderal back of this legislation. Instead of giving these little corporations relief, as we were led to believe they were going to get relief—and I am in favor of giving them relief—the contrary is so; and I am striking at these increased rates for that purpose, because I do not think they ought to be taxed these increased rates.

This amendment strikes out these increases provided in the bill. The committee, of course, takes off the undistributed-profits tax and gives us some relief, but in lieu of that they have increased the normal corporation-tax rate from an effective rate of a little better than 11 percent to a rate of 14 percent; and this increase is more than they were paying under the undistributed-profits tax according to information I have available. If the committee has any information to the contrary, I would like to hear it; in fact, I wish the committee would tell the House, give the breakdown figures, if they can, showing where they expect to get

the revenue under the new bill anywhere nearly equal to the revenue under existing law.

I think we all agree that we should not increase the tax of the little corporation under this bill, yet under the rates effective in this bill their taxes are increased. You do not have to take my word for it, take the committee's report. On page 4 of the report they do not say what they are doing to the little corporations except to show what rates they are increasing. Take the second basket, these corporations over $25,000. They very boldly print in the report the fact that they are reducing that rate 40 percent. This is shown on page 57 of the report. Take the third basket, about which we have heard so much during the last 3 days of debate—title I–B; they admit that the tax paid under title I–B will yield only slightly less than the tax which would be paid on account of normal tax and undistributed-profits tax under the Revenue Act of 1936. In other words, in the third basket they are reducing their rate; but the little corporation gets it where the chicken got the ax; they are increasing its tax. So let us adopt this amendment and really help the small corporation that we are supposed to help. [Applause.]

[Here the gavel fell.]

Mr. FRED M. VINSON. Mr. Chairman, the gentleman from Texas asked for certain information, and I shall take just a minute to give him some of it.

The gentleman makes the statement that we have not helped the small corporation—argues that because the normal rate has been increased that we have not helped the small corporation. We have taken the undistributed-profits tax off the shoulders of corporations with net incomes of $25,000 and less, and the normal rate goes back to substantially where it was before we had an undistributed-profits tax.

If the gentleman will look in one of the tables—I do not know just which one it is—he will find that the effective rate upon $25,000 net-income corporations under existing law for total retention is 27.5 percent. Under the proposed bill this rate is reduced to 14.1 percent, almost 50 percent.

The facts are that in the smaller corporations there is less average distribution. As a corporation's income increases you find larger distribution until you get into the highest brackets, where you have a distribution of more than 90 percent. In our opinion there certainly are hardships and inequities for smaller net-income corporations resulting from the undistributed-profits tax, even though we tried to safeguard it with a $5,000 credit provision. The committee has made this recommendation to eliminate the undistributed-profits tax on corporations with net incomes of $25,000 and less. Certainly, I think the country as a whole is unanimously in favor of this provision, because it certainly gives 175,000 of the smaller corporations the break.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. McFARLANE. Will the gentleman tell the Members of the House from the Government records, if he has the information, just what effect this increase of about 3 percent in the normal tax will be, and whether or not the small corporation will pay more tax under the pending bill than it does under existing law? What do the Government records show on that?

Mr. FRED M. VINSON. I am afraid the gentleman from Texas does not understand what hardships and iniquities mean.

Mr. McFARLANE. Yes; I understand what they mean as well as the gentleman does.

Mr. FRED M. VINSON. The small corporation which has to retain its net income is the one that would pay the highest rates. The corporation that could distribute the net income would pay a lesser rate. If the $25,000 net income corporation retained it all, it would pay the 27½-percent rate. Under our proposal it is 14.1 percent. The trouble is we do not tax corporations on averages; we tax corporations on net incomes. While many corporations pay out total net incomes, yet those that need the money most—that is the point I want to drive home, not only in regard to this particular class but in regard to the 20–16 and in regard to the I–B group—those that need the money most, small corporations, are the ones that should receive the favored treatment.

Mr. KELLER. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Illinois.

Mr. KELLER. May I say that the gentleman did a splendid piece of work, but I would like to have this information. Take a corporation with a net income of $10,000. Will the gentleman tell us how much it paid under the old law and how much it will pay under the new law? I believe that would answer the whole question.

Mr. FRED M. VINSON. I may say that, beyond any question, they pay more under existing law and considerably more than they would under the proposed law. Under existing law with total retention a corporation with $10,000 net income would pay $2,080; under this bill, $1,325.

[Here the gavel fell.]

Mr. BRADLEY. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Texas [Mr. McFARLANE].

Mr. Chairman, I want to vote for the pending bill. I listened the other day to the gentleman from Kentucky very attentively and I think he gave as concise and as definite an explanation of an intricate piece of legislation as it was possible for anyone to give. I am indebted to him for some figures which I had intended to compile myself.

We are told that the present bill will provide the same revenue as does existing law. At the same time, substantial reductions have been given to corporations with very large incomes, which means that any reductions granted them must come from other sources. Maybe I am in error. However, I have taken the tables which were inserted by the gentleman from Kentucky in his remarks and I would like to have the gentleman explain them to me because, as I stated, I want to vote for this bill if possible.

I am selfish about this matter. It appears to me that the very type of businessman toward whom I look for support of my political philosophy is apparently being penalized by this bill in favor of those who consistently oppose everything that I believe in as part of my political philosophy. Under this bill they provide a flat rate of 12½ percent for certain small corporations, and this would be paid by corporations with an income of $2,000 a year.

Under the existing law, according to the table inserted in the RECORD, any corporation with an income of $2,000, provided it distributed 30 percent or more of its income, actually paid less than it will pay under the new bill. A corporation with an income of $10,000, if it distributed 50 percent or more of its income in dividends, pays less under the existing law in the combined normal and undistributed-profits tax than it will under the new legislation. This means that corporations with incomes of $2,000 and $10,000, and these corporations after all distribute a great proportion of their earnings, would, if they distribute 30 percent or more in one case and 50 percent or more in the other case, be forced to pay under the new bill higher rates than they paid both for the normal tax and undistributed-profits tax under existing law. I may have interpreted those figures wrongly, and I would like to have the gentleman from Kentucky [Mr. VINSON] explain to me if my interpretation is correct or not.

Mr. FRED M. VINSON. To what page does the gentleman refer?

Mr. BRADLEY. Page 2779 of the CONGRESSIONAL RECORD, the comparative tables under the proposed new legislation and the existing legislation. I deduce from them that a corporation earning $2,000 a year will pay under the new bill a rate of 12.5 percent. Under the present law they paid, if they distributed 30 percent in dividends, a tax of 12.5 percent; if they distributed 40 percent, 11.9. If they distributed 50 percent, they paid 11.2, and if they distributed 60 percent, they paid 10.6.

Mr. FRED M. VINSON. That is correct.

Mr. BRADLEY. Under the new law they will pay 12.5 flat regardless of distribution of dividends.

Mr. FRED M. VINSON. The point is that small corporations do not distribute as large a percentage in dividends. I was asked a moment ago about a corporation with a net income of $10,000. Under existing law with total retention the tax is 20.8. Under the proposed law, retention or no retention, it is 13¼. In other words, $2,080 under existing law with total retention and $1,325 under the proposed law.

Mr. BRADLEY. I grant that those which retain all of their income or a very large proportion of their income will pay less taxes under the proposed law. But it is the corportations which distribute their earnings that I am concerned about.

[Here the gavel fell.]

Mr. BRADLEY. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. McFARLANE. Will the gentleman yield?

Mr. BRADLEY. I yield to the gentleman from Texas.

Mr. McFARLANE. Here is the thing that the gentleman from Kentucky did not tell you about. Take these small corporations that pay out their total income in dividends and their rates under present law are much less than under the proposed bill. Their rates run from 8 to 12 percent.

Mr. BRADLEY. That is quite right.

Mr. McFARLANE. They pay a less tax under existing law than they will pay under the proposed law.

Mr. BRADLEY. A small corporation earning $2,000 a year which distributed all of its earnings, paid 8 percent in the combined normal and undistributed-profits tax. Under the new law that corporation will pay 12½ percent. A corporation earning $10,000 which distributed it all in dividends, paid 10.4 percent under existing law, whereas under this new bill they will pay 13.25 percent. I grant you there is some relief to those corporations which retain all of their profits. But who cares about them? I am concerned about the small corporations which do utilize their profits to pay dividends. They are going to pay more taxes under the proposed new law than are paid under the existing law. I believe they are the ones who will pay for the reduction in taxation which is being afforded to the large corporations under the provisions of the pending bill, and I do not think we should penalize small corporations in order to give relief to corporations with huge earnings.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. McFARLANE].

The question was taken; and on a division (demanded by Mr. McFARLANE) there were—ayes 33, noes 48.

Mr. McFARLANE. Mr. Chairman, I ask for tellers.

Tellers were refused.

So the amendment was rejected.

Mr. McFARLANE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: Page 170, after line 15 and before line 16, insert a new subsection to be known as subsection (f), as follows:

"(f) Compensation of officers and employees: Under regulations prescribed by the Commissioner with the approval of the Secretary, every corporation subject to taxation under this title shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered, if the aggregate amount so paid to the individual is in excess of $20,000. The Secretary of the Treasury shall submit an annual report to Congress compiled from the returns made containing the names of, and amounts paid to, each such officer and employee and the name of the paying corporation."

Mr. McFARLANE. Mr. Chairman, this is a verbatim copy of the existing law on this subject with regard to publicity of salaries, except for striking out "15,000" and inserting in lieu thereof "$20,000."

I hope you will not take seriously this propaganda of the National Association of Manufacturers, the Liberty League, the United States Chamber of Commerce, and others that is apparently sweeping some of you off your feet. It is the desire of the President of the United States that we keep on our statute books some way of obtaining information about large incomes. Certainly on behalf of labor and the consumers of America we are entitled to know how much we pay these large-salaried officials. There is not a man within the range of my voice who does not file an inventory of all his own property holdings, real and personal, in the city or county in which he resides each year. When you file this information it is public property. This talk about the so-called crooks profiting by finding out the amount of income of certain people is all poppycock. It is all baloney. It is the propaganda of the wealthy of this country who do not want to give any information on their incomes, especially information that may leak down to the stockholders and the Government in checking their income.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Illinois.

Mr. KELLER. Would not this amendment also result in giving some idea of what wages are being paid in this country and show what is being done to the men who produce the wealth of this country?

Mr. McFARLANE. That is exactly the purpose of it. This information will not be made generally public. It will go to the Committee on Ways and Means, which alone can publicize this information to whatever extent it sees fit. This is not going to be a wide-open proposition.

This amendment is simply the reenactment of existing law. When you file a property-tax return listing property holdings for taxes, this information becomes public property. Nobody is molested because of it. Why should we not to the same extent and to the same degree make public this information to which all of our people are entitled? Honest people do not object to telling the truth. We should certainly not be interested in protecting the crooks, yet that is what you do when you throw a cloak of secrecy around publicity in regard to income-tax returns. Some agency of the Government should have the right to know what these incomes are, and no other agency will have this information if you kill this amendment. If you do not adopt this amendment, you will be tying the hands of progress. You are tying your own hands and saying as Members of Congress and as the Representatives of 300,000 people each that you will not get this information and will not permit anybody else to have it; yet the people back home in the districts of every one of you file property renditions returns that give complete information. If you vote down this amendment, you are prohibiting that same information from being made available on the salaries affected that labor of the Nation makes possible and all the people pay for.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Michigan.

Mr. HOFFMAN. Does the gentleman include in his amendment Government officials, including the executives?

Mr. McFARLANE. My amendment covers all Government officials. If it does not, I would be in favor of such an amendment. I believe we ought to get complete information about anyone and everyone.

[Here the gavel fell.]

Mr. McFARLANE. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from New York.

Mr. MEAD. When this matter was being considered last year the House was informed there are four or five statutes already on the books which make it compulsory that publicity be given to salaries and bonuses and the larger incomes generally.

Mr. McFARLANE. Yes; but one at a time we have repealed all the others. This is the only one left. If you repeal this it is our last line of defense in getting any information concerning these salaries from all corporations.

Mr. ALLEN of Delaware. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Delaware.

Mr. ALLEN of Delaware. Did I understand the gentleman to say the President of the United States is in favor of this amendment?

Mr. McFARLANE. He is in favor of it. In a public interview he asked the Congress to keep this provision in the law. One at a time this committee has brought in measures striking from the statutes all the other provisions regarding publicity, the "pink slip" law and others. This is the last one, and they are now asking that this be repealed. Oh, will they make it a violation of law for us to ask any information from the Revenue Department! [Applause.]

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment.

Mr. BUCK. Mr. Chairman, it is not reasonable for any Member to get up on the floor of this House and say the omission of this provision from the revenue bill of 1938 will prevent information as to certain incomes and salaries becoming public. There are other ways that this information can be obtained than through the Ways and Means Committee.

Corporation income-tax returns are available for inspection by any bona fide shareholder of record owning 1 percent or more of the outstanding stock of any corporation. That is the first publicity provision. The Securities Act of 1933 provides, in schedule A, subsection 14, for publicity of—

> The remuneration paid or estimated to be paid by the issuer or its predecessor * * * (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them wherever such remuneration exceeded $25,000 during any such year.

The Securities and Exchange Act of 1934 provides for the submission of information containing certain incomes and salaries. I read from section 12 (b) (1) (D) and (E) of that act:

> A security may be registered on a national securities exchange by the issuer filing an application with the exchange (and filing with the Commission such duplicate originals thereof as the Commission may require), which application shall contain—
>
> (1) Such information in such detail as to the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer, and any guarantor of the security as to principal or interest, or both, as the Commission may by rules and regulations require, as necessary or appropriate in the public interest or for the protection of investors, in respect to the following:
>
> * * * * * * *
>
> (D) The directors, officers, and underwriters, and each security holder of record holding more than 10 percent of any class of any equity security of the issuer (other than an exempted security), their remuneration and their interests in the securities of, and their material contracts with, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer.
>
> (E) Remuneration to others than directors and officers exceeding $20,000 per annum.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. KELLER. If that is true, why should we take out this provision?

Mr. BUCK. I will tell the gentleman why. Because the office of the chairman of the Ways and Means Committee [Mr. DOUGHTON]—and the chairman is too much of a gentleman to come before you and say this for himself—becomes a nest for publicity-seeking individuals and snoopers and those who want to make up sucker lists that have been so much derided here. They are sucker lists, no matter what you may think about it. Perhaps those who are on these lists do not like to be called suckers, but that is what they are being played for. As soon as the report of compensation paid to officers and employees of corporations is transmitted to Congress it becomes a public document. We have, as a committee to which the report is referred, no choice as to whether it shall be scanned or not. Congress has never ordered these reports printed—they are just there for inspection by good or evil intentioned individuals who simply obstruct the transaction of public business by blocking the chairman's office.

Mr. KELLER. Is there any way that any Member of this body can get the facts in relation to the income of this country?

Mr. BUCK. Certainly.

Mr. KELLER. How?

Mr. BUCK. Does the gentleman refer to the salary?

Mr. KELLER. Salaries or any income. I would like to know the incomes of these men and I have tried 40 times to get this information, and I cannot get to first base on it.

Mr. BUCK. Why not?

Mr. KELLER. Because they will not tell you.

Mr. BUCK. Certainly you can. The gentleman can get the information because this is public information.

Mr. KELLER. They say it is against the law to give out the information.

Mr. BUCK. It is not against the law.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. McFARLANE. In answer to the gentleman I may say that the only way we can get this information is to have it come through your committee, and now you are endeavoring to stop this.

Mr. BUCK. Wait a moment; I do not yield further.

Mr. McFARLANE. I am just telling the gentleman that that is the plain, simple law, and the only way we can get this information is from the gentleman's committee.

Mr. BUCK. And the only way we can get information about appropriations is to have it come through the gentleman's committee.

Mr. McFARLANE. But there is nothing secret about it.

Mr. BUCK. There is nothing secret about this. It is a public document.

I believe the gentleman further said that it was within the control of the Ways and Means Committee as to whether this information should be made public or not. It is not within the control of the committee. As soon as the matter is referred to Congress it becomes a public document and everybody who wants to get up these sucker lists come there to get the information. If anyone has any doubt about the sucker——

Mr. BRADLEY. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman.

Mr. BRADLEY. I simply want to make the observation that this is one sucker list a good many of us would like to be on.

Mr. BUCK. That may be true.

Mr. KELLER. If we leave out this provision, then we will not be able to get this information from the committee.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. BUCK. If we leave out this provision, I will say to my good friend from Illinois, all it will do will be to relieve the Ways and Means Committee from the grievous burden it has at the present time and require people to go to the Securities and Exchange Commission to get the information. They will get exactly the same thing they are getting now. The gentleman who is now sitting behind the manager's table can give you the figures with respect to the salary of every corporate officer in the United States, not from our list but from the information furnished by the Securities and Exchange Commission. I am fearful that my friends here do not understand the terrible burden they put on the chairman of the Ways and Means Committee by asking him to supervise the distribution of the information as to thou-

sands of individual returns. It is not a proper duty of this committee.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the gentleman may have 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the chairman of the committee.

Mr. DOUGHTON. In regard to what the gentleman from California has said with respect to this list, I am sure the Members of the House do not understand the procedure by which it is handled. The information is forwarded to the Speaker of the House of Representatives and he, in turn, refers it to the Committee on Ways and Means. There is an armful of this material, making up several books as large as the one I have before me here. It is a loose-leaf system, and when it is referred to the Committee on Ways and Means it becomes a public document and comes to me as chairman of the Ways and Means Committee. As soon as this is reported in the press the representatives of the newspapers come to me to see the report. I do not know exactly how many of them come, but there are dozens of them who want access to this information. They fill up the committee room and all the time of one of my clerks is taken up in looking after the matter, because if any of the information is lost we are responsible for it, and one of the clerks either in my office or in the Ways and Means Committee room has his time occupied in handling and in protecting this report. If you are going to adopt this amendment, you should certainly provide some facilities whereby the work can be taken care of. There are always anywhere from one to a dozen persons at one time wanting access to this report and they fight over it and find fault with me about it. It is a nuisance and an unnecessary burden I have had to tolerate and one that I hope I will in the future be relieved of.

Mr. BUCK. Mr. Chairman, the point I am trying to emphasize is that this information is now available and all you are doing here is to burden the gentleman from North Carolina and the Ways and Means Committee with duplicating a task which is already performed excellently elsewhere. I have here proof of this statement. I hold in my hand a copy of the CONGRESSIONAL RECORD of April 27, 1937, where this matter was fully debated. It was then discussed on its merits and the House by a vote of 231 to 113 adopted a provision providing for the repeal of this publicity insofar as it affects the Ways and Means Committee.

I might agree with the gentleman from Texas [Mr. MCFARLANE] or with the others who say that there should be publicity required somewhere by statute, but it is there already. That is the point that I am trying to make.

Mr. BOILEAU. The gentleman referred to the tremendous amount of work placed on the gentleman from North Carolina. I can appreciate the gentleman's viewpoint.

Mr. BUCK. Oh, I did not say a great amount of work. I said the nuisance of having people interfering with orderly work.

Mr. BOILEAU. That is what I had in mind—the trouble about it all. I would suggest if we place this in the bill that we appropriate for one clerk who would have charge of these matters.

Mr. BUCK. I thought the gentleman was in favor of reducing the Budget instead of adding clerks to increase the Budget.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. MEAD. I notice in the summation in favor of repeal of the pink slip——

Mr. BUCK. But this is not the pink slip.

Mr. MEAD. I mean from the record the gentleman has before him. There is a statement made by one of the members of the House that we have now four or five different statutes which have for their objective securing of publicity in matters of this character. We have, as the gentleman says, the language in the Security Exchange Act, as one method, and then we have the publishing of larger incomes as another method, and I am wondering what the other two or three are.

Mr. BUCK. Inspection by shareholders of returns is one method. Further, does the gentleman recall that now under the income-tax law it is necessary to file a duplicate return?

Mr. MEAD. Does that give information in respect to income and salary?

Mr. BUCK. Certainly it does.

The CHAIRMAN. The time of the gentleman from California has expired. The gentleman from Arkansas has a substitute amendment pending.

Mr. FULLER. Mr. Chairman, I ask unanimous consent to withdraw the substitute in order that we may have a vote on this.

The CHAIRMAN. Is there objection?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. BUCK) there were—ayes 57, noes 71.

Mr. MCFARLANE. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. MCFARLANE and Mr. DOUGHTON to act as tellers.

The Committee again divided; and there were—ayes 71, noes 104.

So the amendment was rejected.

Mr. TREADWAY. Mr. Chairman, I have an amendment which I desire to offer.

The CHAIRMAN. The gentleman from Arkansas has an amendment pending which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. FULLER: Page 170, after line 15, insert: "(f) Compensation of officers and employees: Under regulations prescribed by the Commissioner with the approval of the Secretary, every corporation subject to taxation under this title shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered, if the aggregate amount so paid to the individual is in excess of $75,000. The Secretary of the Treasury shall submit an annual report to Congress compiled from the returns made containing the names of, and amounts paid to, each such officer and employee and the name of the paying corporation."

Mr. FULLER. Mr. Chairman, I have voted for every one of these amendments that have been presented for publication of salaries. I voted for the Boileau amendment of $15,000 and the McFarlane amendment of $20,000. I think one should have been adopted. They have all failed. I have introduced one to make the amount $75,000 and over. That is against my real ideas as to what should be in the law, but I am for wide publicity of salaries, and it is better to get something than to get nothing. The gentleman from New York [Mr. FISH] suggested that if we would offer it as $100,000 he would accept it, and some of the Republicans would vote with us. I have offered one for $75,000. I did not want to follow the gentleman's suggestion. I trust that you gentlemen of the minority will seriously consider this. The majority of the Ways and Means Committee is content to go along with this amendment. The Ways and Means Committee has been put in this kind of position. Last year the committee reported and passed a bill to repeal publication of salaries, commonly known as the "pink slip." I was opposed to that measure. It is now over in the Senate, where I am sure it will always be forgotten. It is never going to come out of the Senate, and it ought not to. In that attitude, this committee could not well reverse itself. So the committee, as a whole, is rather on a spot. I tell you gentlemen on the majority side of the House that the Chief Executive of this Nation is just as strong for this measure as for any measure that he has ever been for. It is just and proper that the amount of large salaries drawn by officials of corporations should be publicly known. The public rightfully demands it. When they tell us one can go to the

Treasury Department and get a list of those who are paid large salaries they are most grossly mistaken.

The same applies to the social security. The high-paid officials and their corporate friends do not want the public to know the enormous salaries they draw. In most instances it is taken from the stockholders and the public. Big business officials prefer that the public know nothing of the inside transactions. They want secrecy. Of course, there are exceptions.

This amendment makes publication mandatory as to those who receive annual salaries of $75,000 or more.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Yes.

Mr. RICH. If the Chief Executive is for it, that is a good reason why Members of Congress should use their own intelligence and vote against it.

Mr. FULLER. That may be a good reason for the gentleman from Pennsylvania, but not for me. I do not always follow his recommendations, but certainly I am not influenced by hatred. This may affect the gentleman from Pennsylvania a little bit. People ought to know if he is serving in Congress and drawing $75,000 a year. I wish I could get on the so-called "sucker" list so that they could publicize me. All of you gentlemen who have constituents afraid of publicity vote against this amendment. But I tell you one thing, a salary publicity amendment is going to be in this law before this bill is enacted, and we had better do something over here in order to get credit for ourselves. [Applause.]

Mr. RANDOLPH. I may state to the gentleman that I have an amendment on the Clerk's desk calling for publicity on salaries above $100,000. I am certain that the gentleman seeks to show only the excessive salaries, not reasonable salaries, and I support him.

Mr. McFARLANE. Mr. Chairman, if the gentleman will yield, let me say that nobody can get any information on income-tax returns or the amount of salaries if an amendment such as this is not adopted, because under this bill it is not permissible.

Mr. FULLER. Absolutely, there is no way in the world to get it otherwise. The chairman of our committee [Mr. DOUGHTON] is one of the most beloved men in this entire House. It is entirely inconsistent with his able legislative experience of over a quarter of a century to be opposed to it; when the amount was fixed at $15,000 in the former law and the reports were filed with the Ways and Means Committee, of which he is the able chairman, the constant clamor for inspection and copying of the list in his office was almost enough to drive him wild. [Applause.]

[Here the gavel fell.]

Mr. FULLER. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. LANZETTA. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. LANZETTA. Does the gentleman speak of the man making $75,000 a year as a "sucker"?

Mr. FULLER. No. They say they are on the "sucker" list, because when this is known some seek to make a "sucker" out of him. But a man who can make $75,000 annually is no "sucker."

I am one of those who believe that where the railroads of the country are bankrupt, where they are living off of the Government by reason of loans and favors; where they are coming to the Government agencies every month or so asking for increases in passenger and freight rates, that it is un-American, that it is contrary to everything for which democracy stands, that we should allow them to pay their presidents hundreds of thousand of dollars a year in salaries. [Applause.] When it comes to these corporations such as the General Motors, which is owned by the general public, the stock of which is on the stock exchange and one of the greatest gambling stocks in all America, I say to you that it is outrageous and a travesty for the directors of such companies to pay themselves and a great number of their officials salaries ranging from $300,000 to $550,000 a year. It is not the money they have invested that entitled them to these salaries, it is not their ability, it is the pull they can exert through proxies to elect the directors. The stock of this company in the last few years has declined in value on the stock market more than 100 percent, which is a loss to the buying and speculating public. How long can the public have confidence in such corporations where their stocks decline in value and the companies continue to pay outrageous and unreasonable salaries? This does not only apply to this one corporation, it is general. The most honored office in America is that of the President of the United States. Are these numerous officials of publicly owned industries and corporations possessed of more ability and entitled to more than $75,000 a year which we pay our President? [Applause.]

Make public the salary these corporate officials receive and it will have a wholesome tendency to protect the "suckers" who invest in their stocks and stop bankruptcy for many of these great corporations.

My colleagues know that I am not prejudiced against ability, thrift, and success. To the man who, by his perseverance, honesty, and ability accumulates a fortune I feel like tipping my hat in admiration. This is the true American spirit, he is out in the open and above board, and does not seek to have the public, through sale of stocks and other devices, protect him and make him rich. [Applause.]

But I have no friendship for those who organize and manipulate, by sale of stocks and bonds, great corporations and sell their stocks for much more than they are worth, and then make a "sucker" out of the general public by voting themselves outrageous salaries and commissions. All of these high-paid salaries are charged up to the consuming public and increases the prices of the commodities, most of which are the necessities of life. Such a procedure could not be followed in any other country but America. It takes the searchlight of publicity and investigation to stop such un-American and unjust procedure. No one who knows me would ever accuse me of being a radical, but the time has come when this high-salaried procedure of officials of big corporations, which is nothing but a racket, has got to be stopped. The American public wants to know, and will know, the procedure and salaries paid, and will fail to have confidence in and fail to patronize these corporations which pursue such a course. [Applause.]

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. COCHRAN. Does not the gentleman think it is proper for the public to know, as was brought out in the Senate committee hearings, when a railroad president is laying off the employees of his road, yet has his salary raised from $80,000 a year to $140,000 a year?

Mr. FULLER. Certainly I do. That is only one of thousands of such instances.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. DOUGHTON. I have no desire to speak for the committee, and do not attempt to do so; but, so far as I am concerned, I have no objection to telling the gentleman that we are for him. [Applause.]

[Here the gavel fell.]

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I wish to speak very briefly. I have generally taken the floor when this matter has been presented. I can again see a great desire to yield much, yet hold to the principle. Cut down the figures but stick to an erroneous principle. I recall when the first income-tax payments were made public. In my State the names of the Congressmen were the first ones most eagerly published and scanned. I remember the dreadful mistake made when the R. F. C. loans to banks were published and that their ruin might be

hastened. We have seen this so-called pitiless publicity advocated again and again, and then gradually abandoned until there is really some hope for sanity in such matters.

It is most interesting to learn other peoples' secrets and most difficult not to divulge them. He said to her, "Can you keep a secret?" "Yes; and I can find 50 others to help me keep it." [Laughter.]

There are other ways of getting this delightful information about the salaries of your neighbors by asking the Ways and Means Committee to ask the Treasury Department because they have a right to such information. It is made easier since duplicates of income-tax returns have now been required and Government authorities can furnish this information more readily, and you can then share the secret with everybody.

You have voted down $15,000; you have voted down $20,000. But by voting for $75,000, you will be able to stick to the principle, just the same as you are sticking to this principle of taxing undistributed profits in this main revenue measure.

Mr. RICH. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Pennsylvania.

Mr. RICH. Does the gentleman think, under present-day conditions, there will be anybody but the President of the United States who will have a salary over $75,000 a year if the amendment is agreed to?

Mr. GIFFORD. Why, yes. I understand that some lieutenant colonels get more than that by way of salaries and commissions of various kinds. When you really desire to protect particular persons, it seems to present but little difficulty. We once heard of a particularly interesting return being brought before this committee, but the public could get no information thereon.

Why is it the public's business to be informed by the processes of law as to salaries any more than as to commissions and earnings? Why so much animus against the General Motors Corporation? It is a combination of many former companies. These men were drawing large salaries from the several units previously. Whether we like it or not, they would probably be taken over by the large company with even larger salaries than they formerly received. Contemplate the Government reorganization bill when it comes to us for consideration. How many of those at the head of various bureaus will be eliminated by placing them under one large department of the Government? Of course, they will still be retained and probably at a higher salary because they will be so absolutely necessary to advise the politician appointed to head the new department created.

[Here the gavel fell.]

Mr. GIFFORD. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LAMNECK. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Ohio.

Mr. LAMNECK. I notice there are a lot of people around this House who want these salaries publicized, but they do not want the tax publicized that the Government takes from one of these salaries. I read from page 3911. Speaking about Mr. Sloan's salary, he drew $561,000, and when Uncle Sam got through with him and when the State of Michigan got through with him, they took $405,000 of his salary. They do not tell you the whole story.

Mr. GIFFORD. Yes; read the tragic story of Freddie Bartholomew, who receives $100,000 annually, but at the end of the year necessarily owes some $35,000. The Federal and State governments take $67,000. Being a minor, he has been obliged to pay some $15,000 to lawyers. A large sum to his parents, we learn. It is a sad story.

Mr. Chairman, they do not wish to look at that side of the picture. This is the thought I desire to express in reference to the particular bill under consideration. Amendments to be offered have not the slightest chance of adoption. If the Wadsworth amendment which was offered, and which was a most reasonable one presented for the purpose of relieving a corporation of a punitive tax that it might make a small payment on its indebtedness, then it is indeed hopeless to expect further change or relief.

Even the wishes of the White House relating to publicity are flouted. Verily, the committee takes much pride in its handiwork, and because of its complexities few dare challenge even its plain and understandable provisions of doubtful benefit.

This whole tax bill must be somewhat regarded as a matter of psychology. A favorable reaction to it on the part of business is what this country most needs. This has been the Republican appeal. There is something involved here beside the cold, hard logic of the gentleman from Kentucky as to its exact effect in certain cases. The public has demanded abandonment of the punitive principle. I ask you to consider this matter of psychology. Ponder the startling business failure announced today. Does it portend trouble? The psychology of this is not good. Recall the psychology of 1929. It is a favorable psychology that we have been begging you to strive for in connection with this tax bill. Repeal fully the undistributed-profits tax and the capital-gains tax and the resumption of profitable business will probably bring to the Treasury more revenue than otherwise. We discuss the possible losses from its repeal, but a discussion of its good effects on business might prove to us that the results of repeal would be highly profitable to the country. If our businessmen can be believed, happy would be the result of such action.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I offer an amendment to the amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. BUCK to the amendment offered by Mr. FULLER: At the end of the amendment offered by Mr. FULLER, change the period to a comma and insert the following language: "and the same shall be made available to the public through the Department of the Treasury."

Mr. BUCK. Mr. Chairman, I wish very briefly to explain the amendment, because I think it will bring all of us into accord on this subject. Personally I have no objection to publicizing income-tax returns, but, as I told you before, they are already available through the Securities and Exchange Commission. I do feel that the House, under the language of the existing law, has placed an undue burden upon the Ways and Means Committee in having these income-tax returns referred to and publicized by that committee. I believe that if you agree to the addition of these few words, which would make this information available through the Department of the Treasury, there is no reason why any Member should not vote for it.

Mr. BOILEAU. Mr. Chairman, I move to strike out the last word.

May I ask the gentleman from Ohio [Mr. LAMNECK] to repeat the figures which he gave in referring to Mr. Sloan's income and the amount of money taken from Mr. Sloan in the form of income taxes. As I understood the figures, something over $500,000 was his salary, and the gentleman from Ohio stated that around $400,000 was taken from that salary in the form of a tax.

Mr. LAMNECK. That is correct.

Mr. BOILEAU. The gentleman states that is correct. That is substantially as I understood his statement. I want to point out the fact there is no such tax on that salary. He must have had a tremendously larger income in addition to that salary.

Mr. LAMNECK. I said that included the State and Federal tax; the State income tax and the Federal income tax.

Mr. BOILEAU. Is that the tax on his salary only?

Mr. LAMNECK. Yes.

Mr. BOILEAU. Does that include other income in addition to his salary? Is that the total amount of money on which he paid a tax?

Mr. LAMNECK. I am taking the statement in the RECORD.

Mr. BOILEAU. Is that the total amount of money on which he paid a tax or is that the tax only on his salary?

Mr. LAMNECK. Only on his salary.

Mr. BOILEAU. I know the gentleman is stating what he honestly understands to be the fact, but I see several members of the Ways and Means Committee shaking their heads, which would indicate that the gentleman is in error.

Is that supposed to be a tax of 80 percent on his salary? There is no tax as high as 80 percent of his salary. That must be a tax upon his salary and other income combined, and this indicates his total income must be far in excess of his salary, which is more than $500,000.

Mr. MCFARLANE. It covers all his other allowable deductions.

Mr. LAMNECK. His salary was $561,311. The Federal Government took $349,000.

Mr. BOILEAU. Out of that salary?

Mr. LAMNECK. The State took $55,881.

Mr. BOILEAU. The gentleman is on the Committee on Ways and Means. What is the highest income-tax rate on incomes of $500,000?

Mr. LAMNECK. I do not know exactly. I would say it is probably between 60 and 70 percent.

Mr. BOILEAU. On incomes of $500,000?

Mr. LAMNECK. According to the tax law, if the man had a salary of $500,000, his tax would be $286,000.

Mr. BOILEAU. The gentleman states the Federal Government took $300,000.

Mr. LAMNECK. But he made more than $500,000 in salary; he made $561,000.

Mr. BOILEAU. May I call the gentleman's attention to the fact that his figure of $286,000 is a long way from $300,000?

Mr. LAMNECK. But the State collected a lot of money from him.

Mr. BOILEAU. The gentleman just finished saying the Federal tax was over $300,000 on his salary.

Mr. LAMNECK. It is.

Mr. BUCK. If the gentleman will yield, the surtax upon an income of $500,000 is $286,000. In addition to this, there is the 4-percent income tax upon his normal income, whatever that may be, which would bring his tax, under ordinary circumstances, to over $300,000, or approximately $306,000.

Mr. BOILEAU. That is the Federal tax on that income?

Mr. LAMNECK. In addition, there is the tax paid on the $61,311 of income beyond the $500,000.

Mr. TRANSUE. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield to the gentleman from Michigan.

Mr. TRANSUE. There is no income tax in the State of Michigan. I am wondering to what tax the gentleman from Ohio was referring.

Mr. LAMNECK. The State might have been New York.

Mr. TRANSUE. I am wondering if the gentleman meant the State of Michigan.

Mr. LAMNECK. The State tax, whatever State it was.

Mr. TRANSUE. There is no income tax in the State of Michigan.

[Here the gavel fell.]

Mr. MARTIN of Colorado. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I am not fearful that this tax bill will unduly burden taxpayers in the highest brackets. My fears are allayed by some very recent tax history. I recall that as late as 1934 Mr. J. Pierpont Morgan, the international banking emperor, came before the Senate Banking Committee and admitted that neither he nor his 19 kings of finance had paid a dollar of income tax for 3 years under the existing law.

Mr. FLETCHER. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I am sorry; I do not have time to yield.

Mr. FLETCHER. Mr. Morgan paid his tax in Great Britain, but not in the United States.

Mr. MARTIN of Colorado. Yes; Mr. Morgan had better pay his tax in Great Britain, because they have a way of doing things with them over there if they do not, and we ought to try it in this country. But he came to Washington and got away with it and went away popular for the first time in his life.

Then in 1935 the New Deal passed a revenue act to plug up the loopholes, but it was discovered that the big fish had again escaped the net. When Emperor Morgan returned from the coronation of his friend King George and it was put up to him by the news correspondents who met him at the dock, he is quoted as saying:

> It is not moral question. As far as taxpaying goes you do what you are compelled to do by law. If Congress makes stupid mistakes—and that means Republican as well as Democratic Congresses—it is up to Congress to correct them.

Mr. Chairman, these cynical observations carry much wider implications than the income tax. They throw a revealing sidelight on the attitude of a class. The terrific onslaught against the Revenue Act of 1936 is only one more manifestation of the will of wealth, which has resisted every attempt of Government to tax, regulate, or control wealth; not to submit.

This callous philosophy, coming from America's first citizen, was chided even by the metropolitan press. They may not dissent privately from Mr. Morgan's views, but they thought it impolitic to say it out loud.

Even while the loophole act was in process of passage the talk went around the Capitol that the Wall Street lawyers and tax experts were going over the text with a microscope. How successful they were is evidenced by Mr. Morgan's comment. No doubt the present bill is now on the dissecting table. No doubt the legal Jimmy Valentines are getting out their tool kits. It is the old story of the burglar and the safe. It is not merely a matter of finding loopholes but of inventing them. Who could have foreseen the incorporated pocketbook?

When this era ends, the era of the reign of the corporation, the country ought to build a monument to it—a symbolic monument. The monument ought to be the incorporated pocketbook. It might carry appropriate reliefs such as the incorporated yacht, and it might be pedestaled on the 10-story holding company.

And yet, Mr. Chairman, I would not knowingly unjustly tax any citizen or any type of business. I do not know of an individual or a corporation I would penalize. The trouble with me is I do not know what the just tax is, and I cannot expect to find out from the inventors of the incorporated pocketbook, and the incorporated yacht, and the 10-story holding company, and many other devices for defrauding both the public and the Government.

I must in the main assume that the administration and the committee are sufficiently informed to ascertain and sufficiently courageous to propose just taxes. I have ample knowledge to enable me to vote for such taxes in spite of the outcry, without fear that the kings of finance will be, like nearly half of the American people, wearing their pockets inside out. [Applause.]

Mr. FULLER. Mr. Chairman, on behalf of myself, and voicing the sentiment of the Ways and Means Committee, we are willing to accept the amendment of the gentleman from California [Mr. BUCK] to have the Treasury make this list public instead of the Ways and Means Committee. [Applause.]

The CHAIRMAN. The question is on the amendment to the amendment offered by the gentleman from California.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. TREADWAY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Page 131, strike out lines 12 and 13 and insert in lieu thereof the following:
"be the partial tax plus either:
"40 percent of the net long-term capital gain, or
"12½ percent of the net long-term capital gain computed (despite the provisions of subsection (b)) by taking into account 100 percent of the recognized gain or loss realized within the taxable year from sales or exchanges of capital assets held for more than 1 year,
whichever is the lesser."

Mr. TREADWAY. Mr. Chairman, it is axiomatic that any capital-gains tax which prevents capital transactions will produce less revenue than a reasonable tax which allows such transactions to be made.

The amendment I have offered is applicable to the so-called capital-gains tax. My argument in support of it is contained in the minority report. I wish to read a few paragraphs in the minority report which apply to this particular amendment, which are as follows:

We of the Republican minority advocate a return to the 12½-percent limit on capital gains which was in effect from 1921 to 1934, when the present scheme, which the bill continues, was put into effect.

Under our suggestion taxpayers would have the option of paying the rates provided under the bill or of segregating their entire capital gains from other income and paying a flat tax of 12½ percent thereon.

Such a tax would have the virtue of certainty and, at the same time, would not impede the sale of capital assets or discourage investments in new productive enterprise.

We think it very significant that during the period when the 12½-percent limit on capital gains was in effect the revenue from this source of income made up as much as 50 percent of the total income-tax collections from individuals, whereas in 1934 and 1935, under the present system, it made up but 3 percent and 13 percent, respectively. This is shown by the Treasury Department table (exhibit 5a) published on page 116 of the hearings.

Mr. Chairman, the capital-gains provision in this bill absolutely dries up capital transactions. The present rate and the proposal of the committee provide more of a burden than could be carried. You are therefore seriously interfering with and actually preventing capital transactions.

I realize that in all probability the astute gentleman from Kentucky will rise and ask what will make up the difference in the revenue. The difference in the amount, Mr. Chairman, will be made up from additional capital transactions that will be engaged in, provided such an amendment is adopted.

This is one of the three outstanding features of the Republican objection to the present bill, and therefore I ask that this amendment be given the careful consideration of this House. We should return to the method of securing additional taxes which was in effect prior to 1934, when this 12½-percent rate applied. However, we have done in the bill just what we have done in many other instances. We have grabbed for too much, and as a result we have received little or nothing.

I want to help the revenues of the country, I want to help the administration get more revenue because they are certainly spending more all the time, and if we have to meet these expenditures let us meet them manfully.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I shall only ask the indulgence of the Committee for a moment to reply to the gentleman from Massachusetts. I rise in opposition to the pending amendment.

I do not deem it necessary to say more than simply to point out the fact that the adoption of this amendment would practically destroy the efforts and the work of the committee in bringing in the capital gains and losses provision of the pending bill.

The provisions of this bill are of material benefit to the people of this country. The abrupt drops and changes on account of the periods held of securities, as provided in existing law, are very considerably remedied and improved in this bill. We have provided an even system and we think it will greatly accelerate transactions and will improve the stability of the revenue and at the same time will be of benefit and advantage to the people of the country.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. I want to make a confession of error to the House. I always like to be accurate in my statements, and on yesterday when the gentleman from Massachusetts offered his amendment lowering the rate of corporations we made a hasty estimate and I made the statement to the House that the amendment offered by the gentleman from Massachusetts would cost annually in revenue between $200,000,000 and $250,000,000. I was in error in that estimate. The Treasury states it would cost $308,000,000 annually.

Mr. COOPER. Mr. Chairman, of course, the fact is that the gentleman's amendment offered now would seriously affect the revenue. There can be no doubt about this. One moment the gentleman says he is in favor of balancing the Budget, he is in favor of producing the amount of revenue that is necessary to support the Government, yet he is continuing to offer amendments which would have the effect of reducing the revenue provided under the pending bill. I can see no consistency in that proposition.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. REED of New York. Would the gentleman be kind enough to explain how this would wreck the bill and reduce the revenue of the Government?

Mr. COOPER. In answer to the gentleman I simply refer him to the statement made by the gentleman from Massachusetts [Mr. TREADWAY]. He admits there will be a reduction in the revenue.

Mr. TREADWAY. Oh, no.

Mr. COOPER. And he said it will be made up by increased transactions.

Mr. REED of New York. Does the gentleman believe there is a Member on the floor of this House who has watched the operation of a tax who believes that it will reduce the revenue; that is, that this proposal will reduce the revenue?

Mr. COOPER. Of course, it will.

Mr. REED of New York. How can it, when it will stimulate business activity?

Mr. COOPER. Of course, you have that speculation.

Mr. REED of New York. It is not speculation.

Mr. COOPER. It may stimulate transactions; but, while the Government is losing revenue, waiting for stimulation of transactions, what is the Government going to use for money to pay the operating expenses of the Government? Eighty-five percent of all of these capital gains are in stocks and bonds and securities on the stock exchange, and only the small percentage of 15 is spread out over all other capital transactions. Of course, it will cost the Government revenue. There can be no doubt about that. The same argument is frequently advanced by others, who want a reduction of the tax rate and would justify it by saying that if you reduce the rate, the velocity or the increased stimulation of business will produce more revenue; but that is speculation. The provisions of the pending bill will improve the stability of the revenue. The amendment should not be adopted.

The CHAIRMAN. The time of the gentleman from Tennessee has expired. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. TREADWAY. Mr. Chairman, I move to strike out the last word. In view of the statement of the gentleman from Tennessee, I simply want to quote in reply thereto statements made by a former very strong supporter of the New Deal, and I am not so sure but what he still is, but he is

one of the outstanding elder statesmen of this country. With all due respects to the opinion of the gentleman from Kentucky [Mr. FRED M. VINSON], and the gentleman from Tennessee [Mr. COOPER], I think so far as actual business experience is concerned the gentleman that I am about to quote is fully in their classification at least. They have simply expressed an opinion. I express one also, directly opposite to theirs, but I put my opinion up against theirs so far as actual ability to analyze this situation is concerned. However, the man that I am about to quote now you have all recognized as an authority and the country and the world knows of him as one of the outstanding businessmen of the country, one of the principal advisers of this administration. Let me read to you what he said. These are the quoted words of Mr. Bernard M. Baruch, when he appeared before the Senate Unemployment Committee. Speaking on the undistributed-profits tax and the capital-gains tax, and their effect upon the national economy, he said:

> But when we come to examine the effect of the undistributed-profits tax and the capital-gains tax on the creation and expansion of new industries, we find that the effect of them on new enterprises is practically to arrest them. * * *
>
> I shall not elaborate the copious testimony that you have had here on the necessity for modification of the capital-gains and undistributed-profits tax. Instead of encouraging expansion and activity which make for increased national income, which is our surest and best way to increased revenue, they have greatly repressed both. They are the outstanding instances of failure to apply the law of diminishing returns to our problems of revenue and taxation.

It seems to me, Mr. Chairman, that that opinion, as a disinterested expression of opinion of a great financier, is worth more than the prejudiced and partisan statements of the two gentlemen to whom I have just referred.

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the pro forma amendment. The gentleman from Massachusetts [Mr. TREADWAY] has quoted Mr. Baruch, saying that the undistributed-profits tax and the capital gains and loss tax should be modified. That is exactly what is done in this bill. Substantial modification of the capital gains and loss tax has been made, as the gentleman knows. I do not accuse the gentleman from Massachusetts and his party of being unpatriotic, but they have no responsibility so far as the revenue raised by this bill is concerned.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. TREADWAY. Does the gentleman mean to say that we have no responsibility in this House? I say that we have. We have a responsibility to the people who send us here to represent them. It seems to me that that is a responsibility that we are taking upon ourselves in discussing these questions.

Mr. DOUGHTON. But the gentleman so declared again and again, stayed out of the committee and refused to vote, and failed to assume any responsibility.

Mr. TREADWAY. I say that we have just as much responsibility as the gentleman has.

Mr. DOUGHTON. The gentleman would not assume it in the committee.

Mr. TREADWAY. Does the gentleman think that we are going to sit here and swallow all he says about the administration and that we are not going to express ourselves?

Mr. DOUGHTON. The gentleman is just as far from the facts in his statement as he is in disregard of the rules of the House. He pays no attention to the rules of the House, although he has been here 25 years. He absolutely ignores the rules of the House, interrupts Members without getting recognition. The fact is, he is just as inconsistent about everything he does.

Now, Mr. Chairman, the gentleman has quoted Bernard Baruch. He is an authority, so far as that is concerned; he is a man of outstanding prominence as a financier. It has been the bone of their contention all the time that this depression was caused by the present tax laws, the undistributed-profits tax. Let me, however, read from another outstanding financier, and businessman, one just as eminent and prominent as Mr. Baruch, and that is Henry Ford. I suppose the gentleman has heard of him. He made a statement from Ways, Ga., the other day.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. No. The gentleman cannot stand sound doctrine. I am now going to quote Mr. Ford on the cause of the business recession.

> Ford, interviewed as he rode in his automobile on an inspection tour of projects under way on his winter estate, blamed the recession on efforts of financial interests to control prices, production, and pay.

That is what Mr. Ford said caused the present recession, not the tax laws, not the undistributed-profits tax, not the capital-gains tax.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. No; not at this point. Content yourself and listen. Continuing, Mr. Ford said:

> Financiers are trying to break the country down so as to control all industry. If this small group is successful, prices will then go up and wages will come down. However, I am glad to see that finance is waking up in one respect and moving in the right direction by recognizing grain, such as wheat and corn, as the true basis of wealth—

And so forth. Mr. Ford does not attribute this recession in any sense to the tax laws; he attributes it to the big financiers of the country. Now, I ask the gentleman to debate with Mr. Ford, not with me.

Mr. TREADWAY. Will the gentleman now yield?

Mr. DOUGHTON. Yes; gladly.

Mr. TREADWAY. Will the gentleman permit me again to quote a very great authority in answer to the statement he has just made?

Mr. DOUGHTON. The gentleman can do that in his own time. Why does not the gentleman reply to Mr. Ford?

Mr. TREADWAY. But I thought the gentleman yielded to me.

Mr. DOUGHTON. All right; what is the gentleman's question?

Mr. TREADWAY. I want to read into the RECORD a statement Mr. Bernard Baruch made while testifying before the Senate Committee on Unemployment on February 28. He said:

> I say it with regret, but I would be less than candid if I failed to express my opinion that unemployment is now traceable more directly to Government policy than to anything that business could or should do, and that if those policies are not changed, neither business nor Government can ever solve this most terrible of all our problems.

Mr. DOUGHTON. Who employs more labor, Ford or Baruch? Which is the better authority on unemployment, Ford or Baruch? I never heard that Baruch employed anybody. Ford employs over 100,000 people.

[Here the gavel fell.]

Mr. WEARIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

> Amendment offered by Mr. WEARIN: Page 131, strike out all of subsection (c) of section 117, from line 1 on page 131 through line 13, and reletter the succeeding subsections of the section accordingly.

Mr. WEARIN. Mr. Chairman, the purpose of this amendment is to make capital gains taxable at the surtax rate in accordance with the principle adopted in the act of 1936, which this bill proposes to supplement.

If you examine the pending revenue measure you will find that very substantial reductions have been made with reference to levies against capital gains, upon the theory that it will stimulate the movement of securities on the market, which is purely speculative on the part of those who seek this particular action.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield for a question?

Mr. WEARIN. Briefly.

Mr. McFARLANE. Did the committee have before it information from the records of the Revenue Department that would justify the change of rates in the pending bill?

Mr. WEARIN. The Treasury Department stated to the committee that the proposed bill would probably yield the same amount of revenue that the 1936 act would yield.

Mr. McFARLANE. On what basis?

Mr. WEARIN. I have answered the question as completely as it can be answered from the records of the hearings.

I have offered this amendment because I believe we should adhere to the principle of taxing capital gain at the surtax rate, as was set out in the 1936 act. All tax experts, beginning with the high officials of the Treasury Department and going on down the line, will agree that there is no essential difference between money that it made as salary and money that is made as capital gain.

I refer now to that portion of the capital gain which we determine by law to be taxable. That is a theory or a principle of taxation upon which there has never been any debate in the committee at any time and which cannot be disputed by tax officials or tax authorities.

With reference to the present bill a change in existing law is suggested from the standpoint of determining the amount of capital gain which is taxable, from rates that do not change except from year to year or longer periods to rates that are determined from month to month. Beginning at the thirteenth month the percentage of capital gain that is taxable is reduced 2 percent per month. I believe this in itself is an improvement over the 1936 act.

The principle to which I object is the one which says that at the end of the fifth year, or the sixtieth month, 40 percent of the capital gain shall be taxable at 40 percent, or at a net effective rate of 16 percent of the total capital gain from there on. The fact that we set a ceiling of 16 percent gives advantage to men in the excessively high income brackets. The man who has reached the 79-percent rate in the surtax bracket receives the benefit under the terms of the pending bill. The man who is making a million dollars a year and who has a capital gain of a million dollars a year, realized over a period of 5 years, is the man who profits most by virtue of the proposed changes in the capital-gains tax law.

My amendment would leave intact that portion of the pending measure which establishes the amount of the capital gain to be taxed on a monthly basis. It would tax the taxable portion of the capital gain at the surtax rate, whatever it happens to be. I repeat again to the Members of the Committee that that principle of there being no difference between personal income and the taxable portion of capital gain has never been challenged, not even by the officials of the Treasury Department, when I presented this amendment in committee.

[Here the gavel fell.]

Mr. WEARIN. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. WEARIN. Mr. Chairman, I want to analyze briefly the effect of my amendment. The old maximum effective rate in taxing capital gains after the first year, between the first and second years, equals approximately 63.2 percent. Under the proposed rates in this bill, the maximum effective rate at the thirteenth month will be approximately 39.2 percent, a very substantial reduction from the terms of the 1936 act. At the twenty-third month it becomes a maximum of 31.2 percent, or less than half of the rate provided at the end of the twenty-third month, or the conclusion of the second year, under the 1936 act, a reduction of approximately 50 percent.

Under the adjusted rate that I propose, at the thirteenth month the maximum effective rate will be approximately 67.4 percent. That is obviously slightly higher, it is true, than the effective rate under the 1936 act. But under the terms of my amendment at the twenty-third month it will become a maximum of 61.6 percent, or slightly less than the 1936 act. You get an average over the period from month to month, beginning with the first of the year and terminating at the conclusion of each year, of approximately the same effective rate that is now in effect under the 1936 act. That there will be no material difference between the capital-gains tax as provided in the law of 1936 and the capital-gains tax as provided in my amendment, except that the method of determining taxable capital gain will be improved. The amount of capital gain which is taxable will be reduced monthly at the rate of 2 percent, which I think is generally agreed to be satisfactory.

I emphasized to you in the beginning of my remarks that the beneficiaries of the suggested revision of the capital-gains tax in the pending bill are those people in the higher brackets. I would remind you that the securities market went to one of the lowest levels in 1932 in the history of the United States. At that time many people stepped into the market when the prices of securities were ruinously low. They bought large quantities of those securities which they have been holding now for a period of 5 years in the hope, mind you, that the capital-gains tax would be amended and that the principle of taxing it at the surtax rate would be repealed and a ceiling rate established.

That is precisely what is proposed in this bill. Those selfsame men will obviously save millions and millions of dollars by virtue of the pending bill unless my amendment is adopted. I say they are the people in the brackets best able to pay these taxes and they are the best able to aid in carrying the burden of the Federal Government at this time. It is imperative that we preserve the principle of taxing capital gains at the surtax rate. It is agreed on the part of the Treasury Department officials and tax officials throughout the United States that it is a sound tax philosophy. We ought not to be gravitating from one position to the other with reference to capital gains and the methods by which we are going to tax them.

I urge the members of the committee to agree to the amendment. Approximately the same amount of revenue will be received under it that is being received under the 1936 act. Furthermore, I dare say, that the income to the Federal Government will be equally as great. [Applause.]

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I believe the gentleman who offered the pending amendment is quite in error and confuses capital with income. I believe the difficulty is that we have generally been confusing capital with income.

Income is something that is steady, something that is regular, while capital may be fortuitous, irregular, and intermittent. There is a big difference between the two. The gentleman would tax both alike, which would be unfair. The bill brought in by the distinguished members of the Committee on Ways and Means is unfair in a way, in that it fails to make appropriate distinction between taxing income from profits, on the one hand, and taxing capital gains, on the other hand.

They would tax both practically alike. They do not treat them separately. They commingle them together. This is wrong. That is stupid, economic blundering. It adds much to our present economic troubles.

If I were to go outside on the street and find a hundred dollar bill, would that be considered as income? It would be a capital gain. The Ways and Means Committee would and does tax it as though it were income. If I could be assured that every time I went out on the street I would find that hundred dollar bill and it would therefore be a regular income to me, I would say that it should be taxed as income. It is, however, purely a streak of luck to find it. It

should not be taxed as income. That is the error that has been made by the distinguished members of the Ways and Means Committee, because they do not realize appropriately that distinction. It is the glaring error that the Treasury Department has made and continues to make. England, far wiser than we, has no capital-gains tax. It taxes income only, and taxes it to the hilt. I would rather see higher normal taxes instead of capital taxes.

There came over the ticker only a few minutes ago the very startling news that one of the largest brokerage houses on Wall Street has gone to the wall, Whitney & Co., presided over by a former president of the Stock Exchange. This failure may have very serious implications. I believe assuredly the capital-gains tax has, among other things, rendered the securities markets in New York and elsewhere so thin that stock trading has come to a standstill. This tax has undoubtedly had a part in bringing about this condition. Such condition contributed to the failure. This tremendous failure in New York may cause many, many more failures. I hope not. I ask gentlemen to pause and consider the effect of this tax. No one wants to sell who has any stocks or bonds to sell, because of this capital-gains tax. They will not pay extortionate capital taxes. No one wants to buy, for the same reason. The rich with large holdings refuse to sell, whether their property be real estate, stocks, or bonds. Meanwhile nothing moves. Business stagnates. Unemployment grows.

Often when you reduce the tax you get far more revenue.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I will yield in just a moment.

The gentleman from Massachusetts offered an amendment, with which I was entirely in sympathy, because he went back to the 1921 rate of 12.5 percent on capital gains. I have asked any number of persons what was the yield under the capital-gains tax for the last year, and there are not two persons who agree. The distinguished chairman of the subcommittee of the Committee on Ways and Means said the yield is approximately $125,000,000. I have asked Treasury officials, and they say it is about $100,000,000. I have asked other experts, and they say they cannot estimate it above $50,000,000. Where does the truth lie? Regardless of where it lies, let us revert to what the revenues were from the capital-gains tax from 1921 on. We know the yield was upward of $300,000,000 a year on some occasions. This is a big difference. It never reached that in 1937. You can be certain of that.

Furthermore, I have searched all the records and have failed to find the Treasury has ever clarified its objectives in regard to the capital-gains tax. What does the Treasury Department want? Do its officials want revenue? This tax has failed as a revenue producer. Do they want to check speculation? The tax has not checked speculation, because we had a capital-gains tax in 1929 and we had a panic, partly resulting from undue speculation. The Treasury Department has never told us what it wants. The low rate in the past produced abundant revenue and should do so again in the future. The present high rate has not produced a proper amount of revenue.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. This tax has not even soaked the rich. I am going to put in the RECORD figures to show the rich do not pay this tax.

I submit an interesting tabulation, from the Treasury's Report of Statistics of Income, concerning the yield from capital-gains taxes. I segregate the total revenue from this tax by classes of income-tax payers—those under $5,000 net income, those from $5,000 to $25,000 net income, those from $25,000 to $100,000 net income, those from $100,000 to $1,000,000 net income, and those over $1,000,000.

I give their total capital gains as compared to their total net income from 1926 to 1929 when the 12½ percent rate was in effect and there was segregation of income from capital gains on to 1934–35 with the higher rates and the mingling of capital gains with income.

Ratio of capital gains to total net income, by income groups

[Millions]

NET INCOME CLASSES

Year	Under $5,000			$5,000–$25,000			$25,000–$100,000		
	Gains	Total net income	Ratio	Gains	Total net income	Ratio	Gains	Total net income	Ratio
			Pct.			Pct.			Pct.
1926	$241.3	$9,730.1	2.8	$673.7	$7,499.6	8.0	$567.5	$2,344.0	16.7
1927	301.5	8,480.9	3.6	725.6	7,643.8	9.5	708.1	3,387.2	19.7
1928	227.6	6,270.4	2.8	1,075.4	8,320.4	12.9	1,197.6	4,184.4	28.6
1929	293.8	8,104.8	3.6	944.6	8,506.8	11.1	995.6	3,320.9	26.1
1934	70.5	7,796.0	.9	120.6	3,466.5	3.5	72.4	1,114.5	6.5
1935	147.9	8,814.4	1.7	283.6	4,105.7	6.9	181.4	1,418.1	12.8

Year	$100,000–$1,000,000			$1,000,000 and over			Total		
	Gains	Total net income	Ratio	Gains	Total net income	Ratio	Gains	Net income	Ratio
			Pct.			Pct.			Pct.
1926	$622.0	$1,889.7	32.9	$284.0	$494.4	57.4	$2,378.5	$21,958.5	10.8
1927	819.7	2,232.6	36.7	339.7	600.6	56.6	2,894.6	22,545.1	12.8
1928	1,578.3	3,342.3	47.2	728.8	1,108.9	65.8	4,807.9	25,226.3	19.0
1929	1,591.2	3,156.0	50.4	859.4	1,212.1	70.9	4,684.5	24,800.7	18.9
1934	42.0	362.0	11.6	7.1	57.8	12.3	312.6	12,796.8	2.4
1935	101.4	498.0	20.4	16.4	73.6	22.3	730.7	14,909.8	4.9

It is readily discernible that the high tax on capital gains after 1929 discouraged employment of resources for capital investment. Note how capital-gains income gradually is lessened in comparison to income generally. Today investment is apparently nil. See how little comparatively it became in 1934 and 1935 in comparison to general total net income. With no investments there can be no rebirth of employment. Jobs depend upon investments. It is clear that the rich do not pay this tax. It falls heaviest upon those in the lower and middle brackets.

If the rates were sharply decreased I am quite sure more revenue would be obtained. The rich would pay. All would pay.

What is the attitude of the Treasury Department in regard to other forms of taxation? Take tobacco or liquor as illustrations. What is the situation with regard to liquor? Does the Treasury Department come forward with a tax upon liquor that would be prohibitive of its use? No; it does not do that. Does the Department put a stamp tax on liquor to discourage its consumption and encourage temperance, with no thought as to revenue, as is done in certain European countries like Denmark and Sweden? No; it does not do that. What does the Treasury want? It wants revenue, and its representatives say so. It never seeks, by taxes, to check consumption. It cares not whether the country bathes in liquor. It only cares about revenue.

What revenues are raised from the taxes on liquor which are low (nowhere near as high comparatively as the tax on capital gains)? It may startle you to know we raised five times the amount of revenue from the tax on liquor than we did from the tax on capital gains. We have raised and do raise $500,000,000 every year from the liquor tax. We did and do that—what, with high taxes? Emphatically no—with low taxes instead.

I believe after the 4 years of experimentation we have had with a high capital-gains tax certain conclusions should be obvious and inescapable. A scientist in his study or laboratory would say the results were negative. Economists worth their salt all agree after their tests and studies, sound businessmen all agree that if abundant revenue is desired the rates on capital gains should be decidedly lowered.

I might sum up the situation like this: If you have a bathtub in your room and the bathtub is overflowing, what do you

do? Do you continue to mop up the floor and remove the water, or do you turn off the tap and remove the pressure? There is the situation confronting the Nation. It is about time we turned off the tap and removed the pressure of this type of capital-gains tax on trading throughout the length and breadth of the Nation. Instead we have used all kinds of scientific and pseudo-scientific mops. The remedy is simple. Turn the tap off. If we do this, we will not have to do any more mopping up. Then the wholly and enthusiastically misguided experts advocating continuation of the tax and who mayhap never saw the inside of a business office could go home.

If we remove the pressure by turning off the tap and doing away with the capital gains and losses tax, as they do in England, where the revenue is very steady as compared with ours, or if we reduce the pressure by reducing the tax and go back to the 1921 rate, we will get abundant revenue and will give business a decided impetus, an impetus it sorely needs at the present time.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Oklahoma.

Mr. DISNEY. What suggestion does the gentleman have to offer in regard to increasing the tax on liquor? How much per gallon would the gentleman increase that tax?

Mr. CELLER. I would not want to increase the tax on liquor, because I believe if we increase that tax we will receive less revenue. We are receiving abundant revenue from liquor, and the tax is comparatively low.

Mr. DISNEY. I do not agree with the gentleman on that.

Mr. CELLER. I respectfully differ with the gentleman. If you want prohibition, impose a high tax, and you will get no revenue.

If you want continued prohibition on trading, keep this capital gains tax provision; but if you would reduce the tax and relieve the pressure on business I think you would get far more tax and far more business and far more resulting reemployment, far more investment.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield.

Mr. KELLER. Just what does the gentleman mean by "business," gambling on the stock exchanges or the carrying on of actual industry?

Mr. CELLER. I said nothing about gambling on the exchanges. I deprecate stock gambling as much as you. The stock exchanges only reflect the business throughout the length and breadth of the land. They are barometers of business. The securities sold in Wall Street are the stocks and bonds of industry in your State, in my State, and in almost every State. They represent the results of the efforts of laborers, farmers, industrialists, manufacturers, retailers, wholesalers, and jobbers everywhere. There must be some place of exchange of those symbols of industry, business, manufacturing, farming, transportation, and service. If it is not Wall Street, it would have to be somewhere else. Of course, when arguments fail, it is easy to raise the awful specter of Wall Street. When reason and logic are against you, why resort to demagoguery and pan Wall Street?

Mr. KELLER. Is the gentleman acquainted with the Hughes' investigation of that subject?

Mr. CELLER. Of course I am. But that is beside the point. Frankly, by our taxing policy instead of creating a better distribution of wealth we are destroying wealth.

NEW YORK STATE SUFFERS

Mark Graves, president of the New York State Tax Commission, recently asserted that New York State during the business depression has lost between fifteen million and twenty million dollars because of the capital gains and losses tax of the State of New York. Mr. Graves urges:

First. That capital gains and losses be segregated and taxed at an exceedingly low rate, or

Second. In lieu thereof, absolute repeal.

Comptroller of the State of New York, Morris S. Tremaine, likewise goes so far as to urge repeal of the New York capital gains and losses tax.

Comptroller Tremaine, in demanding repeal of the present law, said that he had been urging such action by both the Federal and State Governments for more than a year. He said:

This is really a soak-the-poor tax, because it robs them of their jobs. There is no question but what this law has resulted in hundreds of thousands of persons losing their jobs in the State and Nation. Repeal the law and you will help to restore employment and bring back prosperity.

Largely because of the capital gains and losses tax Mr. Tremaine asserted that hardly a new industry had been started in the country in the last 5 years.

WHAT IS THE NO. 1 JOB KILLER?

It is the Federal tax on capital gains.

Why? Because it prevents putting savings to work. It retards and stops investment. Jobs depend on investment. More investment, more jobs; less investment, less jobs.

This tax is like an invisible blight. By killing investment it kills jobs. It is No. 1 among the job killers.

WHAT IS CAPITAL?

It is stored-up labor accumulated in terms of dollars, but stored-up labor just the same.

Thus you can say workers represent the labor of today, capital represents the labor of yesterday.

The difference is chiefly a matter of time and arithmetic; but if either is to earn, both must work.

WHAT IS INVESTMENT?

Merely putting capital to work. Capital provides the tools, equipment, and raw materials with which labor earns a living.

Idle capital, idle workers; more capital at work, more workers and more jobs.

Like it or not, the American standard of living rests on employed capital plus employed labor. They are inseparably dependent on an even flow of capital.

It required $5 of capital, roughly, for each $1 of wages in Pennsylvania.

That was about the 15-year average for this one manufacturing State, as an example.

Period: 1921–35.

Industries: Productive and public service.

A STEADY FLOW OF CAPITAL IS IMPERATIVE FOR JOBS AND STEADY INCOME

The record of the past 18 years demonstrates this—

Just compare new business investment with: First, jobs; second, earnings; and, third, farm income.

I have before me charts which plot the curves of new business investment, first with factory employment, second with factory pay rolls, third farm income. The period is 1919–35. As new business investment rises or falls, so jobs, pay rolls, and farm intake rise and fall. All are at lowest ebb now.

I have another chart which shows that real-estate development goes hand in hand with investments, both rise and fall in parallels.

So, the enterprise system has several parts; each acts on the other; each depends on the other. It is like a vast electric system. The motors run only if current reaches them. The main generator is investment. But the main generator is being short-circuited; it is not generating enough current, it is almost stalled. The job killer is the No. 1 cause.

WHY IS THE JOB-KILLER TAX THE NO. 1 CAUSE?

Because—

First. It confiscates savings. Thus, it cuts down the amounts available for new investment.

Second. It removes the incentives to enterprises. Thus, it slows down the activity in existing investments. It works while you sleep, and it works against you.

WHAT IS THIS JOB-KILLER TAX?

It is the capital-gains tax. It applies both to individuals and corporations. It has been in effect since 1913 in one form or another. But it is not really a tax; it is a capital levy.

Specifically, it is a levy on the appreciation in the nominal value of capital assets. It treats a gain in nominal value the same as income. It is assessed when a capital asset is sold or exchanged

HOW IS THIS TAX APPLIED?

First. It is assessed in the year in which a capital asset is sold or exchanged.

Second. In the case of individuals the amount of the gain subject to the tax depends on how long the capital asset is held. If held 1 year or less, 100 percent of the gain is taxed. If held more than 1 but not more than 2 years, 80 percent of the gain is taxed. If held more than 2 but not more than 5 years, 60 percent of the gain is taxed. If held more than 5 but not more than 10 years, 40 percent of the gain is taxed. If held over 10 years, 30 percent of the gain is taxed.

Third. In the case of corporations, however, all of the gain on a capital asset is subject to the tax.

Fourth. Losses may only be offset to the extent of gains, plus $2,000.

Fifth. When the gain is determined it is added to income. Thus, by mere legal fiat a gain is made income; which it is not and cannot be.

But, bear in mind nominal value and real value are two different things.

First. Nominal value is merely price received or paid.

Second. Real value is purchasing power or the measure of the ability to satisfy human wants.

But the job killer ignores this fundamental fact.

What this tax really is—

First. Illustrated in one way it is a tax on the growth of the tree, although the fruit is already taxed.

Second. In another way it can be called a capital levy. It confiscates the means of providing the equipment, tools, and so forth, with which labor earns a living.

Third. It has an effect similar to eating the seed corn in a time of famine.

Fourth. It is a heads I win, tails you lose, tax because it taxes all the gains, but allows credit for losses only up to $2,000 in addition to capital gains of the year.

Fifth. It is a job killer because it confiscates and sterilizes the capital that ought to be put to work to provide more jobs.

Even as a tax the capital-gains tax does not qualify because—

First. It is a poor revenue producer.

Second. It cuts tax revenue from other sources.

Third. It is an uncertain and irregular revenue producer.

Fourth. It falls most heavily on the middle- and lower-income groups.

And in addition—

First. It was a principal cause of the 1929 boom and collapse.

Second. It has been a major cause of the depth and duration of the depression.

Third. It has been a primary obstacle to real recovery.

Fourth. It has been the principal cause of such technological unemployment as we have had.

TOTAL OF $65,000,000 MORE TAX REVENUE

Would have been collected in 6 years (1930–35) if the job killer tax had not been in effect.

1930–32: During the 3 years when it was a two-way tax the Federal Treasury lost in tax revenue $184,144,000. This was the amount of tax revenue lost because of the excess of capital losses over capital gains.

1933–35: During these 3 years when it was a one-way tax the Federal Treasury obtained only $118,621,000 in tax revenue from this source.

So, merely from the tax revenue standpoint, the capital-gains tax shows a loss of $65,523,000 in the past 6 years.

THE CHIEF CAUSE OF TECHNOLOGICAL UNEMPLOYMENT IS TAXATION

Taxes confiscate capital and reduce the amount available for new business investment.

Taxes scare enterprises so new jobs are not created when possible with previously accumulated capital.

First. If we have technological unemployment it is because the flow of capital is not regular.

Second. A man displaced in one plant must find a job somewhere else.

Third. If new business investment does not go on in proper proportion to the national income the "somewhere else" is not created.

Fourth. New industry must be developed by new business investment at the same or a faster rate than technological advance in established industry if we are to avoid technological unemployment.

WHAT WERE THE ARGUMENTS FOR THE CAPITAL-GAINS TAX?

First. The capital-gains tax yields revenue.

But, experts say, the gross yield from this tax in 1936 was less than $25,000,000. The net yield, however, after consideration of the tax revenues lost because of repressed turnover and production, was absolutely nil.

Second. The capital-gains tax prevents tax evasion through the conversion of income into gains from the sale of assets.

But, if the capital-gains tax is designed to strike at something inherently wrong, is it not better to outlaw the so-called practice than to penalize all investment for the practices of a few?

Third. The tax reaches speculative gains which are perhaps more able to bear a tax than any other type of income.

But, speculative appreciation of capital is not true income for it does not necessarily represent accretions to economic power, nor is it current consumable receipt. These must characterize income in the true sense.

Fourth. The tax tends to prevent concentration of wealth by levying higher taxes on the upper income brackets.

But, in holding capital assets to take advantage of the percentage provisions of the law, the upper income classes tend to be inactive. Inactivity, in turn, reduces their ability and obligation to pay other taxes. Moreover, the adverse effects on employment, pay rolls, farm prices, work to the disadvantage of the lower-income groups.

Fifth. The tax functions as a means of social reform.

But, this depends on the meaning of "social reform." If penalizing is the aim, then it is social reform, to "soak the poor" for wage-earners, farmers, and other less privileged groups "take the rap." If sharing of wealth is intended, the argument is false, for the so-called wealthy avoid other taxes by hanging on to capital assets, and the so-called poor, obtain fewer jobs, smaller earnings, and less wealth to share.

Sixth. The tax is proper, since a person who realizes a capital gain indisputably possesses an ability to pay taxes.

But, this partakes of sophistry. A capital gain, representing an increment in terms of nominal or money value, has no necessary relation to an increment in true value or purchasing power. Thus it is possible to so tax an amount which appreciates in money value year after year that the investment in the end is almost worthless, although the owner may never have drawn 1 cent on his investment.

WHAT ARE THE ARGUMENTS AGAINST THE CAPITAL-GAINS TAX?

First. The capital-gains tax does not distinguish between capital and income. Capital is the stock from which income flows, the tree on which the fruit is borne. We should tax the flow, not the tree which bears the fruit.

Second. Net capital gains are considered taxable income, but capital losses above the gains and $2,000 are not considered. It is a grossly unjust one-way tax.

Third. The capital-gains tax is a substantial barrier to recovery. It interferes with normal business transactions and accentuates the fluctuations of the business cycle. It causes bigger booms and deeper depressions.

Fourth. The capital-gains tax forces capital to lie idle. It restricts and hinders both individuals and corporations when they try to sell capital assets, thus hampering the transfer of funds to more productive enterprises. It keeps investment out of new enterprises.

Fifth. The capital-gains tax has caused the exodus of hundreds of millions of dollars of American capital into foreign security markets.

Sixth. The capital-gains tax is largely responsible for the great amounts of money invested in tax-exempt securities instead of productive enterprises.

Seventh. The capital-gains tax injects a false and artificial factor into the securities markets.

Eighth. Business transactions, under this tax, are tested by tax consequences instead of sound business judgment.

Ninth. Government, claiming to be a partner, takes the lion's share of the profits but risks none of the losses.

Tenth. Under the stifling effect of this tax, men of outstanding ability, who in the past have provided employment and opportunities for others, refuse to assume the risks of new enterprise and are retiring from business.

Eleventh. It discourages profit taking and thus retards the circulation of money and slows down business.

Twelfth. The capital-gains tax's repressive effect on business causes both production and employment to suffer.

Thirteenth. The tax on capital gains makes an already complex tax structure even more complex.

Fourteenth. It encourages the perpetuation of holding companies and subsidiary corporations that might otherwise be dissolved, since they continue and retain assets in order to avoid the penalty of the tax.

Fifteenth. Capital gains frequently are the result of inflation, changes in the price level, or the reduced purchasing power of the dollar. Taxation under such circumstances is confiscatory for it taxes fictitious and valueless gains.

Sixteenth. The capital-gains tax is entirely inconsistent with the favored principle of ability to pay, since 1 year's loss may completely wipe out a previous year's gain.

Seventeenth. The present capital-gains tax attempts to measure artificially a taxpayer's ability to pay by the transactions of a single year, although the net result of his transactions over a period of years may show no profit or even a loss.

Eighteenth. Insofar as it taxes retained corporate earnings which are the result of appreciation of securities, this tax duplicates and overlaps the undistributed-profits tax.

Nineteenth. The capital-gains tax imposes an unjust burden on the taxpayer who, as the result of circumstances beyond his control, is forced to sell capital assets.

Twentieth. The tax discriminates without justification against corporations by denying them the right of decreasing percentages of recognized gains, although they, like individuals, are now subject to graduated income taxes.

Twenty-first. The capital-gains tax does not recognize the important, fundamental difference between a fictitious gain and a real gain.

Twenty-second. The capital-gains tax is a poor revenue producer. According to Comptroller Tremaine, of the State of New York, a State in which capital gains, if any, should be large, "the tax positively has never produced a dollar of net revenue for the State."

Twenty-third. Instability is a dominant characteristic resulting from this tax. Tax income is realized chiefly during prosperous years when it is least needed. In depression years, when income is needed, there are no capital gains to tax.

Twenty-fourth. The capital-gains tax creates frozen positions in securities and real estate and thereby restricts business activity and the tax income normally attendant on such activity.

Twenty-fifth. Artificial curtailment of the capital supply by means of a capital-gains tax has the perverse effect of inducing artificial price rises and lowered purchasing power.

Twenty-sixth. According to expert estimates, the capital-gains tax costs the Government $250,000,000 a year in tax income from other sources.

Twenty-seventh. The capital-gains tax does not distinguish between voluntary and involuntary gains, immediate and cumulative gains, and investment and speculative gains.

Twenty-eighth. The capital-gains tax does not differentiate between money increment and true-value increment.

REMEMBER THAT NOW IN 1938 WE ARE DEEP IN THE HOLE

In the 6 years 1930–35, national income paid out exceeded national income produced by thirty-four and one-half billions. This was bad enough by itself. But it also was five hundred millions more than the total accumulation of business savings for the preceding 11 years, 1919–29. Business savings are the excess of national income produced over national income paid out.

Also remember the record shows that in order to keep an enterprise economy like that of the United States going we have to keep it growing.

To do this an amount roughly approximating 5 percent of the national income must go into new business investment each year.

This has not happened since 1929. So we really are in some hole.

One job requires about $6,000 of investment. At least that is what available data on one State show.

The example—

First. Pennsylvania.

Second. Productive and public-service industries.

Third. Average investment per employee over the 15 years, 1921–35.

Fourth. Figures taken from reports of the Department of Internal Affairs.

Every $6,000 taken in taxes, or $6,000 scared into inactivity kills one job.

WHY CONTINUE AN OSTRICH POLICY?

Why have arithmetic, have education and spend $3,000,000,000 a year on it, have savings, savings banks, or insurance, have industry, have money, or anything else?

If we are to blindly and arbitrarily insist that causes have no relation to effects.

This job killer is the prime cause of about as many adverse effects as any one thing.

Why bury our heads in the sand and ignore A B C's?

'NUFF SAID

The capital-gains tax is the No. 1 job killer.

It is bad for the farmer, labor, business, real estate, investment, and everything else.

It is not even a good tax. It pulls the tax base down so there is less and less to tax.

How much longer shall we ignore plain facts?

Let us get rid of it. Everyone will be better off if we do. Let us do it now.

Mr. McFARLANE. Mr. Chairman, I think we understand the argument made by the gentleman from New York when he was appealing so eloquently here for the gamblers and speculators that will be benefited by the provision on capital gains in this bill which puts a ceiling on capital gains at 16 percent, whereas under existing law it is almost twice that amount. Some of these gentlemen say this tax is going to be paid by the foreigners and then they decide it is going to be paid by the farmers. Maybe the gentleman from New York [Mr. CELLER] thinks it is going to be paid by the laboring man. Who is it that makes the income that he is worrying about? The gamblers and speculators are the only ones that would be benefited; those who deal in stocks and bonds.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield for a question.

Mr. FRED M. VINSON. Do I understand the gentleman to say that the ceiling in this bill is 16 percent on capital gains?

Mr. McFARLANE. The ceiling in this bill on the taxes paid, under this amendment, is 16 percent.

Mr. FRED M. VINSON. I mean under the proposed bill?

Mr. McFARLANE. No; I said under this amendment.

Mr. FRED M. VINSON. So we may keep the RECORD straight, I may say, that after 5 years the ceiling is 16 percent, but it runs up to 39.2 percent.

Mr. McFARLANE. Yes; but under the amendment we are discussing, the ceiling is 16 percent; and it is just another reduction given to the Wall Streeters and the wealth of the country. This is a bill that should be entitled "An act to give Barney Baruch and the other gentlemen they are quoting here the dole running into many millions that they are going to get under this bill," and, according to the best evidence available, and the committee has not anything to the

contrary, this bill is going to give the Wall Streeters not less than $300,000,000 in tax relief.

This is another typical illustration of a bill that from cover to cover is going to bring about this result, and I will put in the RECORD the different provisions of the bill that are going to go right down the line giving to those who have, and, of course, this means ultimately that the rest of us will have to raise this additional revenue, and we are in this way taking from those who have not. This is what we are doing here. We ought to vote down this tax bill and keep the existing law.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield for a question.

Mr. O'MALLEY. Does the gentleman see any reason why we should reward the stock speculators with a reduction in the capital-gains tax when through the surtax on family owned corporations we are going to force every family in the country to finance through their hands?

Mr. McFARLANE. That is exactly what we are doing. In other words, the psychology back of this bill is nothing more or less than simply this: In the crash of 1929 what did the Hoover administration do? They cut taxes about 25 percent. Under the recession we have now we are coming in here and taking the tax off of the wealth, I suppose trying to hurry the day when we can go into another tail spin.

Let me also call your attention to the fact that we are running into the ninth year of an unbalanced Budget, and we are more than $1,000,000,000 in the red this year, and we need the revenue, and yet we are taking more than $300,000,000 out of the Treasury and rewarding those who have and taking it away, indirectly, from those who have not. This is what the bill does, and do not let anybody "kid" you to the contrary. This committee cannot show you any Government records that will show to the contrary, and they have not done it up to this time. This is the first tax bill we have ever had brought in here where the committee did not show us by break-down figures just where they were going to get the revenue. [Applause.]

[Here the gavel fell.]

Mr. VOORHIS. Mr. Chairman, I move to strike out the last word.

The amendment of the gentleman from Iowa [Mr. WEARIN], in my opinion, is not altogether understood at this point. In the first place, it does not propose, any more than the bill before us, to tax capital gains at the same rate as income. It has nothing to do with that.

On page 131 of the bill is to be found the schedule which provides for the reduction in the amount of capital gain which is taxable at all after the gain has been held for 1 year, and, as has been explained by the gentleman from Iowa, the bill provides that that percentage, called the long-term capital gain, shall be reduced by 2 percent each month for the first year and thereafter by 1 percent each month until it finally reaches 40 percent of the total capital gain which is taxable at the end of 5 years.

This does not sound to me like taxing capital gains on the same basis as income, but what the gentleman from Iowa does do is this: His amendment strikes out a further provision for an alternate tax, which says that after the first year no tax on a capital gain thereafter made by an individual shall amount to more than 40 percent of the net long-term capital gain. If the gain is made after the property has been held for 5 years this limitation would mean that no capital gain could be taxed at more than 40 percent on 40 percent, or 16 percent on the total gain.

In other words, as the gentleman from Iowa said, the bill, as at present drawn, taxes everybody else in the country on net long-term capital gains at the regular surtax rate, but it fails to do this with those in the higher brackets.

Mr. WEARIN. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. Yes.

Mr. WEARIN. The bill that is now pending before the House sets the ceiling at 16 percent after the fifth year. This amendment removes the ceiling and makes the portion of the taxable gain taxable at the surtax rate as it is under existing law.

Mr. VOORHIS. That is right. I was talking about the bill before us, and I was not at the moment talking about the gentleman's amendment. The bill at present says that these people whose income surtax rate is 40 percent or below shall pay the regular amount of surtax on capital gains which are taxable. But the bill as at present drawn says that if a man falls in a surtax bracket where he would have to pay above 40 percent, he shall not have to pay anything like that much on capital gain. The amendment provides that if he has income large enough to put him in the higher brackets, he shall pay in that higher bracket on the amount of his capital gain which is taxable, that is on his net long-term capital gain, and it seems to me it is eminently a fair amendment, and I hope very much that the amendment will be adopted, because I cannot see but that the provision as put in with this 40-percent ceiling benefits those individual taxpayers who have enough income from capital gains and other sources to place them in the higher income-tax brackets. I do not think they need more relief than taxpayers in lower brackets and yet that is exactly what they are getting.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS. Gladly.

Mr. FRED M. VINSON. Instead of it applying to those with surtax rates above 40 percent, the gentleman is in error. It would apply to those whose surtax rates are above 16 percent. In other words, the tax is 40 percent on 40 percent, or 16 percent. From the gentleman's point of view it is much worse than he has stated.

Mr. VOORHIS. I thank the gentleman; and his correction gives added point to the argument I am making in favor of this amendment. It seems to me that in connection with capital gains, if we desire to reduce the tax, the people on whom we want to reduce it are not the people with the great big incomes. It seems to me they ought to pay at least at an equivalent rate with those with smaller incomes. Therefore, I hope very much that the amendment will be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa.

The question was taken; and on a division (demanded by Mr. WEARIN) there were—ayes 20, noes 58.

So the amendment was rejected.

Mr. BIGELOW. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BIGELOW: Page 28, line 19, insert: "(5) Taxes assessed against the value of land exclusive of improvements thereon."

Mr. BIGELOW. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes over my time.

The CHAIRMAN. The gentleman from Ohio asks unanimous consent to proceed for 7 minutes. Is there objection?

There was no objection.

Mr. BIGELOW. Mr. Chairman, the greatest Ohio Democrat in a hundred years introduced in this House 44 years ago the same proposal that I am introducing today. This was my good friend, Mr. Tom L. Johnson. At that time he got six votes. Last year I introduced it and got 26 votes. Mr. Chairman, I shall ask for a division on this amendment in the hope that I may have the happiness of getting 27 votes anyway this afternoon.

This bill says that the corporations may deduct from their gross income taxes which they have paid to the State. My amendment says that they may deduct taxes on improvements upon land, but not taxes upon land itself.

One of our tax fallacies is to confuse land values with improvements.

They are essentially different. They react to taxes in an exactly opposite way. Tax buildings and you raise their price. Tax land values and you reduce their price. We need taxes on land values. Taxes on buildings should be abolished.

This little amendment will throw a shaft of light into our tax darkness. It will, I think, be the first glimmer of economic sense ever to appear in a tax act of the American Congress.

We have no tax system. All we have is a tax muddle. All we do is to grab as grab can.

My amendment would increase somewhat the revenue yield of this bill, but I offer it merely as a recognition of a sound principle of taxation.

This amendment proposes a very slight step, to be sure, but it is the direction of the step that is important. It is a step in the direction of tax sanity.

If, instead of dividing his farm equally between his two sons, a father left all the farm to one son and left the other in the status of a hired hand—if the disinherited son had to work for wages to buy his share of the farm, one would be top dog and the other would be under dog in the struggle of life.

In the Bible, God said:

The land shall not be sold in perpetuity, for the land is mine, and ye are strangers and sojourners with Me.

I submit, this bare continent is our Father's farm. We are all His children and equally entitled to His favor. Deny that and you deny Christian ethics.

But every foot of this farm is prepossessed, and millions are being born into the status of hired hands who have to work and pay the others for standing room on God's earth.

We cannot split our part of the earth into 130,000,000 pieces and give to each his equal share. But we could require each owner of his portion of the Father's farm to pay its annual value into a common fund, and we could distribute this common fund equally to the 130,000,000. This would give each American family about $400 a year. But after we did that, we would have to collect the money back for taxes. So why not use the fund to finance government and distribute the patrimony of the people in the form of free government service? That would take the speculative price out of land, and it would take ten billions of taxes out of commodity prices. That would increase purchasing power, expand business, and relieve unemployment. That would be a start at least to found our economic order on the principles of the fatherhood of God and the brotherhood of man.

My friends, for the hour we happen to be the lawmakers for the greatest Republic the world has ever seen. Why creep timidly into forgotten graves? Why not legislate for truth and humanity while we are here, and leave some inspiring memory of us within these walls? Why not dare use the powers of government to build the Kingdom of Heaven on earth?

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. BIGELOW) there were—ayes 32, noes 45.

So the amendment was rejected.

Mr. SAUTHOFF. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SAUTHOFF: Page 72, line 14, strike out all of section 55 except the following: Beginning in line 18 with the word "returns" down to and including the word "inspection" in line 20, page 72.

PUBLICITY OF INCOME-TAX RETURNS

Mr. SAUTHOFF. Mr. Chairman, in my State of Wisconsin we did away with the secrecy of income taxes in 1923 and we collected $9,000,000 of back taxes as soon as we repealed it. That is an effective and substantial answer to those who advocate the secrecy of income-tax reports. I also wish to point out that those who pay real-estate taxes have their property listed in a book which is on file as a public record and is open to the public for examination and inspection. The payers of taxes on real estate pay in the neighborhood of 70 percent of all taxes that are paid in this country. The records in regard to the taxes which they pay are wide open for public inspection. You or I, or anyone else, can go to the records and examine them and find out what our neighbor pays, not only on his lot, but also on the improvements on his lot, and the assessed valuation is given on each separately. If there are special assessments, these are also listed, so that there is no secrecy relative to real-estate taxes. Then why should we persist in throwing the veil of secrecy over the face of the returns of the small percentage that pays Federal income taxes?

Oh, I know that the argument was made in 1936 when this question was up for debate that grafters and chiselers and racketeers could investigate the income-tax reports and find out which man received the highest income. That is an absurd argument as the records will demonstrate. Wisconsin has had publicity of income-tax returns for the past 15 years. Its largest city, Milwaukee, has a population comparable with that of the District of Columbia, which has no local income tax and which does not permit the examination of Federal income-tax reports. Therefore, the crime records in the District ought to compare very favorably with the city of Milwaukee. What are the facts? Milwaukee is the thirteenth city in size in the United States while it is the seventh in commercial importance. Its annual industrial output amounts to $1,500,000,000, yet its crime record is the lowest in the United States. There has been no kidnaping in Milwaukee to my knowledge. For clean, wholesome government; for purity in politics, efficiency in administration of its affairs; for protection to the average citizen in health and sanitation; in respect to fire hazards, and above all else, in the suppression of crime, Milwaukee can challenge comparison with any city of its size in the world.

[Here the gavel fell.]

Mr. SAUTHOFF. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

Mr. O'MALLEY. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. The gentleman himself asked for but 1 minute.

Mr. O'MALLEY. I want the gentleman to tell as many good things as he can about the city I represent.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin [Mr. SAUTHOFF]?

There was no objection.

Mr. SAUTHOFF. Mr. Chairman, now let us look at the District of Columbia. Its crime record is appalling. It is a shame and a disgrace to the Congress of the United States. The administration of its affairs is inefficient and cannot stand comparison with other cities. It is a paradise for the numbers racket, which flourishes openly in broad daylight. So sure are the racketeers of immunity from prosecution that they ply their nefarious traffic without even an effort at concealing it. The hospitals in the District are allowed to sink to a low ebb because of lack of funds. The treatment of the juvenile, both in the courts and in the detention homes, ought to make all of us hang our heads in shame.

The comparison of the records of these two cities ought to prove conclusively that there can be no weight given the argument that publicity of income-tax returns aids the criminal. On the contrary, secrecy and silence are golden—to the thief.

Mr. FLETCHER. Why blame the District?

Mr. SAUTHOFF. I do not blame the District; I blame the Congress.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The amendment was rejected.

Mr. BEITER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. BEITER: Page 37, line 20, after subsection (r) insert the following new subsection:

"(s) Expenditures by corporations for improvements: The sum of the amounts paid out during the taxable year by the corporation for the construction or improvement of real property and for the purchase and the installation of equipment and machinery, and for the expansion or replacement of plant or other productive facilities, or in payment of debts or portions of debts, including interest and carrying charges, as the same may accrue within the taxable year for the construction or improvement of real property and for the purchase and installation of equipment and machinery, and for the expansion or replacement of plant and machinery

facilities, to the extent that no deduction or allowance is or has otherwise been made for such amounts in computing net income."

Mr. BEITER. Mr. Chairman, yesterday I sent to each Member a letter calling attention to the amendment I have just proposed. At this time I would like to elaborate a little more upon the amendment. However, before doing so may I take issue with my colleague the gentleman from Texas [Mr. MCFARLANE], who stated that the Members on the floor here were a little bit jittery because of the campaign that had been formulated since the La Follette investigation was started on the opposite side of the Capitol. May I point out that I have not become jittery. My bill was introduced on February 16 last year, long before the committee on the opposite side of the Capitol started its investigation.

Mr. Chairman, we are again in a period of most serious recession of private enterprise and employment, particularly in the construction industry, and those heavy-goods industries supplying equipment and machinery for the expansion or replacement of industrial plant and productive facilities. Work-relief appropriations and public-works appropriations for replacing in small part the public-works construction programs which were carried on before the depression by the States and the municipalities can only be means of temporary and partial relief of the situation.

Everyone recognizes the fact that the prosperity of private enterprise and the employment which it creates can be the only lasting solution of our unemployment problems and the recession of business. If we are to restore prosperity and normal employment, the construction industry and the heavy-goods industries which supply plant and other productive facilities to industry must not be stifled by any tax on corporations which makes unreasonably expensive the investment in construction and plant. Instead of discouraging the investment in the products of these industries, if we are to give industry a chance to be restored to anything like normal, investment in the products of construction and the heavy-goods industries should be encouraged.

This tax measure can be so amended that instead of stifling recovery and preventing reemployment, it can stimulate recovery and employment merely by exempting from all corporate taxes those earnings which are reinvested in construction or improvement of real property, or in the installation of equipment and machinery for the expansion or replacement of plant or other productive facilities.

One of the principal reasons why the Congress feels it has been necessary to increase the tax on corporations and individuals is because of the vast expenditures which it has deemed to make as subsidies or loans for the encouragement of various sectors of our economic structure. The public-works program of the Public Works Administration was able only partially to replace that part of the volume of the construction industries and heavy-goods industries, which formerly came from the local public-works programs. The present volume of the construction and heavy-goods industries, which normally came from private enterprises, has not even a partial recovery of the normal volume of such business.

If this amendment to the tax bill is adopted, then the earnings of corporations of this country will be distributed in the manner which expands the credit of the Nation and provides employment many times that which can result from the distribution of such profits to the stockholders or from the expenditure by the Government of the tax levied on such earnings.

It is hard to conceive of anyone acquainted with our economic structure and our present situation who is not now convinced that even though the Government of the United States expend every dollar that could be borrowed to the limits of its credit, it can never replace the employment, the purchasing power, and the prosperity created by prosperous conditions for private enterprise. No subsidy is asked for the construction or capital-goods industries. It is asked only that the tax be removed from earnings of corporations which are expended in the creation of additional tangible wealth which constitutes not only the basis of credit and purchasing power in private industry, but also constitutes the very basis for tax income to the States and municipalities of the Nation and the productive facilities which create the income which is taxed to provide revenue to the Federal Government.

It seems that common business judgment indicates the wisdom of foregoing a few million dollars of revenue produced by penalty on the production of tangible wealth, when by so doing, billions of dollars of national income will result from a restoration of our basic industries to normal volume and employment, which in turn will produce increased Federal revenue greater than the penalty taxes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. BEITER].

The amendment was rejected.

Mr. REED of New York. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. REED of New York: After line 13, page 145, insert the following new section:

"SEC. 122. Deduction for charitable and other contributions in the case of trusts taxable to the grantor.

"(a) Allowance of deduction: If any part of the income of any trust is required to be included in computing the net income of the grantor for the taxable year, there shall be allowed, as a deduction in computing such net income, contributions or gifts made during the taxable year out of the corpus or income of such trust, to or for the use of a domestic corporation, domestic trust, or domestic community chest fund, or foundation, organized, and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual. This deduction shall be allowed without regard to the 15-percent limit imposed by section 23 (o), but the amount of such deduction shall not exceed (1) the amount of the income from such trust which the grantor is required to include in computing his net income for the taxable year or (2) the sum of $25,000, whichever is the lesser. In computing the net income of the grantor for the purpose of the 15-percent limit imposed by section 23 (o), such trust income shall not be included.

"(b) Effective date: The provisions of subsection (a) shall apply to taxable years beginning after December 31, 1937."

Mr. REED of New York. Mr. Chairman, yesterday I offered an amendment on behalf of the small private colleges and universities of the United States. I am not going to repeat everything I said on that occasion. The House at that time was more or less excited. I know exactly how the Members felt. They felt that they did not understand the purpose of my amendment, that it was likely to muss up the revenue law and that it might open some loopholes for tax avoidance. While it is late in the afternoon I want the Members to realize the situation that exists in this country at the present time with reference to the colleges, and when I say colleges I am referring to institutions in every congressional district almost without exception.

Just get these figures, please, because they are important. The contributions or gifts to colleges have slumped in the last few years from $70,000,000 to $33,000,000. We have not the report for the last year, but I am sure it will show a further decrease. This means that many of these splendid private colleges, some of them very old, will go to the wall. They are going to close their doors. These 528 colleges cannot collect a dollar from taxes. They have to depend upon the generosity of philanthropists. Contributions are their lifeblood, and you hold the future and the existence of the small colleges in your hands.

The amendment which I offered yesterday may result in a loss to the Treasury of some 4 or 5 million dollars, but, mark you, Mr. Chairman, if this amendment is not adopted to encourage these philanthropies, the public is going to pay much more. It is going to pay millions and millions of dollars. Eventually what are we going to do? We will make these colleges politically controlled.

Mr. Chairman, these colleges have been independent heretofore. They have furnished great leaders for this country and will continue to do so. They open up the hopes of the young people of this country for a college education. Without taking much of your time late this afternoon, may I ask you to accept my word for something, because you know that for years and years I have taken this floor and have

united with men on both sides of the House to promote education. I have done so on every occasion and I expect to continue to do so in the future. I am interested in the young people of this country. So are you.

Mr. FLETCHER. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Ohio.

Mr. FLETCHER. The gentleman is certainly one of the leaders on behalf of education, but will he not admit this administration has done more for education than any previous administration since the foundation of the Republic?

Mr. REED of New York. I may say this Congress has. The gentleman will remember that the $14,000,000 for vocational education was appropriated and voted for by the Congress in opposition to President Roosevelt.

Mr. FLETCHER. But that is only a part of it. We have spent millions more on it.

Mr. REED of New York. I am not talking in a partisan way. Let us not introduce a partisan question in here at all. I am interested in the proposition we have before the House. This is an opportunity to encourage philanthropists without hurting the Treasury. This amendment is absolutely sound, and is drawn by the Joint Committee on Internal Revenue Taxation. I submitted the amendment to the gentleman from Kentucky [Mr. FRED M. VINSON], and you will not hear him raise his voice against this proposition. I ask you to vote this amendment through and encourage people who are interested in education to set up these revocable trusts and help education. [Applause.]

Mr. Chairman, the law in regard to taxes or charitable gifts under certain circumstances may be stated briefly, as follows:

(1) Gifts directly by individual: Under existing law, if A makes a gift of $100,000 to a charity, he is allowed a deduction for such a gift in an amount not exceeding 15 percent of his net income computed without the benefit of the charitable deduction. Therefore, if A had a net income of $200,000 without taking into account his charitable deduction he cannot reduce his net income on account of the charitable deduction by more than $30,000.

(2) Gifts through irrevocable trusts: Under existing law, an irrevocable trust is taxed as an individual. Suppose A has some securities yielding $100,000 income per year. He sets up an irrevocable trust and transfers to the trust such securities; $50,000 of the annual income of the trust is payable to his wife and $50,000 to a college. Under the existing law, the trust gets a full deduction for the $50,000 paid to the college.

(3) Gifts by revocable trusts: Under existing law, an individual gets no greater deduction for making gifts to a college by means of a revocable trust than if he gave the amount of the contribution direct to the college. His charitable deduction cannot exceed 15 percent of his net income. The amendment which I offered corrects this situation. Under the amendment, if an individual sets up a revocable trust, the income from such trust which goes to the college will not be taxable if it does not exceed $20,000. For example, A sets up a revocable trust providing that the income should go to a college. The income from the trust for the year amounts to $50,000 which is paid to the college. The effect of the amendment is to exempt A from any tax on $25,000 of the $50,000 given to the college by means of the revocable trust.

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment.

Mr. BUCK. Mr. Chairman, it is always embarrassing for anyone, particularly one who may be a college graduate himself, to rise in opposition to what purports to be an amendment for the benefit of education. However, this amendment, while purporting to be for the benefit of education, is actually for the benefit of those donors of money who may want to set up trusts.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I will yield in just a minute. Does the gentleman dispute the fact this amendment has no such provision as the other sections of our tax bill affecting irrevocable trusts?

Mr. REED of New York. If the gentleman will yield, I have gone over all this carefully. This is the law: A man now can set up an irrevocable trust, give $50,000 to that trust for the benefit of a college, and have the entire amount deducted in computing his tax. Under this amendment he can deduct only up to $25,000 when the money is placed in a revocable trust. I hope the gentleman will not make a mistake on this matter, because he is wrong.

Mr. BUCK. I am making no mistake on this. I have no use for these revocable trusts. They are generally aids to tax evasion. This matter was brought up before our committee and was submitted to the Treasury Department. I want to read an extract from a letter written by the Under Secretary of the Treasury referring to this exact amendment.

Mr. REED of New York. No. Pardon me; I know the gentleman wants to be fair.

Mr. BUCK. I do not yield. I have very little time.

The letter refers to this exact amendment with the exception that the sum proposed is $25,000 instead of $20,000. This letter was written on January 20, 1938. It reads as follows:

> Since the amendment would offer an opportunity to wealthy individuals to give a large portion of their incomes to charitable organizations free from income tax through the device of a recoverable trust or trust for the benefit of the grantor, the increase in the amount of charitable gifts might be relatively great. We have, however, no statistical data from which to judge the magnitude of this increase. If the effect of the amendment were to double the amount of tax-exempt charitable contributions made by individuals with net incomes of $50,000 and over, the loss in revenue would be approximately $40,000,000 annually at the estimated level of incomes for the current year.

It was over the signature of Hon. Roscoe Magill, Under Secretary of the Treasury.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from New York.

Mr. REED of New York. This amendment fixes the sum at $25,000.

Mr. BUCK. The original amendment fixed it at $20,000.

Mr. REED of New York. The loss to the Treasury in revenue could not exceed $4,000,000 or $5,000,000.

Mr. BUCK. Oh, surely the gentleman does not believe that.

Mr. REED of New York. Absolutely, I believe it, and the gentleman knows that is so.

Mr. BUCK. I do not know any such thing.

Mr. REED of New York. Two hundred thousand dollars was the limit upon which the Treasury based its figures.

Mr. BUCK. Two hundred thousand dollars was the limit he was to be permitted to contribute; the letter I read shows what the loss in revenue might be if the present amount of tax-exempt charitable and educational contributions from individuals with $50,000 net income and over were doubled.

Let us be honest about this matter. We are spending $50,000,000 a year through the National Youth Administration and otherwise for the purpose of education. We are already helping colleges. I do not know how many students we are helping. I have heard that there are 1,250,000 students at colleges now, while the total number of all collegiate graduates is only two and one-half million. Why should we go out of our way at this point to permit owners of a lot of money to establish revocable trusts for their own benefit primarily in the way of tax reduction. If we were not doing what we are for education there might be some excuse for this amendment. As it is, I cannot see any.

Mr. REED of New York. Will the gentleman yield?

Mr. BUCK. I do not want to argue this matter further. Let us vote down the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. REED].

The question was taken; and on a division (demanded by Mr. REED of New York) there were—ayes 29, noes 45.

So the amendment was rejected.

Mr. REED of New York. Mr. Chairman, I make the point of order a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twelve Members are present, a quorum.

The Clerk read as follows:

TITLE I–A—PERSONAL HOLDING COMPANIES

SEC. 401. Surtax on personal holding companies.

There shall be levied, collected, and paid, for each taxable year, upon the undistributed title I–A net income of every personal holding company (in addition to the taxes imposed by title I) a surtax equal to the sum of the following:

(1) 65 percent of the amount thereof not in excess of $2,000; plus

(2) 75 percent of the amount thereof in excess of $2,000.

SEC. 402. Definition of personal holding company.

(a) General rule: For the purposes of this title, title I, and title I–B, the term "personal holding company" means any corporation if—

(1) Gross income requirement: At least 80 percent of its gross income for the taxable year is personal holding company income as defined in section 403; but if the corporation is a personal holding company with respect to any taxable year beginning after December 31, 1936, then, for each subsequent taxable year, the minimum percentage shall be 70 percent in lieu of 80 percent, until a taxable year during the whole of the last half of which the stock ownership required by paragraph (2) does not exist, or until the expiration of 3 consecutive taxable years in each of which less than 70 percent of the gross income is personal holding company income; and

(2) Stock ownership requirement: At any time during the last half of the taxable year more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by or for not more than five individuals.

(b) Exceptions: The term "personal holding company" does not include a corporation exempt from taxation under section 101, a bank as defined in section 104, a life insurance company, a surety company, or a foreign personal holding company, as defined in section 331.

SEC. 403. Personal holding company income.

For the purposes of this title the term "personal holding company income" means the portion of the gross income which consists of—

(a) Dividends, interest (other than interest constituting rent as defined in subsection (g)), royalties (other than mineral, oil, or gas royalties), annuities.

(b) Stock and securities transactions: Except in the case of regular dealers in stock or securities, gains from the sale or exchange of stock or securities.

(c) Commodities transactions: Gains from futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange. This subsection shall not apply to gains by a producer, processor, merchant, or handler of the commodity which arise out of bona fide hedging transactions reasonably necessary to the conduct of its business in the manner in which such business is customarily and usually conducted by others.

(d) Estates and trusts: Amounts includible in computing the net income of the corporation under supplement E of title I; and gains from the sale or other disposition of any interest in an estate or trust.

(e) Personal service contracts: (1) Amounts received under a contract under which the corporation is to furnish personal services; if some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or if the individual who is to perform the services is designated (by name or by description) in the contract; and (2) amounts received from the sale or other disposition of such a contract. This subsection shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to perform, or may be designated (by name or by description) as the one to perform, such services.

(f) Use of corporation property by shareholder: Amounts received as compensation (however designated and from whomsoever received) for the use of, or right to use, property of the corporation in any case where, at any time during the taxable year, 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for an individual entitled to the use of the property; whether such right is obtained directly from the corporation or by means of a sublease or other arrangement.

(g) Rents: Rents, unless constituting 50 percent or more of the gross income. For the purposes of this subsection the term "rents" means compensation, however designated, for the use of, or right to use, property, and the interest on debts owed to the corporation, to the extent such debts represent the price for which real property held primarily for sale to customers in the ordinary course of its trade or business was sold or exchanged by the corporation; but does not include amounts constituting personal holding company income under subsection (f).

(h) Mineral, oil, or gas royalties: Mineral, oil, or gas royalties, unless (1) constituting 50 percent or more of the gross income, and (2) the deductions allowable under section 23 (a) (relating to expenses) other than compensation for personal services rendered by shareholders, constitute 15 percent or more of the gross income.

SEC. 404. Stock ownership.

(a) Constructive ownership: For the purpose of determining whether a corporation is a personal holding company, insofar as such determination is based on stock ownership under section 402 (a) (2), section 403 (e), or section 403 (f)—

(1) Stock not owned by individual: Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

(2) Family and partnership ownership: An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family or by or for his partner. For the purposes of this paragraph the family of an individual includes only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

(3) Options: If any person has an option to acquire stock such stock shall be considered as owned by such person. For the purposes of this paragraph an option to acquire such an option, and each one of a series of such options, shall be considered as an option to acquire such stock.

(4) Application of family-partnership and option rules: Paragraphs (2) and (3) shall be applied—

(A) For the purposes of the stock ownership requirement provided in section 402 (a) (2), if, but only if, the effect is to make the corporation a personal holding company;

(B) For the purposes of section 403 (e) (relating to personal service contracts), or of section 403 (f) (relating to the use of property by shareholders), if, but only if, the effect is to make the amounts therein referred to includible under such subsection as personal holding company income.

(5) Constructive ownership as actual ownership: Stock constructively owned by a person by reason of the application of paragraph (1) or (3) shall, for the purpose of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by an individual by reason of the application of paragraph (2) shall not be treated as owned by him for the purpose of again applying such paragraph in order to make another the constructive owner of such stock.

(6) Option rule in lieu of family and partnership rule: If stock may be considered as owned by an individual under either paragraph (2) or (3) it shall be considered as owned by him under paragraph (3).

(b) Convertible securities: Outstanding securities convertible into stock (whether or not convertible during the taxable year) shall be considered as outstanding stock—

(1) For the purpose of the stock ownership requirement provided in section 402 (a) (2), but only if the effect of the inclusion of all such securities is to make the corporation a personal holding company;

(2) For the purpose of section 403 (e) (relating to personal service contracts), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such subsection as personal holding company income; and

(3) For the purpose of section 403 (f) (relating to the use of property by shareholders), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such subsection as personal holding company income.

The requirement in paragraphs (1), (2), and (3) that all convertible securities must be included if any are to be included shall be subject to the exception that, where some of the outstanding securities are convertible only after a later date than in the case of others, the class having the earlier conversion date may be included although the others are not included, but no convertible securities shall be included unless all outstanding securities having a prior conversion date are also included.

SEC. 405. Undistributed title I–A net income.

For the purposes of this title the term "undistributed title I–A net income" means the title I–A net income (as defined in section 406) minus—

(a) The amount of the dividends paid credit provided in section 27 (computed without its reduction, under section 27 (b) (1), by the amount of the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations); but, in the computation of the dividends paid credit for the purposes of this title, the amount allowed under subsection (c) of this section or section 454 (d) in the computation of the tax under this title or title I–B for any preceding taxable year shall be considered as a dividend paid in such preceding taxable year and not in the year of distribution;

(b) Amounts used or irrevocably set aside to pay or to retire indebtedness of any kind incurred prior to January 1, 1934, if such amounts are reasonable with reference to the size and terms of such indebtedness;

(c) Dividends paid after the close of the taxable year and before the 15th day of the third month following the close of the taxable year, if claimed under this subsection in the return; but the amount allowed under this subsection shall not exceed either:

(1) The accumulated earnings and profits as of the close of the taxable year; or

(2) The undistributed title I–A net income for the taxable year computed without regard to this subsection; or

(3) 10 percent of the sum of—

(A) The dividends paid during the taxable year (reduced by the amount allowed under this subsection or section 454 (d) in the computation of the tax under this title or title I–B for the taxable year preceding the taxable year); and

(B) The consent dividends credit for the taxable year.

SEC. 406. Title I–A net income.

For the purposes of this title the term "title I–A net income" means the net income with the following adjustments:

(a) Additional deductions: There shall be allowed as deductions—

(1) Federal income, war-profits, and excess-profits taxes paid or accrued during the taxable year to the extent not allowed as a deduction under section 23; but not including the tax imposed by section 102, section 401, or a section of a prior income-tax law corresponding to either of such sections.

(2) In lieu of the deduction allowed by section 23 (q), contributions or gifts payment of which is made within the taxable year to or for the use of donees described in section 23 (q) for the purposes therein specified, to an amount which does not exceed 15 percent of the taxpayer's net income, computed without the benefit of this paragraph and section 23 (q), and without the deduction of the amount disallowed under subsection (b) of this section. In the case of a contribution or gift made in property other than money, the amount of such contribution or gift, for the purposes of this paragraph, shall be equal to the adjusted basis of the property in the hands of the taxpayer or its fair market value, whichever is the lower.

(3) In the case of a corporation organized prior to January 1, 1936, to take over the assets and liabilities of the estate of a decedent, amounts paid in liquidation of any liability of the corporation based on the liability of the decedent to make contributions or gifts to or for the use of donees described in section 23 (o) for the purposes therein specified, to the extent such liability of the decedent existed prior to January 1, 1934. No deduction shall be allowed under paragraph (2) of this subsection for a taxable year for which a deduction is allowed under this paragraph.

(b) Deductions not allowed: The aggregate of the deductions allowed under section 23 (a), relating to expenses, and section 23 (l), relating to depreciation, which are allocable to the operation and maintenance of property owned or operated by the corporation, shall be allowed only in an amount equal to the rent or other compensation received for the use of, or the right to use, the property, unless it is established (under regulations prescribed by the Commissioner with the approval of the Secretary) to the satisfaction of the Commissioner:

(1) That the rent or other compensation received was the highest obtainable, or, if none was received, that none was obtainable;

(2) That the property was held in the course of a business carried on bona fide for profit; and

(3) Either that there was reasonable expectation that the operation of the property would result in a profit, or that the property was necessary to the conduct of the business.

SEC. 407. Meaning of terms used.

The terms used in this title shall have the same meaning as when used in title I.

SEC. 408. Administrative provisions.

All provisions of law (including penalties) applicable in respect of the taxes imposed by title I, shall insofar as not inconsistent with this title, be applicable in respect of the tax imposed by this title, except that the provisions of section 131 shall not be applicable.

SEC. 409. Improper accumulation of surplus.

For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

SEC. 410. Foreign personal holding companies.

For provisions relating to foreign personal holding companies and their shareholders, see Supplement P of title I.

SEC. 411. Other closely held companies.

For surtax on closely held corporations not personal holding companies, see title I–B.

Mr. FRED M. VINSON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: Page 265, line 7, strike out "or."

Page 265, line 8, after "331", insert "or a licensed personal finance company, under State supervision, at least 80 percent of the gross income of which is lawful interest received from individuals each of whose indebtedness to such company did not at any time during the taxable year exceed $300 in principal amount, if such interest is not payable in advance or compounded and is computed only on unpaid balances."

The committee amendment was agreed to.

Mr. FRED M. VINSON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: On page 272, line 2, after the word "return", insert ", but only to the extent to which such dividends are includable, for the purposes of title I, in the computation of the basic surtax credit for the year of distribution."

The committee amendment was agreed to.

Mr. FRED M. VINSON. Mr. Chairman, I offer a further committee amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: On page 274, after line 22, insert:

"SEC. 407. Deficiency dividends—Credits and refunds.

"(a) Credit against unpaid deficiency: If the amount of a deficiency with respect to the tax imposed by this title for any taxable year has been established—

"(1) by a decision of the Board which has become final; or

"(2) by a closing agreement made under section 606 of the Revenue Act of 1928, as amended by section 801 of this act; or

"(3) by a final judgment in a suit to which the United States is a party;

then a deficiency dividend credit shall be allowed against the amount of the deficiency so established and all interest, additional amounts, and additions to the tax provided by law not paid on or before the date when claim for a deficiency dividend credit is filed under subsection (d). The amount of such credit shall be 65 percent of the amount of deficiency dividends, as defined in subsection (c), not in excess of $2,000, plus 75 percent of the amount of such dividends in excess of $2,000, but such credit shall not exceed the portion of the deficiency so established which is not paid on or before the date of the closing agreement, or the date the decision of the Board or the judgment becomes final, as the case may be. Such credit shall be allowed as of the date the claim for deficiency dividend credit is filed.

"(b) Credit or refund of deficiency paid: When the Commissioner has determined that there is a deficiency with respect to the tax imposed by this title and the corporation has paid any portion of such asserted deficiency and it has been established—

"(1) by a decision of the Board which has become final; or

"(2) by a closing agreement made under section 606 of the Revenue Act of 1928, as amended by section 801 of this act; or

"(3) by a final judgment in a suit against the United States for refund—

"(A) if such suit is brought within 6 months after the corporation became entitled to bring suit, and

"(B) if claim for refund was filed within 6 months after the payment of such amount;

that any portion of the amount so paid was the whole or a part of a deficiency at the time when paid, then there shall be credited or refunded to the corporation an amount equal to 65 percent of the amount of deficiency dividends not in excess of $2,000, plus 75 percent of the amount of such dividends in excess of $2,000, but such credit or refund shall not exceed the portion so paid by the corporation. Such credit or refund shall be made as provided in section 322 but without regard to subsection (b) or subsection (c) thereof. No credit or refund shall be made under this subsection with respect to any amount of tax paid after the date of the closing agreement, or the date the decision of the Board or the judgment becomes final, as the case may be. No interest shall be allowed on such credit or refund.

"(c) Deficiency dividends.—

"(1) Definition: For the purpose of this title the term 'deficiency dividends' means the amount of the dividends paid, on or after the date of the closing agreement or on or after the date the decision of the Board or the judgment becomes final, as the case may be, and prior to filing claim under subsection (d), which are includible, for the purposes of title I, in the computation of the basic surtax credit for the year of distribution. No dividends shall be considered as deficiency dividends for the purposes of allowance of credit under subsection (a) unless (under regulations prescribed by the Commissioner with the approval of the Secretary) the corporation files, within 30 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be, notification (which specifies the amount of the credit intended to be claimed) of its intention to have the dividends so considered.

"(2) Effect on dividends paid credit:

"(A) For taxable year in which paid: Deficiency dividends paid in any taxable year (to the extent of the portion thereof with respect to which the credit under subsection (a), or the credit or refund under subsection (b), or both, are allowed) shall be subtracted from the basic surtax credit for such year, but only for the purpose of computing the tax under this title or title I–B for such year and succeeding years.

"(B) For prior taxable year: Deficiency dividends paid in any taxable year (to the extent of the portion thereof with respect to which the credit under subsection (a), or the credit or refund under subsection (b), or both, are allowed) shall not be allowed under section 405 (c) or 454 (d) in the computation of the tax under this title or title I–B for any taxable year preceding the taxable year in which paid.

"(d) Claim required: No deficiency dividends credit shall be allowed under subsection (a) and no credit or refund shall be made under subsection (b) unless (under regulations prescribed by the Commissioner with the approval of the Secretary) claim therefor is filed within 60 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(e) Suspension of statute of limitations and stay of collection:

"(1) Suspension of running of statute: If the corporation files a notification, as provided in subsection (c), to have dividends considered as deficiency dividends, the running of the statute of limitations provided in section 275 or 276 on the making of assessments and the bringing of distraint or a proceeding in court for collection, in respect of the deficiency and all interest, additional amounts, and additions to the tax provided by law, shall be suspended for a period of 2 years after the date of the filing of such notification.

"(2) Stay of collection: In the case of any deficiency with respect to the tax imposed by this title established as provided in subsection (a)—

"(A) The collection of the deficiency and all interest, additional amounts, and additions to the tax provided for by law shall, except in cases of jeopardy, be stayed until the expiration of 30 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(B) If notification has been filed, as provided in subsection (c), the collection of such part of the deficiency as is not in excess of either the credit allowable under subsection (a) or the amount which, in the notification, is specified as intended to be claimed as credit, shall, except in cases of jeopardy, be stayed until the expiration of 60 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(C) If claim for deficiency dividend credit is filed under subsection (d), the collection of such part of the deficiency as is not in excess of either the credit allowable under subsection (a) or the amount claimed, shall be stayed until the date the claim for credit is disallowed (in whole or in part), and if disallowed in part collection shall be made only of the part disallowed.

No distraint or proceeding in court shall be begun for the collection of an amount the collection of which is stayed under subparagraph (A), (B), or (C) during the period for which the collection of such amount is stayed.

"(f) Credit or refund denied if fraud, etc.: No deficiency dividend credit shall be allowed under subsection (a) and no credit or refund shall be made under subsection (b) if the closing agreement, decision of the Board, or judgment contains a finding that any part of the deficiency is due to fraud with intent to evade tax, or to failure to file the return under this title within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure to file is due to reasonable cause and not due to willful neglect."

Page 274, line 23, strike out "407" and insert "408."
Page 275, line 1, strike out "408" and insert "409."
Page 275, line 7, strike out "409" and insert "410."
Page 275, line 14, strike out "410" and insert "411."

Mr. FRED M. VINSON (interrupting the reading of the committee amendment). Mr. Chairman, I ask unanimous consent that the further reading of the committee amendment be dispensed with and that the committee amendment be printed in the RECORD.

Mr. JENKINS of Ohio. Mr. Chairman, reserving the right to object, there are the amendments agreed upon in the committee?

Mr. FRED M. VINSON. Yes. These are the committee amendments. I may say to my friend from Ohio the last one is the amendment we know as the deficiency assessment. If, after the expiration of 2 or 3 years, it should finally be decided, either by the Commissioner of Internal Revenue or by the courts, that certain deductions that the taxpayer included in his return are disallowed, the corporation, within 60 days after that determination is made or such final adjudication is rendered, has the privilege of declaring out dividends sufficient to make up the amount of the deductions disallowed, for the purposes of the I–A tax. In other words, say you have $1,000 of deduction disallowance, that would increase the tax under I–A because that additional amount would be retained income. Of course, the tax under I–A is from 65 to 75 percent. This permits the corporation to declare out dividends so that they will not have to pay any additional tax under I–A.

Mr. CROWTHER. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. CROWTHER. In a sense, this is really relief rather than penalty?

Mr. FRED M. VINSON. This is a relief provision, as are many other provisions in the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The committee amendment was agreed to.

The Clerk read as follows:

TITLE IB—CLOSELY HELD CORPORATIONS OTHER THAN PERSONAL HOLDING COMPANIES

SEC. 451. Surtax on title IB companies.

There shall be levied, collected, and paid, for each taxable year upon the undistributed title IB net income of every title IB company (in addition to the taxes imposed by title I) a surtax equal to 20 percent of the amount thereof.

SEC. 452. Definition of title IB company.

(a) Stock ownership requirement: For the purposes of this title, title I, and title IA, the term "Title IB company" means any corporation, if at any time during the last half of the taxable year—

(1) More than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for one individual; or

(2) More than 53 percent in value of the outstanding stock is owned, directly or indirectly, by or for two individuals; or

(3) More than 56 percent in value of the outstanding stock is owned, directly or indirectly, by or for three individuals; or

(4) More than 59 percent in value of the outstanding stock is owned, directly or indirectly, by or for four individuals; or

(5) More than 62 percent in value of the outstanding stock is owned, directly or indirectly, by or for five individuals; or

(6) More than 65 percent in value of the outstanding stock is owned, directly or indirectly, by or for six individuals; or

(7) More than 68 percent in value of the outstanding stock is owned, directly or indirectly, by or for seven individuals; or

(8) More than 71 percent in value of the outstanding stock is owned, directly or indirectly, by or for eight individuals; or

(9) More than 74 percent in value of the outstanding stock is owned, directly or indirectly, by or for nine individuals; or

(10) More than 75 percent in value of the outstanding stock is owned, directly or indirectly, by or for 10 individuals.

(b) Proof of lack of control: Even though the corporation meets the stock ownership requirement of subsection (a) it shall not be a title IB company for a taxable year with respect to which it can sustain the burden of proving to the satisfaction of the Commissioner that at no time during the last half of such year did the individual or individuals, by reason of whose stock ownership the corporation meets such stock ownership requirement, directly or indirectly, legally or actually, individually or in any combination of two or more, control or cause to be controlled, or possess the power to control or cause to be controlled, the policy of the corporation with respect to dividends.

(c) Exceptions: The term "Title IB company" does not include—

(1) A corporation with a net income of not more than $60,000 for the taxable year.

(2) A corporation exempt under section 101.

(3) A personal holding company as defined in title IA.

(4) A foreign personal holding company as defined in supplement P of title I.

(5) A bank, as defined in section 104.

(6) A joint-stock land bank organized under the Federal Farm Loan Act, as amended.

(7) A corporation which at the close of the taxable year is regulated or restricted by the Federal Housing Administrator under section 207 (b) (2) of the National Housing Act, as amended, but only if such Administrator certifies to the Commissioner the fact that such regulation or restriction existed at the close of the taxable year. It shall be the duty of such Administrator promptly to make such certification to the Commissioner after the close of the taxable year of each such corporation which is so regulated or restricted by him.

(8) An insurance company subject to the tax imposed under section 201, 204, or 207.

(9) A domestic corporation which for any portion of the taxable year or of either of the 2 preceding taxable years was in bankruptcy under the laws of the United States, or insolvent and in receivership in any court of the United States or of any State, Territory, or the District of Columbia.

(10) A mutual investment company, as defined in supplement Q of title I.

(11) A corporation organized under the China Trade Act, 1922.

(12) A corporation which, by reason of its deriving a large portion of its gross income from sources within a possession of the United States, is entitled to the benefits of section 251.

SEC. 453. Stock ownership.

(a) Constructive ownership: For the purpose of determining whether a corporation is a title IB company—

(1) Stock not owned by individual: Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

(2) Family and partnership ownership: An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family or by or for his partner. For the purposes of this paragraph the family of an individual includes only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. This paragraph shall be applied if, but only if, the effect is to make the corporation a title IB company under section 452 (a) (1).

(3) Options: If any person has an option to acquire stock such stock shall be considered as owned by such person. For the purposes of this paragraph an option to acquire such an option, and each one of a series of such options, shall be considered as an

option to acquire such stock. This paragraph shall be applied if, but only if, the effect is to make the corporation a title IB company.

(4) Constructive ownership as actual ownership: Stock constructively owned by a person by reason of the application of paragraph (1) or (3) shall, for the purpose of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by an individual by reason of the application of paragraph (2) shall not be treated as owned by him for the purpose of again applying such paragraph in order to make another the constructive owner of such stock.

(5) Option rule in lieu of family and partnership rule: If stock may be considered as owned by an individual under either paragraph (2) or (3) it shall be considered as owned by him under paragraph (3).

(b) Convertible securities: Outstanding securities convertible into stock (whether or not convertible during the taxable year) shall be considered as outstanding stock if, but only if, the effect of the inclusion of all such securities is to make the corporation a title IB company. The requirement that all convertible securities must be included if any are to be included shall be subject to the exception that, where some of the outstanding securities are convertible only after a later date than in the case of others, the class having the earlier conversion date may be included although the others are not included, but no convertible securities shall be included unless all outstanding securities having a prior conversion date are also included.

SEC. 454. Undistributed title IB net income.

For the purposes of this title the term "undistributed title IB net income" means the adjusted title IB net income (as defined in section 455) minus the sum of—

(a) The dividends paid credit, computed under section 27 but, in the computation of such credit for the purposes of this title, the amount allowed under subsection (d) of this section or section 405 (c) in the computation of the tax under this title or title IA for any preceding taxable year shall be considered as a dividend paid in such preceding taxable year and not in the year of distribution;

(b) The amount, if any, by which any deficit in the accumulated earnings and profits, as of the close of the preceding taxable year (whether beginning on, before, or after January 1, 1938), exceeds the amount of the credit provided in section 26 (c) (relating to net operating losses), for such preceding taxable year (if beginning after December 31, 1937);

(c) The amount, if any, by which the adjusted title IB net income exceeds the earnings and profits of the taxable year, computed without diminution by reason of distributions during the taxable year or by reason of the tax imposed for the taxable year by this title; and

(d) Dividends paid after the close of the taxable year and before the 15th day of the third month following the close of the taxable year, if claimed under this subsection in the return; but the amount allowed under this subsection shall not exceed either:

(1) The accumulated earnings and profits as of the close of the taxable year; or

(2) The undistributed title IB net income for the taxable year computed without regard to this subsection; or

(3) 10 percent of the sum of—

(A) The dividends paid during the taxable year (reduced by the amount allowed under this subsection or section 405 (c) in the computation of the tax under this title or title IA for the taxable year preceding the taxable year); and

(B) The consent dividends credit for the taxable year.

SEC. 455. Adjusted title IB net income.

For the purposes of this title, the term "adjusted title IB net income" means the title IB net income (as defined in sec. 456) minus whichever of the following is the greatest:

(1) $60,000; or

(2) 30 percent of the title IB net income; or

(3) Amounts used or irrevocably set aside to pay or to retire indebtedness of any kind incurred prior to January 1, 1938, if such amounts are reasonable with reference to the size and terms of such indebtedness.

SEC. 456. Title IB net income.

For the purposes of this title, the term "title IB net income" means the adjusted net income computed for the purpose of title I minus the tax imposed by title I for the taxable year (exclusive of any tax imposed under section 102) before the application of the credit for foreign taxes provided in section 131.

SEC. 457. Meaning of terms used.

The terms used in this title shall have the same meaning as when used in title I.

SEC. 458. Administrative provisions.

All provisions of law (including penalties) applicable in respect of the taxes imposed by title I shall, insofar as not inconsistent with this title, be applicable in respect of the tax imposed by this title, except that the provisions of section 131 shall not be applicable.

SEC. 459. Improper accumulation of surplus.

For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

SEC. 460. Personal holding companies.

For surtax on personal holding companies, see title IA.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 9682 and had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. WHITE of Idaho, on account of illness.

To Mr. HARLAN, for 2 days, on account of illness.

EXTENSION OF REMARKS

Mr. BIGELOW. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Texas [Mr. MAVERICK] may have permission to extend his remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. WHITE of Ohio. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include a speech made by the president of the Golden Rule Jones Co. to his employees on employee relations.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOPE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. CARLSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. McGRANERY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an address delivered by Maj. W. H. Drane Lester, inspector, Federal Bureau of Investigation, United States Department of Justice, before the Overbrook Lecture Club at Overbrook, Pa., January 28, 1938.

The SPEAKER. Is there objection?

There was no objection.

Mr. BACON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a very, very short editorial from the New York Sun.

The SPEAKER. Is there objection?

There was no objection.

WAGE AND HOUR LEGISLATION

Mr. STACK. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. STACK. Mr. Speaker, in the Philadelphia Record today, published by my "friend," Davey Stern—that publisher of communistic newspapers, including the Camden Courier and New York Evening Post, which have been branded by high church officials to be unfit to be in any Christian home—there appeared on the editorial page a malicious and libelous cartoon in reference to two Members of our body, one of them being the gentleman from New York, JOHN O'CONNOR, chairman of the Rules Committee.

While Mr. O'CONNOR and I differ, maybe, on the kind of wage and hour bill which should be passed by this Congress, we are both equally and honestly against sweatshop wages and child labor. Everybody knows the efforts he put forth in the special session of Congress for the then so-called wage and hour bill, while everybody in the know knows that Davey's support of wage and hour legislation is mostly pretense, with his tongue in his cheek.

There is a real wage and hour bill, H. R. 9628, proposed and endorsed by the American Federation of Labor, now

being considered by the subcommittee of the Labor Committee, and if Mr. Stern is really sincere in protecting the wage earner and in eliminating sweatshops in industry in Philadelphia and Pennsylvania, why does he not get behind this bill, which is, in my judgment, the only wage and hour bill that will do this and at the same time be a fair bill to all concerned.

I ask unanimous consent at this point in my remarks to insert in the RECORD a letter written today by the gentleman from New York [Mr. O'CONNOR] to Davey and a statement issued last Saturday by the gentleman from New York further in favor of the enactment of the wage and hour bill in this session of Congress.

The SPEAKER. Is there objection?

There was no objection.

The letter is as follows:

WASHINGTON, D. C., *March 8, 1938.*

Mr. J. DAVID STERN,
Publisher of the Philadelphia Record, Philadelphia, Pa.

MY DEAR MR. STERN: Continuing the vicious attacks of about 2 years ago on me, your Philadelphia sheet of today carries a cartoon on the editorial page which depicts me as having stabbed the wage and hour bill. Of course, you personally and everybody connected with your newspaper know the contrary to be true. As Mr. Justice Holmes said, "This is dirty business." You and all your associates know that no one individual in the House of Representatives has done more to effect the passage of a wage and hour bill than I. In addition to countless speeches in its behalf, including the closing speech in December, I voted against the motion to recommit the bill, which motion was in effect to kill the bill. Only last Saturday I issued a statement in behalf of passing the bill during this session. It is apparent that your representatives in Washington failed to see this statement or your sheets did not care to carry it. "Shadows of coming congressional elections" have never influenced me, no more than do the mean editorials and libelous cartoons in your sheets. In spite of your insincere support of the wage and hour bill, I shall continue to do my utmost to effect its enactment into law.

In passing, I am wondering if your far-flung organizations are paying a minimum of $16 per week for a 40-hour week to all your employees from the newsboys up. It shall continue to be my purpose to force you to do it.

Enclosed find another copy of my press release of last Saturday in support of the enactment of a wage and hour bill at this session. Of course, I have no expectation that you will print either the statement or this letter.

Yours, etc.,

JOHN O'CONNOR.

STATEMENT OF REPRESENTATIVE JOHN O'CONNOR, DEMOCRAT, OF NEW YORK, CHAIRMAN OF THE RULES COMMITTEE, IN REFERENCE TO THE PROSPECTS OF A WAGE AND HOUR BILL

Press reports for the last few days have carried the statement that there might be some question about the enactment of a wage and hour bill in this closing session of the Seventy-fifth Congress and that the "leadership" of the House of Representatives was inclined to accede to a postponement of the matter until the next Congress.

With any such suggestion I am in complete disagreement. I believe a wage and hour bill should and can be passed by the House during this session, and I shall be greatly disappointed if such a bill is not passed. In the last session the vote on the motion to recommit (in effect to kill) the wage and hour bill to the Committee on Labor stood 216 to recommit and 198 against the motion. This required only a change of 10 votes to accomplish the passage of the bill before we adjourned in December. Seventeen Members did not vote.

In my opinion, the attitude of a number of Members in reference to the bill has changed since that date, and I firmly believe that if the Committee on Labor would select from among the 18 or more bills before it, introduced by most of its 21 Members, a wage and hour bill which would meet some of the objections raised last December—such a bill could pass the House.

The wage and hour bill contains three features: child labor, hours, and wages.

As to the first, child labor, there is little contention, because the sentiment is almost unanimous that child labor should be abolished.

As to the second, hours, there is likewise little disagreement because, while the bill proposes a maximum of 40 hours, 44 hours at least is a fairly well-established standard throughout the country, and this matter of hours could readily be adjusted.

The chief contention in the bill centers around the question of wages. The bill last considered by the House had a flexible minimum or "floor" of 40 cents an hour. The minimum is not so important as long as the flexibility is maintained. It could be fixed at a start at, say 30 cents an hour with gradual annual increase until it reached 40 cents an hour, or some other figure arrived at, giving, as the President has said on more than one occasion, a reasonable opportunity for industry to adjust itself to the change. The suggestion of taking the wage standards set up in 1934 under N. R. A. is worthy of consideration.

In my opinion, this "floor" of wages should be flexible, and not fixed, as has been suggested. It may well vary in many of our hundreds of thousands of communities in America, and in our 6,300 gainful occupations. I fully appreciate the enormous problem of working out fair adjustments in all these communities and occupations taking into account the differences between the cost of living, geographically, nationally, and even locally.

As to differentials in the wages fixed as between different sections of the country, that is an added problem. What is "North," and what is "South"? And even if you define those sections, the wages in a certain industry will vary in the one section itself. For instance, there are differences in wages in certain industries as between South Carolina and Virginia, as there is between New York and Missouri. Only a flexible law can reach this problem.

People often lose sight of the fact that such a law has no effect on maximum wages or rates higher than the fixed minimums.

As to who should administer the act is to my mind a matter of minor importance. Like most Members of Congress, I start out in opposition to the creation of a new board or bureau. We have too many already. The existing branch of the Government in which to place the administration of such an act is naturally the Labor Department, represented by a member of the Cabinet. To the feeling existing in some quarters against the present Secretary of Labor, I have never subscribed. The complete answer to any such antagonism is that we are enacting law to continue far into the future. Of course it can be amended and modified and extended as often as Congress is in session and it will undoubtedly be. Whether it be administered by an Administrator in the Department of Labor is also unimportant. To my mind the administration of the act could be turned over more properly to the Department of Labor to let the Department set up its process of administration through a subdivision or otherwise.

In any event, the distinguished Labor Committee of the House of Representatives should make every effort to agree upon a bill, which will in part meet at least the objections to the previous bill, and report the same to the House so that every effort may be made to enact a wage and hour bill before this session and this Congress adjourns.

In view of what I have stated above and the importance of the measure and the program it involves of providing for the far distant future, the exact detail of the bill is not as important as is the fact that we make a start on this momentous problem. The workers of America—and I am referring to the rank and file—are concerned with their Government assuring some minimum of wages which will lift them out of starvation and some maximum of hours that will free them from industrial slavery.

GENERALS MARKHAM AND PILLSBURY

Mr. DEROUEN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. DEROUEN. Mr. Speaker, by direction of the Committee on Rivers and Harbors, I wish to present to the House, and ask that it be printed in the CONGRESSIONAL RECORD at this point, a resolution unanimously adopted by the entire membership of the Committee on Rivers and Harbors, expressing our regrets over the separation from the Board of Engineers for Rivers and Harbors of two outstanding and distinguished engineers. These men, Maj. Gen. Edward M. Markham, retired, and Brig. Gen. George B. Pillsbury, retired, have unselfishly given the best years of their life to the Army of these great United States and who have so ably contributed to the great accomplishments of the Army Engineer Corps. In view of their splendid and incalculable service, we wish them a long life and every possible moment of happiness in their new environments.

RESOLUTION OF THE COMMITTEE ON RIVERS AND HARBORS OF THE HOUSE OF REPRESENTATIVES

(By Mr. DEROUEN)

Whereas for many years last past the Rivers and Harbors Committee of the House of Representatives has been benefited beyond description by the recommendations, testimony, and suggestions of Maj. Gen. Edward M. Markham and Brig. Gen. George B. Pillsbury, two of the ablest engineers on water transportation in the history of the country; and

Whereas General Markham and General Pillsbury have recently retired from the service after rendering great and lasting contributions to the cause of America: Now, therefore, be it

Resolved, That the Committee on Rivers and Harbors of the House of Representatives, in meeting assembled, does express its regret at the separation of Generals Markham and Pillsbury from the public service, and expresses its grateful appreciation, in behalf of the Congress and the people of the Nation, for their outstanding and brilliant work for the public good; and further

Resolved, That this resolution be spread upon the minutes of the Committee on Rivers and Harbors of the House of Representa-

tives, printed in the CONGRESSIONAL RECORD, and that copies thereof be sent to Maj. Gen. Edward M. Markham and Brig. Gen. George B. Pillsbury.

Members Rivers and Harbors Committee: Joseph J. Mansfield, Texas (chairman); Joseph A. Gavagan, New York; René L. DeRouen, Louisiana; Lex Green, Florida; Claude V. Parsons, Illinois; William M. Colmer, Mississippi; Charles J. Colden, California; Alfred F. Beiter, New York; Martin F. Smith, Washington; William T. Schulte, Indiana; Hugh Peterson, Georgia; C. Jasper Bell, Missouri; Charles R. Eckert, Pennsylvania; Graham A. Barden, North Carolina; Elmer H. Wene, New Jersey; Harold G. Mosier, Ohio; Nan W. Honeyman, Oregon; Franck R. Havenner, California; John McSweeney, Ohio; George N. Seger, New Jersey; Albert E. Carter, California; Francis D. Culkin, New York; George A. Dondero, Michigan; Dewey Short, Missouri; George J. Bates, Massachusetts; Anthony J. Dimond, Delegate from Alaska; Samuel W. King, Delegate from Hawaii.

HOUR OF MEETING TOMORROW

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock a. m., tomorrow.

The SPEAKER. Is there objection?

Mr. BOILEAU. Mr. Speaker, I reserve the right to object, to ask the majority leader whether it is the intention to finish this bill tomorrow.

Mr. RAYBURN. It is.

Mr. BOILEAU. Is it intended to go through with it even though it takes until midnight?

Mr. RAYBURN. It is.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I am greatly disturbed to learn that yesterday a reciprocal-trade agreement was signed with Czechoslovakia, a treaty which will impose heavy penalties upon the workers of our country.

In the signing of the Czechoslovakian trade agreement once again business is treated as a stepchild of the administration. It fixes a low price the American worker and his employers will have to meet. It is of disadvantage to both. It hurts our leather boot and shoe industries, our cotton industry, glass industry, and numerous others.

Millions of our people are still "ill-housed, ill-clad, and ill-fed." The effect of this treaty will cause even more workers to be "ill-housed, ill-clad, and ill-fed."

This treaty was signed before the Tariff Commission had a chance to make an investigation under section 336 of the Tariff Act and before the cost of production at home and abroad had been ascertained.

Mr. Speaker, it seems to me that this action is very discourteous to the Senate which passed the resolution and to Members of the House who were promised that the investigation would be made. It seems to me the treaty places the United States in a very embarrassing position, because later on, if the Tariff Commission finds, and I believe it will, that the duty should be increased on cemented shoes, then if we do raise that duty it will be unfair to Czechoslovakia. It will result in a breach of faith if the United States raises the duty now that the treaty is negotiated with Czechoslovakia.

Mr. Speaker, the workers of my district are worried over the situation. Mr. Whitney's brokerage firm in New York failed today. The people of the country are very much distressed over the prevailing business conditions. The House now is considering a tax bill which will impose additional taxes on business.

The following letter from one of my constituents is typical of business throughout the country:

MARCH 7, 1938.

Hon. EDITH NOURSE ROGERS,
House of Representatives, Washington, D. C.

MY DEAR MRS. ROGERS: May I be one more of your constituents to write and tell you that my business and everybody else's business is in a state of terrific doldrums as a result of uncertainty and fear.

Uncertainty as to what the Government is going to do about its relations with business and fear (and I don't mean maybe) as to what the Government will do.

There are several things that you can do to help, the most important and pressing being the matter of rebating or abolishing the terrific taxes on business. As at present levied, business, both big and little, is being paralyzed. Nearly everybody in business is worried nearly to death and nobody wants to start a new business or expand his present business.

Use all the influence you have to repeal some of these taxes on business and give us all a chance to go ahead, build things up and give employment to many who are now crying for a chance to go to work.

Yours very truly.

I see no hope for the future, Mr. Speaker, unless the Congress protects the rights and welfare of the people of our various districts. [Applause.]

[Here the gavel fell.]

ADJOURNMENT

Mr. FRED M. VINSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 40 minutes p. m.), under its previous order, the House adjourned until tomorrow, Wednesday, March 9, 1938, at 11 a. m.

COMMITTEE HEARINGS

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

The Committee on Public Buildings and Grounds will hold hearings Wednesday, March 9, 1938, at 10:15 a. m., in room 243, House Office Building, on H. R. 9223 and H. R. 9686.

COMMITTEE ON NAVAL AFFAIRS

The full Committee on Naval Affairs will hold open hearings Wednesday, March 9, 1938, at 10:30 a. m., on private bills and to set a date for consideration of personnel legislation. Very important.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m., in room 219, House Office Building, on the following bills on the dates indicated:

Wednesday, March 9, 1938:

H. R. 8982. To amend Public Law No. 282, Seventy-fifth Congress, relative to the fisheries of Alaska.

H. R. 9225. To amend section 3 of the act of May 27, 1936 (49 Stat. 1381), entitled "An act to provide for a change in the designation of the Bureau of Navigation and Steamboat Inspection, to create a Marine Casualty Investigation Board, and increase efficiency in administration of the steamboat inspection laws, and for other purposes."

H. R. 9368. To amend the act of March 4, 1915, as amended; the act of June 23, 1936; section 4551 of the Revised Statutes of the United States, as amended; and for other purposes.

Thursday, March 10, 1938:

H. R. 8715. To authorize the Secretary of Commerce of the United States to grant and convey to the State of Delaware fee title to certain lands of the United States in Kent County, Del., for highway purposes.

H. R. 9526. To amend the act of May 27, 1908, authorizing settlement of accounts of deceased officers and enlisted men of the Navy and Marine Corps.

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire

and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

COMMITTEE ON BANKING AND CURRENCY

The Committee on Banking and Currency of the House will continue hearings on the Goldsborough bill, H. R. 7188, at 10:30 a. m., Wednesday, March 9, 1938.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Thursday, March 10, 1938. Business to be considered: Hearing on H. R. 9738, civil aeronautics.

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train limit bill, on or after March 15, 1938.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m., each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

EXECUTIVE COMMUNICATIONS, ETC.

1117. Under clause 2 of rule XXIV, a letter from the Acting Secretary of Commerce, transmitting the draft of a bill to improve the efficiency of the Lighthouse Service, and for other purposes, was taken from the Speaker's table and referred to the Committee on Merchant Marine and Fisheries.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. O'CONNOR of New York: Committee on Rules. House Resolution 432. Resolution providing for the consideration of H. R. 9218, a bill to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes; without amendment (Rept. No. 1911). Referred to the House Calendar.

Mr. THOMASON of Texas: Committee on Military Affairs. H. R. 8460. A bill to authorize the city of Vancouver, Wash., to construct and maintain a historical memorial on the Vancouver Barracks Military Reservation, Wash.; without amendment (Rept. No. 1912). Referred to the Committee of the Whole House on the state of the Union.

Mr. ANDREWS: Committee on Military Affairs. H. R. 9764. A bill to authorize an appropriation for reconstruction at Fort Niagara, N. Y., to replace loss by fire; with amendment (Rept. No. 1914). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. House Joint Resolution 499. Joint resolution authorizing the erection of a memorial to the late Guglielmo Marconi; with amendment (Rept. No. 1915). Referred to the Committee of the Whole House on the state of the Union.

Mr. MAHON of South Carolina: Committee on Military Affairs. S. 975. An act to amend the act approved February 7, 1913, so as to remove restrictions as to the use of the Little Rock Confederate Cemetery, and for other purposes; without amendment (Rept. No. 1916). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. FADDIS: Committee on Military Affairs. S. 1465. An act for the relief of Beryl M. McHam; without amendment (Rept. No. 1917). Referred to the Committee of the Whole House.

ADVERSE REPORTS

Under clause 2 of rule XIII,

Mr. KELLER: Committee on the Library. House Joint Resolution 526. Joint resolution to authorize the acceptance of title to the dwelling house and property, the former residence of the late Justice Oliver Wendell Holmes, located at 1720 Eye Street NW., in the District of Columbia, and for other purposes (Rept. No. 1913). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. SNYDER of Pennsylvania: A bill (H. R. 9780) to adjust the salaries of rural letter carriers; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 9781) to adjust the salaries of rural letter carriers, and for other purposes; to the Committee on the Post Office and Post Roads.

By Mr. VOORHIS: A bill (H. R. 9782) to extend to all citizens an equal right to employment in the service of the Government of the United States, irrespective of age; to the Committee on the Civil Service.

By Mr. MARTIN of Colorado: A bill (H. R. 9783) authorizing the Secretary of the Interior to transfer to the State of Colorado one mine rescue car; to the Committee on Mines and Mining.

By Mr. HAINES: A bill (H. R. 9784) to authorize an appropriation to aid in defraying the expenses of the observance of the seventy-fifth anniversary of the Battle of Gettysburg to be held at Gettysburg, Pa., from June 29 to July 4, 1938, and for other purposes; to the Committee on Military Affairs.

By Mr. COLE of Maryland: A bill (H. R. 9785) to authorize the construction of a United States Veterans' Administration hospital in or near the city of Baltimore, Md.; to the Committee on World War Veterans' Legislation.

By Mr. MEAD: A bill (H. R. 9786) providing a penalty for anyone who shall knowingly cause obscene matter to be delivered by mail or to be delivered at the place at which it is directed to be delivered; to the Committee on the Post Office and Post Roads.

By Mr. MAY (by request): A bill (H. R. 9787) to authorize attendance of Philippine Army personnel at service schools of the United States Army; to the Committee on Military Affairs.

By Mr. HOBBS: A bill (H. R. 9788) authorizing the appointment of an additional judge of the district court for the northern district of Alabama; to the Committee on the Judiciary.

Also, a bill (H. R. 9789) to provide for the recording of the proceedings in one of the courtrooms of the District Court of the United States for the District of Columbia by sound-recording equipment; and for the reproduction of the sounds of such proceedings, in whole or in part, in the District of Columbia Circuit Court of Appeals and in the Supreme Court of the United States upon the review of any such case; to the Committee on the Judiciary.

By Mr. PALMISANO (by request): A bill (H. R. 9790) relating to the issuance of licenses under the District of Columbia Alcoholic Beverage Control Act; to the Committee on the District of Columbia.

By Mr. THOMAS of New Jersey: Resolution (H. Res. 433) calling for the appointment of a special committee of nine members to investigate the question of publicity and the dissemination of propaganda by the executive departments of the Government, with a view to determining to what extent, if any, the existing statute has been violated; to the Committee on Rules.

By Mr. ANDREWS: Joint resolution (H. J. Res. 608) to make an emergency appropriation for reconstruction to replace loss by fire at Fort Niagara, N. Y.; to the Committee on Appropriations.

By Mr. CROSBY: Joint resolution (H. J. Res. 609) celebrating the one hundred and twenty-fifth anniversary of the Battle of Lake Erie; to the Committee on the Library.

By Mr. LUDLOW: Concurrent resolution (H. Con. Res. 37) declaring it to be the sense of Congress that the President should take the lead in a suspension of naval construction by the leading powers and should call a conference on limitation of armaments; to the Committee on Foreign Affairs.

By Mr. McLEAN: Concurrent resolution (H. Con. Res. 38) for the removal of Arthur E. Morgan, David E. Lilienthal, and Harcourt A. Morgan as Directors of the Tennessee Valley Authority; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CLASON: A bill (H. R. 9791) for the relief of William H. Armstrong; to the Committee on Military Affairs.

By Mr. COLMER: A bill (H. R. 9792) for the relief of A. W. Evans; to the Committee on Claims.

By Mr. CROSBY: A bill (H. R. 9793) for the relief of the heirs of William G. Raymond; to the Committee on War Claims.

Also, a bill (H. R. 9794) granting an increase of pension to Nila Knapp; to the Committee on Invalid Pensions.

By Mr. EBERHARTER: A bill (H. R. 9795) for the relief of Michael J. Muldowney; to the Committee on Claims.

By Mr. KELLY of New York: A bill (H. R. 9796) granting an increase of pension to Elizabeth A. Schlick; to the Committee on Invalid Pensions.

By Mr. RANDOLPH: A bill (H. R. 9797) granting a pension to Margaret A. Srout; to the Committee on Invalid Pensions.

By Mr. SWOPE: A bill (H. R. 9798) granting a pension to Mary J. Glace; to the Committee on Pensions.

By Mr. VOORHIS: A bill (H. R. 9799) granting an increase of pension to Nina Tobin; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4356. By Mr. BATES: Memorial of the General Court of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool- and fur-felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Ways and Means.

4357. Also, memorial of the General Court of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4353. By Mr. GRISWOLD: Petition of Glen Harter and 41 other residents of the Fifth Congressional District of Indiana, approving Senate Joint Resolution No. 223, requiring a referendum before war can be declared by Congress; to the Committee on Military Affairs.

4359. By Mr. KRAMER: Resolution of the California Mission Trails Association, Ltd., relative to Federal-aid highway appropriation, etc.; to the Committee on Appropriations.

4360. By Mr. MARTIN of Massachusetts: Memorial of the General Court of Massachusetts, asking exclusion of boots, shoes, leather goods, textiles, fur-felt hats, and hat bodies from consideration in reciprocal-trade agreements; to the Committee on Ways and Means.

4361. Also, memorial of the General Court of Massachusetts, favoring continuation of projects by the Works Progress Administration; to the Committee on Appropriations.

4362. By Mr. MERRITT: Resolution of the Hillside-Hollis Civic Association, Long Island, requesting that the present four-zone postal district system in Queens County be abolished and in its place and stead a single post-office district be established, and that a uniform 2-cent rate on first-class matter mailed for delivery within Queens County be instituted; to the Committee on the Post Office and Post Roads.

4363. By Mr. PFEIFER: Petition of John F. Trommer, Inc., Breweries, Brooklyn, N. Y., urging the passage of House bill 9190; to the Committee on Ways and Means.

SENATE

WEDNESDAY, MARCH 9, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar

day Tuesday, March 8, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Hughes	Pepper
Ashurst	Davis	Johnson, Calif.	Pittman
Austin	Dieterich	Johnson, Colo.	Pope
Bailey	Donahey	King	Radcliffe
Bankhead	Duffy	La Follette	Reames
Barkley	Ellender	Lee	Reynolds
Berry	Frazier	Lodge	Russell
Bilbo	George	Logan	Schwartz
Bone	Gerry	Lonergan	Schwellenbach
Borah	Gibson	Lundeen	Sheppard
Bridges	Gillette	Maloney	Shipstead
Brown, Mich.	Glass	McCarran	Smathers
Brown, N. H.	Green	McGill	Thomas, Okla.
Bulkley	Guffey	McKellar	Thomas, Utah
Bulow	Hale	McNary	Townsend
Burke	Harrison	Miller	Truman
Byrd	Hatch	Minton	Tydings
Byrnes	Hayden	Murray	Vandenberg
Capper	Herring	Neely	Van Nuys
Caraway	Hill	Norris	Walsh
Chavez	Hitchcock	O'Mahoney	Wheeler
Clark	Holt	Overton	

Mr. MINTON. The Senator from Illinois [Mr. LEWIS] is absent because of a cold.

The Senator from Texas [Mr. CONNALLY], the Senator from New Jersey [Mr. MILTON], and the Senator from New York [Mr. WAGNER] are detained on important public business.

The Senator from South Carolina [Mr. SMITH] is detained in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from Florida [Mr. ANDREWS] and the Senator from California [Mr. MCADOO] are necessarily detained from the Senate.

The VICE PRESIDENT. Eighty-seven Senators have answered to their names. A quorum is present.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the petition of the Board of County Commissioners of Clark County, Ohio, praying for the enactment of House bill 4199, providing relief for aged persons, which was referred to the Committee of Finance.

Mr. TYDINGS presented resolutions adopted by the Annapolis (Md.) Chamber of Commerce, protesting against any reduction of Federal-aid highway appropriations for 1940 and 1941, and also against any curtailment of the appropriation for 1939, which were ordered to lie on the table.

He also presented a resolution adopted by the executive committee of the Maryland State Poultry Council, favoring the enactment of the joint resolution (S. J. Res. 250) authorizing the issuance of a series of special postage stamps in honor of the Seventh World's Poultry Congress and Exposition, which was referred to the Committee on Post Offices and Post Roads.

REPORTS OF COMMITTEES

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 1701) for the relief of E. C. Beaver, who suffered loss on account of the Lawton, Okla., fire, 1917, reported it with an amendment and submitted a report (No. 1468) thereon.

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

S. 2565. A bill authorizing the Comptroller General to settle and adjust the claim of List & Clark Construction Co. (Rept. No. 1469);

H. R. 2225. A bill for the relief of Paul Burress (Rept. No. 1470);

H. R. 4370. A bill for the relief of Tule Finkelstein (Rept. No. 1471);

H. R. 5149. A bill for the relief of John M. Fraley (Rept. No. 1472);

H. R. 5603. A bill for the relief of Peter Sietsma (Rept. No. 1473); and

H. R. 6257. A bill for the relief of Dr. G. A. Neal (Rept. No. 1474).

Mr. HUGHES, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 2841. A bill for the relief of Mr. and Mrs. Virgil O. Powell and William Powell, a minor (Rept. No. 1475);

H. R. 3389. A bill for the relief of Benjamin Weisenberg (Rept. No. 1476); and

H. R. 3706. A bill for the relief of Ella Goodwin (Rept. No. 1477).

Mr. HUGHES also, from the Committee on Claims, to which was referred the bill (H. R. 2191) for the relief of Roberta Carr, reported it with an amendment and submitted a report (No. 1478) thereon.

Mr. BROWN of Michigan, from the Committee on Claims, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

H. R. 842. A bill for the relief of Theodore Bedard, Jr. (Rept. No. 1479); and

H. R. 1691. A bill for the relief of Mary A. Maher (Rept. No. 1480).

Mr. CHAVEZ (for Mr. CONNALLY), from the Committee on Public Buildings and Grounds, to which was referred the bill (H. R. 8972) to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex., reported it without amendment.

Mr. COPELAND, from the Committee on Commerce, to which was referred the bill (S. 3304) to promote air commerce by providing for the closing of Military Road, reported it with amendments and submitted a report (No. 1482) thereon.

He also, from the same committee, to which was referred the bill (S. 2986) to amend section 6 of the act approved May 27, 1936 (49 U. S. Stat. L. 1380), reported it without amendment and submitted a report (No. 1483) thereon.

He also (for Mr. PEPPER), from the same committee, to which were referred the following bills, reported them each without amendment and submitted a report thereon as indicated:

S. 3595. A bill to authorize the purchase and distribution of products of the fishing industry; and

H. R. 7414. A bill to provide for the establishment of a Coast Guard station at or near Panama City, Fla. (Rept. No. 1484) thereon.

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (H. R. 4201) to create a board of inspectors, Bureau of Marine Inspection and Navigation, at Port Arthur, Tex., reported it without amendment and submitted a report (No. 1481) thereon.

Mr. VANDENBERG, from the Committee on Commerce, to which was referred the joint resolution (H. J. Res. 504) to authorize compacts or agreements between the States bordering on the Great Lakes with respect to fishing in the waters of the Great Lakes, and for other purposes, reported it without amendment and submitted a report (No. 1485) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. DAVIS:

A bill (S. 3632) providing for the compensation of Government scientific illustrators in accordance with the professional and scientific compensation schedule under the Classification Act of 1923, as amended; to the Committee on Civil Service.

By Mr. BULOW:

A bill (S. 3633) authorizing the naturalization of Albin H. Youngquist, and for other purposes; to the Committee on Immigration.

By Mr. THOMAS of Oklahoma:

A bill (S. 3634) granting a pension to Harley D. Peck; to the Committee on Pensions.

By Mr. COPELAND:

A bill (S. 3635) to encourage travel to and within the United States, and for other purposes; and

A bill (S. 3636) to amend section 1 of the Shipping Act of 1916, as amended, for the purpose of extending the provisions of that act to common and contract carriers on the New York State Barge Canal; to the Committee on Commerce.

By Mr. REYNOLDS:

A bill (S. 3637) granting an increase in pension to Mary Elizabeth Moore; to the Committee on Pensions.

By Mr. BONE:

A bill (S. 3638) granting an increase of pension to Charles L. Shaeffer; to the Committee on Pensions.

By Mr. BURKE:

A bill (S. 3639) to amend section 5 of an act entitled "An act to provide for the construction and maintenance of roads, the establishment and maintenance of schools, and the care and support of insane persons in the district of Alaska, and for other purposes," approved January 27, 1905 (33 Stat. 616); to the Committee on Territories and Insular Affairs.

(Mr. VANDENBERG introduced Senate bill 3640, which was referred to the Committee on Agriculture and Forestry, and appears under a separate heading.)

By Mr. TYDINGS:

A bill (S. 3641) to provide for the continuance in an active-duty status of certain officers in the United States Navy and Marine Corps; to the Committee on Naval Affairs.

By Mr. WALSH (by request):

A joint resolution (S. J. Res. 274) authorizing a payment to the estate of Robert Whitney Imbrie; to the Committee on Foreign Relations.

INDUSTRIAL USE OF FARM COMMODITIES

Mr. VANDENBERG. Mr. President, I request consent to introduce a bill for appropriate reference and also ask unanimous consent that a statement in connection with the bill may be printed in the RECORD.

The VICE PRESIDENT. Is there objection to the requests of the Senator from Michigan? The Chair hears none, and it is so ordered.

The bill (S. 3640) to amend the Reconstruction Finance Corporation Act, 1932, as amended, relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes, was read twice by its title and referred to the Committee on Agriculture and Forestry.

The statement presented by Mr. VANDENBERG in connection with the bill is as follows:

STATEMENT BY SENATOR VANDENBERG

I am introducing an amendment to the R. F. C. Act to provide an increase in the funds available for industrial-loan purposes from $300,000,000 to $1,000,000,000 and specifically to make the new resources available for the immediate development of greater industrial use of farm commodities. In this field lies the largest and the most practical and the most effective opportunity for (1) farm relief, and (2) unemployment relief. Congress approached this field in the new Farm Act, when it provided an annual appropriation of $4,000,000 for the establishment and maintenance of four regional research laboratories. But there is no need to wait for research in at least eight broad fields, where successful pioneering is finished and where a tremendous expansion of industrial and agricultural activity is possible as soon as adequate capital is made available. These eight broad fields forecast new and profitable industries based on the chemistry of vegetable oils and fats, of cellulose, of plastics, of starch, of proteins, of alcohol motor fuel, of insecticides, and new uses of cotton.

Development in these fields is no longer experimental. The way is open to vast, new, and profitable agricultural markets right here at home and to large reemployment in connection therewith. If the R. F. C. can provide cooperating funds on a basis of assured, ultimate self-liquidation, great and immediate progress is possible. If the Senate Committee on Agriculture and Forestry will open hearings upon this proposition, authentic witnesses will be presented to justify the entire prospectus. I suggest but a few of the actual possibilities.

Competent experts declare that there is an immediate opportunity to build 100 new starch mills, based on the successful experiment at Laurel, Miss., where high-grade bleached starch is being made from the southern sweetpotato. If we were to produce our present annual requirements of root starch, the productive capacity of over 400,000 acres now devoted to the growing of surplus cotton would be employed.

Competent experts declare that if a 10-percent alcohol blend were used nationally, it would ultimately require 1,000 agrol plants having a capacity of 10,000 gallons each daily, based on the successful experiment at Atchison, Kans. Assuming that one-fourth of the raw materials are supplied from tuber crops and three-fourths from cereal crops, at least 25,000,000 acres would be put to new and profitable use in the final development.

Competent experts declare that there is a field for 100 pulp, kraft, and newsprint paper mills, particularly in the South, where the Savannah Pulp and Paper Laboratory is showing the way to utilize southern slash and loblolly pine. Already 17 such mills are built, building, or projected—depending only upon the availability of capital.

Competent experts declare there is a field for the production of 125,000,000 pounds of tung oil annually, which would mean 1,000,000 acres of tung trees. The flourishing growth of the 100,000 acres now planted in Gulf States from Texas to Florida points the way.

Competent experts declare there is a field for numerous wood plastic plants, including concentration mills as well as fabrication plants, and then for new heavy chemical industries to serve the basic chemicals required in all of these other operations.

These are a few of the ultimate objectives, anticipating new industrial uses finally for the productive capacity of 50,000,000 American acres and new jobs for 5,000,000 men and women in 10 years. Immediate progress in these directions is limited only by the capital and credit resources available to these ends. These are not mere experiments. They are proven practicalities. Government loans can be made on a basis of safe self-liquidation. The most notable example of what has been done in these pursuits is the use of soybean meal in the manufacture of automobile parts by Henry Ford, whose requirements last year absorbed the productive capacity of 70,000 acres. Mr. Ford opened the first National Farm Chemurgic Conference at Dearborn, Mich., in 1935 with the following statement:

"I believe industry and agriculture are natural partners. Agriculture suffers from lack of a market for its products. Industry suffers from a lack of employment for its surplus men. Bringing them together heals the ailments of both. I see the time coming when the farmer not only will raise raw materials for industry but will do the initial processing on his farm. He will stand on both his feet—one foot on the soil for his livelihood, the other in industry for the cash he needs. Thus he will have a double security."

Since then the National Farm Chemurgic Council, a nonprofit organization centering at Dearborn, in conjunction with the Chemical Foundation, has spent over $1,000,000 on scientific research, demonstration, and education in these fields of development. The results are among the greatest of modern miracles. The officers of the council are prepared to produce the expert and authoritative witnesses to justify the proposals in this bill. A complete exploration of the field is the best, immediate hope for a new and sound attack upon the problems both of practical farm relief and generally restored economic health.

AMENDMENTS TO INTERIOR DEPARTMENT APPROPRIATION BILL

Mr. WHEELER submitted amendments intended to be proposed by him to the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, which were referred to the Committee on Appropriations and ordered to be printed, as follows:

In the items for the Yellowstone National Park, Wyoming, on page 104, line 14, after the word "boundaries", to insert a comma and the following: "including not to exceed $3,000 for maintenance of, and removal of snow from, the road connecting Gardiner, Mont., and Cooke City, Mont."; and on the same page, line 16, to strike out "$444,840" and insert in lieu thereof "$447,840."

INVESTIGATION OF THE WIRE COMMUNICATIONS INDUSTRY

Mr. NEELY submitted the following resolution (S. Res. 247), which was referred to the Committee on Interstate Commerce:

Whereas the Communications Act of 1934 has declared it to be the purpose of Congress to regulate the practices of companies engaged directly or indirectly in wire communications in interstate commerce and has conferred upon the Federal Communications Commission full power to make investigations and inquiries into the various aspects of the business of these companies; and

Whereas the functioning of the wire communications industry which is vital to the Nation in war as well as in peace is at the present time threatened with permanent injury by managerial policies such as discriminations between classes of patrons and understaffing to the point where efficient public service is seriously impaired; and

Whereas the communications companies have taken steps toward the creation of an unsanctioned monopoly by collusion in the fixing of rates and by allocation of exclusive leases and by joint action in reducing the number of telegraph offices at the service of the public; and

Whereas the precarious situation of the industry is further aggravated by unstable and hazardous labor conditions due to the large proportion of part-time employment, to the introduction of

labor-saving devices unaccompanied by any provisions for displaced employees, to the high degree of occupational disease, to the abrogation of pension and sick benefit systems, and to the extremely high rate of turn-over among children employed as messengers: Therefore be it

Resolved, That the Committee on Interstate Commerce is authorized and directed to make a thorough investigation of the following aspects of the wire communications industry in the United States and to report to the Senate the results thereof:

1. Managerial policies of understaffing, discriminations between classes of patrons, and wasteful service, and the effect of such policies on the efficiency of service rendered to the public and to the United States Government.

2. The tendencies toward monopoly such as are exhibited by the joint action of the companies in closing down branch offices, reducing personnel, rate fixing, and the collusion of the wire communications companies with competitors in the related field of radio communication and the diversion of traffic to subsidiaries in that field.

3. The conditions of employment, the extent of unemployment, and the wage structures prevailing in the industry.

For the purpose of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, either in the District of Columbia or elsewhere, during the sessions, recesses, and adjourned periods of the Senate in the Seventy-fifth Congress; to employ such experts and clerical, stenographic, and other assistants; to require by subpena or otherwise the attendance of such witnesses and the production and impounding of such books, papers, and documents, to administer such oaths; and to take such testimony and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $50,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

THE TENNESSEE VALLEY AUTHORITY

Mr. McKELLAR. Mr. President, some time ago a number of charges, 23 in all, I believe, were made by the Senator from New Hampshire [Mr. BRIDGES] and the Senator from Utah [Mr. KING] against the Tennessee Valley Authority.

On Monday, March 7, 1938, there was published in the Press-Scimitar, a newspaper of Memphis, Tenn., an article by Mr. John T. Moutoux, Washington correspondent of the Memphis Press-Scimitar and formerly a member of the Knoxville News Sentinel staff, of Knoxville, Tenn., and who is as familiar with the Tennessee Valley Authority as possibly any other newspaperman in the country, in which article Mr. Moutoux answers the charges made in the Senate against the Tennessee Valley Authority. As a reporter for the Knoxville News Sentinel, Mr. Moutoux covered the Tennessee Valley Authority from the first. He is very familiar with the program and the workings of the Tennessee Valley Authority, and he has in this article stated the charges and answered them seriatim. It is a very important document and one that Senators and Representatives should have and consider in their study of the Tennessee Valley Authority question. Therefore, I ask unanimous consent that this article, which contains the answers to the several charges, be published as a part of my remarks in the RECORD.

Dr. A. E. Morgan has written me a letter calling my attention to certain claimed errors in figures made by me in a speech made in the Senate on the subject of the Tennessee Valley Authority on January 24, 1938, and I desire also to insert Dr. Morgan's letter and my reply thereto in the RECORD on the same subject matter and as a part thereof.

There being no objection, the article and letters were ordered to be printed in the RECORD, as follows:

[From the Memphis (Tenn.) Press-Scimitar of March 7, 1938]

GRAVE CHARGES MADE BY T. V. A.'S ENEMIES IN THE SENATE EXAMINED ONE BY ONE AND ANSWERED IN DETAIL BY PRESS-SCIMITAR'S EXPERT

(By John Moutoux)

WASHINGTON, March 7.—The list of 23 charges made against the Tennessee Valley Authority by Senators H. STYLES BRIDGES, of New Hampshire, and WILLIAM H. KING, of Utah, represents the largest array of criticisms against the T. V. A. in existence.

It is a collection of all the charges that have been made by all the T. V. A. foes from the beginning of the fight on the Authority to the present. It even includes charges made by the attorney of an anti-T. V. A. newspaper at a recent Labor Board hearing in which that paper was defendant.

The bulk of the charges, however, were lifted from bills of complaint and attorneys' arguments in power-company suits against the T. V. A. They are "old stuff" for those who are familiar with the original Ashwander suit and the more recent 18 power-company unit, both of which were won by T. V. A. Thus, the courts held the charges were unfounded.

The writer has analyzed the King-Bridges charges. In the following he will state the charges one by one and then answer them.

1. Whether there has existed conspiracy to defraud the Government of the United States in the purchase of lands for reservoir sites and as phosphorus deposits.

Answer. The first part of the question probably refers to the celebrated Berry case. The majority of the T. V. A. Board—Dr. H. A. Morgan and David E. Lilienthal—agreed to the appointment of the Director of the United States Bureau of Mines to act as conciliator to try to determine what, if any, value the Berry marble leases had. Chairman A. E. Morgan opposed it, and nothing came of it.

The other part of the charge probably refers to some phosphate land which T. V. A. bought in middle Tennessee from a company. It later developed that the company made a handsome profit on the sale. The T. V. A. contends that, regardless of such a profit, the price it paid was not too high.

2. Whether the majority of the members of the T. V. A. Board have gagged the minority in appearance before Congress by the suppression of minutes of their meetings and in other ways.

Answer. This probably refers to a statement Chairman Morgan made before the House Appropriations Committee last December. He said that since he had last appeared before the committee there had been a reorganization, with administration directed by a general manager, and that members of the Board had been directed that in testifying before the committee that the opinions reflect the majority opinion of the Board "and not the personal opinions of the members when they were different from the majority." However, Chairman Morgan freely expressed his own opinions on questions asked him by members of the House committee.

3. Whether the administration of T. V. A. has been scandalously wasteful of public funds, not only in the purchase of lands but also in the excessive costs of certain of its soil-erosion control and reforestation schemes.

Answer. This is a new charge. Most of the T. V. A.'s soil-erosion control and reforestation work has been done by C. C. C. boys, directed by the T. V. A. Forestry Department. Up to now there has been no public criticism of this work.

4. Whether it has exhibited partiality to great corporations and monopolies to the detriment of the small consumer in its power contracts.

Answer. It may be well at this point to bring in the last, or charge No. 23, which is a flat contradiction of No. 4.

23. Whether the generating capacity planned to be constructed by the Authority is not actually in excess of all probable future demands, taking into consideration the privately owned generating capacity in existence within transmission distance of T. V. A.'s plants.

Answer. In charge No. 4 the inference is that the Authority has contracted away so much of its power that there will not be enough left for the small consumer. In charge No. 23 the old cry is raised that the Authority is creating a power surplus which will injure the existing private power companies. Actually, T. V. A. is following the law of the act which specifies that municipalities and cooperatives are to be given preference in power requirements. In fact, one of the main charges in the 18 power-company suit was that the T. V. A. was in collusion with P. W. A. in an effort to cause municipalities to buy T. V. A. power.

5. Whether the T. V. A has sold "firm power" as "secondary power"

Answer. While it doesn't say so, the inference is that the Authority has done this for the benefit of some of the large corporations with which it has contracts. The charge is not so.

Each contract specifically states how much is "firm" power and how much is "secondary."

6. Whether any officer or director of the Authority has been improperly influenced, directly or indirectly, either by political preference or some consideration in return for bestowal of such contracts.

Answer. This is another new charge. It cannot be answered unless a definite charge is made as to "political preference or other consideration."

7. Whether the "unusually long life" of the T. V. A.'s contracts compared with the War Department's contract for disposal of Wilson Dam power is not detrimental to the provision of the act requiring the distribution of T. V. A. power as widely as possible.

Answer. This is related to charges Nos. 4 and 23. It assumes that a power shortage will develop, which is contrary to the power company charge that the T. V. A. is creating a power clandestine manner such as issuing public statements of its power surplus which will kill the market for their power.

8. Whether or not the Authority has conducted its affairs in a policies which later have been secretly rescinded; conducting its meetings by star-chamber methods, and resorting to secrecy, to the point where the Authority has resisted the production of its minutes under a Federal subpena in a Federal court; and by other means cloaking its policies and activities in mystery and silence.

Answer. Here a number of charges have been combined into one. They will have to be answered separately:

(a) The T. V. A. power policies are embodied not into statements which may have been issued early in the Authority's history and later withdrawn, but in the contracts the T. V. A. has

with 30 municipalities in the valley, 18 electric cooperative associations, and the big industries already referred to.

(b) The T. V. A. Board has always conducted its meetings behind closed doors, which is the practice of all corporations. The T. V. A. is set up under the act similar to a private corporation.

(c) At the trial of the 18 power company suit attorneys for the power company tried to compel the Authority to produce the minutes of all T. V. A. Board meetings. T. V. A. attorneys called this a fishing expedition and took the position the complaining companies should be made to state specifically what information they desired. The three-judge court agreed with T. V. A. counsel.

(d) The "mystery and silence" charge is too indefinite to be answered.

9. Whether the Authority has contemptuously and insolently committed a gross deception upon the Appropriations Committee of the House in that it presented to the Subcommittee on Independent Offices in justification for beginning the construction of Gilbertsville Dam plans which were grossly false and 24 percent smaller in dimensions than plans arrived at by the Authority in the previous August.

Answer. This is another favorite. It was raised at the trial of power company suit at Chattanooga and answered; it was answered to the House committee by General Manager Blandford of the T. V. A., and it was answered in the Senate last week by Senator Norris. The answer is this: The T. V. A. financial official who testified before the House committee did not have the latest and revised plan of the T. V. A. engineers. The correct figures were given by a T. V. A. engineer at the trial, and later the testimony given to the House committee was corrected accordingly.

10. Why the Authority has not complied with that part of the T. V. A. Act requiring the principal office to be maintained in the vicinity of Muscle Shoals.

Answer. The Authority contends its principal, legal office is at Muscle Shoals, just as many a private corporation may have its principal office in New York or New Jersey even though most of its personnel may be in Montana.

As a practical matter, the T. V. A. Act directed that the first dam to be built was to be on the Clinch River in east Tennessee. That was close to Knoxville, Tenn., and thus it was convenient for the T. V. A. engineers and office staff to be quartered in Knoxville and in the nearby town of Norris, which T. V. A. built. Since the completion of Norris Dam and the construction of dams further down in the valley, the T. V. A. staff has been spread out all over the valley, with large staffs at each of the dam sites.

11. Why the Authority has not complied with the provision of the act which required that it should have submitted to Congress on January 1, 1937, its allocation of costs to the various activities under its control up to that time; and similar allocation in each annual report thereafter.

Answer. The T. V. A. Board has informed the President, the House committee, and Congress of its inability to comply with that requirement of the act, but has promised to furnish such allocation of costs this spring. The Authority explained that the task necessitated a highly technical study which could not be completed within the time specified by the act.

12. Why the Authority has suppressed and withheld by means of pretexts the Comptroller General's audits of the Authority for the fiscal years 1935, 1936, and 1937.

Answer. This is not so.

13. Whether the Authority is guilty of creating deceptive or untrue propaganda, etc.; and bickering for power within the organization with a resultant break-down of morale among the personnel.

Answer. The first half of this charge has been made by power companies and T. V. A. foes but never proved; the second half refers to the well-known 2-to-1 split in the T. V. A. Board. Not even the stanchest friend of the T. V. A. would claim that this split has helped the morale of the T. V. A. personnel.

14. Whether an autocratic and merciless attitude has characterized dealings with politically unimportant home owners dispossessed by reservoir floods.

Answer. The contrary is true. T. V. A. set up a special department which helped reservoir farmers find new farms. Any reservoir landowner not satisfied with the amount offered him by the T. V. A. could have a three-man board appointed by the Federal judge of the district pass on the value of his property; if still not satisfied, he could appeal to a three-judge court. That is still the practice. In most cases farmers have acquired new and better farms for less than T. V. A. paid them for their old.

15. Whether it has neglected the affairs of national defense, one of the fundamental responsibilities of the Tennessee Valley Authority, for its "incidental" function of power development and sale.

Answer. The power companies charged that in their suit and attempted to prove the charge at the trial. The three-judge court ruled the charge was unfounded. Under the act, the Authority is required to keep the nitrate plant at Muscle Shoals in condition. It has done that.

16. Whether it has offered unfair inducements to industrial organizations to leave their established locations to settle within the T. V. A.

Answer. This is another old charge which has never been proved.

17. Whether it has forced rural customers to purchase expensive, unnecessary, and undesired electrical appliances under threat of refusing to supply electricity, and actually to have permitted potential customers to make heavy investments in appliances after which service was refused until further purchases were made of unnecessary and undesired electrical appliances.

Answer. Wholly untrue. The T. V. A. wholesales power and has nothing to do with the retailing of it except to fix the rates to be charged by agencies buying its power.

18. Whether the tax contribution to the several States in which the Authority operates is the equivalent of the taxes of a private corporation owning an equal value in real and personal property.

Answer. This is another of the power company favorites. Under the act, T. V. A. is required to pay to the State 5 percent of the gross revenues of power generated in that State. Until an allocation of cost has been made, it is not possible to say whether that 5 percent amounts to as much as private power companies pay in taxes on similar property.

In this connection it should be pointed out that most of the taxes paid by private companies are on its distribution systems, rather than on its transmission lines. T. V. A. owns no distribution systems; they are owned by municipalities or cooperatives which buy power from it, and they pay the equivalent of private power company taxes to the cities or counties in which they operate.

19. Whether by accounting methods and cost charges applicable to private industry the electric rates of the Authority provide a legitimate, honest "yardstick" of equitable rates of private industry.

Answer. The Federal Power Commission made an investigation and reported that the T. V. A. "yardstick" is honest.

20. Whether the T. V. A. has mingled in labor disputes involving employees of a newspaper unfriendly to the dominant faction of T. V. A. at Knoxville, to the extent of using Federal funds in the employment of one or more attorneys who were loaned to serve such employees as legal counsel against that newspaper.

Answer. The charge is untrue. No Federal funds were used. The charge apparently grew out of the fact that the Knoxville Newspaper Guild prevailed on two attorneys for the T. V. A. to act as spokesmen in negotiating with the publishers of the two daily newspapers in Knoxville for contracts covering the editorial employees of those papers. The attorneys aided the guild on their own time and without charge. One of the papers has been for the T. V. A. from the start and one has been against T. V. A. from the start. No distinction was made by the guild or by the T. V. A. attorneys because of that.

21. Whether any responsible official of T. V. A. conspired with or influenced the T. V. A. chapter of the American Federation of Government Employees to adopt a resolution declaring that newspaper to be "unfair to organized labor."

Answer. This ties in with charge No. 20 and is untrue. When efforts to obtain a contract with the Journal failed the Knoxville Newspaper Guild enlisted the support of organized labor. First, Central Labor Union pledged the guild its "active and moral support." Then individual unions affiliated with C. L. U. did the same. One of these was the Knoxville local of the A. F. G. E., composed of a number of office employees of the T. V. A. The action was taken by the local on the initiative of its own executive committee and not because of conspiracy on the part of some T. V. A. official.

22. The extent to which T. V. A. directly or indirectly has attempted to harass, influence, and retaliate against newspapers who oppose any of its policies.

Answer. Not any.

TENNESSEE VALLEY AUTHORITY,
Clermont, Fla., March 3, 1938.

The Honorable KENNETH MCKELLAR,
United States Senate, Washington, D. C.

DEAR SENATOR MCKELLAR: In the CONGRESSIONAL RECORD of January 24 is the report of a statement by you on the status of T. V. A. power sales. I do not know the source of your information, but in some respects the figures you give are inaccurate. The following are extracts from your statement, followed by the facts as I understand them to be.

Page 1287 of the daily RECORD:

Senator MCKELLAR. "The cost of these three dams was as follows: Wilson Dam, $47,000,000; Norris Dam, $34,000,000; and the Wheeler Dam, $36,000,000, making a total of $117,000,000 for these three dams."

Correction: To June 30, 1937, Norris Dam and Reservoir cost $36,195,833; Wheeler Dam and Reservoir, $30,816,513; and Wilson Dam and Reservoir (present value), $31,475,673, making a total of $98,488,019. (Reference annual report of 1937, p. 104.) This total cost of dams and reservoirs does not include the net amount, $10,945,061 (actual expenditures less net income), spent for transmission lines, substations, etc. (reference annual report of 1937, p. 107).

Page 1288 of the daily RECORD:

Senator MCKELLAR. "It has been estimated that in the revenue from these three dams for 1938 will be more than $5,000,000 in that year, with 132,500 kilowatts not sold nor contracted for. * * * So by reason of these lawsuits and notwithstanding these lawsuits and injunctions, the T. V. A. is getting something like $5,000,000 a year on an investment of $178,000,000."

Correction: The estimated operating revenue from the sale of electricity for the fiscal year 1938 is $2,765,000. Deducting operating expenses, etc., the estimated net income (before any allowance for amortization, interest, etc.) is $911,000 (reference appropriation hearings, 1939, p. 1016). This balance is after meeting the operating costs of the river-control program, a considerable part of which is properly chargeable to power operations.

If only the operation costs of the power system are charged against power income, the results are as follows:

	Actual, fiscal year 1937	Estimated, fiscal year 1938	Estimated, fiscal year 1939
Electricity operations:			
Operating revenues	$1,654,025	$2,765,000	$5,520,000
Operating expenses	[1] 852,291	[1] 1,102,000	[1] 1,250,000
Revenue deductions:			
Sec. 13, Tennessee Valley Authority Act	[1] 71,051	[1] 136,000	[1] 255,000
Nonoperating income	53,742	70,000	80,000
Net income from electricity	784,425	1,597,000	4,095,000

[1] Deduct.

Even on this basis the net operating income for 1938 is only a third as much as that given in your statement. A proper figure would be somewhere between the two, say, roughly, $1,400,000 as net operating revenue, with no charge for taxes, interest, depreciation, or amortization.

Although your statement refers to revenue as compared with the cost of the dams, net income (the amount of revenue left after deducting all costs, including proper allowances for interest, amortization, etc.) is the correct and the only representative basis for comparison.

Page 1288 of the daily RECORD (continued):

Senator MCKELLAR: "It is likewise selling to industrials primary power: Goodyear, 3,000 kilowatts; Monsanto, 8,750 kilowatts; Aluminum Co., 7,300 kilowatts; Volunteer Co., 3,000 kilowatts; Victor Co., none this year; Electro-Metallurgical Co., none this year; but with both of these companies it has contracted for succeeding years; Sardis Dam, 8,000; or a total of 52,750 kilowatts."

Correction: The Authority has made contract commitments to the above-mentioned concerns for the following amounts of power:

Concern	Period of contract	Initial service	Amount of contract	Firm power	Secondary power
	Years		*Kilowatts*	*Kilowatts*	*Kilowatts*
Goodyear	2	May 1, 1936	3,000	3,000	
Monsanto	20	Aug. 6, 1936	50,000	17,500	32,500
Aluminum	20	May 29, 1937	[1] 112,000	30,000	82,000
Volunteer	10	[2]	3,000	3,000	
Victor	20	[2]	32,000	16,000	16,000
Electro-Metallurgical	20	[2]	40,000	24,000	16,000
Sardis Dam	4	[2]	8,000	8,000	
Total			248,000	101,500	146,500

[1] In addition to 30,000 kilowatts of firm or primary power, the Aluminum Co. has contracted for 30,000 kilowatts secondary power (available 75 percent of the time in any consecutive 10 years); also, during the last 7 months of each calendar year 40,000 kilowatts (at will) power. Total commitments to the Aluminum Co. amount to 30,000 firm power, 30,000 secondary power, up to 40,000 kilowatts (at will) power, but not less than 10,000 kilowatts; and 12,000 kilowatts interchange power; in all 112,000 kilowatts of power, equal to 32 percent of the present installed generating capacity of the system (Wilson, Norris, and Wheeler).

[2] These contractors are not yet served.

The estimated amount of power that will be sold to industrial customers during the fiscal year 1938 (reference, appropriation hearings, 1939, p. 1000) is as follows: Firm power, 41,500 kilowatts; secondary power, 26,025 kilowatts; a total of 67,525 kilowatts.

The actual contract commitments for power to the industrial customers mentioned in your statement amount to: Firm power, 101,500 kilowatts; secondary power, 146,500 kilowatts; a total of 248,000 kilowatts, as indicated above.

Page 1289 of the daily RECORD:

Senator MCKELLAR. "With all these sales to farm associations, to cities, and to towns from these three dams, there is still a surplus of 180,000 kilowatts of primary power, a fact which can be proven. Therefore, all this power about which the Senator from New Hampshire speaks is going to waste, and will go to waste unless it is sold. Talk about selling power to favored interests, any other company in the world which desires to buy that power and use it can buy it, up to 180,000 kilowatts of power on hand now and which is going to waste."

Correction: Following is a summary of contracts for the disposition of power by the Tennessee Valley Authority as of December 15, 1937:

Contractors being served

	Number of contractors	Number of customers	Firm power	Secondary power
Municipalities	18	17,782	37,820	
Cooperatives	16	18,136	16,115	
Industrials	9		68,050	102,500
Utilities	1		20,000	20,000
Total	44	[1] 35,918	141,985	122,500

[1] 3,366 customers are being served direct, making a total of 39,284 customers as of December 1937. Power consumed by the Tennessee Valley Authority in direct service to itself is included under Government use.

Contractors not yet served

	Number of contractors	Firm power	Secondary power
Municipalities	8	132,000	
Cooperatives	3	2,500	
Industrials	3	48,000	32,000
Utilities			
Total	14	182,500	32,000

Summary

	Kilowatts
Total contracted power:	
Primary or firm power	324,485
Secondary power	154,500
Total firm and secondary power	478,985
Government use (estimated)	35,000
Total	513,985
Minimum reserve, 10 percent	50,000
	563,000

Present and proposed installed generating capacity, kilowatts

	1938	1939	1940	1941	1942	Total
Wilson	184,000					184,000
Norris	100,000					100,000
Wheeler	64,000			32,000	32,000	128,000
Pickwick		72,000				72,000
Guntersville			72,000			72,000
Chickamauga				81,000		81,000
Hiwassee				60,000		60,000
Yearly total	348,000	72,000	72,000	173,000	32,000	697,000
Cumulative total	348,000	420,000	492,000	665,000	697,000	

Considering load factor and whether or not some of these municipal contracts will materialize, as well as other factors involved, just how much load the Authority can contract up to or beyond its capacity is conjectural. It is a matter of serious consequence on which Board policy should be clear; likewise Congress should be informed of such policy in view of the governmental commitments involved.

We do not have the power in the system to meet secondary requirements of contract commitments (except by supplying firm or primary power to meet this deficiency) and on the basis of firm power contracts (demand) we will have very little additional power to dispose of on long-term contracts for the next 4 years. By that time increase of use by present contractors probably will absorb the present available capacity and additional installed capacity.

As a matter of fact, in 1940 and 1941 we may have difficulty supplying the power under present contract commitments.

Although there can be much argument as to how much a system can oversell its physical capacity, it seems to be an error to state that we can sell 180,000 kilowatts additional power from the three dams now in operation and to infer that we have a great amount of additional power to sell.

I wanted you to have this information for your protection, since some of the statements you made are inaccurate and leave you vulnerable to criticism.

Sincerely yours,

ARTHUR E. MORGAN.

MARCH 9, 1938.

Hon. A. E. MORGAN,

Tennessee Valley Authority, Knoxville, Tenn.

DEAR DR. MORGAN: Your letter of March 3 was duly received, and in further answer thereto I wish to say that there is not a substantial mistake in the figures given by me on page 1287 of the daily RECORD.

Wilson Dam cost some $47,000,000, and your commission fixed the value of it at $31,475,673.41. The actual cost, however, was much greater than that shown by your total cost up to June 30, 1936, as shown in exhibit A, page 103, of your annual report of 1937. I am much obliged for your correction as to this.

It is true that Norris Dam cost some $36,000,000 instead of $34,000,000 (but I was dealing only in round figures) and your report on page 103 so shows.

It is true the Wheeler Dam cost, in round numbers, some $31,000,000 instead of $36,000,000, and I am making that change, as well as the change in the total, in the permanent RECORD.

You next say that on page 1288 of the daily RECORD I made a mistake in saying the revenue from these three dams for 1938 will be more than $5,000,000. If I am in error in this you are the cause of it. I quote from your testimony on page 1043 on the independent offices appropriation bill for 1939:

"ESTIMATE OF T. V. A. INCOME

"Mr. JOHNSON of West Virginia. What is your income from the valley?

"Dr. MORGAN. That was testified to.

"Mr. JOHNSON of West Virginia. Less than $4,000,000 yearly?

"Mr. BLANFORD. $5,250,000 we estimate.

"Mr. JOHNSON of West Virginia. For this year?

"Mr. BLANFORD. For this year. We also made tentative estimates of $10,000,000 from the sale of power by 1942."

Mr. Blanford is your employee; he was with you at the time of the testimony, and if my statement was a mistake it was due to your testimony and that of your agent in your presence. I used that statement a number of times in the speeches I made.

The $178,000,000 referred to in this criticism is likewise in error. It should have been $98,000,000 plus, which correction I shall have made.

I do not know where you got your figures on page 2 of your letter, as they are directly in conflict with your statement before the House committee as shown on page 1043 of the House hearings.

I did not say anything about net income, because I did not know what charges you had placed against them. You did not say anything about net income when you and Mr. Blanford made your statement in the House hearings that the estimated income of $5,250,000 was net income. You were evidently talking about income when you were testifying on page 1043, and I was talking about income when I was making my speech, and my statements were based on your statements.

The amount that has been sold, referred to by me on page 1288 of the daily RECORD, is taken from your report on pages 103 and following, and if I am now in error it was because I relied upon this report.

As to the supposed mistake on page 1289 of the daily RECORD, again I relied on your report. If your report is in error, I am in error, and if your report is accurate, then I am accurate. It is true that it is not in accord with your present explanation in your letter, with the exception of the figures herein referred to. If I have made any mistakes, they have all been made by reason of your report. I was using your report.

I do not know what the cost of your operation of the three dams may be, but with an investment of $98,000,000 in the three dams and a present income of $5,250,000, and with an estimated increase thereon until the income reaches $10,000,000 by 1942, as your agent testified to in your presence, it seems to me this is a very excellent return; and after paying all proper charges and expenses it will return within a reasonable period all the money expended thereon, unless, of course, the overhead is too high. I should be very glad for you to give me a statement as to the cost of distributing the power at these three dams. If this were done, we could use the estimates furnished to ascertain what the net returns would be.

Very sincerely yours,

KENNETH MCKELLAR.

MARCH 5, 1938.

Hon. A. E. MORGAN,
Tennessee Valley Authority, Knoxville, Tenn.

DEAR DR. MORGAN: Your letter of March 3, from Florida, has been received.

I will go very carefully into this matter. I thank you for writing me about it. The figures I used were taken from your report of 1937, page 103. At any rate, the 5-percent income is pretty good.

I will look into the other items and advise you further later.

With kind regards,

Very sincerely yours,

KENNETH MCKELLAR.

THE BUSINESS RECESSION

[Mr. LODGE asked and obtained leave to have printed in the RECORD an editorial by John Bantry, editor of the Boston (Mass.) Post, under the heading One Sure Cure for Recession, which appears in the Appendix.]

THE PRESIDENT, VICE PRESIDENT, AND SECRETARY OF THE TREASURY—ADDRESS BY COMPTROLLER OF THE CURRENCY

[Mr. SHEPPARD asked and obtained leave to have printed in the RECORD a radio address embodying sketches of the President, the Vice President, and the Secretary of the Treasury, delivered by Hon. J. F. T. O'Connor, Comptroller of the Currency, at Hollywood, Calif., on February 9, 1938, which appears in the Appendix.]

THE TAXING POWER—EDITORIAL FROM NEW HAVEN (CONN.) REGISTER

[Mr. LONERGAN asked and obtained leave to have printed in the RECORD an editorial from the New Haven (Conn.) Register of Wednesday, March 2, 1938, relative to the effects of excessive taxation, which appears in the Appendix.]

THREAT TO PHILADELPHIA WORKERS IN TRADE AGREEMENT WITH CZECHOSLOVAKIA

[Mr. DAVIS asked and obtained leave to have printed in the RECORD an editorial published in the Philadelphia Inquirer on Wednesday, March 9, 1938, entitled "A Threat to Philadelphia Workers," which appears in the Appendix.]

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

CIVIL SERVICE—A NATIONAL EXAMPLE OF STABILIZED EMPLOYMENT

Mr. DAVIS. Mr. President, I wish to address my remarks to the bill now pending, Senate bill 3331, providing for the reorganization of the agencies of the Government, particularly to the principles of civil service. There is evidently an unquestioned need that the value of civil-service standards be reviewed so that the benefits which have come to the Nation in that way shall not be obscured. I wish to speak on civil service as a national example of stabilized employment.

I am not making a plea for clock watchers. Without question, there are those who have never learned the pleasure and profit of keeping themselves busy because of their love of work. They have not acquired zest for the job itself. These are more to be pitied than condemned. We should frankly admit, however, that they are not peculiar to Government service. They are found in as large numbers in industry as in the Government. Clock watching is not inherent in the civil service. Indeed, the security which the civil-service system affords is more likely to induce the worker to keep his eye on his job than the insecurity of the spoils system where rank favoritism demands that the worker pay attention to the dictation of the party conscience rather than to his own individual sense of duty. Partisan demands on Government workers who are unprotected by the civil service are very likely to do more to destroy work morale than does the individual's personal inclination to laziness or clock watching.

Those who denounce inefficiency of civil-service employees should include in their jeremiads the human factor of inertia which is found everywhere. In fact, it was a common observation in 1930 that the depression which overwhelmed the land might have been cushioned to a very considerable extent if those occupying important positions of industrial leadership had engaged in the active pursuit of their duties rather than dividing their time between summering in Europe and wintering in Florida.

During the earlier period of our Government—from the administration of Washington through that of John Quincy Adams—little or no effort was made to select Federal employees on the basis of their political affiliations. But in 1831, Senator William Marcy, of New York, characterized the situation under the administration of Andrew Jackson by declaring: "To the victors belong the spoils."

President Jackson firmly believed in the principle that his political friends and supporters should be rewarded. He could not, he thought, work well with those who held political views widely at variance with his own. During his first year in office, some 2,000 Federal employees who had been hired by previous administrations were "fired" by Jackson, to be replaced with his own friends and supporters. Thus the "spoils system" was born.

The "spoils system" continued for more than 50 years. However, in 1881, James Garfield was elected President. As was usual, thousands of office seekers poured into Washington. One of them, Charles J. Guiteau, having been refused an appointment by the President, assassinated him. President Garfield's death had a tremendous effect upon the country. Citizens desired to protect future Presidents against the self-seeking of would-be officeholders. Largely as a result of Garfield's death, the Civil Service Act of 1883 was passed.

Mr. President, 55 years ago, on January 16, 1883, the Federal civil-service system was established. Ironically enough, it fell to the lot of President Chester A. Arthur to sign the so-called Pendleton or civil-service bill, the same Arthur whose management of the office of Collector of the Port of New York had marked him as one of the most skillful spoilsmen in American political annals. Civil-service reformers, who regarded the situation with considerable misgivings, had no real cause for concern. President Arthur applied himself

to the task of inaugurating the system in a thoroughly statesmanlike spirit. The Federal civil service was fairly launched, and for 50 years it steadily progressed.

A series of circumstances, stretching over 20 years, had combined to bring the question forward, so that the final measure was written by a group of civil-service advocates, introduced by Dorman B. Eaton, fathered by a Democratic Senator, G. H. Pendleton, of Ohio, passed by a nonpartisan vote, and signed by a Republican President.

The most significant influence promoting this measure was the reaction to the scandals associated with the spoils system. Long familiar to manipulators of party affairs in New York State and elsewhere, the spoils system had been introduced into the Federal offices under Andrew Jackson and his friends in 1829. Regularly thereafter, with the completion of each administration, luckless officeholders, from messengers and laborers up to the heads of foreign missions, were turned out and their places taken by the friends and supporters of the reigning party chiefs.

Mr. President, the leading provisions of the Civil Service Act were as follows: The President was to appoint, by and with the advice and consent of the Senate, three commissioners, not more than two of whom were to be members of the same party. These commissioners were to aid the President, "as he may request," to prepare suitable rules to carry the act into effect. The rules were to provide for the classification of positions, open competitive examinations, the filling of posts from those graded highest, apportionment of the offices in Washington among the various States and Territories on the basis of population, a period of probation before absolute appointment, the exclusion of drunkards, and preference to veterans.

The statute was to apply to the departments at Washington, to customhouses and post offices with more than 50 employees, and to such other parts of the executive service as the President in his discretion might decide; but laborers, and officeholders requiring Senate confirmation, were to be exempted. Finally, civil servants were not to be solicited for contributions to party campaign chests.

Beginning moderately under President Arthur, extensions of the civil service were regularly made by each succeeding administration. The initial 2 years of the law's existence saw 15,573 Federal positions included. President Cleveland, in his first administration, extended the civil service to take in 11,757 more places, the largest single class being the Railway Mail Service. President Harrison included 10,535 posts, the largest single group being some 500 free-delivery post offices.

President Cleveland, in his second administration, in the Executive order of May 6, 1896, completely overhauled the service, and placed most of the positions in the executive departments under classification. His additions to the list totaled 44,024. Under President McKinley the additions were 3,261.

Under President Theodore Roosevelt, a total of 34,766 places was added to the roll, the chief extensions being rural free-delivery carriers, Census Office employees, laborers assigned to classified duties, certain deputy collectors of internal revenue, and fourth-class postmasters in 14 States. Under President Taft, 56,868 more positions were classified, among them being assistant postmasters and post-office clerks in certain first- and second-class post offices, navy-yard artisans, and the fourth-class postmasters of the remaining States.

In the administrations of Presidents Wilson, Harding, Coolidge, and Hoover, extension continued to take place as additional governmental services were added, and new positions created. However, in view of the fact that the greater part of the executive service had been classified by 1913, there remained few outstanding large groups for inclusion.

A novel extension to be noted was the Executive order of 1917, subsequently modified in 1921, authorizing the Postmaster General to fill first-, second-, and third-class postmasterships, the so-called Presidential postmasters whose appointments required Senate confirmation from lists certified by the Civil Service Commission. The Postmaster General was to submit to the President for appointment the name of one of the three highest persons on each list. On July 1, 1932, there were 15,032 such Presidential postmasterships. Between May 1921 and June 30, 1932, 23,292 examinations for these positions were requested.

The following table indicates the progress of classification over the period for selected years:

Year	Number of positions in executive civil service	Number of exceptions	Percent
1884	131,208	13,780	10.5
1894	180,000	45,821	25.5
1904	301,000	154,063	51.2
1914	435,000	292,460	67.2
1924	554,986	415,598	74.8
1932	578,231	467,161	80.8

Mr. President, for 50 years, as shown in this table, the percentage of Government workers in executive departments under civil service constantly increased. But, as so well shown by the distinguished senior Senator from Michigan [Mr. VANDENBERG], the last annual report of the Civil Service Commission shows that on June 30, 1937, there were 841 664 employees, of whom only 63.2 percent were under civil service. For the first time in 50 years the trend to civil service and the merit system has now been turned back.

While every President, including up to the present time, has been favorably disposed toward the classified system's extension, it is to be noted that not all have shown the same diligence in beating off the raids of party spoilsmen. The service owes much to one famous Civil Service Commissioner, Theodore Roosevelt, who served for 6 years under Presidents Harrison and Cleveland. In a very real sense Theodore Roosevelt gave the system the strength it had up until 1933. He waged war on those who sought to levy assessments on officeholders to fill party campaign chests. He widely publicized the Commission's work in speeches and articles and sought to make examinations practical and efficient. As President, Theodore Roosevelt not only extended the service and improved the standards of public-office holding but he gave his Commissioners the same latitude in appealing for popular support that he himself had enjoyed. William Dudley Foulke, with Roosevelt's encouragement, was noticeably successful in his pursuit of his chief's civil-service ideals; political-patronage raids on the service were discouraged, and the people were systematically educated in public official ideals.

Mr. President, some persons have charged that the application of civil-service requirements to Government positions develops inefficiency, protects incompetency, and produces extravagance. There are those who regard the separation of the various services into grades as a unique and roundabout method of automatically increasing salaries. They liken it to a moving stairway, with landings at every step. It is suggested that many go up, but none come down. The real merits of the Classification Act, unfortunately, are obscure to those not familiar with personnel problems.

While the classification law, which became effective in the United States Government with respect to the departmental service in 1924, was not well understood, it was not an experiment. The principle upon which it is founded had been used in the Postal Service and in other countries, and had made considerable progress in grading and systematizing duties and wages.

In our early years we were taught that "order is heaven's first law." If that be so, it naturally follows it must be the first imperative law to govern any intricate industrial plant, mercantile establishment, or governmental agency. Order must be the fundamental basis of all human organization. The spoils system is the only alternative to the merit system. Those who denounce the orderliness of the civil-service system, with its program of stabilized employment, are giving support to the anarchy and confusion which prevail in industrial and political warfare.

The spoils system is to government what unfair competition is to industry. The last 5 years have witnessed a marked increase of the spirit of hostility in the field of human relations both in government and industry. Industrial warfare, wherein employer and employee doubt the good faith of each other, is nourished in an atmosphere of mutual suspicion and hostility. This spirit of confusion, more or less general, has permeated both government and industry in recent years. It represents the low point in morale prevailing among our people, a disease of the human spirit growing out of the terrible assaults of the depression. A blow at the civil service is a blow at the merit system, wherever found, applying with equal force to labor organizations, industrial establishments, and governmental agencies. It substitutes the law of the jungle for the principle of orderly human relations, and asks that personnel management be relegated to the limbo of forgotten things. The present attack on civil service should be resisted by every personnel unit in the Nation, for if the principle of classified service can be overthrown in the Government, what standing will it have anywhere?

Mr. President, while we are considering high standards of public service, the passing of Robert Paine Scripps deserves consideration. Here was a man whose constant thought was concerned with the use of his publishing establishment as an agency of general welfare. The principle of the merit system had no more loyal friend than Robert Scripps. In season and out of season he kept hammering away at this theme: "Give light and the people will find their own way" was his motto. The enlightened editorial policy of his papers has done much to promote the principles of constitutional government and an increasing realization of the worth of the individual. I feel personally indebted to this public-spirited citizen for his untiring emphasis on social responsibilities of government and industry.

Those who are unfriendly to the civil service are the same ones who have made the assault on the middle-aged workers. It is the shame both of our civil service and of American industry that discrimination is shown against the worker who is over 40 years of age. Those who defend this position have the same economic philosophy, whether they uphold it in industry or government. A healthy worker feels that he is in his prime when 45 to 65 years old. He has reason for this belief. He has acquired skill and experience, his self-respect has been sustained by many years of useful service, and he feels that he has established property rights in his job. The spoils system is an attack on these property rights.

I have seen a man of 60 stand before the furnace, day in and day out, stripped to his waist, finishing his turn while others who were younger were unable to stand the pace. Experience in life, his consideration for those working with him, and his knowledge of the job generally made the older worker an asset for safety in industry. Most work is repetitive, and the worker who does his job over and over again establishes certain habits which enable him to give maximum service with ease. The spoils system is an attack on the principle of social security, which recognizes the right of the worker to remain in his place for 30 or 35 years, so that after many years of faithful performance of duty he may look forward to a retiring wage in his declining years. The spoils system will not permit of such security, either in government or industry. There is no such thing as seniority rights under the ax of the spoilsman.

The new retirement plan for railroad employees, agreed upon between representatives of the 21 standard railroad labor unions and the railway managements, would never have come into being if the spoils system, which has been applied to the Federal Government during the last 5 years, had been permitted to invade the railroad industry. The new retirement plan covers approximately 1,500,000 employees of railroads, express companies, sleeping-car companies, and their subsidiaries. It provides for voluntary retirement at age 65 after 30 years' service, but with a reduction in the annuity of one-fifteenth for each year under 65. The spoils system, which some are now asking for in their attack on the civil service, would never have permitted the development of this Railroad Retirement Act if the same piratical spirit had been allowed to dominate in the railroad industry. Certainly, it must be clear that those who seek to destroy the civil service are the enemies of stabilized employment in every field of endeavor. With them social security is but a name and can have no genuine reality.

In 1923, while I was Secretary of Labor, a special investigation was started to find the correlation between the productivity of labor and wages, hours of labor, and work opportunities. Wages per hour indicate what a workman gets, but give little or no clue as to what he does for his wages. From a social point of view, both things are important. Continuing this series of investigations of efficiency and productivity of labor in 1924, a study was made of the building trades. The productivity of labor must, of course, be studied from the viewpoint of what the individual worker or the average worker can do in a specified length of time with the tools with which he has to work. To study this comprehensively in the different industries proved to be an enormous task. As work progressed it developed that there was very little unbiased information as to what constitutes a fair day's work. Without knowing this it is difficult to determine a fair day's wage. The study of output per man-hour in the key industries, used in connection with an index to the cost of living, provides both employer and employee with the essential facts in coming to an agreement on wage scales.

By 1927 the importance of this study was widely felt. The technical progress of an industry consists very largely of an increase in the amount of goods produced per unit of labor. By 1930 the work was well established. Very thorough studies had been completed for the glass industry, for newspaper printing, and for blast furnaces, and similar studies were partially completed for other important industries.

In 1926 important studies were begun in the Department of Labor of the problem of labor turn-over. The survey was made with special view to determining causes and remedies of labor turn-over, as it is an exceedingly important factor in industrial efficiency. Records already in possession of the Bureau or Labor Statistics showed that labor turn-over was responsible for high accident rates and low efficiency rates, and contributed largely to unemployment. Through cooperation with the Metropolitan Life Insurance Co., contacts were established with large employers, and they were asked to file their recorded labor turn-over with the insurance company, the understanding being that as soon as a sufficient number of industries were reporting monthly labor turn-over, the Bureau of Labor Statistics would take over the job. This study also included a labor stability index, not only showing the number of workers who quit, die, or are discharged but also those who remain in the employment of the same corporation or company for a period of 12 months or more. Labor turn-over tends to indicate the bad spots of industry, for where there is a large turn-over, while the cause cannot be determined by computing turn-over statistics, the fact that there is dissatisfaction among the employees is evident. By 1929 the turn-over surveys were well enough under way to enable the Bureau of Labor Statistics to take them over from the Metropolitan Life Insurance Co. The Metropolitan Life Insurance Co. had been receiving reports from about 250 companies, from which turn-over indexes for manufacturing industries were computed. The work was expanded until in 1930 the reports of some 3,000 companies, employing a total of 2,000,000 persons, were being received by the Bureau of Labor Statistics. This is the most important study of occupational changes that has ever been made. It has as much significance for Government employment as for industry. The spoils system in industry has as much to condemn it as the spoils system in government. The spirit of the pirate is evident in both of them.

The basic problem on which the Senate Committee on Unemployment and Relief has been working is that of stability of employment. Great distress has been caused in the last 6 months because close to 3,000,000 workers have lost their jobs. The basic fact of the depression, which has never

found a solution since 1929, is that of chronic unemployment and the instability of such employment as has been offered. If now, as we attempt to find a solution for this grave national issue, the Federal Government shall endorse an attack on the only stabilized employment in the land, the civil service, we shall be thrown into a condition of utter anarchy from which nothing but the stern hand of dictatorship can save us. I do not want to take such a step.

Orderly employment means stability. Stability of employment means continued respect for our American form of constitutional government. I resent the statement sometimes made that American workmen are not for law and order. The vast majority of our workers have a deep and abiding respect for an orderly way of life. As an illustration of my thought, I recall the situation at Pittsburgh and other places in Pennsylvania during the Christmas holidays this year when the depression had settled down like a blight over that whole industrial area. The stores were filled with the choicest Christmas merchandise. The banks of the famous Golden Triangle were almost surfeited with money. There were bright lights and much good cheer in thousands of homes. And yet dark tragedy was evident there before my eyes. I saw idle workmen looking wistfully through the shop windows and at the market tables heavily laden with the choicest foods and all manner of tempting delicacies. But those men, some gray-haired, others young and muscular, all perhaps without a thin dime in their pockets, passed silently by without resort to petty theft or strong-armed vandalism. In many parts of the world street fights and constant theft would have followed in such a situation. But that did not occur—not among these American workmen, who had lost their jobs. They were going home to houses 70 years of age, drab and unpainted, houses lacking the necessary modern conveniences, to homes so overcrowded that the beds frequently were made to do duty in three 8-hour shifts, and yet these jobless men bore their troubles silently and in an orderly way.

Mr. President, I do not know anything which will do more to disturb seniority rights in stabilized industry than this mad blasting at the civil service. I know what it means when a new boss comes into the factory, bringing with him his old friends to put them into the jobs which were previously held by the friends of the old boss. When the new boss comes in the old workers go out; they are thrown out. This is the spoils system in industry, which is just as destructive and pernicious as the spoils system in government. The present attack on the civil service breathes the same threat which has wrecked stability of employment in thousands of factories and mills throughout the land. At a moment's notice I could assemble any number of people who would bear witness that they have suffered from such injustice. They have been fired from their jobs, not because they were incompetent, not because they were lazy, not because they lacked experience, but for no better reason than that they were the victims of the spoils system in industry or government.

Mr. A. F. Whitney, president of the Brotherhood of Railway Trainmen, when appearing to give testimony before the Senate Committee on Unemployment and Relief, said:

> According to the Transportation Association of America, while the average earnings, 1916 to 1935, of railroad employees increased 85.5 percent, the amount of capital investment per employee increased 141.5 percent. The "expert economists" declare that this disproportionate amount which went to capital will, over a period of time, increase employment and purchasing power. But what are the facts? In 1916 there were 1,700,814 railway employees in the United States, while in 1935 there were 1,013,654 employees, or a decrease of 687,160 railroad employees.

Mr. President, the working men and women of this country who have lost their jobs because of technological conditions know how savagely a lack of stabilized employment standards have injured them. Mr. Whitney has stated the loss of employment in the railroad industry, where seniority rights are observed, I think, more carefully than in any other industry. I think it is generally agreed that the railroad industry gives a surer job protection than any other large industry. But even so, more than half a million jobs have been entirely wiped out in this industry since 1916. I ask Senators what would have been the condition of disorder and confusion had there been no seniority rights in the railroad industry? How will the railroad workers of this country react to this extreme attack which is now being made on the principle of civil service and the merit system? How many people would want to ride on the railroads, in which accidents have been reduced to a minimum under stabilized employment, if the locomotives were placed at the disposal of raw recruits such as the spoils system in industry would produce? I do not know of anyone who would want to ride from New York to Washington on the Pennsylvania Railroad or the Baltimore & Ohio if those at the throttles had no better understanding of railroading than some spoilsmen have of government.

It has been charged on the floor of the Senate that the application of civil service to Government positions develops inefficiency, protects incompetence, and produces extravagance. If there be any measure of truth in that charge, what could not be said about the inefficiency, the incompetence, and extravagance of the spoils system?

William C. Deming, former President of the United States Civil Service Commission, tells of the development of the Classification Act. Prior to 1924 the Government had no standard to guide it in fixing the pay of its employees and no working plan for relating the salaries appropriately to the character and importance of the work for which such salaries were to be paid. Salaries for the same kinds of positions were fixed in some instances by Congress and in other instances by department heads, with no responsibility for coordination. Consequently the salary and wage rates for positions involving like duties and responsibilities showed wide variations and marked inequalities. The scales of pay were different in different departments, some departments paying markedly higher than other departments for the same class of work.

In individual cases discriminations in pay for the same work were frequently due to such irrelevant or disturbing factors as the sex of the incumbent, personal or political favoritism, ill-considered judgments, administrative good fortune, or lack of knowledge of what duties were actually being performed. As a result of this situation the Government had put itself in the position of wasting funds on the one hand and doing serious injustice to individuals on the other, and of failing to get that degree of efficiency in administration that a more equitable and uniform wage policy would bring about. Mr. President, I do not wish to return to the injustice and unfair wage conditions of those days, as would inevitably result were the present attack on civil service to be endorsed by the Senate.

Mr. President, it was to cure these defects that the Classification Act was designed. This act sought to establish standards and a policy for determining fair rates of pay, and to centralize in a bipartisan agency the responsibility for applying these standards and this policy uniformly in different departments. An equitable and uniform wage policy was set up, namely: (1) Rates of pay for positions were to be so fixed that there should be equal pay for equal work, irrespective of sex; (2) differences among scales of pay for positions were to be logically related to differences in the character, importance, difficulty, and responsibility of the work involved.

There had been no recognized method for designating or earmarking positions by names corresponding to the work involved. Like positions were called by different names, and diverse positions involving entirely dissimilar duties were called by the same name. There was no common language by which all concerned, from administrator to legislator, could speak about positions in mutually understandable terms. No comprehensive or convenient record of the duties of the various kinds of positions had ever been prepared.

Mr. President, perhaps the difficulties prior to the enactment of the Classification Act can be made clear by reference to the lack of standards to be observed today in the administration of work relief in Pennsylvania. Let me give a definite example of what happens to personnel and public funds when civil-service regulations are cast aside. The

facts which I shall now present in this connection are taken from official reports of W. P. A. administration in Pennsylvania in the offices of Mr. Harry Hopkins, Administrator, and Mr. P. Banks Hudson, State administrator.

The percentage of administration expense in Pennsylvania W. P. A., according to Mr. Hudson, is 3.8. In Massachusetts it is only 0.4—four-tenths of 1 percent. In other words, the overhead expense of W. P. A. in Pennsylvania is almost 10 times as great as in Massachusetts. This is explained in part by the fact that in Massachusetts part of the administrative expense is provided by the local sponsors, whereas none of it is so provided in Pennsylvania. This is simply a case of lack of standards.

From July to December 1936 the administrative expense percentage was 2.2 on a monthly average expenditure of $20,000,000; but from July to December 1937 this percentage was 3.3 on $12,000,000. From July to December 1936 W. P. A. in Pennsylvania spent $120,000,000. That was a campaign year. In the same period of 1937 only $72,000,000 was spent. For the calendar year 1935, only $22,000,000 was spent by W. P. A. in Pennsylvania. In the campaign year 1936, although economic conditions had greatly improved, $221,000,000 was spent. In other words, 10 times as much was spent in the campaign year as in the off year, although the need of the people was greater in 1935 than in 1936.

Mr. President, as is well known, the purpose of W. P. A. was to help the people who live on the borderline of utter need. It was not set up to give fancy salaries to anyone. I have the names, addresses, and salaries of eight employees of the W. P. A. in Pennsylvania, all of whom are listed officially as "administrative assistants." The salaries for the eight are as follows: $1,380, $2,400, $2,500, $3,600, $4,000, $4,000, $5,200, and $6,000. Such a disparity of salary ranges would not be possible under the Classification Act. It must be a source of keen irritation to those receiving the lower salaries to know, if they know, that others bearing the same title of office receive two or three times as much salary.

The Classification Act provided for establishing logical and consistent relations among the three factors which vitally affect plans, policies, and decision in personnel administration, namely, the duties and responsibilities of positions, the qualifications required to fill them, and the salaries offered. If those who now declare their opposition to civil service are endorsed by Senate action favorable to this bill, we may look to the disintegration of the classified service, with a relapse to the haphazard and helter-skelter practices which were the disgrace of Government service 15 years ago. This would be not only a tremendous backward step in the Government's progress toward better technique in personnel administration generally, but a direct handicap in the administration of the merit system itself.

Mr. President, in 1936 both the Republican and the Democratic Party platforms made definite, concrete pledges of patronage reform. The Democrats said:

> For the protection of government itself and promotion of its efficiency, we pledge the immediate extension of the merit system through the classified civil service—which was first established and fostered under Democratic auspices—to all non-policy-making positions in the Federal service. We shall subject to the civil-service law all continuing positions which because of the emergency have been exempt from its operations.

The Republican platform of 1936 declared:

> We pledge ourselves to the merit system virtually destroyed by New Deal spoilsmen. It should be restored, improved, and extended. We will provide such conditions as offer an attractive permanent career in government service to young men and women of ability, irrespective of party affiliations.

But despite the glowing promises which have been made, political appointments have been provided for by the Seventy-fifth Congress in one great new public service after another. The Bituminous Coal Commission is an example. Before voting for this measure, I specifically warned on the floor of the Senate and in the committee that the purpose of the Commission should be the welfare of the coal miners and operators, not the distribution of political patronage. Nevertheless, the Bituminous Coal Commission was set up in such a way that out of 1,200 possible employees, scarcely 200 have been appointed under the merit system. Even more flagrantly was the civil service despoiled when all of the employees of the Civilian Conservation Corps were exempted from the Civil Service Act. In this way, in eight or nine measures hundreds of men and women have been added to patronage. The pledges of party platforms have been ignored, and a threat has been hurled at the very foundations of representative government.

Mr. President, on December 15, 1936, the Pennsylvania Committee on Public Assistance and Relief, appointed by Governor Earle, issued an important bulletin entitled "A Modern Public Assistance Program for Pennsylvania." This committee, with Dr. Herbert F. Goodrich, dean of the University of Pennsylvania Law School, as chairman, was composed of many eminent men and women. A special advisory committee led by Dr. W. T. Tolley, of Meadville, prepared the report on the merit system, parts of which I wish to read at this time:

> Recommendation: That all officers and employees in the State department of assistance, other than those in policy-determining positions, and all officers and employees under all county boards of assistance, be placed under the merit system.
>
> The committee considers this recommendation of prime importance to the success of the entire assistance program. Unless the men and women who will serve as field visitors, clerical assistants, supervisors, administrators, statisticians, accountants, and in numerous other capacities, are appointed, transferred, promoted, and removed solely on a merit basis, the best results will not be obtained, and both taxpayers and those in need of assistance will suffer in consequence.

Mr. President, I regard it as most unfortunate that the report of this committee, made a year ago, has been ignored by those who called it into being, insofar as acceptance of the merit system for relief and work relief is concerned.

I continue to read from the committee report:

> It is no longer necessary to advance elaborate arguments for the merit system in this or any other branch of the public service. Since 1883, when the famous Pendleton Act was enacted by Congress, providing the merit system for the Federal Government, that system has been adopted in many other jurisdictions in the United States. It is now in effect in 10 States, in about 450 cities, and in numerous counties, including all those in New York and Ohio, 8 counties in New Jersey, 4 in California, Cook County (Chicago), Milwaukee County in Wisconsin, and a few counties in a number of other States.
>
> The merit system has been strongly endorsed by statesmen, public administrators, students of government, and other competent observers. That public opinion is unmistakably in favor of it is shown by the fact that both of the major political parties in their 1936 national platforms went on record for the extension of the merit system in the public service of the country, that many Nation-wide professional and nonpolitical organizations have endorsed it, that a recent poll conducted by the Institute of Public Opinion revealed an overwhelming sentiment for it in all parts of the country, and that in nearly every instance where the voters have been asked to express themselves on the merit system they have voted for it by large majorities. Experience has demonstrated, moreover, that wherever the merit system is adopted and effectively administered it makes for lower costs and increased efficiency.

Mr. President, this is the report of an enlightened public committee from the State of Pensylvania. I ask unanimous consent to have printed in the RECORD at this point the short list of distinguished men and women who constitute this committee and the special advisory committees, with whose recommendations I heartily agree.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

PENNSYLVANIA COMMITTEE ON PUBLIC ASSISTANCE AND RELIEF

Appointed by Gov. George H. Earle

Herbert F. Goodrich, LL. D., chairman, dean of law school, University of Pennsylvania, Philadelphia.

Rabbi Max Arzt, Temple Israel, Scranton.

Rt. Rev. Msgr. C. P. Brennan, inspector of charities for archdiocese, Philadelphia.

Mrs. Edward Browning, member, County Relief Board, Philadelphia.

Hon. Henry L. Cannon, president, State Association of County Controllers, Ebensburg.

Leland J. Culbertson, Esq., attorney, Meadville.

Patrick Fagan, president, Central Labor Union, Pittsburgh.

Samuel S. Fels, president, Fels & Co., Philadelphia.

Frederick A. Heim, president, The Savings Institution, Williamsport.

Col. Wilmer M. Jacoby, publisher, Pittsburgh Sun-Telegraph, Pittsburgh.
Hon. Harry E. Kalodner, judge of Common Pleas Court, Philadelphia.
William R. Lynett, editor, Scranton Times, Scranton.
Mrs. T. C. Matthews, president, Children's Aid Society of Mifflin County, Lewistown.
Hon. John H. McCann, judge of Common Pleas Court, Ebensburg.
John A. McCarthy, Esq., president, Real Estate Trust Co., Philadelphia.
Austin E. McCollough, editor, Lancaster Intelligencer, Lancaster.
John A. Phillips, president, State Federation of Labor, Philadelphia.
Prof. Carl J. Ratzlaff, economist, Lafayette College, Easton.
C. M. Sandwick, secretary, Workers' Alliance of Pennsylvania, Bethlehem.
Hon. Paul N. Schaeffer, judge of Common Pleas Court, Reading.
Fred Fuller Shedd, editor, Evening Bulletin, Philadelphia.
Hon. Ralph H. Smith, judge of Common Pleas Court, Pittsburgh.
Philip C. Staples, president, Bell Telephone Co. of Pennsylvania, Philadelphia.
Rev. Pierce E. Swope, St. Stephen's Reformed Church, Lebanon.
Robert L. Vann, Esq., publisher, Pittsburgh Courier, Pittsburgh.
Kenneth L. M. Pray, secretary, Philadelphia.

SPECIAL ADVISORY COMMITTEES

On the merit system

W. P. Tolley, Ph. D., chairman, Meadville.
Grant Curry, Esq., Pittsburgh.
Mrs. William A. Jaquette, Swarthmore.
William C. Beyer, Secretary.

On medical care

(Representing professional associations)

C. L. Palmer, M. D., chairman, Pittsburgh, Medical Society of Pennsylvania.
Netta Ford, R. N., York, Pennsylvania State Nurses Association.
Charles J. Hemminger, M. D., Somerset, Eclectic Medical Society of Pennsylvania.
C. J. Hollister, D. D. S., Harrisburg, State Dental Society.
H. C. Orth, D. O., Lewistown, Pennsylvania Osteopath Association.
Melvin L. Sutley, Drexel Hill, Hospital Association of Pennsylvania.
John C. Walton, Philadelphia, Pennsylvania Pharmaceutical Association.
Lena R. Waters, Philadelphia, Atlantic Division, American Association of Medical Social Workers.
G. Harlan Wells, M. D., Philadelphia, Homeopathic Medical Society of Pennsylvania.
The secretary of the Pennsylvania Committee on Public Assistance and Relief is a member of all special advisory committees.

TECHNICAL STAFF

Kenneth L. M. Pray, chief of staff.
Edith Miller Tufts, acting director of research and editor.
William C. Beyer, merit system.
Raymond T. Bowman, unemployment and relief.
J. Howard Branson, governmental finance studies.
Dorothy Friedland, policy studies.
Ferris F. Laune, administrative problems.
William E. Orr, Jr., special studies.
John S. Renwick, public relations.
Amey E. Watson, special assistant in research.

SPECIAL MEMORANDA

Dorothy C. Kahn, English unemployment assistance administration.
Edith Handler, cost of living.
Smith Simpson, unemployment compensation.

ASSISTANTS IN RESEARCH

Kathryn W. Davis, Gertrude D. Hill, J. D. Ross Hunter, George O. Hohl, Samuel R. Janney, Lillian Muhlbach, and Edward Sacks.

AREA REPORTS

Fayette County Relief Survey, H. H. Peterson, administrator, county emergency relief board, and staff. April 15, 1936.
Schuylkill County Unemployment Relief Problems, prepared by the county emergency relief board, June 20, 1936.

Mr. DAVIS. Mr. President, this testimony shows conclusively that in the judgment of distinguished and public-spirited citizens of Pennsylvania, appointed by Governor Earle, civil service based on the merit system does not develop inefficiency, protect incompetency, or produce extravagance.

I regret that reports have come to me indicating that the Civil Service Act, under which unemployment insurance features of the Social Security Act are being administered in Pennsylvania, is being violated in respect to the solicitation which is made of civil-service employees for party campaign funds. I was compelled to bring this situation to the attention of Mr. Ralph M. Bashore, of the Department of Labor and Industry of Pennsylvania, on March 5 in response to a request from him that I support a proposed increase of $14,000,000 in the appropriation bill for next year for the administration of job insurance.

Mr. President, I ask unanimous consent to have the letter which I wrote to Mr. Bashore included in the RECORD at this point as a part of my remarks.

The PRESIDING OFFICER (Mr. HALE in the chair). Without objection, the letter will be printed in the RECORD.

The letter referred to is as follows:

MARCH 5, 1938.

Mr. RALPH M. BASHORE,
Department of Labor and Industry, Harrisburg, Pa.

DEAR MR. BASHORE: I have your letter of March 1 asking for an increase of $14,000,000 in the appropriation bill for next year for the administration of job insurance, together with an amendment of title 3 to bring it into conformity with title 2 of the Social Security Act.

Enclosed is a copy of a number of addresses which I made on this subject last year in the Senate, presenting the findings of the Non-Partisan Social Security Commission. We shall have many questions arise similar to that you propose.

I am interested in developing social-security legislation in a practical, nonpartisan way.

I am convinced that if the personnel of the Pennsylvania Unemployment Compensation Administration is subject to paying monthly percentages on salaries for party organizational purposes, as I have been informed, it is not a nonpartisan administration and not entitled to my support.

I do not wish to pass judgment on this matter until I am fully in possession of the facts. I should like to have a statement from you as to your knowledge of the collection of these salary percentages as indicated above. If this situation exists, do you endorse it?

Have 550,000 persons in Pennsylvania lost jobs in the last year?

Sincerely yours,

JAMES J. DAVIS.

Mr. DAVIS. Mr. President, I have not yet heard from Mr. Bashore, but I feel that it will be incumbent upon me to call for an investigation of the reports that have come to me if an explanation is not made which satisfactorily answers what now seem to me to be very serious charges. I am confident that following the action taken by the Social Security Board in Oklahoma, we have every reason to believe that the Board will not tolerate a direct violation of the Civil Service Act, if such be the case in Pennsylvania. As I wrote to Mr. Bashore, I do not wish to pass judgment on this matter until I am fully in possession of the facts.

Mr. President, civil service is the largest employer of labor in the United States. It is also the source of the greatest stability of employment. Those who seek to tear down the civil service are trying to substitute the insecurity of political favoritism for the stability of personal efficiency established through competitive examinations. Almost one-tenth of all the men and women gainfully employed in the United States are working for some unit of Government. The total is approximately 3,300,000, serving in no less than 175,418 separate political jurisdictions. The total salaries paid to these three and a third million public employees is approximately $4,500,000,000. The total wages and salaries represent over one-third of all governmental receipts from taxes. The average income of all active employees in the public service in 1932 was $1,448, according to an estimate by the United States Bureau of Foreign and Domestic Commerce. If we take Federal civil-service employees alone, excluding the postal field service, we find that 77.5 percent received between $1,020 and $3,000. The great majority of postal employees in the field receive between two and three thousand dollars.

Thirty-six percent of Government employees are found in public education. Then follow: Postal Service, 11 percent; rural-highway maintenance, 9 percent; Army, Navy, and Marine Corps, almost 8 percent; police and fire protection, 6 percent; municipal public utilities, 3 percent; and all other functions, 27 percent.

Mr. President, I do not wish to take a narrow view of this question. I am fully aware of the fact that there are many efficient and industrious workers on Federal Government pay rolls today who are not there by virtue of civil service. I know that personnel practices have been introduced in certain of the newer agencies which correspond with the best practices of industrial establishments, growing out of the guidance given by trained personnel managers. I know like-

wise that personnel practices run the whole way from the open use of the spoils system in some agencies to sound, progressive policies in others.

But I wish emphatically to deny that the application of civil service to Government positions develops inefficiency, protects incompetency, and produces extravagance. On all three counts, exactly the opposite follows from the application of the merit system to Government employments; and no other result could follow, because instead of personal or political favoritism being involved in the selections for employment, open competition is afforded to the taxpayers of the country, and the best are certified for employment.

Mr. President, numerous instances may be cited to show that the merit system develops efficiency and not inefficiency. During the nineties and the earlier part of the present century, various Executive orders were issued with respect to positions of deputy collector of internal revenue, the positions finally being placed in the classified service by Executive order of November 7, 1906. The annual report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1896, at a time when the positions of deputy collector of internal revenue were not under the merit system showed the cost of collection per $100 as $2.78, whereas the report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1912, when these positions were under the merit system established by the Civil Service Act, showed the cost of collection per $100 as $1.71, a very considerable reduction.

Unfortunately the act of Congress of November 22, 1913—Thirty-eighth United States Statutes, page 208—withdrew these positions from the classified service, the collectors of internal revenue being permitted to appoint deputy collectors without regard to the merit system. However, it is a matter of official record that during the period when the positions of deputy collector of internal revenue were in the competitive classified service the proportionate cost of collecting the internal revenue was reduced.

In November 1927 a joint committee of the House of Representatives and the Senate on internal-revenue taxation recommended to the Congress:

(1) The consolidation of the offices of the collectors of internal revenue and the offices of internal-revenue agents in such manner that the 100 administrative offices now in existence throughout the country would be reduced to 60.

(2) The extension of the civil-service rules to cover all subordinate offices of this description, in a manner requiring that their appointment in future shall be only after competitive tests of fitness, or through promotion, and without regard to political considerations. In support of these drastic recommendations the joint committee sets forth that "a very careful study of the present organization has been made and compared with the organization plan as recommended, and there is no doubt but what a saving of approximately $2,000,000 per annum can be effected."

Here is a specific statement by a joint congressional committee to the effect that if the merit system were applied to the collector of the internal revenue, there would be a saving of approximately $2,000,000 per annum. Congress, however, did not carry out these recommendations.

So, Mr. President, in addition to the tribute I have paid to Mr. Scripps, who has recently passed to the Great Beyond, let me say that I have observed that the Hearst newspapers have always supported civil-service selection for Federal positions, as has the courageous Philadelphia Record, and its editor, Mr. David Stern, warm friend and champion of my colleague and the President.

Mr. President, a further illustration of the fact of efficiency through civil service pertains to the Railway Mail Service. For many years statistics have been prepared annually by the Post Office Department showing the number of pieces of mail distributed, and the number of errors made in distribution. For the 7 years immediately preceding the application to this service of the competitive examination system, the number of pieces of mail distributed by each employee annually averaged 1,230,731, and the number correctly distributed for each error was 3,931. The average number of errors made by each employee annually in distribution was 335. For the 20 years after the classification of this service, the average number of pieces of mail distributed annually by each employee was 1,504,164, an increase of about 20 percent over the amount of work performed per employee before classification. For the first decade following classification, the errors averaged one to every 8,627 pieces of mail distributed, or 183 per employee annually. For the second decade, the errors averaged one to every 11,307 pieces of mail distributed, or 131 to each employee annually.

Mr. President, I think that is a remarkable evidence of the increased efficiency which the merit system brings to Government service. The increase in the amount of work done, and the decrease in errors made, is very clearly shown in the tabulations of the Post Office Department.

It should be clearly remembered that those who seek to dismantle the civil service are striking a blow at the most efficient units of work in America today, the Railway Mail Service and the Postal Carrier Service. Those who describe the civil service as wasteful and inefficient should walk in the steps of our railway mail clerks and our faithful postal carriers for just a day.

If there is any unit in industry or Government today which has a high record for faithfulness and efficiency, it is the great body of postal carriers. I wish language would come to my aid to pay tribute to these noble men. In the heat of summer, during the biting cold of winter, under all conditions of life and circumstance, these gallant soldiers of the Postal Service bring the messages of the Nation from door to door. Their fidelity and utter devotion to duty is one of the most heroic facts in the annals of the Nation. How many of the citizens of this country would like to have the mail delivered by a personnel recruited from the spoils system? Is there any one who would desire to displace the merit system or deny civil service among the postal carriers?

Mr. President, over a long period of years I have known Mr. Edward Gainor, who has fought the battles of civil service for the postal carriers of the Nation. Mr. Gainor and I worked in the mills together. No one knows better than Mr. Gainor the difficulties which have been encountered in bringing this service to the present high standards which it has attained. No one has a deeper appreciation of the true worth and necessity of civil service. No one knows better than Mr. Gainor the disastrous effects of the spoils system in industry. He knows how, when a new boss came into the factory, the old employees were driven out. I am sure that if Mr. Gainor were to speak for the postal carriers of the United States as well as for private industry, he would never subscribe to the charge made that the civil service when applied to Government positions develops inefficiency, protects incompetency, and produces extravagance.

The charge is frequently made, although it is ridiculous, that the civil service protects incompetency and makes it difficult to separate from the service employees who are inefficient. This is wholly contrary to fact. The act of August 24, 1912—Thirty-seventh Statutes 555—prescribes the procedure to be followed in making removals from the classified civil service of the United States, and States specifically:

That no person in the classified civil service of the United States shall be removed therefrom except for such cause as shall promote the efficiency of said service.

The charges must be in writing and the employee must be allowed a reasonable time for personally answering them in writing; but there is no requirement for a hearing, and the Civil Service Commission may investigate a removal only in the event that the procedure defined by the act is not followed, or when it is alleged, with offer of proof, that the removal was made for political or religious reasons.

Mr. President, the ease with which civil-service employees may be removed is well illustrated by the fact that in 1932 and 1933 thousands of such employees were removed under the economy program of the Government.

In reference to the charge sometimes made that civil service produces extravagance, attention should be called to the situation of the State employees in Oklahoma operating the Social Security Act there. Improper disbursement and waste of funds have been charged by the Social Security Board, and within the past few days it has directed that no further payments be made under its laws in the State of Oklahoma.

Were the State employees connected with the welfare activities of the State appointed under a merit system? They were not. These nonmerit employees were responsible for the waste and extravagance that made necessary the corrective measures recently taken by the Social Security Board.

I have read in the newspapers that the Social Security Board is inquiring into what are alleged to be similar conditions in three or four other States. If something new shall be brought to light, it will be interesting to observe whether abuses have arisen under welfare departments where employees have secured their positions under the merit system or otherwise.

Mr. President, the loss and fraud revealed recently in the Stitely case in the Civilian Conservation Corps, although this man was a civil-service employee in the National Park Service, came about in an organization which has always been outside the provisions of the merit system and continues to be exempt by reason of the specific refusal of Congress to apply the merit system to employment in that agency. In this connection, Mr. President, I should like to say that the general efficiency and usefulness of the Civilian Conservation Corps have often been attributed to the fact that as a new governmental agency it had the benefit of drawing from the trained personnel and technical efficiency of four Government Departments—Agriculture, Interior, Labor, and War—which have developed stabilized employment over a long period of years through the use of the merit system. The recent unfavorable publicity which has marked the C. C. C. has come in a field unchecked by civil service.

I should not like to have anything I have said today construed as a belief on my part that the present operation of civil service is perfect, or beyond need for improvement. Most emphatically I say that is not the case. Any study of public personnel administration, even where there are civil-service laws, and even where those laws are efficiently administered, leaves evidence of need for corrective influences. Unsympathetic civil-service commissions, if staffed with mediocre employees, have in some cases undermined public confidence in the merit system. However, the way forward clearly is not through a barbaric attack on such civil service as we have but is through constructive measures for its extension and improvement.

Mr. President, I wish to bring to the attention of the Senate a study of Personnel Administration in the Federal Government, by Lewis Merriam, of the Brookings Institution. I ask unanimous consent to have Mr. Merriam's statement, on pages 47 to 54, inclusive, printed in the RECORD at this point as a part of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE ARGUMENTS FOR A BOARD OR COMMISSION

For the quasi-legislative and quasi-judicial work which the Commission does and for its work in policy making, a commission of three appears to be essential and full minutes of its meetings should be kept. Minutes are, of course, subject to call by investigating committees of Congress, and that is a great safeguard. The positive reasons for the preference for a three-member commission may be summarized as follows:

1. In matters vital to the interests of applicants and to civil servants, the Civil Service Commission en banc is the court of last resort. In our judicial system our courts of last resort are not one-man courts. Protection against the arbitrary action of a single individual is essential.

2. Broad questions of policy come before the Commission, and they should be settled by a deliberative body.

3. The Commission controls administrative officers in the vital matter of appointments and in some cases in the equally important matter of salaries. The administrative officers need protection against a possibly arbitrary, high-handed, single administrator.

4. The success of the merit system under our national law depends in large part upon public confidence and public support. Public confidence and public support would, it is believed, be diminished if there were only one civil-service administrator.

THE DANGERS OF ONE-MAN ADMINISTRATION OF THE CIVIL SERVICE ACT AND THE CLASSIFICATION ACT

A one-man administrator exercising the control functions of the Civil Service Commission would be objectionable for the following reasons:

1. The one-man administrator would be affiliated with, or be suspected of affiliation with, one political party. Fairly or unfairly, he would be accused or suspected of partisan bias. Members of the opposite party would lack confidence in him.

2. He would almost of necessity be identified with one particular section of this great country. Whether he had, or had not, sectional interests or sectional prejudices, he would be suspected of having them.

3. A one-person administrator would, of necessity, be either a man or a woman. Since the administration of Woodrow Wilson, the Civil Service Commission has had one woman member, and the interests of the women employees and of women in general have been represented on the Commission.

4. A one-man administrator would have to be either of no religious faith or of some one religious faith.

5. If an administrator, an employee, an employees' union, a representative of the press, or a representative of an agency, such as the National Civil Service Reform League, should have a sharp clash with a one-man administrator, the doors might actually be closed to the offender, or as bad as closed.

6. Civil Service Commissioners in the past, some of the best of them, have had hobbies, and acting alone would have ridden them to extremes, to the embarrassment of administrative officers over whom they exercised control. Their enthusiasms have in a measure been curbed by their associates. This danger is particularly great in the case of new Commissioners, who are having their first experience in a government with over 800,000 employees in 62 departments and independent establishments, with personnel scattered over the entire country. They may see at the outset only a small fraction of the whole problem. With a one-man personnel administrator, hobby riding might not be controlled, and the service might lose some of that continuity that has come from a three-man board.

7. Many of the advocates of the one-man administrator are themselves believers in a large measure of one-man power and authority. Some of us would use the term "autocratic power." It was the autocracy of the one-man personnel administrator that wrecked that plan when it was tried in Australia. The degree to which the one-man administrator there attempted to control the officers responsible for actual operations resulted, after parliamentary inquiry, in the substitution of a three-member board for the one-man autocrat. Experience of one-man administrators in a few States and municipal governments in this country does not appear to be particularly significant, because of the difference in governments with respect to size, area, and diversity of problems. Maryland, for example, has a force of only about 4,000 under its one-man personnel officer, and he and his little handful of assistants can be personally acquainted with every office in the State. Enthusiasts for one-man administrators were once wont to cite Maryland as their shining example, minimizing the fact that the Maryland act was passed under the leadership of Governor Ritchie early in his governorship. For 16 years Governor Ritchie continued in office. When, after 15 years, the administration changed, and a Governor of the opposition party took office, the Maryland picture was seen in radically different colors.

8. A central personnel agency is set up under our American system to control appointments and prevent the encroachment of the spoils system. The central personnel agency is, therefore, frequently under pressure to give ground. This pressure may come from the President himself, from his Cabinet officers and other politically appointed higher administrators, or from Members of Congress. Members of the appropriations committees, which annually pass upon an agency's requests for funds, are particularly hard to withstand. The late George Wales, who was a career man in the United States Civil Service Commission and rose to be a Commissioner, frequently maintained that the three-man Commission, with its formal meetings, its minutes, and its records made resistance possible in many cases. He said many politicians would withdraw the pressure when he laid before them the records which would have to be spread on the minutes or placed in the official files. Always present was the chance that one militant civil-service reformer on the Commission would fight a bad case to the last ditch. "My partner will never stand for it," helps a Commissioner who finds himself for personal reasons in an embarrassing position.

A one-man personnel administrator, exercising the control function over Cabinet members, other high administrative officers, and aggressive and determined Members of Congress, will lie in no bed of roses. He cannot say, "My militant associate will never stand for it." He himself, by himself, can control what goes into the minutes and into the records. He can, if he will, in a large measure, keep the facts from the public and the press. According to the advocates of the proposed reforms, he will be in personnel matters the close adviser of the President. He will not be detached, apart, unreachable, as the Civil Service Commission has often been. His position will not be enviable if the President himself tells his intimate adviser exactly what he wants done in a particularly bad case. Imagine a personnel administrator under such circumstances telling the President of the United States that the case is grossly improper. There is a real reason why control agencies, especially those exercising quasi-judicial functions, should be remote and detached.

THE CONSTITUTIONALITY OF THE 15-YEAR TERM FOR THE PERSONNEL ADMINISTRATOR

To the person who would rise and say the pending legislation would make the civil-service administrator independent because it would give him a 15-year term, the answer is that, intentionally or unintentionally, that provision is what is technically known as

a "joker." Under it the President may remove the administrator for inefficiency or neglect of duty. As to what constitutes inefficiency the President is prosecutor, judge, and jury. If the President says the administrator is inefficient, ipse dixit he is inefficient and no court in the country has jurisdiction to review his action. The only legal remedy is to impeach the President of the United States because he dismissed the personnel administrator for inefficiency.

As a matter of fact, the President might not even have to allege that the administrator was inefficient. All he would have to say would be that Congress cannot curtail his Executive authority, and his Executive authority includes the right to dismiss an executive employee before that officer's term has expired. Whatever argument was once possible on that score was removed by the decision of the Supreme Court in the Myers case. The only possible differentiation would be with respect to the salary classification functions of the Civil Service Commission. With respect to those functions, possibly the present Commission acts so much as a quasi-legislative, quasi-judicial body, exercising salary-fixing power delegated to it by the Congress, that the case could be brought under the Humphreys decision. After all, it would be far simpler to dismiss the administrator for inefficiency and avoid all the hair-splitting of the constitutional lawyers.

Mr. DAVIS. Mr. President, I wish to read a statement given me by Mr. E. Claude Babcock, former secretary of the Civil Service Commission. He said:

In respect to the Retirement Act, the Classification Act, and the Civil Service Act, all of which are administered by the Civil Service Commission, there are at least two distinctive functions: One has to do with making judicial determinations and evaluating evidence in individual cases while the other has to do with the application of law after the judicial findings of the Commission have been made.

The Civil Service Act of 1883 recognized this duality of function and set up a judicial and an administrative separation. An example of a judicial finding is the evaluation of the qualifications of an applicant, or the evaluation of an individual position under the Classification Act, or under the Retirement Act, the determination of whether a person meets the conditions precedent to retirement. Examples of administrative acts are the certification of eligibles, the maintenance of service records of employees, etc. The Civil Service Act provided for the performance of the judicial work under the chief examiner and provided a secretary to the Commission who would be the administrative officer responsible to the Commission for the execution of the administrative duties of the Commission. This duality of function existed down to 1933 which abolished the office of secretary. The resulting confusion and lack of efficient administration is causing the present demand for a change. The present Commission placed the administrative activities under the chief examiner and from this the confusion started.

There has come into existence a situation which has prompted current criticisms of the Commission such as failure to conduct its business within a reasonable period of time, failure to establish registers—which is a production matter—failure to maintain its records of employees services on a current basis, etc. These failures are excused on the basis of lack of appropriation while in fact they have resulted from the failure to use the administrative authority clearly granted in the Civil Service Act of 1883.

Mr. President, I have also received from Mr. Babcock, representing the United Civil Service Employees, a statement on the bill, which I ask unanimous consent to have inserted in the RECORD at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

REFORMING THE CIVIL SERVICE

(By E. Claude Babcock)

"To be or not to be," that is the question for the merit system. Should the civil service be reformed by changing the basic law, or by correcting the errors of administration, now receiving Nation-wide attention?

We hear on many sides today references to the "antique law," to the "need for a modern system," to the "worn-out" principles of the present law.

We hear on all sides the criticisms of the present operations of the civil service.

But let's be careful that we do not sit idly by, while the whole structure of the merit system is destroyed, because it isn't working right now.

It is fashionable these days to tear down everything that is old, because it is old, and without any regard to the value of the thing.

The principle of having a real Supreme Court is old. But the American people decided that it is still "worth its salt." The independence of the Supreme Court was to be destroyed by "stuffing."

The civil service is to be torn down by handing over its judicial powers to a civil-service administrator.

Before we listen to the criticisms of the Civil Service Act we should see that it is executed. (And this is not now the case.)

Ask any employee of the Government if he is receiving the protection against the spoilsman, which is guaranteed by the present law.

Ask yourself whether the present practice is to hold "practical tests." Yet these are the words of the present Civil Service Act.

No; let's be truthful and acknowledge that the fault in civil service today is not in the language of the law but in its execution.

The Civil Service Act, written in the early 1880's, contains within itself the means of making the administrative activities of the Commission effective and separate from the judicial jurisdiction.

And yet today the Commission confuses the administrative and the judicial functions it has to operate and gives the enemy of the merit system the weapon with which to attack it. You may say that such a commission deserves to perish. But the reply is that there is need for change in the administration of the act.

If an act of Congress is not obeyed because of the fault of the enforcing agency, the cure is not to change the law but to change the persons who are not doing their jobs.

After all, who are the critics?

A Civil Service Commissioner, who, though well intentioned, has no practical background for his job; administrative officers who feel themselves hampered by the present inefficient operation of the law; or who desire all restraints removed from their power to apply their personal favoritisms;

And the spoilsmen.

Certainly the present execution of the merit system is inefficient.

Certainly there is present need for civil-service reform.

The reform most needed is the obedience to the present law, and not the destruction of that law and the raising of a civil-service dictator.

Give us back a merit system within the law.

But do not kill the merit system, or what is left of it, by throwing out of the window the experience of 55 years in order to experiment with a new form.

Let the Commission restore the administrative authority within the Commission, and return to "practical tests of fitness."

Let the Commission retain and use its power to protect the employees against the spoilsman instead of supinely "finding for the department."

Let the President, and the Civil Service Commissioners, and the spoilsmen, and the violators of the merit system in the departments—

Read the Civil Service Act of 1883, and then

Let them obey it.

Mr. DAVIS. Mr. President, it is well known that any major change in civil-service administration will place the stability of the entire service in jeopardy. Workers have a sense of insecurity and uncertainty at the present time because of the pendency of this measure. No one knows where the ax of the spoilsman will next fall. Although this bill is known by title to call for the extension of the classified service, it must be apparent that this is not the construction placed upon it by recognized and competent groups representing the interests of those now in civil service.

There is no possible justification for an attack on the principles of civil service merely because some questions have been raised about the present activities or inactivities of the Civil Service Commission. I am informed that criticism has been directed against the Commission because it has used too large a percentage of its personnel for the examination of applications for positions of little importance, whereas it has used too small a percentage of its personnel for the securing of candidates for positions largely in demand. Of this, I have no personal knowledge. It must be clear, however, that if this is an obstacle to efficient civil service, some way can be found to remedy it without giving rise to a destructive attack on civil-service standards and the principles of the merit system as a whole.

Moreover, it should be observed that with $100,000 as a congressional appropriation at its command, those who have been making a study of reorganization of the executive departments have not lacked for money with which to direct an attack on the Civil Service Commission. In addition, I should be derelict in my duty as a citizen if I failed to indicate that it now seems clear that certain groups of study clubs, highly respected in the past, have allowed themselves to be subsidized for an attack on the Civil Service Commission by private endowments, with more money than public interest to support them.

Mr. President, I am opposed to this bill in its attempt to displace the Civil Service Commission. Who can now deny that the bill has been championed by those who have followed the leadership of one who on the floor of the Senate has said that the application of civil service to Government positions develops inefficiency, protects incompetency, and produces extravagance? It is now apparent that those who

want to pass this bill providing for a civil-service administrator to displace the present Civil Service Commission have placed, or allowed to be placed, a stigma on the principles of civil service. I shall not vote for the measure, for I am fully convinced that it would place the personnel of Government service in the hands of those unfriendly to the merit system. With the safeguards now withdrawn from this bill, it would be possible for the Presidential appointment of a one-man administrator to be given to the chairman of the Democratic National Committee. Stranger things have happened.

I read in the papers this morning that Abraham Lincoln has been demoted from his position of honor on 3-cent stamps. Mr. President, if they will tamper with the honored place accorded the Great Emancipator, who will then be spared?

Mr. President, there are many aspects of this bill to which I am opposed in addition to the attack which it makes on the Civil Service Commission. I do not favor the abolition of the office of Comptroller General. I can very easily understand why a government which has spent billions of dollars without restraint is irked at any governmental agency which seeks to impose limitations upon it. I know that Comptroller General McCarl was constantly placing safeguards around the public purse, and that such a course of action was not popular with those who have believed it possible for the Government to spend its way to prosperity. But public welfare demands a restoration of time-honored principles of economy in government, without which there will be no security for any one, either in industry or the Government. We have gone too far in the wasteful distribution of Government funds, and the philosophy which permitted this for a few years now has little to defend it.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point, as a part of my remarks, an editorial from the Pittsburgh Press of March 4, 1938, entitled "Watchdog or Poodle."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Pittsburgh Press]

WATCHDOG OR POODLE?

The Senate is debating a proposal to fire the Treasury's watchdog and put a pet poodle in his place.

This proposal is, in our opinion, the most vital feature of the pending Government reorganization bill, and the one which most certainly should be rejected.

It would abolish the office of Comptroller General, created 17 years ago because of the World War era of big spending had convinced Congress of the need for an agency, independent of the Government's spending departments, to make certain that appropriations were spent only as Congress intended them to be spent.

It would give the power to approve or disapprove expenditures to the Budget Director, who is dependent for his job on the President, the head of all the spending departments. Then it would set up a new independent functionary—an auditor general—to audit expenditures, but only after the money has been paid out.

The Constitution holds Congress responsible for seeing that "no money shall be drawn from the Treasury but in consequence of appropriations made by law." Congress should not surrender this responsibility to any President. By adopting this proposal, Congress would do just that.

We are in another era of big spending. The need is to strengthen and improve the present device for holding spending within the letter of the laws of Congress.

The Comptroller General is independent of the spending departments because, although appointed by a President for a 15-year term, he can be removed from office only by Congress. (President Roosevelt has seen fit not to appoint a successor to the first Comptroller General, whose term expired 20 months ago, and an Acting Comptroller is now on the job.)

The Comptroller General has been too independent to be popular with the spenders, many of whom at various times have accused him of blocking or delaying their plans. Urged by the administration, Congress itself has weakened his authority by taking many Government agencies out of his jurisdiction.

But, because he can say "no" without risking his job, he can save money and protect the Treasury against wild or unauthorized spending. If the spenders don't like one of his rulings, they can always ask Congress to change the law on which the ruling is based.

What is proposed is to substitute an official who would be under constant pressure to say "yes" to the spending plans of departments headed by the President upon whose good will his job depends. The present Budget Director is a good man. We don't want to see him, or any other man, put on that sort of spot.

The Comptroller General's office has not been perfect, and many things might be done to increase its efficiency, speed up its rulings, and provide prompter remedies for any mistakes it may make.

One suggestion, which seems reasonable, is to give departments which object to decisions by the Comptroller General the right to appeal from them to the Federal Court of Claims.

But the present system is based upon a thoroughly sound principle. The thing to do is to improve the present system, not abandon the principle for one that seems unsound and extremely dangerous in its possibilities. Congress should keep its watchdog at the Treasury—and Congress should keep him independent of those who want to take money from the Treasury.

Mr. DAVIS. Mr. President, no clearer need is shown for a watchdog for the Treasury than that given in an article by Franklyn Waltman in the Washington Post of March 8, 1938. I ask unanimous consent to have this article inserted in the RECORD at this point as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post of March 8, 1938]

POLITICS AND PEOPLE—USE OF FARM FUNDS FOR NEW RICHBERG IDEA SHOWS NEED FOR TREASURY "WATCHDOG"

(By Franklyn Waltman)

If Senator HARRY F. BYRD and his colleagues opposing the pending bill for reorganization of the Government need a concrete illustration of the reasons why the Comptroller General's office and function should be maintained unimpaired they will find it in the Department of Commerce. There someone let the cat out of the bag prematurely—and it is a nice black cat, too.

It will be recalled that in recent days Donald R. Richberg, former N. R. A. Administrator, now sitting at the President's right hand as an apostle of Government cooperation with business, has urged the establishment in the Commerce Department of a Bureau of Industrial Economics.

As expressed in an address last week, Mr. Richberg would have this bureau authorized "to sanction and encourage trade association activities and cooperative efforts of businessmen to create more stable conditions of production and employment, which would add to the security of employment and investment, and thus make possible increased volume of production, better wages, and lower prices."

This column today will not discuss the merits of Mr. Richberg's idea. Ever since N. R. A. this commentator has been skeptical of all schemes for "cooperation" between Government and business which contemplate industrialists sitting around the table in discussions designed to stabilize production. But that is neither here nor there.

The point here is that, good or bad, Mr. Richberg's Bureau of Industrial Economics is so important that in this Democratic country Congress should have something to say about it. Indeed, a simple-minded fellow who believes in the fundamentals of the American constitutional system would imagine that Mr. Roosevelt, if he approves the Richberg idea, would send a message to Congress urging that legislative provision be made for it.

Will that be done? So far there has been no move in that direction. Instead there are reports that certain influential persons in the Commerce Department are toying with the idea of going ahead and setting up this Bureau on their own, with funds—of all things—authorized in the recent Crop Control Act for "promotion of the sale of farm commodities."

Considerable color of authenticity is given to these reports by Raymond Clapper, able commentator for the Scripps-Howard newspapers. Not only is Mr. Clapper an excellent reporter but he is one of the friends of the New Deal. He pronounced the Richberg plan as a "worth-while idea" and obviously was pleased to announce the manner in which its execution was being contemplated.

"The Department of Commerce," Mr. Clapper wrote last week, "is organizing a new Bureau of Industrial Economics to aid business. This is a beginning toward carrying out a suggestion made in a recent speech by Donald R. Richberg and an idea on which he has collaborated for some time with Ernest G. Draper, Assistant Secretary of Commerce, and one of the few businessmen of long experience left in the administration * * *.

"Ironically, the funds to be used come from the Department of Agriculture, which has allocated $1,000,000 to Secretary of Commerce Roper to foster the sale of agricultural products. The Department of Commerce will use this money to create a new service for business on the assumption that the fortunes of agriculture and business are interwoven."

Here we have a proposal to use for one purpose funds which Congress authorized for another and entirely different purpose. It is justified on the ground that the fortunes of agriculture and business are interwoven. If that criterion became a standard, governmental funds appropriated for the benefit of agriculture could be used for virtually any purpose.

It is true that Congress was none too specific in authorizing this $1,000,000 appropriation, the law providing an allocation to the Secretary of Commerce for each fiscal year commencing July 1 next out of funds appropriated under the Crop Control Act, "the sum of $1,000,000 to be expended for the promotion of the sale of farm commodities and products thereof in such manner as he (the Secretary of Commerce) shall direct."

The law further provided that $100,000 of this sum "shall be devoted to making a survey and investigation of the causes of the reduction in exports of agricultural commodities from the United States in order to ascertain methods by which the sales in foreign countries of basic agricultural commodities produced in the United States may be increased."

Vague though that language may be and great though the Secretary of Commerce's discretion may be, it is reasonably clear that Congress never intended this $1,000,000 to be used for seeking to promote coordinated government cooperation to stabilize business or solely for the purpose of compiling industrial production statistics—the extent of the Richberg idea in its most innocent form. Likewise it is reasonably clear Congress intended this money to be used for finding markets for farm products and from the context of the language a preference is shown for markets abroad.

Furthermore, it is reasonably clear that the Comptroller General, whose function is to see that funds are spent in accordance with legislative provision, would not, if he performs his duty, permit the use of this fund to set up the proposed Bureau of Industrial Economics. Under the reorganization bill this power of the Comptroller General would be transferred to the Director of the Budget. The latter, at best, is an arm of the President whose duty is to translate the Presidential will into financial and appropriation bills and policies.

When Lewis Douglas disagreed with the Presidential will he had no alternative but to resign. He was replaced by an Acting Director of the Budget, whom Mr. Roosevelt may replace any day he wishes by a man more to his liking. Indeed, we now have only an Acting Comptroller General, who may be superseded whenever he earns the Presidential ill will. Once the proposal to abolish the Comptroller General's office is voted down we may hope to have a Comptroller General with security of tenure and he would be a check against the sort of thing now being contemplated in the Commerce Department.

In the meanwhile, Congress still has an opportunity to tie down that $1,000,000. It so happens the money has not yet been appropriated. In making the appropriation Congress should see that the money is used for the purpose authorized—and for no other.

Mr. DAVIS. Mr. President, Dr. John Thomas Doyle, the first employee of the Civil Service Commission, and its secretary for 50 years, distinguished for his long and intimate observation of conditions of governmental employment, has well said:

The application of the principle of competition to entrance in the public service has worked a gradual and, in a degree, an insensible revolution. A marked result is found in the elevation of the tone of public life. There are no more political assessments, and subordinates are no longer coerced in their political action by superiors. Removals are no longer made for political or less worthy reasons. A higher standard is exacted of morals and habits. One of the consequences of allowing public offices to be filled on the basis of favoritism was to lower the estimation of official life. It caused a feeling, however unjust, that Government employees were not, as a whole, worthy representatives of the people and its institutions. The subserviency, discreditable partisan work, and the solicitation through which office was gained and held, caused a prejudice against the service and led to its being considered a makeshift instead of a worthy career. All this is being changed, and the fact now that office can be obtained only by those standing highest in a competition of character and capacity by free, public, and self-respecting methods, has given rise to a higher estimate of official life. There are an increasing number of positions in the civil service requiring scientific or special attainments, skill, or experience. The men who fill these positions should receive equal recognition with the officers of the Army and Navy, and this is being given. The civil service is a profession in itself, and with encouragement will become one of the most important and desirable of the professions.

Mr. President, in conclusion, I ask unanimous consent to have inserted at this point in the RECORD as a part of my remarks, excerpts from the speeches and writings of many of the Presidents of the United States on the relative value of the merit system and the spoils system, as well as an extract from a speech of Hon. Marriott Brosius, of Pennsylvania, in the House of Representatives on January 11, 1898, entitled "The Law and Principles of the Merit System."

There being no objection, the extracts were ordered to be printed in the RECORD, as follows:

EXCERPTS FROM SPEECHES AND WRITINGS OF PRESIDENTS

It (party spirit) exists under different shapes in all governments, more or less stifled, controlled, or repressed; but in those of popular form it is seen in its greatest rankness, and is truly their worst enemy. (Washington.)

Good men, in whom there is no objection but a difference of political principle, practiced only so far as the right of a private citizen will justify, are not proper subjects of removal. (Jefferson.)

* * * The principle * * * that offices were the spoils of victory. * * * I fully agree in all the odium you attach to such a rule. * * * The principle could not fail to degrade any administration. (Madison.)

No person at the head of the Government has, in my opinion, any claim to the active partisan exertions of those in office under him. (Monroe.)

In respect to the exercise of this (appointing) power, nothing should be left to discretion which may safely be regulated by law, and it is of high importance to restrain as far as possible the stimulus of personal interests in public elections. (Tyler.)

I am opposed to removals to make places for our friends. (Lincoln.)

The present system does not secure the best men, and often not even fit men, for public place. The elevation and purification of the civil service of the Government will be hailed with approval by the whole people of the United States. (Grant.)

Upon the good results which that law (the Civil Service Act) has already accomplished I congratulate Congress and the people, and I avow my conviction that it will henceforth prove to be of still more signal benefit to the public service. (Arthur.)

The continued operation of the law relating to our civil service has added the most convincing proofs of its necessity and usefulness. It is a fact worthy of note that every public officer who has a just idea of his duty to the people testifies to the value of this reform. (Cleveland.)

I believe that * * * the system is incomparably better and fairer than that of appointments upon favor. (Benjamin Harrison.)

The system has the approval of the people and it will be my endeavor to uphold and extend it. (McKinley.)

The merit system of making appointments is, in its essence, as democratic and American as the common-school system itself. * * * Wherever the conditions have permitted the application of the merit system in its fullest and widest sense the gain to the Government has been immense. (Roosevelt.)

They have charged me with using patronage to accomplish something. * * * But I challenge the men who make the charge to come forward and join with me in legislation which will enable me to put every local officer, be he postmaster, internal-revenue collector, customs collector, or anybody else filling an office of the United States in any of the States of the Union, under classified civil service. (Taft.)

My warm advocacy and support both of the principle and of the bona-fide practice of civil service reform is known to the whole country. (Wilson.)

Extract from letter of President Harding to the National Civil Service Reform League in 1921:

"I understand from you that your program of correction, remedy, and betterment includes:

"A larger appropriation for the Civil Service Commission and a wider acceptance of its counsels.

"An extension, under tests, of the merit system of appointment and promotion to a larger group of Federal employees, not to create a bureaucratic inflexibility which would rob a great private business as well as a great public business of its efficiency, but to give promise to those of merit and capacity that Federal employment has all the stimulus of competition and reward that is offered elsewhere in private business.

"A readjustment of rates of pay, and of the system of making these rates, to the end that several hundred thousand faithful employees shall have recompense sufficient to hold them content in service and that incompetent persons and those doing overlapping work shall not continue to receive the money of our taxpayers.

"A closer contact between Federal employees and the Civil Service Commission so that, representing the Government, the Commission may act for the employer as the friend of the employee, hear and adjust his grievances and be closely associated with his promotions and be a close observer of his efficiency. This will save unrest and waste and assist the heads of the 10 departments in the now impossible task of deciding employment questions.

"If these are your policies, they are all one with mine."

The best method for selecting public servants is the merit system. (Coolidge.)

(Extract from speech of Hon. Marriott Brosius, of Pennsylvania, in the House of Representatives, Tuesday, January 11, 1898)

THE LAW AND PRINCIPLES OF THE MERIT SYSTEM

In the legislation looking to an improvement in the civil service and in the rules promulgated from time to time for the same purpose Congress and the Presidents have united in declaring certain fundamental principles which are believed to be necessary to an efficient civil service. These principles are nowhere better stated than by Dorman B. Eaton in the second annual report of the Civil Service Commission and, in substance, reproduced in the third annual report of the Civil Service Commission. I quote from the latter report:

1. That public office is a public trust, which allows no discretion in the appointing power to disregard either the interests of the people or the merits of applicants.

2. That the claim of every citizen for an appointment is strong not in proportion to the influence behind him or to the anxiety of others to get a place for him, but in a measure of the capacity and good character which he tenders in his own person for the salary offered by the Government.

3. That a party is an organization for the convenient expression of the interests and wishes of those who adhere to it. By electing

the President and the majority of the Members of Congress a party may at once control all legislation and all national policy, a power great and inspiring enough for all worthy ambition and all useful activity. It should rest its appeal to the people for support on the soundness of its principles and the merits of its candidates. It has no right to use official authority merely for its own ends, and, consequently, neither the party in power nor a party seeking power, nor any public officer whatever can rightfully use the power of appointment, promotion, or removal to reward adherents, to punish opponents, or to control votes.

4. That the political or religious opinions of officials holding places within the classified civil service or any other part of the executive service to which the examinations may be extended, are not to be regarded as material, and selections to fill such places should be made solely on the basis of character and capacity for doing the public business, from which it follows that neither work for a party nor servility to its leaders or to great officers can be accepted as good reasons for making appointments to such places, the duties of which should be performed in the same nonpartisan and businesslike manner, whatever party may be in power or whatever may be the politics or religion of the public servant.

5. That the system so long accepted, under which mere recommendations, official favoritism, and political and social influence, not infrequently united with intrigue and corruption, have been efficient for securing appointments, should give place to a system based on character, capacity, and justice, irrespective of political or religious opinions.

6. That recommendations for office, however, numerous and from whatever source, have proved to be not only utterly unreliable and unsafe, but in many ways pernicious.

7. And that as a consequence there should be free public examinations for testing character and capacity, together with a rigid enforcement of the duty of the appointing officer to fill the vacancies by selecting those whose superior merit has been demonstrated by the examinations, without regard to political or religious opinions.

No words of mine could add anything of value to this comprehensive statement of the principles of the system we advocate.

Mr. DAVIS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Hughes	Overton
Ashurst	Davis	Johnson, Calif.	Pepper
Austin	Dieterich	Johnson, Colo.	Pittman
Bailey	Donahey	King	Pope
Bankhead	Duffy	La Follette	Radcliffe
Barkley	Ellender	Lee	Reames
Berry	Frazier	Lodge	Reynolds
Bilbo	George	Logan	Russell
Bone	Gerry	Lonergan	Schwartz
Borah	Gibson	Lundeen	Schwellenbach
Bridges	Gillette	McAdoo	Sheppard
Brown, Mich.	Glass	McCarran	Shipstead
Brown, N. H.	Green	McGill	Smathers
Bulkley	Guffey	McKellar	Thomas, Okla.
Bulow	Hale	McNary	Thomas, Utah
Burke	Harrison	Maloney	Townsend
Byrd	Hatch	Miller	Truman
Byrnes	Hayden	Minton	Tydings
Capper	Herring	Murray	Vandenberg
Caraway	Hill	Neely	Van Nuys
Chavez	Hitchcock	Norris	Walsh
Clark	Holt	O'Mahoney	Wheeler

The PRESIDING OFFICER. Eighty-eight Senators have answered to their names. A quorum is present.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. COLLINS, Mr. CALDWELL, Mr. STARNES, Mr. CASEY of Massachusetts, and Mr. ENGEL were appointed managers on the part of the House at the conference.

PROPOSED INVESTIGATION OF T. V. A.

Mr. BRIDGES. Mr. President, during the past 5 years many of the alphabetical agencies of the administration have been discussed and have received widespread attention. More or less has been heard about the T. V. A. in that connection, and at the present time the T. V. A. has reached a point where it is the center of public focus. Today the country is gradually but surely becoming T. V. A. conscious. Not only is it becoming T. V. A. conscious, but a spirit of indignation at what has been going on in connection with the administration of T. V. A. is rapidly coming to the forefront. It is along that line that I wish to direct my remarks today.

On January 18, after several months of research and study during the preceding summer and fall months, I made a speech in which I raised the very grave question whether or not the T. V. A. had betrayed its trust and ignored its congressional mandate to provide the widest distribution of cheap power to the residents in the Tennessee Valley. I then stated, and I now repeat, that the T. V. A. had contracted, for long periods of time, large blocks of industrial power at give-away prices and was confronted with the fact that it would not be able for years to come to meet the demands for its power by the little communities, by the rural-electrification cooperatives, by the little men of the Tennessee Valley, the forgotten men of the administration, whom T. V. A. was designed to help.

Since that date my charges have been substantiated from two important sources. In the House of Representatives, Representative MAURY MAVERICK occupies a place comparable to that of the Senator from Nebraska [Mr. NORRIS] in the Senate as an advocate of public ownership and as a tested friend of T. V. A. On the floor of the House on February 7, Representative MAVERICK made detailed and specific charges analyzing these industrial contracts, and stated that—

> T. V. A. has contracted for long terms * * * over 80 percent of the installed generating capacity of these dams.

More recently Dr. Arthur E. Morgan, who happens to be Chairman of the Tennessee Valley Authority, has confirmed the same charges.

Since then I have given the same subject further study, due to the inspiration of the Senator from Tennessee [Mr. MCKELLAR], who at that time challenged my facts. I am now prepared to state, and at a later date I shall show, that these contracts contain a hidden joker with a secret rebate amounting to 30 percent of the costs of much of this power. I am prepared to show at the proper time that these contracts have accorded to the so-called "princes of privilege," a class created by administration spokesmen, a secret differential by disguising much of the actual firm power of T. V. A. as secondary power and selling it at secondary-power rates. In short, this great humanitarian administration which poses as the protector of the ill-clad, the ill-fed, the ill-housed third, which has dauntlessly laid down the gage of battle against the monopolies, has now set out a plate of cream at its back door for those whom the administration terms "the fat cats of special privilege."

What a perfect example of blowing hot and cold at the same time. One cannot blame the corporations for getting the best rates possible, but one is naturally surprised at an administration damning the trusts and monopolies on one hand and with the other passing out hand-outs amounting to hundreds of thousands of dollars a year to specially chosen "princes of privilege" in order to justify the existence of T. V. A. as a social experiment.

Since my first speech scarcely a day has passed without some new disclosure revealing an unhealthly situation within the T. V. A., growing out of charges and countercharges of members of the Board of Directors. I shall not burden the RECORD here with a résumé of that controversy. Suffice it to say that charges have been made by members of the Board which involved unethical practices, downright conspiracy to defraud, and other grave derelictions from duty.

There are now pending in the two branches of Congress seven resolutions for investigation. There are now pending in the House of Representatives three resolutions for an investigation of T. V. A., introduced by Mr. MAVERICK. The first, a companion measure to the joint resolution of the Senator from Nebraska [Mr. NORRIS], calls for a Federal Trade Commission investigation; the second, for a congressional

investigation by a select committee of the House; and the third, for a congressional investigation by a joint committee of both Houses. Then there is a resolution introduced by Mr. MAY, for an investigation by the Military Affairs Committee of the House, which has jurisdiction over T. V. A. legislation. There is also a resolution for an investigation by a select committee of the House, introduced by Mr. SNELL, minority leader of the House.

In the Senate we have two resolutions, one sponsored by the Senator from Nebraska [Mr. NORRIS], for a Federal Trade Commission investigation; the second, the resolution introduced by the Senator from Utah [Mr. KING] and myself, for an investigation by a select committee of the Senate.

In all, there have been introduced in Congress seven resolutions for investigation of the T. V. A. since Congress convened in January. Of these, only the joint resolution introduced by the Senator from Nebraska, with its companion measure in the House, would take the investigation out of the hands of Congress and put it in control of another executive agency, appointed by the President.

Of the resolutions in the Senate, the Norris resolution is under consideration in the Committee on Agriculture and Forestry. The King-Bridges resolution is pending in the Committee on Commerce. The Senator from Nebraska [Mr. NORRIS] has stated that I introduced the King-Bridges resolution last week by stealth. If I did so, the measure of my stealth is the measure of his when he introduced the Seven-T. V. A. bill last summer, inasmuch as I followed with my resolution the identical procedure followed by the Senator from Nebraska with his bill.

At the time the Senator from Nebraska introduced his bill he coupled the action with a request—as is customary—that it be referred to the Committee on Agriculture and Forestry, and the Vice President acceded to his request. I followed his example. When my resolution was introduced I made the request of the Vice President—which was granted—that it be referred to the Commerce Committee. I should like to call the attention of the Senator from Nebraska to the colloquy that followed his introduction of the bill. I am sorry the Senator from Nebraska is not in the Chamber at this moment.

This measure concerned itself, ostensibly at least, with the functions of the Committee on Commerce, which include the improvement of navigation and the control of floods.

The Senator from Kentucky [Mr. BARKLEY], who has since become the majority leader, at that time raised this point, and suggested the propriety of referring the Seven-T. V. A. bill to the committee where it properly belonged. The Vice President overruled the Senator from Kentucky with this comment:

> The VICE PRESIDENT. With the permission of the Senator, the Chair would like to say in defense of himself that in the matter of making references to committees, when bills are introduced which cover a number of subjects, and of which various committees have jurisdiction, it is the custom of the Chair to refer them to the committees requested by those introducing the measures. The bill which the Senator from Nebraska has introduced, and also the bill which the Chair understands the Senator from Kentucky [Mr. BARKLEY] and the Senator from Ohio [Mr. BULKLEY] have introduced, deal with various subjects concerning which different Senate committees would have jurisdiction.
>
> The Senator from Nebraska asked that the bill he has just introduced be referred to the Committee on Agriculture and Forestry. The Chair does not know whether the Senator from Kentucky or the Senator from Ohio requested that their bill be referred to the Committee on Commerce, or whether they left the disposition of the bill to the parliamentarian.

That is the ruling made by the Vice President when the point was raised by the distinguished floor leader of the Democratic Party in the Senate [Mr. BARKLEY] as to the propriety of the action of the Chair in referring the Seven-T. V. A. bill of the Senator from Nebraska to the Committee on Agriculture and Forestry.

Mr. COPELAND. Can the Senator inform me on what page of the RECORD that is?

Mr. BRIDGES. I have not a memorandum of the page here, but the ruling was made some time early in June.

According to T. V. A.'s lawyers in the famous 19-company suit and other cases, the primary functions of T. V. A. are the improvement of navigation, the control of floods, and national defense. The first two of these functions clearly fall within the jurisdiction of the Commerce Committee; the third belongs to the Military Affairs Committee.

It is true that T. V. A. has secondary functions. It may amaze some Members of the Senate to learn that the generation and sale of power is not legally a primary function of T. V. A.; in fact, legally it only sells such surplus power as it theoretically generates incidental to the performance of its main function in improving navigation and providing flood control. At the time the T. V. A. Act was enacted it was urged that it would result in the manufacture of large quantities of cheap fertilizer at Muscle Shoals; and many Senators interested in the farm problem were induced to support the bill for that reason. Indeed, it was on the sole ground of its value to agriculture as a fertilizer producer that the T. V. A. legislation originated in the Committee on Agriculture and Forestry. Meantime, after 5 years of life, that fertilizer program still remains in an embryonic experimental stage. In view of the dismal failure of the T. V. A. to fulfill its promise to the American farmer, there remains little of the original reason for jurisdiction over T. V. A. affairs in the Committee on Agriculture and Forestry. I am casting no aspersions on the value of the work of that committee, but I maintain that in the interest of the orderly processes of legislation, legislative measures primarily affecting and affected by the Federal functions of flood control and navigation should be handled by the committee primarily responsible for such legislation, and therefore that I was correct in asking that the resolution submitted by the Senator from Utah and myself be referred to the Committee on Commerce. Of course, I recognize there is merit in what the Senator from Nebraska so candidly stated last summer in connection with his Seven-T. V. A. bill to the effect that navigation and flood control are but the constitutional pegs upon which to hang the legislation.

In spite of the grave objections raised on this point by Senators BARKLEY, COPELAND, CLARK, and others, the bill remains with the Agricultural Committee on the ruling of the Vice President that proposed legislation is generally referred to the committee requested by its sponsor.

The senior Senator from Nebraska on Friday made a motion to discharge the Commerce Committee from the further consideration of the King-Bridges resolution. I assume that he would have it referred to the Committee on Agriculture.

The motion of the senior Senator from Nebraska is of a piece with his effort to push for the enactment of his resolution for a Federal Trade Commission investigation of the Tennessee Valley Authority.

This is the strategy of desperation.

The rising clamor for a thorough airing of the behind-the-scenes activities of the Tennessee Valley Authority has become too great to be resisted.

Some action must be taken that will appease public indignation.

Can there be those who would whitewash the Authority and paint it whiter than the driven snow? Who would suppress the real truth? Who would gloss over the failures? Who would blind themselves to broad hints of corruption and conspiracy? Who would ignore the charge of dictatorship on the part of the Authority? I hope such individuals may not be found among the membership of this body. The motives of the opponents of a Senate or congressional investigation may be pure; they may believe that this is a situation in which a beautiful ideal is being dragged into the mire of politics. Whatever their motives may be they are advocating a method which will defeat an open and searching investigation of the Tennessee Valley Authority. Under our theory of government, Congress has the right and the duty to investigate as well as to legislate.

The proposal of the Senator from Nebraska is a feebly disguised attempt to delegate again, in another important matter, a congressional duty to the executive branch.

In a sense, advocacy of a Federal Trade Commission investigation rather than one by a committee appointed by the Vice President, is an expression of lack of confidence in the

sagacity, the integrity, and the judgment of the Vice President whose duty it would be to select from the membership of this body a committee of five Senators who could give the T. V. A. an honest, fair, impartial examination. I, personally, am willing to abide by any selection the Vice President of the United States chooses to make. I have confidence in his judgment and integrity. Personally, I admire him.

Moreover, among the supporters of a congressional investigation, on the other hand, are some of T. V. A.'s warmest, most sincere friends. They feel that the integrity of this type of administration and regional planning is at stake and that a so-called investigation which would be a patent whitewash of the whole affair would only sink deeper into the mire of ill-repute.

The charges against T. V. A. are too grave to be lightly dismissed. Some of the 23 charges for investigation which the Senator from Utah [Mr. KING] and I listed last week, if substantiated, are matters for grand jury attention.

For years I have followed the career of the senior Senator from Nebraska. It has been a brilliant chapter in the history of the Senate. His dauntless battles against corruption and wrongdoing in high places have been an inspiration to me. He has been nonpartisan. He has always sought to be fair.

Has he changed? I hope not, and I believe not, but why is he now seeking to cloak the sins of this agency behind the sure protection of a second administration-controlled agency?

We need and must have an honest investigation by a congressional committee of the charges of gross waste, mismanagement, and possible corruption. Any other kind of investigation one would expect from a rubber-stamp, machine-led partisan but not from the very distinguished and able Senator from Nebraska.

Mr. NORRIS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. AUSTIN in the chair). Does the Senator from New Hampshire yield to the Senator from Nebraska?

Mr. BRIDGES. Certainly.

Mr. NORRIS. Will the Senator agree to a request for unanimous consent temporarily to lay aside the unfinished business and take up my motion about which he is speaking?

Mr. BRIDGES. I should be very glad to agree to that at the proper time, after I shall have finished my speech, but not at the moment. I shall be glad to discuss it.

Mr. NORRIS. The Senator submitted his resolution without designating at the time what it was or what it referred to, and asked that it be sent to the Committee on Commerce. I was present in the Chamber. I heard the Senator make the request. I have a copy here of the CONGRESSIONAL RECORD showing just exactly what he said when he submitted the resolution. The statement in the RECORD is very short, and I will read it. The Senator said:

> Mr. President, on behalf of the senior Senator from Utah [Mr. KING] and myself, I ask consent to submit a resolution, and request that it be referred to the Committee on Commerce.
>
> In this connection I have a joint statement by the senior Senator from Utah [Mr. KING] and myself, which I ask unanimous consent to have appear in the RECORD following the printing of the resolution.

I heard the Senator make that statement. Of course I and no other Member of the Senate who had not the confidence of the Senator from New Hampshire knew what the resolution was. Does the Senator think that it was quite fair to do that when I was sitting here in my place? The Senator must have seen me; he must have known also that I had submitted a resolution to investigate the T. V. A.; that it had been referred to the Committee on Agriculture and Forestry; that that committee had reported it favorably and that the resolution was on the calendar, providing for the very thing that the Senator was undertaking to do, except in a little different way. Does the Senator think it was right for him to have that resolution referred to the Commerce Committee, knowing all the circumstances I have mentioned?

I confess to the Senator I would not do that to him, no matter how earnest I might be, knowing the facts, as I assume the Senator knew them all. I think it was a discourtesy. Perhaps it was not so intended, but it was unfair to me and to the Senate, when we already had on the calendar such a resolution, providing for an investigation, a resolution which I am anxious to have taken up and considered. I have told the Senator's colleague from Utah [Mr. KING] that I would accept the resolution the Senator has submitted, and add it all as an amendment to my resolution, although I think everything essential in the resolution submitted by him is in the resolution which I presented to the Senate.

There is an honest disagreement, I suppose, between the Senator from New Hampshire and other Senators—and I hope the Senator gives me credit for the same honesty of view when I introduce my resolution—as to whether the Federal Trade Commission should be asked to investigate the T. V. A., or whether the investigation should be made by a Senate committee, or by a joint congressional committee. I desire to say to the Senator, in all earnestness, as I have often said before, that I do not believe a great many of the charges that have been made. Some of them may be true; but, true or false, I am just as much in favor of a thorough investigation as any Senator can possibly be, including the Senator from New Hampshire.

The Senator from New Hampshire was absent for a time. I would not have tried to get up my resolution when he was not here. There were two reasons why I did not try to have it taken up. First, out of courtesy to the Senator, I would not have had it taken up in his absence unless he had been away for a great while. I was requested by the Senator's associate in the introduction of the resolution, the Senator from Utah [Mr. KING], to wait and not have the resolution taken up; and when I found out that the Senator from New Hampshire was absent, I said, "I will not have it taken up in his absence if you will agree—let us have an understanding to that effect—that everything will rest just where it now is." The Senator from Utah wanted an opportunity to consult the Senator from New Hampshire and some other Members, and thought an agreement might be reached. I agreed to it all readily; and if the Senator will reflect on his own conduct in the matter it seems to me he probably will find that there is a mote in his own eye in an attempt to have his resolution introduced and referred to the Committee on Commerce without disclosing what it was.

If the Senator has any doubt about my earnestness in trying to have a fair investigation, I desire to say to him that I selected the Federal Trade Commission, because I thought that was a body by which we could have a thorough and an honest investigation made. I do not believe we could get an unprejudiced committee in either House to investigate the subject.

Mr. BRIDGES. Mr. President, my answer to the Senator from Nebraska is that I introduced the resolution sponsored jointly by the distinguished senior Senator from Utah [Mr. KING] and myself in the same manner in which other resolutions have been introduced here; and I asked that the resolution be referred to the Committee on Commerce in the same manner in which the Senator, for example, in introducing the Seven-T. V. A. bill, requested that it be referred.

Mr. NORRIS. I should not have had any objection if it had not been for the peculiar situation which existed. Did not the Senator know that such a resolution was on the calendar? Did not the Senator know that if I had known what the resolution was when the Senator was introducing it, I would have made an objection?

Mr. BRIDGES. No. I proceeded in the usual manner.

Mr. NORRIS. I admit that there were a good many things about the matter that were usual; but it is not the usual manner when the Senator introducing a resolution knows that a similar resolution is already on the calendar, and that it went to a different committee, and the Senator who introduced the first resolution is sitting right in front of the other Senator when he introduces the second resolution. The Sen-

ator from New Hampshire did not intimate what kind of a resolution he was introducing. I think, therefore, it ought to have come out of the ordinary category.

Mr. BRIDGES. I have read the RECORD relative to the introduction of many resolutions, and I followed the same procedure followed by the Senator from Nebraska and by other Senators in the past, because I have checked resolutions the Senator from Nebraska has introduced.

Mr. NORRIS. No; I challenge that statement. When a measure dealing with a certain subject had been introduced, and had been referred to a certain committee at the request of the Senator introducing it, and a favorable report had been made by the committee, and the measure was on the calendar, the Senator from New Hampshire cannot find a case in which I subsequently introduced another resolution to have a new investigation made, and had it referred to a different committee. The Senator cannot find in the RECORD any such thing. He will find in the RECORD cases in which I introduced bills and all other Senators introduced bills and resolutions and did just what the Senator from New Hampshire did about their reference, but never in a case in which the peculiar conditions existed which existed in this case. I defy the Senator to find such a case.

Mr. BRIDGES. There may not have been ever before the peculiar situation which existed in this case. Perhaps such a situation never before existed; but I know the Senator from Nebraska has introduced resolutions which have been introduced in the same manner in which I acted, because I have checked some of them. I do not know, however, about the companion features to which he refers.

This is what a leading news commentator, David Lawrence, recently said of this situation:

> The tragedy is no less easy to bear because Senator GEORGE W. NORRIS, radical of radicals, liberal of liberals, was the father of the T. V. A. and fought with might and main to keep the new agency free from the spoils system and the sordid machinations of the politicians. He wrote into the law clauses that commanded the merit system to be applied. He insisted on high standards in selecting personnel.
>
> But Mr. NORRIS, like many reformers, forgot that human nature is not abolished when the law says its greedy hand must be kept from public authority. He forgot, too, that there were other ways for people to become partisan besides affiliating with either of the major political parties or classifying themselves as progressive or conservative.

Let me say to the Senator from Nebraska that I am not moved by partisan motives in seeking to delve into this situation. Of the seven pending resolutions, only one was introduced by a Republican, and another was jointly sponsored by the Senator from Utah [Mr. KING], a Democrat, and myself. This is an issue that transcends party lines. It goes to the fundamentals of decency and justice and fair play in government. Unless this administration can meet that issue squarely and seek out wrongdoers of its own initiative, it will stand before the public besmirched with the same serious charges which now surround T. V. A.

I read in the public press of harmony moves, of proposals to buy out certain utilities, which have been widely construed as efforts to stifle serious complaints. Let me say in all seriousness that if this love child of the administration is indeed illegitimate no shotgun wedding at the last moment can give it either fair name or unblemished reputation. This is no family quarrel. Illegal actions cannot be adjusted at the wish of the parties involved. Any attempt to do so is referred to in the quaint American State from which I come by the ugly term of "compounding a felony."

Let us sponsor an open, honest, bipartisan senatorial investigation, that the truth may be known and the right may prevail.

A Federal Trade Commission investigation would once again cloak the failures of administration by passing the blame to an outside source, another Presidential-appointed agency.

This method smacks of the technique of the current Russian demonstration trial. In this case, as in Russia, the real motive is to find a goat to blame as the cause of the break-down of overballyhooed plans and programs.

There is little, if any, meat on the bones of the resolution introduced by the Senator from Nebraska except the phase that calls for another investigation of the utility business. The Federal Trade Commission already has a 10-foot shelf covering its last investigation of that industry. All it would need to do would be to dust off some of the old volumes and revamp the language here and there to give us all that would be needed to distract public attention from the administration of T. V. A.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BONE in the chair). Does the Senator from New Hampshire yield to the Senator from Washington?

Mr. BRIDGES. I do.

Mr. SCHWELLENBACH. I take it, from the last statement of the Senator, that it is his belief that the private utilities have not reformed at all since the last investigation by the Federal Trade Commission.

Mr. BRIDGES. I do not know whether they have or not. The Senator from Washington may be an expert on that subject, but I am not.

Mr. SCHWELLENBACH. The Senator from New Hampshire certainly has had much closer connection with private utility companies through the years than I have had; and I am asking him, as one who is a friend, to tell us whether or not there has been any reform by the private utilities since the last investigation by the Federal Trade Commission.

Mr. BRIDGES. I certainly am no friend of the private utilities. I merely desire to see the private utilities and everybody else in this country get a fair deal.

Mr. SCHWELLENBACH. I may say to the Senator from New Hampshire that I have not seen anybody on the floor of the Senate since I have been here who has demonstrated more friendliness for the private utilities than has the junior Senator from New Hampshire.

Mr. BRIDGES. I ask the Senator to explain what he refers to, other than my attacks upon T. V. A., which appears to be growing in ill repute.

Mr. SCHWELLENBACH. I will answer that by saying that anybody who will stand on the floor of the Senate and make attacks upon a Government agency without any more foundation in fact than the Senator from New Hampshire has demonstrated in any speech he has made so far certainly must be a friend of private utilities, because he has not stated any facts whatsoever. He reads the headlines in the newspapers and thinks that he thereby has an opportunity to get his own name in the newspapers.

Mr. BRIDGES. That is a pretty broad inference for the Senator from Washington to make. I will say that none of the facts I have submitted or the charges I have made have been refuted to date.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BRIDGES. Yes, sir.

Mr. BARKLEY. How does the Senator square his previous statement that he is fair-minded, and wants an impartial investigation of the T. V. A. under his resolution, with his more recent statement that the T. V. A. is a rotten institution?

Mr. BRIDGES. From the current charges it has that appearance at present.

Mr. BARKLEY. In other words, from the charges of the Senator's resolution?

Mr. BRIDGES. From the charges raised in a statement supplementing the resolution introduced by the Senator from Utah [Mr. KING] and myself, and others, it would appear that there are many evil-smelling things about the T. V. A., also from many other sources. The truth should prevail. And if the charges are not true, a congressional investigation will bring out the truth. If they are true, we need quick remedy.

Mr. BARKLEY. In view of the statement the Senator has just made, does he think he would be a fair and impartial member of any committee appointed by the Senate to investigate the T. V. A.?

Mr. BRIDGES. In answer to the Senator's question I will say that I think I would be as fair or fairer than some of the other Members of this body would be on the other side.

Mr. BARKLEY. Of course, I have no knowledge of who might be appointed to investigate; but if it should be assumed that the author of a resolution to investigate would be appointed on the investigating committee, which is sometimes customary, does the Senator think he would be an impartial juror in investigating an institution which he now describes as rotten?

Mr. BRIDGES. I said from present appearances it would seem to be rotten in some respects, and I stand by that statement. But I am willing that the truth shall prevail; if the charges are false, let us know about them.

Mr. McKELLAR and other Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator from New Hampshire yield; and, if so, to whom?

Mr. BRIDGES. I yield to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, the Senator speaks of the 23 charges that were made, and he bases his statement on the 23 charges. Yesterday there was published in the Knoxville News-Sentinel an article by Mr. John T. Moutoux, a newspaperman who has been in Tennessee during the entire time in which the T. V. A. has been established. He categorically takes up every one of the charges of the Senator from New Hampshire and the Senator from Utah, and shows to my mind conclusively, and I think his statement would convince every Senator here, that the charges on which the Senator bases the statement that this is a rotten concern are untrue.

Mr. BRIDGES. In answer to the Senator from Tennessee, that might prove to his mind that the charges were untrue and false, but not to the mind of the average man in the country.

Mr. McKELLAR. It would not to the Senator, I know, because there was a resolution pending before the Committee on Post Offices and Post Roads sometime ago when the only member of the committee who differed with the other members was the Senator from New Hampshire, and the Senator has stated publicly, I believe on the floor of the Senate, that he was not convinced that he was wrong in that case, so no one could convince the Senator from New Hampshire of anything.

Mr. BRIDGES. I thought then I was right, and time has justified my belief, and will further justify it.

Mr. McKELLAR. I have no doubt the Senator honestly believes that he was right, but his 16 or more conferees on the committee, Democrats and Republicans and Independents, did not agree with him.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. NORRIS. The Senator has just made a statement which, I think, illustrates what I had in view when I made the effort to have the Senate provide that the investigation should be made by the Federal Trade Commission. I do not claim to be perfect in my position; I admit there is ground for disagreement, and I admit that I may be wrong. But the Senator said, in answer to a question propounded, I believe, by the Senator from Kentucky, that he thought he was just as well qualified to serve on the committee as some other Senators who would be on the other side. I am not questioning the honesty of the Senator's statement, but that bears out my theory that we would get just that kind of a committee, a committee that would be biased to start with. If the Federal Trade Commission is not unbiased, I do not know it. It may be that it is what the Senator thinks, an institution which is corrupt, as well as the T. V. A., but I have no evidence of that. I did not suppose anyone would charge that.

In answer to the question as to whether he thought he was fitted to serve on this kind of a committee, the Senator stated, "I am just as fit as some fellows on the other side would be." I believe he is. I think that probably the Senator would be just as anxious that I should be kept off the committee.

Mr. BRIDGES. If I were appointed, I would welcome the Senator's service on the committee.

Mr. NORRIS. Exactly; but the Senator has an "if" in his statement. Then we would be two on the committee who would be inclined to quarrel.

Mr. BRIDGES. I certainly would not welcome the Senator's appointment if I were not on the committee or if the committee were not properly balanced.

Mr. NORRIS. Certainly.

Mr. BARKLEY. Does the Senator assume that he is a match for the Senator from Nebraska?

Mr. BRIDGES. I think I probably can hold my own.

Mr. NORRIS. I think so, too; I admit it.

Mr. BRIDGES. I admit that the Senator from Kentucky and the Senator from Tennessee and the Senator from Nebraska are old, experienced men here.

Mr. BARKLEY. I am experienced, but I am not old. [Laughter.]

Mr. BRIDGES. I accept the correction.

Mr. McKELLAR. I, too, am experienced, but I am not old.

Mr. NORRIS. The Senator may classify me as old, and I will not deny it, and he may class me as inexperienced, also, and I will not protest about that. In perfect honesty and fairness, I think the Senator is justified, although I do not concede that I am unfair, even though the Senator thinks I am. If I were put on that kind of a committee, I think the general public would think I was unfair, and they would have a right to think so, because I have been active in support of the T. V. A., although as a matter of fact I am just as anxious as any man on earth to expose any evil which may exist, if there is an evil. I think the same about the Senator. He hates the T. V. A. He denounces it from his place as a rotten institution. In perfect fairness I would say to the Senator I would just as lief Willkie should be on the committee as the Senator from New Hampshire.

Mr. BRIDGES. That is quite a broad statement. I do not know Mr. Willkie——

Mr. NORRIS. I know him, and from his standpoint I am not condemning him. I do not agree with his standpoint at all.

Mr. BRIDGES. I have no objection to the principle of T. V. A. as a yardstick. I have no objection to the program of T. V. A. as it started out to be, a great humane experiment, but, as I have shown, in spite of what the distinguished Senator from Washington has said, there has been no refutation of the facts I have disclosed, that it is far from a humane yardstick or social experiment today. If it is what Senators claim, there should be no fear of whatever might be disclosed. Let the truth prevail. I will be just as happy as anyone else if all these charges are found false.

Today it resolves itself into a question, not whether we are to have an investigation, but by whom the investigation is to be made. No one in this Chamber will dispute the fact that the American people are disgusted with a Congress which functions merely as a sort of appendage of the executive branch. The issue here is fundamental. Is the Senate a responsible body, able to undertake and transact its business, supervise and control its own agencies?

If it is not able to investigate the agencies we create, we had better appoint a general manager and go home.

The press of the country has been unanimous in opposing the Federal Trade Commission idea. The most ardent editorial supporters of T. V. A. have joined in a journalistic chorus demanding a congressional investigation.

Now I wish to refer for just a moment to the Senator from Nebraska, whom, as I have said, I have admired for a long period of years as a man, and have esteemed for his sincerity; but I wish to ask him why he has changed. Yesterday the Senator from Nebraska justified his advocacy of this type of investigation in the following language:

I desire to have the investigation performed by a body that is removed from all prejudice, a commission that is competent in

my judgment and has shown its competency; in other words, a commission that has the equipment and the machinery to investigate it at once and to give us a fair and unbiased report.

That was yesterday. The Senator from Nebraska, speaking on the subject of a Federal Trade Commission investigation of the utility industry just 10 years ago, on February 14, 1928, said:

Mr. President, it is quite evident, I think, that an investigation of utility corporations is going to take place, either by a committee of the Senate, as provided for in the resolution of the Senator from Montana, Mr. Walsh, or by the Federal Trade Commission, if the amendment of the Senator from Georgia [Mr. GEORGE] shall prevail. I think it can be demonstrated very readily that if the investigation shall be attempted by the Federal Trade Commission the result will be in the most important particulars practically negligible.

I know that the Senator has a long record of favoring congressional investigations, and some of the same Senators who have been talking around the Senate recently, favoring a Federal Trade Commission investigation, are the Senators who for years have been supporting congressional investigations into this and that; and most of the Senators know it.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. NORRIS. The Senator has really propounded a question to me. Does he want me to answer it now?

Mr. BRIDGES. Surely. I am very glad to have the Senator interrupt.

Mr. NORRIS. In the first place, I frankly admit that the Senator is justified in asking the question, and in citing the incident to which he referred. Whether I am justified or not may be a doubtful question; but let me say to the Senator that when that investigation into what I deemed the power trust was proposed by the late Senator Walsh of Montana, it followed rather closely—I do not know how closely but speaking from memory, it was not very long—a similar resolution I had offered, and which I had had referred to the Federal Trade Commission, who threw it out of the window. By a legal technicality, I thought, they nullified nine-tenths of the meat of the resolution. That was the situation at the time.

I understood that Senator Walsh, of Montana, would be chairman of the committee authorized under the resolution of investigation presented by him. I had known Senator Walsh for a great many years. I had known him as a very able and conscientious man, an able and shrewd lawyer, but absolutely honest clear through, and I thought he would make a better investigation than would the Federal Trade Commission, which just a short time before had thrown a similar resolution out of the window, as I have stated.

It developed later than I was entirely wrong about my opinion regarding the kind of an investigation the Federal Trade Commission would make. I think Senator Walsh felt as I felt, and reached the conclusion that he had been wrong about the matter. I think those who had opposed a Senate investigation, who wanted the resolution referred to the Federal Trade Commission, and who prevailed at that time, were sorry. They got a different investigation from what they had expected. I think the Federal Trade Commission made one of the most memorable, fair, and honest investigations of private power activities ever made in history, and it will stand many years as a landmark.

Mr. President, that is my excuse. It may not be good, but when I was considering this particular question, a matter in which there had been such heated animosity, where there was such bitter enmity, I thought it would not be possible to get a tribunal in the Senate which would not be prejudiced. I favored a Federal Trade Commission investigation for that reason, and for the sole and only reason that I thought it would be a fairer investigation. But I am willing to take the judgment of the Senate on it, for we have to have an investigation by a body which will not be prejudiced. I may be entirely mistaken about it. It may be that the Senators on the committee will have judicial temperament, and be fair and honest. I confess that I do not think I ought to be on the committee.

I do not think any bitter enemy of the T. V. A. in either House ought to be on the committee. If the resolution favored by the Senator should be adopted, and if precedents are followed, it will mean that both he and the Senator from Utah [Mr. KING] will be appointed members of the investigating committee; and I do not think they ought to be on such a committee, no matter how conscientious and honest they may think they are.

Mr. BRIDGES. Does the Senator from Nebraska have any confidence in any committee or commission that the Vice President may appoint?

Mr. NORRIS. Oh, yes. I do not want to condemn the members of such a proposed committee. What I have said has been said in general terms. Perhaps I have gone too far in what I have said with respect to the Senator from New Hampshire. I do not want to cast any slurs on anyone. However, all men are human. I know that I have the usual human weaknesses. However, I am not conscious that I am prejudiced or that I could not sit in judgment and render a fair and impartial verdict; but I know that under all laws of jurisprudence I would be disqualified in a court if I were called upon to sit as a juror in a case involving the matters under discussion, and in that respect I think the law is right. I think I ought to be disqualified in such a case.

Mr. BRIDGES. With reference to the position taken by the Senator from Nebraska, I agree with the position he took in 1928, and I disagree with the position he takes today.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. COPELAND. I had a part in the debate in 1928. I have been refreshing my memory with respect to that debate. I am sorry to say that my remarks took up too much space in the RECORD under date of February 15, of that year. I was arguing at that time for submission of the question for investigation to the Federal Trade Commission, and the Senator from Nebraska, as the Senator from New Hampshire said, was proposing submission to a committee of the Senate. I felt then that it would be wise to have the investigation made by the Federal Trade Commission because that Commission had a permanent record, and had ways of going about these matters which would perhaps in the long run give us a better and more satisfactory conclusion.

I do not know whether the Senator from Nebraska remembers it or not, but I told him afterward that we had made a mistake in sending the matter to the Federal Trade Commission, because of the delay which usually takes place, and which is inevitable in connection with investigations made by the Federal Trade Commission.

It is somewhat of a reversal of sentiment, perhaps, to say now that I think this matter of the T. V. A., if it is to be investigated with a view to a speedy report, can be investigated better by a committee of the Senate, constantly prodded as it would be by the Senate to bring in its report.

I would not want to see the T. V. A. or any other organization taken into an investigation which would require months and even years to complete. I have seen other investigations which have been made by the Federal Trade Commission which have extended over several years, when, as I viewed it, the matters involved should have been dealt with speedily. I have in mind particularly the investigation of the milk industry, which I was very anxious to have made. It took a long time to get the report on that investigation—indeed, I think that particular investigation is not completed yet.

Mr. President, I am convinced from the experience of these 10 years that if we desire to have an early report on the T. V. A. problem, it will not be received from the Federal Trade Commission.

I presume there will be delay, perhaps, on the part of the Senate committee, but we always have the advantage of being able to prod a committee. The other day I was

speaking about the fisheries industry, and the junior Senator from Michigan reminded me that there is a bill pending in the Commerce Committee which ought to have been reported out favorably a long time ago. It was reported out today, and I may say to the Senator from Michigan that his prodding hurried along the action of the committee. I think the same would be true with reference to the investigation of the T. V. A. If a senatorial committee were appointed to make an investigation of this matter we probably would get an early report on it.

I have not read the resolution of the Senator from Utah and the Senator from New Hampshire. I take it from what the Senator from New Hampshire has said that it provides for a committee to be appointed by the Vice President. Surely we can trust a committee appointed by the Vice President, and I am morally confident that we will have a much more speedy report from that committee than we could possibly have if we sent this matter to the Federal Trade Commission for investigation.

Mr. BRIDGES. I thank the distinguished Senator from New York. I think the whole thing comes down to this. First, grave charges have been made. The whole Tennessee Valley Authority is seething with discord and unrest as the result of statements and charges which have been made. We would be derelict in our duties unless we had an investigation of the T. V. A. Who, then, is going to make the investigation? This body, time after time, has adopted the program and the procedure of having a senatorial committee make investigations. Why change that procedure in respect to this particular matter? If there is anything wrong, let the truth prevail. If things are right in the T. V. A., let us find out the truth and give it a clean bill of health. All I want is the truth. I stand just where the Senator from Nebraska stood 10 years ago, that is, I am for a complete congressional investigation of T. V. A. I am making no exceptions. I think that is the procedure that should be followed.

The Senator from Nebraska has demonstrated in the past a marked consistency in his actions and positions. What has changed his views in the decade from February 14, 1928, to March 8, 1938?

At that time he was fearful that the Federal Trade Commission would whitewash the utility corporations; that its investigations would be limited and futile; that its authority could be challenged in the courts. These are but a few of my own objections to his resolution today. But since that time, since the lawless discharge of Commissioner Humphrey, the Trade Commission has become all too literally an agency of the administration. I agree with the Senator from Nebraska in 1928. He was right then but wrong in the present instance.

At that time he wanted to utilize all the authority, all the powers of subpena vested in the Congress of the United States for a thoroughgoing bipartisan investigation. Today I take exactly the position he took 10 years ago. Then he was after a congressional investigation of the private power trust. Now I am seeking an investigation of the public power trust.

Yesterday, during the discussion by the Senator from Nebraska, the point was raised that the Acting Comptroller General apparently had chosen a time while the Gilbertsville Dam appropriation was under consideration to release a report to the effect that from the T. V. A.'s inception in 1933 to the close of the fiscal year of 1936 the T. V. A. had made unauthorized expenditures in excess of $5,000,000, of which, to date, but $128,000 had been recovered. As far as I can discover no such statement was authorized to the press and no such report has yet been made. I can answer the Senator, however, in important particulars. The amount of the discrepancies in the T. V. A. accounts in the fiscal years of 1936 and 1937 amounted to $15,542,459.70, involving a total of 7,964 transactions. After proper explanation or recovery a total of 3,077 exceptions, amounting to $4,814.950, were released. This leaves unexplained and not recovered to the Treasury a total of 4,887 transactions amounting to $10,727,509.70.

My authority for this statement is contained in the Annual Report of the Acting Comptroller General. It was released, under the law, as usual, on January 1, 1938. There was nothing obscure about it at the time. In the rush of annual reports appearing at that season it received scant attention. Last night the Tennessee Valley Authority released a peevish criticism of the Comptroller General for violating the law.

In view of the clear duty of the Comptroller General as defined in the law he, himself, would have been subject to severe criticism had he not, in his annual report, reported to Congress the state of affairs in the T. V. A. That report to Congress was not critical of T. V. A. except insofar as the facts themselves were damning.

The charge has been made on the floor of both Houses that the T. V. A. has taken unfair advantage of the provision in the amended act which permits the Authority "reasonable opportunity" to examine and reply to the exceptions of the Comptroller General as a device for the suppression of all audits. The T. V. A. amendment which gave the Authority this privilege of "reasonable opportunity" was enacted August 31, 1935.

Hiding behind the cloak of "reasonable opportunity" the Tennessee Valley Authority has been able to suppress the audits of the Comptroller General. With the exception of the first year of its existence, to this day Congress has no knowledge of the nature of the discrepancies and illegal expenditures of the T. V. A. which now stand on the books at $10,700,000 for a period of 2 years alone. The motives of the Tennessee Valley Authority in suppressing, year after year, the Comptroller General's audit are easily found in the light of the unfavorable publicity growing out of the release of the first audit which T. V. A. said was cruelly unfair and unkind—especially the part about the pedigreed dairy herd bought at great expense merely to supply to laborers milk which could have been purchased and delivered in the bottle more cheaply from Knoxville.

Mr. HILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from New Hampshire yield to the Senator from Alabama?

Mr. BRIDGES. Yes.

Mr. HILL. Will the Senator advise us whether or not the alleged discrepancies to which he has referred were submitted to the T. V. A.?

Mr. BRIDGES. The Senator from Alabama will find the information he seeks on pages 67 and 68 of the Annual Report of the Acting Comptroller General of the United States for the fiscal year 1937. The statement is a rather lengthy one, but if the Senator will refer to that report he will find the whole story.

Mr. HILL. The Senator does not quite answer my question. I want to know whether or not the Senator knows if these alleged discrepancies were submitted to the T. V. A., as the law requires them to be.

Mr. BRIDGES. Perhaps the best explanation would be to read the pertinent section of the report.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. McKELLAR. Does not the Senator know that he is making charges that the report of the Comptroller General shows that there have been $10,000,000 of improper charges? The Senator certainly knows what the law is.

Mr. BRIDGES. I do.

Mr. McKELLAR. The law provides that it is the duty of the Comptroller General, before giving out a report, to send the questioned items to the T. V. A. to see what is the explanation of them. What the Senator from Alabama asked is, Does the Senator know whether the Comptroller General has ever made such a reference to the T. V. A.? Has he done so or not?

Mr. BRIDGES. I know what the report states.

Mr. McKELLAR. I am afraid the Senator does not know the facts.

Mr. BRIDGES. I suppose the Senator from Tennessee thinks he knows all the facts.

Mr. McKELLAR. I know that the Comptroller General is required by law to submit to the T. V. A. the items called into question before he makes any report about them. If the Senator has some report, it is a report made in violation of law, and everybody who knows the law knows that that is true. The Senator ought not to make such statements on the floor of the Senate unless he knows whether or not the law has been complied with.

Mr. BRIDGES. I suppose the Senator from Tennessee helped get this pet measure through to get the T. V. A. a few special privileges.

Mr. McKELLAR. Oh, no; the Senator from Tennessee has not done anything of the kind. Whatever the Senator from Tennessee has done has been done on the floor of the Senate, and he apologizes to no one for what he has done about it. There has been no secrecy about it, and there is no "pet" about it.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. HILL. I asked the Senator whether or not the discrepancies had been submitted to the T. V. A., not only because, as the Senator from Tennessee has said, the law requires that any alleged discrepancies be submitted to the T. V. A. for review, but because the law goes further, and requires that the Comptroller General, in making any report on the T. V. A. with regard to any alleged discrepancies to the Congress, or to the President, or to anyone else, shall include with this report, as a part thereof, any statement of the T. V. A. on the alleged discrepancies. So what I want to know is whether or not the alleged discrepancies were submitted to the T. V. A.; and, if so, whether or not the Comptroller General's report on the alleged discrepancies conforms to the law, and contains a statement from the T. V. A. on the alleged discrepancies. Can the Senator advise the Senate as to that?

Mr. BRIDGES. Not being the Comptroller General or the T. V. A., I can only go by the Comptroller General's report. I will read that to the Senator as my answer.

Mr. HILL. Mr. President, the Senator has referred to a release by the T. V. A. Does the Senator know that in that release the T. V. A. makes this statement:

> No reports by the Comptroller General's office for the fiscal years since 1934 have been received by T. V. A. for review, as provided in the law.

Is the Senator aware of that statement?

Mr. BRIDGES. Yes; I have seen that statement.

Mr. HILL. Is the Senator in a position to contradict that statement?

Mr. BRIDGES. No; I am not. I am going by the Comptroller General's report. Thank God, we have a Comptroller General today. God knows what the T. V. A. would get by with if we had no Comptroller General.

Mr. HILL. Is the Senator familiar with the fact that in 1933, when legislation was pending in the Congress to amend the basic Tennessee Valley Authority Act passed in 1933, the newspapers were filled with all kinds of accounts about a report from the Comptroller General to the effect that the T. V. A. had discrepancies in an amount exceeding $2,000,000? And does the Senator know that when those alleged discrepancies were examined by the T. V. A. and taken up by the T. V. A. with the Comptroller General, all but 4½ percent of them were wiped out by the Comptroller General, who admitted that some 95½ percent of the alleged discrepancies were not discrepancies at all?

Those alleged discrepancies were carried in the press of the country when the legislation carrying certain amendments was pending in Congress, just as today we find in the press reports about alleged discrepancies while the fight goes on in the Congress over the construction of the Gilbertsville Dam by the T. V. A. Is it not strange that we never hear about alleged discrepancies except when legislation is pending in Congress for the T. V. A., to which legislation the enemies of the T. V. A. are opposed?

Mr. BRIDGES. The distinguished Senator from Alabama apparently is well aware of the report to which I have referred, but I shall be glad to read it into the RECORD if that will be helpful. My authority is that report; and I want to say that if it comes down to an issue between taking facts and figures submitted by the T. V. A. and those submitted by the Comptroller General, I will take the statement of the Comptroller General every time. Thank God for such an official in this Nation.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. BARKLEY. I should like to have the Senator answer from the report, which he seems to have before him, whether the T. V. A. ever had submitted to it any of these controverted items, and whether the T. V. A. was permitted to report upon them or to explain them, or whether there is anything in the report of the Comptroller General which shows that that happened.

Mr. BRIDGES. I shall be glad to read from the report.

Mr. BARKLEY. The Senator has the report before him. I am sure he has read it.

Mr. BRIDGES. I read from page 68 of the report:

> Pursuant thereto the audit of the books, records, and transactions of the Corporation was continued at the offices thereof in Knoxville, Tenn., to the close of the fiscal year 1935. The expenses of such audit were regularly paid from appropriations available to the General Accounting Office and reimbursed by the Corporation on the basis of bills rendered by the Comptroller General.
>
> Section 14 (b) of the act of August 31, 1935 (49 Stat. 1080), amending section 9 (b) of the original act contains the same provision as to audit by the General Accounting Office with the exception that only such part of the expenses of such audit as may be allocated to the cost of generating, transmitting, and distributing electricity is required to be reimbursed by the Corporation. On the basis of such revision it has been found to be difficult with any degree of accuracy to segregate the cost of the audit as between the generating, transmitting, etc., of electrical current from the cost thereof pertaining to other functions of the audit. Furthermore, in view of the cost of maintaining a large field party at the offices of the Corporation in Knoxville and other branch offices in Tennessee, and the limited appropriation available to the General Accounting Office, it was determined more economical to require the treasurer of the Corporation to render monthly an account current to this Office and to transmit therewith all vouchers, schedules, and documents necessary for a current audit in Washington of the financial transactions of the Corporation. Such procedure did not contemplate that the field audit required by the act, supra, would be discontinued, but only that part thereof pertaining to financial transactions regularly stated on standard forms and included in the accounts of the accountable officer leaving for audit in the field the books and records ordinarily reviewed in the audit of a similar commercial enterprise.
>
> While the officials of the Authority contended that the act required the General Accounting Office to make a complete audit at the offices of the Authority, leaving all vouchers, schedules, etc., on file there, they consented to the submission of accounts as required beginning with July 1935. Such submission of accounts current with supporting vouchers and schedules permits this Office to make a current audit of transactions and to keep the Authority advised of any exceptions, thereby eliminating, to a great extent, the delay which would be necessary under the former procedure of completing a detail audit in the field. During the fiscal years 1936 and 1937 exceptions were made and the Authority regularly notified on a total of 7,964 transactions involving $15,542,459.70. Of such number and amount there was released, after proper explanation or recovery, a total of 3,077 exceptions amounting to $4,814,950, leaving 4,887 still pending in the amount of $10,727,509.70. Full details of such exceptions and the reasons therefor will be included in the special report on such audit as required by section 14 (b) of the act.

I think that very conclusively answers the questions which have been submitted.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. BARKLEY. Does the Senator regard that running comment by the Comptroller General as a compliance with the law that requires him to submit his findings to the T. V. A. and to include in his report the explanations they may have of any disputed items?

Mr. BRIDGES. As I have said very frankly, what I am reading from the report of the Comptroller General is my sole authority. In the report from which I have read, a very definite statement is made, which answers the question asked me, that these matters had been submitted.

Mr. BARKLEY. If the Senator will permit me, the next sentence of the report reads:

> Full details of such exceptions and the reasons therefor will be included in the special report on such audit as required by section 14 (b) of the act.

Does the Senator know whether that special report has ever been made?

Mr. BRIDGES. I do not know; I have never seen a copy of it, but I have taken the authority of the Comptroller General as to the regular procedure provided by law having been complied with. I have never seen the special report.

Mr. BARKLEY. What has been done does not comply with the law, for the law requires that the items in dispute shall be sent to the T. V. A. and that the T. V. A. shall be allowed to make their comment, and their explanation shall be included in the report. That has not been done. It is said it may be done when the special report is made. I am wondering whether that report has been made and if it complies with the law.

Mr. HILL. Mr. President, will the Senator from New Hampshire yield to me?

Mr. BRIDGES. I yield.

Mr. HILL. In connection with the question asked by the distinguished Senator from Kentucky, I have here the Washington Post of this morning, March 9, in which there appears an article on the front page by Mr. Sidney Olson, in which he states:

> Final details of the exact amount irregularly expended remain to be ascertained in the special report now being compiled by the General Accounting Office.

Showing very clearly, as the Senator from Kentucky has indicated, that there has been no final disposition of this matter. Certainly the law has not been complied with.

In order that the record may be absolutely clear on this question, if the Senator will yield for a just a moment further, I should like to read into the RECORD the germane proviso which is in section 14 of Public, No. 412, Seventy-fourth Congress, which I read:

> The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year, with personnel of his selection.

Then it goes on to provide that he shall have free access to all books, papers, and so forth.

> *Provided*, That such report—

Such report of the Comptroller General—

> shall not be made until the Corporation shall have had reasonable opportunity to examine the exceptions and the criticisms of the Comptroller General or the General Accounting Office, to point out errors therein, explain or answer the same, and to file a statement which shall be submitted by the Comptroller General with his report.

Mr. BRIDGES. I have tried to be fair about this question and to answer the questions asked by my colleagues. I should like now to ask them to answer one. I will ask them whether or not they favor a real, honest investigation?

Mr. BARKLEY. If the Senator is referring to me, I favor a real, honest-to-God investigation, but I want to be sure it is an honest-to-God one.

Mr. BRIDGES. Does the Senator have confidence in the Vice President of the United States in appointing an investigating committee?

Mr. BARKLEY. Absolutely. I have confidence in anything the Vice President does.

Mr. BRIDGES. Would the Senator favor a senatorial investigation?

Mr. BARKLEY. Would the Senator insist that the precedent which is usually followed in the appointment of committees be followed in this instance, by including the two authors of the resolution, both of whom are enemies of the T. V. A.?

Mr. BRIDGES. I will leave that to the judgment of the Vice President. I have confidence in his judgment and integrity.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. HILL. In reply to the Senator's question, I wish to say that I am just as heartily in favor of an investigation as he is, and I want a full and fair investigation; but I think that the investigation which the Federal Trade Commission made of the utility companies shows that it is the best body to undertake this proposed investigation. The Federal Trade Commission have the lawyers, the accountants, the examiners, the experts; they are ready today to do the job, and they are absolutely fair, thorough, and impartial.

Mr. BRIDGES. Would the Senator favor, then, the Senate abandoning the policy of having senatorial investigations?

Mr. HILL. Not necessarily. Each tub must stand on its own bottom. It depends on the character of the investigation and the question before the Senate. In some cases it might be better to have an investigation conducted by a Senate committee, but in this particular case I insist that there is wisdom in the position of the Senator from Nebraska in asking that the investigation of the T. V. A. be made by the Federal Trade Commission.

I do not wish to take the Senator's time unduly but, if he will yield just a little further——

Mr. BRIDGES. I yield.

Mr. HILL. It is very interesting to note these two resolutions. When the resolution submitted by the distinguished Senator from New Hampshire and the distinguished Senator from Utah is read it is found to be confined solely, strictly, and entirely to an investigation of the T. V. A. On the other hand, when we read the resolution of the Senator from Nebraska——

Mr. BRIDGES. May I ask if T. V. A. is not the suggested object of investigation at this time?

Mr. HILL. Yes; it is one of the subjects of investigation.

Mr. BRIDGES. It is the only subject of investigation.

Mr. HILL. The T. V. A., of course, should be fully, thoroughly, and completely investigated, but when we read the resolution of the distinguished Senator from Nebraska we find that it not only calls for a full, complete, and thorough investigation of the T. V. A., but also investigation of the power companies, that, through the years, have done everything they could to thwart and defeat the purposes of the T. V. A. There should be an investigation both of the T. V. A. and of the activities of the power companies that have done so much to defeat and destroy the purposes the Congress had in mind when it established the T. V. A. That is the very significant difference between the two resolutions.

Mr. BRIDGES. Mr. President, I want a perfectly fair and unbiased investigation, and I believe that all elements should be covered, but certainly the investigation proposed by the Senator from Utah and myself and the supplementary statement inserted in the RECORD outlines 23 different charges which are not all included in the resolution of the Senator from Nebraska. That is not a point at issue, however, for the Senator from Nebraska says he is ready to include them in his resolution.

Mr. NORRIS. Mr. President, the Senator's 23 points are not in his resolution. That is just a newspaper statement.

Mr. BRIDGES. That is correct; but they are in the RECORD and follow the resolution.

Mr. NORRIS. None of them are included in the Senator's resolution.

Mr. BRIDGES. The resolution submitted by the Senator from Utah and myself is general in character; it covers everything, and the statement referred to was a supplemental statement.

Mr. HILL. Mr. President, if the Senator from New Hampshire will yield further, he speaks about the 23 charges. The Senator's entire resolution contains only 24 lines and there are not 23 charges in it.

Mr. BRIDGES. The reference to 23 charges was a supplemental statement covering the various points which the general resolution was intended to cover.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. BARKLEY. The Senator asked me a moment ago, and I replied frankly, whether I had confidence in the Vice President. Will the Senator tell me whether he has confidence in the Federal Trade Commission?

Mr. BRIDGES. My confidence in the Federal Trade Commission has been somewhat shaken since the President of the United States, Mr. Roosevelt, caused the Humphreys' episode——

Mr. BARKLEY. I have no doubt of that.

Mr. BRIDGES. And the President tried to force him out of office.

Mr. BARKLEY. Mr. Humphreys happened to be a Republican, and not in sympathy with the views of the administration, and, therefore, no doubt, the Senator's judgment on that subject may be unconsciously and unintentionally clouded.

Mr. BRIDGES. According to the Senator's theory, then, not being in sympathy with the administration, Mr. Humphreys should have been liquidated, just as men are liquidated in Russia, the same as the administration is trying to liquidate Dr. Morgan, the Chairman of the T. V. A.

Mr. BARKLEY. I am not passing on the liquidation of Dr. Morgan; I do not know to what extent he is being liquidated or may be liquidated, but the question is whether the Senator from New Hampshire has as much confidence in the Federal Trade Commission, regardless of the fact that the President asked Mr. Humphreys to resign, and then removed him or attempted to do so, as I have expressed in the Vice President of the United States?

Mr. BRIDGES. That is a fair question, and I will answer it. I would not have the same confidence in a commission appointed by the President as an arm or agency of the executive branch of the Government to do an impartial job, as I would have in a bipartisan Senate committee appointed by the Vice President of the United States.

Mr. BARKLEY. Including the Senator from Nebraska and the Senator from Utah?

Mr. BRIDGES. Undoubtedly.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. McKELLAR. The Senator read from the report a while ago showing $10,000,000 of accounts which, as he stated, were improperly made by the T. V. A. I quote further down from the same report of the Comptroller General:

> As stated, supra, it was not contemplated that the current audit of the accounts, including vouchers and schedules submitted to Washington, would render unnecessary a further audit of the books and records of the Authority. * * *

The report shows, on its face, that the General Accounting Office had made a preliminary investigation, but had not submitted it to the T. V. A., as required, and that further audit of the accounts would be necessary. Does the Senator think it is fair to submit these charges of wrongdoing or corruption on the part of the T. V. A. under such circumstances? Is that his idea of propriety?

Mr. BRIDGES. I certainly think it is fair to quote to the Senator from Tennessee from the annual report of the Acting Comptroller General of the United States. It is a Government document, and I most certainly think it is proper to quote from such a report.

Mr. McKELLAR. Does the Senator think it is fair to his colleagues to bring a report here and quote from a part of it as if it were a final report, making no intimation that it is a partial or preliminary report which states on its face that a further audit of the accounts will be made? Does the Senator think that is fair to his colleagues? If he does, I differ with him.

Mr. BRIDGES. I am perfectly willing to have my statement rest on the basis of that report made by the Acting Comptroller General. I was reading the report when I was interrupted.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. MINTON. Is the Senator from New Hampshire willing to stand on the statement that the Federal Trade Commission is an arm of the Executive, when the Supreme Court in the Humphrey case has decided that it is not, but that it is an arm of Congress?

Mr. BRIDGES. It is one of our agencies with which certainly the Executive has more to do, through Presidential appointments and budgetary control than the Senate has.

Mr. MINTON. So the Senator from New Hampshire overrules the Supreme Court?

Mr. BRIDGES. Oh, no; but the Senator from Indiana does not deny, does he, that the President of the United States makes the appointments to the Federal Trade Commission, and that he kicked Mr. Humphrey off the Commission?

Mr. MINTON. And the Supreme Court held that he could not do so, because Mr. Humphrey was an agent of the Congress of the United States, and the Federal Trade Commission is an agency of the Congress of the United States.

Mr. BRIDGES. Does the Senator from Indiana think the President was right or wrong?

Mr. MINTON. The record has already been made that he was wrong. The Supreme Court said he was wrong.

Mr. BARKLEY. Legally wrong, but morally right.

Mr. BRIDGES. I am glad the Senator from Indiana admits, at least once, that the President of the United States was wrong.

Mr. BARKLEY. Mr. President, the mere fact that the President makes the appointments to the Federal Trade Commission does not necessarily make it an arm of the executive branch.

Mr. BRIDGES. No; that is true.

Mr. BARKLEY. Under the Constitution, all appointments are required to be made by the President. The Interstate Commerce Commission is an agent of Congress, because it does what Congress physically could not do; it regulates commerce. The Federal Trade Commission does the same thing. The mere fact that the appointments to those commissions are made by the President does not change their character in the slightest degree, because appointments to them have to be made by the President just as appointments to the Supreme Court must be made by the President and confirmed by the Senate; but of course the Supreme Court is not a part of the executive branch of the Government.

Mr. NORRIS. Mr. President, I should like to call the attention of the Senator from New Hampshire—I think he will readily admit it—to the fact that the President of the United States has not appointed anybody on the Federal Trade Commission with reference to this investigation. That is true; is it not?

Mr. BRIDGES. Does the Senator mean for the purpose of making this investigation?

Mr. NORRIS. Yes.

Mr. BRIDGES. Naturally that is so, because this proposal originated here very recently.

Mr. NORRIS. Of course.

Mr. BRIDGES. But, knowing how the President performed in the Court-packing fight, I have no doubt that if he had had this investigation in mind, he might have made appointments with it in mind.

Mr. NORRIS. I think the Senator is going a good way when he makes that statement. I simply desired to call attention to the fact, to which I thought the Senator would agree, that the Federal Trade Commission, as now made up and constituted, was made up without reference to or consideration of this particular investigation.

By our own act we authorized the Federal Trade Commission to investigate such things as Congress should refer to it or the President should ask it to investigate. Originally, the law provided that either the Senate or the House, each acting independently of the other, could bring about such an investigation. So it seems to me the Senator from New Hampshire ought to be willing to admit that so far as the Federal Trade Commission being an instrumentality of the Executive is concerned, as the Senator from Indiana

[Mr. MINTON] so well pointed out, it is not such an instrumentality, but is, in fact, our own instrumentality which we have created.

Mr. BRIDGES. But the men who serve as members of the Commission are appointed by the President of the United States.

Mr. NORRIS. Exactly; and if the Senator from New Hampshire would not have them do anything for that reason, for the same reason he would discard the Supreme Court of the United States and every Federal court in existence, and the Senator would discard the Interstate Commerce Commission, because the President makes those appointments.

Mr. BRIDGES. No, Mr. President. Probably I have more confidence in the Court than the Senator from Nebraska has. I opposed the President's Court-packing plan.

Mr. NORRIS. I have more confidence in the courts right now, I think, than the Senator from New Hampshire has. He is making an argument which, if carried to its logical conclusion, would destroy every Federal court in existence.

Mr. BRIDGES. No; nobody is a better supporter of the courts than I am; and I am glad the Senator from Nebraska is coming around to my way of thinking, because, whether the courts decide my way or against me, I am for the independence of our courts. I cannot dictate who shall be appointed judges of our courts. For instance, I never would have appointed Hugo L. Black to the Supreme Court. On the other hand, I am glad the President appointed Stanley Reed, because I think he was an excellent appointee. So, all in all, probably the President's appointments average up.

Mr. NORRIS. I cannot dictate the appointments, either; but if I had had the authority to do so, and Hugo Black had not been a Member of this body, I think I could not have made a better appointment. The only objection I had to his appointment was because it took him away from this body, which very greatly needed his services.

I do not want to get into a disagreement. I think the Senator may honestly hold a different opinion about that matter. I do not criticize him for it; but I do object to the Senator's criticizing the Federal Trade Commission for the reasons he has given. It seems to me his criticisms are groundless; but if they are sound, then very nearly our whole Government would have to go down.

Mr. BRIDGES. Apparently there is a wide gulf between us on the matter of judicial appointments, because I certainly would not have appointed Hugo L. Black if I had had the power to make appointments to the Supreme Court.

Mr. BARKLEY. The Senator would not have appointed any Democrat if he had had the appointing power, would he?

Mr. BRIDGES. Certainly I would. I know a great many very fine Democrats; real Democrats.

Mr. McKELLAR. That is very reassuring.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. McKELLAR. Will the Senator yield to me?

Mr. BRIDGES. I yield to the Senator from Tennessee.

Mr. McKELLAR. The Senator asked several Senators on this side what we thought about the Vice President appointing the members of a committee to make this investigation.

Mr. BRIDGES. I should like to know whether the Senator from Tennessee has confidence in the Vice President of the United States.

Mr. McKELLAR. Perfect confidence. I think he is pure gold and a splendid man, if ever there was one. Does that satisfy the Senator? I do not think there is a finer man in this country than John N. Garner. I have known him for 30 years, and I take pleasure in testifying to my esteem for him.

Mr. BRIDGES. Then, will the Senator from Tennessee support a senatorial investigation, the members of the committee to be appointed by the Vice President?

Mr. McKELLAR. I will support any kind of investigation which is thought necessary by this body. I think there ought to be an investigation of these indefensible, unfounded charges, which have no backing whatsoever, these diabolical charges which the Senator has put into the RECORD—slipped into the RECORD, if you please—known as the 23 charges. I would be in favor now, if I were not before, of the most exacting investigation, just for the purpose of again showing the American people that the Senator from New Hampshire cannot be correct on any proposition he puts forth.

Mr. BRIDGES. Let me say to the Senator from Tennessee that if an examination were made it would be found that my batting average on being correct would rate just as high as his.

Mr. McKELLAR. I am not talking about mine. I am willing to agree that mine may be poor; but I say that the Senator from New Hampshire has not any batting average to put forward in the Senate up to date.

I desire to ask the Senator about the men who now compose the Federal Trade Commission. They are the following:

Garland S. Ferguson, Jr., who, as I remember, was appointed by Mr. Hoover.

Charles H. March, who, as I remember, was appointed by Mr. Hoover.

Ewin L. Davis, who was appointed by Mr. Roosevelt.

W. A. Ayres, who was appointed by Mr. Roosevelt, as I remember.

Robert E. Freer; I do not remember who appointed him.

Does the Senator from New Hampshire mean to say that he believes that any of these men are dishonest, and would make a dishonest report? If so, will he name those to whom he refers? The Senator asked questions about appointments, and who should be appointed. Will the Senator state whether he would be willing to submit the matter to these men?

Mr. BRIDGES. Is the Senator from Tennessee afraid of himself, and of the Senator from Kentucky [Mr. BARKLEY], and the Senator from Washington [Mr. SCHWELLENBACH], and of the other Senators who sit all about him? Has he not confidence in his own colleagues?

Mr. McKELLAR. Of course I have.

Mr. BRIDGES. Then why not support a senatorial investigation?

Mr. McKELLAR. I should not be surprised if I have voted with the Senator for one, though if I have ever voted with him since he has been here I do not remember it, because the Senator is always on the wrong side. I have never yet known him to be on the right side, so far as I can remember. The Senator has a peculiar, a distorted view of public affairs, thinking that he alone has all knowledge. I think some newspaper must have published a statement that the Senator from New Hampshire was a new Coolidge, and was a candidate for the Presidency, and it has gone to the Senator's head. He does not believe in anybody but himself since that publication was made. [Laughter.]

Mr. BRIDGES. Nothing has gone to my head. I know of no such publication, but if anybody compares some of my virtues to some of the virtues of Mr. Coolidge and finds they compare favorably I shall not object.

Mr. McKELLAR. I think the Senator is correct for once when he says that nothing has gone to his head. [Laughter.]

Mr. BRIDGES. Let me answer the Senator by saying that probably as much has gone to my head in a shorter span of life as has gone to the head of the Senator from Tennessee in his span of life. [Laughter.]

Mr. McKELLAR. I accept that statement.

Mr. BRIDGES. I do not desire to get into any argument with the Senator, but as long as he raises the issue I will discuss it with him. I am sorry these personalities have been indulged in, but I did not start it.

Mr. McKELLAR. Oh, yes; the Senator did start it. One of the first things he asked was whether we had confidence in John N. Garner on this side of the Senate, and I say to him we have.

Mr. BRIDGES. I am glad you have.

Mr. McKELLAR. But the Senator would not say the same thing for these two distinguished Republicans on the Federal Trade Commission. Does he have confidence in them?

Mr. BRIDGES. I do not happen to know them. But I do know John Garner.

Mr. President, I now desire to tell just briefly some of the reasons why the Comptroller General may be in a bad situation. There is the story about a jackass down in the Tennessee Valley.

Mr. BARKLEY. This is not an autobiography, I hope. [Laughter.]

Mr. BRIDGES. I am not a resident of the Tennessee Valley, and I suggest the Senator ask some of the gentlemen who come from that region. I do not hail from that part of the country.

Mr. McKELLAR. But the Senator said he was down there a short time ago. He may have stayed long enough.

Mr. BRIDGES. Let me tell this little story. T. V. A. needed a jackass—something to model after, perhaps—so they appointed a committee of T. V. A. agricultural experts to look for a jackass. They wanted a perfect jackass. They journeyed over the various neighboring States, and, according to a statement appearing in the proceedings of the House of Representatives in the CONGRESSIONAL RECORD, they spent a total of $2,080 on traveling expenses scouring the bluegrass of Kentucky, Missouri, and Tennessee. They finally found the ideal jackass right in the next county at Columbia, Tenn. Then they paid one of the highest prices for jackasses that I ever heard of—$2,500. I am not an expert on jackasses, as are some other men, but the price for this one appears pretty high.

Came the spring, the season of daffodils and young love. Romance blossomed on the broad meadows of the Tennessee Valley. But T. V. A.'s $4,500 jackass just was not interested and did not perform his normal function. There were conferences and consultations. The experts foregathered, shook their heads, and decided to sell the jackass. They got $300 for him from one J. B. Waters in Sevier County, Tenn., a net loss to T. V. A. of $4,280.

I do not claim to be an expert on jackasses, as some are, but that was something which might very well puzzle the Comptroller General in dealing with the T. V. A.

Mr. BARKLEY. The aforesaid jackass may have been deficient in some of his functions, but his echo is still with us. [Laughter.]

Mr. BRIDGES. I am very glad that the jackass lives on, and that I am able to tell the Senator from Kentucky this story, because it is one more sample of some of the administration's policies in connection with the T. V. A.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield.

Mr. MINTON. The Senator would not think it necessary to investigate that matter now, would he? It seems to be perfectly evident that the Tennessee Valley Authority is in the same position Benjamin Franklin was in when he bought a whistle and decided he had paid too much for the whistle. I think they paid too much for the jackass, and that is perfectly apparent from what the Senator has said. There is no necessity of investigating that, is there?

Mr. BRIDGES. No. I merely use that as an example of the things which might bother the Comptroller General from time to time in connection with these matters. I am glad the Senator from Indiana has twice today agreed with me; first, in the belief that the President may have been wrong, at least once, and, second, that they paid too high a price for that jackass. [Laughter.]

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. SCHWELLENBACH. The Senator will agree, I presume, what we all will admit, that they paid too high a price for the jackass if they went around into several States looking for one, because all they needed to do was to go to New Hampshire, and there they could have found plenty of jackasses. [Laughter.]

Mr. BRIDGES. They did not come to New Hampshire, because we do not have any jackasses in New Hampshire; but the Senator may know where they do flourish. [Laughter.]

Mr. SCHWELLENBACH. What the Senator means is that that particular jackass did not come from New Hampshire.

Mr. BRIDGES. If the question arises further, all they will have to do will be to take the jackass off the emblem of the Democratic Party; and that is typical of some people in that party. [Laughter.]

Now I wish to talk for a moment about the Gilbertsville Dam. The question has been raised as to that dam, whether it was proper to construct it, whether or not the appropriations were in order.

We were led to believe, if we accepted the theory of the proponents of Gilbertsville, that the stirring up of the current T. V. A. stench was merely a subtle move to block the launching of the construction of T. V. A.'s largest dam.

This theory defeats itself by its own absurdity. It implies that Chairman Morgan, aided and abetted by the President of the United States, David E. Lilienthal, Harcourt A. Morgan, J. D. Ross, and others who have entered into this controversy, have kept it alive solely for the purpose of destroying the Gilbertsville project.

But, since the matter of the Gilbertsville Dam has been raised, let us continue the subject. I was ill on the 2 days the appropriation was considered in this body and at that time I had intended to say a few words on that subject. I will not burden the Senate with that speech now, but there are certain salient features about this proposed dam which have not yet been discussed in either House in any detail.

GILBERTSVILLE DAM

The reasons advanced in the Senate for the $2,700,000 appropriation to begin work on Gilbertsville Dam may be summarized as follows:

First. The dam will make a great contribution to the navigation of the Tennessee River.

Second. It is an essential unit in Tennessee River flood-control program, and justifies its construction for that purpose alone.

Third. The power to be generated as an alleged "incident" is necessary because af alleged shortage of power in that region and because its competition will reduce electric rates within transmission distance.

Fourth. This appropriation only carries out an authorization approved by Congress last year and, therefore, Congress is duty bound to carry out the project.

Fifth. T. V. A.'s construction program would be disrupted and its personnel problem involving constant employment of trained crews would be jeopardized if this work is not launched at once.

Sixth. Nobody opposes the dam except the so-called Power Trust, and for that reason alone its construction is justified.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. NORRIS. The Senator has referred to navigation dams. Would not the Senator be willing to admit two things, first, that those low navigation dams would make navigation on the Tennessee River much slower, much more tedious; and, second, that they would have no flood-control value whatever?

Mr. BRIDGES. I am merely taking up the question of navigation point by point. I admit I am not an expert on navigation, but I understand the Army engineers say the dams referred to would provide satisfactory navigation. I will cover the second point in a moment in my remarks. As I have stated, as to the first point, I am not an engineer having expert knowledge of navigation in the Tennessee River, but I have been informed that the construction of those dams would provide satisfactory navigation facilities.

Mr. NORRIS. I understand that low dams could be built which would provide for navigation. There would probably be no dispute of that statement. But the navigation facilities would not be nearly as satisfactory as those provided by a few high dams, which would create large bodies of water, and lakes. The low dams would have absolutely no flood-control value whatever, and their construction would make it impossible ever afterward to develop flood control unless they were destroyed entirely, which would mean a complete

waste of every cent of money we had put into them, if we ever did desire to control the floods in the country.

Mr. BRIDGES. Mr. President, I shall now continue my statement.

FLOOD CONTROL

Gilbertsville Dam advocates say we could discard the value of the dam for navigation and power and consider the money well spent for its value as a flood-control project alone.

They further assert that the flood at Paducah a year ago would have been much worse but for the value of Norris Dam to control the flow of the Tennessee River, and that had Gilbertsville Dam been built the flood would have been reduced even further.

CONTROL VALUES OF NORRIS AND GILBERTSVILLE NOT COMPARABLE

The role of Norris Dam in ameliorating the flood conditions of the Ohio appears to have been somewhat overrated. We are told that the flood came within 6 inches of the top of the levee wall and that Norris Dam reduced the crest by 1 foot. A photograph in the New York Times of February 4, 1937, page 10L, shows the Cairo flood wall at the high-water mark with 3 feet 6 inches to spare.

But, to the extent that Norris Dam did help, it tends to prove the contention of flood-control advocates that the way to control floods is to build dams on the tributaries of the main stream rather than at the mouth of the river. Norris Dam is built at the mouth of the Tennessee River's largest and most troublesome tributary, the Clinch River. If it is used entirely for flood control without regard to necessity for power development it, of course, can be a very effective help in controlling the floods of the Tennessee River.

The plan of Army engineers for flood control of the Tennessee calls for a series of reservoir dams to act as catch basins for the high waters of the tributary rivers. Such a plan for the entire stream, according to the testimony of competent engineers, could be achieved by the expenditure of hundreds of millions less than T. V. A. proposes to spend.

However, the flood-control joker at the dam at Gilbertsville has never been fully explained to the public. The enormous capacity for storage of this dam was explained at great length. It was not explained that the storage capacity spoken of would be in existence in any case.

WOULD DROWN OUT HUGE NATURAL FLOOD STORAGE BASIN

The site of the Gilbertsville Dam is only a few feet above the mean level of the Ohio River. Thus, whenever the Ohio River begins to rise its waters back up into the natural storage channel of the wide bottom lands of the Tennessee River. When, as was the case a year ago, the waters rise 50 feet, the Ohio River backs up as much as 100 miles in the natural flood storage basin of the lower Tennessee, running off as the crest subsides.

Had the Gilbertsville Dam been built a year ago, it would have created an effective sea wall shutting off the Ohio floods from this channel storage, forcing millions of acre-feet on down the stream and materially increasing the crest of the high water.

This factor was recognized by the Army engineers in their study of the river.

They chose a site 42 miles upstream from the mouth of the river at Aurora Landing instead of 22 miles upstream at Gilbertsville.

On page 40 of House Document 328, Seventy-first Congress, second session, we find paragraph 26:

NATURAL FLOOD STORAGE OF THE RIVER CHANNEL

The section on which the Aurora Landing Dam pool (approximately the same as the Gilbertsville Dam site except that it is 20 miles upstream) alone is located, has 4,800,000 acre-feet. This storage has great effect on regulation of stream flow and reduction of flood heights of the lower river as clearly indicated on curves, chart XXVI, appendix A (pl. 19), showing flood-record graphs of discharges plotted to drainage area. Although the drainage area at Aurora Landing is 39,895 square miles, its maximum flood discharge is much less than that at Florence, which has a drainage area of only 30,800 square miles. This is due to the large amount of natural flood storage in this section of the river. The natural flood storage of the river channel of tributaries is much less.

According to T. V. A.'s own figures submitted on page 919 of the House independent offices appropriation hearing, we find the estimated controlled storage for flood control at Gilbertsville is 4,600,000 acre-feet and the total volume of the reservoir as 6,150,000 acre-feet.

If the Army engineers are correct in stating the natural channel storage of the Tennessee River above Aurora Landing is 4,800,000 acre-feet it is very conservative to estimate an additional half million acre-feet of natural channel storage in the 20 miles from Aurora Landing downstream to Gilbertsville because of the level topography of the country thereabouts.

This would mean a total natural storage of 5,300,000 acre-feet of water, leaving a deficit after the dam was built of 800,000 acre-feet of water. But, leaving out of consideration the additional natural storage from Aurora Landing to Gilbertsville, there still would be a deficit of 200,000 acre-feet.

Nature created a wide, capacious storage basin at the lower end of the Tennessee River. That basin, without the interference of man, serves two important flood-control purposes:

First. It holds back the flow of floods from the upper Tennessee as shown in the stream-flow records of the Army engineers.

Second. It serves as a natural backwater flood storage basin for the high waters of the Ohio River, affording capacity for millions of acre-feet of Ohio excess waters which otherwise would be forced on downstream to raise the flood crests on the Ohio and Mississippi Rivers—an important factor since Ohio River flood crests seldom coincide with Tennessee River floods.

Erection of the Gilbertsville Dam will eliminate the future accommodation of the Tennessee Basin as a flood storage basin for Ohio high waters, while it will reduce by hundreds of thousands of acre-feet the usefulness of that basin for the natural detention of the high waters of the upper Tennessee.

As a flood-control project this dam would appear to be worse than valueless. Certainly these questions should be raised and settled by further studies.

POWER

The contention is made that the figure of $581.84 per kilowatt of installed capacity of the hydroelectric power to be developed at Gilbertsville is unfair because no deduction is made for the additional uses for which this dam is built—flood control and navigation.

The statement as used by the able Senator from Michigan [Mr. VANDENBERG] is fair because it is based on a comparison of cost per kilowatt of installed capacity of all T. V. A. dams before any deduction is made from their costs for navigation and flood control. No deduction having been made in either case, the comparison is fair. In other words, the average cost per kilowatt-hour of installed capacity for all T. V. A. dams, excluding Gilbertsville, is $227.21, while the installed capacity at Gilbertsville will cost two and a half times as much.

Mr. NORRIS. Mr. President, where does the Senator get his figures with respect to the cost per kilowatt? So far as I know, no allocation has as yet been made as to how much of any given dam shall be allocated to power.

Mr. BRIDGES. I do not know that I can give the Senator my authority for it just now, but I shall be glad to submit it to him. I got the figures from sources in which I have confidence.

Mr. NORRIS. Will the Senator tell me just where he got his authority?

Mr. BRIDGES. Yes; I shall be glad to furnish that to the Senator later.

Mr. NORRIS. I thought perhaps the Senator had the authority from which he gave the figures. The Senator from Michigan [Mr. VANDENBERG], for instance, the other day in arguing about Gilbertsville said that the power there would cost a certain sum—I can give the figures within a few

dollars—five-hundred-and-eighty-some dollars, as I remember, per kilowatt.

Mr. BRIDGES. That is the figure I gave.

Mr. NORRIS. Where does the Senator get that figure?

Mr. BRIDGES. I said I got it from some of the governmental documents, but I have no notation of where I got it or the page. However, I shall be glad to give that information to the Senator. I believe it was from the House appropriation hearing.

Mr. NORRIS. The Senator from Michigan gave his authority for the figure he gave. I called his attention to the figure he gave, and he gave the authority for it as being the chairman of the Committee on Military Affairs of the House. The Senator from Michigan did not pretend to know anything about it himself, but said that was his authority for the figure.

Let me call the Senator's attention that the estimates are that the Gilbertsville Dam will produce 192,000 kilowatts of power. The estimated cost is $112,000,000. Divide $112,000,000, the total cost of the dam, by the figure 192,000, which I did in order to ascertain how the cost figure of five hundred and eighty some dollars was arrived at, and it will be found that it comes within a few dollars of the amount, five hundred and eighty some dollars, that the Senator from Michigan gave as the cost per kilowatt of power at Gilbertsville. I think that is how the figure was arrived at.

I cannot see how it is possible to tell how much a kilowatt of power at Gilbertsville will cost until there has been an allocation to show how much has been allocated to power.

I made the calculation in order to try to find out how the conclusion was reached by whoever gave the information. Undoubtedly he arrived at it by estimating the cost of the dam at $112,000,000 or $115,000,000, or somewhere in that neighborhood, and charging it all to power. That is the only way in which it is possible to arrive at a cost of $580 per kilowatt of power.

I asked the Senator from Michigan if that was true, if he thought it was fair. He very frankly said, as the RECORD will show, that he did not think it was fair. There was not anything fair about such a calculation. I am afraid the Senator's figure with regard to the Gilbertsville Dam reflects the same error. It is absolutely impossible, as I see it, for anybody to tell how much a kilowatt of power is going to cost until the cost of the dam has been allocated among flood control, navigation, and power.

Mr. BRIDGES. Will the Senator admit, generally speaking, that the cost at Gilbertsville will be very much higher than the average?

Mr. NORRIS. No; I do not know as to that. I would not say that. I do not know of any way to determine the cost until the allocation is made. But I hope the Senator will not claim that under any circumstances the entire cost of Gilbertsville Dam should be charged to power, letting navigation and flood control, for which the proposed dam is chiefly valuable, go free, without paying anything toward the cost of the dam.

If the charge for electricity be based upon the total cost of the Gilbertsville Dam—and the same thing is true of several other dams—one would have to charge so much for the power that he could not sell it, and would not get anything.

Mr. BRIDGES. In answer to the Senator, I thank him for his attention to this matter; but let me point out that it has been clearly shown that if the principal purpose of the Gilbertsville Dam is navigation and flood control, the Gilbertsville Dam certainly is an uneconomical unit to include in the program.

Mr. NORRIS. I have not made a critical examination of the estimates which have been made; but I have an idea that if we were trying to get power alone we would not build the Gilbertsville Dam. If, however, we want to control floods, it is absolutely indispensable. As I see it, the chief value of the Gilbertsville Dam is as a flood-control project. The basin will hold 6,200,000 acre-feet of water, of which 4,600,000 acre-feet will be usable. Of course the Senator understands, I suppose, that the full capacity of a basin cannot always be utilized for flood control, because the river must be permitted to flow. But the Gilbertsville Basin is the largest basin east of the Mississippi River, and will hold more water than anything we know anything about, or anything that has ever been discovered in that region by any engineers. It is more valuable than any other single project in the control of the Ohio from the mouth of the Tennessee, and of the Mississippi from the mouth of the Ohio, to the Gulf of Mexico. I think we are justified in building the Gilbertsville Dam regardless of cost, because there does not seem to be any other way to control the floods. The power part of the project will be only an incident.

Mr. BRIDGES. Then the Senator looks at the Gilbertsville Dam primarily as a flood-control project?

Mr. NORRIS. Oh, yes.

Mr. BRIDGES. Power and navigation being entirely secondary?

Mr. NORRIS. I should not say that is true as to navigation. I will say to the Senator that as a constitutional question there may be some doubt whether Congress may legislate about flood control; but there is no doubt that Congress may legislate about navigation. Flood control, in my opinion, is easily included in the definition of "navigation," because flood control definitely may raise or lower the stream or streams, and make navigation possible where otherwise, without flood control, there would be no navigation. As to power, of course, power is only an incident, although it is a very valuable and very necessary incident. The same situation obtains with respect to all other dams.

Mr. BRIDGES. As shown on page 178 of the CONGRESSIONAL RECORD of January 7, 1938, Mr. PLUMLEY, a Representative from the State of Vermont, presented a table showing the generating capacity of the companies within T. V. A. territory as against the generating capacity to be constructed by T. V. A. There is no evidence of power shortage in the region at present. The existing capacity of the private companies is shown at 1,859,238 kilowatts. To that capacity T. V. A. would add 1,878,800 kilowatts.

As the junior Senator from Arkansas [Mr. MILLER] has pointed out, the T. V. A. already has been forced to sell large amounts of power to private industry in Arkansas to find a market for its present capacity.

If, as has been urged, the creation of such an enormous power load will reduce rates, why did not the contract with the Arkansas Power & Light Co. stipulate that the power should be resold at lower rates? I surmise that the reason was that T. V. A. was glad to sell its power under any conditions, since it had more power available than it could find markets for.

So much for Gilbertsville. Now let us return to some of the reasons for this investigation. I want to be entirely fair with the T. V. A.

There have come to my attention certain facts which cannot be challenged, and one of these is the manner in which a clique of practical politicians in alliance with a group of realistic believers in state socialism hand down "kultur" to the masses after a fashion that will not be found this side of the dictator lands.

The ill-clad, ill-fed, ill-housed lower third of the Tennessee population are mere guinea pigs to the State planners of the T. V. A. These are strong words; but listen to this story.

A T. V. A. agent came through a little village in a gap of the Tennessee mountains, called Moores Gap, in Anderson County. This man announced to the local people that T. V. A. was going to run a power line through, and that everyone could have electric lights and all the comforts of city folks.

One of the residents of that section was a Mrs. Hannah Leinart, a widow of 64, living alone and eking out a meager but adequate existence, with what support her children could afford her, on an acre of land, with a little patch of garden in her back yard. This T. V. A. man told her he

wanted to run the transmission lines across a corner of her land, and asked her to let him have the right-of-way. He said she could then have electric lights. She had visions of a radio for the long, lonely days and nights, an electric washing machine, and perhaps a hotplate for summer cooking. So she agreed to let them have the right-of-way across her property, and she signed up to take the current on this rural electrification line. Soon the electricity was turned on the line. But she got no lights, and she found out why. It was because she would not or could not buy an electric range.

This was not a wicked power company taking advantage of a poor widow woman. No! It was that grea-a-a-a-a-at humanitarian uplift organization, the T. V. A., the friend of the forgotten man. This is the way in which T. V. A. takes care of the ill-fed, ill-clothed, and ill-housed "lower third."

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. McKELLAR. Where does the Senator get his information with regard to the case to which he refers? I am merely curious.

Mr. BRIDGES. I am very glad to show it to the Senator. It is taken from the Knoxville Journal of Sunday, January 23, 1938.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BRIDGES. Yes.

Mr. HILL. The Senator knows, does he not, that the T. V. A. has nothing whatever to do with the sale of electric ranges? The T. V. A. does not sell any electric appliances.

Mr. BRIDGES. There is certainly a tie-up existing.

Mr. HILL. No; no.

Mr. McKELLAR. No; there is no tie-up.

Mr. BRIDGES. Does the Senator say that the statements and the stories appearing in the Knoxville Journal are all false?

Mr. McKELLAR. No; I have not read them.

Mr. HILL. The T. V. A. does not sell electric ranges, and does not have anything to do with the sale of electric ranges, or any other electric equipment. All the T. V. A. sells, so far as electricity is concerned, is electric power.

Mr. BRIDGES. Who does sell the electric appliances in that section?

Mr. HILL. The electric appliances are sold by the private dealers. We do have an Electric Home and Farm Authority, which is a governmental agency, to make credit available for the purchase of electric equipment; but the equipment is sold by the private dealers.

Mr. BRIDGES. Under the circumstances I think I shall put the article into the RECORD, because there is a fundamental difference between the information contained in the article and the information furnished by the Senator from Tennessee [Mr. McKELLAR] and the Senator from Alabama [Mr. HILL]. There appears to be a very close tie-up to me. Inasmuch as the question has been raised, Mr. President, I ask unanimous consent to have printed in the RECORD, as a part of my remarks, the article to which I referred, from the Knoxville Journal of Sunday, January 23, 1938.

The PRESIDING OFFICER. Without objection, the article will be printed in the RECORD.

The article referred to is as follows:

[From the Knoxville (Tenn.) Journal of January 23, 1938.]

FARMERS DENY ASSERTIONS THEY SIGNED FOR BIG APPLIANCES—T. V. A. RURAL LINE SERVES SOME, DENIES POWER TO OTHERS; MUST BUY APPLIANCES FIRST, AUTHORITY'S MEN INFORM THEM

The Tennessee Valley Authority has given Anderson County a look at one of the strangest of all its many paradoxical policies.

The Authority is dangling before Anderson County farmers the availability of electric power at rates far lower than the cost of manufacturing such power, but at the same time refusing to allow these same farmers to purchase that power unless they buy and promise to use hundreds of dollars worth of electrical appliances.

Without putting it in those exact words, the T. V. A. has served notice upon rural Anderson Countians they are going to be "educated" to the use of electricity even if the Authority has to hold their noses and ram the "education" down their throats.

At least in the Moores Gap community the T. V. A. has told farmers they must either take new electrical appliances they either don't want or haven't ordered, and pay for them, or they won't get any power from Norris Dam for lights.

LINE "HOPS" SOME

The new T. V. A. power line from Norris Dam to the outskirts of Knox County does a crazy hop, skip, and jump, delivering "juice" to some houses and missing others, although the "others" are wired and connected with the line.

The occupants of nine of those small farm homes told the Journal they were denied power for electric lights and other conveniences because they would not purchase additional appliances at the demand of the Norris Rural Electric System, which is one branch of the T. V. A.

"Those people have never come into contact with electricity," Fred Moses, youthful general field manager of the system, said. "They don't know what it's all about—or didn't, until I went out to the schools and explained a little about it."

He said the stirred-up residents of the Moores Gap community, which is almost in the shadow of Norris Dam, were refused power because they signed contracts to take certain electrical appliances and then refused to buy them.

"We've got to keep a grip on this thing, you know," he said, "or it would get completely away from us."

Moses coolly predicted that the nine farm men and women will "come around" and take the appliances or others using a similar amount of electricity.

DENIES "SIGNING UP"

Calloway Wade, who lives near the Moores Gap community, was quoted recently as saying he knew the residents of that community signed up for the disputed appliances—that he "saw them do it."

"If Wade will say to me that he saw me sign up for anything, I'll make him a present of $100," said Charles Brooks, one of the nine persons denied power.

The long rural power line is part of the only major rural electrification project carried on exclusively by the T. V. A. A much smaller one is being tried out in north Georgia.

The residents of the Moores Gap community are neither ignorant nor unusually poor. They do, they say, resent being dictated to by an agency for which their tax money is spent.

Brooks lives in a small neat, yellow house in the center of the community. The house has been wired for electric lights.

Right now it houses approximately $500 worth of crated electrical appliances, all of which are useless to the Brooks family because it can't get electricity to operate them, despite the fact that T. V. A. lines are connected to the house and a meter has been installed.

Brooks said he can't get power, even though he and his eight "same boat" neighbors gave the T. V. A. a right-of-way for the power line across their farms.

HOW IT HAPPENED

Here is the Brooks story, as told by the serious-faced, iron-gray-haired farmer:

"About two years ago, T. V. A. men began coming through here, asking us to sign up for power and saying a line was coming through here. We wanted power, so we all signed. They asked us to sign up, also, for certain appliances. I signed up for a radio, an electric refrigerator, a washing machine, an electric iron and a hot plate.

"Back then, we were to get power at the rate of 75 cents a month, up to 25 kilowatt hours a month.

"Things went along, and about 8 months ago, more T. V. A. men came (he wasn't sure, he said, about their names) and asked us to sign up again—for the right-of-way and electrical appliances.

"They wanted me to add a pump for my well to the list I had signed up for, but I told them I didn't want a pump—that the service would cost too much.

"They said it wouldn't cost more than $2 a month for the whole bill, and I told them that if they would guarantee that, they could put me down for a pump that would cost me about $150 to install. They wouldn't do it.

"They went ahead and built the line across my farm, and connected lines to my house, and a meter. They started to put up three strands of the wire to the house, and I told them they were mistaken—that I didn't need the heavy-duty service.

"I paid $3 for the meter fee.

DENIED POWER

Then, just before Christmas, they turned the power on the line, and I didn't get any. They told me—Mr. Whitehead told me—that I couldn't have power until I got the pump for the well; that I had signed for it.

"I didn't sign for any pump, and now I'm advertising the things I bought for sale.

"There's something mighty crooked about the whole thing."

Moses said of the Brooks case:

"He did sign for the pump. Before we put a line to a house, we always check back and get the occupant of the house to verify his signature. He will have to get the pump to get power."

Across the road, and in sight of the Brooks' home, is the tiny little house occupied by Mrs. Hannah Leinart, 64.

She has only one acre of land, and lives alone, with practically no income.

The main T. V. A. line crosses the corner of the acre, and a stay wire is planted near the center of her back yard.

Three wires go to her house from the main line, but no current has ever been sent through them.

"Some T. V. A. man told me 2 weeks ago," Mrs. Leinart said, "that I couldn't have power for my lights and radio until I got an electric range to cook on."

DOESN'T WANT STOVE

"I don't want to cook on an electric stove, and if I tried, I'd have to have the house rewired, and besides, I'd freeze in the kitchen in the winter. I meant to take a radio, a washing machine, and a hot plate, but I won't have a stove.

"I told the T. V. A. man (she said she wasn't certain about his name) that I hadn't signed up for any stove, and that if I had known I wasn't going to get lights, I wouldn't have given the right-of-way.

"He said my daughter, Mabel (Mrs. Mabel Cox, who operates a beer stand near Clinton) signed up for me. She says she didn't, and anyway, Mabel isn't my guardian.

"I don't know what I'll do about it; I don't think any of us know."

Mrs. Leinart's whole property—house and land—couldn't be worth more than $500 or $600. The stove would cost about $125.

"Mrs. Leinart signed that contract, too," Moses said.

A few hundred yards away, on the mountain road, lives Mrs. Annie Foster, 67, and a widow.

She has her little house wired, and has light fixtures, but no electric lights.

"It cost me $36 to have the house wired," she said, "and now they say I can't have power until I get an electric stove. They claim I signed up for a stove, but I didn't, and I can't afford one, and don't want one.

"I've got a radio, an electric refrigerator, and an iron that cost me about $200, and I can't use them, because I can't get power."

ONE FIRM SOLICITS

Brooks said he bought his appliances from Fowler Bros., in Knoxville, and Mrs. Foster said she bought hers from Sears, Roebuck & Co.

In every instance the farm men and women said they were not told that they must purchase their appliances from any particular firm, but that representatives of one large firm began soliciting them for the business before it was announced the line was to be built.

"It looks to me," said Brooks, "like somebody on the inside tipped them off. Maybe he gets a commission; I don't know."

"That's nonsense," said Moses, the T. V. A. man. "We tell all the appliance firms at the same time when a line is to be built, and play no favorites. That is, we tell all those firms we know will want to work the territory. We can tell that by the response to our first invitations of that sort."

Mrs. Hiley Cox, middle-aged widow, lives in a three-room house on the Moores Gap Road, and operates a little mill just across the road for her only source of income.

Her story, as she told it:

"Eighteen or nineteen months ago, Denny Foster, a resident of the community, came through and put me down for a motor for the mill, an electric refrigerator, a washing machine, a hot plate, and an iron. I didn't sign for them; he just put me down for them.

"Eight or nine months ago another man came through and asked me to sign up again. I told him I wouldn't, but I finally did sign for lights and the mill motor; and he said I could sign for the refrigerator for 'later use,' so I did.

"SWITCHED PAPER"

"Then they used the old paper Denny had written instead of the one I signed and came along a few weeks ago to collect my $3 meter money. I paid it, and they went away, after acting awful hateful about it. A man they called Whited (he could not be traced with accuracy) guaranteed me lights for the right-of-way I gave them, but then they said I couldn't have the lights until I bought all that other stuff.

"That would cost me $700 to $800, and I'd be lucky to make that much in 5 years. They can get their poles and wires, and things back if they want to. I spent $30 having that little old three-room house wired."

"She signed—they all did," said Moses. "You know, I used to think you could always take a farmer at his word as easy as his bond; but in this work I've learned they are just human, and that some of them forget their obligations."

The case of W. M. Cox, one of the community's oldest citizens, is a bit different.

He said the T. V. A. men said his son, Dewey Cox, signed up for a refrigerator for his father's house.

"When they told us there was some tangle and we couldn't have power," the elder Mr. Cox said, "my wife went over to see the men in charge and told them she didn't know President Roosevelt appropriated any money to make people buy electric refrigerators—that she wanted lights. And they finally turned them on."

DOESN'T "UNDERSTAND"

Jake Vowell, on the Valley Road, said he hadn't been able to find out why the T. V. A. had declined to turn on power for his lights.

"They've got me down for a stove or something—I don't understand quite all about it," he said.

Sam A. Hill, former construction man from Oklahoma, who can talk like a professor of economics, lives just up the road from the mill run by Mrs. Hiley Cox.

"It appears to me," he said, "that the T. V. A. is just selling electrical appliances. They won't turn on my lights because they claim I signed up for a Frigidaire. If I had signed for one, I wouldn't even ask for lights until I bought it. But I didn't sign for one."

Clarence Cox, husky and apparently progressive young farmer, said he is planning to build a new house. His Moores Gap roadhouse now is old. He called it a "shack."

"I had temporary wiring put in, and the T. V. A. approved it," he said. "Then when they got ready to turn the juice through the line, they wouldn't turn it on for me; claimed I had signed up for a range and a refrigerator. I didn't sign for either, and I don't want them right now. I do plan to have an electric stove in my new home sometime, but we'd freeze with one in this big old kitchen of mine.

"I've already got a radio I can't use."

T. V. A. PLAN CHANGED

It was Clarence Cox who pointed out that even if he and his neighbors had broken a contract with the T. V. A., the Authority may have broken it first.

The plan when the contracts were drawn 2 years ago was for the 75-cent rate up to 25 kilowatt-hours per month. Later, it was changed. Now, users of power must pay $1 a month, if they use only 1 kilowatt-hour, or up to 33 kilowatt-hours per month.

"I can't see how a contract under the old plan would be binding," said young Cox.

Nearest of all the "shut-outs" to the dam are Mr. and Mrs. V. O. Sanders.

Pretty, young Mrs. Sanders, who lived in Knoxville until recently, volunteered some advice for Knoxvillians.

"Learn a lesson from this," she said, "and stick to the private power company instead of switching to the T. V. A."

Mrs. Sanders said the T. V. A. refused to turn on their current because they claimed the Sanders family had signed up for an electrical refrigerator.

"I want a refrigerator like that, but we certainly didn't sign up for one," she said.

MOSES EXPLAINS

"We have the neighborhood plan out here," Moses, the T. V. A. man, said.

"Under this plan a committee of citizens canvasses the community to see what appliances members of the community will agree to use.

"When the citizens have signed up, we estimate the amount of current it would require to run them.

"If the estimate is as high as 550 kilowatt-hours per mile per month, we build the line, and the residents of the community are obligated to take the appliances they sign up for.

"We're giving them the cheapest rate in the entire T. V. A."

Most engineers and practically all private utilities scoff at the idea of planning a power line on the basis of minimum usage of electricity as a prerequisite to building the line.

Officials of the Tennessee Public Service Co. said when that firm considers building a rural line it makes a survey of the territory, and unless the new line doesn't look like a good business venture, both on the point of initial business and possible expansion, it isn't built.

As far as could be learned, there are 19 or 20 persons on the Anderson County line who are getting power.

Two of them, chosen at random from a group of interviews, said they got power because they "didn't sign up for anything."

They were Raymond Carmichael and Mrs. R. D. Stock, on the Valley Road. They said they didn't know what was the trouble with their neighbors.

"With those who are getting power on the line, is it averaging 550 kilowatt-hours per mile per month?" Moses was asked.

"No; of course not," he answered.

WHY DISCRIMINATE?

"These other people say they are willing to pay their $1 a month; why not let them have power?" he was asked.

"We've got to keep our grip," he answered.

"If there happen to be enough others on the line to bring it up to 550 kilowatt-hours per mile, can some citizens get by with just having lights and still get power?" he was asked.

"Yes," he answered.

If there is right on both sides, the "shut-outs" around Moore's Gap can't understand it.

"Is that how they're helping the 'ill-fed, ill-clothed, and ill-housed'?" one of them asked.

Mr. BRIDGES. Now, Mr. President, I should like to consider for a moment the question of what the public thinks about investigating the T. V. A. and what the press of the country has to say about such an investigation. I shall read first from the Washington Daily News of Wednesday, March 9, which is today. The News is a Scripps-Howard newspaper. The title of the editorial is "Congress Should Probe T. V. A." and the editorial reads as follows:

Senator GEORGE W. NORRIS is the Member of Congress whom we most admire and with whom we most regret to disagree, especially about a matter affecting the Tennessee Valley Authority, which he fathered.

Two months ago, when Senator NORRIS first proposed an investigation of T. V. A., we willingly accepted his judgment that the Federal Trade Commission should do the investigating.

Since that time, however, a situation has developed which is so serious, so menacing to the T. V. A.'s own future, that we are no longer able to believe that investigation by another executive agency would serve the wholesome purpose which must be served.

We resent as much as does Senator NORRIS the intimation that he is attempting to whitewash T. V. A. We know he spoke with sincerity when he told the Senate yesterday:

"There isn't a man on earth who would be quicker than I to expose an evil by the T. V. A. Board. I want it to succeed. An honest investigation will do only good for T. V. A. If there is anything corrupt, I want it exposed. That is the way I can best protect it."

And we know he had reason for adding:

"But I don't want an inquiry by men who hate T. V. A., have hated it from the first, and hate it now more than the devil hates holy water."

Enemies of T. V. A. are making capital of the present situation; are trying to engineer a smearing expedition against that whole vast enterprise and the administration which sponsored it; are spreading the word that they intend to show up T. V. A. as "a New Deal Teapot Dome."

There is one way, and only one, to disarm these enemies and dispose completely of the suspicions which they are turning to advantage. That is to have the investigation of T. V. A. welcomed and supported by its friends, but conducted so fairly and openly that the public can have absolute confidence in it.

It is proper for President Roosevelt to call on the three T. V. A. directors as he has done for day after tomorrow, and to demand from them all the facts upon which they base their serious charges against each other. But the President, we think, would do himself injustice by attempting to dispose of those charges now simply because too many citizens would feel that he had tried to sidetrack an open investigation.

For similar reasons it would be unjust to the Federal Trade Commission, a majority of whose members are appointees of Mr. Roosevelt, to ask it to be responsible for investigating another agency whose directors also are Roosevelt appointees.

Like Senator NORRIS, we don't want an investigation controlled by men who hate T. V. A. But we believe that responsibility for making the investigation belongs to Congress and should be accepted by Congress. And we believe Congress can select an investigating committee, representing all viewpoints, that the public will regard as impartial and fair.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Michigan?

Mr. BRIDGES. I yield.

Mr. VANDENBERG. I should like to make an observation. It seems to me that the editorial which has just been read goes clearly to the root of the problem that the Senate confronts in making its alternative choice. In ordinary circumstances, when a factual exploration is involved, I would feel that the Federal Trade Commission, having the facilities and the equipment to search for facts, and a real capacity, could attain a better result than could a Senate investigating committee. But, Mr. President, when the responsible head of a great governmental institution, which has probably spent or has committed itself to spend half a billion dollars, charges a lack of honesty—I quote him—"a lack of honesty, a lack of openness, a lack of decency, and a lack of fairness," and particularly a lack of honesty, I submit that the situation has totally changed from the time when the able Senator from Nebraska submitted his resolution in the first place. We now confront a challenge to the honesty of the great institution that is committing the American people to half a billion dollars of expenditure. I do not think the American Congress can sublet its responsibility for finding out what the Chairman of the T. V. A. meant when he charged lack of honesty. I do not think the Congress can sublet that responsibility to any other power on earth and afterward look the American people in the face.

Mr. BRIDGES. Mr. President, now I should like to read from an editorial in today's issue of the Baltimore Sun. I may point out that the editorial is written by John Owen, who is a great liberal and who is a personal admirer of Senator NORRIS. The editorial is entitled "Norris Goes Human," and reads as follows:

Senator NORRIS is universally respected. He has devoted himself during many years of public service to the welfare of the people, and particularly has he sought to improve the lot of the unfortunate. His is not the broadest of intellects nor the surest of judgments. But he has brought to his duties an honesty of purpose and a sincerity in action so massive that the shrewdest of critics have honored him and his work.

It is not, then, to deride him that one must say his position on investigation of the T. V. A. is inconsistent with his entire career. The best and the noblest of men have their vulnerable spots. They are led at times by their affections and devotions into glaring contradictions of their own principles and their own practices. It ought to be possible, and it is possible, for those who observe these lapses to remember and to continue to honor a lifetime of fine work. But, equally, it is necessary to recognize that a lapse has occurred. It is necessary not to minimize the lapse when it concerns a matter of great public importance. It is necessary to be candid about the lapse, as it is right to continue to remember and to respect a long career of high service.

In this matter of an investigation of the T. V. A., Senator NORRIS is behaving like an ordinary human being. He does not want his ox gored. More than any other man, with the possible exception of President Roosevelt, he is responsible for the T. V. A. The great power undertaking of the Government in the Tennessee Valley is the embodiment of his dream. Now that this immense experiment in public ownership and operation of electric power is under attack, now that divisions have appeared in the management which are so serious that they can no longer be ignored, now that charges of grave character are being exchanged between members of the public management, Senator NORRIS does not wish his pet ox to be exposed to the ruthless probing of a congressional committee. He wishes the probing to be done by a body which would be more tender.

The Senator has not been like this in past years. He is an ancient and honorable member of the old Progressive group in the Senate which has relied upon the congressional investigation as the very breath of decent and vigorous public life. The sort of investigation in which his friend, the elder LA FOLLETTE, and his friend, the young LA FOLLETTE, have specialized year after year has had the NORRIS support almost invariably. No one ever expected in past years to hear Senator NORRIS arguing against a congressional investigation, with various groups and attitudes represented on the committee, and proposing instead an investigation by an agency of the Government which could reasonably be assumed to be friendly to the interest to be investigated. One would as soon have expected the NORRIS of the past generation to use an alias.

But here he is, asking that the T. V. A. be probed, not by a congressional committee on which all important shades of opinion would be represented, but by the Federal Trade Commission. And when he asks, not the rough and tumble of a congressional invesigation, but an investigation by the Commission, what does he really seek? He seeks to protect his T. V. A. from the ruthless searching into charges which he has applauded when applied to bankers, to railroads, to industries. He seeks to substitute an investigation of the T. V. A., which he loves, and which Mr. Roosevelt loves, by the official agency—of all in Washington!—which Mr. Roosevelt has openly insisted shall be composed of members whose minds go along with his. It was from the Federal Trade Commission that Mr. Roosevelt fired the late William E. Humphreys for independence of opinion.

The Senator's position is indefensible. It is a human position that he is taking. It is an understandable position. But it is indefensible. Charges that Senator NORRIS should be the last to ignore have been made by Chairman Morgan, to whom Senator NORRIS long gave his friendship and faith. Countercharges have been made by the other members of the Board. The charges concern an undertaking which involves gigantic public expenditures and which vitally affects public policy in the utilities field. They raise questions of good faith and raise them very sharply. These charges must be sifted and aired, and under circumstance that will leave the public in no doubt about the thoroughness of the process. They cannot be done in an investigation of one administration pet by another administration pet.

The T. V. A. charges must be investigated by a committee of Congress, on which there will be both friends and foes of the great experiment in the Tennessee Valley, with a fair, full hearing for all concerned.

I next read from an editorial in the Washington Post.

Mr. SMATHERS. Mr. President, will the Senator yield at that point?

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from New Jersey?

Mr. BRIDGES. Certainly.

Mr. SMATHERS. Will the Senator tell me what good purpose he thinks he is serving by reading to the United States Senate stale propaganda from Tory newspapers which has been available to all of us to read for the past few days?

Mr. BRIDGES. Does the Senator call the Scripps-Howard newspapers Tory newspapers?

Mr. SMATHERS. I think so.

Mr. BRIDGES. I am interested to know that the Senator from New Jersey, in a blanket way, condemns all the press of the country; but I have great respect for the press, even though it may differ with me.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Michigan?

Mr. BRIDGES. I yield.

Mr. VANDENBERG. I think somebody ought to say without any further delay that it is impossible to turn aside with any funny talk about "Tories" the charge of an hon-

orable man like Dr. Arthur Morgan, who is the head of a half-billion-dollar governmental instrumentality, and who speaks upon his responsibility about lack of honesty in the expenditure of half a billion dollars.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Tennessee?

Mr. BRIDGES. Certainly.

Mr. McKELLAR. I should like to say that so far as I know, there is no one on either side of the Chamber who wishes to turn aside this investigation. There is an honest difference of opinion as to whether the investigation can be better made by an impartial body like the Federal Trade Commission or by Members of the Senate. From the experience we have had here, some Members think one way, and some Members think another way. That is the only question involved. Speaking for myself, I think there ought to be an investigation. There is not any question about having an investigation. There will be an investigation. The only question is as to the instrumentality by which the investigation shall be conducted.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. BRIDGES. I yield to the Senator from New Jersey.

Mr. SMATHERS. I again ask the Senator if he will answer my question: What good purpose does he think he is serving by reading to the Members of the United States Senate newspaper clippings or extracts which have been available to all of us?

Mr. BRIDGES. I think it serves a very good purpose. As yet I have some respect for the press of the country, the freedom of the press, and the thoughts which the newspapers from time to time express. I have read here, not news clippings or excerpts from news items, but editorials from some of the best-managed, some of the outstanding and most independent newspapers in the Nation.

It will be found that regardless of the management of the newspaper—and I am interested to know that the Senator thinks the Scripps-Howard publications are Tory publications, though I do not agree with him, the opinions are all the same. The trend of their thoughts is that we must have an investigation, a congressional investigation, one that will get to the roots of the matter; that one agency of the Government should not investigate another; and I am certainly not ready to condemn all the press of the Nation as a Tory press. If the fact that an individual or newspaper wants an investigation of the T. V. A. classifies him, or the publication, as a Tory, I am interested to know it.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. BRIDGES. Certainly.

Mr. SMATHERS. Again I ask the Senator if he will tell me what good purpose is being served by reading to me and to all the other Senators here, who no doubt have already read them, the editorials which he is now taking the time of the United States Senate to read to this body.

Mr. BRIDGES. I do not suppose it will do any good to read them to the Senator from New Jersey. His mind probably is completely made up; but to the fair-minded Members of this body I think the expressions of some of the leading publications of this country, making a careful analysis of the situation, may be of some interest. I observe that the Senator from New Jersey sometimes reads the newspapers and sometimes makes statements for the newspapers, but apparently he believes nothing the newspapers have to say.

Mr. BARKLEY. Mr. President, probably there is an additional reason. Having these editorials inserted in the RECORD, or reading them into the RECORD, entitles them to be sent out under the frank of the Senator from New Hampshire, whereas they could not be franked out if they were just floating around as editorials in the different newspapers.

Mr. BRIDGES. I had not that thought in mind; but I will say to the Senator from Kentucky that no doubt they would be as good as some of the material sent out under the frank of the Senator from Kentucky and other Members of this body. I may say, however, that I had not that purpose in mind.

Mr. BARKLEY. I do not desire to draw any invidious comparison between the editorials read by the Senator from New Hampshire and any original material which I myself may contribute to the CONGRESSIONAL RECORD; but in both cases we have the privilege of franking them all over the country at the Government's expense.

Mr. BRIDGES. That is correct. I had not that in mind, but that is a point on which the Senator from Kentucky is perfectly correct and one of the points on which I can agree with him today.

I next read an editorial from the Washington Post of March 4, 1938:

TROUBLE WITH THE YARDSTICK

The need for a thoroughgoing investigation of the Tennessee Valley Authority has long been apparent. Repeated clashes between Chairman Arthur E. Morgan and his two colleagues on the board, over the methods followed in dealing with the private utilities, have emphasized the lack of any clear statement of policy in the organic law. The extensive administrative discretion allowed the responsible officials in deciding important matters of policy has led to great friction. This might have been avoided if Congress had previously defined the long-range objectives of the Government's power program.

Dr. Morgan has long urged a frank declaration of purpose that would give the private utilities reasonable assurance of what the Government intends to do and would make it possible for private interests to negotiate on an open and fair basis. Until quite recently it had been generally assumed that differences of opinion over policies were the chief cause of the strife within the T. V. A. Now, the controversy over the Berry marble leases has brought to public attention another type of difficulty which Dr. Morgan seems disposed to consider as more serious than the policy issue.

"The real difficulty," he says, "has been in the efforts to secure honesty, openness, decency, and fairness in government." Supporting his charges by citing incidents connected with the marble leases, he asserts that he has been forced to contend with "an attitude of conspiracy, secretiveness, and bureaucratic manipulation which has made the proper and effective conduct of T. V. A. business increasingly difficult."

These are serious indictments, reflecting both directly and impliedly upon the official conduct of fellow Board members. An investigation is made doubly necessary by this latest development which causes Dr. Morgan to demand an open hearing, "full and impartial with nothing hidden."

The Norris proposal to entrust such a probe to the Federal Trade Commission is obviously unsuitable, since it would require one Federal agency to sit in judgment upon another and could hardly yield any very useful suggestions. A joint congressional investigation seems to be the only method of procedure competent to provide a basis for amendments to clear up obscurities in the law and establish a clearly defined and consistent statement of policy for administrative guidance.

When laws are ambiguous and administrative agencies thereby acquire too great latitude, abuses of discretionary power inevitably arise. And unless a strict accounting is demanded, there is also a temptation to relax administrative vigilance and afford opportunities for the kind of raids upon the public treasury that Dr. Morgan appears to have been fighting.

Even if harmony reigned among the directors of the T. V. A., and the competence of its administration had never been challenged, an investigation into the T. V. A. program would still be imperative. Despite Dr. Morgan's shift of emphasis, from questions of policy to those of honest and efficient administration, the major problem is that of defining our power policy. Only by congressional action to this effect can an end be put to uncertainties that paralyze the private utilities and prevent them from making plans for future expansion.

I now read from the Evening Public Ledger of Philadelphia:

THE TIME HAS COME FOR A T. V. A. INVESTIGATION

The Tennessee Valley Authority is plainly ripe for investigation. The cleavage within the three-man directorate can no longer be classed as petty bickering. It has been brought to the stage where fundamental principles seem to be at stake. Suspicions have been aroused that something which the public and Congress should know lurks behind this grand facade of dams and electric power plants and distribution systems.

As is usual in such cases, the forces for and against a thorough overhauling of T. V. A. activities have formed into political fronts. Administration leaders have put themselves in a position of opposing an investigation, permitting the implication that disclosures are possible which may be a reflection on themselves. Those opposed to the administration will hail it as a victory if the T. V. A. is forced to stand and deliver any "secrets" which it may have.

This political angle may be unfortunate. But it is the way we do things. An investigation must be reasonably hostile. A fight must be put up by the opposing factions. Otherwise the cry of

"whitewash!" is certain to be raised and public confidence impaired. It is too bad for the administration that the public reacts in this manner. Its best strategy is to welcome the investigation and accept the consequences.

The cleavage within the directorate of the Authority dates from the spring of 1936. Since that time, the chairman, Dr. Arthur E. Morgan, has been a minority member. It is perhaps unfair to say that he has done nothing for nearly 2 years except draw his salary. But it does appear that all decisions have been taken by a 2-to-1 vote, with the chairman voting "no" to the "yes" of Dr. Harcourt A. Morgan and Mr. David E. Lilienthal.

The only breath of scandal in connection with the T. V. A. is in the atmosphere surrounding the Berry marble case. Senator BERRY and associates had acquired marble properties in regions which would be flooded by the Norris Dam. They were preparing to bring claims amounting to several million dollars against the T. V. A., alleging destruction of valuable properties.

Confronted with this suit, Dr. Harcourt A. Morgan and Mr. Lilienthal, over the protest of the chairman, entered into a "friendly agreement" with the Berry interests for a settlement. Dr. Arthur E. Morgan contended that the properties involved were worthless, and last week was upheld in his view by a court-appointed Federal commission. Though in a minority on the Board, this decision gave to the chairman a whip hand over the other two members, whether or not their decision was improper.

Dr. Harcourt A. Morgan and Mr. Lilienthal, in a memorandum to the President on the situation, asked this question:

When a board of trustees, after weighing different points of view, and after the fullest board discussions, has reached a conclusion by a majority vote, how far may the dissenting public trustee, while continuing to hold his office, properly carry his opposition to these board decisions?

They charge that Chairman Morgan, in refusing to cooperate and in attacking the personal motives and good faith of his colleagues on the Board, has violated "the democratic principle of majority rule."

To Chairman Morgan, the principle involved is much more fundamental than the mere machinery of reaching decisions. He says there are involved—

"* * * certain fundamental decencies and standards of integrity and propriety in public life which are more important to civilized society than any particular Government program."

When administration leaders read these words and drew the implication that there may be more behind the T. V. A. facade than meets the eye, they began quaking in their shoes and trying to avoid the congressional investigation demanded by Chairman Morgan.

These circumstances notwithstanding, an investigation is clearly called for. And it should be no investigation such as Senator NORRIS, "the father of the T. V. A.," is willing to approve, an investigation by the Federal Trade Commission. This would mean one group of Presidential appointees looking into the affairs of another group of Presidential appointees.

The investigation should obviously be conducted by a joint committee of the two Houses of Congress or by a Senate committee. That method would give fair assurance against anything like a "whitewash." If nothing reprehensible is found to have occured—if the T. V. A. quarrel is simply a quarrel between honest men whose minds cannot meet—that will be that. All that will remain to be done will be to reorganize the T. V. A. so that it can function more smoothly.

In manifesting undue fear and anxiety, the administration leadership is hurting its own cause.

Mr. President, I could go on indefinitely reading into the RECORD editorials from the leading publications of the country. They are all along the same vein. They all call for an impartial congressional investigation of the T. V. A. All these writers believe that the investigation should be made by a congressional committee rather than by the Federal Trade Commission. That is the opinion of at least all those I have seen. There may be some periodicals which differ.

I have today merely tried to demonstrate, first, the need of an investigation; second, to appraise the problem, to see what agency should make the investigation. I can come to but one conclusion, that the Senate of the United States, by the appointment of a select committee, or the two Houses of Congress by the appointment of a joint select committee, should proceed to an impartial study of this problem.

I am sorry indeed that those who oppose this should fail to trust the United States Senate, and apparently have some lack of confidence that the Vice President of the United States would appoint a fair and equitable committee. No matter whom the Vice President should appoint, I think the committee would be fair. I have that much respect for him. I am very much upset to think that opposition should come from members of his own party to his appointment of a select committee to make this investigation.

Mr. President, I believe that action is needed and needed at once. The charges are serious. I understand that the President of the United States has called the three members of the Tennessee Valley Authority to meet for a conference on Friday. I do not know what will be said at that conference, but I do know that the American public will never stand for a "shotgun" marriage there, a forcing of those parties together literally at the point of a shotgun.

Mr. BARKLEY. Mr. President, what would the Senator say if a "shotgun" divorce should be the result of the meeting? [Laughter.]

Mr. BRIDGES. I think that an investigation, if necessary at the point of a shotgun, should be made, but I think we ought to determine the true facts before we proceed in any direction.

The Senator from Kentucky may have certain opinions and certain ideas, and others in this body may have opinions, but let us make a thoroughgoing investigation by a committee of our own associates, in order to determine the true facts, and let the chips fall where they may, and abide by the results. That would be perfectly satisfactory.

The conference which is called for Friday arouses my interest. I serve notice now that if, as a result of that conference, there shall come forth a certain "shotgun" union or marriage, or even a "shotgun" divorce, without a full investigation, I shall demand the true facts.

Mr. SMATHERS. Mr. President——

The PRESIDING OFFICER (Mr. BURKE in the chair). Does the Senator from New Hampshire yield to the Senator from New Jersey?

Mr. BRIDGES. I yield.

Mr. SMATHERS. The Senator is satisfied at this time that there will be something wrong with that conference, is he not?

Mr. BRIDGES. No; I am not satisfied that there will be anything wrong, but I want to forestall anything wrong. I want the true facts to be made known. I do not want any closed-door affair, or any "shotgun" marriage, or any "shotgun" divorce. I want an investigation, and the facts support me in my demand for an investigation.

Mr. McKELLAR. Mr. President, does not the Senator think that a mere suggestion from him would bring that about without anything further? Certainly no one would dare controvert in any way the Senator's position about it. Would not the Senator think so?

Mr. BRIDGES. I think they probably would take a suggestion from me as quickly as they would from the Senator from Tennessee.

Mr. McKELLAR. I expect they would.

Mr. BRIDGES. I hope a little quicker, but I am not sure. I am positive they would take one from me as quickly as from the Senator, because no doubt they know that he is very much interested on one side in this debate and in the controversy.

I have been very hopeful that I could get the Senator from Tennessee to say that he would support a senatorial investigation in the Tennessee Valley. So far I have gotten him committed to an investigation, but not a senatorial investigation. I would like to have him show his whole confidence in our Vice President, and in the committee he would name to investigate the matter.

Mr. McKELLAR. Mr. President, the Senator reminds me of a question propounded many years ago, when the silver question was uppermost in the minds of the people of this country, of former Senator Robert L. Taylor, of my State. They kept calling on him, asking what his opinion was about the money question. He said, "Well, I am for more gold and for more silver and more paper money, and just a leetle more counterfeit," and that seemed to satisfy his audience at that time, at any rate. I say to the Senator that I am for an investigation by the Senate and the House, or by the Federal Trade Commission, whichever the Senate may agree on. I think there ought to be an investigation, but it ought not to be conducted by the Senator from New Hampshire, because he has already said that the charges he has made were true and that the T. V. A. was a dishonest and corrupt organization.

Mr. BRIDGES. Let me interrupt the Senator.

Mr. McKELLAR. Just one moment. Surely the Senator would not want to be a judge, after having decided the case before the case came to trial. For that reason I should certainly object in every way I could to the appointment on this committee of the Senator from New Hampshire, knowing that he is professedly biased, professedly unfair, professedly has come to a conclusion before the investigation.

Mr. BRIDGES. I may ask the Senator if he regards himself as a fair candidate for that committee.

Mr. McKELLAR. I would not serve on the committee under any circumstances, because the matter involved affects my State, and under the peculiar circumstances of the case, if I were appointed I should decline to serve. I really believe that, as much of a partisan as I am, I can be honest and fair to my fellow men. I would not convict any of them of being dishonest before there was a hearing on the question. The Senator from New Hampshire today said, "The Senator from Utah [Mr. KING] and I have made 23 charges, and this is a corrupt institution because of charges made against it." Those charges have not been proved, and the proof of them cannot be presented. The charges cannot be substantiated, and in my judgment, there will not be any proof when the investigation is made. But the Senator has convicted the members of the T. V. A. before there was ever any investigation ordered.

Mr. BRIDGES. If the Senator from Tennessee will read those 23 points, he will see that I am charging no one with dishonesty or anything of the kind. We are asking whether or not the charges are true. All we want is the light of day to shine on them and the truth to prevail. The Senator from Tennessee has said these charges are absolutely untrue. I am willing to find out whether they are true. Is the Senator from Tennessee willing to find out?

Mr. McKELLAR. I am perfectly willing to find out. I want to say to the Senator that I have just read his charges. I had not read them before because nothing had been said about them anywhere until recently. Then a newspaperman resurrected them, and they were printed. One of the finest, most accurate, intelligent, and enterprising young newspapermen in my State has answered these charges publicly in an article published in a Knoxville, Tenn., newspaper. I placed that article in the RECORD today.

If the Senator has the slightest degree of fairness about the matter he will find all his questions answered by this splendid young newspaperman, Mr. John T. Moutoux, of Knoxville, Tenn., who has lived with this proposition, whereas the Senator from New Hampshire does not know anything about it.

Mr. BRIDGES. I probably know as much as the Senator from Tennessee or others. I have investigated some phases of the question, and I am not willing to take the view of the editor in Tennessee. I am willing get behind the viewpoint of the great press of this country, which demands an investigation. I am not willing to take the statement of the man whom the Senator refers to in his State—I do not know him—but I am not willing to take him as the authority as to whether there is corruption or whether there is honesty and integrity in the T. V. A. If the Senator bases everything on such authority as that, I am surprised.

Mr. McKELLAR. The Senator asked me the question whether I would serve on a committee making an investigation of the T. V. A. The Senator has introduced a resolution, and under some kind of senatorial courtesy rule a Senator who introduces a resolution is most frequently put at the head of the committee when an investigation is ordered. With all the venom the Senator has displayed here today, with his charge of dishonesty, will the Senator join me in saying that if he is appointed a member of this committee he will not serve? Will he be fair enough to say that?

Mr. BRIDGES. No; I will not join the Senator in making any statement. [Laughter.]

Mr. McKELLAR. Will the Senator refuse, then, to serve on the committee if he is appointed?

Mr. BRIDGES. No; I will not.

Mr. McKELLAR. I do not think the Senator will ever have the opportunity, I will say that to him.

Mr. BRIDGES. Perhaps I will not, but I do not wish to commit myself ahead of time.

Mr. McKELLAR. I know the Senator does not want to commit himself ahead of time, but I do not think he will ever have the opportunity to serve.

Mr. BRIDGES. Because it will give the Senator from Tennessee too much satisfaction to eliminate me from any consideration.

Mr. McKELLAR. I certainly want to eliminate him.

Mr. BRIDGES. I believe it is approaching the time when the Senate should recess, and I am agreeable to the wishes of the majority and the minority leaders, and if they care to move a recess at this time I shall be glad to conclude my remarks.

Mr. BARKLEY. Has the Senator concluded his remarks?

Mr. BRIDGES. Yes.

Mr. BARKLEY. So the Senator does not plan to go on again tomorrow?

Mr. BRIDGES. No; I have concluded.

Mr. McKELLAR obtained the floor.

Mr. HILL. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. HILL. During the remarks of the Senator from New Hampshire I asked the Senator a question with reference to a release by the Tennessee Valley Authority under date of yesterday, March 8. In order that the RECORD may show the full story, I ask unanimous consent to have printed in the RECORD at this point that release from the Tennessee Valley Authority.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

In the spring of 1935 the Comptroller General issued a preliminary report taking exception to the legality of T. V. A. expenditure for the first 12 months of its activities in the amount of $2,013,326.51. This report was heralded as an exposé of T. V. A. mismanagement and illegal use of public funds.

Chairman Arthur E. Morgan, on behalf of the T. V. A., appeared before the House Military Affairs Committee and analyzed the Comptroller General's exceptions in detail. His testimony showed that the report was obviously prepared by men totally unfamiliar with business problems, and particularly those related to construction; that it was careless and inaccurate. This analysis of the looseness of the Comptroller General's report so impressed the Congress that it forthwith amended the powers of the Comptroller General. The amendment specifically required that before the Comptroller General issued a report taking exception to T. V. A. expenditures, that report should be first presented to the T. V. A., and that the T. V. A. should then be given an opportunity to explain these exceptions.

This explicit remedial provision of the law the Comptroller General's office has violated in now referring to exceptions to T. V. A. expenditures without first giving T. V. A. an opportunity, as the law requires, to explain the basis on which the expenditures were made.

No reports by the Comptroller General's office for the fiscal years since 1934 have been received by T. V. A. for review, as provided in the law. It comes with poor grace from the Comptroller General's office to charge illegality to the T. V. A. when his office has directly flouted the provision of law passed to prevent such ex parte condemnation of a governmental agency.

The wisdom of Congress in requiring that the Comptroller General should first refer his report to the T. V. A. before making public his exceptions is demonstrated by the subsequent history of the report, which brought down upon the Comptroller General the censure of Congress in the form of the amendment referred to. In that widely publicized report, of the $2,013,326.51 to which exception was taken, only $89,585.70, or only 4½ percent, of the original amount, is now challenged by the Comptroller General's office after having heard the T. V. A. explanation.

To repeat, no reports by the Comptroller General for the fiscal years since 1934 have been received by the T. V. A. for review, although great effort has been made by the Authority to facilitate his audit in spite of his insistence on an audit procedure in direct conflict with the T. V. A. Act.

Mr. McKELLAR. Mr. President, I asked the Chair to recognize me awhile ago in order that I might reply to the remarks of the Senator from New Hampshire, but I believe

the colloquies on the floor of the Senate have completely answered every argument that has been made by the Senator, and so I believe I will let the matter rest where it is.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. VANDENBERG. I do not know what arguments have been answered by the colloquies, but I should not want the RECORD to indicate that there is no further controversy as to whether or not the appropriate place to carry on this investigation is the Federal Trade Commission or a committee of the Senate. I think that is very definitely an unliquidated argument.

Mr. McKELLAR. That is true; but it will not come up for a vote this afternoon. As I said before, I am perfectly willing to have any kind of an investigation. I see no reason why it should not be had, but I think it is very important, Mr. President, if I may answer the Senator from Michigan, that a perfectly fair committee be appointed to conduct the investigation.

I am thoroughly convinced that the Vice President will make an absolutely fair selection; and I am certain that there is not any unwritten rule requiring the appointment on the committee of the authors of the resolution. I do not think they should be appointed. If the investigation is to be undertaken by a special committee it should be conducted by Senators who are not even remotely interested in the matter, except as good citizens. I do not think it would be fair to appoint on the committee the Senator from Utah [Mr. KING], or the Senator from New Hampshire [Mr. BRIDGES], or myself, because such determined views have been expressed by all the Senators named, including myself, that I believe a much fairer, a much more thorough investigation, and one which would make greater appeal to the general good sense of the American people concerning this important matter, would be had by excluding from the committee extremists on either side.

As I have already stated, I would not accept appointment on such a committee if it were tendered to me, and I do not think others who feel as I do about it should accept appointment on such a committee. By the same token, I do not think the investigation should be put in charge of the Senator from New Hampshire [Mr. BRIDGES], who otherwise is all right, but who seems to have an obsession in regard to the T. V. A. If I remember rightly, the Senator from New Hampshire became very much interested in the subject last summer. He has often spoken about it during the present session. This very afternoon he stated that in his judgment, from the facts he already had—and he stated that he had made an investigation—the Tennessee Valley Authority was guilty. Under such circumstances, I do not think any one who has expressed himself so violently ought to be appointed on the committee; and I shall certainly protest with all the vigor I have against the appointment on the committee of the Senator from New Hampshire.

Mr. President, I desire to have printed in the RECORD as a part of my remarks an article which was released to the newspapers by the Tennessee Valley Authority on March 8, 1938, and which appeared in newspapers of that date.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

In the spring of 1935 the Comptroller General issued a preliminary report taking exception to the legality of T. V. A. expenditure for the first 12 months of its activities in the amount of $2,013,326.51. This report was heralded as an expose of T. V. A. mismanagement and illegal use of public funds.

Chairman Arthur E. Morgan, on behalf of the T. V. A., appeared before the House Military Affairs Committee and analyzed the Comptroller General's exceptions in detail. His testimony showed that the report was obviously prepared by men totally unfamiliar with business problems, and particularly those related to construction; that it was careless and inaccurate. This analysis of the looseness of the Comptroller General's report so impressed the Congress that it forthwith amended the powers of the Comptroller General. The amendment specifically required that before the Comptroller General issued a report taking exception to T. V. A. expenditures that report should be first presented to the T. V. A., and that the T. V. A. should then be given an opportunity to explain these exceptions.

This explicit remedial provision of the law the Comptroller General's office has violated in now referring to exceptions to T. V. A. expenditures without first giving T. V. A. an opportunity as the law requires to explain the basis on which the expenditures were made.

No reports by the Comptroller General's office for the fiscal years since 1934 have been received by T. V. A. for review, as provided in the law. It comes with poor grace from the Comptroller General's office to charge illegality to the T. V. A. when his office has directly flouted the provision of law passed to prevent such ex parte condemnation of a governmental agency.

The wisdom of Congress in requiring that the Comptroller General should first refer his report to the T. V. A. before making public his exceptions is demonstrated by the subsequent history of the report which brought down upon the Comptroller General the censure of Congress in the form of the amendment referred to. In that widely publicized report, of the $2,013,326.51 to which exception was taken, only $89,585.70, or only 4½ percent of the original amount is now challenged by the Comptroller General's office after having heard the T. V. A. explanation.

To repeat, no reports by the Comptroller General for the fiscal years since 1934 have been received by the T. V. A. for review, although great effort has been made by the Authority to facilitate his audit in spite of his insistence on an audit procedure in direct conflict with the T. V. A. Act.

Mr. NORRIS. Mr. President, when the Senator from New Hampshire [Mr. BRIDGES] had the floor a short time ago, I asked him whether he would consent to a unanimous-consent agreement to lay aside temporarily the unfinished business and take up the motion which I have made with reference to discharging the Commerce Committee from the further consideration of his resolution. I may say to the Senator from New Hampshire that while he was absent, at the request of the Senator from Utah [Mr. KING], I refrained from requesting consideration of my motion. One of the reasons was the absence of the Senator from New Hampshire.

I have not been able to see the Senator from Utah today, but it was agreed that I should not make any move to take up my motion—and I abstained from discussing it to any great extent yesterday when I had the floor—until the Senator from Utah could have a conversation with the Senator from New Hampshire and some others, including myself, in which we might reach an understanding on the question. I told the Senator from New York [Mr. COPELAND] of our agreement, and the Senator from New York agreed that no action should be taken by the Commerce Committee until this matter is disposed of. I have not been able to see the Senator from Utah, and I do not know whether he has had the conference he expected to have, or whether he would be willing to have my motion taken up at this time. The Senator from Utah is not present.

Mr. BARKLEY. Mr. President, I may say to the Senator from Nebraska that I conferred with the Senator from South Carolina [Mr. BYRNES] with regard to laying aside further the unfinished business to take up controversial matters. A good many interruptions have occurred up to date in the consideration of the reorganization bill.

I feel that I should have to confer with the Senator from South Carolina before consenting further to lay aside the unfinished business. In addition to that, I think the motion of the Senator from Nebraska [Mr. NORRIS] should be held in abeyance until we learn the result of the conference or the hearing which is to be held by the President on next Friday. It has been announced that the President has requested the members of the T. V. A. to appear before him, and my understanding is that the hearing will be public.

Mr. NORRIS. No; I understand it is not to be a public hearing.

Mr. BARKLEY. I am not certain about that. I understood originally it was to be a public hearing.

Mr. NORRIS. I may be mistaken.

Mr. BARKLEY. As to that I am not sure. At any rate, the President is making an effort to get at the facts of this controversy among the members of the T. V. A.; and it seems to me we ought not to take any action until we learn the result of the hearing which the President has set.

Mr. NORRIS. I rose for the purpose of saying what I have said in order that the Senator from New Hampshire might understand why I do not ask for the present consideration of my motion. I shall not do so unless the Senator from New Hampshire can assure me that it is agreeable to the Senator from Utah.

Mr. BRIDGES. I cannot say as to that. I have not seen the Senator from Utah today. I understood a conference was to be held. I, too, have been notified of it.

Mr. NORRIS. Under the circumstances, I should not like to request the present consideration of my motion.

Mr. COPELAND. Mr. President, I had a conversation with the Senator from Nebraska 2 or 3 days ago, and with the Senator from Utah today. My understanding is that we are not to be urged to do anything in the Commerce Committee until the Senator from New Hampshire, the Senator from Nebraska, the Senator from Utah, and Mr. MAVERICK, of the House, have an opportunity to confer. So far as the Commerce Committee is concerned, we shall take no action until we hear from the Senator.

Mr. NORRIS. I am willing to delay consideration of my motion a little longer, if desirable, for I do not want to do injustice to any Senator who is interested. I shall not submit the request for consideration of my motion at this time.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

PURCHASE AND DISTRIBUTION OF FISHING-INDUSTRY PRODUCTS

Mr. PEPPER. Mr. President, in view of the fact that I shall have to be absent from the Senate on official business for a few weeks, I ask unanimous consent that the unfinished business may be laid aside in order that I may ask for the present consideration of two minor bills which have been favorably reported by the Committee on Commerce and are now on the Senate calendar. I ask that immediate consideration may be given the bills.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Florida? Without objection, the unfinished business is temporarily laid aside. Is there objection now to the consideration of the bills as requested by the Senator from Florida?

Mr. McNARY. Mr. President, I do not know that I shall have any objection. May the bills be read?

Mr. PEPPER. I ask that Senate bill 3595, to authorize the purchase and distribution of products of the fishing industry be considered first.

The PRESIDING OFFICER. The bill will be read.

The bill was read, as follows:

Be it enacted, etc., That, out of any funds available to the Federal Surplus Commodities Corporation, not to exceed a sum equal to the difference between $1,000,000 and the sum expended by such Corporation in carrying out the provisions of the joint resolution entitled "Joint resolution to make funds available to carry out the provisions of existing law authorizing the purchase and distribution of products of the fishing industry", approved April 12, 1937, may be used by such Corporation for the purpose of diverting surplus fish (including shellfish) and the products thereof from the normal channels of trade and commerce by acquiring them and providing for their distribution through Federal, State, and private relief channels. The provisions of law relating to the acquisition of materials or supplies for the United States shall not apply to the acquisition of commodities under this act.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 3595) to authorize the purchase and distribution of products of the fishing industry was considered, ordered to be engrossed for a third reading, read the third time, and passed.

COAST GUARD STATION, FLORIDA

Mr. PEPPER. Mr. President, I also ask for the immediate consideration of House bill 7414.

The PRESIDING OFFICER. Is there objection?

There being no objection, the bill (H. R. 7414) to provide for the establishment of a Coast Guard station at or near Panama City, Fla., was considered, ordered to a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized to establish a Coast Guard station on the coast of Florida at or near Panama City, at such point as the Commandant of the Coast Guard may recommend.

Mr. PEPPER. I thank Senators for their cooperation in passing the bills, and assure them that these measures will do much to promote the public welfare.

SITE FOR QUARANTINE STATION, GALVESTON, TEX.

Mr. BARKLEY. Mr. President, I ask unanimous consent for the present consideration of a House bill favorably reported today. There is on the Senate Calendar Senate bill 3237, which is identical with House bill 8972, which has been favorably reported today by the Committee on Public Buildings and Grounds. It merely authorizes the transfer of a little more than 3 acres at the Fort San Jacinto Reservation, Galveston, Tex.

Mr. VANDENBERG. Mr. President, I notice that the bill has reference to a quarantine station. Has that anything to do with the quarantine which the President referred to in his Chicago speech?

Mr. BARKLEY. The geographical situation is entirely different.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 8972) to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex., was considered, ordered to a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That there is hereby transferred to the jurisdiction and control of the Secretary of the Treasury the following tracts of land containing a total area of 3.73 acres, more or less, as shown on map (File No. 9–6–117–A), entitled "Fort San Jacinto Reservation, Galveston, Tex., Plot Sketch of Proposed Quarantine Station Site, United States Engineers' Office, Galveston, Tex.," dated December 1936 (as revised), more particularly described as follows:

Tract A. Quarantine station site: Beginning at the southwest corner of site from which mark "B" a brass plug set in cap rock on south jetty bears north 80°51′ west, 27.1 feet; and running thence north 31°4′ east, 300 feet parallel to and 25 feet distant from the center line of said south jetty, to the northwest corner of site; thence south 80°51′ east, 413.6 feet, to the northeast corner of site; thence south 9°9′ west, 278.3 feet, to the southeast corner of site; thence north 80°51′ west, 525.6 feet, to the point of beginning, the tract containing an area of 3 acres, more or less.

Tract B. Right-of-way 50 feet wide: Beginning at a point on the southerly line of the hereinbefore described quarantine station site (course No. 4) from which the southwest corner of same bears north 80°51′ west, 209.36 feet; and running thence south 80°51′ east, 50 feet, along the southerly line of quarantine station site; thence south 9°9′ west, 635.84 feet, to a point in the northerly line of the highway to ferry; thence north 80°51′ west, 50 feet, along said northerly line; thence north 9°9′ east, 635.84 feet, to the point of beginning, this tract containing an area of 0.73 acre, more or less.

SEC. 2. The Treasury Department shall submit for approval of the War Department plans for such structures or installations as may be contemplated to be erected channelward of the established harbor lines, or on or over the jetty, in accordance with the provisions of sections 10 and 14 of the act of March 3, 1899 (U. S. C., 1934 edition, title 33, secs. 403, 408).

Mr. BARKLEY. I ask that Senate bill 3237, being calendar number 1357, a bill identical with House bill 8972, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, Senate bill 3237 will be indefinitely postponed.

EXEMPTION OF BITUMINOUS COAL FROM INCREASE IN FREIGHT RATES

Mr. SCHWELLENBACH. Mr. President, in the act passed last year providing for the regulation of the bituminous-coal industry Congress provided for a consumers' counsel. That position has been occupied and is occupied by a man well known to most Members of this body, Mr. John Carson, who served as secretary to the late Senator Couzens, of Michigan. I think everyone who is familiar with the work Mr. Carson is attempting to carry out will recognize that he is making a very sincere effort to sustain the position of the consumers, and it is a very interesting experiment in governmental affairs.

It may have been noticed yesterday, when the Interstate Commerce Commission handed down its decision, that bituminous coal was exempted from the decision. It is felt that partially, at least, that decision was due to a brief which was filed before the Interstate Commerce Commission by Mr. Carson, and I ask unanimous consent that that brief be printed in the RECORD.

There being no objection, the brief was ordered to be printed in the RECORD, as follows:

Before the Interstate Commerce Commission

EX PARTE 123—FIFTEEN PERCENT CASE, 1937

Brief of John Carson, Consumers' Counsel of the National Bituminous Coal Commission, in opposition to the proposed freight rate increases on bituminous coal

STATEMENT AND ARGUMENT

Points the Commission should keep in mind in deciding this case

1. The railroads are asking bituminous-coal consumers to pay an estimated annual increase of $40,294,789 in freight rates. The railroads do not contend and have not attempted to prove that bituminous coal freight rates are too low.

2. Bituminous-coal consumers are now paying shocking and unconscionable charges to the railroads for carrying coal.

3. The increase will raise the average charge for transporting this essential commodity to $2.38 per ton. The average value of bituminous coal on board car at the mine in 1936 was $1.82 per ton. The average charge, in comparison with value, for transporting bituminous coal far exceeds the charge for transporting any other necessity of life.

4. Bituminous coal is now bearing an unreasonable share of the transportation burden as shown by the fact that the main coal-carrying roads are extremely prosperous, while the financially distressed roads in general have very little coal traffic. Exhibit 99.

5. The increases would cause many consumers of bituminous coal to shift to substitute fuels (record, 3728–3768), thereby lessening the demand for bituminous coal with the result that thousands of miners would be thrown out of work.

6. In matters of taxation, powerful interests always insist that a law of diminishing return operates to destroy high tax rates. The same law, if it exists, must operate in the matter of railroad rates or transportation tax.

7. Public interest demands recognition of this law and the certainty that high freight rates have operated to encourage, create, and develop competitors with lower rates who have made serious inroads on the railroads' business.

8. The increase would levy an unwarranted tribute on bituminous-coal consumers for the benefit of profit-making railroads.

No brief could be written, no argument could be made that would so conclusively call for an immediate, outright denial of the pending petition for increased freight rates on bituminous coal as do the following cold, irrefutable, unchallenged figures which are supported by the record in this case and are not even questioned by the railroads. To realize the utter preposterousness and manifest unfairness of the railroads' claim that the $40,294,789 increase sought by them will tend to save the financially distressed carriers of the country, one has but to grasp the significance of these amazing figures which show what will become of the $40,294,789 if the increases are allowed. (All references as to net income and deficit are based on the first 9 months of 1937. Railroads Exhibit No. 23—Exhibit of Consumers' Counsel No. 99. Exhibit of Consumers' Counsel No. 116 shows distribution of increases.)

In the eastern district

All roads in the district will get $21,447,137, or 53.3 percent of the United States total.

Amount that will go to 22 railroads in the district that showed a deficit for the first 9 months, 1937; i. e., roads in need, $1,793,507, or 8.4 percent district total, 4.5 percent United States total.

Amount that will go to 26 roads that showed a net income or profit; i. e., roads not in need, $19,651,711, or 91.6 percent district total, 48.8 percent United States total.

In other words, in order that needy roads in the eastern district will get $1,793,507, coal consumers must pay $19,651,711 to roads that have no deficit and are not in need of additional revenue. Not one needy road in this district will get as much as 2 percent of the district increases. This is like a rich promoter of a scheme to raise funds for charity taking 91.6 percent of the funds raised.

In the western district

The total amount of the increase from bituminous coal that will go to all the railroads in this district is only $4,763,210, or 11.8 percent of the total for the United States.

Of this amount 22 needy carriers; i. e., roads that show a deficit, will get $3,091,128, or 64.9 percent of the total for the district but only 7.7 percent of the United States total.

Twenty-one carriers not in need, i. e., roads that show a net income, will get $1,666,057, or 35 percent of the district total, 4.1 percent of the United States total.

In the southern region

The total increases for this region would amount to $4,476,282, or 11 percent of the United States total.

The amount going to roads that made a profit in the first 9 months of 1937 will be $3,163,524, or 70.7 percent of the region total, 7.8 percent of the United States total.

The amount that will go to roads that had a deficit in the same period will be $1,312,758, or 29.3 percent of the region total only, 3.2 percent of the United States total.

Coal consumers would have to pay a tribute of $3,163,524 to profit-making roads in order that roads in need in the South would get $1,312,758.

In the Pocahontas region

There are only four railroads in this region. They had a net income; that is, a profit, in the first 9 months of 1937 of $54,674,928. None of them had a deficit. From the proposed increases on bituminous coal freight rates, these rich roads will get $9,608,160, or 23.9 percent of the United States total.

These Pocahontas carriers are admittedly waxing fat on profits made from transporting bituminous coal. In Ex Parte 115 this Commission recognized the fact that these roads are not in need of additional revenue when it said that it "shocks the conscience" to allow them further increases, and that "increases to them are without a shadow of justification."

Grand totals

Of the $40,294,789 freight rate increases to be derived from bituminous-coal consumers: 65 railroads that showed a net income; that is, a profit, in the first 9 months of 1937, will get $34,089,452, or 84.6 percent of the total.

Fifty-five roads that showed a net deficit in the same period will get only $6,197,393, or 15.4 percent of the total.

The railroads are asking bituminous-coal consumers to pay increases in freight rates on a plea that the railroads of the Nation are in need of additional revenue immediately.

The public does not know that $34,089,452 or 84.6 percent of the increases would go to the strong roads showing a net income; that is, a profit above fixed charges, nor does the public know that only $6,197,393 or 15.4 percent would go to the weak roads showing a net deficit.

To grant these increases under guise of rendering necessary emergency assistance to needy railroads would delude the public. It would be forcing the people to pay money for the purported purpose of saving the weak roads when the evidence shows beyond dispute that the weak roads would get very little of this money, the great bulk of which would go to roads that are making a net income, and certainly are not in need of emergency treatment in a summary proceeding. On a specious plea of need, the granting of the increase would compel bituminous-coal consumers, who are already overburdened with outrageously excessive freight rates, to render further tribute to profit-making railroads.

We submit that the Interstate Commerce Commission should, and trust that it will, promptly and unqualifiedly deny the petition of the railroads for increased freight rates on bituminous coal.

JOHN CARSON,
Consumers' Counsel.
DONALD GALLAGHER,
Attorney for Consumers' Counsel.

WASHINGTON, D. C., *February 7, 1938.*

ADDITIONAL DISTRICT JUDGE, EASTERN DISTRICT OF LOUISIANA

Mr. OVERTON. Mr. President, I have consulted with the majority leader and the minority leader with reference to the unanimous-consent proposal I am about to make. I ask unanimous consent for the immediate consideration of House bill 2709, being Calendar No. 1456.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. VANDENBERG. Let the bill be read from the desk.

The PRESIDING OFFICER. The bill will be read.

The bill (H. R. 2709) to provide for the appointment of one additional United States district judge for the eastern district of Louisiana was read, as follows:

Be it enacted, etc., That the President of the United States be, and he is hereby, authorized to appoint, by and with the advice and consent of the Senate, one additional United States district judge for the eastern district of Louisiana.

Mr. VANDENBERG. Mr. President, is not the Senate Judiciary Committee making a comprehensive survey of the entire United States judicial field, and contemplating the submission of a comprehensive program?

Mr. OVERTON. That is correct; but I may say to the Senator from Michigan that a bill similar to the House bill has been pending before the Senate for over a year. The additional judgeship for the eastern district of Louisiana has been recommended for three different years by the Judicial Conference. No action has been taken upon it. The House favorably reported and passed a separate bill in reference to an additional judge for the eastern district of Louisiana, because it was very necessary that such an additional judge should be promptly appointed for that district. The Senate Judiciary Committee made a favorable report on the House bill, and it is now on the calendar.

Mr. VANDENBERG. Very well.

Mr. OVERTON. I hope there will be no objection to the consideration of the bill.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

The PRESIDING OFFICER. Without objection, Senate bill 488, of similar title and purport, will be indefinitely postponed.

EXECUTIVE SESSION

Mr. BARKLEY. Mr. President, before going into executive session I wish to reiterate the hope which I expressed yesterday, that tomorrow we may give further consideration to the unfinished business and make some progress in its consideration.

I now move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. BURKE in the chair) laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEE ON COMMERCE

Mr. COPELAND, from the Committee on Commerce, reported favorably the nominations of several officers for appointment in the Coast Guard of the United States, which were ordered to be placed on the Executive Calendar.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state in their order the nominations on the calendar.

DEPARTMENT OF THE INTERIOR

The legislative clerk read the nomination of Ebert K. Burlew, of Pennsylvania, to be First Assistant Secretary of the Interior.

Mr. BARKLEY. That nomination will have to go over.

The PRESIDING OFFICER. Without objection, the nomination will be passed over.

GOVERNOR OF HAWAII

The legislative clerk read the nomination of Joseph B. Poindexter, of Hawaii, to be Governor of the Territory of Hawaii.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

SURVEYOR OF CUSTOMS

The legislative clerk read the nomination of Harry T. Foley to be surveyor of customs for customs collection district No. 10, with headquarters at New York, N. Y.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES PUBLIC HEALTH SERVICE

The legislative clerk proceeded to read sundry nominations in the United States Public Health Service.

Mr. BARKLEY. I ask unanimous consent that the nominations in the United States Public Health Service be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Thursday, March 10, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 9 (legislative day of January 5, 1938)

ENVOYS EXTRAORDINARY AND MINISTERS PLENIPOTENTIARY

Meredith Nicholson, of Indiana, now Envoy Extraordinary and Minister Plenipotentiary to Venezuela, to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Nicaragua, vice Boaz Long.

Boaz Long, of New Mexico, now Envoy Extraordinary and Minister Plenipotentiary to Nicaragua, to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Ecuador, vice Antonio C. Gonzalez.

Antonio C. Gonzalez, of New York, now Envoy Extraordinary and Minister Plenipotentiary to Ecuador, to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Venezuela, vice Meredith Nicholson.

PUBLIC HEALTH SERVICE

Dr. James A. Crabtree to be surgeon in the United States Public Health Service, to take effect from date of oath.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 9 (legislative day of January 5), 1938

GOVERNOR OF HAWAII

Joseph B. Poindexter to be Governor of the Territory of Hawaii.

SURVEYOR OF CUSTOMS

Harry T. Foley to be surveyor of customs in customs collection district No. 10, with headquarters at New York, N. Y.

PUBLIC HEALTH SERVICE

Theodore McC. Burkholder to be assistant surgeon.
Robert J. Ritterhoff to be assistant surgeon.
Robert C. Dunn to be assistant surgeon.
Rudolph J. Ferlic to be assistant surgeon.
Waldo B. Edwards to be assistant surgeon.
Benjamin Highman to be assistant surgeon.
Ward L. Mould to be assistant surgeon.
Randall B. Haas to be assistant surgeon.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MARCH 9, 1938

The House met at 11 o'clock a. m.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

It is a good thing to give thanks unto the Lord; to show forth thy loving kindness in the morning and thy faithfulness every night. Hear us, O Lord, and let our prayer come unto Thee. Let the rays of Thy presence come through the cloud mists of all differences and make us ardent in our devotion to the public service. We pray that confidence and contentment may flow through the veins of the great human life of our land, awakening a joyous new spirit.

Our Father who art in heaven, hallowed by Thy name; Thy kingdom come, Thy will be done in earth as it is in heaven. Give us this day our daily bread; forgive us our trespasses as we forgive those who trespass against us; lead us not into temptation, but deliver us from evil, for Thine is the kingdom, and the power, and the glory for ever and ever. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS

Mr. WENE. Mr. Speaker, I ask unanimous consent to extend my remarks on a labor resolution I introduced and include a letter.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. PACE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an address by the Secretary of Agriculture on the new Farm Bureau.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection?

PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. RICH. Mr. Speaker, the T. V. A., by orders from the President, is going to spend $50,000,000 of the taxpayers money to buy the public utilities in the southeastern section of the United States—Alabama, Tennessee, Kentucky, North Carolina, South Carolina, and so forth. In less than 3 years I predict the Government will do the same thing in the Northwest—Washington, Oregon, Idaho, and Montana—on account of Bonneville and Grand Coulee Dams started by the President with P. W. A. funds.

Mr. Speaker, we are going to Russianize and socialize America. Mr. Roosevelt recognized Russia. I wonder why? We shall find out not more than 5 or 6 years from now that the President of the United States will say: "We planned it that way." It is about time the Members of Congress took away from the President of the United States authority to go any further with this socialization program. It is time the American people stopped, looked, and listened. We as their representatives ought to do the same, before it is too late. Members of Congress, repeal the power you gave the President so Congress resumes its responsibility. It is your duty.

[Here the gavel fell.]

Mr. MASON. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

HOW LONG, O LORD, HOW LONG?

Mr. MASON. Mr. Speaker, the eyes of the world have been focused upon the sham trial now going on in Russia. We know the verdict beforehand. We know something about the methods of the Russian secret police.

Mr. Speaker, this morning I read in my paper that three departments of our Government have just joined forces to carry on a fishing expedition to determine the validity of a certain visa, a visa upon which a prominent commentator entered this country and the basis upon which his citizenship rests. If a "t" is found uncrossed or a comma misplaced, Boake Carter will be a man without a country.

Mr. Speaker, I am alarmed, I am afraid, I am jittery, because I, too, am one of those suspicious characters known as a naturalized citizen; I, too, have dared to express doubt about the proposed Navy expansion program and have inserted those doubts in the RECORD. On my way to the office this morning I found myself continually looking over my shoulder to see if I were being followed and watched. I am wondering whether my past is being inspected to see whether, before I reached the age of discretion, I may have perhaps stolen * * * a kiss from some willing maiden. Stealing is a crime involving moral turpitude. My whole career may be in danger. I wonder if newspapers today that dare criticize any department of the Government may not find the secret agents of that department going through their income-tax returns, or some other form of persecution, imposed upon them.

How long, O Lord, how long must Americans suffer under the irritating afflictions of these officious bureaucrats? [Applause.]

Mr. PLUMLEY. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

VERMONT LEADS THE WORLD

Mr. PLUMLEY. Mr. Speaker, I received a letter the other day asking me if I knew where the first normal school was established on the North American Continent, and I did, for it was established at Concord, Vt., in the year 1823 by the Reverend Samuel Reed Hall.

Vermont was also the first State to provide by law a complete system of education, and I so advised my inquiring friend. I also went on to say, very modestly, that Vermont leads the world in—

The manufacture of scales.
The manufacture of wire screens.
The manufacture of shoddy.
The manufacture of maple sugar tools.
The manufacture of granite and marble machinery.
The manufacture of silos.
The manufacture of children's wash clothes.
The handling of green calfskins.
The manufacture of soapstone products.
The manufacture of dyes for butter.

I further called attention to the fact that Vermont leads the rest of the United States in the production of marble, granite, pipe organs, portable ovens, stereopticons, butter per capita, maple sugar, and asbestos.

And in order that I might furnish scriptural measure—Luke 6:38—"good measure, pressed down, shaken together, running over," I referred to the fact that among other firsts to which Vermont lays claim, and among other things which happened in Vermont first, are the following:

The first man to make a steam caliope.
The first man to discover the roller process for making flour.
The first man to tell Lincoln of his reelection.
The first man to make a glove for school purposes.
The first man to make a swivel plow.
The first man to advocate civil service.
The first man to make bessemer steel in America.
The first man to make a successful time lock.
The first man to make a cook stove.
The first man to make an electric motor.
The first man to make a gimlet.
The first man to make a carpenter's square.
The first man to build an elevated road in New York.
The first man to take a battleship around Cape Horn.
The first man to make an electric locomotive.
The first man to baptize a Chinaman in the Christian faith.
The first man to can meat in America.
The first State to forbid slavery by constitution.

I recall that 6 or 7 years ago former Gov. Stanley C. Wilson made what he called monthly talks with respect to Vermont and its place in the business world, and at that time he said that in St. Johnsbury, Vt., is the largest scales factory in the world, while in Rutland is the second largest. In Rutland, also, is located the largest company in the world making maple sugar utensils, together with the largest concern manufacturing granite and marble working machinery.

In Winooski is situated the largest screen factory in the world, while Burlington leads the world in the production of portable ovens, brush fiber, package dyes, and butter color. A plant at Weathersfield leads the world in the variety of its soapstone products. In Brattleboro is the largest pipe-organ factory in the United States. In Orleans is located one of two plants under the same management which manufacture the greater part of the sounding boards used in this country. In Bellows Falls is the second largest waxed-paper mill in the country.

Springfield, Vt., manufactures the bulk of the world's last lathes and turret lathes, leads in automatic gear-shape machines, and has the largest shoddy mill in the world.

At Barnet is a factory which manufactures croquet sets and which supplies to a large extent the entire demands of the trade.

The State may well be considered the headquarters of the spring-clip clothespin industry, millions of clothespins being produced.

Throughout the State are located numerous factories having a wide range of products—all the way from the great automatic machine tools and the mammoth machines used in the manufacture of granite and marble down through the numerous woodworking factories producing furniture, baseball bats, box covers, wooden heels, and hundreds of other articles. The finest bowling pins, and I think the greatest number produced in any State, are made in Vermont. A great many of our Vermont industries are built up for the use of the fine hardwood lumber which is seldom, if ever, found better than in this State. Many woodworking plants are located close to the Green Mountains, where an extensive supply of fine hardwood is now available.

All over the State are found great natural water powers, of which most of the larger have been utilized for the development of electric energy.

It is easy to see the advantage that inures to Vermont manufacturing establishments from the great supply of cheap power produced almost at the door of the manufacturing plant.

Vermont has good shipping facilities. She has outlets for freight in all directions over trunk-line railroads or their immediate connections, and by water across Lake Champlain to the New York Barge Canal and the Hudson River.

There is another basic fact relating to Vermont which explains further why Vermont industries flourish. Vermont has no large cities. The cost of living is materially less than in the more populous sections of the country.

There is a spirit of loyalty born of long and continuous service surrounding many of the manufacturing plants of the State. The typical Vermont laborer in a typical Vermont industrial establishment takes a personal interest in his work, and the welfare of his employer means much to him.

Labor troubles seldom develop in Vermont. As a rule, there is a mutual regard by the employer and the employee each for the rights and the interests of the other.

To a surprising extent, in our State, factory employees own their homes, with the result that the employees as well as the employers have a direct financial interest in the community and in the success and permanence of the business in which they are employed.

Moreover, most of the industries of the State are home-owned and the evils and dangers of distant corporate control are nonexistent. The tendency has been for sometime in this country to build up great corporations to control industries, and as a result the personal element has been driven out by the cold-blooded rule of distant management. Vermont is fortunate that even in her largest industries the capital is largely provided by Vermont people, and so the business control is kept within the State, close to the towns where the business actually operates.

There is a tendency in the manufacturing world at the present time to get away from the idea of the great specialized manufacturing centers. The experience of some of the corporations that have tried to combine their plants has not been wholly satisfactory. Businessmen are now turning to the small-town idea of manufacturing operations. The experience of the past few decades seems to have established that, with the exception of a few industries, the advantages of plant location in comparatively small cities or towns outweigh those of location in large industrial centers. This is true because of the lower cost of living, the smaller turn-over of labor, the greater loyalty and efficiency of the employees, and comparative freedom from the burden of high real-estate values.

In these days when we are trying to reestablish industry under changed conditions and on a better basis Vermont holds out splendid opportunities for the location of manufacturing establishments under conditions that ought to insure successful operation.

In addition to the foregoing may I say that for scenic beauty Vermont is generally acknowledged to be the "Switzerland of America." And if you have not seen Vermont, "You have not been anywhere and you have not seen anything." [Applause.]

CALL OF THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I make the point of order that a quorum is not present.

Mr. DOUGHTON. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 31]

Atkinson	Crosby	Jenks, N. H.	Pettengill
Barden	Deen	Johnson, Okla.	Rankin
Biermann	Douglas	Keller	Sabath
Boykin	Drewry, Va.	Lewis, Md.	Smith, Maine
Buckley, N. Y.	Farley	Long	Sweeney
Cannon, Wis.	Frey, Pa.	Lucas	Taylor, Colo.
Carter	Fulmer	McGroarty	Tobey
Cartwright	Gasque	Massingale	Towey
Colden	Green	Maverick	White, Idaho
Cole, Md.	Greenwood	Mitchell, Ill.	
Cooley	Harlan	Mott	
Creal	Hook	O'Connor, Mont.	

The SPEAKER. Three hundred and eighty-four Members have answered to their names. A quorum is present.

On motion of Mr. COOPER, further proceedings under the call were dispensed with.

COMMITTEE ON RIVERS AND HARBORS

Mr. BEITER. Mr. Speaker, by direction of the Committee on Rivers and Harbors, I ask unanimous consent that that committee may have permission to sit tomorrow afternoon and Friday afternoon during the sessions of the House.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

EXTENSION OF REMARKS

Mr. WELCH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include excerpts from statements of Pacific Coast American Legion National Defense Committee before the House Committee on Merchant Marine and Fisheries relative to the retention of fast vessels in intercoastal trade in the interest of national defense.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HILL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address I made over N. B. C. last night.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

COMMITTEE ON THE DISTRICT OF COLUMBIA

Mr. PALMISANO. Mr. Speaker, I ask unanimous consent that the Committee on the District of Columbia may sit during the session of the House tomorrow afternoon.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, to provide revenue, equalize taxation, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that in the engrossing of the pending bill (H. R. 9682) the Clerk of the House be authorized:

First. To make such changes in the table of contents as may be necessary to make such table conform to the action of the House in respect of the bill;

Second. To make such clerical changes as may be necessary to the proper numbering and lettering of the various portions of the bill, and to secure uniformity in the bill in respect of typography and indentation; and

Third. To amend or strike out cross-references that have become erroneous or superfluous, and to insert cross-references made necessary by reason of changes made by the House.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, pending the motion I also ask unanimous consent that when the House resolves itself into the Committee of the Whole House on the state of the Union for the consideration of the pending bill (H. R. 9682), general debate on title I–B of the bill and all amendments thereto be confined to 1½ hours, one half of this time to be controlled by the gentleman from Massachusetts [Mr. McCORMACK], and the other half by myself.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that all debate on title I–B of the bill and all amendments thereto be confined to 1½ hours, one half of the time to be controlled by the gentleman from Massachusetts [Mr. McCORMACK], and one half by the gentleman from North Carolina [Mr. DOUGHTON]. Is there objection to the request?

Mr. TREADWAY. Mr. Speaker, reserving the right to object, the gentleman from North Carolina spoke to me last night about limiting the debate to 1½ hours on this particular title, which is entirely agreeable. However, I do not think the division of time is quite agreeable to me and to my associates on this side.

Mr. DOUGHTON. If it is not agreeable, I will withdraw the unanimous consent request.

Mr. TREADWAY. Just permit me to make a brief statement and I think we can reach an agreement. The request of the gentleman from North Carolina [Mr. DOUGHTON], as I understood it, was that he control one half of the time and the gentleman from Massachusetts [Mr. McCORMACK] control the other half. I think there should be some part of that time within the control of Members on this side of the House. I intend, and I think my associates on this side intend, to vote with the gentleman from Massachusetts [Mr. McCORMACK] on this matter, but I think that some other division of the 1½ hours should be made.

Mr. McCORMACK. Mr. Speaker, further reserving the right to object, I think we can agree on this. There is no question as to the time, 1½ hours, I believe the gentleman from Massachusetts [Mr. TREADWAY] is properly asserting his right. Why can we not agree that one half of this time may be allotted to those in favor of striking out title I–B, this time to be within the control of the gentleman from Massachusetts [Mr. TREADWAY] as the ranking minority member of the Ways and Means Committee, and the other half to be controlled by the gentleman from North Carolina [Mr. DOUGHTON]?

Mr. DOUGHTON. There is no objection to that.

Mr. McCORMACK. I think that would be much better.

The SPEAKER. Does the gentleman from North Carolina [Mr. DOUGHTON] so modify his request?

Mr. DOUGHTON. Mr. Speaker, I so modify my unanimous-consent request.

The SPEAKER. The gentleman from North Carolina [Mr. DOUGHTON] asks unanimous consent that all debate on title I–B and all amendments thereto in the Committee of the Whole be restricted to 1½ hours, one-half of that time to be controlled by the gentleman from Massachusetts [Mr. TREADWAY], and one-half by the gentleman from North Carolina [Mr. DOUGHTON]. Is there objection to the request?

Mr. DOUGHTON. Mr. Speaker, that was not the request.

Mr. McCORMACK. Mr. Speaker, I think it is better parliamentary procedure and more consistent with the previous custom of the House to have control of part of the time in the minority Members. I am satisfied that the gentleman from Massachusetts [Mr. TREADWAY] will see that at least half of the time he has control of is given to Members on this side.

Mr. DOUGHTON. Mr. Speaker, I modify my request so that one-half of the time may be controlled by the gentleman from Massachusetts [Mr. TREADWAY], instead of the gentleman from Massachusetts [Mr. McCORMACK].

The SPEAKER. The Chair so stated the request. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The SPEAKER. The gentleman from North Carolina moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, with Mr. WOODRUM in the chair.

The Clerk read the title of the bill.

Mr. FRED M. VINSON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: Page 282, line 18, after "return", insert ", but only to the extent to which such dividends are includible, for the purposes of title I, in the computation of the basic surtax credit for the year of distribution."

The committee amendment was agreed to.

Mr. FRED M. VINSON. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: Page 284, after line 2, insert:

"SEC. 457. Deficiency dividends—Credits and refunds.

"(a) Credit against unpaid deficiency: If the amount of a deficiency with respect to the tax imposed by this title for any taxable year has been established—

"(1) by a decision of the Board which has become final; or

"(2) by a closing agreement made under section 606 of the Revenue Act of 1928, as amended by section 801 of this act; or

"(3) by a final judgment in a suit to which the United States is a party;

then a deficiency dividend credit shall be allowed against the amount of the deficiency so established and all interest, additional amounts, and additions to the tax provided by law not paid on or before the date when claim for a deficiency dividend credit is filed under subsection (d). The amount of such credit shall be 20 percent of the deficiency dividends, as defined in subsection (c), but such credit shall not exceed the portion of the deficiency so established which is not paid on or before the date of the closing agreement, or the date the decision of the Board or the judgment becomes final, as the case may be. Such credit shall be allowed as of the date the claim for deficiency dividend credit is filed.

"(b) Credit or refund of deficiency paid: When the Commissioner has determined that there is a deficiency with respect to the tax imposed by this title and the corporation has paid any portion of such asserted deficiency and it has been established—

"(1) by a decision of the Board which has become final; or

"(2) by a closing agreement made under section 606 of the Revenue Act of 1928, as amended by section 801 of this act; or

"(3) by a final judgment in a suit against the United States for refund—

"(A) if such suit is brought within 6 months after the corporation became entitled to bring suit, and

"(B) if claim for refund was filed within 6 months after the payment of such amount;

that any portion of the amount so paid was the whole or a part of a deficiency at the time when paid, then there shall be credited or refunded to the corporation an amount equal to 20 percent of the deficiency dividends, but such credit or refund shall not exceed the portion so paid by the corporation. Such credit or refund shall be made as provided in section 322 but without regard to subsection (b) or subsection (c) thereof. No credit or refund shall be made under this subsection with respect to any amount of tax paid after the date of the closing agreement, or the date the decision of the Board or the judgment becomes final, as the case may be. No interest shall be allowed on such credit or refund.

"(c) Deficiency dividends.

"(1) Definition: For the purpose of this title, the term "deficiency dividends" means the amount of the dividends paid, on or after the date of the closing agreement or on or after the date the decision of the Board or the judgment becomes final, as the case may be, and prior to filing claim under subsection (d), which are includible, for the purposes of title I, in the computation of the basic surtax credit for the year of distribution. No dividends shall be considered as deficiency dividends for the purposes of allowance of credit under subsection (a) unless (under regulations prescribed by the Commissioner with the approval of the Secretary) the corporation files, within 30 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be, notification (which specifies the amount of the credit intended to be claimed) of its intention to have the dividends so considered.

"(2) Effect on dividends paid credit.

"(A) For taxable year in which paid: Deficiency dividends paid in any taxable year (to the extent of the portion thereof with respect to which the credit under subsection (a), or the credit or refund under subsection (b), or both, are allowed) shall be sub-

tracted from the basic surtax credit for such year, but only for the purpose of computing the tax under this title or title I–A for such year and succeeding years.

"(B) For prior taxable year: Deficiency dividends paid in any taxable year (to the extent of the portion thereof with respect to which the credit under subsection (a), or the credit or refund under subsection (b), or both, are allowed) shall not be allowed under section 454 (d) or 405 (c) in the computation of the tax under this title or title I–A for any taxable year preceding the taxable year in which paid.

"(d) Claim required: No deficiency-dividends credit shall be allowed under subsection (a) and no credit or refund shall be made under subsection (b) unless (under regulations prescribed by the Commissioner with the approval of the Secretary) claim therefor is filed within 60 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(e) Suspension of statute of limitations and stay of collection:

"(1) Suspension of running of statute: If the corporation files a notification, as provided in subsection (c), to have dividends considered as deficiency dividends, the running of the statute of limitations provided in section 275 or 276 on the making of assessments and the bringing of distraint or a proceeding in court for collection, in respect of the deficiency and all interest, additional amounts, and additions to the tax provided by law, shall be suspended for a period of 2 years after the date of the filing of such notification.

"(2) Stay of collection: In the case of any deficiency with respect to the tax imposed by this title established as provided in subsection (a)—

"(A) The collection of the deficiency and all interest, additional amounts, and additions to the tax provided for by law shall, except in cases of jeopardy, be stayed until the expiration of 30 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(B) If notification has been filed, as provided in subsection (c), the collection of such part of the deficiency as is not in excess of either the credit allowable under subsection (a) or the amount which, in the notification, is specified as intended to be claimed as credit, shall, except in cases of jeopardy, be stayed until the expiration of 60 days after the date of the closing agreement, or the date upon which the decision of the Board or judgment becomes final, as the case may be.

"(C) If claim for deficiency dividend credit is filed under subsection (d), the collection of such part of the deficiency as is not in excess of either the credit allowable under subsection (a) or the amount claimed, shall be stayed until the date the claim for credit is disallowed (in whole or in part), and if disallowed in part collection shall be made only of the part disallowed.

No distraint or proceeding in court shall be begun for the collection of an amount the collection of which is stayed under subparagraph (A), (B), or (C) during the period for which the collection of such amount is stayed.

"(f) Credit or refund denied if fraud, etc.: No deficiency dividend credit shall be allowed under subsection (a) and no credit or refund shall be made under subsection (b) if the closing agreement, decision of the Board, or judgment contains a finding that any part of the deficiency is due to fraud with intent to evade tax, or to failure to file the return under this title within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure to file is due to reasonable cause and not due to willful neglect."

Page 284, line 3, strike out "457" and insert "458."
Page 284, line 6, strike out "458" and insert "459."
Page 284, line 12, strike out "459" and insert "460."
Page 284, line 15, strike out "460" and insert "461."

The committee amendment was agreed to.

Mr. McCORMACK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McCORMACK: Page 275, strike out title I–B, beginning in line 17, page 275, up to and including line 16 on page 284.

Mr. TREADWAY. Mr. Chairman, I yield 30 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio [Mr. LAMNECK].

Mr. LAMNECK. Mr. Chairman, we are considering a very important matter today, in my judgment. Ordinarily when the Committee on Ways and Means recommends a tax bill it has only one duty to perform thereby, to raise revenue. I believe this year the committee occupies a different position than it ever has in the history of Congress, because it has the opportunity to report such a tax bill as will promote confidence in industry and in the man who has a few dollars he may invest. I claim the committee has muffed the ball by not recognizing this fact. The Members of the House still have an opportunity to do what the committee would not do, pass such a tax bill as will instill confidence in business. If you do not instill confidence in business within the next 18 months, you will have a depression that will make past depressions look like 5 cents. If you do not restore confidence in industry so industry will earn money, I predict that in the next fiscal year you will fail by a billion dollars to collect the amount of revenue you collected last year. If this happens, you will have an increased relief load of at least $2,000,000,000. If you add this deficit of $3,000,000,000 to the one you are going to have this year, you will have a deficit on June 30, 1939, of at least $5,000,000,000. Then what will happen? You will have inflation. Where is there a man with an ounce of brains who wants anything like that to happen?

I do not say that striking out title I–B will bring prosperity, but I claim it is the only opportunity that has been offered the Congress in the last 2 years to do something which may restore prosperity. This bill is wrong. It discriminates against independent business. I notice a bill was introduced by the gentleman from Texas [Mr. PATMAN] for the purpose of taxing chain stores. Why is that bill introduced? I suppose it is for the purpose of doing something for independent business. I am not at all discussing the merits of that bill, but what do we do by the pending bill, I may ask? We murder independent business. It is said this bill does not apply to a lot of people, and that an exemption of $75,000 is allowed. Some of the Members on this side believe the bill will not hurt a lot of people in their districts because of the exemption, but I claim if the bill is sound and if the system of taxation is sound, it ought to apply equally to every corporation that is closely held, regardless of whether it makes $5,000, $10,000, $20,000, or a million dollars. In my judgment, the fact the exemption of $75,000 is placed in this section is the severest indictment you can make against it. The section ought to be stricken out. Almost every independent business in your home towns, cities, and States is closely held. I ask you to strike out this section and do something for business. [Applause.]

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. SWOPE].

Mr. SWOPE. Mr. Chairman, the House of Representatives has had under consideration for a number of days H. R. 9682, which will be known as the Revenue Act of 1938. I have not only listened to most of the debate on the floor but have taken the time to review these speeches by reading them in the daily CONGRESSIONAL RECORD. Fourteen months ago, when I came into this body as a new Member, it was not long before I knew why the chairman of the Ways and Means Committee, the distinguished gentleman from North Carolina [Mr. DOUGHTON] was held in high esteem by the Members of this House. He is always kind, considerate, and courteous. The chairman of the subcommittee which considered and originated this measure was known to me by reputation before I became a Member. Having now learned to know him personally, I gladly testify to the great ability and knowledge of tax problems possessed by our earnest and energetic colleague from Kentucky [Mr. FRED M. VINSON]. His recent nomination and confirmation to become a member of the Federal judiciary is a well-merited recognition of his worth and services.

The Ways and Means Committee has performed a stupendous task and has done an excellent job. In my opinion, there is only one portion of this bill which will seriously detract from the excellence of their work. I have reference, of course, to title I–B which to me represents one of the most vicious principles which we might establish with respect to internal-revenue taxation.

It is almost 25 years to the month that I entered the United States Internal Revenue Service, and I was, under the Wilson administration, the youngest revenue agent in the United States. My work was in connection with the administration of the first income-tax law that was ever passed in this country following the adoption of the sixteenth amendment. A large portion of my energy and time has been expended ever since in connection with the problems arising from income taxation.

Title I–B would levy a discriminatory penalty tax upon closely held or so-called family corporations which did not distribute a substantial portion of their earnings in the form of dividends. It is true, as has been stated by the distinguished gentleman from Kentucky and other proponents of the principle, that many safeguards and exemptions have been thrown around this portion of the bill. Is not that an admission that this idea is so dangerous and so loaded with possibility of harm and injury that great care must be used in its application? It is like the handling of powerful explosives or destructive acids. We must keep the one in isolated places and the other in acidproof containers; and both always in the hands of experts, lest they do irreparable damage.

May I say to this House that there are in my district, and in the district of every Member of this body, literally hundreds and thousands of people who view with apprehension what they could not fail to consider in any manner except an attack upon economic truths and principles that we have been proud to consider as being the birthright of the American people. As one who has been associated with the history of income taxation for 25 years, since the inception of its modern phase in this country, I confess that I have the same apprehension. Oh, you say that the $75,000 basic exemption will keep free most of the family corporations in this country. No one can deny that truth, but I say to you that if this principle is established the proponents of this method of taxation will come into Congress at a later date demanding that the exemption be lowered to $50,000, and then to $25,000, and then eliminated altogether. And they would be right. It would seem to me that this House would have been in a better position to pass upon the justice and propriety of this principle of taxation if the Ways and Means Committee had brought a bill in here containing the idea of a family or closely held corporate penalty tax without exemption.

I want to cite to you a family corporation with the operations of which I have been closely connected for the past 18 years, and not as a shareholder, officer, or employee. In a small and typical Pennsylvania community of 10,000 people in the north-central portion of the State, there is a manufacturing company engaged in the production of a certain textile. This was started by a man, now deceased, more than 40 years ago. In the very first months of its career, the principal owner of this corporation had to go among his friends to raise money to lift small quantities of yarns and other raw materials which had been consigned to him for use in the production of his product. By following consistently the practice of plowing back earnings, this organization has grown until today at normal capacity operation it employs approximately 1,500 people. It is the very lifeblood of this community. Who among the proponents of title I–B can have the hardihood to stand in this House and claim that this corporation would have become the sustaining force in its community that it has if the principle of family corporation penalty taxation had been in existence years ago?

If the controlling shareholders in a closely-held corporation elect to employ the earnings of that corporation in plant improvements and extension, those individuals do not really have the use of that money in the same degree as one who is a shareholder, large or small, in a corporation and who receives his dividends and is free to invest the cash in Government securities or other safe and income-producing investments. The plain American people have always been willing to consider the family corporation which reinvested the earnings of its enterprises in extensions, thereby making wider opportunities for employment of labor, as benefactors and worthy exponents of our American system. Why then should we penalize them? In fact, the very thought of penalty is disagreeable to most of us. Penalty should only be asserted against those who are guilty of wrongdoing. And I admit there are those who can be honestly charged with wrongdoing in manipulating the corporate structure for the purpose of evading and avoiding income taxes. But why should we injure dozens and potentially thousands of corporations in order that we might apprehend some who are guilty of wrongdoing?

It has been stated here and in the presence of the country that this tax is aimed at particular corporations. I resent this charge. I have too much respect for the Ways and Means Committee to believe that any one of them would entertain so improper a thought. But the fact remains that it will hit certain corporations. My friends, if I am shot and the man who holds the gun which shot me claims that he did not aim at me it does not make my pain any the less.

Much has been said during this debate as to the basic theory of taxation. No one quarrels with the principle that taxes must be levied in relation to ability to pay. Nor can anyone object to a desire on the part of legislative bodies to endeavor to regulate tax rates so that the same number of tax dollars will result from the same amount of tax income. I have used that language because it was used by the gentleman from Kentucky [Mr. FRED M. VINSON] in his statement to the House on March 3 (CONGRESSIONAL RECORD, p. 2787), when he said:

> We are merely undertaking in this bill to collect for the Federal Government substantially the same number of tax dollars from the closely held corporation or its shareholders as is collected from the widely held corporation and its shareholders where the net income in each case is the same.

Now, my friends, does this title I–B accomplish that? Let me give you an illustration. I admit that this may be an extreme case, but I reserve to myself the right to use figures and statistics to prove my point just as others who favor this type of taxation can use figures and statistics to prove their case.

Let us assume two corporations, A and B. Each of them has net earnings of $1,000,000. Corporation A has a hundred shareholders who own its stock in equal proportions. Corporation B has two shareholders, each holding 50 percent of its stock. Now let us assume that neither corporation pays any dividends. Corporation A, being widely held, will fall under title I of the bill under consideration, and its tax under section 13 at the rate of 20 percent will be $200,000. Corporation B will also pay $200,000 under title I, and, in addition, will pay under title I–B, $112,000. Thus corporation A pays only $200,000, as against a required payment of $312,000 for corporation B. At this point, we have already left the guiding principle of taxation as enunciated by our colleague from Kentucky [Mr. FRED M. VINSON], to which I have just referred, because one corporation pays 56 percent more than another corporation.

Now let us assume that both corporations pay out their entire earnings as dividends, amounting to $1,000,000 in each case. I hope I may not be accused of passing over certain small technical details as to how a corporation may possibly pay out 100 percent of its earnings and also pay income tax on those earnings. But if that question should enter anyone's mind, they could, of course, be answered by stating that the income tax could be paid out of the subsequent year's earnings. If complete distribution is made, title I–B, of course, does not apply to either corporation, and under section 13 of title I each corporation will pay a tax of 16 percent, or $160,000. The 100 shareholders of corporation A will each receive $10,000 in dividends, and assuming for purposes of this computation that they have no other income, they will each pay an aggregate of normal and surtax amounting to $455, making a total for the 100 of $45,500. And we now may say that corporation A and its shareholders jointly pay $205,500 in Federal income tax under this bill. Corporation B, as already stated, pays under title I $160,000, and each of its two shareholders will be required to pay on an income of $500,000, assuming no income from other sources, $304,200. Multiplying this by two, they pay as individual taxpayers $608,400. Adding to this the amount paid by the corporation, namely, $160,000, we find that corporation B and its shareholders pay the Government a total tax of $768,400. Again may I say to the House and to the distinguished chairman of the subcommittee that his test of the fundamental principles of taxation would hardly apply in this case, because corporation A and its shareholders will

pay only $205,500 as contrasted with the amount paid by corporation B and its shareholders, $768,400.

Thus it will readily be apparent to those of us who have been somewhat familiar with the history and scope of Federal income-tax procedure that the hope for certain equalization of the burdens of this tax is after all only a hope. All kinds of circumstances can come in to upset the balance which may have been ever so carefully worked out by hard-working and devoted members of the Ways and Means Committee. This, therefore, brings us back to what should have been the real test of title I–B of the tax bill. What will it accomplish? And how will it affect the business life and economic welfare of the American people?

The greatest problem before this country is that of unemployment. The great senior Senator from Nebraska several days ago in reviewing his 25 years in the Senate enunciated it as his conviction, and I quote a part, that "We simply must solve the unemployment problem." Several days ago a news release by one of the Nation-wide press associations carried the information that a Member of another body in his work with the committee studying the employment or rather unemployment problem stated it as his opinion that the Government might well consider granting tax concessions to industries which voluntarily established annual wage systems. A letter just reached my desk this morning from one of our colleagues, the gentleman from New York [Mr. BEITER], in which he calls attention to an amendment which he will offer to this bill to provide for an exemption, "from all corporate taxes of those earnings of corporations which are reinvested in construction or improvement of real property or in the installation of equipment or machinery for the expansion or replacement of plant or other production facilities." I have not talked with the gentleman regarding his position on title I–B, but I expect him to be as ardently opposed to this principle of penalty taxation from his attitude with respect to his own amendment as I am.

It is obviously plain that many people are giving serious thought to the development of plans through which by some income-tax exemption or advantage private business will be induced to open wider opportunities for employment of labor. Why in the name of heaven should this body say to the world that not only do we disagree with that theory but we will "slap" a substantial penalty upon those corporations owned by small groups or families which have the temerity to employ most of their earnings in expansion programs which would make for greater employment? I recognize that the corporation form has been used improperly, and in many cases illegally, by those who turn heaven and earth to escape proper taxes. It has been demonstrated here by a number of Members that section 102 and other features of this bill could be properly strengthened to prevent these abuses and evil practices. To have the committee confess that these objectives cannot be attained except at the expense of hitting a lot of innocent bystanders is to promulgate the doctrine—the contrary of which we have always believed in this country—that you should punish the guilty even though in doing so you may injure ten who are innocent.

Ladies and gentlemen, the principles underlying title I–B are unsound, as has been said by others who have longer service and greater influence in this House than I have.

I want to address myself particularly to my colleagues who came in with the Seventy-fifth Congress. We have probably been wise in "following the committee" in many of the problems that have come before this House. I think I have been as good a follower as most of us. In this instance, however, there are so many arguments against the adoption of this feature of the tax bill that I cannot possibly go with the committee, and I trust that my colleagues of new vintage, and in fact the entire membership of the House, will think well and carefully before voting into the structure of our laws this new and most dangerous method of taxation. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Maryland [Mr. LEWIS].

Mr. LEWIS of Maryland. Mr. Chairman, it is related of Daniel Webster that once in trying a patent case involving very complicated applications of the laws of mechanics, after some 2 weeks of investigation a large audience who knew the great Daniel, that Beethoven of the spoken word, assembled to hear how he might handle such a subject. He handled it in eight words, arising and saying, "Gentlemen of the jury, look at the wheels," and then sat down. Ladies and gentlemen of the House, may I emulate him and say, "Look at the table."

Income	Percent United States partner or individual pays	Percent United States shareholder under I–B pays	Percent British I–B shareholder partner or individual pays
$55,000	19.12	20.00	40.27
$65,000	22.00	20.00	42.57
$75,000	25.04	20.00	44.26
$100,000	32.47	24.00	47.70
$150,000	42.26	28.00	52.05
$200,000	47.67	30.00	54.91
$300,000	54.08	31.20	58.23
$500,000	60.83	31.20	61.44
$1,000,000	67.90	31.20	63.84

NOTE.—The rates are for a married man, no dependents.

Now, gentlemen of the Committee, consider another table, written in the fleshy tablets of your brain as the men responsible for the finances and, perhaps, the very integrity of the Union, a table of deficits, a table of obligations upon which we have been defaulting now for some years.

One thing you will note particularly about this table is its great disparity of the rates as applied to the unincorporated citizen and the incorporated citizen. Without the adoption of I–B these shareholders will pay 20 percent all the way down the column; but what will a partner or an individual with like income be paying? He will be paying from about 20 to as high as 68 percent. What you find then is not the great law of equality before the law which we are pledged but disparity, discrimination, injustice presented in the most emphatic and indisputable fashion.

Why the devastating shortage of revenue, generally, to meet expenditures in the United States? Let us apply the truth severely to ourselves here today, because the future of our Republic may rest, indeed, upon our knowledge and conscientious application of that knowledge. It is due first to the decision in Eisner against Macomber of some 15 years ago, a 5-to-4 decision of the Court which resulted in the rule that shareholders might not be taxed on their corporate profits, however solidly earned, even if distributed to them as paid-up stock. That decision has cost the United States up to this time more than seven billion of dollars, more than we have paid to unemployed hungry Sam and Mary and their children during this depression.

But another cause exhibits our abject surrender to the middle class having net incomes of from $3,000 to $25,000. In the United States a citizen, married, with no dependents, having an income of $3,000, pays what in income taxes? Eight dollars and seventy-five cents. What does he pay in the country over which the flag of England waves? He pays $262. The Member of Congress with a net income of $7,000, our salary after an exemption of $2,500 plus $500, pays only $172, while the Britisher pays $1,062.50.

Now, ladies and gentlemen, look at table II.

TABLE II.—*Maximum earned income allowance, married person, no dependents*

Net income	United States tax	United States	Great Britain	Great Britain tax
		Percent	*Percent*	
$3,000	$8	0.27	8.75	$262.50
$5,000	80	1.60	13.25	662.50
$7,000	172	2.46	15.18	1,062.50
$10,000	415	4.15	17.88	1,787.50
$12,000	602	5.02	19.98	2,397.50
$14,000	809	5.78	21.63	3,028.13
$16,000	1,044	6.53	23.17	3,706.88
$18,000	1,299	7.22	24.59	4,426.88
$20,000	1,589	7.95	25.73	5,146.88
$25,000	2,489	9.96	28.89	7,221.88

Even men in our own class, the middle class, realizing incomes of $25,000, are paying here $2,489, and in Great Britain they are paying $7,200. This is all we do under these trying circumstances to safeguard an inheritance from our fathers transmitted to us under a distinct obligation to maintain and improve it, if possible. But even the John and Mary, a married couple enjoying an income of $3,000 today, on which they pay $8.75 only, are getting more out of life in the way of physical comforts and the like than George Washington and Martha got in their day. Yet we want to pity ourselves. While the man with $25,000 worth of income here thinks he ought to be let off at one-third the rate of his fellow human beings in the other countries of the world.

Mr. Chairman, there is one debt of which we are not so fully conscious. It is a debt that few human beings can ever pay—the debt we owe to civilization and its preessential—government. A Thomas Edison paid it; a Faraday paid it; a Washington, a Lincoln, and a Woodrow Wilson have paid their debt; but humble folks like ourselves can only hope to contribute in mere money, a pro rata share of the obligation of maintaining and advancing the splendid civilization to which we literally owe our lives, our happiness, and hopes.

Where will this tax dodging lead? Where will this unjust and unnecessary exemption of people from necessary taxes lead? History answers; it is going to lead to printing-press money. I need not draw the picture which that statement involves. You have had it drawn in recent times in Germany, with the mark down to nothing and all wealth in paper form rendered valueless, including life-insurance policies. You have had it drawn in France, where the defalcation amounted to 75 percent, and all insurance policies and securities wealth were clipped down 75 percent; and in Italy, where the figures represent an 80-percent loss falling upon all the nonphysical forms of wealth.

Now, all the Government asks of these individuals in these closely held corporations is that they pay but a part of the surtaxes that partners pay or that individuals pay; that they pay a part only of the obligations they owe according to the income-tax rates and their ability to pay.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. LEWIS of Maryland. I yield.

Mr. FRED M. VINSON. The table of rates there are the maximum effective rates where there are no dividend distributions whatever, as it applies to I–B corporations.

Mr. LEWIS of Maryland. Quite true. If they distribute any of the dividend fund the payment is proportionately reduced. But they can if they wish retain all the profits and still avoid the extra tax entirely, by agreeing to take up the surtaxes in their individual returns of their few stockholders. They can plow back all their profits into the business like partners and individuals, if like partners and individuals they pay the regular income-tax rates on the profits. If any one of their members refuses to agree to the consent dividend provided in I–B, then the corporation can itself distribute its dividend to him so that Uncle Sam can reach him, as we are bound to reach partners and individuals.

Now, Mr. Chairman, let me point the political moral which I draw from this whole tax-evasion, deficit-producing situation. The white ants of special privilege have entered this indispensable possession of the Nation's resources. Generations ago they entered its most precious resource by the device of land grants, timber, mineral, and oil, and have stripped the Nation of such resources. Next they entered upon the great domain of commerce and by self-enriching tariffs brought our international commerce to a collapse. There remains now only the field of the public revenues. They have eaten up all the rest, have these white ants of special privilege.

APPENDIX I

Estate taxes, United States and Great Britain

Net estate before specific exemption	United States Federal tax [1]	British tax
$50,000	$200	$2,000
$100,000	4,200	8,000
$150,000	10,900	15,000
$200,000	18,600	24,000
$300,000	35,000	48,000
$400,000	51,800	72,000
$500,000	70,400	96,000
$600,000	89,400	120,000
$800,000	131,400	192,000
$1,000,000	177,800	240,000

[1] After credit for State tax.

APPENDIX II

EXPLANATION OF CONSENT DIVIDENDS PROVISION IN REVENUE BILL

The general purpose of the consent-dividends credit is to permit a corporation, without actual disbursement of cash, to receive a dividends paid credit and thus get a saving in the proposed taxes which are measured by the payment or nonpayment of dividends. Those taxes are the general 20–16 tax, the title I–A tax on personal holding companies, the title I–B tax on other closely held companies, and the tax in section 102 on unreasonable accumulations.

This purpose is accomplished by permitting the corporation to obtain credit as for dividends actually paid in cash, if it files with the Commissioner consents by its shareholders that they will include the amount specified as income in their individual income-tax returns. The corporation then retains the sums specified in the consents which it may use for any purpose whatsoever. It pays a tax, however, reduced as though cash dividends had been paid, and the shareholders pay tax as though they had received cash dividends.

As described in the report of the subcommittee, the consent dividends credit would not have been allowed to a corporation unless it obtained and filed a consent made by each and every one of its shareholders. The complaint was then made that many corporations would not be able to take advantage of the provision because stock might be owned by a trustee who had no authority to sign such a consent or by some stubborn individual who would refuse to sign a consent.

To meet this complaint the provision has been revised so that it will not be necessary to obtain consents from all of the shareholders. This result is accomplished by permitting the corporation to distribute cash dividends to those shareholders who refuse to sign consents, and file consents for the remaining shareholders. Thus the corporation may pay cash dividends to all of its shareholders but one and file a consent signed by him, or it may file consents signed by all of its shareholders but one and pay a cash dividend to him. The corporation may even file consents for a lesser amount signed by some shareholders and also pay cash dividends to them.

Under existing law it is required that dividends must be pro rata and without preference to any shareholders holding the same class of stock. It should be remembered that this requirement is retained with respect to the consent dividends credit. The cash dividends paid and the amount in consents, when both are considered together, must be pro rata and nonpreferential. It should also be remembered that consents cannot be filed by owners of preferred stock, nor unless all the dividends due on preferred stock are paid.

The CHAIRMAN. The time of the gentleman from Maryland has expired.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, I do not think that any speaker here today will indulge a hope that he will be able to change any votes at this time. I think it would be disrespectful for anybody to say he expects to change any votes, because every Member of this House has been thinking for several days about this tax bill, and he knows what he wants to do. He knows that vigorous objections have been made to three provisions. In spite of our efforts the House has already passed over two of them. These are the undistributed-profits tax and certain changes in the capital-gains tax. These two are behind us.

There is no question but that there has developed in this House an opposition to this tax on family or closely held corporations. I rise to speak at this time especially to the

Democratic side of the House. This is your opportunity to defeat this proposition, and this is the last opportunity that you will have. I am not attempting to assume the prerogatives of the minority floor leader to speak for our side, but I may say that on our side we are willing to and I know that we will go along with you 100 percent, because we are anxious to strike this provision out of the bill. This will be your opportunity. Some of you may expect a chance to strike it out when we come to make our motion to recommit, but just as a matter of parliamentary policy, as a matter of fact, you will not have that chance unless you want to go along on all three of these provisions, because the chances are that our motion to recommit will contain all three provisions. Now is the time for you to reflect the sentiment of your constituents. You have had one Democrat after another speaking to you in opposition to this proposition. You have had Republicans get up and oppose it. It is not a partisan matter. It is a matter of right and justice.

Just take those figures presented by the gentleman from Maryland. They are not convincing, because they are not complete. In these figures can be seen arguments that prove that this principle of taxation is not equitable.

For instance here is our tax on the little man and there is England's taxes on the little man. There is our tax on the big man and there is theirs. This table merely goes to show that our system is a better tax system. This set of figures does not prove their case at all, and you will find it out if you go into it.

I repeat that if you fail to vote today to do away with this proposition you have lost your chance. If you fail to record the sentiment of your constituents, and I know what it is, because I put the test the other day to the House, that out of a thousand letters that some of you have received against this proposition you have not received a single one in favor of it, and if you fail to record that sentiment of your constituents today you have lost your opportunity. This will not disorganize your party. This will not bring down upon your head the anathema of the President of the United States, because this measure, as you will find when this bill gets over to the other side, will be amended and this provision will be taken out and you will be left holding the bag, and you will have to explain to your constituents why you failed to vote to do away with it. This is a glorious opportunity for you to get behind the distinguished leader from Massachusetts [Mr. McCORMACK] and record your own consciences, say exactly what you think about this, and at the same time record the sentiments of your constituents, who are, in the last analysis, the people who will pay the bill.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I am glad to yield to the distinguished gentleman from Massachusetts.

Mr. McCORMACK. In connection with this table of figues I call attention to the fact that we have a dual system of government in the United States, while in Great Britain they have only one tax. We have our Federal tax and our State and municipal and township taxes and county taxes, and in England they have only one tax.

Mr. JENKINS of Ohio. That is true. This British column here on this chart represents the total of both kinds of taxes, both national and local. The other two columns represent both classes of American taxes. If you total these you will see that they far exceed the British tax. At any rate, why do we have to look to England for our tax plans? I am perfectly willing to admit that it is worth more to live in the United States than in England.

My friends, be not deceived; the people of your districts will not be mocked. They know more about their own business than we do. They know when a penalty tax of 20 percent is added on them just because their company is closely held will work an unjust discrimination against them. Remember that the family or closely held corporations are not asking any favors. They are defending themselves against a law that is going to work a hardship on them. It simply means that if a small group of stockholders of a closely held corporation fail to declare all their earnings in dividends they are making themselves liable to a 20-percent extra tax over what would be charged to a corporation of similar size and earnings widely held. Let us be fair and just. I am sure if you vote as you indicate by your enthusiasm for this amendment you will carry this contest with honor and glory. [Applause.]

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. TREADWAY. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I had asked for this 1 minute to express the thought that has now been brought out by the last two speakers. I had discussed it heretofore in this debate. The attorney of one of our wealthy citizens told me that his client paid 82 percent of his entire income in taxes. Those figures on that chart should be offset by other statisticians showing the very great number of additional forms of taxes paid by our citizens. As I said recently, I am weary of having Great Britain's income taxes trotted out here for our edification in an attempt to prove that a British citizen pays more taxes than our own people do. Do not be overwhelmed by those figures. They do not represent the actual conditions as a comparison of tax burdens as really exist in the two countries.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. McCORMACK. Mr. Chairman, I yield 1 minute to the gentleman from Ohio [Mr. HARTER].

Mr. HARTER. Mr. Chairman, 1 minute is a very short time in which one can suitably express himself upon a subject of the importance of this. I doubt whether there is anything that will come before this House and the Congress of the United States during the present session which will mean as much to our country and to the future of America as this proposal that we are debating today. If we believe in American institutions, if we believe in a continuance of the type of government we have had from the inception of this country, then we must necessarily be against an innovation in taxation of the kind that is proposed here. I hope this House will vote down the proposal embodied in title I–B.

It is with regret that I find myself unable to go along with the majority of the Ways and Means Committee upon certain provisions of the tax bill under consideration.

From the standpoint of the business interests of the country, both small and large, who operate in corporate form, it would be better had the committee decided to abandon completely the principle of the surtax on undivided profits. The bill brought in with its drastic modifications of the hardship and burdensome features of the undistributed-surplus tax is a sufficient indictment of the unsoundness of the principle. The revenue bill of 1936 has few friends among the businessmen and the people of this country. In its 1936 form the surtax on undistributed profits proved to be a blight upon business, especially small concerns. Numerous bills, including one by myself, have been introduced repealing the surtax on undistributed profits. The present bill, however, is such an improvement over the 1936 act, and will prove so much less burdensome, that I shall not comment further upon the principle behind it. It has received widespread discussion here on the floor and in the newspapers and periodicals of this country.

My remarks are addressed rather to the striking innovation found in the present bill, the provisions of title I–B, the penalty tax levied on closely held corporations. Our people have always believed in fair play and even-handed justice in the treatment of business competitors. This proposal to impose an additional tax upon operating corporations whose stock is held by a few individuals or members of a family is entirely new in our law. It is true that earnings in a substantial amount of these corporations are exempt, and if

substantial distribution of earnings is made, the penalty tax will not attach, but the unsound principle remains. It is said we need this additional tax to reach individual surtax avoidance by the unreasonable accumulation of corporate surpluses. Such being the intention of those who drafted this new tax, we need but to point to section 102 of the present internal-revenue laws, which imposes a tax in addition to other taxes if its provisions have been violated by withholding earnings or profits beyond reasonable needs of the business of the company. Section 102 has been invoked in numerous cases in recent years and substantial tax collections have resulted by reason of its enforcement. It is directly aimed at the guilty corporation. It does not attempt to embarrass or penalize the innocent corporation, though closely held, which is doing business in a proper and lawful way. What a difference in this arbitrary proposal under the present bill. Just because members of a family or a few individuals own a majority or more of the shares of the corporation, they are singled out, and after utilizing the exemptions to which they may be entitled, an onerous and heavy tax is imposed upon them just because the corporation has a limited number of stockholders. It is not necessary for me to point out to this House and the people of the country the numerous successful and continuing business enterprises conducted in the corporate form by members of families or by a few individuals, many of these businesses being continued from generation to generation. They have helped preserve our democratic institutions and make America what she is. Is there any good reason why such a corporation should be penalized when it may be competitive in the same line of business with another corporation having identical or very similar capital structure but whose securities are held by 50 or 100 or more people? It is a discriminatory tax; it is unfair; it is un-American. I predict that if this bill passes with this provision in it, it will go out when the bill is considered by the Senate. Let us assert ourselves and dispose of this inequitable innovation now. This House should support the amendment of the gentleman from Massachusetts [Mr. McCORMACK].

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. McCORMACK. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania [Mr. DREW].

Mr. DREW of Pennsylvania. Mr. Chairman, there are some 3,000,000 small-business men in this country, and they are against this proposition. Eighty percent of these small-business men have a gross income of $20,000 a year or less. They are not concerned with this tax, they are afraid; and I say to the members of the committee that if we can remove this fear we shall really be doing something for our Nation. [Applause.]

Mr. McCORMACK. Mr. Chairman, may I inquire how the time stands at present?

The CHAIRMAN. The gentleman from Massachusetts has 21 minutes remaining; the gentleman from Massachusetts [Mr. TREADWAY] has 9 minutes remaining; the gentleman from North Carolina has 35 minutes remaining.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, I trust that we may calm our emotions and guard against prejudice, which is the worst foe of truth.

Mr. Chairman, I have been interested in listening to the statements made by some of the gentlemen who preceded me, which clearly illustrate the widespread misunderstanding of this provision of the pending bill. I respectfully refer to the statement made by the gentleman from Pennsylvania who said that all of these small-business men of the country were opposed to this provision of the bill. He said they made about $20,000 net income annually. Not one of them would be touched even if they made three times that much, not one would be touched by title I–B of this bill. This illustrates the gross misunderstanding that exists not only throughout the country but right here among well-informed Members of the House of Representatives.

It is my purpose to reason with you for only a little while and to try to explain, as far as my limited capacity will permit, the actual situation that confronts us and what this provision of the pending bill really provides. This provision is simply that the so-called closely held family controlled corporations shall be required to pay their fair and reasonable share of taxes to the support of this Government of ours.

It is provided in the bill that all of the corporations that meet the requirements of the definition as to the number of people who own and control them, and bear in mind they must have voting control and determine the dividend policy of the corporation; it is provided that all of these closely held family controlled corporations with less than $75,000 net income are taken out of title I–B. This means that it has to be about a $1,000,000 corporation.

We have heard expressions of interest and sympathy for the little-business men, for the little institutions. Not one of them will be touched by this provision. You have all of the deductions allowed under existing law which are in no way affected or disturbed by this provision. They have all of their deductions for salaries, for wages, for cost of goods, for all of these expenses, and the very liberal deductions for depreciation. Then, after all of that, they must have a net income of $75,000 before the tax applies. This means that comparatively few of these large, closely held family controlled corporations will be affected by this provision known as title I–B. There are other relief provisions included. They have $60,000, or 30 percent, of all their net income, or the provision that is included for the payment of debts. All of these things take them out of the provisions of title I–B. There are also other provisions that might well be borne in mind, such as the 2-year dividend carry-over. The corporation in debt or the corporation that has impaired capital is allowed to pay that debt or repair the capital before this applies. Then there is the provision for consent dividends, and this is of real value. It will serve as a test. It simply means that if the stockholders in these closely held family controlled corporations do not want to use that device to avoid the payment of taxes, they may take up their proportionate part in their own net income and can leave all the money in the corporation. That is the real test that may be applied to determine whether they want to avoid the payment of taxes.

As was stated in the debate a day or two ago, under the 1936 act, for all corporations in this country the average distribution of dividends was 81.2 percent. Over the period of 10 years from 1926 to 1936 corporations distributed in dividends 76 percent. If one of these corporations makes $100,000 net income and distributes only $21,000, only 21 percent, they come out of title I–B. Bear in mind the average over 10 years was 76 percent. If the corporations having $250,000 net income or above distribute as much as 57.6 percent, they come out of the provisions of section I–B.

In the moment or two remaining I want to give you my assurance that this provision of this bill is designed and intended only for the purpose of equalizing the tax burden on the people of this country. Do you think that men like BOB DOUGHTON, FRED VINSON, and these others in whom you have so much confidence would bring in here and offer a provision that would penalize or unduly burden any of the business institutions of the people of this country?

We have this practical situation, and to my mind it shows exactly what we have before us. Let us take the case of one of the wealthiest men ever produced in the history of the country. Generally speaking the operated through closely held, family controlled corporations, which he had a right to do under the law. He saw fit to conduct his business in that way. He went along through all the years paying the normal corporate tax of about 15 percent; whereas, had he declared out his dividends out of the corporation he owned and controlled he would have been forced up into the higher surtax brackets.

After receiving the benefit of these tax savings throughout his lifetime, then he left his vast fortune to a charitable

trust and the Government does not receive an inheritance or gift tax from the estate. This is not fair. It is not right for us to provide by law a means whereby a man of vast wealth may pile up an income in a closely held family controlled corporation and just pay a corporation tax, whereas if he took the money out and accounted for it in his own individual tax return he would be forced into the higher surtax brackets.

The whole purpose, and the only purpose of this provision of the bill is to equalize this situation among all the people of the country. The provision is based upon the eternal principle of inherent fairness to the people of this country. It is a provision that has for its purpose an equalization of the tax burden among all the people of the country. I am unable to see how anybody could bring himself to say that it is not fair and right for these people to pay their proportionate share toward the support and maintenance of our Government.

The main thing to remember is that every time a man of this type escapes payment of his fair and proper share of taxes for the support of the Government, other people of the country have to make up the difference.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. COOPER. Mr. Chairman, you may rest assured there is not a corporation coming under title I–B that will pay a tax as great, comparatively, as the tax the Members pay on their salaries as a Member of Congress. The principle of inherent fairness is involved in this. The only purpose of the provision is to equalize the tax burden so that it may rest equally and fairly upon all the people of this country.

The committee has labored more than 3 months and has done the best job that could be done under the circumstances. We bring you this provision of the bill with the sincere and hearty recommendation that it is the proper course to take. We hope you will support your committee in this very worthy endeavor. [Applause.]

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I yield 3 minutes to the gentleman from Connecticut [Mr. PHILLIPS].

Mr. PHILLIPS. Mr. Chairman, in the 3 minutes I have at my disposal I must beg to decline to yield.

Mr. Chairman, in rising at this time to address you I wish I had more than 3 minutes. May I ask you to bear with me if I make certain personal references at this time and place that might be indelicate on other occasions. First of all, may I say that no member of my family has at the present time or has had for years any interest in a certain large corporation which bears our name and which a member of our family established some years ago. The business is still being carried on, but I am sorry to say that those who established it are, most of them, dead. As I say, they had not owned this company for many years. Incidentally, practically the total estate of one of the members of that family has gone to charity.

I appear here in favor of the closely held corporation, and I offer nothing but praise and no apology for the private closely held family type of corporation. I ask you Members not to strike against that type of corporation. It is the type of corporation that has helped make America great. Every Member of this House believes in humaneness, he believes in humanity and in things with a heart. Do not strike against the closely held type of family corporation. You should hit the malefactor among their ranks; but do not strike at all of them, the good with the bad.

I would like to interpret in the few minutes I have just how the closely held private-family type of corporation, if I may call it that, operates. It is composed of all one family, the employees along with the employers. When the new baby arrives in John Smith's house, we all rejoice. When Sarah has a baby, we all rejoice. They are all members of our family in the home office and in the foreign office. When death comes to any member of the office force or the factory force, that is our sorrow. When pleasure comes to them, that is our joy. That, Mr. Chairman, is the private-family type of corporation. We rejoice with the joys of the employees and grieve with them in their sorrows. Do not strike at this in favor of the impersonal large corporation under which each employee may be no more than a cog in the cold, ruthless machine, to be relentlessly cast aside when old and worn by the impersonal large owners who know few, if any, of the employees by name.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin [Mr. O'MALLEY].

Mr. O'MALLEY. Mr. Chairman, if I were thinking of a way to drive the small, locally owned independent business firm into the jaws of the Wall Street wolves who sponsor and promote the establishment of the great publicly financed corporations, I could think of no better way of achieving that result than to place a greater tax penalty upon the small closely held, home owned and directed corporation than that imposed upon the large Wall Street financed corporation.

The gentleman from Tennessee stated that this tax does not violate the principle of inherent fairness. It does violate that principle and in the most vicious fashion. It violates the principle of inherent fairness because you propose to punish by a greater penalty the closely held corporation for failing to observe the intent of the law than you would punish the publicly financed corporation for exactly the same failure of performance.

This violates the principle of fairness. No fair judge fines one man $100 and another $1,000 for the same crime or degree of violation of a law.

We have to choose here between theory and our experience. The experience has been that the family or closely held corporation, not dominated by outside stockholders, most of them bankers or Wall Street speculators, throughout the depression has done more for its employees, it has done more to continue employment than the Wall Street financed corporations that have placed dividends above humanity and profits above consideration for their fellow men. The corporation is at best a heartless, soulless being, and the greater its size the more widespread its stock holdings, the less individual and local responsibility it has. The closely held, independent corporation is the last bulwark against the monopoly by bankers and stock manipulators in the field of business. Penalize corporation incomes if you will, but do not penalize the little fellow and let the giant malefactor go free, as you would if you pass this discriminating penalty tax in title I–B.

I will tell you why little business, the company on Main Street in every town west of New York, is afraid. Little business is against title I–B and afraid of it because it is afraid that when this tax fails to raise the amount of revenue it is hoped it will raise you will reduce the exemption from $75,000 to $50,000 next year, then to $20,000, and then all the way down. An unfair measure of law is always harder to get rid of than a fair one, and we all know it. You are establishing a principle which, if carried out, can extend all the way down to the locally owned small limited partnership, because a closely held corporation is really only a limited partnership.

You have allowed the creation of the corporation structure in this country. You have allowed corporations to do things you would imprison human beings for doing. If you cannot punish the bad ones, if you have let conditions go to the point where you cannot punish the renegade corporation, without hurting the good ones, you should go back to the beginning and change the corporation laws. You should not try to correct the evil by punishing the home-owned and home-directed companies for failure to do things when you do not punish the great Wall Street corporations for failing to do the very same things.

This is the first time I have ever appeared in the Well of this House to discuss the merits of one type of corporation as compared to another. If I must choose between the Wall

Street financed corporation and the local home-owned corporation, which comprises 80 percent of the small companies in my district, I will choose the latter. When I see the great Ways and Means Committee willing to penalize the local independent business, but unwilling to apply the same penalty to the great absentee-landlord companies, financed by Wall Street stock sales, I cannot go along. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. LUCE].

Mr. LUCE. Mr. Chairman, I speak as one who from youth has made the greater part of his livelihood from a closely held family corporation. It is not one of those whom this bill would hit. It is miles away from the limit. But, sir, it furnishes a living to 100 persons besides myself. I give thought to those 100 persons as I do to those who own the stock of this corporation. This bill will not reach them, but "it is the first step that costs." If you once establish a principle by setting up a new standard of taxation like this, you invite every subsequent Congress to extend that principle, as if justifiable at all it ought in fairness to be extended. There is no reason you should make a drive at owners of a wealthy corporation and exempt owners of the smaller corporations, particularly when those owners may themselves be wealthy. You will have established a fatal principle, one that may well terrify the thousands and thousands of businessmen throughout this country who have found the closely held corporation a benefit not alone to themselves but to the communities in which they work and so to the country as a whole.

The very first test in taxation ought to be the test of capacity to make sacrifices. Unless this test is applied throughout, then the tax becomes inequitable, unfair, unjust. Such a test is not applied by this proposal. This is a proposal to reach a few hundred wealthy persons and at the same time to disturb and to alarm thousands and thousands of other citizens who foresee that once you have started on the downward path you will not stop until you have put into full effect a method of taxation that in principle is wholly indefensible. [Applause.]

Mr. McCORMACK. Mr. Chairman, I yield 3 minutes to the gentleman from Nebraska [Mr. LUCKEY].

Mr. LUCKEY of Nebraska. Mr. Chairman, I am opposed to section I–B on the ground it is economically unsound and inequitable. This morning I received a letter from one of the most prominent business firms of my home city, Lincoln, Nebr. The letter is pertinent to the measure we now have under consideration. It is factual, and so sound economically that I shall take time to read it for your information. It reflects the true sentiment of the majority of businessmen in my district.

Mr. Chairman, the letter is as follows:

MILLER & PAINE,
Lincoln, Nebr., March 8, 1938.

The Honorable H. C. LUCKEY,
House of Representatives, Washington, D. C.

DEAR MR. LUCKEY: I am glad to have an opportunity to present my frank opinion of the new Revenue Act (H. R. 9682), as requested in your letter of March 3.

I spent nearly the whole day Sunday reading the bill and the accompanying report. Let me say at the outset that I have seldom spent such a discouraging day.

It is my sincere hope that the membership of the House will modify the proposed bill in two important respects:

1. Repeal the undistributed-profits tax.
2. Repeal section I–B, relating to closely held companies.

The undistributed-profits tax is unsound in principle and should be repealed.

The separate views of Mr. MCCORMACK and Mr. LAMNECK on title I–B contained in the report (pp. 71–75) are so ably stated and so completely in accord with my own views that it seems unnecessary to elaborate on them. However, to add point to these views, let me give you a little of our own situation.

Miller & Paine started in business over 50 years ago with a small store and three or four employees. By hard work, careful and prudent management, and thrifty reinvestment of profits the business grew, larger merchandise stocks were carried, more people were employed, and larger quarters occupied. Ten people, then 20, 50, a hundred, 200, and now 500 are given stable employment, all because of this sound policy of plowing back into the business a substantial part of the earnings.

This policy should be encouraged, for it has enabled the company to weather panics and depressions without the necessity of discharging any employee because of economic conditions—a thing which would not have been possible if a reasonable surplus had not been built up during the years when a profit could be earned.

Now, the third generation has started into the business, insuring a continuity of the policy of fair treatment of the people who are associated in the business with the majority owners.

Why should our company, which is in competition with Sears, Roebuck & Co., Montgomery Ward, J. C. Penney & Co., and others who are not subject to section I–B tax, be penalized because a majority of the stock is held within the family that started the business? I cannot believe that the Congress of the United States wishes to foster absentee ownership and control, and decree the ultimate death of the more employee-responsive and community-minded family owned companies.

The fact that such a backward step has been written into the tax bill is the reason for my discouragement.

Despite all of the preponderance of evidence before the Ways and Means Committee, they still cling to the unsound principle of the undistributed-profits tax, and have extended it by this new form of business torture. In other words, thrift and careful and prudent management, best typified by the thousands of businesses built by father and son, are now to be penalized by social reform written in the guise of a tax-revenue measure.

I do not wish to be misunderstood. I believe in social reform, but let the legislation which is to accomplish this desirable purpose be enacted separately, and a tax-revenue measure be that and nothing more—the simpler the better.

It is my opinion that the following changes in the tax bill would stimulate business:

1. Abandon and repeal the undistributed-profits tax.
2. Enact a flat 15-percent tax on corporate incomes, with such adjustments as may be equitable for the encouragement of small businesses.
3. Make the tax on capital gains a flat 12½ percent as formerly.
4. Permit a carry-over of net losses for a period of 2 years.
5. Permit a carry-over of capital net losses for a period of 3 to 5 years.

I appreciate your having written me concerning this measure.

With kindest personal regards, I am

Cordially yours,

R. E. CAMPBELL.

Mr. Chairman, the changes proposed by the writer of this letter are absolutely sound and, coming from experienced businessmen, should receive most sympathetic consideration by the members of this Committee.

I am aware of the objectives of title I–B to curb the formation of corporations for the purpose of unreasonably withholding earnings to avoid the payment of surtax by shareholders. These family corporations in my district, to which allusion has been made—and there are thousands all over the country—are not organized for the purpose of tax avoidance. These concerns which I have in mind have grown by reasons of thrift, hard work, and good business management into good size, and they are now largely owned by the families of the original founders. Is there any reason why these concerns should be taxed at a higher rate than those whose stock is more widely distributed?

Under title I–B we are penalizing the small, family held concerns and playing into the hands of the big corporations whose stock is widely held. We hear much about helping little business. Here is an opportunity to help the small family concerns by voting for the pending amendment to eliminate title I–B from this bill. [Applause.]

Mr. Chairman, I ask unanimous consent to revise and extend my own remarks in the RECORD and include therein the letter to which I have referred.

The CHAIRMAN. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. McCORMACK. Mr. Chairman, I yield 2½ minutes to the gentleman from Wisconsin [Mr. REILLY].

Mr. REILLY. Mr. Chairman, I rise for the purpose of supporting the McCormack amendment which, if approved by the Committee, will strike from the pending bill section I–B which would levy on closely held corporations—mostly family controlled corporations—a tax not levied on corporations whose stocks are more generally distributed.

We have listened this afternoon to several speeches against this amendment that have no application to the issue involved in this discussion. We are told that the English corporations have to pay a much heavier corporation tax

than our corporations have to pay, and we are also told that our income-tax exemptions are all wrong.

Suppose English corporations do pay higher taxes than our corporations pay, and suppose our income-tax laws are not based upon sound principles of taxation, what have these two facts to do with the question whether or not the pending bill, when it passes this House, will carry a provision to levy an extra or additional tax on closely held corporations but which tax will not apply to corporations whose stock is widely distributed?

We are not told that England taxes closely held corporations at a higher rate than corporations whose stock is not so closely held.

It has also been argued as a reason for defeating the pending amendment that the closely held corporations are granted liberal exemptions, in the pending bill, before they are required to pay this particular tax.

Here again may I inquire, What has this argument got to do with the question whether or not this committee will approve the McCormack amendment? It is not argued that the corporations whose stock is closely held are allowed any more liberal exemptions than those corporations whose stock is not thus held. Closely held corporations and all other corporations are allowed the same exemptions in making up their tax returns, and whether the exemptions are liberal or not has nothing to do with the merits of the issue now before the committee.

It has been argued that section I–B will affect only a few corporations, from 300 to 600, and that in view of the fact that we have something like 250,000 corporations in the United States it is not of much importance in the bill, and it is also argued that closely held corporations will not come under the provisions of this tax section of the pending bill unless they have a net annual income of at least $75,000.

The tax levied by I–B of this bill is discriminatory, unsound, and unjust, and no matter whether it affects one corporation or thousands of corporations it is just as much to be condemned. A discriminatory, unsound, and unjust tax should not be levied by Congress.

The fact that a corporation must have a net income of at least $75,000 a year before it would come under the provisions of this section means nothing. If the principle that closely held corporations can be taxed at a higher rate than other corporations is established, future Congresses can lower the amount of net income that will permit closely held corporations to escape such a tax and thereby increase the number of corporations to be affected.

The fact of the matter is the argument against the McCormack amendment, based on the small number of corporations to be affected by section I–B is beside the point. The foes of section I–B in this debate are not asking that the said section be stricken out of the pending bill, because it will affect many corporations, but because the tax is discriminatory, unsound, and unjust and should not be levied even on a single corporation.

Section I–B penalizes unjustly stockholders of closely held corporations by subjecting their stock to taxes and penalties not levied on the stock of corporations whose stock is widely held.

Again a closely held corporation might be seriously handicapped by the tax levied in section I–B in competing with a corporation engaged in the same kind of business and with a like capital stock, but the stock of which was more widely distributed and therefore not subject to taxation under section I–B.

There is nothing vicious about these closely held corporations, and there is nothing fundamentally wrong about a family or a few unrelated citizens getting together and organizing a corporation for the lawful purpose of giving employment to our citizens.

The closely held corporations constitute the backbone of our industrial life. These corporations are locally owned and locally controlled. Many of them have been built up by families who have plowed back their profits from year to year into the business in order that it might grow and develop and be of some benefit to the community. The men who founded and developed these corporations were not only local men but they were also deeply interested in the welfare of their employees and their communities. It should be the policy of Congress to encourage the development of such corporations and not to handicap their growth by discriminating against them in the matter of taxation.

Now, if there are any closely held corporations that are doing things that the taxing authorities think they should not do, let Congress legislate against such practices, but let this legislation apply to all corporations.

If the Government needs more revenue from our corporations, let the Government raise such revenue equally from all corporations and not try by legislation, such as we are considering now, to get thirty or forty million dollars a year more from closely held corporations simply because the stock that represents the controlling interest in said corporations is held by a few stockholders.

If this tax bill becomes a law with section I–B, it will establish for the first time in the taxing history of this country the proposition that industrial corporations owned by a few citizens or by a family group may and should be subject to taxes not levied on corporations the stock of which is owned by many citizens—an unsound principle of taxation.

I am going to vote for this bill, not because it is the best tax bill that this House could have written at this time but because it is a better tax bill than the one now on the statute books. This bill will be of great benefit to the corporations having an income not to exceed $25,000 a year, and in this class are 88 percent of our corporations.

Many of these corporations require a large part of this income to use in the development of their business, and under this bill they can retain such income for whatever use they may see fit to make of it without any penalty tax.

The undistributed-profits tax law has proven a great handicap to small industries and to larger industries which are still sick from the panic. These small industries and many of our large industries need much if not all their profits in order to keep their factories going, but under the present law they cannot use such profits without paying a penalty tax.

If I had my way there would be no undistributed-profits tax levied, unless in cases where the undistributed profits were clearly in excess of the requirements of the corporation. Corporations should be permitted without being penalized to accumulate surpluses for industrial rainy days, and they should be permitted to use such part of their earnings, after paying normal taxes, as good judgment would dictate should be used in the sound management of the corporation.

Mr. DOUGHTON. Mr. Chairman, I yield myself 9 minutes.

Mr. Chairman, I accept the challenge of the gentleman who has just taken his seat [Mr. REILLY], who stated that the issue before the House today is one of discrimination.

After 4 long months of hard, diligent, onerous, and steady work what this committee has endeavored to do has been to remove the discriminations that exist in the present law, especially the effect of the law. This is exactly what we are here for, and if I have sufficient time I shall demonstrate the fact that the purpose of this bill is not to raise additional revenue but to remove such inequalities. We set out with the understanding and with the distinct purpose, as requested by the President of the United States, to readjust and revise our present tax law so as to raise an equal amount of revenue under the new law as written, as would be produced by the existing law.

The President has not been dogmatic in making his request and has made no demands, but he has insisted that we raise an equal amount of revenue, and therefore it is well for us to review the facts, concretely, just as they exist. The Lord said of ancient Israel, "My people doth not consider." It is well for us to consider today and see just what we are doing, because in case you strike I–B from this bill, and thereby create a loss of forty or fifty million dollars in revenue, then, verily, verily, I say unto you that you will either be left with the present law, and everyone, including the Republicans, concedes this bill is much better than

existing law, or else you must provide some means of raising the lost revenue. In other words, if we strike out I–B one of two things stares us in the face, to substitute an additional amount of revenue by increasing other taxes, or to have the bill fall short of meeting the request of the President and run the risk of the bill being vetoed, and, in my opinion, it should be vetoed unless we levy other taxes to make up the loss, because we need every dollar that this bill seeks to raise.

Now, bear in mind that when you propose to strike out I–B, the responsibility rests upon you to vote to substitute some additional tax, and what tax can you substitute that will bear less heavily on the people than I–B or be more equitable or more nearly just? There is no such thing as a perfect tax bill, of course, but we have studied this matter for 4 long months under the leadership of the distinguished gentleman from Kentucky [Mr. FRED M. VINSON] than whom there is no better tax authority in this country, and we have come here with a bill which 16 of the 18 Democratic Members assert is the best bill we can write after such long and diligent study. Two Democratic Members dissent and find themselves in company with 7 Republicans, which makes 9 opposed to I–B, while 16 Democrats are in favor of I–B.

We have been criticized by the gentleman from Ohio with ignorance and being unfair to business, as if we did not have the same interest in business and the same consideration for business or as if we were not as anxious to do justice to business as the gentleman from Ohio or the gentleman from Massachusetts.

Mr. Chairman, we need all classes of business. We need partnerships, individuals, widely held corporations, and closely held corporations. The purpose of this bill, after long and mature consideration, is to bring out a bill that does equal justice and exact justice with respect to all forms of business.

They say we are discriminating against the closely held corporations. I have not a word to say against the closely held corporation. The statement has been made that we are treating them as malefactors. No such thing is the case. They are as honorable as the widely held corporation, but because a corporation is closely held, there is no reason or no justification for its paying less taxes on the same earned dollars than the widely held corporation. We are seeking to put them all on an equality and as nearly as possible have the tax burden rest on closely held corporations and widely held corporations, individuals, and partnerships as equitably as may be possible.

Oh, they talk about discrimination. How long have the corporations which distribute their earnings been discriminated against? In the case of a widely held corporation which distributed a larger percentage of its earnings, they have the corporation tax and then the tax on the distributed earnings. Why should undistributed earnings be held any more sacred than distributed earnings? We have had a tax on distributed earnings for many years, and when a widely held corporation distributes its earnings and a closely held corporation does not distribute its earnings, there is the widest kind of discrimination, and this is the discrimination we are endeavoring to eliminate here in order that they may all be placed, as nearly as possible, on the same basis.

Oh, they say there is fear in the hearts of the people. Who has engendered this fear, and what has done it. It has been done simply by misrepresentation, misunderstanding. They say it is all right now, but that some subsequent Congress can come along and do irrevocable harm with it. What right have we to believe that later Congresses will be any less patriotic, any less wise or able to deal with this tax question than this Congress? I say that that is a reflection upon future Congresses. The principle that we want to establish is one of fair play among taxpayers. We do not claim perfection in tax matters, but we do claim we have an equal interest and equal desire to treat large and small business with the same consideration, and we have endeavored to do that. As the gentleman from Tennessee [Mr. COOPER] has so ably and eloquently said, we have tried to place the same tax on the same dollar of profits, the same on individual corporations and partnerships. If you adopt this amendment, then bear in mind that you take the risk of having the bill vetoed, which everyone concedes is a vast improvement over the present law, or levy additional taxes to make up the loss caused by adoption of the pending amendment. I challenge my friend from Massachusetts to say on good authority where he will get the money by amending section 102, to takes its place; if his amendment is carried, how will he supply that amount of money?

Mr. McCORMACK rose.

Mr. DOUGHTON. I mean in the gentleman's own time. The gentleman has not produced any authority to prove that he can do that. As has been said by every expert in this country, we have tried for 14 long years to do something under section 102. The Democrats and the Republicans have been unable to do anything for 15 years. There is so much sophistry in the gentleman's argument that it will not stand up for 1 minute and I do not believe he takes it seriously. [Applause.]

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. McCORMACK. Mr. Chairman, I yield 2 minutes to the gentleman from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. Chairman, during the hearings of the Committee on Ways and Means I appeared in my individual capacity to speak against the proposed section I–B in the new revenue-tax measure. I have the highest regard for those who differ with me on this tax method proposed in the pending bill. But to me it is wrong. As early as October 27 of last year I expressed myself by letter to the distinguished chairman of the subcommittee on the need for "encouragement to prudent and honest business." I realize that the members of the Ways and Means Committee are experts on this subject. They are sincere in their efforts to raise the needed revenues for the carrying on of the functions of this Government, but I realize also that higher than a committee responsibility is my individual responsibility in this matter. [Applause.] In this feeling I am joining with members of that committee itself, like Representative MCCORMACK, who offers the amendment to strike from the pending measure this discriminatory provision. I feel that the most wholesome influence to be engendered in this Republic today is for the local independent business of this country to receive from the Congress of the United States some encouragement to go forward in the days and months that are to come. This administration has said from the very outset that it sought to bring the control of business in this country from Wall Street to Main Street. Today is the opportunity for the Members of this House to go on record as speaking for that type of administrative policy. [Applause.] I know that there is no opportunity in the short time allotted to me to go carefully into detail in this matter, but I simply say this: In a few minutes we will have an opportunity of voting against the opening wedge which is an unfair principle in the structure of revenue-producing measures. No one can deny that the closely held corporation or family-group business is being given an added penalty by this section. In small degree, it may be argued, but the principle remains the same. [Applause.] Locally controlled business needs the "go ahead" signal instead of retardation. Decentralization must mean something and by passage of the McCormack amendment we say to the people of our home communities that help is extended, impetus to employ workers is fostered, and that America realizes its obligation not to wreck such industry but to aid in its further successful operation. [Applause.]

The CHAIRMAN. The time of the gentleman from West Virginia has expired.

Mr. TREADWAY. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Chairman, in spite of all the explanations that have been made I cannot get rid of the

impression that this tax is a tax conceived in an atmosphere of hate, and that it tends toward developing a further method of punishment. The Treasury officials were disgruntled because in the National Grocery Co. case and the Cecil DeMille case it had been unable to get a decision in their favor. The appearance of I–B in this bill is an admission that either we do not know how to write section 102 or else the courts have a cloudy conception as to the intent of Congress in a case where this section is involved.

Mr. TREADWAY. Mr. Chairman, I intend to support the amendment offered by the gentleman from Massachusetts [Mr. McCORMACK].

If he had not offered that amendment, I should have done so myself in the interest of the constituency that I represent, and the State from which I come. This amendment is in accord with the attitude of the Republican minority on the Ways and Means Committee, and in substantiation of that statement let me read to you a paragraph from our minority report, wherein we say:

> We are unalterably opposed to this provision, not only because it is an extension of the vicious principle of the undistributed-profits tax, to which we have already referred, but because it imposes an arbitrary, unwarranted, discriminatory, and oppressive burden on legitimate, labor-employing business enterprises.

There is the whole story.

Mr. Chairman, this penalty tax is unwarranted, because there is another section of the law which deals effectively with the problem which title I–B purports to deal, and I refer to section 102.

It is arbitrary, because it subjects a group of legitimate business corporations to a penalty tax, not because they are guilty of any wrong but simply because their stock is held by a family or a small number of individuals.

It is discriminatory, because it taxes a business which is closely held on a different basis than one which is widely held, and thus creates an unfair competitive situation.

It is oppressive, because it may increase the tax on a closely held company by as much as 50 percent over what other companies with the same income and same dividend policy have to pay.

The proposed tax cannot be justified on any ground. On the other hand, there are innumerable reasons why it should not be enacted.

By reason of its discriminatory and oppressive application to family concerns and those controlled by a few individuals, it will force such concerns into the hands of larger, more widely owned concerns, and will therefore encourage monopoly.

By putting a penalty on owner management it will lead to absentee ownership, to the detriment of many local communities.

This vicious tax will stifle the growth of new enterprises which might give employment to thousands of men and women. It will prevent the growth of existing business enterprises controlled by a few individuals.

We should not forget that most big concerns had their beginning as a result of the faith which one, two, or three men had in an idea. If these concerns had not been permitted to grow, we might not have some of the large industries we have today which give employment to hundreds of thousands of workers.

This proposed penalty tax will harm New England perhaps more than any other section of the country. Throughout my own State of Massachusetts, and particularly in my own district, are many family concerns which had their origin years before there was any income tax. Whole communities rely upon them for a livelihood. They are legitimate business concerns, every one of them, and no thought of tax avoidance could possibly have inspired their organization.

I resent their being classified in the same group with tax dodgers and forced to pay an unjust penalty tax.

Let me quote from a letter I recently received:

> There are many businesses in New England started and controlled by one family that have always been extremely beneficial to their communities.
>
> This tax appears to be suggested in an effort to reach a very few objectionable corporations under family control, but in so doing it is sure to sacrifice many splendid businesses which are of great general value in that they furnish employment to many a village.
>
> Our local authorities, who are familiar with conditions, know that our industry is the lifeblood of our small community, and they cooperate with us for the benefit of all.

Here is a letter from a small Massachusetts company:

> If this tax is enacted it would destroy all incentive for this corporation to stay in business. We would have no alternative but to sell out to one of the big companies where this punitive tax would not apply.

The Boston Chamber of Commerce writes:

> To discriminate against corporations upon the sole ground of the number of controlling stockholders is, if not unconstitutional, so arbitrary as to be unworthy of a democratic government.

Massachusetts can thank the New Deal for this proposed tax.

Another Massachusetts company writes the following letter, which I will quote in full:

> I do want to register opposition to the proposed tax on closely held corporations. It is now before the House Ways and Means Committee, and, as expressed by some other writer far more able to express himself than I am:
>
> "Every reason brought forth in opposition to the undistributed-profits tax applies with equal force to the proposed I–B tax. In the latter case, however, there will be such a small percentage of corporations affected that the clamor against it will be but a faint echo of the rising storm of criticism against the undistributed-profits tax. It is interesting to note, however, that the recommendations submitted to the President on February 4, 1938, by the conference of small-business men included opposition to any surtax on small business closely held corporations. The I–B tax is a blow at the backbone of American business—a blow at the type of enterprise which started and helped this country on the way to its present position of industrial development. It strikes at the heart of many an American community where ownership management corporations have built up and have maintained something that is the lifeblood of the community. This type of ownership management should be encouraged—not discouraged. Not only to hamper it but to bring it into disrepute by singling it out for discriminatory taxation is a mistake which, in the writer's judgment, the Congress will not make.
>
> I sincerely hope that you will do everything in your power to kill this bill if it comes up for a vote, as well as all other bills which have a retarding effect on business recovery. Let's give business a chance.

The quotation in the foregoing letter epitomizes the various objections that can be made to this proposed penalty tax. It has no place in our tax system and should be eliminated from the bill.

Mr. Chairman, I dislike very much to disagree with such distinguished men on the Ways and Means Committee as are advocating the retention of this vicious provision today. The distinguished chairman has just stated that the motion offered by the gentleman from Massachusetts [Mr. McCORMACK] to strike this provision from the bill would cost the Federal Treasury $50,000,000.

Why? What is $50,000,000 to the Democratic administration, when they stand ready to lose more than that every year by the reduction of our customs duties under the iniquitous trade agreements?

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. McCORMACK. As a matter of fact we never got that evidence, we never got an official statement as to what this would raise. In executive session I asked Dr. Magill and he said from $30,000,000 to $50,000,000. Nobody said $45,000,000.

Mr. TREADWAY. I am disputing the chairman's statement, as is my colleague. I say that it is perfectly easy to save $50,000,000 by sticking to the protection of American industry instead of permitting the State Department to continue its program of ruthlessly giving away our markets in these trade agreements and reducing our revenue from customs duties.

Another distinguished gentleman, the gentleman from Tennessee, is apologetic also. This whole bill is an apology. All the support that we hear from the Democratic side is in apology for the wretched mistakes they are making in

writing the legislation. He tells us—with his beautiful swimming gesture—that they are smoothing out the inequities in the tax bill. With all due respect to the judgment of the gentleman from Tennessee, which I questioned yesterday also, I am going to take the word of our little-business men up in the New England States as to what this tax would do to them, rather than accept any apologies offered by the gentleman from Tennessee.

I am here representing some of these industries, and there is not one of them but states that title I–B is certainly objectionable to them and is only a discrimination against small- and medium-sized business.

We say in our minority report, Mr. Chairman, that it provides the administration with a means of retaliation. A better word than retaliation would be spite. My colleague the gentleman from New York [Mr. CROWTHER] in a very few words told the whole story. It is a spite measure. I cannot for the life of me see why a concern that has been successful over a period of years—several generations in the same family—should be told that they should pay anywhere up to 50 percent more tax than some corporation that has distributed its ownership among more than 10 individuals.

I see the gentleman from Kentucky [Mr. VINSON] watching me with care. He is going to apologize, too, just the same as his colleagues have been doing. That is all they can do, apologize for mistakes they are making to spite certain small corporations—closely held and family corporations.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. McCORMACK. May I not call to the attention of the gentleman the fact that only recently this committee reported out the repeal of excise taxes which total approximately $30,000,000.

Mr. DOUGHTON. Would the gentleman put them back?

Mr. McCORMACK. I would put them back, yes, in preference to section I–B.

Mr. TREADWAY. Mr. Chairman, let me emphasize once more that closely held corporations comprise the principal pioneers in industry, who open up new fields of industrial activity, develop new products, and try out marginal ideas. Practically every successful industry in our country had its roots in a closely held corporation. The progress of industry in the future must look to the same source. The burdens placed on this group by the I–B penalty tax will impede such progress.

Moreover, the closely held type of corporation represents the most desirable type of business control, namely, owner management. This is the most enterprising, flexible, and efficient method of conducting a business. The present administration ostensibly decries absentee ownership, as typified by the large widely held corporation. Yet it could take no single step more conducive to absentee ownership and more destructive to owner management than this proposal. This penalty tax will present the large widely held corporation with a competitive advantage, equivalent, in some instances, to over 50 percent in tax rates. Such a differential can only operate to perpetuate the large widely held corporation and to eliminate the owner type of management.

Furthermore, we are now confronted with a distressingly low demand for capital goods. This can be relieved by encouraging the expansion of productive facilities. The proposed law encourages a corporation earning less than $75,000 a year to expand. But as soon as its earnings pass $75,000 the I–B penalty tax will effectively stifle further expansion of those corporations.

In spite of its obvious disastrous effects, the enactment of the penalty tax is attempted to be justified by the Treasury on the ground that some closely held operating companies are "suspected" of being used to avoid surtaxes, and that section 102 is ineffective in preventing this. But the I–B penalty tax is wholly unnecessary for this purpose.

First, the Treasury has admitted that not more than 1 out of 10 corporations within the defined group, at most, is being availed of for surtax avoidance. Yet I–B will catch the nine legitimate businesses as well as the single alleged offender, without permitting them to state their case before the Department or a judicial tribunal.

Second, the provisions of section 102 are not inadequate and ineffective. The mere existence of that section has forced out dividends which otherwise would not have been paid. Its deterrent effect on unreasonable accumulations has been admitted by the Treasury Department. Moreover, in countless cases administrative settlements have been effected which are entirely satisfactory to the Treasury.

Finally, the Government's record in litigation under section 102 does not establish the necessity for I–B. Only two litigated cases have been cited which the Government lost under section 102. Of these cases, one—the National Grocery Co. case—is now on appeal to the Supreme Court, where it is quite possible the decision adverse to the Government may be reversed. It is obviously unfair to use a case in which the decision is not yet final as a basis for a drastic change in the law. In the other case—the Cecil B. DeMille case—the corporation involved is clearly a personal holding company under the present law. In fact, this particular case was cited as evidence of the necessity for amending the personal holding company provisions when the 1937 act was under consideration. Although we made the necessary changes in section 351 in the 1937 act, the case is now used again to show a supposed need for replacing section 102.

There are other litigated cases under section 102. Of these, 10 were won and only 5 were lost by the Government. Some of the five cases are now caught by the personal holding company section so that they cannot serve to justify the Treasury's indictment of section 102. Others might have been won by the selection of a proper year and adequate presentation of the case. Is it unreasonable to assume that, perhaps, in the remainder the Government's "suspicion" of unreasonable accumulation may not have been well founded?

This record is hardly convincing as to the Government's inability to succeed in litigation under section 102. If further strengthening of that section is desired, certainly amendments can be drafted for that purpose. It seems entirely unnecessary to embark on a new method which has been aptly described as a "shotgun" method, hitting guilty and innocent alike.

I hope and trust that the motion to strike the provision from the bill will be agreed to.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time, 15 minutes, to the gentleman from Kentucky [Mr. FRED M. VINSON].

Mr. FRED M. VINSON. Mr. Chairman, the gentleman from Massachusetts [Mr. TREADWAY] as usual made a bad guess. He may be able to read the mind of his Republican colleagues, but when it comes to reading the mind of other folks, I do not know just how high he would rate. He said that I was going to apologize. There would be but one thing for which I would offer an apology, and that would be the sort of arguments that are presented over here on the left side of the aisle, but I will not apologize even for that. They have already said they are going to vote en bloc. Whatever Republicans are here will be delivered en bloc. And then they ask for calm, dispassionate, nonpolitical consideration of title I–B. They say that there should be no partisanship or no politics in it—is it not strange that they will be delivered against it en bloc?

Then my good friend—and he is my beloved friend—the gentleman from Massachusetts [Mr. MCCORMACK] talks to the Democratic Members about politics and about the political implications. May I say to the gentleman that if it were a question of politics in my country, if a man would take after me on the stump and say that the closely held corporation on one corner had a tax advantage over the widely held corporation on the other corner and had that tax advantage throughout the years from the time there has been an income

law on the books—if that man would say of me that I had voted to prevent further discrimination against the widely held corporation on the other corner, he could run me in the river.

From the time we have had an income-tax law the closely held corporation has had a distinct advantage in taxes over the widely held corporation, a lighter tax burden. I am saying this to you seriously and deliberately. I say further that even with I–B that tax advantage is not taken away from the closely held corporation entirely.

The gentleman from Maryland [Mr. LEWIS] gives you some rates on this blackboard table, but let me remind you that these are the highest rates that could be applied; they are the maximum effective rates. A corporation with a net income of $100,000 would pay 24 percent if they retained all their net earnings; but if they distribute 20.8 percent, $20,800, they come out from under I–B. A corporation with a net income of $150,000 would pay 8 percent if they retained their entire net income, but if they distribute 41.7 percent they are completely out. A corporation with a net income of $200,000 would be out if they distributed 52.1 percent.

Any corporation that distributes 57.6 percent of its income in dividends goes out. Remember that the average dividend distribution last year was more than 80 percent—82.1 percent, to be exact. So, every corporation that pays out dividends within 25 percent of the average distribution, even though it be a closely held corporation, will not come under the provisions of this bill.

My distinguished friend from New York [Mr. CROWTHER], whom I love devotedly, and who is one of the most able men on the floor of this House, made a statement in regard to this matter. He referred to section 102 and stated that we ought to do something under that section. He made one statement on the floor, however, that I thoroughly disagree with, and I could not find in my memory any reason for the statement. It was that I–B was a creature of hate. My friend from West Virginia said he told me about I–B on October 17 last year. God bless him, we had not even thought of I–B on October 17.

Mr. RANDOLPH. Will the gentleman yield?

Mr. FRED M. VINSON. He wrote me a letter about the undistributed-profits tax. I yield to the gentleman.

Mr. RANDOLPH. I said October 27, not October 17, and I said relative to the stimulation of small, independent business.

Mr. FRED M. VINSON. On October 27 we had not thought of I–B.

Mr. RANDOLPH. But the gentleman had thought of small, independent business.

Mr. FRED M. VINSON. Yes; and we have relieved them immensely in this bill. The gentleman wrote about the undistributed-profits tax, about the hardships and inequities, particularly as they applied to small business.

The subcommittee met on November 4, and our yardstick was the removal of hardships and inequities, particularly as they applied to small business. We have done that. We have given complete elimination for 175,000 corporations from the undistributed-profits tax, about 88 or 90 percent of all corporations filing taxable returns.

Getting back to the statement of the gentleman from New York, who said this was a creature of hate, I ask him to bear witness with me if at the very first meeting of our subcommittee on November 4 I did not raise the issue of the strengthening of section 102 to get more revenue in corporate taxes in order to meet the age-old problem since we have had an income-tax law. I said that we ought to strengthen section 102, and we tried to do that, but we could not do it. The experts told us that for 20 years they had been working on that matter and could not do it. Then we evolved this I–B, not as a creature of hate but through a series of evolution.

We passed title I–A for personal holding companies last year. That bill passed this House almost unanimously. The spotlight of publicity was thrown upon men who had been paying the usual corporate tax, but had set up a corporation to avoid payment of surtaxes. You may not have many operating companies in which those things are as glaring, but let me tell you, you have that same sort of condition to meet in our revenue problem.

Mr. Chairman, permit me to give an illustration. There was a partnership doing business in Richmond, Va., which partnership had been paying the high rates upon their net income. It had been running as a partnership for a number of years. Finally they were advised if they formed a corporation they would not pay as many dollars in taxes. As I stated, they had operated for 30 or 40 years as a partnership. They created a corporation. Immediately they saved thousands of dollars every year in taxes by paying only the normal corporate rate.

Title I–B here will not secure the entire difference in taxes that would be paid by widely held corporations, let alone partnership, but it does get more revenue than we are receiving under existing law. It certainly reduces the discrimination.

Day before yesterday I received a wire from a gentleman in Delaware which illustrates the fear that is creeping over the country at the present time. He says:

> Few large corporations are closely held. Thousands, perhaps hundreds of thousands, of small closely held concerns that just get by would be unjustly penalized and many driven to the wall by the proposed tax on so-called close corporations.

Thousands, and perhaps hundreds of thousands, he says. Mr. Chairman, there are only 200,000 corporations in the United States that make a taxable return. We have eliminated from any undistributed-profits tax 175,000 of them with a net income of $25,000 or less. From best authority we have, Treasury estimates, there are from 300 to 600 corporations which will pay this I–B tax, but it means more revenue than the mere taxing of those 300 to 600 corporations under the I–B rates. These corporations can distribute 56.7 percent of their net income and thereby reduce their corporate burden. Any time they distribute 30 or 40 percent of their dividends, the corporate tax burden is materially decreased.

Let us take a corporation with $200,000 net income. If they distribute 40 percent, their I–B tax is 2.32. If they distribute 50 percent, their I–B tax is only four-tenths of 1 percent.

A corporation with a net income of $250,000 distributing 40 percent in dividends pays a tax of 3.42 percent. On a 50-percent distribution they pay 1.48 percent.

A corporation with a $500,000 net income distributing 40 percent pays a 3.42 percent. If they distribute 50 percent, their rate is 1.48.

A corporation with $1,000,000 net income distributing 40 percent pays 3.42, and if they distribute 50 percent they pay 1.48.

Mr. Chairman, I ask the Members to prevent the continuance of this discrimination in favor of the closely held corporation.

Let us see the position we now occupy. We are coming to the evening time as far as this tax bill is concerned. In a short time we shall vote on the one controversial issue in it. The other 315 pages of this bill, the result of more than 4 months of hard and arduous labor, are gratefully received by the House, excluding our Republican friends, and by the country at large.

We have endeavored to bring to you a well-rounded tax program. The $40,000,000 or $45,000,000 involved in this one proposition meant and means to you relief provisions at which your constituents will be very happy. One item alone, giving a total deduction for the obsolescent value of the piece of machinery, will mean as much to many taxpayers as the I–B tax, and this provision goes in as permanent law. We have the carry-over of capital losses and the carry-over of operating losses to reduce surtaxes. The I–B provision is one brick in the structure. You may liken it to one foundation rock under the structure. When you pull that out you must have something there to put in its place to hold up the tax structure.

I am not betraying a confidence when I say the President of the United States is unequivocally and whole heartedly in favor of title I–B in order to place a fair share of the tax burden on men who have been using the corporate device to avoid the payment of surtaxes. He is not particularly concerned about the method. It has been suggested that a change in section 102 would have this effect, but nobody has been able to suggest any change in section 102 that would bring an additional dollar into the Treasury of the United States and at the same time not crucify business. This is the one proposition that touches the philosophy of the President of the United States in respect of securing taxes where corporations are availed of to evade the payment of surtaxes.

The gentleman from Massachusetts will say if you increase the tax rate 1 percent that will do it. I have in my pocket an official statement from the Treasury of the United States to the effect that if you attempt to do this by changing the corporate tax rate you will have to raise the 20-percent rate to 22.25 percent. Thereby you increase the tax rate on every corporation in the 20–16 class in order to relieve the 300 to 600 corporations paying the I–B tax under this title. [Applause.]

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I yield myself the balance of the time.

Mr. Chairman, I yield to no man on the Democratic side in my love of my party. [Applause.] My friends from Massachusetts on my own side and the Republican side will tell you I go down the line for my party and that when only a few years ago they were trying to do a job on the great Jack Garner, I was the one Democrat, as well as our late friend "Billy" Connery and our former colleague, John Douglass, that went right down the line into every rally advocating Garner, when others were pulling their punches.

The innuendo of my friend, the gentleman from North Carolina, and I think the world of him, about two Democrats lining up with the Republicans, is wholly unjustified. I am sorry he said it, because I know in his own mind he does not mean it. However, he has said it. When they could not get the Guffey coal bill out of the Committee on Ways and Means it was JOHN MCCORMACK and "WES" DISNEY and JOHN DINGELL who did the job. When some of the old stalwarts of the administration failed them, it was JOHN MCCORMACK and "WES" DISNEY and JOHN DINGELL whose votes brought that bill out of the Committee on Ways and Means, and it was party loyalty that prompted us.

Much that has been said on this issue is entirely irrelevant. The gentleman from North Carolina states that two members of the Committee on Ways and Means are against this section. The gentleman from Michigan [Mr. DINGELL] has spoken against this proposal, and he is a third. The distinguished gentleman from North Carolina knows there are at least four more members of the committee who are against this section, and I do not believe that in their own minds the other members are actually for it.

Mr. DOUGHTON. If the gentleman will yield, I know no such thing.

Mr. McCORMACK. If there were a secret ballot, I have no doubt as to how a majority of the Members would vote. So the injection of party is unfair. I challenge it, because none of us lives in a glass house. I will not refer to the time the gentleman from North Carolina joined the Republican Party in helping to defeat one of the major bills of the present administration.

Mr. DOUGHTON. I challenge that statement. I did not join them.

Mr. McCORMACK. The gentleman joined them and voted for recommittal of the bill.

Mr. DOUGHTON. I did not join them. They voted with me. [Laughter.]

Mr. McCORMACK. I will let the gentleman's statement stand for what it is worth.

Let us talk about this I–B proposition. We have heard remarks about the English taxes. England has none of this I–B proposition in its law. In England a corporation pays a 30-percent tax, but when the corporation declares dividends it takes back the 30-percent tax from its stockholders. The more dividends a corporation declares the less tax it pays. The proponents of this section tell you about the 30-percent tax, but they do not tell you the rest of the story about the British tax law, to the effect that if a corporation declares 100-percent dividends it takes back the tax from the stockholders, as it must under the law, and in fact, the corporation pays nothing. Also it has 6 years' carry-over of losses.

You hear talk about the partnership proposition. What partnership do you know that is an operating one making a million dollars profit a year? Go back into your own districts in your thoughts and consider this point. Use common sense. That argument is purely academic. What partnership that is an operating one producing material, making finished products, and putting people to work, makes a millon dollars profit, and, if it did, could stand paying over $610,000 taxes in competition with a generally held corporation? Therefore this is entirely an academic proposition.

The gentleman from Kentucky [Mr. FRED M. VINSON] talks about 56.7 percent of the net income being distributed. To this must be added approximately 18 percent that goes for taxes, so the amount the corporation can withhold is not slightly over 40 percent, it is 43.3 percent less approximately 18 percent paid for taxes.

These are practical questions. The gentleman from Wisconsin [Mr. REILLY] raised the issue of discrimination. The gentleman from North Carolina accepts the challenge, and that is the issue.

This is a tax on corporations. Why should we tax this type of corporation heavier than we tax a corporation that has sold its stock generally or that has financed itself through an investment banker? Why should we impose this punitive, discriminatory tax upon such an independent type of corporation, a type of corporation that is identified with our community and a type of corporation that represents the middle class of our corporations?

I disagree with the gentleman from Maryland [Mr. LEWIS] when he said we have made an abject surrender to the middle class. Who are the middle class of America? They are you and I, the home owner, the small-business man, and the farmer. This is the middle class of America, and it is the bulwark of the Nation. [Applause.] Every nation that has destroyed itself or has been overturned rapidly has invariably had two factors lacking. First, there was no spiritual life among its people; and, second, there was not a broad, middle class. It is the broad, middle class that restrains the small percentage that control wealth from exploiting the many who do not. It is the middle class that is the strength of society and the strength of our Government; and I therefore challenge the statement made by the gentleman from Maryland [Mr. LEWIS] that we have made an abject surrender to the middle class. We should encourage the middle class of America and we should broaden that class. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. McCORMACK].

The question was taken; and on a division (demanded by Mr. McCORMACK) there were—ayes 165, noes 126.

Mr. DOUGHTON. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. DOUGHTON and Mr. McCORMACK.

The Committee again divided; and there were—ayes 180, noes 124.

So the amendment was agreed to.

The CHAIRMAN. The Clerk will report title II.

The Clerk read, as follows:

TITLE II—ESTATE AND GIFT TAXES

SEC. 501. Estate-tax rates.

(a) The schedule of estate-tax rates set forth in section 301 (a) of the Revenue Act of 1926 is amended to read as follows:

"Upon net estates not in excess of $10,000, 2 percent.

"$200 upon net estates of $10,000; and upon net estates in excess of $10,000 and not in excess of $20,000, 4 percent in addition of such excess.

"$600 upon net estates of $20,000; and upon net estates in excess of $20,000 and not in excess of $30,000, 6 percent in addition of such excess.

"$1,200 upon net estates of $30,000; and upon net estates in excess of $30,000 and not in excess of $40,000, 8 percent in addition of such excess.

"$2,000 upon net estates of $40,000; and upon net estates in excess of $40,000 and not in excess of $50,000, 10 percent in addition of such excess.

"$3,000 upon net estates of $50,000; and upon net estates in excess of $50,000 and not in excess of $70,000, 12 percent in addition of such excess.

"$5,400 upon net estates of $70,000; and upon net estates in excess of $70,000 and not in excess of $100,000, 14 percent in addition of such excess.

"$9,600 upon net estates of $100,000; and upon net estates in excess of $100,000 and not in excess of $200,000, 17 percent in addition of such excess.

"$26,600 upon net estates of $200,000; and upon net estates in excess of $200,000 and not in excess of $400,000, 20 percent in addition of such excess.

"$66,600 upon net estates of $400,000; and upon net estates in excess of $400,000 and not in excess of $600,000, 23 percent in addition of such excess.

"$112,600 upon net estates of $600,000; and upon net estates in excess of $600,000 and not in excess of $800,000, 26 percent in addition of such excess.

"$164,600 upon net estates of $800,000; and upon net estates in excess of $800,000 and not in excess of $1,000,000, 29 percent in addition of such excess.

"$222,600 upon net estates of $1,000,000; and upon net estates in excess of $1,000,000 and not in excess of $1,500,000, 32 percent in addition of such excess.

"$382,600 upon net estates of $1,500,000; and upon net estates in excess of $1,500,000 and not in excess of $2,000,000, 35 percent in addition of such excess.

"$557,600 upon net estates of $2,000,000; and upon net estates in excess of $2,000,000 and not in excess of $2,500,000, 38 percent in addition of such excess.

"$747,600 upon net estates of $2,500,000; and upon net estates in excess of $2,500,000 and not in excess of $3,000,000, 41 percent in addition of such excess.

"$952,600 upon net estates of $3,000,000; and upon net estates in excess of $3,000,000 and not in excess of $3,500,000, 44 percent in addition of such excess.

"$1,172,600 upon net estates of $3,500,000; and upon net estates in excess of $3,500,000 and not in excess of $4,000,000, 47 percent in addition of such excess.

"$1,407,600 upon net estates of $4,000,000; and upon net estates in excess of $4,000,000 and not in excess of $4,500,000, 50 percent in addition of such excess.

"$1,657,600 upon net estates of $4,500,000; and upon net estates in excess of $4,500,000 and not in excess of $5,000,000, 53 percent in addition of such excess.

"$1,922,600 upon net estates of $5,000,000; and upon net estates in excess of $5,000,000 and not in excess of $6,000,000, 56 percent in addition of such excess.

"$2,482,600 upon net estates of $6,000,000; and upon net estates in excess of $6,000,000 and not in excess of $7,000,000, 59 percent in addition of such excess.

"$3,072,600 upon net estates of $7,000,000; and upon net estates in excess of $7,000,000 and not in excess of $8,000,000, 61 percent in addition of such excess.

"$3,682,600 upon net estates of $8,000,000; and upon net estates in excess of $8,000,000 and not in excess of $9,000,000, 63 percent in addition of such excess.

"$4,312,600 upon net estates of $9,000,000; and upon net estates in excess of $9,000,000 and not in excess of $10,000,000, 65 percent in addition of such excess.

"$4,962,600 upon net estates of $10,000,000; and upon net estates in excess of $10,000,000 and not in excess of $20,000,000, 67 percent in addition of such excess.

"$11,662,600 upon net estates of $20,000,000; and upon net estates in excess of $20,000,000 and not in excess of $50,000,000, 69 percent in addition of such excess.

"$32,362,600 upon net estates of $50,000,000; and upon net estates in excess of $50,000,000, 70 percent in addition of such excess."

(b) The amendment made by subsection (a) of this section shall be effective only with respect to transfers of estates of decedents dying after December 31, 1939.

(c) Title II of the Revenue Act of 1932, as amended (imposing an estate tax in addition to that imposed by title III of the Revenue Act of 1926), shall not apply to transfers of estates of decedents dying after December 31, 1939.

SEC. 502. Credit of local death taxes on estate tax.

(a) Section 301 (c) of the Revenue Act of 1926, as amended (relating to credit of local estate, inheritance, legacy, and succession taxes against the estate tax), is amended by striking out "80 percent" and inserting in lieu thereof "16⅔ percent."

(b) The amendment made by subsection (a) of this section shall be effective only with respect to transfers of estates of decedents dying after December 31, 1939.

SEC. 503. Priority of credit for local death taxes.

(a) Section 301 (c) of the Revenue Act of 1926, as amended (relating to credit of local estate, inheritance, legacy, and succession taxes against the estate tax), is amended by striking out "after deducting from such tax the credits provided by subdivision (b)", and inserting in lieu thereof "before deducting from such tax the credits provided by subdivision (b)."

(b) The amendment made by subsection (a) of this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this act.

SEC. 504. Credit of gift tax on estate tax.

(a) Section 301 (b) of the Revenue Act of 1926, as added by section 801 of the Revenue Act of 1932 (relating to credit of gift tax against the estate tax), is amended to read as follows:

"(b) (1) If upon the death of an individual any amount in respect of a gift made by him is required for the purposes of this title to be included in the value of his gross estate, then there shall be credited against the tax imposed by subdivision (a) of this section the amount of any tax paid under title III of the Revenue Act of 1932, as amended, with respect to so much of the property which constituted the gift as is included in the computation of the total amount of gifts for the purposes of such title III, and as is included in the gross estate, except that the amount of such credit shall not exceed an amount which bears the same ratio to the tax imposed by subdivision (a) of this section (after deducting from such tax the credit provided by subdivision (c)) as the value (determined for the purposes of such title III or for the purposes of this title, whichever is lower) of so much of the property which was included for the purposes of such title III as is included in the gross estate, bears to the value of the entire gross estate.

"(2) For the purposes of paragraph (1), the amount of tax paid for any year under title III of the Revenue Act of 1932 as amended, with respect to any property shall be an amount which bears the same ratio to the total tax paid for such year as the value of so much of such property as is included in the computation of the total amount of gifts for the purposes of such title III bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year."

(b) So much of the amendment made by subsection (a) of this section as requires that credits for payment of gift tax shall be deducted after deducting the credit provided by section 301 (c) of the Revenue Act of 1926, as amended by this act, shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this act.

SEC. 505. Credit of gift tax on additional estate tax.

Section 402 (b) of the Revenue Act of 1932 (relating to credit of gift tax against the additional estate tax) is amended to read as follows:

"(b) (1) If upon the death of an individual any amount in respect of a gift made by him is required for the purposes of this title to be included in the value of his gross estate, then there shall be credited against the tax imposed by section 401 of this act the amount of any tax paid under title III of this act with respect to so much of the property which constituted the gift as is included in the computation of the total amount of gifts for the purposes of such title III, and as is included in the gross estate, except that the amount of such credit (A) shall not exceed an amount which bears the same ratio to the tax imposed by section 401 of this act, as the value (determined for the purposes of such title III or for the purposes of this title, whichever is lower) of so much of the property which was included for the purposes of such title III as is included in the gross estate, bears to the value of the entire gross estate, and (B) shall not exceed the amount by which the gift tax paid under such title III with respect to so much of the property as constituted the gift as is included in the gross estate exceeds the amount of credit under section 301 (b) of the Revenue Act of 1936, as amended.

"(2) For the purposes of paragraph (1), the amount of tax paid for any year under title III of this act with respect to any property shall be an amount which bears the same ratio to the total tax paid for such year as the value of so much of such property as is included in the computation of the total amount of gifts for the purposes of such title III bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year."

SEC. 506. Estate-tax specific exemption.

(a) Section 303 (a) (4) of the Revenue Act of 1926 (relating to the specific exemption deductible from value of the gross estate) is amended to read as follows:

"(4) An exemption of $40,000, less the aggregate of the amounts claimed and allowed under section 505 (a) (1) of title III of the Revenue Act of 1932, as amended, as specific exemption for the calendar year 1938 and succeeding calendar years."

(b) The amendment made by subsection (a) of this section shall be effective only with respect to transfers of estates of decedents dying after December 31, 1939.

SEC. 507. Specific exemption for additional estate tax.

(a) Section 401 (c) of title II of the Revenue Act of 1932, as amended, is amended to read as follows:

"(c) For the purposes of this section the value of the net estate shall be determined as provided in title III of the Revenue Act of 1926, as amended, except that in lieu of the exemption of $100,000 provided in section 303 (a) (4) of such act, the exemption shall

be $40,000, less the aggregate of the amounts claimed and allowed under section 505 (a) (1) of title III of the Revenue Act of 1932, as amended, as specific exemption for the calendar years 1938 and 1939."

(b) The amendment made by subsection (a) of this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this act.

SEC. 508. Estate tax returns.

Section 304 (b) of the Revenue Act of 1926, as amended (relating to the amount of gross estate requiring the filing of a return), is amended by striking out "$100,000" and inserting in lieu thereof "the amount of the specific exemption provided in section 303 (a) (4)."

SEC. 509. Returns of additional estate tax.

Section 403 of the Revenue Act of 1932, as amended, relating to returns of the additional estate tax, is amended by striking out "$40,000" and inserting in lieu thereof "the amount of the specific exemption provided in section 401 (c)."

SEC. 510. Computation of net gifts.

(a) Section 504 (b) of the Revenue Act of 1932, relating to the computation of net gifts, is amended to read as follows:

"(b) Gifts not more than $3,000: In the case of gifts (other than of future interests in property) made to any person by the donor during the calendar year, the first $3,000 of such gifts to such person shall not, for the purposes of subsection (a), be included in the total amount of gifts made during such year."

(b) The amendment made by subsection (a) of this section shall be applied in computing the tax for the calendar year 1939 and each calendar year thereafter (but not the tax for the calendar year 1938 or a previous calendar year), but such amendment shall not be applied in any computations in respect of the calendar year 1938 and previous calendar years for the purpose of computing the tax for the calendar year 1939 or any calendar year thereafter.

Mr. DOUGHTON (interrupting the reading of the title). Mr. Chairman, I ask unanimous consent that the further reading of title II be dispensed with and that the title be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. ROBERTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, while we still have a full attendance on the floor, I wish to call attention to the effect of the action just taken. We have taken from the expected revenue to be produced by this bill from thirty to thirty-five million dollars at a time when we know that the maximum revenue we can hope to get will be hopelessly inadequate to meet even the Budget recommendations of the President of last January, to say nothing of increased expenditures for relief, national defense, public roads, and numerous other items so dear to the hearts of some Members of this body.

When we reach page 309 of this bill, dealing with excise taxes, I shall then offer an amendment to make up the revenue that we lose by the elimination of title I–B. This amendment will add 25 cents to the excise tax on distilled liquors, which will produce about $35,000,000.

Our present Federal tax on distilled liquors is $2 a gallon. The British tax on distilled liquors is $12.80 a gallon. Already, in the past 3 months, the price of bonded liquor has been reduced more than $1 a gallon. I am offering a tax that will be about one-fourth of what has already been cut from the retail price of liquor, and one that should not change present retail prices.

We face a fiscal crisis more serious than many realize. It is, of course, more pleasant to vote appropriations than it is to levy taxes. While an additional tax of some $30,000,000 will not go far toward eliminating a prospective deficit of a billion dollars, a refusal to levy such a tax—and on an industry known to be able to absorb it—in the face of such a situation will be most disturbing. It would be tantamount to announcing to the country that we never intend to realistically face the problem of a balanced Budget.

So I appeal to those who objected to the principle of I–B and who profess not to wish to reduce the total revenue of the bill, to support this or some other provision, if they can think of a better one, to make up this loss of revenue. When we reach page 309 of the bill I shall offer the amendment that I have mentioned.

Mr. COCHRAN. Mr. Chairman, it was my intention to offer an amendment to the pending bill in the form of a new section under the head of "Investigation of Taxation of Labor-Saving and Labor-Displacing Machinery," which would authorize and direct the Secretary of the Treasury and the Secretary of Commerce to conduct an investigation of the desirability and practicability of the imposition of a tax on the use of labor-saving and labor-displacing machinery, and report the conclusion, together with any relevant and useful data obtained in connection therewith, to the Congress at the beginning of the first session of the Seventy-sixth Congress. My purpose was to have in possession of the Ways and Means Committee such information so it could be studied in connection with future revenue legislation.

Being informed that such an amendment would be subject to a point of order and also advised that the committee would rather the matter be handled by special legislation, I am therefore submitting a resolution along this line today.

Of course, no committee can proceed intelligently until the facts are before it. My amendment is solely directed toward securing information. With the facts that will be brought to the committee through an investigation and study of this subject by the Department of Commerce the Members will be able to develop by hearings the necessity for imposing a tax on inventions that are denying American labor the opportunity to earn a living.

No Member of this House can deny that day by day there is placed in industry something new which, when installed, means the separation of men and women from jobs. What is the ultimate result? Neither you nor I can predict but common sense tells us that some provisions must continually be made for those who are being displaced in industry. If you know a better way to meet the situation than by taxation, let your suggestion be advanced.

The strange thing, Mr. Chairman, with less manpower, industry, by mass production, has not only increased its production with less manpower, but at the same time the price of the commodities increase. Cost of production undoubtedly must be lowered by the use of labor-displacing and labor-saving devices, but this reduction is nowhere reflected in the cost of the commodity to the consumer.

I am sure you will, as I was, be astonished at an article which appeared in the St. Louis Post Dispatch of last Sunday written by Mr. Marquis W. Childs, one of its Washington correspondents, which shows that 85 percent of the employees in the large branch of the steel industry have been displaced by labor-saving machinery. Such information is too important to be permitted to go unnoticed.

A few moments ago I showed this article to our colleague, Mr. RICH, of Pennsylvania, a very successful manufacturer of woolen goods. His products have a world-wide reputation. When he read part of that article he said to me, "I am with you 100 percent for an investigation to determine just what this mass production is doing and for controlling mass production. Do you know that right now in our factory we are operating automatic looms where 1 weaver takes the place of 4 and in the silk and rayon industry 1 weaver operating automatic looms takes the place of 20 employed prior to their installation? And let me tell you, as the manufacturer knows, this is a very conservative estimate."

Mr. RICH further informed me the cost of the automatic looms; the best type is about $1,200 and the life of the machine is 10 years, but can be extended to 20 years by proper care and repair.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. Yes.

Mr. RICH. Some manufacturers might object to that, but if every manufacturer is treated alike, then there is no reason why any should object to it.

Mr. COCHRAN. As usual, the gentleman is honest in his views when he is considering something even that affects him personally.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. Yes.

Mr. MEAD. Would it not be a much more efficient approach to the solution to our unemployment problem if we reduced the hours of service and increased the wage scale so as to enable labor to buy the product of the machine?

Mr. COCHRAN. I say to the gentleman that I am just as much for the wage and hour bill as he, and I voted for the consideration of the bill, but what is the use of reducing the hours when so few people are going to be employed? I am sure the gentleman will be astonished if he will but read the article that I am placing in my remarks.

I do not have the time to yield to all Members who would like to make a contribution, several being on their feet now. Let me urge them to add such suggestions as they have by sending them to the Ways and Means Committee.

The gentleman from Pennsylvania [Mr. HAINES], who would like to make a contribution now, is very much interested in this matter. I recall his speech on the subject. Take his district; he insists not a citizen would be unemployed if it was not for the machines that now make cigars. They have displaced the cigar maker, and the same applies throughout the country.

Another machine I might mention, and hundreds could be mentioned, is the invention that deprives our old telegraphers of a living. Now one man sits at a machine with a keyboard like a typewriter and he writes his messages which are recorded on thousands of machines all over the United States, and no one at the other end, as in the days prior to placing this invention in use. Anyone who can operate a typewriter can run the machine, and such machines are also used in sending our telegrams throughout the country.

I say, Mr. Chairman, the time has arrived for Congress to take some action. The passage of a wage and hour bill will not alone be sufficient. The more people who are displaced by machines just that many more are going to require assistance from either a State or the Government. I hope every Member of this House, as well as the Senate, who is interested in the welfare of his fellow man will read this article by Mr. Childs, which follows:

GIANT LABOR-SAVING MACHINES DISPLACING 85 PERCENT OF WORKERS IN BIG BRANCH OF STEEL INDUSTRY

(By Marquis W. Childs, a staff correspondent of the Post-Dispatch)

PITTSBURGH, PA., March 5.—At 28 feet a second a red-hot ribbon of steel rushes through the newest marvel of mechanization here in the steel industry. Two minutes before it has been a glowing slab from the furnace. A few minutes later the long strip will be coiled and on the way to the pickling and annealing department.

All this is done at the newest plant of the Jones & Laughlin Corporation with a minimum number of unskilled workers. Only 1,200 "button-pushers" are employed in the entire plant, which is 25 acres in extent and half a mile in length. Human beings look dwarfed, lost, in the vastness of this new mechanized world. The Carnegie-Illinois Steel Corporation, a branch of United States Steel, is building an even larger mechanical plant at Irwin, below Homestead.

"BIG STEEL" FOLLOWS IN STEPS OF "LITTLE STEEL" 12 YEARS AFTER

It is not exactly new, of course. What is happening here at the center of the steel industry is that "Big Steel"—the larger, older, and more conservative corporation—is just now mechanizing an important branch of the industry.

Twelve years ago "Little Steel" started the process. Eighty-five of every 100 workers are put out of their jobs by this new mechanical process, according to estimates of the Steel Workers' Organizing Committee. And 15 men can produce as much or more steel than 1,200 men under the old handmill process.

Harold J. Ruthenberg, research director for the S. W. O. C., formerly an economist with Brookings Institution in Washington, estimates that a total of 85,000 men will be permanently displaced in the industry when the 27 mechanical mills already completed or still under construction are in operation. Against the picture of mass unemployment in steel that has grown out of the present slump this is a staggering total. It means that 85 percent of the employees in a branch of the industry that produces about one-fifth of all steel products will be out of jobs with little chance that they will find others in other fields.

STEEL COMPANY OFFICERS SAY IT WILL EXPAND INDUSTRY

Steel company officers challenge this. They say that the new mechanical process makes it possible to roll steel into thinner and much wider strips which in turn will result in new uses for steel. This development may be a matter of years and men thrown out of their jobs at present may suffer, they argue. Eventually, however, it will mean, in the interpretation of the heads of the big companies, a greatly expanded industry.

Depressions serve, of course, to speed up this process of technological displacement not only in steel but in all industries. Another incentive to replace men with machines was the social-security tax which added a definite amount to the man-hour cost of production. In a slump it becomes imperative to cut down all costs, and particularly labor costs. Ways must be found to replace men with machinery. But at the same time, in one view at least, this very process of throwing men out of work tends to deepen the depression because it dries up sources of purchasing power. Whatever its effect, it goes on in good times as well as bad. The ingenuity of hundreds of technicians is put to the task of devising new machines. Corporations must make strenuous financial adjustments to meet new mechanized competition—the Jones & Laughlin plant cost $25,000,000. What individuals can do who have been displaced once and for all from industry only the relief offices know.

It is a striking fact that while the steel industry is today operating at about 30 percent of capacity, two companies, the Mesta Machine Co. and the United Engineering & Foundry Co., are working full time. They are the companies that manufacture the machines. From their shops come the great presses and levelers and rollers that comprise the assembly line of the new type mechanical strip mill. It is not American firms that are buying. Recently the parts to make up a strip mill assembly line were shipped to Russia and another set went to Great Britain.

In the old type of rolling mill the technique requires that the steel be handled 25 times by hand tongs before it can be put into an acid bath for pickling and treated with heat for annealing. In the new type of mill an electric crane lifts a 6,500-pound slab and puts it into the furnace. It is automatically removed and started through the train of mills where it is rolled into a 1,000-foot strip. As easily as thread is coiled on a spool it is wound on a drum and passed on to the final process. Not one pair of hand tongs touches the steel at any point in the quarter of a mile that it travels.

SOME HAND MILLS KEPT IN OPERATION, HOWEVER

The steel companies have not scrapped all of their hand mills. Many companies that have constructed mechanical mills are keeping their hand plants in operation, for the time being at least. They could scarcely afford to discard all at once equipment that is still efficient. Because of technical operating problems, it is probable that about 20 percent of hand-mill capacity, employing about 25,000 men, will be retained to fill specialty and small tonnage orders. This is the estimate of Ruthenberg, who has made a careful study of technological displacement in steel.

The 85,000 men to lose their jobs as a result of the newest change in the industry will not go all at once. The falling off is gradual. Very soon the hand mills at New Castle, Pa., will be shut down. Eleven hundred men will be thrown out of work. And these were the "aristocrats of labor," men who received anywhere from $12 to $20 a day, with their overtime, in prosperous periods. These were men who considered themselves secure in their jobs because of their superior skill, gained through long experience.

WHOLE TOWNS THROWN OUT OF WORK IN SOME CASES

It has already happened at Clarksburg, W. Va., where 1,100 workers were displaced. At Weirton in West Virginia 1,400 were out. And so it goes, with often whole towns losing their sole source of employment. There is the threat that certain of these steel towns will become deserted villages. It is not only the former employee of the mill who will be forced to go elsewhere in search of employment, but the doctor, the lawyer, and the merchant cannot live in a town which has lost its pay roll. In the same way Pennsylvania coal-mining towns have been deserted as the big coal companies have concentrated on large deposits exploited with labor-saving machinery.

The companies have thus far shown no inclination to accept responsibility for these dispossessed workers, many of whom are above that perilous age line, 40 or 45, which complicates the job of finding a job. There is a parallel to what is happening here in Great Britain. There "depressed" centers have been created where industry, and particularly shipbuilding, has receded. The British Government is attempting to move workers from the deserted industrial villages on the Tyneside and in the Welsh coal fields to centers where new industries have grown up.

STORY OF DISPOSSESSING "ARISTOCRAT OF LABOR"

The fact is here that men who have worked in hand mills are not wanted, in most instances, in the new strip mills. They have been accustomed to working in a mill turning out 10 tons in 8 hours, and they cannot condition themselves, company officials say, to seeing 1,000 tons produced in a strip mill in 8 hours.

Lawrence Corn, president of the local union in the sheet mills at Portsmouth, Ohio, is a typical worker of the old type, an "aristocrat of labor," according to Ruthenberg. At the recent S. W. O. C. convention, he was obsessed by one thing, and that was that the Portsmouth mills were being dismantled. He could not believe that this thing was happening. It seemed contrary to nature. He had worked there for 24 years. It had taken him 7 years to learn his trade. But now Corn and virtually all of his 1,500 fellow workers in the Portsmouth mills are through. Today 250 strip mill workers are producing as many tons of sheet steel in 6 months as the 1,500 men at Portsmouth produced in a year.

PRESSING BUTTONS IS ALL THERE IS FOR WORKMEN

A high-school graduate can learn to operate the electric controls in a few weeks. If he is intelligent, it is a matter of 2 weeks or less, and if he is below the level of ordinary intelligence it is scarcely more than a month. He will never need to learn anything more to hold his job.

High up in the control station he sits, pressing the buttons on the switchboard before him, the lights on the control board going red, green, white, indicating the stage of the process going forward on the assembly line down below and the next button to push or lever to pull. Their faces have a different quality from those of the traditional steelworkers under the old hand process. They are young, slight, with a preoccupied look, an absorbed look, their thoughts apparently a long way off. At various points throughout the plant are "brain units," metallurgical stations where the steel is subjected to a series of tests.

DEPRESSION FORCED USE OF MECHANIZED PROCESS

The cycle that the process of mechanization has followed is revealing. The technique had been perfected for some time by the American Rolling Mill Co., before any general use was made of it. When steel prices were high and every ton produced was automatically sold, in the boom years of 1926, 1927, and 1928, it was only a few of the smaller companies that installed the mechanical mills. It was understood that in general the industry disapproved of this innovation. Why take this step since it means that plant and machinery in which we have invested millions of dollars will be made obsolete? That was the argument of the steel masters.

But as the depression that began in 1929 deepened, the pressure to reduce costs grew proportionately. There were certain mavericks among the steel masters who decided to go ahead with the mechanization process, even though it was known throughout the industry that "Big Steel" didn't want it.

A typical company that mechanized early was the Weirton Steel Co., headed by E. T. Weir. Weir's company paid dividends right through the depression, and the reason, some people think, is because he had pared down labor costs by mechanizing his mills. His larger competitors disagree, suggesting that the reason for his dividends was his policy of paying less than the going wage to his workers. The fact remains that "Little Steel," which mechanized early, managed to make a better showing in the depression than Big Steel, which had held off.

Since 1930, strip mill annual capacity has increased 408 percent, or from 2,778,500 tons to 14,000,000 tons, according to Ruthenberg. By contrast, the increase of capacity from 1926 to 1930 had been only from 774,500 tons to 2,776,500.

"The boom of 1936 and 1937 saved the hand mills from being dismantled in wholesale fashion," Ruthenberg says. "When the industry was booming in April of 1937 the problem was to find outlets for the new capacity. The steel trade was hopeful that the excess capacity would force a lowering in prices of strip-mill products, but now that a depression has set in, the excess capacity is being eliminated and prices are being maintained. The present problem is to find enough business to operate the new, efficient mills and today the hand mills are being permanently closed down at an alarming rate."

Besides the plants at Portsmouth employing 1,500 men, the Wheeling Steel Co. has announced the abandonment of 24 tin mills in Yorkville, Ohio, normally employing 1,300 men. Carnegie-Illinois is shutting down 20 mills at New Castle and the shut-down will be permanent. Fourteen sheet mills at Monroe, Mich, employing 600 men, are being dismantled by Republic Steel. Ruthenberg has compiled a list of nearly 100 smaller mills, employing more than 5,000 workers, all of which have been shut down in recent weeks.

DISMANTLING HAND MILLS

"The steel industry," he says, "has never used all of its potential hand-mill and strip-mill capacity. The maximum annual capacity of the hand mills and strip mills in 1929 was 18,000,000 tons, and only 15,000,000 tons were produced. By July of this year the steel industry will be capable of producing 26,000,000 tons if no more hand mills are dismantled. In 1937, the best year since 1929, not more than 16,000,000 tons of strip steel, plate, sheets, and black plate were consumed.

"The prospects for consumption of these products in 1938 indicate that considerably less will be consumed than in 1937. With no outlet for the excess capacity the steel operators are operating the low-cost strip mills and dismantling in wholesale fashion their hand mills. The dismantling will continue until only 20 percent of the hand mills, with an annual capacity of 3,000,000 tons, will remain. Together with the strip mills, the steel industry will then have a yearly capacity of 17,000,000 tons of strip steel, plates, sheets, and black plate, which is more than ever has been consumed in a single year. And if the demand should ever exceed 17,000,000 tons, the hand mills will not be salvaged, but new strip-mill capacity will be added."

FEW LOOK FOR SHARP FALL IN PRICE

What company officials say about price is that while there has been no material change, a far better grade of steel is being sold today, for the same price. If there were a substantial break in the present price of tin plate—$117.70 a ton, approximately what it sold for in 1929—it would be impossible to keep the hand mills in operation in competition with the new mechanical mills. Recently the price of auto sheet steel quoted by certain companies broke about $4 a ton and there was some talk that this presaged a general price reduction. But there are few persons in the industry who have any serious expectation of a price break.

COST CUT 61 PERCENT

Ruthenberg presents figures to show that the total labor cost required to produce a ton of tin plate, one of the principal products of the new mechanized mills, has been reduced 61 percent, or from $36 a ton to $14. If a substantial part of this lowered labor cost were converted into lower prices, he says, then possibly new uses for tin plate might be developed that would create jobs elsewhere.

Part of the saving due to reduced cost goes for a long time to pay for the new mechanical mills. The head of the American Rolling Mill Co., C. R. Hook, has estimated that $350,000,000 has been invested in the 27 strip mills, an average investment of $13,000,000 in each mill. Carnegie-Illinois' new plant at Irwin is to cost $45,000,000. Amortization on the $25,000,000 Jones & Laughlin plant is approximately $225,000 a month. When production is down below 45 percent, this amount has to be found somewhere, for the interest on the bonds that were sold to build the new plant goes right on regardless of the state of industry.

THE BONUSES OF YESTERYEAR

Ruthenberg and other S. W. O. C. officials declare that in the prosperous years of 1936 and 1937 a great deal of the saving effected by mechanization went into bonuses and fatter salary checks for company officials. They point to the handsome salaries and bonuses of the executives of National Steel, Weir's principal company, and the American Rolling Mill Co. There are no such bonuses in sight this year. Realistic forecasters in the industry can foresee no appreciable increase in steel production through June. They hesitate to carry their predictions beyond that date.

It is somewhat ironic that this displacement of men by machines should come at such an accelerated rate just as organized labor seems to have won an indisputable victory in the steel industry. Union contracts are now being renewed at conferences between company officials and Clinton S. Golden, regional director of the S. W. O. C. Those skeptics who predicted that the industry would take advantage of the first severe business recession to try to break the union have been refuted. In many of the contracts that have been renewed there are small but definite gains.

A PROBLEM WITHOUT AN ANSWER

On every hand, Golden says, there appears to be a willingness to bargain with the union, an acceptance of collective bargaining as a fixed part of the industrial picture. Even in "Little Steel," such companies as Republic and National, where the union has been so bitterly resisted, shop committees are reporting grievances and organizers are at work. Golden believes that it will only be a matter of time, and a comparatively short time, before these companies are signed up.

About the problem of displaced workers, the union can, of course, do nothing. At the S. W. O. C. convention in December, Philip Murray, chairman, called attention to the seriousness of the situation, pointing out that in the course of 3 years about 85,000 workers would be thrown out of their jobs. Frankly admitting that he did not know the answer, Murray recommended a thoroughgoing congressional investigation of the displacement of men by machines, not only in steel but in other major industries.

What this would show, in the opinion of Ruthenberg and others who have studied the problem, is that the process of displacement has been going on since the start of the industry. Gradually for the most part, with some branches virtually unaffected, it has been accelerated by sharp downswings of the economic cycle. And once a major technological change has been introduced into an industry, every company must sooner or later accept it or go under. The inexorable force of competition makes that inevitable.

Mr. TREADWAY. Mr. Chairman, the title that we are now considering seems to me to be an important one. It has been given practically no attention. I think it ought to be called to the attention of the House and that more of an explanation should be made of it than appears in the majority report.

One thing it does is this: The present law permits an exemption of $40,000 for gifts and $40,000 exemption in the matter of estates. The bill combines the two exemptions into one exemption of $40,000. Therefore you get just half as much exemption under the bill. So far as I ascertain from a reading of the majority report, and so far as any information that came to the committee is concerned, the Treasury did not submit any estimate as to the amount of additional revenue that will be secured by combining these two exemptions.

I think the House is entitled to this information. I am not saying that I am opposed to the amendment as such, but I do think it is so important that an explanation ought to be offered by the majority members of the committee in a way answering the question which I am now propounding.

Mr. Chairman, I yield back the balance of my time.

WE NEED A GROSS-RECEIPTS TAX ON RADIO BROADCASTING

Mr. McFARLANE. Mr. Chairman, the House has stricken out title I–B about which we have heard such vociferous discussion during the debate on this bill. It seems to have been the most controversial section of the bill; but from the viewpoint of tax revenue it was one of the least important features of the bill.

Since this revenue has been taken from the bill, some $30,000,000 or less, as has been estimated, it is important that we try to replace this revenue by a tax based on ability to pay. A little later in the bill I expect to offer an amendment which I think will tap one of the greatest fields of revenue, the radio broadcasting industry. I shall have more to say concerning this later. I have spoken on this matter several times and have called it to your attention, pointing out that this industry last year, through its advertising alone, received more than $140,000,000. It is the only natural monopoly existing in the utility field that does not pay 1 cent of revenue toward the upkeep or maintenance of the Department supposed to regulate it.

Mr. HAINES. Mr. Chairman, will the gentleman yield for a question?

Mr. McFARLANE. I yield for a brief question; yes.

Mr. HAINES. Do I understand that the gentleman proposes to tax the radio in a man's home?

Mr. McFARLANE. No; the radio broadcasting industry of the Nation.

Mr. Chairman, at this time, since title I–B, providing for a tax on certain corporations included under the so-called third basket, has been stricken from the bill, and in view of the situation confronting us concerning the tax bill in its deplorable condition as described by myself and others during the debate of yesterday, I desire to especially call to the attention of the Members of the House an excerpt taken from the March 5th issue of Business Week regarding this tax bill. It states:

What's left of the undistributed-earnings tax in the new House bill is just an echo of the current law (BW—Jan. 22, 1938, p. 17). Corporations with net incomes of less than $25,000 are exempt. Corporations with incomes of slightly more than $25,000 are given complicated tax options, and only large corporations bear the full brunt of the surtax—which at most comes to 4 percent, as against the present 20.5 percent.

I read you this excerpt from an editorial appearing in the New York Times of January 21, giving the unbiased opinion of this great newspaper as to the bill now before us:

The notorious undistributed-profits tax seems to be definitely on its way out. The report of the Ways and Means Subcommittee abolishes it for the great mass of corporations in all but a nominal form. Members of the Senate Finance Committee have indicated that they are still more strongly opposed to it. For that reason many may now believe that the need for argument on the point is over. But the weight of argument will still determine what vestiges of the tax are retained; and even if we consider the present arguments being used against it to be little more than funeral orations, it is profitable to consider them for the light they throw on a much wider problem—that of capital formation and its inherent relation to prosperity and general economic welfare.

After the new tax bill was introduced in the House the New York Times again said:

For the great bulk of corporations it reduces the tax on undistributed profits to a nominal figure.

In the March 5 issue of Business Week we find these statements regarding the bill:

Here are facts which add up to trouble when the Senate gets the House tax bill:

1. President Roosevelt's estimate in January that the 1939 deficit would be only $950,000,000.

2. Representative VINSON'S assertion that the House proposals will result in "no loss in revenues."

3. The sharp decline in general business activity since those two statements.

In December the Federal Reserve monthly index of production (which Government statisticians use) was at 84. In January it dropped to 81; and the February figure may prove to be somewhat lower.

That drop in general business will do nasty things (a) to Mr. VINSON'S statement that there will be "no loss in revenues" and (b) to Treasury revenues.

The Senate will have to reckon with the shift in the Government's estimated income account as a dynamic consequence of the change in the business picture. More, the $950,000,000 estimated deficit for the fiscal year which ends June 30, 1939, is bound to be low. Not only are receipts likely to be under estimates of Treasury experts, but expenditures (because of relief) will be higher than originally contemplated.

[Here the gavel fell.]

Mr. McFARLANE. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. McFARLANE. The present serious business conditions and their effect on labor are summed up by Business Week in the issue of March 5, 1938, as follows:

DEJOBBING THE REJOBBED

Turning to the unemployment figures which are estimated from the incomplete data available, we find that they continue to rocket upward. The Department of Labor total for nonagricultural unemployment shows a January increase of 1,300,000 and an October-January increase of 2,800,000. Another series worth watching, since it checked well with the official census last November, is that of the National Industrial Conference Board for grand total unemployment. This showed 14,984,000 in March 1933, was down to 6,065,000 in September 1937, and reached 10,342,000 in January 1938. In other words, 48 percent of those who regained their jobs in the whole recovery period have lost them again since last September.

Mr. Chairman, I hold in my hand a chart of the monthly business averages as shown by Business Week, and I call attention to the fact that since last August the business index takes a definite downward swing, and it is still very pointedly downward; yet we know, and as was clearly pointed out yesterday, that this bill in 12 important particulars seriously reduces the revenues in existing law. Where are we going to get the money to replace the loss in revenue under the provisions of this bill?

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. DONDERO. Has the gentleman estimated the amount of revenue that his proposed amendment will bring into the Treasury?

Mr. McFARLANE. The amendment I propose to offer applying to the radio-broadcasting industry, will be at the rate of 10 percent. On the $140,000,000 advertising they did last year the tax would be $14,000,000.

Mr. DONDERO. That would not make up the $30,000,000.

Mr. McFARLANE. In conclusion, Mr. Chairman, I expect to offer this amendment to draw revenue from this radio-broadcasting field that is now tax-free insofar as paying anything for supporting the Federal Communications Commission is concerned.

Chairman McNinch, of the Federal Communications Commission, in answering a letter of the gentleman from North Carolina [Mr. DOUGHTON], who asked for the recommendations of the Federal Communications Commission regarding H. R. 6440, a bill providing for the taxation of operators of radio broadcast stations now pending before the Ways and Means Committee, said, in part:

There is no consistent or logical justification for basing a tax on radio broadcasting stations solely on wattage without regard to income, type of service, geographical coverage, or other pertinent considerations.

In commenting on whether or not a tax should be levied on radio broadcasting stations, Chairman McNinch, in his letter to the gentleman from North Carolina [Mr. DOUGHTON], said:

The Commission's objections to H. R. 6440 should not be taken to be objections on the part of the Commission to the principle of levying a tax upon or charging a fee for the exercise of the privilege of broadcasting, either for the purpose of reimbursing the Government for the expense incident to the regulation or licensing of broadcast stations or for general revenue purposes.

I therefore hope when my amendment is offered providing a 10-percent gross-receipts tax on radio broadcasting in this country that it will receive your favorable consideration.

[Here the gavel fell.]

Mr. O'MALLEY. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, as some of the speakers preceding me have stated, there will have to be secured by other means some of the deficit in the proposed revenue that the committee hoped to get through the unfair imposition of title I–B.

In 1933 I introduced, and have continuously introduced at each session, an amendment to the income-tax law that

would put a 50-percent surtax upon profits made by American manufacturers in their foreign-owned factories. I asked for hearings on this matter, and although the committee has been communicated with a number of times, it has not yet considered this proposition.

Mr. THOMPSON of Illinois. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Illinois.

Mr. THOMPSON of Illinois. What is the gentleman's idea as to the power of this Government to collect such a tax upon the business of an American corporation doing business in foreign countries?

Mr. O'MALLEY. May I say to the gentleman that this Government has all the power it needs over its citizens. There are companies like Ford, General Motors, and others who have deprived Americans of employment by building foreign factories, and they should pay for the unemployment they have created in this country in order to give employment to foreigners. They should pay this by way of a greater tax upon the profits made abroad than they pay upon profits made in this country.

Here is another little suggestion I would like to make to the committee, which is looking for from $30,000,000 to $45,000,000 of revenue which the members of the committee say we have to make up because of the defeat of title I–B. We ought to have a tax, and a good stiff tax, upon the money that Barbara Hutton and other deserters of her kind remove to Europe. We ought to have a tax upon the money that these wealthy emigrants to other countries are taking out of this country, whose opportunities and workers made their vast fortunes possible. We should go further and put a tax upon the money that American tourists take over to Europe until such time as Europe pays us her war debts. Why not do that? Barbara Hutton's millions came out of the pockets of the wage earners and the citizens of this country. I am not presumptuous enough to tell the distinguished members of the Ways and Means Committee how to write a law getting at these tax dodgers, but I note they cannot figure out a way to make section 102 work. No one from Europe can come here with $20,000 to spend in the United States, nor can a European citizen transfer his wealth to our shores. Turn about is fair play.

Mr. FRED M. VINSON. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Kentucky.

Mr. FRED M. VINSON. Would the gentleman have a graduated tax upon the foreign-title holder, according to his net worth?

Mr. O'MALLEY. I will leave that to the gentleman's ability. He has far more experience than I.

Mr. FRED M. VINSON. That might be much or little.

Mr. O'MALLEY. The details, I am sure, could safely be entrusted to the gentleman and his committee. If we taxed foreign titles on the value most Americans put on them, our revenue would be about a dime a dozen.

Mr. ANDRESEN of Minnesota. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Minnesota.

Mr. ANDRESEN of Minnesota. This Government of ours has purchased about $6,000,000,000 worth of gold which has netted about 40 percent profit to foreigners. How about taxing that?

Mr. O'MALLEY. That is another way of getting it. From some of the advertising that Great Britain has been getting here today as to how she does it, I am surprised they have not been invited over here to write our tax bills. All I have heard this morning is that Great Britain does this and Great Britain does that. When the British can produce gold in South Africa for less than half of what she sells it to us for, we ought to find some way of taxing the profits we are paying to the British and the other shippers of gold, so that we can make up this deficit the committee is so worried about.

Mr. DONDERO. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Michigan.

Mr. DONDERO. The gentleman does not blame Great Britain or British citizens for making that profit?

Mr. O'MALLEY. No. They hope to make one even out of another war that we will fight for them.

Mr. DONDERO. The fault is on this side of the water.

Mr. O'MALLEY. And I do not blame them for buying American securities and dumping those securities upon the exchanges in Europe, thereby liquidating nearly $2,000,000,000 worth of American values in American business. Those American securities that are being sold upon foreign exchanges and their wholesale dumping which helped to bring the recession should be taxed. I have introduced a measure to tax foreign stock transactions made here which the committee could use to obtain more revenue.

Mr. Chairman, these are some of the ways to get this $30,000,000 to $45,000,000. I suggest them in case the committee might overlook ways to raise the needed money that will hurt no Americans with their lives and interests tied up with the welfare of our country. I suggest them as alternatives to any discriminatory excise taxes the committee may offer in the excitement and perhaps unhappiness at losing title I–B, which only a few cherished and no one but committee members defended, when defense was forthcoming at all.

Mr. FRED M. VINSON. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, under title II, dealing with estate taxes, I think the attention of the House should be called to some of the major changes. Under existing law, an individual might have three exemptions of $40,000 each; namely, an exemption of $40,000 for insurance, an exemption of $40,000 from estate taxes, and an exemption of $40,000 from gift taxes.

The gift-tax exemption is cumulative, but you may have a total exemption of $40,000. The committee has combined the gift-tax exemption and the estate-tax exemption, so that there is only one exemption of $40,000, whether it be taken by gift during the lifetime of the individual or taken by the estate after death. That is one change.

There is another change with reference to the gift tax. Under existing law a person may give annually to any one person $5,000. That is not included in the gift-tax exemption about which I have just spoken. The committee recommends reduction in exemption on annual gifts from $5,000 annually per person to $3,000 annually per person.

A question was raised by the gentleman from Massachusetts with reference to the yield under title II. My recollection is we were told that reduction of the $5,000 annual gift to $3,000 annual gift would mean substantially three or four million dollars added revenue. The total number of extra dollars this title will bring into the Treasury above the amount raised by existing law is estimated to be $10,800,000 or $10,900,000. Of course, these additional dollars will be slow in coming in, and it will probably be a couple of years before this provision is really effective. However, this is the revenue situation.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Michigan.

Mr. DONDERO. Do I correctly understand the gentleman to say the gift tax and the estate tax can now be combined, but the exemption cannot exceed $40,000?

Mr. FRED M. VINSON. Forty thousand dollars in the one combined exemption is provided in this bill. But there is an annual exemption of $3,000 per individual per year, free from tax.

Mr. DONDERO. This sum is not chargeable against the exemption of the estate?

Mr. FRED M. VINSON. The gentleman is correct; it is not chargeable against either exemption. It is free from tax.

The Clerk read as follows:

TITLE III—CAPITAL-STOCK AND EXCESS-PROFITS TAXES

SEC. 601. Capital-stock tax.

(a) For each year ending June 30, beginning with the year ending June 30, 1939, there is hereby imposed upon every domestic corporation with respect to carrying on or doing business for any part of such year an excise tax of $1 for each $1,000 of the adjusted declared value of its capital stock.

(b) For each year ending June 30, beginning with the year ending June 30, 1939, there is hereby imposed upon every foreign corporation with respect to carrying on or doing business in the United States for any part of such year an excise tax equivalent to $1 for each $1,000 of the adjusted declared value of capital employed in the transaction of its business in the United States.

(c) The taxes imposed by this section shall not apply—

(1) to any corporation enumerated in section 101 of this act;

(2) to any insurance company subject to the tax imposed by section 201, 204, or 207 of this act.

(d) Every corporation liable for tax under this section shall make a return under oath within 1 month after the close of the year with respect to which such tax is imposed to the collector for the district in which is located its principal place of business, or, if it has no principal place of business in the United States, then to the collector at Baltimore, Md. Such return shall contain such information and be made in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe. The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector before the expiration of the period for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 percent per annum from the time when the tax became due until paid. All provisions of law (including penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926 shall, insofar as not inconsistent with this section, be applicable in respect of the taxes imposed by this section. The Commissioner may extend the time for making the returns and paying the taxes imposed by this section, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than 60 days.

(e) Returns required to be filed for the purpose of the tax imposed by this section shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under title II of the Revenue Act of 1926.

(f) (1) The adjusted declared value shall be determined with respect to 3-year periods beginning with the year ending June 30, 1939, and each third year thereafter. The first year of each such 3-year period, or, in case of a corporation not subject for such year to the tax imposed by this section, the first year of such 3-year period for which the corporation is subject to the tax, shall constitute a "declaration year."

(2) For each declaration year the adjusted declared value shall be the value, as declared by the corporation in its return for such declaration year (which declaration of value cannot be amended), as of the close of its last income-tax taxable year ending with or prior to the close of such declaration year (or as of the date of organization in the case of a corporation having no income-tax taxable year ending with or prior to the close of such declaration year).

(3) For each year of any 3-year period subsequent to the declaration year, the adjusted declared value in the case of a domestic corporation shall be the value declared in the return for the declaration year plus—

(A) the cash, and the fair market value of property, paid in for stock or shares,

(B) paid-in surplus and contributions to capital,

(C) its net income,

(D) its income wholly exempt from Federal income tax, and

(E) the amount, if any, by which the deduction for depletion exceeds the amount which would be allowable if computed without regard to discovery value or to percentage depletion, under section 114 (b) (2), (3), or (4) of this act or a corresponding section of a later revenue act;

And minus—

(i) the cash, and the fair market value of property, distributed to shareholders,

(ii) the amount disallowed as a deduction by section 24 (a) (5) of this act or a corresponding provision of a later revenue act, and

(iii) the excess of the deductions allowable for income-tax purposes over its gross income.

(4) The adjustments provided in paragraph (3) shall be made for each income-tax taxable year included in the 3-year period from the date as of which the value was declared in the return for the declaration year to the close of the last income-tax taxable year ending with or prior to the close of the year for which the tax is imposed by this section. The amount of such adjustment for each such year shall be computed (on the basis of a separate return) according to the income-tax law applicable to such year.

(5) For each year of any 3-year period subsequent to the declaration year, the adjusted declared value in the case of a foreign corporation shall be the value declared in the return for the declaration year adjusted (for the same income-tax taxable years as in the case of a domestic corporation), in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, to reflect increases or decreases in the capital employed in the transaction of its business in the United States.

(g) For the purpose of the tax imposed by this section there shall be allowed in the case of a corporation organized under the China Trade Act, 1922, as a credit against the adjusted declared value of its capital stock, an amount equal to the proportion of such adjusted declared value which the par value of the shares of stock of the corporation, owned on the last day of the taxable year by (1) persons resident in China, the United States, or possessions of the United States, and (2) individual citizens of the United States or China wherever resident, bears to the par value of the whole number of shares of stock of the corporation outstanding on such date. For the purposes of this subsection shares of stock of a corporation shall be considered to be owned by the person in whom the equitable right to the income from such shares is in good faith vested; and as used in this subsection the term "China" shall have the same meaning as when used in the China Trade Act, 1922.

(h) The capital-stock tax imposed by section 105 of the Revenue Act of 1935, as amended, shall not apply to any taxpayer with respect to any year after the year ending June 30, 1938.

SEC. 602. Excess-profits tax.

(a) If any corporation is taxable under section 601 with respect to any year ending June 30, there is hereby imposed upon its net income for the income-tax taxable year ending after the close of such year, an excess-profits tax equal to the sum of the following:

Six percent of such portion of its net income for such income-tax taxable year as is in excess of 10 percent and not in excess of 15 percent of the adjusted declared value;

Twelve percent of such portion of its net income for such income-tax taxable year as is in excess of 15 percent of the adjusted declared value.

(b) The adjusted declared value shall be determined as provided in section 601 as of the close of the preceding income-tax taxable year (or as of the date of organization if it had no preceding income-tax taxable year). If the income-tax taxable year in respect of which the tax under this section is imposed is a period of less than 12 months, such adjusted declared value shall be reduced to an amount which bears the same ratio thereto as the number of months in the period bears to 12 months. For the purposes of this section the net income shall be the same as the net income for income-tax purposes for the year in respect of which the tax under this section is imposed, computed without the deduction of the tax imposed by this section, but with a credit against net income equal to the credit for dividends received provided in section 26 (b) of this act.

(c) All provisions of law (including penalties) applicable in respect of the taxes imposed by title I of this act shall, insofar as not inconsistent with this section, be applicable in respect of the tax imposed by this section, except that the provisions of section 131 of that title shall not be applicable.

(d) The excess-profits tax imposed by section 106 of the Revenue Act of 1935, as amended, shall not apply to any taxpayer with respect to any income-tax taxable year ending after June 30, 1939.

Mr. FRED M. VINSON (interrupting the reading of the title). Mr. Chairman, I ask unanimous consent that the further reading of the title may be dispensed with and that the entire title may be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. FISH. Mr. Chairman, as we draw near the conclusion of the consideration of this rather lengthy and unsound tax bill I believe it is only right that someone should refer to the excessive and punitive taxes imposed on the upper bracket of incomes. This bill carries the same income-tax rates as in the last bill. For many years leading Democrats, including Mr. CARTER GLASS, when Secretary of the Treasury, and other Secretaries of the Treasury under Democratic administrations, have pointed out that these excessive taxes, reaching as high as 79 percent, utterly disregard the law of diminishing tax returns. Mr. Bernard Baruch, in testifying a few days ago before a Senate committee, made the same statement.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Texas.

Mr. McFARLANE. Is the gentleman referring to the gentleman from New York, Mr. Baruch, who came down here to appear before the Senate Committee on Unemployment in connection with a relief bill and then talked about how to relieve the rich of their taxes?

Mr. FISH. The gentleman to whom I am referring is a lifelong Democrat from South Carolina, an intimate friend and adviser of the President of the United States.

Mr. McFARLANE. Which one?

Mr. FISH. An intimate friend of President Roosevelt.

Mr. McFARLANE. I am not speaking of anyone from South Carolina.

Mr. FISH. He was also one of the largest single contributors to the Democratic Party in the last campaign. This is

the same gentleman to whom the gentleman from Texas refers.

Mr. McFARLANE. Who is he?

Mr. FISH. Mr. Bernard Baruch, of South Carolina.

Mr. McFARLANE. When did he move down there?

Mr. FISH. He was born down there and, I believe, he votes down there. He just made his money in New York, but he still lives down there.

Mr. McFARLANE. And he still does his business in New York.

Mr. FISH. This bill carries the same excessively high rates that were in the last bill. No one has made any protest against them. I am one of those who believe that rich people should carry their fair share of the burden of taxation. I have always been inclined to the liberal side in politics. However, when you write into law these excessive and punitive taxes, taxes far higher than are in effect in any other nation in the world, far higher than in Great Britain, France, Germany, or any other nation, and drive wealth into tax-exempt securities, you are just legislating against the interests of the Government and the American people.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield for a question?

Mr. FISH. I cannot yield; I have only 5 minutes.

You are forcing millions and millions of dollars into tax-exempt securities and are getting no return from these ultra-rich men. I make this observation because I believe it is a fact and because I believe it is unanswerable; yet we who have the responsibility of writing tax legislation year after year write it with utter disregard of the law of diminishing tax returns. You can no more repeal that natural law than you can amend the law of gravity. Here we are again doing exactly the same thing. As long as the majority proposes to continue this system, then, I submit, there is just one thing to do, and that is to stop issuing tax-exempt securities. [Applause.]

Let me make a few remarks in answer to the amazing statement of the Secretary of the Interior, Mr. Harold Ickes, who told the Nation that 60 rich families dominated our financial and economic system and endangered our free institutions and our industrial system. It is good communistic and socialistic argument to tell the people back home that 60 rich families dominate this country and endanger our free institutions, but what is the answer? The answer is simply that those 60 rich families are soaked and swatted 79 percent of their income.

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I ask unanimous consent that I may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. The Secretary of the Interior does not give the other side of the picture. I am here merely to state the facts, not to attack anybody, and not to defend or protect the rich, because they can always take care of themselves. What I want to do is put these facts in the RECORD in order to try to prevent what I believe Mr. Ickes had in mind, to spread class hatred and try to make the American people believe these 60 richest families endanger our political, financial, and economic institutions and exploit the people and the Nation. He may succeed in fooling some of the people. But what are the facts? The facts are, to begin with, that these 60 richest families are soaked and swatted by the Federal Government to the extent of 79 percent of their incomes. In addition, if they live in the State of California, they are soaked another 20 percent of their Federal income tax, or 15 percent more, which makes a total tax of approximately 95 percent of their income.

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. PETTENGILL. While I am not disagreeing with the gentleman's argument, I may say that the 79 percent applies only in the highest bracket.

Mr. FISH. I am only talking about the 60 richest families.

Mr. PETTENGILL. Even so, the 79 percent applies only to the highest bracket of their income.

Mr. FISH. Certainly; but that takes practically 79 percent of the income of the ultrarich.

In addition to this, you have your State income taxes, and in California this runs up to 20 percent, which makes more than 95 percent.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. FISH. No; I cannot yield now.

In addition to this, there are all kinds of other taxes, and while you may get some reduction in some of them, yet you have your real-estate taxes, your city, town, and school taxes, your sales tax, your gasoline tax, and your dog tax. In some instances, this almost takes 100 percent of the income of these 60 richest families, who may have difficulty in saving enough money to pay their taxes with. You can hardly blame them for rushing into tax-exempt securities.

I am not standing here for the purpose of protecting these rich men, but I am here to present facts which are often ignored, to the disadvantage of the country and business. First, we are not getting the tax returns, because our high brackets are excessively high, and my second purpose is simply to show that these 60 rich families are not endangering our free institutions or our economic system. As a matter of fact, the only thing we are doing by continuing these excessive and punitive taxes is to take money from out of private enterprise and out of private business—and this is bad business in itself—and turn it into the United States Treasury. Private industry needs funds to expand and employ labor, but as long as the law of diminishing returns drives the big fortunes into tax-exempt securities or practically confiscates them by excessive and punitive taxes, there will be no big private capital available to flow into business channels, to expand legitimate business, develop new business activities, and, above all, to put American labor back to work.

[Here the gavel fell.]

Mr. MURDOCK of Arizona. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I am not so presumptuous as to try to tell the Committee on Ways and Means how to frame a tax bill, but I had one thought which I wanted to impress upon you at this moment.

Just a few moments ago the Committee of the Whole House voted out, by a considerable majority, title I–B. We are told with this title eliminated there will be a deficiency of thirty or more millions of dollars in the revenue collectible by this legislation. I was greatly pleased when my friend from Virginia said he would offer an amendment at page 309 which would make good this deficit, if it needs to be made good eventually; but, Mr. Chairman, I would like to make this one passing suggestion.

This bill has little to do with tariff duties. I know that we of the Democratic Party would like to minimize tariff duties, but I have been impressed with this fact, and I am positive it is a fact. Because of our liberal trade agreements we have encouraged great blocks of American capital to invest in manufacturing establishments abroad. In other words, I fear that under the present policy we are permitting goods to come in from other countries that are manufactured there by cheap labor, but under American capital. I would not cut down on our liberal principle of trade with other countries, but I think we would do well if we would place some sort of discriminatory tax on foreign goods made by cheap foreign labor under the auspices of American capital and thus prevent the migration of American capital to other countries in order to produce goods there and sell them here under our liberal trade arrangement. I leave this as a suggestion for the Ways and Means Committee.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. MURDOCK of Arizona. Yes.

Mr. McFARLANE. It was pointed out recently in our hearings that Armour, Swift, Wilson, and the other large

packers have taken their capital, along the line the gentleman has suggested, and have gone into Paraguay, Uruguay, the Argentine, and other South American countries and have established their plants and for years they have been using cheap South American labor to can meat and other products which they produce down there and ship into the United States at very greatly reduced prices, to the detriment of the employment of our American people, with the consequent unemployed running into the thousands.

Mr. MURDOCK of Arizona. That is exactly the situation I have in mind, and that is exactly the evil I would like to see corrected by the right kind of legislation.

[Here the gavel fell.]

The pro forma amendment was withdrawn.

Mr. SAUTHOFF. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SAUTHOFF: On page 301, line 13, after the period, insert the following:

"SEC. 603. Special tax: In addition to the taxes levied, collected, and paid in all the preceding sections, there shall be levied, collected, and paid an additional tax of 1 percent on all schedules in said sections, which taxes shall be used solely for the payment of the naval program for the coming and each succeeding fiscal year."

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment.

Mr. SAUTHOFF. Will the gentleman reserve the point of order?

Mr. COOPER. I reserve the point of order.

Mr. SAUTHOFF. Mr. Chairman, the purpose of this tax bill, if you gentlemen will notice the introduction, is to raise more revenue, and it is my contention that this amendment would raise more revenue. In addition, the bill also says it is "for other purposes." Of course, I contend that one of the "other purposes" is to pay for the Navy. My object in introducing this amendment is to make the American taxpayers big Navy conscious; to let them know what it costs to build a big Navy, because it has been very noticeable that the leading exponents of the big Navy are those who have the largest amounts of money. I call attention to the fact that according to the Treasury statement our indebtedness is approximately $37,750,000,000. The additional naval program, which will come out in a day or two, will cost approximately $1,200,000,000 more than the regular appropriation bill of $550,000,000 this year; so that we will have a total public debt of $39,000,000,000. In addition to that amount I might add the fact that we have our former beloved allies still owing us about $10,000,000,000, which makes our total indebtedness about $49,000,000,000. Do not forget that that $10,000,000,000 is going to be paid by our taxpayers, because the allies are never going to pay a cent of it, either interest or principal. Mark this down. If you are ever going to reduce that $50,000,000,000 of indebtedness, you are going to have decided increases in income tax. The amendment that I am proposing will not even be a drop in the bucket, for all that would raise would be $200,000,000 a year, and the new naval program, outside of the regular naval appropriation bill, will cost that much a year for the next 5 or 6 years. So, you can mark it down, that the tax march is on, and what kind of a march will it be? It will probably be a sales tax drive, a tax on the poor, on the necessities of life, instead of putting a tax where it ought to be, on those who have the ability to pay. It is for this reason that I want to drive it home to the American taxpayer what he is up against.

Mr. Chairman, I was quite sure that a point of order would be raised against this amendment, and I ask unanimous consent to withdraw the amendment.

The CHAIRMAN. Without objection, the amendment will be withdrawn.

There was no objection.

The Clerk read as follows:

TITLE IV—EXCISE TAXES

SEC. 701. Termination of certain excise taxes.

(a) Certain toilet preparations: The tax imposed by section 603 of the Revenue Act of 1932 shall not apply to tooth and mouth washes, dentifrices, tooth pastes, or toilet soaps, sold after June 30, 1938.

(b) Furs: The tax imposed by section 604, as amended, of the Revenue Act of 1932 shall not apply to articles sold after June 30, 1938.

(c) Phonograph records: The tax imposed by section 607 of the Revenue Act of 1932 upon records for phonographs shall not apply to such records sold after June 30, 1938.

(d) Sporting goods: The tax imposed by section 609 of the Revenue Act of 1932 shall not apply to articles sold after June 30, 1938.

(e) Cameras: The tax imposed by section 611 of the Revenue Act of 1932 shall not apply to articles sold after June 30, 1938.

(f) Chewing gum: The tax imposed by section 614 of the Revenue Act of 1932 shall not apply to articles sold after June 30, 1938.

(g) Crude petroleum: The tax imposed by section 604, as amended, of the Revenue Act of 1934 shall not apply to crude petroleum sold after June 30, 1938.

(h) Refining of crude petroleum: The tax imposed by section 605, as amended, of the Revenue Act of 1934 shall not apply to crude petroleum refined or processed, or gasoline produced or recovered, after June 30, 1938.

SEC. 702. Tax on certain oils.

Section 601 (c) (8) of the Revenue Act of 1932, as amended, is amended to read as follows:

"(8) (A) Whale oil (except sperm oil), fish oil (except cod oil, cod-liver oil, and halibut-liver oil), marine-animal oil, tallow, inedible animal oils, inedible animal fats, inedible animal greases, fatty acids derived from any of the foregoing, and salts of any of the foregoing; all the foregoing, whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed, 3 cents per pound;

"(B) Sesame oil provided for in paragraph 1732 of the Tariff Act of 1930, sunflower oil, rapeseed oil, kapok oil, hempseed oil, perilla oil, fatty acids derived from any of the foregoing or from linseed oil, and salts of any of the foregoing; all the foregoing, whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed, 4½ cents per pound;

"(C) Any article, merchandise, or combination (except oils specified in section 602½ of the Revenue Act of 1934, as amended), 10 percent or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the products specified above in this paragraph or of the oils, fatty acids, or salts specified in section 602½ of the Revenue Act of 1934, as amended, a tax at the rate or rates per pound equal to that proportion of the rate or rates prescribed in this paragraph or such section 602½ in respect of such product or products which the quantity by weight of the imported article, merchandise, or combination, consisting of or derived from such product or products, bears to the total weight of the imported article, merchandise, or combination; but there shall not be taxable under this subparagraph any article, merchandise, or combination (other than an oil, fat, or grease, and other than products resulting from processing seeds without full commercial extraction of the oil content), by reason of the presence therein of an oil, fat, or grease which is a natural component of such article, merchandise, or combination and has never had a separate existence as an oil, fat, or grease;

"(D) Hempseed, perilla seed, rapeseed, sesame seed, and kapok seed, 2 cents per pound;

"(E) The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of the Revenue Act of 1934, and shall not be subject to the provisions of subsection (b) (4) of this section (prohibiting draw-back) or section 629 (relating to expiration of taxes)."

SEC. 703. Exemption of palm oil and palm oil residue from processing tax.

Effective July 1, 1938, section 602½ (a), as amended, of the Revenue Act of 1934 (relating to the processing tax on certain oils) is amended by striking out "but does not include the use of palm oil in the manufuacture of tin plate" and inserting in lieu thereof "but does not include the use of palm oil in the manufacture of tin plate or terne plate, or any subsequent use of palm oil residue resulting from the manufacture of tin plate or terne plate."

SEC. 704. Amendments to tax on lumber.

(a) Section 601 (c) (6) of the Revenue Act of 1932 is further amended by adding at the end thereof the following: "In determining board measure for the purposes of this paragraph no deduction shall be made on account of planing, tonguing, and grooving. As used in this paragraph, the term 'lumber' includes sawed timber."

(b) Each sentence of the amendment made by subsection (a) shall become effective (1) on the sixtieth day after the date of the enactment of this act unless in conflict with any international obligation of the United States or (2) if so in conflict, then on the termination of such obligation otherwise than in connection with the undertaking by the United States of a new obligation which continues such conflict.

(c) Section 601 (c) (6) of the Revenue Act of 1932 is further amended by inserting after the amendment made by subsection (a) of this section the following: "The tax imposed by this paragraph shall not apply to lumber of Northern white pine (pinus strobus), Norway pine (pinus resinosa), and Western white spruce grown in Manitoba, Saskatchewan, or Alberta."

(d) The amendment made by subsection (c) shall be effective July 1, 1938.

SEC. 705. Exemption from excise tax of supplies for certain aircraft.

(a) Section 630 of the Revenue Act of 1932, as amended, is amended by inserting at the end thereof the following: "The term 'vessels' as used in this section includes civil aircraft employed in foreign trade or trade between the United States and any of its possessions, and the term 'vessels of war of the United States or of any foreign nation' includes aircraft owned by the United States or by any foreign nation and constituting a part of the armed forces thereof."

(b) The amendment made by subsection (a) shall be effective July 1, 1938.

SEC. 706. Stamp tax on sales of produce for future delivery.

(a) Section 726 (c), as amended, of the Revenue Act of 1932 (relating to the date upon which the rate of stamp tax on futures contracts is reduced to 1 cent) is amended by striking out "July 1, 1939" and inserting in lieu thereof "July 1, 1938."

(b) Effective July 1, 1938, subdivision 4 of schedule A of title VIII of the Revenue Act of 1926, as amended, is amended by striking out "(not including so-called transferred or scratch sales)".

SEC. 707. Exemption from tax on filled cheese.

(a) Section 2 (relating to the definition of filled cheese) of the act entitled "An act defining cheese, and also imposing a tax upon and regulating the manufacture, sale, importation, and exportation of 'filled cheese' ", approved June 6, 1896, is amended by adding at the end thereof the following: "Substances and compounds, consisting principally of cheese with added edible oils, which are not sold as cheese or as substitutes for cheese but are primarily useful for imparting a natural cheese flavor to other foods shall not be considered 'filled cheese' within the meaning of this act."

(b) The amendment made by subsection (a) shall be effective July 1, 1938.

SEC. 612. Tax on matches.

(a) Section 612 of the Revenue Act of 1932, as amended, is amended to read as follows:

"SEC. 612. Matches.

"There is hereby imposed on fancy wooden matches and wooden matches having a stained, dyed, or colored stick or stem, packed in boxes or in bulk, sold by the manufacturer, producer, or importer, a tax of 5 cents per 1,000 matches."

(b) The amendment made by subsection (a) shall be effective with respect to matches sold after June 30, 1938.

SEC. 709. Tax on telegraph, telephone, radio, and cable facilities.

(a) Section 701 (b) of the Revenue Act of 1932 is amended to read as follows:

"(b) No tax shall be imposed under this section upon any payment received for services or facilities furnished to the United States or to any State or Territory, or political subdivision thereof, or the District of Columbia, nor upon any payment received from any person for services or facilities utilized in the collection of news for the public press or radio broadcasting, or in the dissemination of news through the public press or by means of radio broadcasting, if the charge for such services or facilities is billed in writing to such person. The right to exemption under this subsection shall be evidenced in such manner as the Commissioner with the approval of the Secretary may by regulation prescribe."

(b) The amendment made by subsection (a) of this section shall apply to the utilization after June 30, 1938, of services or facilities.

SEC. 710. Tax on tractors.

(a) Section 606 (a) of the Revenue Act of 1932 is amended to read as follows:

"(a) Automobile truck chassis, automobile truck bodies, tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer (including in each of the above cases parts or accessories therefor sold on or in connection therewith or with the sale thereof), 2 percent. A sale of an automobile truck shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body."

(b) The amendment made by subsection (a) shall be effective with respect to sales made after June 30, 1938.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 9682 and had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. STACK, for Thursday and Friday, on account of the death of a friend.

By unanimous consent, Mr. KNUTSON was given permission to revise and extend his remarks in the RECORD.

ORDER OF BUSINESS

Mr. SNELL. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. SNELL. Is it proper to inquire when we may expect to continue the consideration of the bill that has been suddenly withdrawn from the floor?

The SPEAKER. The Chair considers the bill which has been under consideration the unfinished business before the House. It is a privileged bill, and may be called up tomorrow by the chairman of the committee.

Mr. SNELL. Would it be proper to ask if it is intended to call this bill up tomorrow?

The SPEAKER. The Chair cannot answer that inquiry.

Mr. DOUGHTON. Mr. Speaker, as far as I know at this time it will be called up tomorrow.

Mr. MICHENER. Mr. Speaker, I ask unanimous consent to proceed for 1 minute to ask the floor leader a question.

The SPEAKER. Is there objection?

There was no objection.

Mr. MICHENER. Mr. Speaker, I understand that the conference report upon the independent offices appropriation bill is ready to be called up, and I have been advised that it is the purpose of the majority leader to call that up tomorrow and that very likely the tax bill may not be called up until next week. A lot of Members would like to know what is to be the program.

Mr. RAYBURN. Mr. Speaker, if the tax bill is not called up tomorrow, the conference report upon the independent offices appropriation bill will be called up.

Mr. MICHENER. But the purpose now is not to call up the tax bill tomorrow; am I correct?

Mr. RAYBURN. No. It is the purpose, if possible, to call it up tomorrow.

Mr. MICHENER. The trouble as I understand it is that the amendment just passed takes $45,000,000 out of the tax bill. If this be true, this amount of money could be saved by not building the Gilbertsville Dam. Build less dams and raise less taxes, that is the answer.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. McFARLANE. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein a small chart.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. WOODRUFF. Mr. Speaker, I ask unanimous consent to extend the remarks I made on the tax bill by printing an editorial from the New York Times.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. FRED M. VINSON. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on the tax bill and to include therein certain statistics.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on the tax bill.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. BARRY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a statement I made this morning before the Committee on the Judiciary.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. KEOUGH. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein a short speech made by the Governor of the State of New York before a group of civil-service employees.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MEAD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks on an unusual subject, the Post Office Department.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. FRED M. VINSON. Mr. Speaker, I ask unanimous consent that all Members of the House may have 5 legislative days after conclusion of consideration of the tax bill in which to revise and extend their remarks on the bill H. R. 9682, the revenue bill of 1938.

Mr. SNELL. Mr. Speaker, reserving the right to object, and I shall not, a great many Members on this side of the aisle want to know if it is the intention of the majority to continue consideration of the tax bill. Can the gentleman from Kentucky inform us?

Mr. FRED M. VINSON. We hope to be able to continue it tomorrow.

Mr. SNELL. You expect to continue it tomorrow?

Mr. FRED M. VINSON. I say we hope to be able to continue it tomorrow.

Mr. SNELL. In this case, are hope and expectation the same?

Mr. FRED M. VINSON. I am using my own word.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

DISTRICT OF COLUMBIA APPROPRIATION BILL, 1939

Mr. COLLINS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, with Senate amendments, disagree to the Senate amendments, and request a conference with the Senate.

The SPEAKER. The gentleman from Mississippi asks unanimous consent to take from the Speaker's table the bill H. R. 9181, the District of Columbia appropriation bill, 1939, with Senate amendments, disagree to the Senate amendments, and request a conference with the Senate. Is there objection? [After a pause.] The Chair hears none and appoints the following conferees on the part of the House: Messrs. COLLINS, CALDWELL, STARNES, CASEY of Massachusetts, and ENGEL.

EXTENSION OF REMARKS

Mr. COLLINS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting therein a letter I have written to Hon. Forest Jackson, of my State.

The SPEAKER. Without objection it is so ordered.

There was no objection.

ADJOURNMENT

Mr. FRED M. VINSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 30 minutes p. m.) the House adjourned until tomorrow, Thursday, March 10, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

The Committee on Public Buildings and Grounds will hold hearings Thursday, March 10, 1938, at 10:30 a. m., in room 243, House Office Building, on H. R. 9223.

COMMITTEE ON MILITARY AFFAIRS

There will be a meeting of Subcommittee No. 3 of the Committee on Military Affairs in room 1310, New House Office Building, Thursday, March 10, 1938, at 10:30 a. m., to inquire into the efficiency of military aviation. A combat pilot of the Spanish air forces, just returned to this country, will testify.

COMMITTEE ON BANKING AND CURRENCY

The Committee on Banking and Currency of the House will continue hearings on the Goldsborough bill, H. R. 7188, at 10:30 a. m., Thursday, March 10, 1938.

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, March 10, 1938, at 10 a. m., in room 328, House Office Building, to consider H. R. 5763, to provide for the extension of the boundaries of the Hot Springs National Park, in the State of Arkansas, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Thursday, March 10, 1938. Business to be considered: Hearing on H. R. 9738, civil aeronautics.

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on or after March 15, 1938.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m., each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Thursday, March 10, 1938:

H. R. 8715. To authorize the Secretary of Commerce of the United States to grant and convey to the State of Delaware fee title to certain lands of the United States in Kent County, Del., for highway purposes.

H. R. 9526. To amend the act of May 27, 1908, authorizing settlement of accounts of deceased officers and enlisted men of the Navy and Marine Corps.

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River, establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establish, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1118. A communication from the President of the United States, transmitting a supplemental estimate of appropriation, amounting to $1,800,000, for the fiscal year 1938, to remain available until June 30, 1939, for the Department of Agriculture for retirement of cotton-pool participation-trust certificates (H. Doc. No. 535); to the Committee on Appropriations and ordered to be printed.

1119. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the legislative establishment, Architect of the Capitol, for the fiscal year 1939, in the sum of $1,050 (H. Doc. No. 536); to the Committee on Appropriations and ordered to be printed.

1120. A letter from the Secretary of the Navy, transmitting a draft of a proposed bill to authorize certain officers of the United States Navy and the United States Marine Corps to accept such medals, orders, and decorations as have been tendered them by foreign governments in appreciation of services rendered; to the Committee on Naval Affairs.

1121. A letter from the Secretary of War, transmitting a report with regard to the plan for an extension of the channel of the Mississippi River above St. Anthony Falls at Minneapolis, Minn.; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. SPARKMAN: Committee on Military Affairs. H. R. 6813. A bill to authorize the acquisition of land and buildings for cemeterial purposes in the vicinity of Tennent, Monmouth County, N. J., and for other purposes; without amendment (Rept. No. 1918). Referred to the Committee of the Whole House on the state of the Union.

Mr. FADDIS: Committee on Military Affairs. H. R. 9784. A bill to authorize an appropriation to aid in defraying the expenses of the observance of the seventy-fifth anniversary of the Battle of Gettysburg, to be held at Gettysburg, Pa., from June 29 to July 4, 1938, and for other purposes; without amendment (Rept. No. 1919). Referred to the Committee of the Whole House on the state of the Union.

Mr. LANHAM: Committee on Public Buildings and Grounds. H. R. 9683. A bill to amend the act of June 25, 1910, relating to the construction of public buildings and for other purposes; without amendment (Rept. No. 1920). Referred to the Committee of the Whole House on the state of the Union.

Mr. BURCH: Committee on the Post Office and Post Roads. House Joint Resolution 602. Joint resolution to authorize the Postmaster General to withhold the awarding of contracts for a period of 60 days; with amendment (Rept. No. 1921). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 183. A bill authorizing payment to the Sisseton and Wahpeton Bands of Sioux Indians for certain lands ceded by them to the United States by a treaty of July 23, 1851; with amendment (Rept. No. 1922). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BINDERUP: A bill (H. R. 9800) to restore to Congress the sole power to issue money and to regulate its value as provided in article I, section 8, of the Constitution of the United States; to restore full employment and production; to prevent inflation and depression; and to provide a stable currency; to the Committee on Banking and Currency.

By Mr. VINSON of Georgia: A bill (H. R. 9801) to provide for the retirement, rank, and pay of Chiefs of Naval Operations, Chiefs of Bureau of the Navy Department, the Judge Advocates General of the Navy, and the Major Generals Commandant of the Marine Corps; to the Committee on Naval Affairs.

By Mr. CROWTHER: A bill (H. R. 9802) to provide a preliminary examination and survey of Bellows Pond and Canada Lake drainage area, Fulton County, N. Y., with a view to the control of the floodwaters of the Mohawk River; to the Committee on Flood Control.

By Mr. HILDEBRANDT: A bill (H. R. 9803) to extend to custodial-service employees employed by the Post Office Department certain benefits applicable to postal employees; to the Committee on the Post Office and Post Roads.

By Mr. SHAFER of Michigan: Resolution (H. Res. 434) authorizing the appointment of a select committee of the House of Representatives to inquire fully into the diversion by the Treasury of the so-called Social Security reserve; to the Committee on Rules.

By Mr. SOUTH: Joint resolution (H. J. Res. 610) authorizing cotton-price-adjustment payments with respect to cotton destroyed by fire or other unavoidable natural cause; to the Committee on Agriculture.

By Mr. COCHRAN: Joint resolution (H. J. Res. 611) authorizing and directing the Secretary of the Treasury to make an investigation of labor-saving and labor-displacing machinery, and for other purposes; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CASE of South Dakota: A bill (H. R. 9804) granting a pension to Frank Lovell; to the Committee on Pensions.

By Mr. CHAPMAN: A bill (H. R. 9805) for the relief of the legal representatives of James H. Holaday; to the Committee on War Claims.

By Mr. DALY: A bill (H. R. 9806) for the relief of Joseph Taylor; to the Committee on Military Affairs.

By Mr. MAPES: A bill (H. R. 9807) granting an increase of pension to Frances A. Fulkerson; to the Committee on Invalid Pensions.

By Mr. O'TOOLE: A bill (H. R. 9808) for the relief of George F. Kane; to the Committee on Naval Affairs.

By Mr. SECREST: A bill (H. R. 9809) granting a pension to William Frederick Kildow; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4364. By Mr. HAINES: Petition of Anna R. Rupley, Mercersburg, Pa., and others in that community, protesting against the passage of House bill 9604; to the Committee on Military Affairs.

4365. By Mr. RABAUT: Petition of the Propeller Club of the United States, Port of Detroit, relative to Senate bill 3078 and House bill 8532, similar bills for amending the Merchant Marine Act of 1936; to the Committee on Merchant Marine and Fisheries.

4366. Also, petition of the Propeller Club of the United States, Port of Detroit, opposing passage of House bill 8327; to the Committee on Rivers and Harbors.

4367. By Mr. SEGER: Petition of the Legislature of New Jersey, opposing Senate bill 3072, the Federal licensing bill, as intruding upon powers reserved by the Constitution to the States; to the Committee on Banking and Currency.

4368. Also, petition of the Legislature of New Jersey, opposing Senate bill 3255, giving certain powers to the Federal Securities and Exchange Commission, as intruding upon powers reserved by the Constitution to the States; to the Committee on Banking and Currency.

4369. By Mr. TREADWAY: Memorial of the General Court of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4370. Also, memorial of the General Court of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool, and fur felt hats and hat bodies from any reciprocal trade agreements; to the Committee on Ways and Means.

SENATE

THURSDAY, MARCH 10, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, March 9, 1938, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Clark	Hitchcock	Norris
Ashurst	Copeland	Hughes	O'Mahoney
Austin	Davis	Johnson, Calif.	Overton
Bailey	Dieterich	Johnson, Colo.	Pittman
Bankhead	Donahey	King	Pope
Barkley	Duffy	La Follette	Radcliffe
Berry	Ellender	Lee	Reames
Bilbo	Frazier	Lodge	Reynolds
Bone	George	Logan	Russell
Borah	Gerry	Lonergan	Schwartz
Bridges	Gibson	Lundeen	Schwellenbach
Brown, Mich.	Gillette	McAdoo	Sheppard
Brown, N. H.	Glass	McCarran	Shipstead
Bulkley	Green	McGill	Smathers
Bulow	Guffey	McKellar	Thomas, Okla.
Burke	Hale	McNary	Thomas, Utah
Byrd	Harrison	Maloney	Townsend
Byrnes	Hatch	Miller	Truman
Capper	Hayden	Minton	Vandenberg
Caraway	Herring	Murray	Van Nuys
Chavez	Hill	Neely	Wheeler

Mr. MINTON. I announce that the Senator from Illinois [Mr. LEWIS] is absent because of a cold.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Texas [Mr. CONNALLY], the Senator from New Jersey [Mr. MILTON], the Senator from Maryland [Mr. TYDINGS], the Senator from New York [Mr. WAGNER], and the Senator from Massachusetts [Mr. WALSH] are detained from the Senate on important public business.

The Senator from South Carolina [Mr. SMITH] is detained in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from West Virginia [Mr. HOLT] is necessarily detained from the Senate.

The VICE PRESIDENT. Eighty-four Senators have answered to their names. A quorum is present.

REPORT OF PRESIDENT OF THE PHILIPPINES

The VICE PRESIDENT laid before the Senate a message from the President of the United States, which was read and referred to the Committee on Territories and Insular Affairs, as follows:

To the Congress of the United States:

As required by paragraph (3) of section 7 of the act of Congress approved March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith, for the information of the Congress, the First Annual Report of the President of the Philippines to the President and the Congress of the United States covering the period November 15, 1935, to December 31, 1936.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 10, 1938.*

[NOTE.—Report accompanied similar message to the House of Representatives.]

REPORT ON DRAINAGE BASIN PROBLEMS AND PROGRAMS

The VICE PRESIDENT laid before the Senate a message from the President of the United States, which was read, and, with the accompanying report, referred to the Committee on Commerce, as follows:

To the Congress of the United States:

In accordance with my message of August 13, 1937 (in returning without my approval Senate Joint Resolution 57), I am presenting herewith for your consideration a comprehensive national plan for the conservation and development of our water resources.

This report on drainage basin problems and programs has been prepared by the National Resources Committee in consultation with other Federal agencies. It suggests policies, investigations, and construction necessary to carry forward a broad national program for water conservation and utilization.

It is based upon the findings of 45 joint State-Federal basin committees, composed of more than 500 local, State, and Federal officials. These drainage basin committees have met in the field and have drafted plans for their local areas. Arrangements have been made to publish the detailed reports on individual drainage basins at a later date.

The proposals in the report provide a guide for authorizations of surveys and construction of irrigation, flood control, navigation, rural water supply, wildlife conservation, beach-erosion control, hydroelectric power, and other water projects. Because it was necessary to confine the program to projects that are primarily for water control and use, many related land-use projects are not included. Land policy has significant water implications, but it pertains to a large sphere of activities requiring separate though related treatment.

The preferred water projects have met the test of conformity to a general regional program, and, although they are set forth in terms of a 6-year program, they are susceptible to completion during either a shorter or longer period as fiscal policy may dictate. The total cost of the recommended work at both Federal and non-Federal levels is about equal to the average annual expenditures for these

purposes during recent years. The 6-year program suggested in the report should be read in the light of budgetary requirements, and must, of course, be adjusted each year to correspond with Budget recommendations and with action by the Congress.

Our knowledge of the Nation's water resources and our ideas on their best use and control change rapidly in the light of new investigations and of dynamic economic conditions. Water plans should be flexible. The history of flood-control plans for the alluvial valley of the Mississippi River affords many examples of plans, once considered comprehensive, which soon were replaced by others. Water plans should be revised annually.

Changing public interest, first, in navigation, then in irrigation, and then in flood control, water power, or pollution has produced a collection of unrelated water policies. The recommendations in this report define in broad strokes an integrated water policy for the country as a whole. Such a Federal water policy is needed.

Notwithstanding the small amount of time available for the revision of earlier Federal programs, the planning mechanism which was developed for this report seems to have given gratifying results. Starting with local and State groups, organized through the regional offices of the National Resources Committee, plans and programs have been prepared in the field and reviewed in Washington. The process has not interfered with the normal and established duties of the agencies charged by the Congress with construction and surveys of water-conservation projects. Rather it has promoted cooperation both among such agencies in Washington and with State and local interests as well.

I recommend careful study of these documents by the Congress because they present a frame of reference for legislative programs affecting water conservation, and because they illustrate an approach to the systematic husbandry of our natural resources on a democratic, regional basis.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 10, 1938.*

APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 9181) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. THOMAS of Oklahoma. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. THOMAS of Oklahoma, Mr. GLASS, Mr. COPELAND, Mr. KING, and Mr. NYE conferees on the part of the Senate.

COPY OF JOURNAL OF SENATE, TERRITORY OF HAWAII

The VICE PRESIDENT laid before the Senate a letter from the Secretary of Hawaii, transmitted through the Department of the Interior, copy of the Journal of the Senate of the Legislature of the Territory of Hawaii, regular session of 1937, which, with the accompanying document, was referred to the Committee on Territories and Insular Affairs.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following resolutions of the General Court of Massachusetts, which were referred to the Committee on Pensions:

THE COMMONWEALTH OF MASSACHUSETTS.

Resolved, That the General Court of Massachusetts urges upon the Congress of the United States the enactment of a bill pending before it, No. H. R. 5538, entitled "A bill providing for the granting of pensions by the Federal Government to certain blind persons, imposing duties upon the United States Treasurer in connection therewith, providing penalties, and making an appropriation"; and be it further

Resolved, That the Secretary of the Commonwealth forthwith forward copies of these resolutions to the presiding officers of both branches of Congress and to the Members thereof from this Commonwealth.

He also laid before the Senate the following concurrent resolutions of the Legislature of the State of New York, which were referred to the Committee on the Judiciary:

Whereas the Constitution of the United States, as it has long been interpreted by the United States Supreme Court, prohibits any State or its subdivisions from taxing income derived from any salary, wage, or emolument paid by the United States and, similarly, prohibits the United States from taxing income derived from any salary, wage or emolument paid by any State or its subdivisions; and

Whereas such tax exemption has resulted in the creation of a class of citizens who, because of their employment by a government receive certain exemptions from taxation on their income which are denied to all other citizens although the tax laws should apply to all without discrimination; and

Whereas such tax exemption produces grave injustices as between individual taxpayers and is a cause of legitimate resentment on the part of many; and

Whereas such tax exemption has resulted in the loss of considerable revenue to the governments involved: Now, therefore, be it

Resolved (*if the assembly concur*), That the Congress of the United States be and it hereby is memorialized to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of government within the United States; and be it further

Resolved (*if the assembly concur*), That a copy of this resolution be immediately transmitted to the Secretary of the United States Senate and to the Clerk of the House of Representatives and to each Member of the Congress elected from New York State, and that the latter be urged to use all efforts in their power to secure the immediate passage of the legislation herein requested.

Whereas the Constitution of the United States, as it has long been interpreted by the United States Supreme Court, prohibits any State or its subdivisions from taxing income derived from securities issued by the United States and, similarly, prohibits the United States from taxing income derived from securities issued by any State or its subdivisions; and

Whereas such tax exemption has resulted in grave injustices as between individual taxpayers and has defeated in part the social benefits of a graduated income tax and has caused the loss of considerable revenue to the governments involved; and

Whereas such tax exemption has also been an important factor in promoting excessive borrowing by governments: Now, therefore, be it

Resolved (*if the assembly concur*), That the Congress of the United States be, and it hereby is, memorialized to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will permit the taxation of income derived from securities thereafter issued by the United States or any unit or agency of government within the United States; and be it further

Resolved (*if the assembly concur*), That a copy of this resolution be immediately transmitted to the Secretary of the United States Senate and to the Clerk of the House of Representatives and to each Member of the Congress elected from New York State, and that the latter be urged to use all efforts in their power to secure the immediate passage of the legislation herein requested.

He also presented a letter in the nature of a memorial from the Washington (D. C.) Newspaper Guild, signed by Carlton Skinner, secretary, remonstrating against the enactment of the bill (S. 25) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the executives board of the Book and Magazine Guild of New York City, N. Y., favoring the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also laid before the Senate a resolution adopted by Victory Post, No. 4, American Legion, Department of the District of Columbia, Washington, D. C., favoring the enactment of legislation to build a modern sports arena and National Guard Armory in the city of Washington, D. C., which was referred to the Committee on Military Affairs.

He also laid before the Senate a resolution adopted by the Council of the city of Lorain, Ohio, favoring the enactment

of the joint resolution (S. J. Res. 176) favoring employment by the Works Progress Administration of persons unable to find employment in private industry, which was ordered to lie on the table.

Mr. GERRY presented a petition signed by the Providence Chamber of Commerce, by Albert R. Plant, president; Rhode Island Textile Association, by Robert L. Anthony, president, and Edward F. Walker, secretary-treasurer; Associated Industries of Rhode Island, by Norman D. MacLeod, president; Rhode Island Branch, National Metal Trades Association, by A. W. Calder, Jr., president; New England Manufacturing Jewelers' and Silversmiths' Association, Inc., by Edward O. Otis, Jr., executive secretary; Shoe Lace Institute, by L. Kenyon Loomis, executive secretary; the East Greenwich Chamber of Commerce, by Charles E. Sweet, president, and Kenneth G. Allen, secretary; the Westerly Chamber of Commerce, by John B. Findlay, president, and R. H. Hiscox, secretary; Westerly Granite Association, by Joseph Coduri, president, and Franklin C. Smith, secretary; and the East Providence Business Men's Association, by Kenneth H. Colt, president, and John T. Giddings, secretary, all of Providence, R. I., which was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

A petition to the President and the Congress of the United States

We, the undersigned trade and industrial associations of Rhode Island, representing more than 90 percent of the total trade and industry of this State, are seriously concerned about the critical condition of business throughout the Nation. We believe that this is caused largely by the uncertainty of the outlook for business due to legislative restrictions, punitive taxes, strikes, and Government competition with private enterprise.

We believe that the employers of this State recognize their responsibility to their employees and their families, and to the public at large, and are anxious to contribute to a return of the prosperity upon which the well-being of all depends.

We are convinced that permanent improvement requires the sincere cooperation of Government with business and industry, including capital, labor, and management. We request the Federal Government to evidence acceptance of its share of this responsibility by discouraging propaganda which inflames emotions and produces dissension among various sections of the population, and by removing obstacles which have prevented business from planning ahead and have made investors afraid to supply the capital needed by industry.

In order that confidence in our Government and economic structure may be restored, we submit to the President and the Congress the following program:

1. The capital-gains tax and the undistributed-profits tax should be repealed at once, since they prevent corporations from obtaining the capital needed to operate their businesses successfully. The question of the revenue produced by these two taxes is of secondary importance as compared with the injury which they cause to business, and, besides, a revival of business would result in increased revenue from other taxes which would undoubtedly make up much if not all of the loss.

2. The Federal Budget should be balanced by reducing expenditures, and without increasing taxes. The tax load is already too heavy. High taxes increase the cost of living and operate as a serious brake on recovery.

3. The American system of private enterprise and initiative has developed the highest standard of living in the history of mankind, and should be preserved at all hazards.

4. Government competition with the public utilities and all other business should be stopped. Since Government operation of business is supported by the taxpayers' money and actual profits are not considered, private business cannot compete with it.

5. The attacks upon business by members of the administration destroy confidence which is essential to recovery, and should be stopped; and no justifiable distinction can here be made between "big" and "small" business.

6. The labor laws should be amended so as to place upon labor equal responsibility with capital, and so as to give assurance that not only the right to strike but also the right to work will be protected.

7. The Government should refrain from any attempt to correct economic conditions through governmental control of prices.

8. In order to restore confidence and to encourage an expansion of business activity, assurance should be given promptly that new governmental controls, such as are contained in the proposed wage and hour bill and the Federal licensing bill, are not to be established. Of a similar character is the proposed abolition of holding companies.

9. The trend toward an increase in the power of the President and of the Federal Government, with a corresponding weakening of the powers of the States, should be stopped, and to this end such measures as the Government reorganization bill, which gives to the President arbitrary powers, and the so-called regional planning bill, which encroaches upon the rights of the States, should be withdrawn.

In behalf of the trade and industry of Rhode Island, upon the successful operation of which depends the welfare of every resident of this State, whether he be employer or employee, we submit the above program, and urge its prompt adoption, to the end that there may be a recovery from the present business depression.

Mr. HOLT presented a petition signed by 125 citizens of Buckhannon, W. Va., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

We, the undersigned, citizens of Buckhannon, W. Va., protest against the sale of war materials, bombs, or any kind of munitions to Japan. The Japanese Nation was branded as aggressor in the present struggle in China by the League of Nations. We believe that a majority of the citizens of the United States of America approved that judgment. We ask for an embargo of arms and munitions to Japan.

(This petition was signed by 125 citizens of Buckhannon, W. Va.)

REPORTS OF COMMITTEE ON CLAIMS

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 3056) for the relief of Dorothy Anne Walker, reported it with amendments and submitted a report (No. 1486) thereon.

He also, from the same committee, to which was referred the bill (S. 3102) for the relief of the estate of Raquel Franco, reported it without amendment and submitted a report (No. 1487) thereon.

Mr. TOWNSEND, from the Committee on Claims, to which was referred the bill (S. 2413) for the relief of the Boston City Hospital, Dr. Donald Munro, and others, reported it without amendment and submitted a report (No. 1488) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

S. 866. A bill for the relief of the estate of James D. McEachern (Rept. No. 1489); and

S. 2979. A bill for the relief of Glenn Morrow (Rept. No. 1490).

Mr. CAPPER, from the Committee on Claims, to which was referred the bill (S. 3215) for the relief of Griffith L. Owens, reported it without amendment and submitted a report (No. 1491) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. LONERGAN:

A bill (S. 3642) to authorize a preliminary examination and survey of the Thames River and its tributaries, in the State of Connecticut, for flood control, for run-off and water-flow retardation, and for soil-erosion prevention; to the Committee on Commerce.

By Mrs. CARAWAY:

A bill (S. 3643) conferring jurisdiction upon the United States District Court for the Eastern District of Arkansas to hear, determine, and render judgment upon the claim of J. J. Hudson; to the Committee on Claims.

By Mr. COPELAND:

A bill (S. 3644) to amend section 705 of the World War Adjusted Compensation Act, as amended; to the Committee on Finance.

(By request.) A bill S. (3645) to authorize the naturalization of Filipinos who were permanent residents of the United States on May 1, 1934; to the Committee on Immigration.

By Mr. BULKLEY:

A bill (S. 3646) to correct the military record of Michael Waliga; to the Committee on Military Affairs.

By Mr. BARKLEY:

A bill (S. 3647) granting a pension to Cora Arlena Ballard; to the Committee on Pensions.

By Mr. LEE:

A bill (S. 3648) to provide Federal employment and civil-service preference for certain veterans or their wives and widows; to the Committee on Civil Service.

By Mr. McADOO:

A joint resolution (S. J. Res. 275) to provide relief in the flood-stricken areas in the State of California, and for other purposes; to the Committee on Appropriations.

AMENDMENT TO WAR DEPARTMENT APPROPRIATION BILL

Mr. WHEELER submitted an amendment intended to be proposed by him to the War Department appropriation bill, fiscal year 1939, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

At the proper place in the bill under the heading "Barracks and quarters and other buildings and utilities", to insert the following:

"Fort Missoula, Mont.: For purchase of materials to be used in the construction at Fort Missoula, Mont., of a fire station and guardhouse, utility shops and warehouse, quarters for two commissioned officers (company), and quarters for six noncommissioned officers, $50,000."

REORGANIZATION OF EXECUTIVE DEPARTMENT—AMENDMENTS

Mr. BANKHEAD submitted an amendment intended to be proposed by him to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. BYRNES, submitted several amendments intended to be proposed by him on behalf of the Select Committee on Government Organization to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which were severally ordered to lie on the table and to be printed.

NATIONAL FLAG DAY

Mr. SHEPPARD submitted the following concurrent resolution (S. Con. Res. 25), which was referred to the Committee on the Judiciary:

Whereas on the 14th day of June 1777, the Continental Congress adopted a resolution, creating the flag of the United States, in the following terms:

"*Resolved*, That the flag of the (13) United States be 13 stripes, alternate red and white; that the union be 13 stars, white in a blue field, representing a new constellation;" and

Whereas on recurrent anniversaries of the natal day of the national emblem, through the years since its creation; on its one hundredth anniversary; and on its one hundred and fiftieth anniversary when President Calvin Coolidge issued a public statement June 7, 1927, to his "Fellow Americans," requesting the observance of Flag Day appropriate commemorative exercises befitting the importance and sacredness of the occasion have been observed by the Government of the United States, The American Flag Day Association and numerous other patriotic organizations, associations, and societies; and

Whereas by proclamation issued May 30, 1916, President Woodrow Wilson gave official recognition to Flag Day when he requested "that throughout the Nation, and, if possible, in every community, the 14th day of June be observed as Flag Day with special patriotic exercises": Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That in the year 1938, and in every year thereafter, the 14th day of June officially shall be declared "National Flag Day" within the District of Columbia and the Territories of the United States; and that the President of the United States be, and he is hereby, requested to issue a proclamation, with each recurring anniversary, proclaiming National Flag Day and calling upon all Americans, whether resident in the mainland or in the insular possessions of the United States, to observe National Flag Day by displaying the Stars and Stripes in public places and upon public and private buildings and by patriotic exercises in our schools and community centers throughout the Nation, thereby giving public expression of faith in and fealty to America and allegiance to our national ensign, symbol of the glory and achievement of a free, united, and independent people.

ASSISTANT DOORKEEPER

Mr. PITTMAN submitted the following resolution (S. Res. 248), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Sergeant at Arms hereby is authorized to employ from March 16 to June 30, 1938, an assistant doorkeeper, to be paid from the contingent fund of the Senate at the rate of $2,880 per annum.

INVESTIGATION OF LIBRARY OF CONGRESS AND LEGISLATIVE REFERENCE SERVICE

Mr. McKELLAR submitted the following resolution (S. Res. 249), which was referred to the Committee on the Library:

Resolved, That a special committee of three Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation of the operation and management of the Library of Congress and the legislative reference service in the Library of Congress. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations, if any.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate in the Seventy-fifth and succeeding Congresses, to employ such clerical and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

PENNSYLVANIA UNEMPLOYMENT COMPENSATION ADMINISTRATION

Mr. DAVIS. Mr. President, I ask unanimous consent to have printed in the RECORD a letter received from Mr. Ralph M. Bashore, secretary of the Department of Labor and Industry of Pennsylvania, relative to a letter I addressed to him March 5 and also my reply to him of March 9. I had not received his letter at the time I spoke in the Senate yesterday or I should have included his letter in my statement at that time. I have sent a copy of Mr. Bashore's statement on the 5-percent charges made on pay rolls in the National Reemployment Service to those who furnished me with the information concerning this practice.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF LABOR AND INDUSTRY,
Harrisburg, March 7, 1938.

Hon. JAMES J. DAVIS,
Member, United States Senate, Washington, D. C.

DEAR SENATOR DAVIS: Your letter to me under date of March 5, 1938, in reply to a request for an appropriation sufficiently large to enable Pennsylvania to administer effectively the unemployment-compensation law was received at this office today.

On March 4 the letter in question appeared in several Pennsylvania newspapers under a Washington date line. I regret exceedingly that you saw fit to release such a letter to the press prior to its dispatch to me. My letter was sent with the sole object of seeking your cooperation for the more effective and efficient administration of the division of unemployment compensation and employment service, because I should like to believe, as you have asserted, that you are honestly interested in the welfare of the workers of this great industrial Commonwealth. I regret that you saw fit to seize upon it for the injection of partisan politics. Under the circumstances I cannot refrain from suspecting that your reply released to the press before mailing the letter to me was intended to focus attention on your own candidacy for reelection.

Some weeks ago this division was visited by Mr. McCoy, an agent of the Senate Committee on Unemployment and Relief, of which committee you are a member. Mr. McCoy did not hesitate to express satisfaction with conditions in the division as he found them.

In your letter you say:

"I am convinced that if the personnel of the Pennsylvania Unemployment Compensation Administration is subject to paying monthly percentages on salaries for party organizational purposes, as I have been informed, it is not a nonpartisan administration and not entitled to my support."

Permit me to say that such a practice, so far as I know, has never prevailed here, and if it did I would be the first to oppose it. If you have specific information in this connection, I should be pleased to receive it and will act promptly upon it to correct any such condition.

You ask if 550,000 persons in Pennsylvania lost jobs in the last year. Statistics available at this time do not reveal accurately how many persons lost jobs in this State in 1937. However, according to reports from the 86 State employment offices, 549,949 claims for unemployment compensation had been filed to February 25, 1938.

Very truly yours,

RALPH M. BASHORE.

MARCH 9, 1938.

Mr. RALPH M. BASHORE,
Department of Labor and Industry,
Harrisburg, Pa.

DEAR MR. BASHORE: I have your letter of March 7 in which you say that you suspect that I released my letter to you to the press in order to focus attention on my candidacy for reelection. This does not impress me very much, because I wrote my letter to you on March 5, and I did not announce my candidacy for reelection until March 7.

You say, "Permit me to say that such a practice, so far as I know, has never prevailed here, and if it did I would be the first to oppose it. If you have specific information in this connection, I should be pleased to receive it and will act promptly upon it to correct any such condition."

I have had very considerable experience with the new agencies of government. I tried in vain to get an investigation of W. P. A. My attempt was blocked at every turn.

I do not propose to have the present abuse of public funds covered up.

I have in my possession statements which justify me in calling witnesses before the Senate Committee on Unemployment Relief to give their testimony as to conditions of exactions of 5 percent on yearly salaries in the National Reemployment Service in Pennsylvania.

These conditions exist, and I expect to have them made fully clear to the public.

I am glad to have your letter stating that, so far as you know, this practice has not prevailed in the service of which you have charge.

Sincerely yours.

JAMES J. DAVIS.

CONDITIONS IN THE ORIENT—LETTER FROM FORMER SENATOR HAWES

Mr. LOGAN. Mr. President, I ask unanimous consent to have printed in the RECORD a letter which I have received from former Senator Harry B. Hawes, of Missouri, relating to the far eastern situation.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

HAWES & WALSH,
Washington, D. C., March 3, 1938.

Hon. M. M. LOGAN,
United States Senate.

MY DEAR FRIEND: It was with great pleasure I read your statement in this morning's RECORD.

Late in December I returned from a 4-month trip to the Orient and Manila, and saw much of the fringe of the war, and stopped at such ports as the situation would permit in China and Japan.

Shortly after my return, I wrote a letter to the President and am taking the liberty of enclosing a copy.

When you and I were boys, I assume we both contributed our nickels or our dimes to the foreign missionaries for the purpose of sending the philosophy of Christ and the Christian religion into the great pagan countries of the Pacific.

We have spent enormous sums of money in both China and Japan, especially Korea, for schools, hospitals, churches, and Christian missions. Many fine men and women have devoted their lives to this work, and I fear that it is about to be wiped out unless we to an extent make our protest heard.

I studied the Philippine question; have made four trips to Manila; wrote a book on the subject and believe I know something of that country; and it is because of my fear that the Japanese will take over those wonderful islands when we withdraw that I wrote to the President. I think we should stay in until '46, when our Independence Act becomes operative.

May I direct your attention to the fact that there are 15,000,000 Christians in the Philippine archipelago; that for some 250 years the Christian religion has been the dominant one in the islands, with possibly only 500,000 Moros.

With the missionaries in China and Japan shot to pieces, this represents the last stronghold—or we might call it spearhead—in the Orient.

Our pacifists, in their opposition to war or preparedness, are really in effect inducing war.

For us to withdraw now from the Philippines before the year 1946 would mean that Japan would go in and that would start a conflagration in the Orient which I fear would start something in Europe.

Then again, after all these years, to abandon Christ's idea of Christianity and democracy, with opposition to war and the settlement of disputes by violence, will loose something in that portion of the world which will not be in the interests of peace.

Pardon this letter, but there is an old saying, "Once a Kentuckian always a Kentuckian," and remembering my delightful association with you in the Senate, I cannot resist the temptation of this little note of approval of your speech.

Sincerely, your friend,

HARRY B. HAWES.

REORGANIZATION OF EXECUTIVE DEPARTMENT—ADDRESS BY SENATOR SCHWELLENBACH

[Mr. MINTON asked and obtained leave to have printed in the RECORD a radio address on the subject of the proposed reorganization of the executive department delivered today by Senator SCHWELLENBACH, which appears in the Appendix.]

NEW CAPITAL FOR BUSINESS—ADDRESS BY SENATOR PEPPER

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a radio address delivered by Senator PEPPER on March 8, 1938, on the subject New Capital for Business Through Federal Regional Industrial Banks, which appears in the Appendix.]

NATIONAL DEFENSE—ADDRESS BY SENATOR TRUMAN

[Mr. SCHWELLENBACH asked and obtained leave to have printed in the RECORD an address delivered by Senator TRUMAN on March 7, 1938, on the nineteenth anniversary of the organization of George Washington Post, No. 1, of the American Legion, which appears in the Appendix.]

MRS. LEE S. OVERMAN

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD two editorials and an article from North Carolina newspapers with reference to the death of Mrs. Lee S. Overman, widow of the late Senator Overman, of North Carolina, which appear in the Appendix.]

FARM LEGISLATION—ADDRESS BY R. J. LAUBENGAYER

[Mr. CAPPER asked and obtained leave to have printed in the RECORD a speech delivered by Robert J. Laubengayer, of Salina, Kans., editor and owner of the Salina Journal, before the annual meeting of the Kansas State Livestock Association at Wichita, Kans., on March 3, 1938.]

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives by Mr. Chaffee, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 2709. An act to provide for the appointment of one additional United States district judge for the eastern district of Louisiana;

H. R. 7414. An act to provide for the establishment of a Coast Guard station at or near Panama City, Fla.; and

H. R. 8972. An act to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. TOWNSEND. Mr. President, it is not often that I feel impelled to address this body, but conditions generally have become so serious and seem to be so little understood that I cannot longer remain silent.

Five years ago today American economy was wedded to a new philosophy. Perhaps I should say that a new economic philosophy was joined to reckless experiment, without regard to facts, experience, or economic laws.

Its own present to itself for its fifth anniversary is a log jam of serious proportions. The offspring of this union with which all Americans, whether in the laboring class or in industry, have been presented is a sharp slump which promises to reach a depression of major importance, from which all must suffer.

What was this new philosophy? Words to the small wage earner and to every other consumer, coupled with an economy of scarcity. Words to console and help industry to help itself and encourage it to aid in the recovery, coupled with every possible act, including N. R. A. and unfair, arbitrary,

and punitive taxes, to ruin American industry. Words calling for a balanced Budget, coupled with an increase in the national debt of $15,000,000,000, which I call countless billions, used in priming the pump and setting the United States on the road to "recovery." Above all, countless experiments, regardless of cost.

I shall not speak about the economy of scarcity, because we have just been assured by the Secretary of Agriculture that the Farm Act we have just passed means an economy of abundance.

Nor shall I speak of the damage which this administration has done to American industry, because the N. R. A. is no more, and I sincerely hope that this Congress will remedy at least some of the damage done when it considers the existing tax laws.

I propose to speak about the promised balancing of the Budget, the recovery, and the recession with which we are now faced. As black as the picture is, I propose to give you as true a sketch as I can of the situation which exists and which we must meet.

My remarks are particularly pertinent at this time, when this body is considering giving a major power of Congress to the Executive, the power to make and unmake agencies to carry out the laws, at what cost no one knows, for it was 5 years ago today that the President addressed the Congress on this very subject.

Mr. President, you will remember the President's message to Congress 5 years ago today, on March 10, 1933; how he adverted to the deficit of probably over $1,000,000,000 for 1933–34 "unless immediate action is taken." You will remember how he pointed out to Congress "with the utmost seriousness" "the profound effect of this fact upon our national economy."

Too often in recent history—

Said the President—

liberal governments have been wrecked on rocks of loose fiscal policy. We must avoid this danger. * * * The very stability of our Government itself is concerned. * * *

What a strange contrast that message of 5 years ago, and also the Democratic platform Budget promises of 1932, make with the record. Since the very beginning the present administration has been in the red up to its hips.

Some people, it is said, read the CONGRESSIONAL RECORD for the poems and jokes inserted by Members of Congress. They would do well to turn back to the remarks of an administration spokesman in the House, when in 1933, after the New Deal's first hundred days in office, he said:

In the short space of 3½ months it (Congress) * * * passed legislation which enabled the President, by bringing about economies in governmental expenditures, to balance the Budget for the first time in several years. * * *

As a result of the passage of the Economy Act and through the reorganization of the various departments and bureaus of the Government to eliminate waste, duplication of effort, and to abolish unnecessary Federal activities, it is estimated that the cost of the Federal Government will be reduced $1,000,000,000 during the next fiscal year. This is about 25 percent of the total cost of the Federal Government and therefore is in strict fulfillment of the pledge contained in the Democratic platform adopted at Chicago last year to reduce the cost of the National Government by one-fourth.

No, Mr. President, the Budget was not balanced in 1933, nor has it been balanced at any time since. Instead, the public debt, not counting contingent liabilities, has been increased by about $15,000,000,000 under this administration, and there is no end yet in sight.

What a cheerful picture the Postmaster General painted for us on the New Deal's first birthday!

It was—

He said—

a daring experiment, but its success is illustrated by the smoking stacks of thousands of factories that were cold and still a year ago; by the long lines of men marching to work with dinner pails who were waiting for the bitter meals of charity; by the people buying in stores; and most of all by the cheerful, hopeful attitude of our whole population who now face the future confidently with heads erect instead of shuddering daily in expectation of further disaster.

That was a description of 1934. We had spent billions of public money. Since 1934 we have spent many billions more to achieve recovery. Yet where has all this spending finally brought us? What has it done to eliminate depressions? The country was sick. The doctors came and said, "Here is medicine. Take it in large doses. It will cure you." The medicine was a stimulant. But when the doctors reduced the dose to the patient the patient slipped back into his former condition of coma. Did the doctors know what they were doing or were they just practicing medicine?

Mr. President, last September this country entered upon the sharpest depression in its history. Industrial production, the best index of our economic activity, declined from 117 in August to 84 in December, or 28 percent in 3 months, according to calculations of the Federal Reserve Board. Stock-market values shrank by the huge sum of $20,000,000,000 from August to January. There was a drastic collapse of confidence, and today the country's economic life is at low ebb. The ranks of the unemployed, never less than 7,500,000 at any time since recovery commenced in 1932, have within a few months again expanded by the alarming total of 46 percent, due to the shrinkage in business activity.

From listening to some of the recent administration spokesmen on such subjects as "monopoly" and prices, one might be led to the conclusion that governmental policies have had nothing to do with this depression; that this business collapse has been a case of big-business knavery. Lest the Senate be misled to such a conclusion, let me read some very pertinent criticisms which I have now before me. But before reading them, I shall quote some of the speeches in which the President, in 1936, took the credit for the recovery which at that time had been evidenced in our economic life.

At Camden, in October 1936, the President said:

Today * * * business of all kinds has begun to get in the clear. * * * None of this came by chance. It came because your Government refused to leave it to chance. It came because your administration thought things through * * * thought of things as a whole; planned a balanced national economy * * *.

At Philadelphia, in June 1936, he announced:

We have conquered fear.

At Worcester, he said:

We banished Old Man Gloom. * * * Three and a half years ago we declared war on the depression. * * * But now comes that familiar figure, the well-upholstered hindsight critic. He tells us that our strategy was wrong * * * that something else won the war.

At Denver, the President was quite sure of himself.

We knew—

He said—

that the only practical way to turn the corner was to start the whole country turning it at the same time. * * * I tell you, and you will agree, that we are around the corner.

At Harrisburg the President was equally confident, saying:

Ours has been a program of one for all and all for one. That doctrine has given us recovery. Continuing that practice will continue recovery.

At Washington, D. C., he confided:

* * * We took the middle road. * * * The broken pipes of the circulatory system of business have been welded together again.

In October, at Chicago, the President reported that—

The train was back on the rails. * * * Mind you, it did not get out of the ditch itself; it was hauled out by your Government. * * * The banker, the storekeeper, the small-factory owner, the industrialist, can all sit back and enjoy the company of their ledgers. They are in the black. * * * That is where we intend them to be in the future. * * *

And at Detroit, he declared:

I do not accept the conclusion of many Republican leaders that major depressions are inevitable in modern life.

We may sum up the administration's claims to credit and responsibility by quoting from Judge John E. Mack's nominating speech before the 1936 Democratic convention, when, in sweeping terms that moved the assembled throng, he said:

With increasing national income and increasing national prosperity, we are moving forward. The credit for all this improvement is due to our leader, his splendid Cabinet, and the splendid Congress which backed him to the last ditch. He is willing to take the responsibility.

Thus were recorded for history the great economic wisdom and success of the so-called New Deal.

And now, Mr. President, let me quote a very different analysis of this subject, a view not quite so favorable to the administration's claims as a doctor of depression. For, since the happy days of 1936, misery and uncertainty have again settled on this country. I shall read only some excerpts. These are the excerpts:

The people will not forget the claim * * * that prosperity was only a domestic product manufactured by a * * * President and * * * a Congress. If they claim paternity for the one [prosperity], they cannot deny paternity for the other [depression].

You know the story. * * * Men lost their jobs; purchasing power dried up. * * * Those who had money were afraid to part with it. * * * Industry stopped. Commerce declined and unemployment mounted. And there we are today.

Translate that into human terms. Picture to yourself, for instance, the great groups of property owned by millions of our citizens, represented by credits issued. * * * How, I ask, has the present administration * * * treated the interrelationship of these groups? Why, the Nation asks, has Washington failed to understand that * * * the top of the pyramid, as well as the bottom of the pyramid, must be considered together, that * * * each is dependent on every other * * *?

I propose to you * * * that government of all kinds, big and little, be made solvent and that the example be set by the President of the United States and his Cabinet.

Our leaders tell us economic laws * * * cause panics no one could prevent. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings.

* * * To return to higher standards we must abandon the false prophets and seek new leaders. * * * [Our] leaders * * * have failed in national vision, because in disaster they have held out no hope, they have pointed no path for the people to climb back to places of security and of safety in our American life.

Let us have courage to stop borrowing to meet continuing deficits. Let us have equal courage to reverse the policy * * * and insist on a sound currency. * * *

Much of our trouble came from what the President described as "a new basis in Government relation with business; in fact, a new relationship of government with its citizens"—

I am still quoting from the criticisms—

His serious purpose is, in his own words, "to set up a systematic organization of the whole business community." The fact that he believes this policy definitely affects business he has asserted many times. For example, in taking credit for the expansion of export trade, he said: "It is not chance * * * things like this don't happen." Here is the case, summed up in the President's own words: "* * * Without the wise policies which the * * * party has made effective * * * the prosperity we now enjoy would not have been possible." * * * If he claims to lead, he must take the responsibility of what the Army does and where it goes. * * * His power to influence public opinion is great, but this driving will, as it has been well put, always be * * * ineffective and dangerous.

Restored confidence in the actions and statements of Executive authority is indispensable. This administration has risked the lives and property and welfare of the people through a policy of disastrous governmental speculation. It is no wonder that stagnation has resulted—a stagnation born of fear. But this is a distrust not of ourselves, not in our fundamental soundness, not in our innate ability to work out our future. It is a distrust in our leaders—in the things they say and the things they do. * * * The kind of confidence we most need is confidence in the * * * old-fashioned horse sense of our national leadership. Without that kind of confidence we are forever insecure. * * *

That is as much as I shall quote, Mr. President, although I could cite many other interesting passages. Certainly, if one is to accept the administration's 1936 claims of credit for the good we then enjoyed, the critique which I have just quoted is not too rash.

Lest some of these present have forgotten it, I point out that the criticisms I have just quoted were written by the President himself.

It is true, Mr. President, for I would not for a moment mislead this body, that Mr. Roosevelt's words of criticism of the administration were not in criticism of his own administration. No, they were in criticism of his predecessor's administration, as Senators will recall. If anyone present should somehow have been so misled as to have thought that these ungentle expressions of superior knowledge were intended by their author to apply to the present administration, let them recall the old saying, "Whom the shoe fits," and so forth. And, if some should chance to think that, strangely, this shoe exactly fits the present administration, let me not dissuade them, for the parallels are peculiarly strong.

In 1932 leaders of the present administration would not concede, as was generally conceded, that the American depression was only a part of a much broader and unprecedented world depression. They maintained that the earlier administration was responsible for it. In 1936 they claimed credit for recovery. There can be no doubt of the responsibility for what is happening now. There is certainly no getting away from the fact that the depression of 1937–38—and who knows how much longer it may last—bears the indelible mark "Made in America."

If the 1932 theory is correct—the theory that depressions are preventable—surely there is no escape from the conclusion that this is a depression of the doctors. The treatment was a success, but the patient is no better.

Can it be said that there has been a recovery in fact?

Mr. Raymond Moley, one of the President's early advisers, only recently affirmed that the Nation is no nearer a solution of its economic and social problems than it was several years ago. After all these experiments we are no better off.

During the Senate hearings on unemployment Prof. Alvin H. Hansen, recently an administration adviser, significantly expressed his pessimism as to the future, because we are living in a contracting rather than an expanding economy.

The most pointed comment from a friend of this administration is, of course, the testimony on February 28 of the Honorable Bernard M. Baruch before the Senate special committee to investigate unemployment and relief.

Mr. Baruch gave as his regretful opinion that unemployment is now traceable more directly to Government policy than to anything that business could or should do, and that if those policies are not changed neither business nor Government can ever solve this most terrible of our problems. Mr. Baruch made clear his conclusion that "earth-shaking changes in our political and economic systems" and "the presentation of full-fashioned, far-reaching statutory innovations" are responsible for much of our suffering today. This is the opinion of an old friend and not an opponent of the New Deal.

When this administration assumed office in March 1933 the unemployed in this country numbered 15,652,887, according to the American Federation of Labor. The number gradually declined to 10,876,134 in April 1935, and in September 1937 it was down to 7,513,054, a net improvement since March 1933 of 8,139,833 workers. But by January 1938 the number of unemployed, according to the preliminary estimates of the American Federation, was again up to 10,973,395.

This means that in respect to unemployment the Nation this January was back to the level prevailing in April 1935, a retrogression within only 4 months to the situation which prevailed almost 3 years earlier, before the stock market started its climb. The increase in unemployment from September 1937 through January 1938 was 3,460,341, or an increase of no less than 46 percent.

The figures of the American Federation of Labor are not enumerations, but only estimates. I use them because they seem to be the most reliable series we have covering, month by month, a long period of years.

Of course, actual official census data over a period of time are lacking. In fact, the only attempt to take a census of

the unemployed in this country was that of last November. The results, published this year, show a total as of November 16–20, 1937, approximating 10,870,000 unemployed.

This is a very large fraction of this country's manpower, total employed and unemployed gainful workers being estimated by the A. F. of L. at 52,520,596 at the time of the November Government census. Possibly one-fifth of this country's employables—according to the above figures—were unemployed in November, and a larger proportion is certainly unemployed now than in November, since the A. F. of L. estimate of unemployed in November was 8,478,623 persons, whereas in January 1938 it was 10,973,395 and the total number of employed and employables, 52,616,784.

The depression which developed in the United States in 1929 was so great, so sharp, and so far reaching that discussion of any other depressions naturally invites comparison with that one. The gravity of the economic set-back which the country has experienced since the late summer of 1937 is not sufficiently appreciated by the people. We are in a real downward spiral, yet relatively few in and out of the Government realize it. This is partly to be explained by the fact that all official statements emanating from Washington refer only to a recession and not to the real fact that this is a real depression.

I have before me a comparison I have made of the depression of 1937 with that of 1929. The best measures of economic prosperity and depression are the official statistics, and in this comparison I use only statistics appearing in readily available Government publications.

I wish to point out that the 1937 depression set in rapidly right after Labor Day, but, since the 1929 depression is generally associated in the public mind with the stock-market crash of October, I am confining the comparisons to the last 3 months; that is, October to December of 1929 and October to December of 1937. But it is important to note that this comparison of October to December 1937 with the same period in 1929, which uses September as the base period, misses, in important respects, the sharp decline during September itself. Thus, from August to September last year industrial production declined from an index of 117 to 111, and from September to December it declined further to 84. I am using only the figures 111 and 84. Likewise, factory employment, which scraped an index level of 89 in December, was 98.4 in September and in August was 102.4. In measuring the 1937 depression I use only the September figure of 98.4 as my starting point, a method which does not measure the full shrinkage of last year.

Comparison of the decline in industrial production during the last quarter of 1937 with that of 1929 shows that in 1929 there was a shrinkage of 14.88 percent, whereas in 1937 the shrinkage was 24.33 percent. In other words, the contraction of industry in the last quarter of 1937 was over 63 percent greater than the corresponding contraction in 1929.

Residential building contracts awarded declined 16.76 percent during the last 3 months of 1937, as compared with 16.44 percent in 1929 after allowance for the usual seasonal changes.

Factory employment in the last quarter of 1937 diminished by 11.62 percent. In 1929 the corresponding decline was only 5.09 percent. In other words, factory workers were hit over two and a quarter times as hard in 1937 as in 1929.

Similarly factory pay rolls during the first 3 months of the 1937 depression declined 19.18 percent, as compared with only 10.90 percent in the depression of 1929.

Taking up important pay-roll groups separately, the official statistics show that in mining, manufacturing, and construction the 1937 decline was 13.64 percent, as compared with the corresponding 1929 decline of only 8.56 percent. In transportation and public utilities, the shrinkage in the compensation of employees was 9.07 percent under this administration, and 4.55 percent in 1929. In trade and finance, employee compensation increased 3.31 percent under this administration, and 6.75 percent in 1929.

Freight-car loadings are a useful index of the volume of merchandise and commodity business being done in the country. The 1937 decline was 11.84 percent, and the corresponding 1929 decline only 6.48 percent.

National income statistics are now for the first time available on a monthly basis. The statistics of income paid out are highly important, because they show the sum total of the incomes of all of us combined, measured in dollars. In the period from September to December 1937 our monthly national income dropped 3.68 percent, and in 1929 only 2.26 percent. The 1937 drop would indeed have been much greater than was the case, but for the fact that the undistributed-profits tax required a large disbursement of corporation dividends. Thus, dividend and interest paid out rose from $819,000,000 last October and $444,000,000 in November to $1,546,000,000 in December.

Department-store sales are a good index of consumer purchasing power which, during this administration, has been bolstered by huge Government expenditures. Nonetheless, during the last quarter of last year the decline, after allowance for usual seasonal changes, was 3.19 percent, while in 1929 it was only 2.65 percent.

Wholesale commodity prices declined 6.52 percent under this administration and only 2.91 percent in 1929. Prices received by farmers declined 11.87 percent last fall, and only 2 percent in the fall of 1929. Here again my comparison is too favorable to the 1937 period, since from August to September last year the index of the Agriculture Department declined from 123 to 118.

Bond prices in the September to December period declined 1.98 percent last year, while in 1929 they did not decline, but increased 0.87 percent.

Only in the case of stock-market prices do we find the 1929 decline greater than that of 1937. But it should be carefully noted that the decline during the last quarter of 1937 was from a level already low, due to declines in the spring of 1937 and a sharp break during September. As the table I am using now stands, the 1929 decline was 31.71 percent and the 1937 decline 22.74 percent. But, using as a basis the figures for the 3 months, August to November 1937, the 1937 decline was 31.20 percent, or almost the same as the 31.71-percent mark-down during the last quarter of 1929.

At this point, Mr. President, I ask unanimous consent to have inserted in the RECORD the tables of comparisons for 1929 and 1937.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The tables are as follows:

Recapitulation of table "Comparison of the 1929 and 1937 depressions as to intensity"

Series	Percent change during last 3 months	
	1929	1937
Industrial production	−14.88	−24.33
Value of building contracts awarded:		
(a) Total	−7.27	+10.71
(b) Residential	−16.44	−16.76
Factory employment	−5.09	−11.62
Factory pay rolls	−10.90	−19.18
Freight-car loadings	−6.48	−11.84
National income	−2.26	−3.68
Compensation of employees:		
(a) Manufacturing, mining, and construction	−8.56	−13.64
(b) Transportation and utilities	−4.55	−9.07
(c) Trade and finance	+6.75	+3.31
Department-store sales	−2.65	−3.19
Stock prices on New York Stock Exchange	−31.71	−22.74
Bond prices, average	+.87	−1.98
Wholesale commodity prices	−2.91	−6.52
Prices received by farmers	−2.00	−11.87
Cost of living	−.79	−10.87

Comparison of the 1929 and 1937 depressions as to intensity

[The data herein may be found in the current issue of Survey of Current Business published by the Commerce Department, and in the corresponding base books]

Series	1929					1937					Memorandum
	September	October	November	December	Net change	September	October	November	December	Net change	
					Percent					*Percent*	
Industrial production with seasonal adjustment (1923–25=100): Federal Reserve Board combined index.	121.0	118.0	110.0	103.0	−14.88	111.0	102.0	89.0	84.0	−24.33	This index was 117 in August 1937.
Value of building contracts awarded F. W. Dodge Corporation (index numbers based on 3 months' moving average and adjusted for seasonal variation):											
(a) Total	110.0	107.0	103.0	102.0	−7.27	56.0	52.0	58.0	62.0	+10.71	
(b) Residential	73.0	67.0	67.0	61.0	−16.44	37.0	36.0	33.0	31.0	−16.76	
Factory employment: Federal Reserve Board index adjusted for seasonal fluctuation (monthly average 1923–25=100).	106.0	105.3	103.1	100.6	−5.09	100.7	98.4	94.1	89.0	−11.62	In August this index was 102.4.
Factory pay rolls: Bureau of Labor Statistics index, unadjusted for seasonal fluctuation (monthly average 1923–25=100).	112.8	112.3	104.1	100.5	−10.90	100.1	100.1	89.5	80.9	−19.18	In August 1937 this index was 102.4.
Freight-car loadings: Federal Reserve Board combined index (1923–25=100) adjusted for seasonal variation.	108.0	105.0	102.0	101.0	−6.48	78.0	76.0	71.0	67.0	−11.84	
National income, according to the Survey of Current Business for February 1938, pp. 12–13, index of income payments adjusted for seasonal movement (monthly average 1929=100).	101.9	102.1	100.4	99.6	−2.26	87.0	86.0	84.7	83.8	−3.68	Note effect of undivided-profits tax.
Compensation of employees, according to the Survey of Current Business, February 1938, pp. 12–13 (in millions of dollars):											
(a) Manufacturing, mining, and construction	1,670	1,678	1,588	1,527	−8.56	1,356	1,358	1,246	1,171	−13.64	
(b) Transportation and public utilities	527	546	514	503	−4.55	419	422	399	381	−9.07	
(c) Trade and finance	829	835	833	885	+6.75	672	680	676	695	+3.31	
Department-store sales, total United States, as shown in the Survey of Current Business: Federal Reserve Board index based on monthly average 1923–25=100, adjusted for seasonal variation.	113.0	111.0	108.0	110.0	−2.65	94.0	93.0	91.0	90.0	−3.19	
Stock prices on New York Stock Exchange (Standard Statistics Co. index based on 1926=100).	225.2	201.7	151.1	153.8	−31.71	106.4	91.4	82.9	82.2	−22.74	During the 3 months from August to November 1937 the decline was 31.20 percent.
Bond prices, average of all bonds listed on New York Stock Exchange according to Standard Statistics Co. (in dollars).	94.77	95.00	95.83	95.59	+.87	91.51	90.11	89.26	89.70	−1.98	
Wholesale commodity prices: Bureau of Labor Statistics combined index of 784 commodities (1926=100).	96.1	95.1	93.5	93.3	−2.91	87.4	85.4	83.3	81.7	−6.52	
Prices received by farmers: Department of Agriculture combined index (August 1909–July 1914=100).	150.0	149.0	145.0	147.0	−2.00	118.0	112.0	107.0	104.0	−11.87	August 1937 was 123.0.
Cost of living, total all groups: National Industrial Conference Board index (1923=100).	101.1	101.2	101.0	100.3	−.79	99.4	89.5	89.0	88.6	−10.87	

Mr. TOWNSEND. My conclusions just cited, as to the severity of this depression, are confirmed by an independent study of the National Industrial Conference Board, released on March 5, 1938. The Board's study compares the "drastic character of the 1937 decline in manufacturing production, employment, pay rolls, and industrial stock prices" with the depressions of 1920–21 and 1929–32. Instead of using a 3-month period for its comparisons, as I have done, the Board makes its comparisons as between 9-month periods—the 9 months following the peak of production in each of the three prosperity or recovery periods mentioned—1920, 1929, and 1937.

According to the National Industrial Conference Board, the 1920–21 decline in manufacturing production was 32.3 percent from the peak. The 1929 decline was 27.3 percent and the 1937 slump, beginning according to the Board after the peak was reached in May 1937, during 9 months amounted to 40 percent, or considerably more than in either of the two earlier depressions.

The movement of industrial stock prices—

States the Board—

in 1937 corresponded closely to that noted in industrial production. The 1937 decline in industrial employment began later in the course of the recession than in 1920 and 1929, but by January 1938, had reached a point relatively lower than in 1929, but slightly higher than in 1920. Manufacturing pay rolls declined faster and farther in 1937 than in either of the preceding depressions. At the end of the 9 months' period, the index registered a decline of 32.2 32.2% below April 1937, the peak month of the preceding rise in industrial production.

Most of the data to which I have called attention had as their purpose to demonstrate that the current recession has been one of unprecedented sharpness. They covered the period during the last part of 1937.

What is the situation today? Are we pulling out of the tail spin? The answer is "No." The figures for January showed some flattening out, some improvement even, in certain lines of activity; yet in February the downward trend was resumed. Today industrial production is well below 80 on the Federal Reserve Board index.

Take industrial activity as measured by the Commerce Department in an index which is a composite of 12 weekly series. This index mounted from less than 80 percent of its 1923–25 average in the summer of 1935 to well above 120 in early 1937. But since August it has declined to as low as 80 at the beginning of this year, and despite improvement in January, again has slipped downward from a point close to the low just mentioned, and 30.8 percent below a year ago.

Steel production during February has been crawling along at about 30 percent of capacity, and at a level 65.9 percent below a year ago.

Bituminous-coal production during the week ended February 26, 1938, was 6,350,000 tons, or 42.7 percent below the same week of 1937. Whereas in 1936 and 1937 bituminous-coal output was increasing at this time of the year, now it has been decreasing through February, the figures of the National Coal Association reveal.

Similarly, in the last week of February 1938, automobile output was 50.9 percent below the rate of a year ago and still declining; lumber production, 30.3 percent below a year ago; freight-car loadings, 24.7 percent lower; and Moody's index of spot commodity prices, 28.6 percent lower. Industrial-stock prices were down 32.9 percent from February

1937; railroad-stock prices, down 50.9 percent; and utility-stock prices, 42.2 percent.

During January 1938 the dollar value of retail sales of new and passenger automobiles, after allowance for seasonal fluctuations, was only 64.5 percent of the 1929–31 average, as compared with 129.5 percent in January 1937.

Mr. President, these are the facts. This is the situation as we find it today. We were promised a balanced Budget, and in 5 years we saw the national debt increased by $15,000,000,000. We were told then that this mad expenditure would aid in recovery and that recovery had been achieved, and we see that the so-called recession of 1937 has been more acute in its first 3 months than was the depression of 1929 in its first 3 months.

Mr. President, I cannot too ardently urge that this body give thought to these facts when it considers legislation burdening industry, which must be relieved of its shackles and harassments if we are ever to recover from the depression, and when it considers legislation calling for the expenditure of more billions to aid in recovery.

Finally, I cannot too strongly urge that this body, in its consideration of the reorganization bill, give thought to the facts to which I have called attention. My investigations show, Mr. President, that the present administration possesses no special wisdom of its own and no magic powers to deal with economic problems or with the expenditure of money. Let us not now add to the mistakes we have made in the past by giving to the Executive the additional powers which are sought in the reorganization bill.

Mr. COPELAND obtained the floor.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. McNARY. May I suggest the absence of a quorum?

Mr. COPELAND. I hardly think it is necessary. I do not want to disturb Senators during the lunch hour. I am very much obliged to the Senator.

Mr. McNARY. The Senator will not be offended if I suggest the absence of a quorum?

Mr. COPELAND. I shall not be offended.

Mr. McNARY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Clark	Hitchcock	Norris
Ashurst	Copeland	Hughes	O'Mahoney
Austin	Davis	Johnson, Calif.	Overton
Bailey	Dieterich	Johnson, Colo.	Pittman
Bankhead	Donahey	King	Pope
Barkley	Duffy	La Follette	Radcliffe
Berry	Ellender	Lee	Reames
Bilbo	Frazier	Lodge	Reynolds
Bone	George	Logan	Russell
Borah	Gerry	Lonergan	Schwartz
Bridges	Gibson	Lundeen	Schwellenbach
Brown, Mich.	Gillette	McAdoo	Sheppard
Brown, N. H.	Glass	McCarran	Shipstead
Bulkley	Green	McGill	Smathers
Bulow	Guffey	McKellar	Thomas, Okla.
Burke	Hale	McNary	Thomas, Utah
Byrd	Harrison	Maloney	Townsend
Byrnes	Hatch	Miller	Truman
Capper	Hayden	Minton	Vandenberg
Caraway	Herring	Murray	Van Nuys
Chavez	Hill	Neely	Wheeler

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

PROTECTION OF ALASKAN SALMON FISHERIES

Mr. COPELAND. Mr. President, a few days ago, on last Monday, March 7, to be exact, I made a start on a discussion of the fisheries of Alaska. I regret that I did not then have time to conclude my remarks. I am very earnest about this matter, because I have the feeling that, unless we proceed energetically as a nation, the immediate and prospective supply of one of our most precious protein foods will be destroyed. I pointed out the other day that life cannot long continue without an unfailing supply of protein food. I pointed out that in the United States the protein need of the human body is supplied largely through the eating of meat. We have great herds of cattle and of sheep and of swine; that is, we did have swine until we "plowed under" millions of little pigs. But in many countries dependence is placed upon fish. That is true in Japan, where the diet of the soldier consists largely of rice and fish. Very few cattle are raised in Japan. I am not surprised that Japan has gone to the uttermost parts of the earth to find a place for the operation of Japanese fisheries.

It is fortunate for the United States that a particular fish, the salmon, so extremely valuable as a source of food supply, is to be found in our waters, for its food qualities are dependable and are adapted to our physical needs.

Mr. NEELY. Mr. President, at all times when in session the Senate ought to be in order, but it particularly ought to be in order during a discussion of brain foods. I, therefore, make the point of order that the Senate is not in order.

The PRESIDENT pro tempore. The Senate will be in order.

Mr. COPELAND. It is a fact, as intimated by my friend from West Virginia, that we find in fish the element of phosphorus, which is much needed by the brain to carry on the mental processes so important for statesmen and others. The great supply of salmon in Alaska is threatened and seriously so. Perhaps selfishness would make me less interested in the subject if it related only to the handful of people living in Alaska. But, as a matter of fact, the subject I am presenting here is of concern to every family in America. As I view it, we do not make sufficient use of fish in the American diet.

I have in my hand a letter written by the Director of the Division of Social Research of the Works Progress Administration. This letter, from which I shall quote in a moment, indicates that even the American fisheries—I mean those of continental United States, fisheries within our States—are not operating to any degree as actively as they have heretofore. That means, of course, that the supply of fish from our own waters is very much reduced. But it means more than that; it means that multitudes of persons who are normally engaged in the fishing industry are now unemployed. This letter was written to a gentleman who lives in the South. He had made inquiry regarding statistics affecting the southern coastal States in an effort to ascertain the number of workers certified by public relief agencies as eligible for W. P. A. employment and also the estimated number of such workers who are usually employed in the fishing industry.

In making up these figures the Department did not include workers who are normally engaged in the fish curing and packing industry, although, of course, they should be included, because there is involved not alone the matter of unemployment among those who go out and cast their nets and their lines but also unemployment among those who pack and cure fish.

I find that at present of those normally employed in the fishing industry there are unemployed in Virginia 780 persons, in North Carolina 910, in Georgia 80, and so forth. I ask unanimous consent that the letter to which I refer may be included in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WORKS PROGRESS ADMINISTRATION,
Washington, D. C., March 3, 1938.

Mr. H. A. CROWLEY,
1910 K Street NW., Apartment 301, Washington, D. C.

DEAR MR. CROWLEY: In reply to your request for data on needy fishermen in certain Southern States, I am sending you the following information.

The table below contains data for the southern coastal States on total workers certified by public relief agencies as eligible for works-program employment, according to a census on January 15, 1936, and the estimated number of these workers who were usually employed in the "fishing industry." In addition to those usually employed as fishermen, the "fishing industry" may include workers who usually perform other kinds of employment in this industry. Workers usually engaged in fish-curing and packing industries, however, are not included in this category.

Certified workers, Jan. 15, 1936

State	All workers	Fishing industry (estimated)
Virginia	95,980	780
North Carolina	111,648	910
South Carolina	112,045	100
Georgia	130,910	80
Florida	117,587	920
Alabama	116,021	60
Mississippi	78,616	150
Louisiana	102,970	190
Texas	202,900	50

I trust that this material will meet your needs. If I can be of further assistance to you please let me know.

Sincerely yours,

HOWARD B. MYERS,
Director, Division of Social Research.

Mr. COPELAND. Mr. President, I visit Florida occasionally. It seems cruel that when fishermen go out to sea, sometimes in rough weather, and bring back their great catches, the fish are placed upon the dock for sale but nobody comes to buy them. Very soon those dead fish must be disposed of as offal. In a country and in a world needing food, it is cruel, indeed, to know that valuable food is thus destroyed. Such a condition should not prevail.

There is something wrong with our distribution system when we fail to make full use of our fish—and, of course, what I say of fish is true of fruit, vegetables, and many other products grown on the land—it is a crime against humanity to think of this great abundance of food going to waste when there are so many thousands and even millions of our people without proper food.

I do not think that most Senators really appreciate what poverty is. I know there is distress, I know there is poverty on the farm, but there is no poverty, Mr. President, comparable to the poverty of the slums. When the people in my city are impoverished, they have nothing to eat but the sidewalks of New York. In the rural sections there are means of acquiring foodstuffs. They may not be desirable from the epicurean standpoint, but at least they maintain life.

We have entered upon a great program of so-called farm relief. An effort is being made to maintain the so-called ever-normal granary. Comparison often has been made with the pioneer work of Joseph in Egypt. He, however, was not storing up, in the great storehouses which he built, supplies of grain to maintain a price. He was storing grain to have a supply for the lean years, when there should be famine.

We have never gone very far in our country in giving thought to storing up foodstuffs. Why should we not do so? I can quite conceive that there might be so-called relief projects which would serve immediately to care for those who need employment, but which would serve ultimately to make it certain that nobody should go hungry in the richest country in the world.

That is not the case today. If one should study the food needs, the hunger needs of our people, and chart those needs, a very spotted map would result, but there would be found areas where there is no food to be had except by the greatest effort on the part of public officials.

But that, Mr. President, is a digression. I desire to go back to the particular matter in hand, the Alaska fisheries, and the thought that some Members of the present Congress have to make Bering Sea in a sense a closed sea; not to exclude anybody properly there, but to make certain that there shall not be a slaughter of the salmon going back to their native rivers.

In order to make my remarks somewhat connected let me again remind the Senate that the mysterious instinct of the salmon causes it always to return to the very river where it was spawned and where it began its life. The homing instinct is true in nature of very few other animals; but it has been proved by scientific research, and now is universally recognized as true, that when the urge to spawn is felt each individual salmon instinctively and unerringly goes to the very river where that particular fish began its life.

Since those spawning places and breeding places are in American territory, I am sure we may justly claim that salmon are a national possession; that they belong to America. The Bering Sea is shallow. I have some maps upon the wall behind my two colleagues who are in conversation at the doorway. One of the maps shows a red line. The mainland is shown at the extreme right upper corner; and then, strung like a string of pearls across the map, are the Aleutian Islands. To the south and east of the Aleutians the red line is very close to the mainland, but to the north and west of the islands it will be seen that the line runs out almost east to the international boundary.

All the area within the red line, between the red line and the coast, is shallow water. The red line marks the 100-fathom boundary; and then, if Senators will observe the next sounding very close to it, they will see that it drops off to a thousand feet. In short, there is a shelf of very shallow water in the Bering Sea.

I said the other day that that might have resulted from some cataclysm of Nature which caused a depression of the land now under the water, or that the shallow water may be due to the silt which through millions of years has run into the ocean from the great rivers of Alaska. But, anyway, there is a shelf. When the young salmon have grown large enough to go to sea, they disperse throughout the ocean, we do not know where; but after 2 or 3 or 4 or 5 years, when they have matured and the time comes for them to spawn, they go in great schools crowded together, side by side, and rush over this shallow bottom to reach the rivers.

Not long ago, fishermen of another nation entered the Bering Sea and placed nets 3 miles long, cutting off the outlets of practically all of these rivers, and capturing every single salmon within the reach of 3 miles of net. Of course, it requires no imagination to appreciate what will happen to the salmon if that process continues. It will mean extinction.

The Federal Government and various State governments have spent millions to build up these fisheries, and to make certain that there shall always be preserved sufficient salmon life to guarantee the perpetuation and continued existence of the salmon host.

I spoke the other day about this being a favorable time to discuss the matter, because Japan has just announced that her research ships have been withdrawn from the Bering Sea, and she has heretofore disclaimed that she had any fishing vessels there; so, I am glad to say, there is no reason for any embarrassment so far as Japan is concerned. But we had a bad whipping in the pelagic seal-fishing contest, in which very wrongly, as I view the matter, counsel for the United States in a stipulation conceded the 3-mile limit. I cannot understand why they did that. My old friend, Governor Flower, of New York, used to say that he hired a lawyer to give him the kind of opinion he wanted, and if he did not get it from that lawyer he fired him and got another one. I am convinced—and I say this without any personal feeling, because I have no idea who the lawyers in the seal controversy were—that Uncle Sam ought to have had others, rather than those.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. COPELAND. I yield to the Senator from Missouri.

Mr. CLARK. The Pribilof Island seal case, to which the Senator refers, apparently was a case of what lawyers refer to as "stipulating yourself out of court."

Mr. COPELAND. That is true. That is what happened.

Mr. CLARK. In other words, as I understand, in that controversy the United States made so many concessions in drawing up the statement of fact—the stipulation, in ordinary legal parlance—that it had no chance to win the case when the case was submitted on that statement of facts.

Mr. COPELAND. As the Senator has said, the lawyers stipulated the United States out of court. Of course we know a great deal more about the habits of the seal than was known when that case was tried. Exactly the same argument could have been used in that case concerning the seal that I am attempting to use in reference to salmon, because

the seal, while at times he makes migrations for his health and to seek warmer waters, returns inevitably to the same island in the Bering Sea where he was born.

I hold in my hand a very interesting report of a cruise of a United States Coast Guard cutter into Bering Sea. There are included charts indicating the migration of the seal. When the pups—the babies—are born the mother seal goes out in the water beyond the 3-mile limit.

Mr. CLARK. The probability is that the mother seal does not know about the 3-mile limit.

Mr. COPELAND. No; she has not been informed of it. If she had known of it she would have had better luck.

I have a chart which shows the monthly travel of the seal herds. I will not take the time of the Senate to describe the love life of the seal. That has been done, as to the bee or some other insect or animal, I think, by Mr. Tugwell. The "abundant life" has been well described during the past few years.

The seals go home to the Pribilof Islands in the Bering Sea, and they remain there through August and September. They approach the islands during June or July, swim along the coast of the Aleutian Islands, but finally these harems of seals go to the Pribilof Islands themselves where they reestablish home life. There the pups are born, and the mother, in order to teach the little fellows how to swim, will throw a baby seal in the water and he will swim back to shore. She will throw him back again, and after a while he gains confidence and learns to disport himself in the water quite like a grown seal.

As cold weather approaches the seals migrate. They go down as far as San Diego, Calif., and even south of that, I understand. They remain there during the winter season, just as millionaires go to California or Florida to enjoy the southern climate. It has been suggested to me that a seal has even been found off the coast of North Carolina. I wonder how the seal got there. I have a suspicion that the seal off the coast of North Carolina might have come from some British possession. I do not wish to stipulate anything, but that may be.

As the warm weather extends northward, seals gradually go back home, and it is amazing that a pup will go back to the very rock where he was born. Tags have been put on seals, various tests have been made, and it has been demonstrated that they will return to the place where they were born.

Exactly the same thing is true of the salmon, except that we do not know where the salmon go to feed in mature life; but always each fish returns to the very river where he was spawned.

I spoke of the 3-mile limit in connection with the Pelagic seal-fishing case. I cannot see how any student of the law could have admitted for a moment the validity of the principle of the marine league, as it is called. He would not need to go back to the classical works upon law; he could merely go back through our own history to find that the 3-mile limit has been repeatedly and persistently discarded as the line beyond which the sovereignty or jurisdiction of the United States may not extend.

I told the Senate the other day that in the correspondence of Mr. Jefferson with Mr. Genet, the French Minister, in 1793, when this question arose, Jefferson even then might have quoted from the laws of his country, because in the Customs Act of August 4, 1790—1790, note, the very beginning of our national life—there was enacted a principle which has never been repealed. The language may have been changed, but even in the Tariff Act of 1935 the same principle was incorporated.

Let me show the Senate what the view of the Congress was so long ago as 1790, which was later enlarged in connection with smuggling, rum-running, and so forth. I find in the statutes at large, volume 1, page 156, section 11, enacted in 1790, the following:

> *And be it further enacted*, That every master or other person having the charge or command of any ship or vessel belonging in the whole or in part to a citizen or citizens, inhabitant or inhabitants, of the United States, laden with goods as aforesaid and bound to any port or place in the United States, shall on his arrival within 4 leagues of the coast thereof or within any of the bays, harbors, ports, rivers, creeks, or inlets thereof, upon demand, produce such manifest or manifests in writing.

At another place reference is made to foreigners who attempt to approach our coasts. They are required to produce their manifests at the distance of 4 leagues, 12 miles. If there is any attempt on the part of the ship or vessel to evade the law of the United States, I find on page 158 that it was further enacted, "That if any ship or vessel which shall have arrived within the limits of any district of the United States from any foreign port or place, shall depart or attempt to depart from the same, unless to proceed on her way to some more interior district to which she may be be bound, before report or entry shall have been made by the master or other person having the charge or command of such ship or vessel, with the collector of some district," he can be fined $40. Furthermore, it is provided that our Coast Guard vessels may be employed and may make pursuit to a distance at least of 4 leagues.

Mr. President, there is a great deal of difference between 12 miles and 3 miles. The original theory of the marine league was that that was the distance to which a cannon ball could be shot. Of course, in the early days cannon were not like those of today. It was presumed that cannon set up on the shore of the country would give protection to the extent of 1 league, 3 miles. I do not need to remind the Senate how different it is now, when artillery normally has a shooting range of 18 or 20 miles.

The Big Bertha set up by the Germans to bombard Paris was 90 miles away from its objective. The purpose I had in mind for the moment, however, was to show that in our own history we disregarded the 3-mile limit.

A very interesting discussion of the matter in question is to be found in Wheaton's writings. He wrote a book entitled "A Digest of the Law of Maritime Captures or Prizes," which was published in 1815.

I now wish to read an excerpt from Wheaton's Elements of International Law, page 216, section 179, as follows:

> The exclusive territorial jurisdiction of the British Crown over the enclosed parts of the sea along the coast of the island of Great Britain, has immemorially extended to those bays called "The King's Chambers."

This jurisdiction has extended, as said, to those bays called "The King's Chambers."

> That is, portions of the sea cut off by lines drawn from one promontory to another.

In giving thought to this problem before us I came to realize that it would be possible under the universal practice of other nations to claim Bristol Bay as our property or within our jurisdiction. An illustration of the application of the universal practice is the territorial claim by Norway to the great Lofoten Bay, where a distance of 60 miles is covered by a line between the promontories. So a line could be drawn from the headland to the north of Bristol Bay down to some point on the Aleutian Islands, and the bay could in that way be protected. But that would not be sufficient for our purposes because it would protect merely the fisheries related to the rivers opening into that bay.

There are many other important rivers which open elsewhere than into Bristol Bay.

"King's Chambers," the term set out in early English law, was applied to such areas of water as I have indicated might be included by the lines drawn between headlands and then extend up to the rivers.

I continue to quote from Wheaton:

> A similar jurisdiction is also asserted by the United States over the Delaware Bay, and other bays and estuaries forming portions of their territory.

The point of all this, Mr. President, is to show that in the last analysis nations have been governed by their necessities or inclinations. The 3-mile limit is accepted in general by some nations, but when we come to the study of the practices of any given maritime nation it will be found at once that it is only when it is convenient to that nation that it observes the 3-mile limit. Ways have been found to bring

about exceptions to that rule, and we ourselves have done it in connection with Delaware Bay and Chesapeake Bay. We claim possession and jurisdiction and even sovereignty over those waters, and the 3-mile limit is thrown into the discard so far as those particular areas are concerned.

I continue to quote from Wheaton:

It appears from Sir Leoline Jenkins, that both in the reigns of James I and Charles II the security of British commerce was provided for, by express prohibitions against the roving or hovering of foreign ships of war so near the neutral coast and harbors of Great Britain as to disturb or threaten vessels homeward or outward bound; and that, captures by such foreign cruisers, even of their enemies' vessels, would be restored by the Court of Admiralty, if made within the King's Chambers. So, also, the British "Hovering Act" passed in 1736 (9 Geo. II cap. 35), assumes, for certain revenue purposes, a jurisdiction of four leagues from the coasts, by prohibiting foreign goods to be transshipped within that distance without payment of duties. A similar provision is contained in the revenue laws of the United States.

I have already indicated that by reading from the revenue laws of 1790.

A similar provision is contained in the revenue laws of the United States, and both these provisions have been declared by judicial authority in each country to be consistent with the law and usage of nations.

Chancelor Kent, who discussed this matter in his Commentaries on American Law, in part I, lecture iii, expressed different views from those I have just quoted from Wheaton; but, at the same time, in his lecture he pointed out that it is difficult to lay down a hard and fast rule. I quote his language:

• • • All that can reasonably be asserted is that the dominion of the sovereign of the shore over the contiguous sea extends as far as is requisite for his safety, and for some lawful end. A more extended dominion must rest entirely upon force and maritime supremacy. According to the current of modern authority, the general territorial jurisdiction extends into the sea as far as cannon shot will reach, and no farther; and this is generally calculated to be a marine league.

Let me emphasize the statement that the dominion of the sovereign would extend "as far as is requisite for his safety, and for some lawful end." With the range that cannon now have, there can be no question at all that for the safety of the Nation there has to be a greater limit than 3 miles, and surely there can be no more "lawful end"—to use the language of Kent—than the preservation of our salmon fisheries. It might well be that the very life of this Nation at some time might depend upon the fisheries. If there were an epidemic which would sweep out the flocks and herds—and that is conceivable, although I pray it may never come—in that event, we would have to depend upon the waters of our country and the waters adjacent to our country for the food necessary for life.

Kent, at another point in this lecture to which I have referred, points out that the jurisdiction of the sovereignty extends over all bays, gulfs, and estuaries. That is the reason why, as I said a little while ago, I can see how, under this acceptation of the law, Bristol Bay could be protected; but that would not be sufficient to accomplish the purpose that some of us have in mind.

Much was said in our early life about the "hovering" acts in relation to smuggling slaves. The importation of slaves into the United States ended about the year 1827, but it was a matter of great concern in our early history. I now refer to the Statutes at Large, volume 2, of the Ninth Congress, in its second session, in 1807. Congress, apparently greatly disturbed over the importation of slaves, passed an act to prohibit the traffic. Among the safety provisions set up relating to the "hovering" about which I have spoken, I quote the following from the act, found on page 428 of this ancient volume:

And be it further enacted, That if any ship or vessel shall be found, from and after the 1st day of January 1808, in any river port, bay, or harbor, or on the high seas, within the jurisdictional limits of the United States, or hovering on the coast thereof, having on board any Negro, mulatto, or person of color, for the purpose of selling them as slaves, or with intent to land the same, in any port or place within the jurisdiction of the United States, contrary to the prohibition of this act, every such ship or vessel, together with her tackle, apparel, and furniture and the goods or effects which shall be found on board the same, shall be forfeited to the use of the United States and may be seized, prosecuted, and condemned in any court of the United States having jurisdiction thereof. And it shall be lawful for the President of the United States, and he is hereby authorized, should he deem it expedient, to cause any of the armed vessels of the United States to be manned and employed to cruise on any part of the coast of the United States, or Territories thereof, where he may judge attempts will be made to violate the provisions of this act, and to instruct and direct the commanders of armed vessels of the United States to seize, take, and bring into any port of the United States all such ships or vessels, and, moreover, to seize, take, and bring into any port of the United States all ships or vessels of the United States, wheresoever found on the high seas, contravening the provisions of this act, to be proceeded against according to law.

Let me emphasize that language. Government vessels were not to operate within the 3-mile limit or the four-league limit. They were to go anywhere—"wheresoever found on the high seas."

So, Mr. President, in the very beginning of our national existence we did not hesitate to extend our boundaries and the extent of our jurisdiction to any limit whatever deemed to be necessary to our safety or welfare. It will be observed, as I have said, that no reference is made to the 3-mile limit or any other limit; but, by the explicit provisions of the act, authority was given to seize the offending vessels "wheresoever found on the high seas."

The act to which I have referred was reenacted later with some modifications, but as a matter of fact it is the law of this Nation today. A slave trader may be seized when hovering on the coasts of the United States. I looked up the subject yesterday, and I find that this provision is included in the code of laws to which we so often have occasion to refer.

I want to make clear exactly what the language is, because I know this proposal will be resisted at some time; if not in our own country, perhaps by some other nation. It will be noted that the disjunctive "or" is used and not the conjunctive "and." So there is no question at all that it was the intent of Congress to provide for the seizure of slave traders both within and without the territorial waters of the United States; and, of course, the act so provided.

To repeat, all this shows that from the very early days of our Government, going back to my knowledge, and based on my research, to the Customs Act of August 4, 1790, and repeated all the way along in customs acts, the 12-mile jurisdictional limit was recognized as within the meaning of the act; and, of course, in the "hovering" act there is no limitation whatever of the area to which the jurisdiction of the country might be extended. So from the very beginning the idea of the general right of the 3-mile limit has been rejected by our own country.

THE ANTISMUGGLING ACT

At a later period in our history we come to the Antismuggling Act of August 5, 1935 (49 Stat. 517). The title of the act is: "An act to protect the revenue of the United States and provide measures for the more effective enforcement of laws respecting the revenue, to prevent smuggling, to authorize customs enforcement areas, and for other purposes."

This act includes the usual principles or features which are found in previous acts, such as the "hovering" act and others, but the jurisdiction is extended so that it may be declared that any area determined upon may be a customs-enforcement area for the purposes of the act. In the latest law on the subject we said that our jurisdiction should not extend more than 50 miles seaward beyond the customs waters. As I have already shown, the customs waters extend out 12 miles, but in the Antismuggling Act our officials were permitted to go 50 miles beyond the customs waters, or a total of 62 miles.

So we find that in the act of 1935 there is authority for search and seizure of vessels, for violations or threatened violations of the customs, anywhere within 62 marine miles of the shores of the United States; provided, of course, as the act sets forth, that the President must declare a customs

enforcement area for such region within which any vessel which hovers is subject to search and seizure.

No doubt the provision in the act of 1935 for the declaration of an area crept into the Dimond bill and the Bone bill, both of which are pending in the Congress. I conclude that is the case, because these bills provide for the declaration of the President that it is intended to make the Bering Sea up to the 100-fathom line a fishing area within which nobody, native or foreign, may fish without a permit.

I wish to go a little beyond that. I should like to have an assertion of jurisdiction, if not of sovereignty, determined by the Congress, and, of course, approved by the President, so as to establish for all time that the portion of the Bering Sea overlying the continental shelf shall always be considered American territory. If that were done, and the Department of Commerce were wise in its use of permits, we would have full protection of these waters. With such protection, we would have the preservation of our salmon fisheries, and, with the preservation of our salmon fisheries, we would have the certainty of the preservation of an abundance of essential food for our people.

We come now to the rum treaties. These are recent in the mind of everyone. We sought to work out a treaty arrangement to prevent the smuggling into the United States of intoxicating liquors. So our authorities, from the beginning, attempted to fall back on the act of August 4, 1790, which I have read. That, however, did not seem to be entirely satisfactory. So, in order to give protection, the matter of a wider-area jurisdiction was presented to various other nations. When it was presented to the British Government it was apparently not well received. The statement was made that the British Government—

> Do not feel that they can properly acquiesce, in order to meet a temporary emergency, in the abandonment of a principle to which they attach great importance.

To be honest about it, that is rather amusing to me. I have no disposition to "twist the lion's tail," but if there is one country in this wide world that has vacillated in the matter of marginal jurisdiction of the seas it is Great Britain. I described that at length when I spoke on Monday. But, while Great Britain did not acquiesce in the treaty or ratify it, no serious objection was interposed, and so all the advantages dependent upon the proposed treaty were enjoyed by the United States. Great Britain did finally agree to a proposal of search and seizure in proper cases of British-flag vessels within an hour's sailing distance of those vessels from the shores and ports of the United States. It was agreed also that when British ships were in our ports they would lock up the liquor so that it could not be enjoyed by those who normally take a drink now and then. That particular treaty was signed at Washington on January 23, 1924. It followed very shortly after the decision of the Supreme Court in the Cunard Steamship case, rendered on April 30, 1923. But Great Britain did insist, and we agreed, that article 1 of the treaty should contain the following:

> The high contracting parties declare that it is their firm intention to uphold the principle that 3 marine miles extending from the coast line outward and measured from low-water mark constitute the proper limits of territorial waters.

Regardless of the merits involved in this particular matter relating to rum running, once more I find fault that there should be a stipulation in any treaty or contract with another country or a stipulation relating to a case involving the United States by which it is admitted that the 3-mile limit should be the extent of territorial waters. We had the same article 1, which I have quoted, in the treaties concluded with the Netherlands, Germany, Cuba, Panama, and Japan. But when we came to negotiating with other countries—to be specific, Norway, Sweden, Belgium, Denmark, France, Italy, Spain, and Poland—all those nations flatly refused to agree to the stipulation which I have mentioned as being included in the treaty with Great Britain; that is, that the 3 marine miles should be the proper limit of territorial waters. So, in the treaties with the group of countries I have just named, instead of using the language included in the treaty with Great Britain this language was used:

> The high contracting parties, respectfully, retain their rights and claims, without prejudice by reason of this agreement, with respect to the extent of their territorial jurisdiction.

I want to congratulate Norway, Sweden, Belgium, Denmark, France, Italy, Spain, and Poland. They were correct in their stand, as I see it. I am very regretful that we entered so recently into a provision such as that included in the treaty with Great Britain, reaffirming the principle that 3 marine miles should be accepted as the limit of territorial jurisdiction. The fact, however, that many countries declined to accede to the 3-mile limit is evidence that there are many countries that are in utter disagreement with that limitation. I shall show that, in due time, by giving the results of the vote taken by the League of Nations, but that will be at a later moment. Anyway, we know from what I have said within the last few minutes that a fair majority of the civilized nations of the world do not agree that the 3-mile limit is the one which should be accepted.

We come now to international discussions. On January 29, 1926, the members of the League and other governments—and we would be counted in that category, I think—listened to a report made by a committee, which, by the way, contained our Mr. Wickersham. The committee presented a draft of a convention and finally the text of an amended draft. In this draft we find this language, referring to the extent of the rights of the riparian nations, that it—

> Possesses sovereign rights over the zone which washes its coast, insofar as, under general international law, the right of the common user of the international community or the special rights of any state do not interfere with such sovereign right.

By the way, one of the specified sovereign rights in that particular matter related to the air above the sea and the soil and subsoil underneath it.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. LODGE. What treaty was that?

Mr. COPELAND. That was a proposed treaty; it was a draft of a treaty which was considered by the League of Nations. It was not a treaty; it was not made into a treaty; but there was a discussion as to what form the treaty should take.

Mr. LODGE. Can the Senator give the approximate year?

Mr. COPELAND. That was on January 29, 1926.

Mr. LODGE. I thank the Senator.

Mr. COPELAND. In preparing the draft of this treaty there was another which undertook to define the extent of the rights of states bordering on water. It was provided that the—

> Zone of the coastal sea shall extend for 3 marine miles (60 to the degree of latitude) from low-water mark along the whole of the coast.

It was stated further that beyond—

> The zone of sovereignty, states may exercise administrative rights on the ground either of custom or of vital necessity. There are included the rights of jurisdiction necessary for their protection. Outside the zone of sovereignty no right of exclusive economic enjoyment may be exercised.

That is the end of that particular quotation; but in another place I quote as follows:

> Exclusive rights to fisheries—
>
> Were left to—
>
> existing practice and conventions.

There are many in the Senate who, by tradition and conviction, have some doubts about the League of Nations; but even the League of Nations recognized that every nation should be given the exclusive right to fisheries according to "existing practice and conventions." We have had in the Bering Sea, and have demanded that we continue to have, the right to the exclusive fishing privileges. That right has never been disputed by word of government or by practice by any nation until recently. Recently we heard the complaint

uttered on this floor by both of the Senators from Washington that there was an invasion of these waters by a foreign nation; but, as I said at the beginning of my remarks today, and said at the beginning of my remarks on Monday, that nation now has withdrawn its research ships and always has disclaimed any right to fish in those waters.

This matter brought up a great deal of trouble in the League meetings, and several of the states I have named in the second group refusing to accept the limitation proposed in the rum-smuggling treaties—to be specific, France, Italy, the Netherlands, and Poland—frankly stated that they felt that there could not be any regulation of the right of control over territorial waters. They said it would be impossible, or at least difficult, to agree upon any such limitation, and as events transpired that proved to be the case.

By the way, it is interesting to note that France exercises her jurisdiction over customs 4 leagues, 12 miles from the coast, while Italy goes out 10 leagues, 30 miles, and in some cases even more.

Several of the states said they simply could not sign any convention which would fix 3 miles as the limit of the coastal sea. Among these we find Norway, Sweden, and Portugal. They based their objection—and properly so, as I view the matter—upon their own ancient laws, and upon the long-established usage of their countries, both with regard to customs and with regard to fishing. They objected to any freezing or fixing of the marginal limitation, not alone to 1 marine league but at all. Each of these countries desired to be free to extend its jurisdiction just as far as it could protect its jurisdiction. It made much of the economic wealth of marginal waters, and we know that those countries, particularly Norway and Sweden, depend to a great extent upon the fisheries and the products of the fisheries for their economic prosperity.

Norway stated in the League gathering that according to the opinion of that country, Norway possesses full sovereignty within the limits of her territorial sea. I suppose she was protecting the Gulf of Lofoten when she did that, but she also protested that she wanted to have 10 marine miles beyond those limits in which to apply her customs laws, and we have gone away beyond that in the laws we have had, as I have shown, since 1790.

The Swedish Government in this discussion said that that country always had regarded at least 4 sea miles from the coast as within the jurisdiction of Sweden.

Portugal insisted—and I think I am for the doctrine of Portugal—that its sovereignty—it did not stop with jurisdiction—should extend 12 marine miles from low-water mark, and beyond that zone, that states should be allowed to occupy the sea for special purposes. That is, they were willing to accept 4 leagues just as a place to start, and then they insisted that they were to be permitted to go beyond that for an unlimited distance, if need be, for special purposes. The particular purpose in mind, I think, was the right to fish.

Portugal at that time spoke about certain fish always dear to the Portuguese palate, fish which were becoming rare and even extinct, and Portugal desired to have the right to go anywhere to get those particular fish. The matter I am now discussing in relation to Portugal is not merely academic. Our own fishermen, no longer finding certain species of fish along the Florida coast and similar coasts, are sending fishing boats into South America to fish the waters off the countries of South America, so I suppose the citizens of our own country engaged in this sort of fishing will be quite sympathetic to the contention made by Portugal in the League of Nations.

There were certain countries—namely, Cuba, Spain, Greece, Finland, Germany, Estonia, and Egypt—which were willing to accept the 3-mile limit as the limit of the actual sovereignty of the state, but they were not willing to limit jurisdiction to exercise administrative rights beyond that distance. So, as this evidence accumulates, it will be seen that there were some "yes men," perhaps, who were willing to go along with the general principle, but, even so, they were not willing to do away with the privilege of jurisdictional rights far beyond the proposed limit. Rumania and Brazil favored one zone for all purposes. As I understand the record, so far as Rumania is concerned, while Rumania was willing to accept the 3-mile limit, it raised the point that other countries have not by any means been bound by that limit.

Brazil insisted on a wider zone than 3 miles in order that it might "supervise and police these areas for the maintenance of order, punishment of crime, regulation of fishing, prevention of contraband, and the establishment of such general rules as may be necessary for navigation and commerce without prejudice to the rights of international trade." So Brazil said "All right; we will go along with 3 miles, but for many reasons we propose to go far beyond that whenever we desire."

It is rather surprising to find Great Britain, together with Denmark, India, and the Irish Free State, Japan, New Zealand, and the United States, stating in the League that, "This is very interesting and worth while as a useful basis for discussion." That is as far as they would go with it, stating it was something to talk about. All these notes indicate that there was no unanimity, no uniformity of opinion in regard to the extent of territorial waters, and, as a matter of fact, our country is free to go as far as it may choose to go in fixing the limit of its jurisdiction.

I have said that the meeting of the League to which I have referred was held in 1926, and apparently, as it quite customary with the League of Nations, it came to nothing. But there was another meeting on the 3d of April 1930, when another discussion ensued as to jurisdiction over marginal waters. Here we find, by the vote taken, the absolute inability of the representatives of the several nations to agree on anything in this regard.

Let me quote the language used in the voting. I think Senators and posterity and the Supreme Court and any others having occasion in the future, near or remote, to consider the matter under discussion, will find here an ample record which will save them an immense amount of research.

Mr. LODGE. Mr. President——

The PRESIDING OFFICER (Mr. TOWNSEND in the chair). Does the Senator from New York yield to the Senator from Massachusetts?

Mr. COPELAND. I yield.

Mr. LODGE. I think it is most regrettable that there are not more present today to listen to the speech the Senator is making, because to me it is of great interest.

Mr. COPELAND. I thank the Senator. Of course we could get Senators into the Chamber by a quorum call, but I am not seeking, I may say, to enlighten anyone necessarily. I am striving to establish such a foundation by actual reference to Bering Sea as will justify those in authority to take action which will make certain that posterity for all time will be protected and given the guaranty of an abundant supply of food. It may well be that, so far as this Congress is concerned, it will take no action; but this is the time for action. I say that because I could not have made this little speech 2 weeks ago without giving offense, for at that time Japan, so far as I knew, was in the Bering Sea. I could not have made this little speech 2 weeks ago, because we had not then determined to assert our sovereignty over certain islands in the Pacific. But now we are free from the embarrassment of any international complications so far as the waters I am discussing are concerned, and we are in a spirit and mood to assert sovereignty over certain bits of land over which, in my opinion, sovereignty should have been asserted long ago. There could be no more favorable time than this for the assertion of our sovereignty, but I realize that in a session such as this, so near its end, it is improbable that we will take action on the matter. But the argument is here.

I stated the other day that one reason why I thought I should make extended remarks was that at some time, if not during this session, perhaps at the next session, we will have occasion to consider the bill which seeks to accomplish what I have in mind. Every Senator knows that when

there is a call of the calendar one objection will put a measure over, and it is extremely difficult to have any proposed legislation made a special order. But the record will be made, and I trust it may some time be of greater value than possibly it is at present.

Mr. President, I was speaking about the 1930 meeting of the League of Nations, at which a committee, and I imagine the same committee I referred to before, made a further report. The question involved in the report was that there should be an agreement upon the width of the marginal waters over which nations might claim jurisdiction for any purpose.

One basis of this agreement, basis No. 3, provided for a territorial belt of 3 miles without the exercise as of right of any powers by the coastal state in the contiguous zone. I think that perhaps is a statement showing the question which was presented, upon which the vote was taken.

M. Mushakoji, of Japan, stated:

I do not think that we should vote; I think however that Mr. Giannini is right in this sense, that it is desirable to know the views of the different delegations. I propose, therefore, that each delegation should in turn state its attitude on this question without any vote being taken, and merely in a few words what its attitude is.

Mr. President, that is another demonstration of what I have said repeatedly. No nation is willing, except under compulsion, to accept any given width as the limit of its sovereignty over territorial waters. Of course, that is so.

The United States of America has made two serious blunders. If it never made any more than that I should be happy, but certainly it made two serious blunders regarding fishing. In the first place, in the pelagic seal fisheries case, there was an outright contribution to other states of our rights in saying that we recognized the 3-mile limit. Exactly the same blunder occurred in connection with the rum-smuggling treaty. I should be sorry, and I think every prohibitionist in the world should be sorry, that, for the sake of the very doubtful effect of those rum-running treaties the United States should be put in the trap of having indicated to Great Britain our willingness to accept the 3-mile limit as the width of our marginal jurisdiction. The treaties did not shut out any liquor; they did not amount to anything. But we wrote into several of the treaties our declaration of willingness to accept the 3-mile limit. I wish to say that, so far as I am concerned, I do not accept that limit. I never shall. Certainly the United States is big enough and great enough to conduct its own affairs; and I think we might even go 40 or 50 miles beyond our boundary and take care of that area—even under a Republican administration, I will say to the Senator from Pennsylvania.

Mr. DAVIS. The Senator knows that the country would have a good, straightforward government under a Republican administration.

Mr. COPELAND. That has happened under Republican administration. I am not so confident that there ever will be another one. So far as the Senator from Pennsylvania is concerned, I trust that the wise voters of his State will recall that he has been a wise, useful, and diligent Member of the Senate; that he served his country in a remarkable way when he was Secretary of Labor under three Presidents; and that he has contributed out of his wealth of knowledge to the Senate and to its committees material of great worth. So, without committing myself, as the country did in the treaty with Great Britain on rum running, I will say that so far as the Senator from Pennsylvania is concerned, I shall not be disturbed at all if he has an overwhelming success, and, for the sake of the Senator and his charming family, I shall be delighted to have the whole group stay in Washington, certainly as long as I am here.

Mr. DAVIS. Mr. President, I appreciate the Senator's very friendly remarks.

[At this point Mr. COPELAND yielded to Mr. DAVIS, and debate ensued regarding the proposed investigation of the Tennessee Valley Authority. The debate referred to appears in today's RECORD at the conclusion of Mr. COPELAND's main remarks.]

Mr. COPELAND. Mr. President, at the time this interesting diversion occurred I was attempting to show the position of the various delegates to the 1930 meeting of the League when they were discussing the question of the 3-mile limit.

The representative from Japan had suggested that, instead of voting, an expression of opinion might be had, a tentative statement of attitude. The chairman then said:

I think Mr. Mushakoji's proposal is an excellent one.

M. Gidel, of France, said:

It is to be understood that this is to be a provisional expression of opinion. It is not a categorical or final declaration of our attitude. Each delegation will announce its position in principle.

Of course, I am not reflecting on this particular delegate to the convention. That is the position every diplomat takes. It may be or may not be the right position. It might be a good thing and it might be a damaging thing. Therefore, I think we ought not definitely and categorically to determine the question. So the delegate from France said what I have quoted. Then the chairman said:

I quite agree with what M. Gidel says, and the views expressed must be interpreted accordingly.

Then Mr. Landsdown, from the Union of South Africa, said:

I beg to express my view in favor of basis No. 3 as printed, that the breadth of territorial waters should be 3 nautical miles.

Mr. Schucking, of Germany, said:

The German delegation is in favor of the 3-mile rule, together with the existence of an adjacent zone, in the hope that the acceptance of the principle of the adjacent zone may facilitate the acceptance of the 3-mile rule by other countries.

A number of years ago, Mr. President, I was in Jerusalem. At the hotel the enterprising landlord presented to each guest the guest book in order that there might be some sentiment expressed as to the feeling of the guests toward the hotel. I looked back through the guest book and read what had been written in it by a man who was there the day before I arrived. He wrote: "If anybody would like this kind of a hotel, this is the kind of a hotel he would like."

So this delegate said he was in favor of the 3-mile rule together with the existence of an adjacent zone.

Mr. NORRIS. Mr. President, will the Senator permit an interruption there?

Mr. COPELAND. Certainly.

Mr. NORRIS. I am very much interested in the guest book incident. It reminds me of a hotel at which I once happened to stay where a similar guest book was kept. One of the guests who had been there preceding me wrote in the book "I came here for a change and a rest. The janitor got the change and the landlord got the rest." [Laughter.]

Mr. COPELAND. I can understand the feeling and the emotion with which that was written in the guest book, because I myself have had experiences such as that.

We come now to Mr. Miller, representing the United States, who said:

I read one sentence which is contained in various existing treaties of the United States:

"The high-contracting parties declare that it is their firm intention to uphold the principle that 3 marine miles extending from the coast line outward and measured from low-water mark constitute the proper limits of territorial waters."

I have already paid my respects to Mr. Miller. I did not know his name was Miller; I do not now know who Mr. Miller is; but I have complained about that clause which Mr. Miller quoted. It is the clause which was contained in the treaty between the United States and Great Britain in relation to rum running, and, as I pointed out, it was the second time when American counsel badly slipped, as I regard it, from their obligations to the United States. However, I think Mr. Miller was merely being cautious and diplomatic. He said merely that he wished "to read a sentence." He did

not commit himself as to whether or not he believed that was the wise decision to make in the matter pending before the League of Nations.

The delegate from Belgium said:

We accept the 3-mile rule, together with a zone of adjacent waters.

Very well; I am willing to accept the 3-mile rule with a zone of adjacent waters. They all want the same thing that I am contending for here today; they are willing to set up a theoretical margin of 3 miles; but the adjacent waters as well, they all say, they should have control over.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. COPELAND. Yes.

Mr. DAVIS. I should like to ask the Senator if he will tell us what is meant by the "adjacent waters"?

Mr. COPELAND. Of course, there is a distinction made between absolute sovereignty and jurisdiction, as I understand. All countries claim to have sovereignty over their own land and to a distance of 3 miles beyond, because that was the old cannon-shot distance. Over that each nation has sovereignty; it is supreme there, and nobody can go in such waters without consent. But all these nations contend not alone for sovereignty over the marginal sea but jurisdiction over and the right to regulate the use of water adjacent and beyond that limit. That is what they mean.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. CLARK. Does the Senator have any idea that the Japanese, for example, would permit the nationals of any other nation to use and occupy the inland sea of Japan or any other Japanese territorial waters for fishing purposes or any other purposes?

Mr. COPELAND. I have too great confidence in the intellectual acumen and capacity and ability of the Japanese to believe that they would ever consent to that.

Mr. CLARK. I have, too.

Mr. COPELAND. We come now to Sir Maurice Gwyer, of Great Britain, who said:

The British delegation firmly supports basis No. 3; that is to say, a territorial belt of 3 miles without the exercise, as of right, of any powers by the coastal state in the contiguous zone, and they do that on three grounds, which I will express in as few words as I can: First, because in their view the 3-mile limit is a rule of international law already existing, adopted by maritime nations which possess nearly 80 percent of the effective tonnage of the world; secondly, because we have already, in this committee, adopted the principle of sovereignty over territorial waters; and thirdly, because the 3-mile limit is the limit which is most in favor of freedom of navigation.

I ought to add that in this matter I speak also on behalf of His Majesty's Government in the Commonwealth of Australia.

Mr. President, can any Senator imagine that Great Britain—and the same thing would be true of any other country; I am not reflecting upon Great Britain, but using that country merely as an example—would be willing to give up her rights in the Irish Sea? The Irish Sea is regarded by Great Britain as her property; at least, she claims the right of jurisdiction over the Irish Sea. While there are narrow straits both at the north and at the south of the Irish Sea, Great Britain claims jurisdiction over that entire body of water, no matter how far it is from the coasts of England, Scotland, and Wales to the coast of Ireland.

Mr. LODGE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Massachusetts?

Mr. COPELAND. I yield.

Mr. LODGE. I desire to ask the Senator a question. If somebody who is not a British subject catches fish in those waters, is he not authorized to keep the fish for himself?

Mr. COPELAND. The British claim the right, as I understand, to deny fishing privileges to anybody without a permit from their board of trade, or whatever their organization is.

Mr. LODGE. Is it not true, however, that the United States authorizes aliens to fish in American waters and keep the catch themselves? Under American law, for example, a Canadian may fish in American waters and keep whatever he catches, may he not?

Mr. COPELAND. Oh, yes; but that is a general rule. My desire is to make the Bering Sea a closed sea in the same sense that the Irish Sea is a closed sea with the British; but I would not deny the privilege of fishing in the Bering Sea to a national of any other country who had a permit from us. He is to have all the privileges our nationals have.

Mr. LODGE. That is the point I wanted the Senator to explain.

Mr. COPELAND. He is to have all the favors we have; but, with regard to the Bering Sea, the great advantage to us of declaring jurisdiction over it is that when we give a fishing permit to a man from China, or from South Africa, or somewhere else, we will say, "You shall not use a net 3 miles long. You must follow the same rules that our American fishermen follow, and in that way not destroy all the fish and ultimately destroy the fishery."

To continue my roll call, Mr. Pearson, of Canada, in the League of Nations, said:

The Government of Canada is in favor of the 3-mile territorial limit for all nations and for all purposes.

M. Marchant, of Chile, said:

The Chilean delegation will accept 6 miles as the breadth of territorial waters without an adjacent zone, or 3 miles with an adjacent zone.

M. W. Hsieh, of China, said:

The Chinese delegation accepts the basis of discussion No. 3 in principle.

M. Arango, of Colombia, said:

I am in favor of the 6-mile limit.

M. De Armenteros, of Cuba, said:

The Cuban delegation is against basis No. 3. I pronounce myself in favor of 6 miles with an adjacent zone.

We have not yet found anybody who accepted the limit in any other way than "in principle." They all desired, under certain circumstances, to have the privilege of going beyond the limit, whatever limit might be chosen.

M. Lorck, of Denmark, said:

We are in principle in favor of basis of discussion No. 3, but as the rules concerning bays are very unsettled and the question of bays is of great importance to Denmark, it is impossible for me to give a definite decision at the moment.

Abdul Hamed Badawi Pacha, of Egypt, said:

We are in favor of 3 miles territorial water, together with an adjacent zone.

Nobody wanted to be pinned down to 3 miles.

M. Angulo, the delegate from Spain, said:

In accordance with their amendment, the Spanish delegation is in favor of 6 miles territorial water, together with an adjacent zone.

M. Varma, the delegate from Estonia, said:

The Estonian delegation wishes for the 3 miles territorial water, and an adjacent zone.

M. Erich, the delegate from Finland, said:

For reasons of solidarity with its neighbors, the Scandinavian States, the Finnish delegation favors a zone of 4 miles for territorial waters, provided an adjacent zone of sufficient width is granted to her at the same time.

He, very wisely, did not want to wait. He wanted to have it done at the time. He wanted to have the limit fixed at 4 miles, and then whatever else might be determined upon, 50 or 60 miles, or whatever it might be. That is all right. I honor this man from Finland.

To continue the quotation from this delegate:

In the latter case the Finnish delegation could also accept a 3-mile zone, but primarily she favors a 4-mile zone. If, contrary to expectations, the majority of the Commission did not pronounce in favor of an adjacent zone, the Finnish delegation reserves the right to come back to this question and take a different attitude regarding the depth of territorial waters.

I should like to have such a man on my commission. I want our right to these territorial waters to be recognized, but I am willing to limit them to depths of 100 fathoms or less.

I should like to become acquainted with this gentleman, because I admire his philosophy. I am not surprised that the delegate from Finland should exhibit such great wisdom. Finland is a great country. It is a country which has never failed to recognize its obligations. I believe I am correct in stating it is the only country which has continued to pay its debts in accordance with the agreement made with the United States. It is a country of great honor, of financial integrity. Its citizens are people of lofty character, and it is a nation which shows great wisdom in the choice of a diplomat, who desires to point out that adjacent waters of a certain depth belong to his country.

M. Gidel, of France, stated:

France has no objection to the acceptance of the 3-mile rule, provided that there is a belt of adjacent waters, and subject to the rules which may be agreed to in regard to the method of determining the datum line of the territorial belt.

M. Giannini, of Italy, said:

May I ask my French colleague the meaning of the reservation he has made?

M. Gidel, of France, replied:

I will explain myself more fully on a subsequent occasion, as I would not wish to prolong this process of voting. I thought, however, that I had made my meaning sufficiently clear; we desire an adjacent zone, and we accept the 3-mile limit provided that a solution satisfactory to us is arrived at with regard to the datum line of the territorial belt.

The Greek delegate stated:

The Greek delegation has already stated that they accept the 3-mile rule. They would even be prepared to accept 2 miles in the interests of the freedom of navigation if all states were prepared to accept it. As we have already accepted the 3-mile limit and the principle of sovereignty, the Greek delegation considers that no adjacent zone is necessary. However, as there are some countries which desire a greater extent than 3 miles of territorial waters, they would even be prepared to accept an adjacent zone, particularly as Greece, according to the legislation at present in force, already possesses one.

Senators will recall that there are many indentations along the coast of Greece. I traveled around Greece last year, and I could well understand that with their shore line, so long as they have jurisdiction over gulfs and bays, they could well afford to take a 3-mile limit. But there are very few countries in a similar situation. We note from the map of Greece that the indentations and the gulfs and the islands form almost a closed sea. So there is less need for any marginal waters, except toward the west, toward Italy, and I understand that is a territory which is not much fished, except within the 3-mile limit. So Greece might well accept this philosophy.

Sir Ewart Greaves, for India, stated:

The Government of India accepts basis No. 3.

Mr. Green, of the Irish Free State, said:

The Government of the Irish Free State accepts basis No. 3 as printed, but recognizes that, in certain countries and for certain purposes, there are requirements of the nature set out in basis No. 5.

The delegate from Iceland stated:

The Icelandic delegation accepts 4 miles.

The delegate from Italy said that Italy accepted 6 miles.

The delegate from Japan stated:

The Japanese delegation accepts the 3-mile limit without an adjacent zone.

That is good. She did not want any adjacent zone; did not need any. I shall not say a word for myself, but I heard what the Senators from Washington stated about the freedom of the Japanese to go beyond their own 3-mile limit.

The Latvian delegate stated:

The Latvian delegation accepts 6 miles with an adjacent zone.

The delegate from Norway stated:

As there is no binding rule of international law on this question, the Norwegian Government considers that it is necessary to take into consideration the requirements of the different countries. The delegation pronounces in favor of the limit of 4 miles; that rule is older than the 3-mile rule.

With regard to other countries, the Norwegian Government would be prepared to recognize a greater width of territorial waters provided, as is stated in the Norwegian Government's printed reply, that the demand was based on continuous and ancient usage.

What does that mean? Norway is an old country, and there are certain bays, such as the Bay of Lofoten, for example, at the northwest extremity of Norway. There are some islands known as the Lofoten Islands, and there is a fjord between those islands and the main coast which makes a beautiful bay 60 miles in width. Of course, that has always been regarded by the Norwegians as their property. They not only claim jurisdiction but actual sovereignty over that area. So the Norwegian delegation might well say that they recognized "a great width of territorial waters provided, as is stated in the Norwegian Government's printed reply, that the demand was based upon continuous and ancient usage." That is true of Lofoten Bay, which, according to the 3-mile limit rule, would be excluded from the right of fishery on the part of Norway.

The delegate from the Netherlands stated:

The Netherlands delegation cannot give an opinion on the question of adjacent waters until it is informed what rights will be involved. It is, however, prepared to accept basis No. 3 as regard the breadth of the territorial waters, which it accepts at 3 miles.

It bases its decision, first, on the necessity of safeguarding the interest of commercial navigation on the high seas, and secondly, on the consideration of not placing any too heavy obligations on the coastal state.

The Persian delegate stated:

The Persian delegation accepts the 6-mile rule with an adjacent zone.

The delegate from Poland stated:

The Polish delegation is in favor of a 3-mile breadth of territorial waters together with an adjacent zone sufficiently wide to enable the coastal state to protect its legitimate interests.

The delegate from Portugal stated:

The Portuguese delegation has already said that it desires a territorial belt of 12 miles in width, but it is prepared to accept a belt of 6 miles provided there is an adjacent zone also of 6 miles in width.

The reason for the claim of a territorial belt of 6 miles is, firstly, because of the special position of Portugal on the continental plateau and its possession of fisheries which are vital to its interests, and secondly, for a general reason; that is to say, that the 3-mile limit is inadequate, as is proved by the claims for adjacent waters which have been put forward by many other countries, some of them demanding a great width for the adjacent zone.

They therefore accept the 6-mile belt together with adjacent waters, and in those adjacent waters they demand to be accorded police rights over fisheries such as have been recommended in all recent fishery congresses.

The delegate from Rumania said:

The Rumanian delegation accepts a territorial belt of 6 miles and reserves its attitude on the question of adjacent waters.

The Swedish delegate stated:

The Swedish delegation desires a territorial belt of 4 miles in width, but recognizes as legitimate the other historic belts at present in force in a certain number of countries, that is, for example, 3- and 6-mile zones.

I suppose England was accepting that belt which was historic.

The delegate from Czechoslovakia stated:

The Czechoslovak delegation desires the greatest possible freedom of navigation, but not having any coast line they consider that they should abstain from proposing a definite extent for the zone of territorial waters.

The Turkish delegate said:

The Turkish delegation desires a 6-mile belt of territorial waters with an adjacent zone.

The Uruguayan delegate said:

The Uruguayan delegation desires a territorial belt of 6 miles and reserves its attitude on the question of adjacent waters.

The delegate from Yugoslavia said:

The Yugoslav delegation desires a territorial belt of 6 miles and reserves its attitude on the question of adjacent waters.

The delegate from Brazil said:

The Brazilian delegation accepts a territorial belt of 6 miles for all purposes.

A little while ago I called attention to the fact that Brazil was willing to accept the 6-mile zone for all purposes, and she stands practically alone in that position.

The delegate from the Union of Soviet Socialist Republics said:

If one takes into consideration the state of positive law at the present time, as it can be discovered in the legislation of the different states through treaties and diplomatic correspondence, it is necessary to recognize the great diversity of view which exists regarding the extent in which the exercise of the rights of the coastal state exists in the waters called territorial and adjacent. The exercise of such rights for all purposes or for certain purposes is admitted sometimes within the limit of 3, sometimes 4, 6, 10, or 12 miles.

The reasons, both historical and theoretical, invoked by some states and disputed by others, cannot be put into opposition to these facts and the rule of actual necessity for states to ensure their needs, particularly in waters along the coast which are not used for international navigation. This aspect which has been already noted in the literature on the subject, as well as in debates, in this Commission, cannot be overlooked.

Under these conditions it would be better to confine one's self to a general statement to the effect that the use of international maritime waterways must under no conditions be interfered with.

There was a man who was frank. He did not want international waters interfered with under any circumstances.

I think I have said enough about the discussions in the League to demonstrate that there is no unanimity of opinion with regard to the belt over which a country shall maintain its sovereignty, and certainly no unanimity whatever on the question of jurisdiction in adjacent waters.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. LODGE. I did not hear the Senator's entire speech a few days ago, and I am curious to know whether he covered the subject of the increased utilization of aquatic products generally—sea food of all types.

Mr. COPELAND. I spoke at considerable length about it in reply to a question by the Senator from Massachusetts. I am absolutely convinced, and have said and written for a long time, that we are not making enough use of the products of the sea.

Mr. LODGE. The reason for the question is that it is a matter which has interested me ever since I have been in public life. In the last session of Congress, about a week before the Senate adjourned, it was ordered that a committee on aquatic life be designated, and I express the hope that the Senator from New York will get his views on this subject together, and make them available to that committee.

Mr. COPELAND. I shall be delighted to do so.

Mr. LODGE. I know the Senator agrees with me that it is a subject the surface of which has not yet been scratched.

Mr. COPELAND. We have not started to scratch it. We should develop that subject now. We talk about preparedness and planning for the future. As I suggested earlier, suppose we had an epidemic which might kill off the cattle; where would our people get protein food? They would have to get it from the sea. If no provision had been made in advance for the conservation and care and extension of our fisheries, we would be distressed beyond all imagination. So I think a study such as the Senator has suggested should be undertaken.

I feel that we are fortunate in the administration of our Bureau of Fisheries. I have found that Mr. Bell and his associates are forward-looking and amazingly well informed, and prepared to bring to our attention, when we need it, definite advice as to what should be done. It must be discouraging to those departments of Government which are ambitious to present their views, and their ideas, and their wise plans, to find Congress so crowded with what might be called practical, everyday, current matters that plans with respect to conservation and preservation of our natural resources are so universally overlooked by the Congress. The matter about which the able Senator from Massachusetts has spoken is one of great concern, and, so far as I am concerned, I am happy indeed to do what I can to promote the plan.

I shall now quote what was apparently the final conclusion of the League committee. It will be recalled that this is the report of the committee of the League of Nations in 1930. I quote one paragraph:

The comittee refrained from taking a decision on the question whether existing international law recognizes any fixed breadth of the belt of territorial sea. Faced with differences of opinion on this subject, the committee preferred, in conformity with the instructions it received from the conference, not to express an opinion on what ought to be regarded as the existing law, but to concentrate its efforts on reaching an agreement which would fix the breadth of the territorial sea for the future. It regrets to confess that its efforts in this direction met with no success.

Senators are as well prepared to reach that conclusion as is the League committee itself, because I have recited to the Senate the testimony of every delegate to that convention, representing all the countries members of the League, and a few not members, including the United States. So the testimony indicates the wisdom of the conclusion of the committee, and it can be well understood why it had to confess that its efforts met with no success.

[At this point Mr. COPELAND yielded to Mr. BONE, and debate ensued regarding comparative rates for electric power. The debate referred to appears in today's RECORD at the conclusion of Mr. COPELAND's remarks.]

Mr. COPELAND. The committee having been discouraged by the failure to arrive at any sort of unanimity, a further portion of the report was the following:

The fixing of the breadth at 3 miles was opposed by those states which maintain that there is no rule of law to that effect, and that their national interests necessitate the adoption of a wider belt. The proposal to recognize a wider belt for these states, and for them alone, led to objections from two sides: some states were not prepared to recognize exceptions to the 3-mile rule, while the above-mentioned states themselves were of opinion that the adoption of such a rule would be arbitrary and were not prepared to accept any special position which was conceded to them merely as part of the terms of an agreement. The idea embodied in the third point, namely, the acceptance of a contiguous zone, found a number of supporters, though it proved ineffective as the basis for a compromise.

I think this recital of the transactions in the League of Nations must be convincing. It surely demonstrates that when we discuss the intangible thing known as international law, there really is not any international law; there is not any such thing. Through the Red Cross and some other international organizations we have some activities which are universally recognized, but so far as anything like a law of nations is concerned, there is not anything which is dependable or conclusive or binding. So when we undertake, as I hope we shall do, to determine that the Bering Sea in its shallow part is merely an extension of the coastline of Alaska, and is as much ours as the mountains on the mainland, I can see nothing in international law, or even in international usage, to justify any complaint from other nations as to our attitude.

Even for territorial waters, the 3-mile limit has been rejected, and as to adjacent waters surely there is utter disagreement.

I hold in my hand Oppenheim's International Law. He was professor of international law in the University of Cambridge. If time permitted, I should quote rather extensively from this great authority. I am told that he is recognized as a great authority. He says, on page 257—I quote just a little of it—

With regard to the breadth of the maritime belt various opinions have in former times been held, and very exorbitant claims have been advanced by different states. And although Bynkershoek's rule that terrae potestas finitur ubi armorum vis is now generally recognized by theory and practice, and consequently a belt of such breadth is considered under the sway of the littoral State as is within effective range of the shore batteries, there is still no unanimity on account of the fact that such range is day by day increasing.

We know that to be true, because while, as I said, I do not remember exactly the range of the Big Bertha, I went out to the foundation and saw it after the war, and my recollection is that that gun could shoot 90 miles. At any rate, the classical idea of a marine mile being the limit of territorial waters because that was the range of a cannon has been discarded by modern nations.

Another quotation from Oppenheim I think is interesting. He says on page 263:

> Gulfs and bays surrounded by the land of one and the same littoral state whose entrance is so wide that it cannot be commanded by coast batteries, and, further, all gulfs and bays enclosed by the land of more than one littoral state, however narrow their entrance may be, are nonterritorial. They are parts of the open sea.

On page 264 Oppenheim speaks of a case relating to the fisheries in the Moray Firth of Scotland:

> By article 6 of the Herring Fishery (Scotland) Act, 1889, beam and otter trawling is prohibited within certain limits of the Scotch coast and the Moray Firth inside a line drawn from Duncansby Head in Caithness to Rattray Point in Aberdeenshire is included in the prohibited area. In 1905 Mortensen, the captain of a Norwegian fishing vessel, but a Danish subject, was prosecuted for an offense against the above-mentioned article 6, convicted, and fined by the sheriff court at Dornoch, although he contended that the incriminating act was committed outside 3 miles from the coast. He appealed to the high court of justiciary, which, however, confirmed the verdict of the sheriff court, correctly asserting that, whether or not the Moray Firth could be considered as a British territorial bay, the court was bound by a British act of Parliament even if such act violates a rule of international law.

That is a very remarkable statement, and it brings us to this point: We never can exercise jurisdiction over Bering Sea unless we first, by formal declaration, assert our right to that area. Until there is municipal law justifying it, or asserting our position, we cannot hope in any international controversy to have any standing in court, because it would be at once said, "You have not asserted that you have any right here." That is well brought out, as I hope to show to the Senate if I have time to get to the argument of Mr. Elihu Root, my illustrious predecessor in the Senate, in his argument in the Newfoundland fisheries case. But while certain nations have claimed the right to exercise exclusive jurisdiction over certain seas or parts of the sea, it is certainly by custom and universal recognition and not by any legal right, whether national or international.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. LODGE. As I understand the Senator, he desires to make a closed sea out of the Bering Sea for fishing purposes.

Mr. COPELAND. Up to the 100-fathom line.

Mr. LODGE. Has that ever before been done in that part of the world?

Mr. COPELAND. No.

Mr. LODGE. No nation has ever attempted to exercise that right?

Mr. COPELAND. Does the Senator mean in that section?

Mr. LODGE. In that particular section.

Mr. COPELAND. Oh, yes. I am not quite accurate when I say that. When Russia owned this territory, she did claim rights of that kind.

Mr. LODGE. That is, when she owned Alaska?

Mr. COPELAND. When she owned Alaska.

Mr. LODGE. When she owned both sides?

Mr. COPELAND. Yes; she owned both sides; but, of course, when we purchased Alaska she gave it over to us in every respect, and cut off, by declaration in the treaty, any right that any Russian individual or corporation might have. She gave Alaska to us in its entirety.

Mr. LODGE. If I may ask a further question, what steps would have to be taken by the United States to establish such a right? Could it be established by a unilateral declaration, or would it require joint action?

Mr. COPELAND. It could be unilateral. Russia is not the only country which could dispute our right. It could be said by Great Britain or France or any other country that on this part of the high seas we had no exclusive rights.

I am convinced from what has happened in past times, as well as in modern times, that the declaration of our right would be respected so long as we had the might to enforce it. I would not, of course, be in favor of enforcing any right which might be offensive. There is always the right of innocent passage on the part of ships of other nations. If there were a war, say, between Russia and the United States, the question might arise as to the right of Russians to bring their gunboats into that vicinity.

Mr. LODGE. That question would arise anyway, whether or not there were a fisheries problem.

Mr. COPELAND. Yes. I am not asking for this right for any offensive or disagreeable reason. I am willing to let the nationals of any country come into this sea and fish under the same conditions set up by the Department of Commerce for our own people. I do not propose that we shall deprive others of that right. My complaint is that the abuse of the Bering Sea has been in every sense an abuse which would lead ultimately to the destruction of the fisheries of Alaska.

Mr. LODGE. The Senator is interested in doing something constructive, and not destructive?

Mr. COPELAND. That is correct.

Mr. LODGE. A conservation measure?

Mr. COPELAND. Yes. I am not asking that there be set up in the Bering Sea restrictions on any form of fishing when the same restrictions are not imposed on American fishermen operating in those waters, because, so far as posterity is concerned, it makes no difference whether the fishing is wrongfully done by Japanese or by Americans; the result would be the same in the future.

Mr. President, the other day I spoke about the great contribution to this problem by the delegate from Alaska [Mr. DIMOND]. At this point in my own presentation I wish to quote verbatim some words used by Mr. Dimond. They express in concise form, and in a much better way than I can express them, the thoughts I have in mind, and I want the Senate to have the benefit of them. Mr. Dimond says:

> Can it be justly or even reasonably said that one or two or three civilized nations, because they are great and powerful, have any shadow of right to impose their will upon equally civilized but weaker nations under some unaccepted claim of international law? For example, Norway and Sweden are among the most highly civilized nations of the earth, outstanding in accomplishment, rich in culture. They reject the 3-mile limit rule, as do many other nations also possessed of a high civilization. Can it be justly said that Great Britain, Japan, and the United States, either singly or jointly, have any just right to impose on these other nations the rigid 3-mile formula? Surely, to ask that question is to answer it.

I am sure every Member of the Senate appreciates the wisdom, the unanswerable argument put to us by Mr. DIMOND. I continue the quotation:

> Throughout all the centuries certain nations have claimed, and not only claimed but exercised, exclusive jurisdiction over certain seas and bays not ordinarily considered a part of the open ocean. Some of these waters are, nevertheless, of considerable extent, such as the Adriatic Sea and Hudson Bay. In many cases such waters are more than 6 miles wide at their connections with the open ocean. This is true of Delaware Bay, Chesapeake Bay, of the Westfjord in Norway, and of Hudson Bay. It is impossible to deduce from the claims so made and exercised any general, rigid rule of international law, and that fact constitutes another argument why the establishment of a fixed and unwavering 3-mile limit is impracticable and contrary to the general welfare of the nations.

Mr. DIMOND has spoken wisely.

In order that it may be included in the RECORD, at this time I ask to insert a list and description of a number of such waters as we have just described.

The PRESIDING OFFICER (Mr. CHAVEZ in the chair). Without objection, it is so ordered.

The list is as follows:

> The Sea of Azov is a bottle-necked bay lying wholly within Russian territory, 230 miles long and 110 miles wide. Its mouth is only 10 miles wide. It is considered a territorial sea, subject to the jurisdiction of Russia.
>
> The Gulf of Bothnia has a mouth more than 50 miles wide, a length of about 500 miles, and a width of 50 to 100 miles. It

lies between Sweden and Russia, and is considered as belonging jointly to those two nations and, therefore, as a territorial sea.

Bristol Channel is an arm of the sea dividing England from Wales. Into the upper end of this arm the River Severn flows. It is more than 50 miles wide at its mouth but, nevertheless, is considered a territorial sea.

The Bay of Cancale (Bay of Granville), in northwestern France, is about 17 miles wide at its mouth and about half as long. It is claimed by France without objection, and the French have exercised exclusive right over its oyster fisheries for a long period. By treaty of 1839 and 1867 Great Britain recognized the exclusive French fisheries in those waters.

The Bay of Chaleurs, with a maximum depth of 100 miles and a maximum width of 20 miles, opens into the Gulf of St. Lawrence through a passage 16 miles wide. It is claimed by Canada as a territorial sea.

Chesapeake Bay has an entrance 12 miles wide and is nowhere more than 20 miles wide, but it is about 200 miles long. From the earliest days of the Nation it has been claimed as a territorial sea.

Delaware Bay is also a territorial sea, though about 10 marine miles wide at the mouth and of considerable length.

The Firth of Clyde is about 28 miles wide at its mouth and over 40 miles deep. The Herring Fishery Act for Scotland of 1889 expressly forbade trawling within waters specified in a schedule annexed which included the Firth of Clyde. Numerous convictions were obtained in Scotland of Norwegian trawlers for fishing in the headlands but it appears that the Government did not maintain its claim, probably because of the effect of such a claim on the general European fishery situation and on British fishing interests off foreign coasts.

Conception Bay in Newfoundland is claimed by Great Britain as territorial waters. The bay is some 40 to 50 miles long and a little more than 20 miles wide at its mouth.

The Gulf of Finland is over 40 miles wide at its mouth and 250 miles long. It is considered a territorial sea.

The Gulf of Fonseca (Gulf of Amapala; Gulf of Conchagua) is surrounded by the lands of El Salvador, Honduras, and Nicaragua. The bay is 50 miles long and has a mean width of 30 miles. The Central American Court of Justice decided that the gulf is an historic bay possessed of the characteristics of a closed sea and the three riparian states of El Salvador, Honduras, and Nicaragua are recognized as coowners of its waters.

The Bay of Fundy is from 65 to 75 miles wide and from 130 to 140 miles long. The British have claimed it as territorial waters, but the British Government never pressed the point and it is now considered open sea.

Hudson Bay, largely surrounded by Canadian territory, is about 600 miles wide and 1,000 miles long. The widest channel at its mouth is about 100 miles wide. It is claimed by the British as a closed sea and is so described in a British Fisheries Act applicable to Canada. The claim seems never to have been contested.

Sweden and Norway both claim complete territorial jurisdiction over all waters embraced within the distance of 4 marine miles beyond the outermost limits of the fringe of islands off the coasts which are exposed at low tide, including all bays indenting the coasts, such as the Westfjord and Laholm Bay. In substance such claim approximates the old British claim of the King's Chambers. The claims of both Sweden and Norway to the large bays and fjords indenting their coasts has been principally exercised for the protection of their fisheries. The Westfjord is approximately 50 miles wide at its mouth, yet Norway claims and maintains exclusive fishery rights in that body of water as Sweden does in Laholm Bay.

Long Island Sound is about 100 miles long, with a maximum width of 20 miles, but its only openings to the ocean are less than 5 miles wide. It is clearly territorial waters.

The Gulf of Mexico is approximately 1,000 miles long by 750 miles wide. Each of the two entrances is about 100 miles wide. It is bordered by Cuba, Mexico, and the United States. None of these nations has ever asserted it to be a closed sea.

Monterey Bay, on the California coast, is about 19 miles wide at the headland line and about 9 miles deep. It has been held by the District Court for the Northern District of California in the case of *Ocean Industries, Inc.*, v. *Greene et al.* (1926) 15 F. (2d) 862), to be territorial sea and a part of the State of California.

The Moray Firth is about 73 miles wide at its mouth and over 20 miles deep. Under the Herring Fishery Act of 1889 the High Court of Justiciary of Scotland held that it was territorial sea, but two of the ministers of the British Government at a later date rejeced the claim, and at the present time Great Britain does not claim Moray Firth as a part of British territorial waters.

The Gulf of Riga has a mouth more than 50 miles wide and a maximum length of 100 miles. It was formerly surrounded by Russian territory and was conceded to be Russian territorial waters. It is now surrounded by the territories of Estonia and Latvia.

The Zuyder Zee in Holland lies in two portions, which may be designated the inner and outer. The latter is almost completely enclosed by a fringe of islands. The body of water thus enclosed is about 40 miles long by 20 miles wide, and from this area a narrow passage about 9 miles wide leads into the inner portion, which is about 45 miles long by 35 wide. It is considered and conceded to be a closed sea.

Mr. COPELAND. I continue to quote from Mr. DIMOND:

It is usually thought, however, that in order to be justified the claims to closed seas, which we are now discussing, should rest upon historic grounds, in that in order to be entitled to the respect of other nations it must appear that the claims have been made and asserted for substantial reasons and have been generally recognized by other civilized nations.

There is substantial reason for the assertion of such claims of exclusive territorial jurisdiction over comparatively limited seas, for the other rule would throw such seas open to the use of all nations and thus might easily lead to clashes eventuating in armed conflict. In such cases a rigid 3-mile limit rule would make almost certain the drifting of fishing or other vessels within the limit of 3 miles from shore and their resultant seizure by the nation owning the upland.

I remember hearing a great deal of debate, while the farm bill was being considered, with respect to acres which are taken out of cultivation. It was asked what would happen to the chickens that wandered in upon that neutral zone, or what would happen if a cow should reach through the fence and graze on the other side? And it was suggested that then there might be conflict between the owner of the farm and the Government as to whether or not the products of that farm could rightfully be shipped in interstate commerce. If the 3-mile limit were universally adopted and rigidly held to it would surely happen that there would be constant distress and trouble and conflict, which might in some cases lead to war.

I continue to quote from Mr. DIMOND:

Such seizures would inevitably result in protests and recriminations and might lead to war. The safer and better rule is that the claims of exclusive jurisdiction or title of the nation which owns the surrounding land should be recognized as one of the proper and natural advantages thereby given to that nation. Moreover, the establishment of a 3-mile limit and no more would permit the warships of foreign nationals to penetrate to a point just without 3 miles from shore under claim of international law, endangering the shores thus approached within the narrow seas, and again making more likely the occurrence of incidents leading to war. In some cases the rule has been adopted that such a sea is a closed sea if the entrance is not more than 6 miles wide. In other cases by agreement or by asserted claim the limit of the width of the entrance to establish a closed sea has been 10 miles. In some cases the sea has been called a closed sea if one headland at the mouth is discernible from the other.

This quotation makes it very clear that there is no rule of international law which can be considered applicable in the control of the matter we are discussing. In the past, rules of international law have been laid down and enforced by those who had the military power to enforce their assertions. I hope we have gotten beyond that now, but we have many difficulties to face even at the present time.

I referred a little while ago to the argument of my illustrious predecessor, Senator Root, in the North Atlantic coast fisheries arbitration. He presented a view which I wish to give to the Senate. While he was arguing that case in his usually able way, Mr. Root made the following statement:

The United States had no rights over Delaware Bay unless she elected to appropriate Delaware Bay, as she did. Great Britain had no rights and could have no rights over the Bay of Fundy, over Chaleur, Miramichi, Conception, Placentia, White Bay, unless she elected to appropriate them. The writers say these bays, more than double the width of the territorial zone, may be prescribed for. That is what Stowell says in the Twee Gebroeders case. He says an area of sea outside of the limits may be prescribed for.

He then quoted Phillimore. I have Phillimore's work before me, but it is so late that I shall not refer to it at length. I shall include as much of it as was quoted by Mr. Root in his argument:

Besides the right of property and jurisdiction within the limit of cannon shot from the shore, there are certain portions of the sea which, though they exceed this verge, may, under certain circumstances, be prescribed for.

Mr. Root quotes further:

If you want to be acknowledged as the possessor of a bay, you must claim it.

Mr. Root says about that:

Very just.

That is what I am contending for now; that if we want to be acknowledged as the possessor of this area we must claim it; and, so far as I am concerned, as one Member of the Senate, I claim it. I am hoping that through the influence of Mr. DIMOND, the Delegate from Alaska, in the House, and the Senator from Washington [Mr. BONE], in

the Senate, and others who are interested, it will be asserted vigorously that this is our territory, to be used decently for the use of mankind, but under such regulations and supervision as to prevent the depletion and destruction of the fisheries.

Mr. Root goes on:

> Chitty speaks of appropriating gulfs and straits in a quotation my friends have read on the other side.
> DeMartens speaks in a quotation read by the British counsel in these words:
> "A nation may occupy and extend its dominions beyond" this recognized limit.

Root ends:

> To prescribe for a thing is to claim it upon the ground of possession.

That is what we should do about Bering Sea. We should claim it by right of possession, first, by reason of purchase from Russia; second, by reason of almost exclusive use by our fishermen. Only by encroachment upon the rights of those fishermen has the attention of the country been directed to the necessity for positive action.

Mr. Root has made clear, at least to me, that in order to gain the end we have in mind we must assert our right to the area in question by the passage of appropriate legislation. We know that there are special reasons which may govern us, because special reasons have governed all nations in their determination of what to do in any specific case in which international rights are involved.

To my mind the testimony given in the League of Nations removed every last objection which might be raised to an effort on our part to claim for ourselves fishing rights and other rights, including actual jurisdiction over Bering Sea, up to the 100-fathom line on the edge of the continental shelf. We must claim these rights if we are to preserve our fisheries in Alaska; and we should claim them, as I see the matter, at a time when there is no pending international disturbance which might make our action offensive. We have gone out in the Pacific Ocean and asserted our sovereignty over dots of land discovered by Americans a century ago, and have ended the dormant state which had existed with reference to those islands for so many years, because suddenly we found that the islands were useful to us in the promotion of civil aviation or for some other purpose. We slept on our rights with regard to those insular possessions for a century. Let us not sleep on our rights in Alaskan waters for a century. The rights for which I contend in Bering Sea are rights which came to us in 1867, when the treaty with Russia was signed, and we paid the money and bought the property.

Another of my illustrious predecessors, Mr. Seward, I dare say, had no conception at the time of the asset he was bringing to his country in the way of the Alaskan fisheries; but here they are. We have preserved and developed the fisheries by the expenditure of a colossal sum. Not only has the Federal Government contributed, but the great States of Oregon and Washington have contributed, and Canada has contributed, to the preservation and development of these fisheries. Millions upon millions of dollars have been contributed, for what purpose? To make certain the continuance of the fisheries by the preservation of the salmon. They are our salmon, spawned in our country. Science has demonstrated the unfailing instinct of these fish to come back to the waters in which they were born. They are just as much our property as the sheep upon a farmer's land are his property. Even though the sheep pasture upon common land somewhere, when they go home they go to the farmer's barn. They are his sheep. The salmon are our fish.

If time permitted, I should go back through the decisions of our courts to the term from February 1804 to February 1805, when John Marshall discussed some of the problems we are considering today.

We have precedent, reason, and justification for the proposal which we advance in the traditions of our own country, in the legal history of other countries, and in the practice of all countries. I hope it will not be long before this legislation will be perfected and presented for action. I want to see it enacted into law, not alone because of its great advantage to Alaska but also because of its ultimate value to our country in guaranteeing us a supply of essential food.

So I say that on all grounds—historical, legal, and moral—we are justified in asserting our rights. Unless we do so, we are not fair to posterity. We owe much to our children, to our grandchildren, and to succeeding generations. We shall not be doing right by posterity unless in this generation we make provision for a supply of food for succeeding generations. We shall make a great mistake if we fail to deal with this problem at a time when we can effectively deal with it.

I thank the Senate for its patience. A few Senators have been quite regular in their attendance during this discussion, and they have asked questions which have contributed to the matter at issue. I should not want to promise that I have said all I want to say about it. The truth is that I still have a great deal in reserve; and at the proper time I shall venture to present the remnant of my study. Even though I never say another word on the subject, however, I believe a record has been made which, when properly used in the future, will fully justify any action taken by Congress, and will help to preserve inviolate such action.

Mr. BONE. Mr. President, has the Senator from New York examined the bills which were introduced by the Delegate from Alaska, Mr. DIMOND, in the House, and by me in the Senate, dealing with this subject? If so, I wonder if he thinks they are the right approach to this question. Since the Senator has done so much work on this matter—and a vast amount of spade work is indicated in the work the Senator has done in digging up all this material—I certainly should like to have his views concerning the legislative approach which we have undertaken in these two bills.

Mr. COPELAND. Mr. President, I wish to say that I have studied the bill presented by my colleague the Senator from Washington [Mr. BONE] and the bill of Mr. DIMOND.

Mr. BONE. They are somewhat different in their provisions, but very much alike in their purpose.

Mr. COPELAND. Yes. I am in full accord with the purpose of the bills, but at the moment I am unwilling to postpone our jurisdiction over this area until there shall be a proclamation by the President.

Mr. BONE. Of course, our purpose was to try to lay down a legislative rule which might guide the administration and the State Department in their approach to a solution of this question. The Japanese say they have withdrawn their research vessels. I do not want to be cynical about the matter, but I do not know just exactly what that implies. It may be that they intend to continue fishing operations, having completed the research which would indicate whether or not they could make any money out of fishing, and obviously they can do so if they continue.

Mr. COPELAND. Mr. President, I am more fortunate in the time of the presentation of my views than the Senator from Washington was when he made his able statement to the Senate, because I refrained from saying anything about this matter at a time when it might disturb the amenities existing between ourselves and a friendly nation. It was only the first of this month, about 10 days ago, that the statement came out of Tokyo that the Japanese had withdrawn their research ships. Of course, Japan always has disclaimed having any fishing vessels or commercial vessels there. Therefore, I have a right to take the position that Japan has withdrawn from the Bering Sea. That being so, I do not see that any nation is likely to challenge our right to assert jurisdiction over that sea. Of course, I do not like to mention nations, but I presume there are only two nations which would say anything about it.

One reason why I should prefer to modify the pending bills is so as to have Congress assert its right. Then, of course, the bill would go to the President for his signature. It would not be signed unless it met his approval, but we should relieve him of the embarrassing necessity of asserting

our right at a time when the area was invaded by the ships of another nation. The Senator will see what I mean.

For example, it was not long ago that protests came from Alaska which indicated that there might even be armed conflict on the part of fishermen in Alaska, resisting and driving out the fishermen of Japan. Suppose Japan or some other nation deliberately chose to go into that area to fish: It would be an unfortunate thing for us to impose upon the President the necessity, under those circumstances, of asserting our jurisdiction. It is quite different now. I assume that perhaps the Members of the Congress who prepared bills on the subject had in mind the artillery range at Sandy Hook, where, under certain conditions of artillery practice, the President by proclamation would say that there was a restricted area within which nobody could travel. That would be for safety's sake. That is one thing; but if a number of fishing boats of three or four nations were in that area, and the people in Alaska again became excited over the matter and some of them came down here, the President would be very reluctant to issue the proclamation.

Mr. BONE. Is it the Senator's view that there resides in the Presidency the power to make such a declaration and make it effective as the law of the land?

Mr. COPELAND. In the absence of any legislation?

Mr. BONE. In the absence of a statutory provision.

Mr. COPELAND. Oh, no; no.

Mr. BONE. I take it that it is the Senator's view that we cannot authorize the President to do it, but it must be done by act of the legislative body of the United States, the Congress of the United States. I have felt that declaring legislatively our purpose to assert control, for the purposes indicated in the bill, of our coastal waters out 12 miles, was a legitimate exercise of the sovereign power of the Government over its coastal waters. Obviously, that assertion of power might well rest upon the matter of national defense as well as the preservation of a natural resource like salmon, the product of American waters.

Mr. COPELAND. I fully agree to that; but with regard to the fisheries that would not be ample.

Mr. BONE. Possibly not; but it seems to me this legislation could rest on a very sound legal basis.

Mr. COPELAND. The Senator means, out 12 miles?

Mr. BONE. Twelve miles.

Mr. COPELAND. Mr. President, I have utterly failed in my argument if I have not demonstrated that there is just as much international legal justification for fixing the limit at 100 miles or 200 miles as there is for fixing it at 12 miles. I want the Senator from Washington to do me the honor to read my speech, because, if he reads it and is not convinced, I have made a miserable failure of 2 days of effort.

My profound conviction is that there is no doubt of our right to adopt Mr. DIMOND's limit of the 100-fathom line. I have not any doubt of our right to do it. That takes in the continental shelf. It gives a definite boundary to our possessions. It gives a datum, so somebody said in the League of Nations, that is our area. We claim jurisdiction over it, but we are not going to abuse our rights.

We are not going to say to Tom, Dick, and Harry of other nations, "You may not fish here." We are going to have rules and regulations in relation to the fishing, and they will be applied exactly as strictly to American citizens as to foreigners, but every nation will be equally privileged. We will not exclude any of them, and in our kindness of heart, if we found that the supply of salmon justified it, we might even be generous to the Japanese and voluntarily offer them some privileges there. But it would be a crime against our people, against our posterity, as I said a little while ago, to sit idly by and permit everybody who desired to do so to go into the Bering Sea in front of Bristol Bay, put out nets 3 miles long—and they might just as well make them 30 miles long—and catch every last salmon returning to the fresh water of the rivers of America, where they were originally spawned and began their life as entities.

So I beg the Senator from Washington to read what I have said, to read the authorities quoted, to read the argument so ably presented by Mr. DIMOND, and to read and consider the documents which are in existence. If they should not prove to the Senator's mind the absolute right of Congress to assert its ownership and jurisdiction over Bering Sea, while I do not make any offers, I think I should be ready to resign.

Mr. BONE. Mr. President, I wish to say to the Senator from New York, first, that I very much appreciate his contribution, because it has reflected a great deal of hard work in digging out the authorities. Second, I would not have introduced the bill if I had not been convinced that as a legal proposition the assertion of the right which is carried in the bill is the assertion of a right which can be sustained by principles of law which are well recognized. At least, I could find nothing which, in my judgment, denied the right of this country to assert our right to control our coastal waters.

I wish to ask the Senator one question. The Senator has in his speech today cited the authorities which he thinks are sufficient to establish his case. Is this a summation of the authorities he quoted the other day, or are these new authorities?

Mr. COPELAND. They are authorities in addition to those I cited the other day. I may say to the Senator that if he is going to depend upon the classical construction as to the marginal limit he will not be able to extend the limit to 12 miles, he will have to stop at 3. On the other hand, if he is going to be generous about it and go beyond the 3 miles, why does he not take the 12-mile limit offered in our Smuggling Act and Rum Running Act and add 50 miles, making it 62 miles? That can be done under the theory of the Senator, and can be done with just as much justification as the 12-mile limit would have. But that would not satisfy me, because there are other valuable fish in the sea besides salmon, and we want to have the right to do something to insure the preservation of those fish. They are not fish which go into the fresh water to spawn. They spawn in the deep waters. Nevertheless, we want our share of them, and I do not want to see the waters of the United States stripped of these valuable fish, given to us by Almighty God, and upon which early peoples were largely dependent. I do not want to see them destroyed.

I want to make sure that this great country of ours, which is going to be tremendously greater in population, makes provision now for this supply of food. I would not think much of a country which did not have any thought to the morrow. The only thing about the reorganization bill which appeals to me is the fact that it provides for the perpetuation of the National Resources Board. I believe in that Board. I tried hard at the last session to have Congress provide for the perpetuation of the Board. It ought to be perpetuated. That Board ought to be at work all the time. It has to do not alone with fish, but it has to do with the mineral products which are so essential to us. Unless we make the United States a self-contained nation, a nation capable of raising the sugar and the other products which are essential for its people, we will always be a nation on the ragged edge, economically speaking. Our country must be made a self-contained nation.

I believe that by an act of Congress we can assert our rights over the Bering Sea, and claim jurisdiction over it, so that our claim will not be successfully questioned by any nation on earth. That is what I want.

Of course, I am only one, but I thank the Delegate from Alaska [Mr. DIMOND] and the Senator from Washington [Mr. BONE]. They have presented in the form of bills a proposal which is vitally important to us. They will not be disappointed if either measure is not passed exactly as written. We do not expect that of many bills. But I believe that after proper consideration and proper study we may formulate a bill and enact legislation which will preserve to us for countless generations of Americans a supply of one of the most valuable food products known to man.

PROPOSED INVESTIGATION OF THE T. V. A.

During Mr. COPELAND's speech on the protection of the Alaskan salmon fisheries, the following debate occurred,

which, at his request, is transposed to this point in the RECORD:

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. DAVIS. Let me ask the Senator a question. I understand the three commissioners of the T. V. A. are going to meet with the President at the White House tomorrow. Does not the Senator think it would be for the best interest of all concerned if the unfinished business which the Senate now has under consideration should be laid aside and the Senate should at once proceed to consider the resolution offered by the Senator from Utah [Mr. KING], and the Senator from New Hampshire [Mr. BRIDGES], as well as that offered by the Senator from Nebraska [Mr. NORRIS], dealing with investigation of the T. V. A.? Does the Senator not think it is more important to dispose of that business than it is to continue the present discussion, concerning a measure for which there is no immediate demand?

Mr. COPELAND. I am sure it is more important than my speech, and in many ways it is more important than the pending business, I should say. I should be glad to have the pending business, the reorganization bill, laid aside.

Mr. DAVIS. Mr. President, we all have the very highest personal respect for the distinguished Senator from Nebraska, and I should dislike very much to say anything that might be regarded by him as being discourteous. Yesterday, however, he requested that the pending business be laid aside and that the Senate proceed to a consideration of the resolution offered by the Senator from Utah and the Senator from New Hampshire, and that offered by the very distinguished Senator from Nebraska himself.

According to the large volume of mail coming to my office on the subject, T. V. A. is probably the most vital issue being discussed by the people of the country today. Inasmuch as we have heretofore set aside other measures, including the antilynching bill, in order to proceed with the business now before us, I favor following the same procedure now in order to bring the T. V. A. resolutions before the Senate. The T. V. A. is now on the front pages of all the newspapers, and many news comments are heard on the radio with reference to it, all of which is causing people in every walk of life to write thousands of letters to their representatives in Congress.

In view of this situation, I ask the Senator whether he would agree to vote to set aside the unfinished business in order that the Senate might proceed to a thorough discussion of the T. V. A. What does the Senator think about that suggestion?

Mr. COPELAND. Mr. President, this may be a diversion from the matter I have in mind. I know what the Senator means when he talks about mail. My secretary told me last night that I would have to hire another secretary and pay her out of my own pocket.

Mr. DAVIS. I have already had to do that, I will say to the Senator.

Mr. COPELAND. Perhaps the Senator can afford to do so.

Mr. DAVIS. If such an impression has gotten abroad it is a very false one.

Mr. COPELAND. But in my case the call for an extra clerk coincided with the sending in of my income-tax payment for the year. It came at an unpropitious time. However, I have a very efficient and hard-working staff, and naturally I said, "Certainly, get all the help you need."

Mr. DAVIS. I understand the Senator himself contributes his annual pay to his staff for extra work.

Mr. COPELAND. Mr. President, I want to reply rather seriously to what the Senator has said about the T. V. A. I occupied a great part of the second day of the discussion in 1928 relative to the investigation of utilities. I had a running debate with the Senator from Nebraska all that day. While it occurred 10 years ago, it seems to me as if it might have been yesterday. At that time I contended that it would be far better to have the investigation then proposed made by the Federal Trade Commission than by a committee of the Senate. I said it would be a long investigation, and that it should be conducted by trained investigators, and that the facilities were available in the Federal Trade Commission for conducting the investigation. We finally succeeded in defeating the Senator from Nebraska by a vote of about 50 to 30, as I recall, and the investigation was placed in charge of the Federal Trade Commission.

Because I had a rather active part in the matter, it has clung to my memory all these years. I say frankly, Mr. President, in reply to the Senator from Pennsylvania that if an investigation of the T. V. A. is needed—and I think it is, and my constituents, I am sure, think so, from the great volume of letters and telegrams I have received with respect to that matter—if such an investigation is to be undertaken, it should be begun at once and speedily carried on and completed. I know I speak for the entire Senate when I say we have confidence in the Vice President. I myself shall be entirely content with any selection he may make of five Senators to conduct the investigation.

As I said yesterday, in a senatorial investigation we have the advantage that if it does not proceed with sufficient rapidity we can get up in the Senate and prod the investigators and hurry them on. So, because of the experience of the past relating particularly to the investigation of which I have spoken, which took place 10 years ago, and the need of the investigation at the moment, I am convinced that it should be conducted by a senatorial committee.

Mr. CLARK. Mr. President——

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from New York yield to the Senator from Missouri?

Mr. COPELAND. I yield.

Mr. CLARK. Let me say to the Senator to begin with that so far as I am concerned, when an investigation is to be had of matters which may and should result in congressional action or in legislation of any sort, my preference is always for the investigation to be conducted by a senatorial committee, or by a joint committee of the Congress. If I had been in Congress in 1928 at the time of the investigation of the utilities to which the Senator from New York has referred, my position would have been that which was then taken by the then Senator from Montana [Mr. WALSH], and by the Senator from Nebraska [Mr. NORRIS], and against the position then taken by the Senator from New York [Mr. COPELAND].

I may say that it is my purpose to vote for an investigation in this instance because I think it is conceded on all sides and demanded by those on all sides that there should be an investigation. It is my purpose to vote for an investigation by a senatorial committee.

But, Mr. President, I do want to say, and I think it should be emphasized, that it is exceedingly unfair to intimate or to suggest that the Federal Trade Commission is incapable of conducting a fair, efficient, comprehensive, and exhaustive investigation. I think it was generally the opinion in the country at the time of the investigation of the utilities which the Federal Trade Commission was ordered to conduct in 1928 that it was a shunting aside of the investigation, in a way a whitewash and a thwarting of the purpose of the investigation, to transfer it from a senatorial committee to the Federal Trade Commission. As a matter of fact, the Federal Trade Commission conducted one of the ablest and most comprehensive investigations ever conducted in this country. I doubt whether a senatorial committee, or any other agency, could have conducted the investigation in a more capable and efficacious manner.

In the past few years we have had the opportunity to see some investigations by the Federal Trade Commission of other governmental agencies. I recall that in the days of the N. R. A., in response to a resolution passed by the Senate—submitted, I believe, by the Senator from Idaho [Mr. BORAH] and the Senator from North Dakota [Mr. NYE]—the Federal Trade Commission conducted an investigation

of the steel code of the N. R. A. That was one of the most comprehensive and efficient investigations ever made in the history of this Government, even though it was an investigation of one governmental agency responsible to the President by another governmental agency responsible to the President.

Later, under the instruction of the Senate, the Senate Finance Committee conducted an investigation of the N. R. A. The Federal Trade Commission placed at our disposal its chief examiner and several other examiners, and the voluminous files which it had acquired, which made possible a very complete and exhaustive investigation of the N. R. A. by the Senate Committee on Finance.

While I intend to vote for an investigation by a Senate committee, as I have said, I do not feel that I can sit by and allow to pass unchallenged the implication, which was made yesterday and again today, by various Senators, that an investigation by the Federal Trade Commission would be less adequate and less complete than an investigation by any other agency.

Mr. COPELAND. I am glad the Senator has spoken as he has because I fear that what I said about the Federal Trade Commission might be misunderstood. I myself have great faith in the Federal Trade Commission. I was complaining about the lack of speed of an investigation by the Federal Trade Commission, and stressing the necessity for immediate action. We have before us a matter with respect to which the country is demanding an early report.

It may be that a much longer investigation than I personally anticipate will be necessary, but it seems to me that we might reasonably expect very shortly a satisfactory report by a senatorial committee. I fully agree with the Senator that if the matter were to be prolonged over a year, or a long time, and if it were necessary to go to different parts of the country to gather evidence and to hear witnesses the investigation might perhaps preferably be conducted by the Federal Trade Commission. So I do not think there is any difference between us.

I now come to the matter of the committee. It so happens that the resolution submitted by the Senator from Utah [Mr. KING] and the Senator from New Hampshire [Mr. BRIDGES] has gone to the committee of which I am the chairman. I will frankly say to the Senate that I have an understanding with the Senator from Nebraska [Mr. NORRIS], the Senator from Utah [Mr. KING], and the Senator from New Hampshire [Mr. BRIDGES] that the Commerce Committee will delay action on the pending resolution until these three Senators and Mr. MAVERICK, of the House, have an opportunity to get together and see if they can agree upon the procedure. But I have a firm conviction that the Senate will not be true to its duties if it fails to learn the truth about the many ugly stories which are told relative to the T. V. A. situation.

Fortunately, I myself am quite free from the possibility of prejudice. The particular project involved is far from my State, and I have had little to do with it. In the early days of the Muscle Shoals project I was much interested because of the fact that my State is an agricultural State, and cheap fertilizer was attractive to the farmers of my State. So long as the Muscle Shoals project was a fertilizer project it was of interest to me as a Senator from New York.

I have become interested in the Tennessee Valley situation only recently in connection with the proposed vast expenditures for flood control. Speaking particularly about the proposed Gilbertsville Dam, that project involves the expenditure of a sum of money far in excess of what the country should expend for that particular enterprise when there are so many other sections of the country where flood-control projects are much more needed.

Mr. CLARK. Mr. President, will the Senator yield at this point?

Mr. COPELAND. I yield.

Mr. CLARK. In connection with what the Senator from New York has just said, he will recall that nearly 3 years ago, when the omnibus flood-control bill, as it was called, was pending before the Committee on Commerce for consideration, the Army engineers were requested by the committee to prepare a list of the most necessitous flood-control projects in the United States, projects with respect to which danger was most imminent, because we desired to give such projects priority in the formulation of the bill, knowing that we should not be able to take care of all the flood-control projects in the United States.

Very much to my surprise, and, I presume, to the surprise of other members of the committee—in fact, I know they were surprised, because they so expressed themselves—the Army engineers reported that the most necessitous flood-control project in the United States, the one with respect to which danger was most imminent, was in the neighborhood of Los Angeles, Calif. It was a surprise to me, because I had been in Los Angeles, and I had never seen any rivers in the neighborhood of Los Angeles. I had not the remotest conception that Los Angeles was in danger from floods.

General Pillsbury and General Markham told us that a situation existed in Los Angeles which, unless it was corrected, might some day bring about one of the greatest disasters in the history of the United States or the history of the world. It might mean the actual obliteration of the whole city of Los Angeles. In spite of all efforts, however, it was not possible to include in the omnibus flood-control bill all the projects which were desirable; and the bill was passed only with the understanding that the money should be allocated by the Executive. Instead of Congress specifying the allocation and the priority, that duty was to be left to the Executive.

A very limited amount of money has been spent under the authorization of the omnibus flood-control bill; and through the efforts of the Senator from New York and of the Senate and House of Representatives of the United States, most of what has been spent was obtained by increasing the estimates of the Budget Bureau.

A tremendous disaster has befallen the city of Los Angeles. At the time of which I am speaking, the Army engineers estimated that an expenditure of $80,000,000 was necessary to prevent the kind of catastrophe which they described in their testimony as being possible, or even imminent. Thank God, the catastrophe which actually happened was not so destructive as that which the Army engineers then testified might be in prospect. But the flood of this year in the Los Angeles area will have cost in 1 year in excess of the $80,000,000 which the Army engineers testified would prevent this disaster or even much more serious disasters.

Mr. President, I rise to agree with my friend the chairman of the Commerce Committee when he says that during this period, while it has been impossible actually to get the money—although in many cases it has been authorized by Congress—to provide control projects in flood situations of the very greatest danger, where catastrophe is in the offing and in many cases absolutely imminent, nevertheless, it was still possible, in any year, for Congress to authorize tremendous expenditures of money in the Tennessee Valley under the guise of flood control, at times when neither the Army engineers nor any other experts would contend that an imminent flood situation existed. In view of the vast expenditures which already have been made for flood-control in the Tennessee Valley, while I am in sympathy with the development of the Tennessee Valley to the fullest extent, I again protest, as I heretofore have protested in the Senate, against taking all the money available in the United States for flood-control purposes and spending it in one particular locality of the United States, to the exclusion of other far more meritorious projects.

Mr. COPELAND. I thank the Senator for what he has said. I recall the shock which I experienced 3 or 4 years ago in the Commerce Committee, when General Pillsbury stated that in the Los Angeles district all the conditions existed for the greatest flood in American history.

Mr. CLARK. It might wipe out the city.

Mr. COPELAND. I was so shocked that I quizzed the General about it, and he repeated his statements. He said the same thing last year. The other night I happened to attend a little function in the nature of a farewell for General Pillsbury, who is now retiring, and who is going on a sea voyage. I spoke with him again about the situation. He said:

Yes, Senator; I want to impress upon you the fact that the Los Angeles situation is perilous in the extreme.

The danger involves not only Los Angeles but many communities in the coastal plain about and below Los Angeles. The present flood, as compared with the possibilities, is a minor flood. Eighty million dollars, properly invested, would give protection against floods to one of the most populous centers in our country.

We propose to spend $112,000,000, 50 percent more than is needed at Los Angeles, to build another dam in the Tennessee Valley. I think it is time that the people of the United States knew about affairs in the T. V. A. and what there is back of all this great expenditure of money. It may be the wisest expenditure in the world; but I do not think it is, and, in my judgment, our country disbelieves it to be.

Mr. President, I was saying that when the four gentlemen who are directly interested in the T. V. A. investigation have had an opportunity to confer, if there is then disagreement, so far as I am concerned, I intend to do what I can to bring out onto the floor of the Senate a resolution proposing an investigation by a committee appointed by the Vice President. I am willing to trust to such committee. It may bring in a report which will contravene all the views I hold; but, whether or not it does so, I will be satisfied that it is a well-directed report.

COMPARATIVE RATES FOR ELECTRIC POWER

Mr. BONE. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Washington?

Mr. COPELAND. I yield.

Mr. BONE. I have asked the Senator to yield for a question entirely off the path the Senator is now taking. If the Senator does not wish to digress from that path at this time, I shall not ask him the question.

Mr. COPELAND. I shall be glad to have the Senator do so.

Mr. BONE. I have before me a clipping from the New York Times of today, which points out a variation in domestic power rates which is not only very interesting but rather challenging—challenging because I have in my desk a pamphlet issued recently which asserts that steam-produced power can be generated so much more cheaply than can hydroelectric power.

This is a comparison of domestic rates in the Borough of Queens in the Senator's own city, and my city of Tacoma, Wash., and it points out that the poor New York home owner had to pay on the schedule listed $12.75 for 250 kilowatt-hours of current, and that a Tacoma home had to pay only $3.62 for the same amount. As a matter of fact, some small homes in Tacoma can get current for $3.20, which is just one-fourth of what the home owner in the Borough of Queens, in the great city of New York, using power produced more cheaply than our hydroelectric power, has to pay for the same amount of current.

I wonder how the private power companies in New York that are boasting of the cheap production of electric energy can justify any such outrageous prices for electric current. Probably the Senator does not know about that; but it might certainly be very interesting to the people of New York who pay such rates for current that is produced more cheaply than by our hydroelectric plants in the West.

Mr. COPELAND. Mr. President, the question asked me by the Senator from Washington deserves an answer.

I hold no brief for the utility companies of my city, but I can well understand why it may cost a great deal more to develop electricity in New York than to develop it in the State of Washington. New York City is quite a town. A vast network of transmission lines runs for great distances, serving a great population and a very fussy population. We want everything "now." We want everything the best. We want just as much power at night as we have in the daytime. Without knowing anything about the technical details, I feel safe in saying that the consumption of coal for production of power at night is just as great as for industrial uses in the daytime, or greater.

In the next place, I speak from sad experience when I say that it costs a great deal of money to live in New York. Rents are high. I do not know how high they are in the State of Washington, but I know how high they are in New York City. Whether we have in mind the lowly employee, the man who shovels coal into the furnace, or the white-collar men in the office of the utility, or the executives, for them all rents are high. In my city 97 percent of the people live in rented houses. They do not own their own homes. They have no nice little white houses with green blinds, surrounded by trees and grass, and a white picket fence. They live in flats or rented apartments. In Queens there are some detached houses. There are some in the Bronx. There are none in Manhattan. There are very few in Brooklyn, except the relics of the wealth of the past. There are some in Staten Island. But when I mention these different parts of the city, Senators can appreciate what an enormous community New York City is. It must be an enormous community when 7,000,000 people live there. In New York City there is 1 square mile where 500,000 persons reside. The rentals paid by the people are very high.

When it comes to foodstuffs, if the annual food needs of New York City were placed on a train, the train would be 4,000 miles long, or long enough to reach from Cuba to Seattle. Everything must be shipped in. We have on hand food enough to last for only 3 days. If a cataclysm or some other distressing occurrence should cut off the flow of food into New York, deprivation and starvation would begin at the end of the third day.

I want the Senator to know that there is no lack of demand on the part of those in authority, either State or municipal, to keep down the rates. There is a very active demand on the part of the mayor of New York. He was too smart for me when I tried to be mayor. He has been in a continual battle with the utilities. Many reductions in rates have been made, but the time never will come when electricity can be developed in New York City, either by water power or by steam, at rates comparable to those mentioned by the Senator. It never can occur.

I once heard a great engineer say some things which I wanted put in type, and he has written me a letter. I am sorry I have not the letter with me, for I should like to read it. During the past dozen years invention has gone forward. Ways have been devised to cheapen to a remarkable extent the production of electricity through the use of steam power.

During the last dozen years an amazing fact has been developed. I used to say on the floor of the Senate 12 or 15 years ago that according to the best available surveys there was enough coal in reserve to last this country 160 years. A resurvey has been made by the scientists, and it has been found that there is enough coal in the earth in continental United States to last for 4,000 years at the present rate of consumption. Discount that estimate 50 percent, if you please, and call it 2,000 years. The progress of invention is amazing. It has now been discovered that electricity can be made from coal for 1.6 cents a kilowatt-hour and can be sold at a profit at 2 cents a kilowatt-hour. When that discovery is put into practice, New Yorkers will have cheap electricity.

There is another factor which I should like to mention. I desire to be just to the men who operate utilities. In New York City those who operate utilities pay the highest wages ever paid consistently anywhere on the face of the earth. A carpenter receives $15 a day for an 8-hour day; a painter the same amount. The electricians, the plumbers, and the steamfitters all receive comparable wages.

Mr. BONE. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. BONE. Perhaps I was not altogether fair in asking the Senator, who is not expected to be an expert in these matters, the kind of question I asked; but the Senator knows that in my section of the country we have a thoroughly organized industrial group.

Mr. COPELAND. Yes; I know that. You have them on the seacoast. You will have them so long as Harry Bridges is there.

Mr. BONE. That is true—the Senator knows him. [Laughter.]

Mr. COPELAND. Yes.

Mr. BONE. And the wages are high.

Mr. COPELAND. Dave Beck is out there, too. I know about him.

Mr. BONE. Wages are high. The conditions which the Senator mentions are not peculiar to New York. New York City, and other great cities, are congested areas where distribution is cheapened by the very presence of hundreds of thousands or millions of people in restricted areas, whereas in my section of the country the homes are spread out over wide areas, requiring a more costly and elaborate distribution system. The argument I have heard a thousand times in power fights is that the largest problem the utilities have is the distribution over areas where density of population does not exist, which imposes on them the additional burden of providing more miles of wire to serve fewer people at a greater expense. The boast of the power companies in my State is that they serve more people in one small area in Seattle than they serve over many square miles in other parts of the State; and therefore the service in Seattle ought to be cheaper because of the congestion of population and the ability to serve the people cheaply. Out in the "sticks" in my State, a little farm home on a farmer power line is able to obtain the same amount of energy I have mentioned, 250 kilowatt-hours, for $3.30.

I was impelled to ask the question because I have in my desk a file dealing with steam-power costs which I shall use some day in the Senate. I am waiting until all these arguments are in, and then I hope we can have a "field day" when we may clear the atmosphere on this matter of steam-power cost.

The continual boast of the power companies in answer to the public-ownership arguments on the floor of this body is that their steam plants are so far superior to hydroelectric plants that the Government is crazy to go ahead and build hydroelectric plants. Coal is shipped into New York from Norfolk by water at a low rate. One of the controversies before the Senate Interstate Commerce Committee at the present time, the hearings in which are presided over by the Senator from Indiana [Mr. MINTON], arises from the fact that the water movement of freight of that character is so cheap that it is destroying the railroads of the country, because they cannot hope to compete.

The Senator is correct in talking about the change in plant construction. Coal is powdered to a fineness almost like that of flour; it is blown under the boilers and combustion takes place in the air. A high degree of heat, 700° to 800°, is brought about, and it is necessary to use a special type of piping to keep from melting the pipes. Under these high pressures in modern plants, one of which is in my city, current is produced very cheaply. It is the continued boast of the private power companies that they are producing this cheap energy with steam, and that it is a fake and a fraud for the Government to build hydroelectric plants. Then tell me why, if they produce it so cheaply in our congested areas, they do not give the people there the advantage of this cheaply produced energy?

I looked over some prices from New Orleans, the home city of my friend, the Senator from Louisiana [Mr. OVERTON]. I wish to say that the challenging thing is to note the excessive amount exacted from the people for a thing, a social commodity of the nature of electric energy, which ought to be piped into the homes cheaply. Of course, I will admit that that is an impossibility in view of the outrageous capital structures preserved by the private companies that are never amortized. That, of course, accounts for the condition in New York. These companies have capital structures that are distorted out of all proportion to the needs of the company, and if they are going to operate and pay interest and dividends on such capital set-ups, they cannot hope to give cheap energy. It is not lack of equipment. Scientific achievements have been thwarted in their original purpose which was to serve the people and provide them cheap energy, because of these great capital structures and the corresponding rate schedules built around them. The Senator from Indiana recalls the city of Indianapolis, with its McArdle water decision which exemplifies the thing we discuss here. Such padding of a rate base, by judicial decree, makes the alchemists of the Middle Ages look like pikers.

Mr. COPELAND. I have listened with great interest to what the Senator has said. It is always rather amusing to one who lives in New York to note the easy criticism which is passed upon us. But I remember always with some degree of comfort what Father Duffy said at one time. He said, "A man goes to New York, spends all his money; and he goes away and damns the town until he gets money enough to come back."

So if the Senator will come to New York some time I will introduce him to gentlemen who will be able to explain to him far better than I can what the difficulties are. However, I wish to speak about another matter.

Mr. BONE. If the Senator will offer a little better inducement, then, I might visit New York.

Mr. COPELAND. I will invite the Senator to come to see me. I own no stock in these companies.

Mr. BONE. I did take in a little more territory in order to cushion the Senator against shock. I adverted to Indiana and to New Orleans. I see my good friend, the Senator from New Jersey [Mr. SMATHERS] present. I might have mentioned Jersey City although I have never had occasion to look at the activities of the power boys in the Senator's home city. I suspect, however, that investigation would disclose that in the State of New Jersey there are the same sort of rate structures set up there by private companies.

I did not single out New York. I merely happened to notice this clipping in the newspaper today. But every State in the Union blessed with the presence of private ownership of power has the same story to tell. The astounding thing is that my city of Tacoma has not only given its people very cheap rates but it has made a vast amount of money out of its power system. It owns a $30,000,000 power system—a private company would give it that value—and it has been paid for out of earnings and never cost the taxpayers one penny. It gives most of the little homes electric energy at around 1 cent a kilowatt-hour. That is a proud record. Every little home in the city of Tacoma can have an electric range and all the other things that modern science has brought into the homes to enlarge life and make it a little happier and brighter.

Mr. SMATHERS. Mr. President, will the Senator from New York yield?

Mr. COPELAND. I yield.

Mr. SMATHERS. I wish to say that the Senator from Washington is entirely correct. The public-service organization in New Jersey is what made a new dealer out of me.

Mr. BONE. We may bring salvation to the country if we persevere.

Mr. COPELAND. I suppose my powers of resistance are greater than are those of the Senator from New Jersey. Unquestionably, in the course of time, I will adopt his view, but I have not yet been quite indoctrinated.

Mr. MINTON. Mr. President——

Mr. COPELAND. I yield.

Mr. MINTON. I merely wish to make my contribution to the RECORD at this time by saying that if I had not been a new dealer already Insull would have made one out of me in Indiana.

Mr. COPELAND. Of course, it is unfortunate for the New Deal that so many of the men who were the agents of its missionary work are no longer in business, though all

those who take that view ought to be glad that we still have New York, in order that they may point to notable examples of unrighteousness in public life. But so far as I am concerned I never want to see the public utilities turned over to the politicians, I care not where they may be, whether in New York or Philadelphia or somewhere else. I do not want to see political control of those things that have to do with human life. I want to have regulation and supervision. Perhaps I will be called fascistic, but I want to be very certain that there is such oversight of utilities and other institutions which have to do with the rendering of a public service that they shall not exploit the people. But that is another matter.

Mr. BONE. Mr. President——

Mr. COPELAND. I should like to proceed. I have been on the floor now for 4 hours and 10 minutes which is a very long time.

Mr. BONE. Mr. President, will the Senator yield for one more question?

Mr. COPELAND. Very well.

Mr. BONE. If what the Senator has stated be true, does the Senator think it would be worse, from the standpoint of social morality, to have politicians controlled by utilities or utilities controlled by the politicians, for if we ever produced a good grade of politician, it has been the power companies. They have been our greatest political machines, so far as I know, certainly in my State.

Mr. COPELAND. I think, perhaps, that is an exception to the rule. I think, perhaps, that always happens.

Mr. BONE. They are past masters in the art of politics, but in my home city of Tacoma the power system has been put under the civil service, and a politician cannot possibly run it, because every man, almost from top to bottom, has been there for years. It has been under civil service, and there has not been a breath or a taint of so-called political management and control in our system.

To be sure, it might be pointed out that in other places the picture has been discolored, but I want to ask if my good friend, the Senator from New York, whom I admire very much, has read a letter that was put out by the utilities of the country under the caption "Light Up With Politics," wherein they urge that the power companies of the United States "light up with politics"; that is, that they go into politics. They are now in politics up to their eyebrows, from top to bottom, in the whole political set-up in the United States. In other words, the Power Trust of America urged that private power industry of this country go into politics to control this Government from top to bottom. That was its studied advice out in a letter which I imagine every Senator in this body has read or certainly has had an opportunity to read. If that is not a plea to have the power industry go into politics, I do not understand the political nuances of this life.

Mr. COPELAND. Mr. President, almost the Senator persuades me to move to Seattle, but, for the time being, I still think that the city of New York possesses virtues which are worth cultivating. Its men and women impress me with being as honest and upright as those of other sections of the country. I think in private and public morality they are no worse than are the rest of the world. Our churches are filled on Sunday; our hospitals are beautifully maintained by gifts of the people. We have welfare and social organizations, so that no one need to slip into juvenile delinquency because of the lack of moral supervision. We have the finest school system in the world, and if the Senator from North Carolina [Mr. REYNOLDS] were here to lend me his eloquent tongue, I could assign other reasons why I shall continue to remain in New York.

Mr. President, just one last word on this subject, and then I will stop. The Senator from Washington comes from a section of the country which is new and much of whose development has been recent. Another thing I learned from these expert engineers—not financiers—was that the heavy pieces of machinery, the dynamos, and so forth, are badly in need of replacement; that by a process of invention there have been developed many devices which will cheapen the production of electricity; and I hope ultimately those who live in New York may enjoy almost all the privileges and benefits possessed by the residents of Seattle.

REORGANIZATION OF EXECUTIVE DEPARTMENT

After the conclusion of Mr. COPELAND's speech the Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BANKHEAD. Mr. President, I desire to offer an amendment in the nature of a substitute for the amendment intended to be proposed by the senior Senator from Montana [Mr. WHEELER] to Senate bill 3331. It relates to an important and controversial phase of the bill, and I ask unanimous consent to have the proposed amendment read from the desk and published in the RECORD.

The PRESIDING OFFICER (Mr. CHAVEZ in the chair). Is there objection? The Chair hears none, and the Clerk will read the amendment proposed by the Senator from Alabama [Mr. BANKHEAD] as a substitute for the amendment intended to be offered by the Senator from Montana [Mr. WHEELER].

The CHIEF CLERK. It is proposed to insert on page 7, line 6, the following:

And, except as hereinafter provided, shall become effective upon the expiration of 30 calendar days after such transmission: *Provided*, That if Congress shall adjourn before the expiration of 30 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 30 calendar days from the opening day of the next succeeding regular or special session: *Provided further*, That if within any such period of 30 calendar days a petition is presented to either House signed by at least 25 percent of the members thereof and requesting a vote by the two Houses upon the question whether such Executive order shall be specifically approved, such Executive order shall not become effective unless and until it is so approved by an affirmative vote of the two Houses. Upon the presentation of any such petition to either House the Presiding Officer thereof shall at once state the purpose of the petition and 1 hour after that House meets on the tenth calendar day thereafter (Sundays excepted) the presiding officer, after having ascertained that a quorum is present, shall submit the question whether the Executive order to which such petition relates shall be specifically approved, and an aye-and-nay vote shall be immediately taken upon such question without debate. If upon such vote the Executive order is specifically approved by a majority of those voting the other House shall be immediately notified thereof, and 1 hour after that House meets on the tenth calendar day after receipt of such notice (Sundays excepted) the question whether such Executive order shall be so approved shall be submitted to that House, and a vote shall be taken, in the same manner as in the case of the House which voted first. If the question is decided in the affirmative by the two Houses as herein provided, the President shall be immediately notified and the Executive order with respect to which such vote was taken shall thereupon become effective. Whenever a vote has been taken in the two Houses as herein provided with respect to any such question, or whenever either House shall have failed to decide such question in the affirmative, no further action with respect to such question shall be required of either House.

Mr. McNARY. Mr. President, is this amendment offered by the distinguished Senator from Alabama?

Mr. BANKHEAD. Yes; I have offered it, and I desire to have it lie on the table until the subject shall be reached.

Mr. McNARY. Is it proposed that the proposed action of the Congress is to operate as a concurrent resolution, which will not have to be signed by the President?

Mr. BANKHEAD. It will not have to be signed by the President.

Mr. McNARY. It will have the legal effect of a concurrent resolution?

Mr. BANKHEAD. It would operate in a different way, the Senator will note. When an order comes from the President, it will, under the provisions of the amendment, lie over for 30 days. If no objection is filed by one-fourth of the membership of either House, the order will become effective and go into operation, 25 percent of the membership of either House being fixed on so as to indicate that substantial objection is made in one House or the other to the order submitted by the President. If a substantial objection is indicated by filing the objection, as specified in the amendment, then within 15 days the question must be

voted on by the House where the objection is raised. In other words, a time limit is fixed by the amendment in order to avoid needless delay, and to make certain that the House where the objection is raised shall take action within a reasonable time.

If a petition is filed in the Senate, for instance, and comes to a vote, and the Senate agrees to the order suggested by the President, the other House will be notified, just as in the case of a veto message, and within 15 days at a fixed hour the other House must vote. If both Houses vote in favor of the order, the order will go into effect. If either House rejects the order, it will be nullified, just as a joint resolution would be by the failure of one House to act affirmatively.

Mr. McNARY. Mr. President, that is a very clear explanation.

Mr. BANKHEAD. In other words, it will preserve the absolute power of Congress in the matter of Executive orders under the proposed reorganization law.

Mr. McNARY. I wish to see such a reservation made. I may say at this time that I am not particularly afraid of granting very large powers to the President, but I want preserved the right of the Congress to recapture the power, to reclaim the power, or restore the power, if in its judgment error is made. To me that is more important than the first declaration of power. If the amendment provided that the action should operate as a joint resolution, which the President would have to sign, then it would have to come back and be voted upon, like a vetoed bill.

Mr. BANKHEAD. Under the amendment the action of Congress would not have to go to the President at all.

Mr. McNARY. Then I was correct in my first assumption, that it would operate legally as does a concurrent resolution.

Mr. BANKHEAD. In substance, but in form it would not be like a concurrent resolution; it would be handled like a vetoed measure.

Since the Senator has submitted an observation about this subject, I may say that I have no concern at all about the grant of power to the President, and the proposed amendment is not the reflection of any objection on my part to the grant contained in the bill. I voted to give the power to Mr. Hoover.

Mr. McNARY. I appreciate that.

Mr. BANKHEAD. I voted to give it to Mr. Roosevelt when he first came into office, and I have no fear or anxiety about the disturbance of the due functions of government merely as a result of our permitting the President to shift bureaus or departments of government which already have fixed power within the legislation enacted, and have no power beyond what Congress has given them. I am not concerned with that. I am merely trying to satisfy a group here who are insisting that Congress should preserve this power, and this proposed amendment would preserve it for their satisfaction, not for mine. I desire to make that perfectly clear.

Mr. McNARY. It was clear to the Senator from Oregon. I think our minds run parallel on this proposition. We have precedents for granting plenary power to the Executive. I am not afraid of that. But if an error should be committed somewhere down the line, I want the right to remain in Congress to recapture the power so that it may rectify the error.

Mr. BANKHEAD. Under the proposed amendment Congress would retain the power and would never lose the power until the time had expired within which it could veto an order.

Mr. McNARY. I think I understand the Senator's proposal and I appreciate his attitude.

Mr. BANKHEAD. It will dispense with a great deal of debate and delay on the part of Senators who are concerned about the grant of power.

Mr. McNARY. I think the Senator has made a real contribution.

Mr. BANKHEAD. I thank the Senator.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

PROPOSED INVESTIGATION OF T. V. A.

Mr. NORRIS. Mr. President, I was visited this morning by a friend who was quite critical of what happened in the Senate yesterday. He said, "I feel so sorry; I am brokenhearted over the way some Senators treated the great Senator from New Hampshire. They have been discourteous. They have torn his argument to pieces. They have left him stranded. I think it was discourteous and wrong."

I said to my friend, "What have you been reading?"

He said, "I have been reading the CONGRESSIONAL RECORD."

I said, "That is where you make a mistake. That is likely to mislead you. Have you read the Post?"

He said, "No."

I said, "Well, I have a copy of the Post here; and here is an article under flaming headlines on the first page by Mr. Olson, who describes what took place in the Senate. Read that and you will feel better."

He read it, and he said, "Well, I feel just as bad as before, because now, instead of feeling sorry and pitying the great Senator from New Hampshire, my heart is broken up in agony and pity for the other Senators in the body. I feel just as bad for them as I did for the Senator from New Hampshire originally."

I looked at the Post and read again the article of Mr. Olson giving a graphic description of the terrible catastrophe which happened yesterday in the Senate, showing in the article that the Senator from New Hampshire, like a giant of ancient times, walked down the aisle of this historic Chamber, took his opponents, one in each hand, by the back of the neck, and shook them until their shoes came off, until their shoes flew up into the galleries and injured some innocent spectators.

I absolve the Senator from New York [Mr. COPELAND] entirely of having cleared the galleries today. He had nothing to do with the occupants leaving the galleries. The lesson they learned yesterday has made them afraid.

Mr. Olson describes how this great orator took his enemies in this Chamber and, by his eloquence and his rhetoric and his logic, ate them, chewed them up, and spit them out all over the Chamber. [Laughter.] Even now the glass roof of this Chamber is stained with the blood of those Senators, their partly digested bodies, their broken bones, showing the danger they were in when they interfered with the Senator from New Hampshire, all shown so ably by Mr. Olson in the Post.

If one wants to get the truth and find out what happens here, let him not read the RECORD; he might be misled; let him read the Washington Post. [Laughter.]

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDING OFFICER (Mr. CHAVEZ in the chair) laid before the Senate a message from the President of the United States submitting several nominations, and also withdrawing several nominations, which was referred to the Committee on Military Affairs.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF A COMMITTEE

Mr. LOGAN, from the Committee on the Judiciary, reported favorably the nomination of Bunk Gardner, of Kentucky, to be United States district judge of the Canal Zone, vice Charles Harwood, whose resignation has been accepted effective March 10, 1938.

Mr. VAN NUYS, from the Committee on the Judiciary, reported favorably the following nominations:

Robert E. Clark, of California, to be United States marshal for the southern district of California; and

George Vice, of California, to be United States marshal for the northern district of California.

Mr. NEELY, from the Committee on the Judiciary, reported favorably the following nominations:

Sterling Hutcheson to be United States attorney for the eastern district of Virginia; and

Joseph H. Chitwood to be United States attorney for the western district of Virginia.

Mr. HUGHES, from the Committee on the Judiciary, reported favorably the following nominations:

Francis J. W. Ford, of Massachusetts, to be United States attorney for the district of Massachusetts; and

J. Howard McGrath, of Rhode Island, to be United States attorney for the district of Rhode Island.

Mr. PITTMAN, from the Committee on the Judiciary, reported favorably the nomination of John White Stuart to be United States marshal for the western district of Virginia.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar. If there be no further reports of committees, the clerk will state the nominations on the calendar.

DEPARTMENT OF THE INTERIOR

The legislative clerk read the nomination of Ebert K. Burlew, of Pennsylvania, to be First Assistant Secretary of the Interior.

Mr. BARKLEY. Mr. President, let that nomination go over.

The PRESIDING OFFICER. The nomination will be passed over.

Mr. ADAMS. Mr. President, in connection with the nomination which has been passed over, I simply wish to ascertain if it be not possible to fix some reasonably convenient time when that matter may be taken up by the Senate. It is of considerable importance that the nomination be disposed of. It came to the Senate on the 20th of December last year. The Department of the Interior is undermanned by reason of the vacancy, and by reason of certain other circumstances, and it is quite important to the Department that we dispose of this nomination. I have no disposition to crowd the matter unduly, but in view of the long time it has been pending, I should like, if possible, to see whether some arrangement may be made to have the nomination taken up for consideration in the reasonably near future.

Mr. BARKLEY. Mr. President, so far as I am personally concerned, I realize the desire to dispose of this nomination at the earliest possible date, and I have been conferring with Senators about it. But it is generaly understood that it will take all of one day to dispose of the nomination because of the desire of Senators to speak upon it. I do not wish to pass on the relative importance of this particular nomination as compared with the bill now the unfinished business.

Mr. ADAMS. Mr. President, will the Senator yield to me for an interruption at that point?

Mr. BARKLEY. I yield.

Mr. ADAMS. How would the Senator say it would compare with the matter which has been under discussion today?

Mr. BARKLEY. I think a comparison between the consideration of a nomination of anyone and the matter which has been under discussion for most of the day would be decided in favor of the former. Today's performance and other days' performances in the Senate illustrate the necessity of going on with a consideration of the pending legislation to a conclusion at as early a date as possible. We have been considering the reorganization bill for nearly 2 weeks. As I have said before, two or three times, we have not yet even voted on an innocent committee amendment. I do not know how much more general debate there will be on the bill. I do not know how many more fish are to be reorganized in Alaska or elsewhere under the reorganization bill. But, Mr. President, if we make no more progress for the remainder of this week than we have made so far in the consideration of the bill, I give notice that I shall ask the Senate to hold night sessions every night next week until we can dispose of the bill. Under those circumstances I hesitate to ask the Senator from South Carolina [Mr. BYRNES] to agree to lay aside the pending business for 1 whole day in order that we may discuss this nomination. Yet I do not wish to interfere with anyone's desire to discuss it legitimately. For that reason I am not at liberty to make any statement or any agreement as to when it may be taken up without conferring with the Senator from South Carolina with respect to his wishes concerning the bill which is now the unfinished business.

Mr. BYRNES. Mr. President, I do not mind stating my views. The President of the United States sent a message to the Congress with reference to the reorganization bill in January 1937, and this is March 1938. The pending bill was reported from the Reorganization Committee in August last. It was expected that it would first be considered in the extraordinary session. The President again sent a message to the Congress urging that the bill be disposed of in the extraordinary session. Since it was taken up 2 weeks ago, I think I have been as good-natured as anyone could possibly be, and I have agreed on several occasions to set the bill aside in order that appropriation bills might be taken up, and in order that other matters might be considered.

So far as I am concerned, from this moment on, I am not going to agree to any unanimous-consent request to set this bill aside until it is disposed of. If it is going to be set aside it is going to be set aside by the action of the Senate, and it is not going to be by any agreement of mine. If the Senate will consider it we can dispose of it in a few days, and then other business can be transacted. But if it is to be set aside every day for the consideration of other business, it will suit a number of Senators who are opposed to it, and many weeks will be consumed in the consideration of the bill.

Therefore, much as I should like to help my good friend from Colorado, who is in charge of the nomination which has been reported within the last few days, I ask him to remember that the reorganization bill has been on my doorstep since last year, and I am anxious to have it disposed of by the Senate. If the Senator from Colorado is anxious to have action on the Burlew nomination I know he will realize how anxious I am to have the reorganization bill disposed of one way or the other.

Mr. BARKLEY. I fully appreciate the Senator's views, and I am in complete sympathy with them. I am not criticizing anyone for the course he pursues with reference to the reorganization bill, but if we are to transact the business of this session and adjourn, as everyone desires, at some reasonable time during the spring or early summer, we cannot accomplish that result if action on any bill, either the one pending or any other, shall be unnecessarily delayed. Therefore, I am not in a position, in view of the statement made by the Senator from South Carolina, which I think is justified, to give the Senator from Colorado any information as to when we may set aside a whole day in order to dispose of this nomination, important as I agree that it is.

Mr. ADAMS. Mr. President, one additional word. The reorganization bill came in from the President, it is quite true. It is important, and it should be disposed of. The nomination of Mr. Burlew came in from the President some time ago. It is important. It should be disposed of. I gather from what has been going on in the Senate that taking up 2 or 3 or 4 hours on a matter which the President has sent to the Senate is not seriously going to hinder progress on the reorganization bill. My most excellent and beloved friend from South Carolina says he is not going to grant unanimous consent. In reply to that I should like to say that on some future date, when the calendar of executive business is being considered, I shall probably object to the nomination going over, and shall insist that it be considered in executive session.

Mr. BYRNES. The question as to when we shall have an executive session is up to the leader. I will say to the Senator from Kentucky that since the reorganization bill

has been the unfinished business I know that I have on two occasions yielded to the Senator from Colorado to take up appropriation bills, and I am always delighted to do so, and I am anxious to help him dispose of matters that are in his charge. But so far as the reorganization bill is concerned, it is the pending business, and I hope that the Senators will cooperate to have it disposed of. It is up to the Senator from Kentucky as to whether he will move to have executive sessions.

Mr. ADAMS. I should not want the nomination to interfere with the progress of the reorganization bill; on the other hand, it is perfectly obvious we have not been making any progress with the reorganization bill. I am not quite comfortable to have miscellaneous matters interfere with either the reorganization bill or with the pending nomination. The situation now is that two matters, both of importance, are being delayed. I was trying to get one of them out of the road, and having it out of the way perhaps would help the reorganization bill.

Mr. BYRNES. The Senator from Colorado knows it would not help the reorganization bill to set it aside for the discussion of another matter. We might have more fish in Alaska by next week, and there might be further discussion.

So far as I am concerned, I shall oppose any request for unanimous consent. It is up to the Senator from Kentucky to decide when an executive session shall be held. The only way to dispose of the reorganization bill, in my opinion, is to keep it before the Senate and to have night sessions, as has been suggested. It can be disposed of with a few night sessions, and then we can take up the Burlew nomination.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BARKLEY. Just a moment. I appreciate all that has been said. I am anxious to dispose of the Burlew nomination. I am ready to vote on it now, and I think most of the Senators are ready to vote on it. I think every Senator knows how he is going to vote on it. But certain Senators have indicated a desire to speak somewhat at length on the nomination; and I have no disposition to prevent their doing so, regardless of the result.

We have been debating the reorganization bill for 8 or 9 days. Two of those days were devoted almost entirely to the discussion of fish, and another day to the T. V. A., and certain animals which are familiar to us all. Yesterday was taken up almost entirely by the discussion of an extraneous matter.

I do not know whether or not these interruptions are by design. I do not wish to think so. Nevertheless, the result is that we have been debating this bill nearly 2 weeks, and we have been unable so far even to vote on a single uncontroversial committee amendment. At the same rate of progress we shall not get away from Washington until July, if we consider nothing else but this bill. I hope that all the Members of the Senate will cooperate to transact the business of the Senate, and facilitate the consideration and final disposition of the reorganization bill.

I will say to the Senator from Colorado that I hope we may find it possible to consider the Burlew nomination at a very early date; but at this moment I do not feel that I can assure the Senator just when it can be taken up.

I yield to the Senator from Nebraska.

Mr. BURKE. Mr. President, there seems to be a general demand that we learn more about the reorganization bill. I should like to give notice that if it is conformable to the policy of the leader, and if I am able to secure recognition tomorrow, I shall be glad at that time to present my views, confined strictly to the reorganization bill.

While I am on my feet, I should not like to let pass the opportunity to state that it is a little surprising to me to hear the Senator from South Carolina complain about the delay in the consideration of the reorganization bill, which has been before the Senate for less than 2 weeks, and to hear him talk about night sessions, after our late experience with a matter in which the Senator from South Carolina took a very important part, and which occupied a much longer time than 2 weeks.

Mr. BYRNES. Mr. President, the Senator from South Carolina spoke for 1 hour on the bill to which the Senator refers, and never once objected to night sessions. If the Senator will refresh his recollection, he will recall that what I have said is true.

Mr. BURKE. I was not objecting to night sessions or anything else; but the Senator from South Carolina was recognized as a very active participant in the proceedings which tied up the entire work of the Senate.

Mr. BYRNES. I think the Senator will admit that my statement is correct. I made one speech, which, on account of interruptions, lasted a little over an hour. That was the only speech I made on the subject.

Mr. BARKLEY. Mr. President, I ask that the next nomination on the calendar be stated.

COAST GUARD

The legislative clerk proceeded to read sundry nominations in the Coast Guard.

Mr. BARKLEY. I ask unanimous consent that the Coast Guard nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations in the Coast Guard are confirmed en bloc.

That concludes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 33 minutes p. m.) the Senate took a recess until tomorrow, Friday, March 11, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 10 (legislative day of January 5), 1938

PROMOTIONS IN THE REGULAR ARMY

TO BE COLONEL

Lt. Col. Robert Elton Guthrie, Coast Artillery Corps, from March 5, 1938.

TO BE LIEUTENANT COLONELS

Maj. John Boone Martin, Coast Artillery Corps, from March 2, 1938.

Maj. Eustis Leland Poland, Infantry, from March 5, 1938.

TO BE MAJORS

Capt. John Virgil Lowe, Chemical Warfare Service, from March 2, 1938.

Capt. William Reuben Hazelrigg, Infantry, from March 5, 1938.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 10 (legislative day of January 5), 1938

COAST GUARD OF THE UNITED STATES

George W. Cairnes to be captain (engineering).

Louis W. Perkins to be commander.

Morris C. Jones to be lieutenant commander.

Miles H. Imlay to be lieutenant commander.

Edward M. Kent to be constructor with the rank of lieutenant commander.

WITHDRAWALS

Executive nominations withdrawn from the Senate March 10 (legislative day of January 5), 1938

PROMOTIONS IN THE REGULAR ARMY

John Boone Martin to be lieutenant colonel, Coast Artillery Corps, from March 1, 1938.

Eustis Leland Poland to be lieutenant colonel, Infantry, from March 2, 1938.

John Virgil Lowe to be major, Chemical Warfare Service, from March 1, 1938.

William Reuben Hazelrigg to be major, Infantry, from March 2, 1938.

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 10, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O God of eternal goodness and matchless love, high throned on heaven's immortal mount, we praise Thee. Refreshed and with renewed strength, we pray for knowledge and a true heart. Forbid that we should in any way lessen our earnestness in the performance of our labors. We thank Thee for the gift of sight whereby we behold the marvels of Nature, but may our gratitude be far deeper for that inner vision by which we discern the realities of the soul. Heavenly Father, search our hearts, know our thoughts, and lead us in the way everlasting. Let there be a breaking up in our souls of a new, divine power. Dispossess us of any temper of vanity or anger; arise, O Lord, and lift the hand of Thy blessing upon us. Be pleased to hear our prayer. Amen.

The Journal of the proceedings of yesterday was read and approved.

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills and joint resolutions of the House of the following titles:

On February 24, 1938:

H. R. 9024. An act to exempt from taxation certain property of the Society of the Cincinnati, a corporation of the District of Columbia; and

H. R. 9379. An act to authorize the Secretary of the Treasury to cancel obligations of the Reconstruction Finance Corporation incurred in supplying funds for relief at the authorization or direction of Congress, and for other purposes.

On March 2, 1938:

H. J. Res. 591. Joint resolution making appropriations for the control of outbreaks of insect pests; and

H. J. Res. 596. Joint resolution making an additional appropriation for relief purposes for the fiscal year ending June 30, 1938.

On March 5, 1938:

H. R. 9306. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1938, and for other purposes.

On March 8, 1938:

H. R. 9361. An act to maintain unimpaired the capital of the Commodity Credit Corporation at $100,000,000, and for other purposes.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment bills of the House of the following titles:

H. R. 2709. An act to provide for the appointment of one additional United States district judge for the eastern district of Louisiana;

H. R. 7414. An act to provide for the establishment of a Coast Guard station at or near Panama City, Fla.; and

H. R. 8972. An act to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 3595. An act to authorize the purchase and distribution of products of the fishing industry.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 9181) entitled "An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1939, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. THOMAS of Oklahoma, Mr. GLASS, Mr. COPELAND, Mr. KING, and Mr. NYE to be the conferees on the part of the Senate.

CALL OF THE HOUSE

Mr. BOEHNE. Mr. Speaker, I suggest the absence of a quorum.

The SPEAKER. Obviously, there is not a quorum present.

Mr. RAYBURN. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 32]

Bates	Crowther	Kelly, N. Y.	Patman
Beiter	Culkin	Kvale	Pettengill
Biermann	Deen	Lambertson	Ramspeck
Boykin	Dingell	Long	Rankin
Buckley, N. Y.	Dondero	Lucas	Sabath
Byrne	Douglas	McGranery	Smith, Okla.
Cannon, Wis.	Drewry, Va.	McGroarty	Stack
Carter	Eckert	Maverick	Sullivan
Cartwright	Evans	Mitchell, Ill.	Taylor, Colo.
Casey, Mass.	Fulmer	Mott	Taylor, S. C.
Celler	Gasque	Mouton	Thomas, N. J.
Clark, N. C.	Hennings	O'Brien, Ill.	Wearin
Colden	Hoffman	O'Connor, Mont.	White, Idaho
Cole, Md.	Jenks, N. H.	O'Toole	Wilcox

The SPEAKER. Three hundred and seventy-two Members have answered to their names. A quorum is present.

On motion of Mr. DOUGHTON, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. CURLEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address I made before the Senate Judiciary Committee.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FLEGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a radio address I made on March 5.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. SCOTT. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. OLIVER, Mr. SMITH of Maine, and Mr. BURDICK asked and were given permission to extend their own remarks in the RECORD.

Mr. BACON. Mr. Speaker, I ask unanimous consent to print in the Appendix of the RECORD an analysis of the recent trade agreement with Czechoslovakia.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—DRAINAGE BASIN PROBLEMS AND PROGRAMS

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, with accompanying papers, referred to the Committee on Rivers and Harbors:

To the Congress of the United States:

In accordance with my message of August 13, 1937 (in returning without my approval S. J. Res. 57) I am presenting herewith for your consideration a comprehensive national plan for the conservation and development of our water resources.

This report on drainage basin problems and programs has been prepared by the National Resources Committee in consultation with other Federal agencies. It suggests policies,

investigations, and construction necessary to carry forward a broad national program for water conservation and utilization.

It is based upon the findings of 45 joint State-Federal basin committees, composed of more than 500 local, State, and Federal officials. These drainage basin committees have met in the field and have drafted plans for their local areas. Arrangements have been made to publish the detailed reports on individual drainage basins at a later date.

The proposals in the report provide a guide for authorizations of surveys and construction of irrigation, flood control, navigation, rural water supply, wildlife conservation, beach-erosion control, hydroelectric power, and other water projects. Because it was necessary to confine the program to projects that are primarily for water control and use, many related land-use projects are not included. Land policy has significant water implications but it pertains to a large sphere of activities requiring separate though related treatment.

The preferred water projects have met the test for conformity to a general regional program and, although they are set forth in terms of a 6-year program, they are susceptible to completion during either a shorter or longer period, as fiscal policy may dictate. The total cost of the recommended work at both Federal and non-Federal levels is about equal to the average annual expenditures for these purposes during recent years. The 6-year program suggested in the report should be read in the light of budgetary requirements and must, of course, be adjusted each year to correspond with Budget recommendations and with action by the Congress.

Our knowledge of the Nation's water resources and our ideas on their best use and control change rapidly in the light of new investigations and of dynamic economic conditions. Water plans should be flexible. The history of flood-control plans for the alluvial valley of the Mississippi River affords many examples of plans, once considered comprehensive, which soon were replaced by others. Water plans should be revised annually.

Changing public interest, first in navigation, then in irrigation, and then in flood control, water power or pollution, has produced a collection of unrelated water policies. The recommendations in this report define in broad strokes an integrated water policy for the country as a whole. Such a Federal water policy is needed.

Notwithstanding the small amount of time available for the revision of earlier Federal programs, the planning mechanism which was developed for this report seems to have given gratifying results. Starting with local and State groups, organized through the regional offices of the National Resources Committee, plans and programs have been prepared in the field and reviewed in Washington. The process has not interfered with the normal and established duties of the agencies charged by the Congress with construction and surveys of water-conservation projects. Rather it has promoted cooperation both among such agencies in Washington and with State and local interests as well.

I recommend careful study of these documents by the Congress because they present a frame of reference for legislative programs affecting water conservation, and because they illustrate an approach to the systematic husbandry of our natural resources on a democratic, regional basis.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 10, 1938.*

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—INDEPENDENCE OF THE PHILIPPINE ISLANDS (H. DOC. NO. 537)

The SPEAKER laid before the House the following further message from the President of the United States, which was read, and, with accompanying papers, referred to the Committee on Insular Affairs and ordered to be printed:

To the Congress of the United States:

As required by paragraph (3) of section 7 of the act of Congress approved March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith, for the information of the Congress, the First Annual Report of the President of the Philippines to the President and the Congress of the United States covering the period November 15, 1935, to December 31, 1936.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 10, 1938.*

PERMISSION TO ADDRESS THE HOUSE

Mr. SNELL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SNELL. Mr. Speaker, several Members on this side are very desirous of knowing what the program will be after today for the balance of this week. I wonder if the majority leader can tell us.

Mr. RAYBURN. It was first intended, as I stated yesterday, to bring up the conference report on the independent offices appropriation bill, but this program has been changed to a certain extent. If the present bill is completed today, we will go ahead with general debate on the naval construction bill tomorrow.

Mr. SNELL. We will have 1 day's debate on that bill this week, then adjourn over until next week?

Mr. RAYBURN. The gentleman is correct.

Mr. SNELL. It is not planned to have a meeting on Saturday?

Mr. RAYBURN. No.

REVENUE BILL OF 1938

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9682, with Mr. WOODRUM in the chair.

The Clerk read the title of the bill.

Mr. FRED M. VINSON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. FRED M. VINSON: On page 305, lines 22 and 23, strike out "grown in Manitoba, Saskatchewan, or Alberta."

Mr. SNELL. Mr. Chairman, if the gentleman from Kentucky will yield, I wish he would explain exactly what this amendment means. I am deeply interested in this whole proposition, and I should like to be able to explain to my own people just what this amendment will do.

Mr. FRED M. VINSON. Mr. Chairman, I feel certain if the distinguished minority leader will call the attention of his constituency to the speech he made here the other day in regard to this section and his criticism of this limitation concerning Manitoba, Saskatchewan, or Alberta, they will have complete assurance of the soundness of the amendment.

Mr. SNELL. I have already called this matter to their attention.

Mr. FRED M. VINSON. This is an amendment to section 704, which we could call the lumber amendment. The bill as reported to the House repeals the excise tax upon three classes of lumber—Norway pine, northern white pine, and western white spruce—grown in Manitoba, Saskatchewan, or Alberta. For obvious reasons the administrative difficulties encountered in the application of this provision would be considerable. The lumber might be grown in some other Province in Canada and be shipped here. The question of whether or not the tax would be imposed on it would be involved in the administration of the revenue law.

The gentleman from New York the other day very pertinently suggested this was the first instance he had known where we were repealing a tax in regard to imports from a limited section of a country. This is an excise tax, but it is on imports. It is the thought of the committee there should be no limitation as to the places where white spruce is grown.

Mr. SNELL. Will the gentleman yield further for a question?

Mr. FRED M. VINSON. I yield to the gentleman from New York.

Mr. SNELL. If I understand the gentleman's amendment correctly, and I think I probably do now, I agree with the gentleman the amendment makes the bill better than it was, but, of course, it does not go far enough to meet my contention. May I say also that in the general importing of lumber I have never know these special types or species to be considered other than as spruce, hemlock, or pine. When the gentleman states he makes an exemption of white spruce, does he mean the average spruce lumber that comes in here from Canada?

Mr. FRED M. VINSON. All I can say to the gentleman is that, as I understand, western white spruce has a particular significance in regard to a certain class of lumber. Whatever is western white spruce is western white spruce.

Mr. SNELL. The gentleman's statement does not cover what I want to find out. I have imported lumber to some extent myself. All we stated in the declaration we made to the customs was that the lumber was spruce lumber or hemlock lumber or pine lumber. I never heard of designating it as white spruce or red spruce or black spruce. It is important to the people in my section of the country to know what that term means.

Mr. FRED M. VINSON. We had before us evidence that western white spruce was a particular kind. I may say the information the committee had was that western white spruce was grown only in Manitoba, Saskatchewan, or Alberta. Of course, this information came to us from gentlemen on the other side of the aisle, and it may be we should have scrutinized it more closely. However, we took it at 100 percent value. Then we found out that western white spruce is grown in other places, so we are trying to make this provision general in application.

Mr. SNELL. This is no joke as far as I or my people are concerned.

Mr. FRED M. VINSON. I am not joking.

Mr. SNELL. I want to know if the gentleman understands, if I brought in a carload of spruce lumber grown in New Brunswick or Quebec and designated it just as spruce lumber, I would have to pay the $1.50 excise tax?

Mr. FRED M. VINSON. If this amendment is adopted, there would be a question whether the lumber was western white spruce.

Mr. SNELL. There should be no question about it at all. We ought to know. You who are fathering this provision should be able to give the information to the House and to the people who will be doing business under this law.

Mr. FRED M. VINSON. I yield to my friend the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, western white spruce grows in the marshy tundra country of Canada, in those provinces which were included in the bill, but I believe the amendment should be adopted in order to take those specifically designated Provinces out of the language of the text. There is a difference in weight between western spruce and ordinary spruce of about 100 to 200 pounds per 1,000 feet, and these two varieties have entirely different characteristics. It would be a simple matter for anybody engaged in the lumber business to differentiate between western spruce and the kind of spruce to which the gentleman is referring.

Mr. SNELL. If the gentleman will yield, I formerly knew something about the lumber business, although I have forgotten most of it, but I know formerly when we imported spruce lumber from Canada it was designated as spruce lumber. If what the gentleman says is true, can he see any reason spruce lumber grown in the western part of Canada should be exempted as against spruce lumber grown in the eastern part of Canada? As far as my experience goes, the majority of that lumber is used for exactly the same purposes.

Mr. BUCK. That is exactly the purpose of this amendment. We are not differentiating between the two types.

Mr. SNELL. Yes; but the gentleman said to me this applies only to white spruce, and that is entirely different, according to his understanding, from the average spruce that is used for lumber and that very largely comes in from the eastern provinces of Canada.

Mr. BUCK. Western white spruce is principally used for box-crate material and similar construction purposes. The spruce to which the gentleman refers is used for fine work.

Mr. SNELL. Oh, the gentleman is entirely mistaken. The spruce I am talking about is used for all kinds of general construction work.

Mr. FRED M. VINSON. I may say to my friend from New York that the total excise tax in 1936 on lumber was $945,000, and we are informed that comparatively a very small part of that was levied on western white spruce.

Mr. OLIVER. Mr. Chairman, will the gentleman yield?

Mr. FRED M. VINSON. I yield.

Mr. OLIVER. Is it the gentleman's opinion that this committee amendment will further crucify the lumber interests of the northeastern area?

Mr. FRED M. VINSON. We have no intention of doing that. I do not think it does.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman from Kentucky yield?

Mr. FRED M. VINSON. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Why would it not satisfy the objection raised by the gentleman from New York [Mr. SNELL] if the gentleman would insert there the botanical or scientific name for western white spruce? Would not that classify it?

Mr. FRED M. VINSON. I think it is reasonably clear now. We are trying to meet the criticism presented here by the distinguished majority leader in regard to the geographical location.

Mr. JENKINS of Ohio. The matter can easily be clarified if, as the gentleman says, there are different kinds of spruce and they are all intermingled in the country.

Mr. FRED M. VINSON. If western white spruce has a botanical name, it will be western white spruce, and it is not my purpose to make any statement in regard to legislative intent more than to say it is "western white spruce," with which we are concerned in this amendment.

[Here the gavel fell.]

Mr. SNELL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to get some further information. May I ask the gentleman from Kentucky what definite information came before his committee that led the committee to discriminate against the average spruce that is grown in every part of the Canadian Provinces, and this white spruce that some of our friends are so deeply interested in?

Mr. FRED M. VINSON. We had information from the distinguished gentleman from Minnesota that western white spruce was grown only in Manitoba, Saskatchewan, or Alberta, and we relied upon that information.

Mr. SNELL. I cannot say that that information is not correct, because I do not know, but I would like to have someone tell me why you should give any preference to what they call western white spruce over the other spruce grown in the eastern Provinces of Canada.

Mr. FRED M. VINSON. It would be a question whether the uses were interchangeable.

Mr. SNELL. So far as I know, speaking generally, the use is interchangeable. I will not make the definite statement that there is not any one use where they would use one in preference to the other, but so far as the average lumber dealer or the average builder in the United States is con-

cerned their uses are interchangeable, and I know what I am talking about, as far as that is concerned. Therefore I do not understand why you gentlemen have made this discrimination. In my judgment, there is absolutely no reason for it, even though I am opposed to the whole proposition.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield further?

Mr. SNELL. Certainly; I yield.

Mr. FRED M. VINSON. In the hearings before the subcommittee last year, as I recall——

Mr. SNELL. And they turned down the bill on the basis of the hearings they held—put that in the RECORD, too.

Mr. FRED M. VINSON. The National Lumber Manufacturers' Association, composed of a number of different lumber associations, made the statement that they had no objection to the exemption from the tax of the three species mentioned, namely, northern white pine, Norway pine, and western white spruce.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. SNELL. Yes; I yield.

Mr. BUCK. The National Lumber Manufacturers' Association states over the signature of its president that it has taken the position that it will seek to maintain tariff protection only on those species and qualities of lumber which are in surplus supply in the United States. As to the species which are scarce or commercially nonexistent in the United States, they have stated they will offer no objection to the reduction or removal of the tariff or the import excise tax. They do not object to section 704 (c) of the pending bill which proposes to exempt from the import excise tax northern white pine, Norway pine, and western white spruce lumber.

Mr. OLIVER. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield.

Mr. OLIVER. It is my understanding that the National Association of Retail Lumber Dealers is financed, primarily, by this one concern in Minnesota. I wonder if the gentleman knows that?

Mr. KNUTSON. That is an unfair inference.

Mr. SNELL. I do not yield any further, Mr. Chairman.

Mr. HARLAN. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield.

Mr. HARLAN. Am I right or wrong in my belief that the motion to strike out Manitoba, Saskatchewan, and Alberta does exactly what the gentleman states ought to be done; in other words, it would treat all spruce alike.

Mr. SNELL. I do not know whether it does or not from their description. I am afraid it does not treat all spruce alike, and yet you and I cannot tell the difference between the two.

Mr. KNUTSON. O Mr. Chairman, the gentleman is mistaken. When he started out I thought the gentleman knew something about lumber.

Mr. SNELL. I do not yield to the gentleman from Minnesota.

Mr. KNUTSON. Very well. I shall take my own time.

Mr. SNELL. I want to make my own statement. In reply to what the gentleman from California [Mr. BUCK] said—and I do not go as far as my friend from Maine [Mr. OLIVER] in regard to who finances this association, because I do not know—I know to a very large degree that the organization is made up of large lumber dealers who, to a considerable degree, import their wants, and they are not so interested in the tariff situation as the average manufacturer in the northeastern part of the United States. As to the other proposition that my friend from California referred to, the statistics show there is as much available white pine——

Mr. BUCK. I am talking about western spruce.

Mr. SNELL. And Norway pine at the present time in this country as there is available in Canada.

Mr. FRED M. VINSON. May I say that we find it a difficult matter to reach an agreement with our friends of the minority, even on minor things. Here is a matter which the gentleman says will help the bill if this amendment is passed.

Mr. SNELL. I thought so, if we meant all spruce; but when you designate only white spruce, and you say that eastern spruce will not be exempted, then you hurt the bill, and you discriminate further than you did before.

Mr. KNUTSON. Oh, no; just the opposite.

Mr. FRED M. VINSON. I thought the gentleman said that the language sought to be stricken out by this amendment helped the bill.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. CASE of South Dakota. Mr. Chairman, we have been told that the motive dominating the administration leadership in the presentation of this tax bill was to help the small producer, to encourage business, and to raise revenue. But this section does none of these things. It proposes to eliminate excise taxes on imported lumber. This section means that the small producer of Ponderosa pine who provides lumber for the box and crating business is going to suffer new competition by the removal of the $1.50 per thousand feet excise tax on imported lumber from Canada. The tax was $3; it was cut in two by the Canadian trade agreement.

Ponderosa pine is western yellow pine. It is used in general frame construction, but a special use has developed in the crating and box shook fields. This Canadian spruce will be directly competitive. Mills in the Black Hills National Forests are not large producers, but they do provide jobs for people who need them. The largest mill operates with about 400 men, including the men in the timber. Most of the mills operate with from 25 to 75 men. Altogether a couple of thousand men there have jobs at stake in what you do with lumber.

I presume it is true that if you bring in Canadian lumber and these people lose their jobs, the W. P. A. will be sympathetic and they can go on relief. If enough districts are affected, we can come back here and vote another supplemental appropriation for W. P. A. But this illustrates the merry-go-round going on in this country under this policy of trying to legislate higher costs here while you knock down the bars and force our people into competition with a different kind of standards abroad. This is not the way to encourage business and provide jobs.

The people who are engaged in this small lumber industry in my section of the country are almost in a helpless situation. Their only stumpage they have to buy from the national forests. The price of stumpage in national forests is fixed by the Government. Freight rates are fixed by the Government. These small mills are just hanging on. Wages are none too good. And now you are going to take away the dollar and a half protection they have in an excise tax. The tariff of a dollar a thousand has already been cut in two. Taking away this protection of $1.50 a thousand strikes at wages. There is no other place for the burden to fall. Mills are just getting by now. Is it more important to help the big manufacturers who want cheap lumber from Canada than it is to build purchasing power among our own workers?

Mr. KNUTSON. What kind of lumber is the gentleman talking about?

Mr. CASE of South Dakota. Ponderosa pine.

Mr. KNUTSON. That will not be affected at all. This applies only to white and yellow pine. Ponderosa has nothing whatever to do with this. It will continue to have the same protection it now has.

Mr. CASE of South Dakota. The gentleman does not mention spruce. And the spruce will be in direct competition for crating and box business. All lumber will be affected. I have here telegrams from the people who are engaged in this business saying that this means they will be directly affected. Let me read one. It says:

> The effect will be to shorten both our price and demands for Ponderosa pine.

I had sent them the exact wording from the section in the bill to find out the truth. If you leave this section in the

bill, you are going to deny a legitimate protection to an industry that is taking care of its people and trying to keep them in a self-supporting, independent industry. The largest firm that I have in my district—and it is not big industry as spoken of here—has been operating at a loss since 1929, yet has been dipping into depleted reserves and borrowing from its stockholders trying to provide jobs for these people, hoping for better times, trying to find new economies in operation, and looking for new markets. You may take away this protection, and throw their workers on relief, but that is not the way to build up business in this country. [Applause.]

The CHAIRMAN. The time of the gentleman from South Dakota has expired.

Mr. KNUTSON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the point raised by the gentleman from South Dakota is not germane. Ponderosa and white and Norway are not interchangeable. Ponderosa lumber is used mostly for crating. Anybody who knows anything about lumber knows that they are not importing virgin white pine and Norway pine from Canada to be converted into boxes. These are not the cheaper woods. The gentleman is merely trying to becloud the issue.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. FRED M. VINSON. The amendment now pending before the committee refers to western white spruce and does not refer to any of the pines.

Mr. KNUTSON. Certainly. Let us vote on the committee amendment.

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. FULLER. There is no secrecy about this matter. The Secretary of State, who has been charged by the Congress with the duty of investigating tariff rates, has recommended the adoption of such modification, and did so long before it was raised here on the floor. This amendment is agreed to by our Republican friends. We should all go along and vote for it. It is not going to hurt the lumber industry of the United States.

Mr. RYAN. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. RYAN. Mr. Chairman, I know that my colleague has made a careful investigation of the lumber industry over a period of years and that he is familiar with it. I ask him whether this provision does not apply to lumber which is imported as virgin timber from Canada—lumber that does not compete to any appreciable extent with second-growth lumber produced in New England or lumber that is produced in any other part of the United States?

Mr. KNUTSON. My friend is absolutely right. We are not trying to "pull" anything. Not long ago we passed the Housing Act. The lumber that will be affected under this amendment is going to promote the building of houses in this country. It is construction lumber, not box lumber such as the gentleman from South Dakota is so much concerned about. One of the deterrents of building is the excessive cost of material. We must lower building costs.

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. BOILEAU. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BOILEAU: On page 305, line 22, after the comma following the parenthesis, insert "Engelmann spruce."

Mr. BOILEAU. Mr. Chairman, if I may have the attention of the Members for just a few minutes, I feel quite certain that I can convince the majority Members that this amendment should be approved. There is no real difference so far as use is concerned between Engelmann spruce and western white spruce. In other words, my amendment merely includes the words "Engelmann spruce."

Last summer a subcommittee of the Committee on Ways and Means, under the able chairmanship of the distinguished gentleman from New York [Mr. CULLEN], held some hearings on this particular proposal. At that time I had the privilege accorded me of going before that committee and making a statement, including statements made by others, to show that Engelmann spruce and western white spruce are one and the same kind of lumber for all practical purposes. In other words, I believe that the record will show—and the gentleman from Kentucky referred to those hearings a moment ago—I believe that the record will show to your satisfaction that Engelmann spruce is in direct competition with western white spruce.

Engelmann spruce is produced largely in the interior of British Columbia and in the Rocky Mountain States of this country, whereas western white spruce is produced in the flatter country, in the swamps, and so forth. The lumber is of the same type used for the same purpose. Engelmann spruce and western white spruce are now both being imported from Canada into this country. If you pass this bill in its present form without giving the same exemption to Engelmann spruce there would be an undetermined amount of difficulty in the customs offices, because at the present time both Engelmann spruce and western white spruce are being imported from Canada under the name "spruce," largely just under the name "spruce." They are used for the same purposes.

These woods are specialty woods used in the construction of refrigerators, for instance, and as food containers, because they are odorless and impart no flavor to the food. These woods are also used for crating because they are light, and this reduces freight charges. These woods weigh from 1,650 to 1,700 pounds per 1,000 board feet. They are light woods, and, therefore, are much used for crating. The saving of freight is an important item.

In addition to that, Engelmann spruce and western white spruce have particularly fine qualities for the manufacture of musical instruments. They are used in the manufacture of piano soundboards and such type of work as that. As I stated, they are specialty woods and are also of light weight.

I want to make one statement, and I think the hearings will bear me out. No Member on the floor can deny the statement. There is not a use to which you may put western white spruce that you cannot also put Engelmann spruce. They are in direct competition with each other. If you do not accept this amendment, what are you going to do? If you adopt the bill in its present form without the amendment it will result in discrimination, and I am going to use a group of lumbermen from Minnesota as a hypothetical case.

[Here the gavel fell.]

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. BOILEAU. Mr. Chairman, assuming the Minnesota lumbermen have their holdings in western white spruce, and assuming the Wisconsin lumbermen—which is a fact I admit—largely have their holdings in British Columbia in Engelmann spruce. They both import spruce into this country for the same trade in direct competition with one another. I am reminded by a gentleman that these woods are also used for patterns in the Navy, which is a fact.

If you permit this western white spruce to come in without paying this excise tax of $1.50 and you say to the Engelmann spruce producers who are in direct competition with the western white spruce producers that they must pay an excise tax of $1.50, it means that the corporations of Minnesota which happen to have their holdings in western white spruce have an unfair advantage over my people who are interested in Engelmann spruce.

Mr. HARLAN. Will the gentleman yield?

Mr. BOILEAU. I yield to the gentleman from Ohio.

Mr. HARLAN. I wonder if the gentleman could explain to the House why two of the most ardent advocates of high tariff are now asking for free trade?

Mr. BOILEAU. Mr. Chairman, I do not desire to enter into that controversy.

As I stated the other day, and as I say right now, my position is this, and I think it is a fair one: If you want to exempt western white spruce you are doing a rank injustice to the Engelmann spruce producers unless you give them the same consideration. Whatever you decide to do, the action should be consistent and both should be put on the same level because they are in direct competition. I submit this bill without the amendment I have offered would be a gross injustice to those American citizens who have an interest in Canadian Engelmann spruce and it will be giving an unfair advantage to American citizens who have an interest in western white spruce.

Mr. THOMPSON of Illinois. Will the gentleman yield?

Mr. BOILEAU. I yield to the gentleman from Illinois.

Mr. THOMPSON of Illinois. Does the gentleman believe we should take in all these excise taxes?

Mr. BOILEAU. I hope the gentleman will not ask me that question, because I want to present this matter on its merits without getting into a controversy over the tariff. I am offering a proposition that will stand on its own merits. If you give this concession to western white spruce you should give it also to Engelmann spruce.

The gentleman from Kentucky referred to the hearings. You will find there was not a single witness in the hearings who said that Engelmann spruce and western white spruce were not in direct competition. There were two witnesses of whom I had the privilege of asking questions as to whether or not there was any difference in the two woods, and they admitted they did not know of any different uses to which the respective lumber might be put.

Mr. Chairman, I hold in my hand a sworn statement by a very distinguished citizen of my State. This statement was made in 1935, when he presented his case to the committee for reciprocity information, contending that Engelmann spruce should be given the same consideration as western white spruce. He made this claim before the reciprocity committee at that time. The first proposal was similar to the one we have here; that is, the exemption of western white spruce and Norway pine. I am sorry the Members of the House cannot be expected to take the time to read this brief, because it is very informative. He presented this brief and showed so conclusively to the reciprocity committee that they were entitled to the same consideration, that Engelmann spruce was given the same consideration as western white spruce in the reciprocity agreement. May I clarify that statement, because I might be accused of trying to mislead. I do not maintain that this brief was particularly relied upon in the decision of that committee, because many other types of lumber were exempted. As a matter of fact, most types of lumber were exempted at that time. I do contend that this brief, submitted to the committee at that time, shows conclusively that Engelmann spruce and western white spruce should stand in the same position. Whether you vote this amendment up or down, I appeal to you in all fairness to give both of these woods the same treatment. I ask for support of my amendment.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it is always very difficult to explain a technical question, and the difference between western white spruce and Engelmann spruce is purely a technical question. The reason that the committee has not included Engelmann spruce in its recommendation for repeal of the excise tax on certain types of lumber is simply because of the fact that the Forest Service has estimated that the available supply of Engelmann spruce in the United States will exceed 49,000,000,000 board feet, while the available supply of the other varieties in the section repealing the excise tax are practically nonexistent and extremely scarce. A short time ago I read to you an extract from a statement prepared by the National Lumber Manufacturers' Association, in which they stated that while they desired to maintain tariff protection—and this excise tax is more or less in that category—on lumber and timber produced commercially in the United States as to species which are scarce or commercially nonexistent, they will offer no objection to the reduction or removal of any tariff or import excise tax.

They do not object to the enactment of section 704 (c) as it stands, but there is objection to the inclusion of Engelmann spruce because it involves an entirely different and a very controversial matter.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Minnesota.

Mr. KNUTSON. There are 8 or 10 States in the West that produce Engelmann spruce.

Mr. BUCK. Engelmann spruce is produced in Wyoming, Colorado, South Dakota, Idaho, Nevada, California, Utah, New Mexico, Arizona, Washington, Oregon, and Montana.

Mr. KNUTSON. May I say that the records of the Forest Service show that the domestic supply of Engelmann spruce is increasing faster than we can cut it.

Mr. BUCK. According to the Forest Service there is available now and will be available, and at the current rate of use, a perpetual supply of this type of material.

Mr. KNUTSON. The gentleman is correct. There is in this country as much of this lumber as we will ever need.

Mr. BUCK. Certainly. The two propositions are not comparable at all.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Wisconsin.

Mr. BOILEAU. Is it not a fact that in 1932, which is the only year for which I have figures—and I recognize the fact that was a low year—only 16,000,000 feet of Engelmann spruce lumber were produced in this country, which is about a year's cut of 1 mill employing about 20 men, because this lumber is so scattered it is not cut. It is scattered all over the woods and is a byproduct. The lumbermen do not go out and cut Englemann spruce in this country because it is scattered all over the hillsides.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The gentleman's own argument is a good reason for defeating his amendment, if we consume only 16,000,000 feet.

Mr. BOILEAU. I said "produced."

Mr. KNUTSON. If we have 49,000,000,000 feet, certainly we ought to take care of it. We have more now than we know what to do with.

Mr. RYAN. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Minnesota.

Mr. RYAN. Is it not the gentleman's information that northern white pine, Norway pine, and western white spruce are specialty woods and have special uses because of their grain, their ability to absorb ink, and a number of other characteristics which Engelmann spruce does not have, and may this not be the reason not very much Engelmann spruce was produced or processed in the United States?

Mr. BUCK. I do not believe it makes any difference at all how much was produced. The question is, What is the available supply? If there is available domestic production there is no reason to remove the excise tax on Engelmann spruce.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. BOILEAU]

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 68, noes 49.

Mr. KNUTSON. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. BOILEAU and Mr. BUCK.

The Committee again divided, and the tellers reported that there were—ayes 82, noes 71.

So the amendment was agreed to.

Mr. SNELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SNELL: On page 305, after the period in line 16, strike out lines 17 to 23, inclusive.

Mr. SNELL. Mr. Chairman, I have discussed this lumber amendment more or less during the consideration of the bill so I will not delay the Committee long at this time.

Previously we had a protective tariff of $1 and a $3 excise tax on these grades of lumber, or a total protective tariff of $4 per thousand. Under the reciprocal trade agreement negotiated by the Secretary of State the excise tax was reduced one-half and the tariff was reduced one-half, so at the present time there is protection of only $2 per 1,000 on these items. The lines in the bill which my amendment proposes to strike out are the excise tax of $2 per 1,000 still left on these three items.

Let us consider the history of the situation. Last year through the influence of the Shevlin, Carpenter & Clark Lumber Co., of Minneapolis, a bill was introduced to remove these excise taxes. A subcommittee of the Committee on Ways and Means held hearings on this bill, and about the only proponent of the measure was a representative of this large lumber corporation. It developed in the hearings that this company formerly had owned large timber lands in the United States and had entirely depleted them of these three special grades of lumber. At the present time this company is the largest foreign owner of this class of stumpage in the Canadian provinces. The company specially asks that this excise tax be removed, because, as it was testified in the hearings, this one large company imported 40 percent of all this grade of lumber that was imported, and did not want to pay this excise tax. After continuous hearings, the subcommittee of the Committee on Ways and Means did not report favorably on this bill.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. SNELL. Certainly, I yield to my distinguished friend, the gentleman from Tennessee.

Mr. COOPER. I may mention just one point in connection with the gentleman's amendment that I believe he may want to bear in mind. Of course, the matter could be taken care of later, but the gentleman's amendment seeks to strike out only down through and including line 23.

Mr. SNELL. If my amendment is agreed to by the committee it is very easy to offer an amendment to strike out the next two lines.

Mr. COOPER. Subsection (d) in lines 24 and 25 relates only to subsection (c). The two sections should be considered together.

Mr. SNELL. Yes; but the real meat of the matter is in the lines I desire to strike out.

The question has been asked on the floor by my friend, the gentleman from Minnesota [Mr. RYAN], if it is not a fact that the main part of this importation are species or kinds of lumber we do not grow in this country.

I can answer that question by referring my friend to the statistics of the Tariff Commission. The statistics over a number of years show that the average price of the lumber brought in under this act is about $23.99 per thousand. This shows conclusively that the great majority of this lumber is of a low-price grade that comes in direct competition with the lumber produced in this country, because the little that is brought in of the high grade sells anywhere from $60 to $120 per thousand, and the small excise tax on this grade cuts no figure. These statistics answer the question, and they are absolute proof that the majority of it is in direct competition with the lumber produced in the small mills in the northeastern part of the United States.

Mr. RYAN. Mr. Chairman, will the gentleman yield?

Mr. SNELL. Yes; I yield.

Mr. RYAN. Has the gentleman any figures as to the percentage of these importations as related to the total production within the United States?

Mr. SNELL. I could not give you the absolute percentages, but, looking it over, my honest judgment would be that about 90 percent at least would be of the low-grade lumber, because you can see from the price that it must be nearly all low-grade lumber.

Mr. RYAN. What I referred to was the total importation as related to the production within this country. I believe if the gentleman would check that, he would find that the percentage is very, very small.

Mr. SNELL. I have the actual check right here, and I can say to the gentleman from Minnesota that it is 33 percent of the production in the northeastern part of the United States, and it is 22 percent of those grades in every part of the United States.

Mr. FULLER. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to the gentleman from Arkansas.

Mr. FULLER. As I understand the gentleman's amendment, it cuts this entire item out of the bill and leaves the law as it is now?

Mr. SNELL. That is what I would like to do.

Mr. FULLER. I think it is a good amendment.

Mr. SNELL. I thank the gentleman. That is the most encouraging sign I have had.

[Here the gavel fell.]

Mr. SNELL. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SNELL. This amendment had absolutely no consideration before the Ways and Means Committee itself, and the gentlemen of that committee know it. There was no discussion in regard to what effect it would have on the people of the country, and you should consider that you are doing something here now that very largely is for the interests of one large importing company; and if I remember correctly the argument I have heard from the other side of the House for a good many years, it has been that they are not especially interested in large corporations but want to do something for the average man, or the forgotten man.

Let me tell you that the average fellow, as far as this item is concerned, is the little sawmill man in the northeastern part of the United States that today is employing over 50,000 men, and the average sawmill man is only about two jumps ahead of the sheriff; and you are proposing to do something in this bill that will cause the sheriff to catch up with him, and you are doing it to protect one or two large manufacturers and importers of lumber in the western part of the United States.

Now, there is one other argument that should have more influence with my friends on the other side, perhaps, than anything I have yet said. It was intimated by the chairman of the committee yesterday that it would be necessary to adjourn the House to find some way of getting the revenue that the committee had stricken out of the bill.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to the gentleman.

Mr. DOUGHTON. I would like to have the gentleman put his hands on any intimation of that kind that I made.

Mr. SNELL. If I am wrong in that statement, I shall certainly withdraw it; but I got that impression, and other Members on this side thought the same; but if I am in any way mistaken in my understanding I would certainly apologize to the gentleman, because I do not want to make any statement that could not be backed up by the action taken on the floor.

Mr. DOUGHTON. The gentleman said I intimated that.

Mr. SNELL. I so thought; but if you did not, I apologize to the gentleman, if I am wrong.

Mr. DOUGHTON. An apology is not necessary, but we should keep the record straight.

Mr. SNELL. Let me say something to my friend that I know he will not want me to apologize for.

Mr. DOUGHTON. I do not want the gentleman to apologize, because I know the gentleman is always sincere, and I never ask for an apology for a sincere statement.

Mr. SNELL. I was perfectly sincere in my statement, but I apologize if I was wrong. However, it has been intimated around the House, at least, that we must find some way of getting additional revenue in this bill. Here is a method, by adopting my amendment, by which you will get some additional revenue and you will not change existing conditions. Under the circumstances, if this is not worthy of consideration I would like to know what would be. It has been intimated that the President would veto this bill unless it furnished enough revenue to balance the revenue that has been repealed. This is certainly in line with the recommendation of the President of the United States, and the majority should consider it carefully.

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to the gentleman.

Mr. FRED M. VINSON. May I ask the gentleman from New York how much additional revenue will be received by the Treasury if this amendment is adopted?

Mr. SNELL. It will not raise a great deal, I will admit, but it will be about $145,000 to $175,000.

Mr. FRED M. VINSON. That is very fine, and we appreciate that.

Mr. SNELL. But this means a great deal to the little fellows who are manufacturing lumber throughout the northeastern part of the United States.

Mr. DOUGHTON. The gentleman is now so much interested in revenue, he should have thought more about that yesterday when he was casting his vote here.

Mr. SNELL. That is entirely another matter.

Mr. RYAN. Has the gentleman anything to say about this additional revenue of $145,000 to $170,000, as compared to the amount the consumer is going to have to pay in addition if the gentleman's amendment is adopted?

Mr. SNELL. Let me say right now that I believe in the principle of the protective tariff.

Mr. RYAN. But we are not arguing that.

Mr. SNELL. That is a mighty important thing, and that is the real case at issue here, and I am in favor of protecting the thousands of little small manufacturers of lumber in the northeastern part of the United States over one or two large corporations who are paying out their money in Canada, hiring Canadian labor, not paying social security compensation taxes or the other taxes that the lumbermen in this country have to pay.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KNUTSON. Mr. Chairman, I rise in opposition to the amendment. The minority leader is very much concerned over the loss of $146,000 in revenue. I am sorry to see that my good friend from New York has had to resort to picking up pins, and that is about what it amounts to. The repeal of this tax will mean a saving many times that amount by lowering the price of lumber to our farmers and others.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. No; I cannot yield; I have not the time. As a matter of fact, the amendment that the committee put into the bill is asked by the National Lumbermen's Association, having representatives in 46 different States. It is asked by the National Retail Lumbermen's Association with its 22,000 members. Why do these people ask to have this excise tax taken off? Because they realize it will greatly stimulate the building of homes in this country if the tax is removed. We are only removing it on lumber, of which we have a shortage. The Treasury Department and the State Department are agreeable to have this tax removed. We have to buy something from Canada, and it might just as well be lumber, which will conserve our natural resources. It might much better be lumber than butter, eggs, beef, and grains.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. CASE of South Dakota. Is not the gentleman interested in developing the purchasing power of those who depend upon the lumber industry, these small operators and the men who have jobs with them?

Mr. KNUTSON. Oh, yes; but everything is relative. The gentleman must realize that we cannot penalize 125,000,000 men and women in this country in order to help a small industry that is rapidly depleting our natural resources.

Mr. OLIVER. Is this the first time the gentleman has found himself in agreement with the State Department in regard to tariff duties?

Mr. KNUTSON. Oh, I have found myself in agreement with the State Department several times. I am not one of those who object to everything that is being done. The tax that it is proposed to take off here is on specialty woods. It is proposed to embark upon a big naval-building program. We are going to need white pine for patterns. Do you realize that down there in the Navy Yard in Washington there are two solid blocks of patterns, containing about 300,000 pieces, and that is only a circumstance to what we are going to need. We have not much white pine left in this country. I can recall as a boy when we had in the Sixth District of Minnesota the biggest stand of white pine that the world has ever seen. Today one can ride in an automobile by the hour and not see a single white pine tree, and the same is true to a lesser degree of Norway pine. What little we have out West should be conserved for emergencies. We should not permit the cutting of our timber right down to the point where we will have to inaugurate a soil-erosion program in order to remedy the situation.

Mr. CASE of South Dakota. But these operations I refer to are being cut in the national forests, under the supervision of the Forest Service.

Mr. KNUTSON. Did not the gentleman hear the gentleman from California state that he had the word of the Forest Service that we do not have a sufficient supply of these woods.

Mr. CASE of South Dakota. These are cut in the national forests, under the supervision of the Forest Division.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. KNUTSON. Mr. Chairman, I ask for 5 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. KNUTSON. I hope that the amendment offered by the distinguished minority leader will not be adopted. I do not like to go against my leader, but I have to when I know that he is wrong, and I think he is wrong in this instance. Let us get our lumber from Canada and save what little we have left in this country. You are not going to bring any lumber in from Canada with an excise tax of $3 a thousand board feet in effect. Take that tax off, and you will see there will be a considerable increase in the importation of virgin white pine and virgin Norway pine, and those two woods, by the way, do not interfere with New England, because everything in New England is second growth, and you cannot use second-growth pine for pattern making nor for the better class of building.

Mr. OLIVER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. OLIVER. As I understand the gentleman's argument it is that these importations include only virgin pine.

Mr. KNUTSON. Yes; that is right.

Mr. OLIVER. Does the gentleman understand that second-growth pine in the northeastern area will find direct competition in the average importations coming in under this provision?

Mr. KNUTSON. Let me answer the gentleman by saying that the lumber produced in his area goes into the manufacture of boxes and crates, largely. The lumber on which we are proposing to repeal the excise tax goes into the construction of homes and the making of patterns.

Mr. OLIVER. Does not the gentleman appreciate the fact that there will be lower grades of lumber imported into this

country, and that these lower grades will come into direct competition with our second-growth pine?

Mr. KNUTSON. The gentleman was raised in a timber country; he comes from Maine.

Mr. OLIVER. Yes; that is right.

Mr. KNUTSON. He knows that the virgin growth is far superior to second growth?

Mr. OLIVER. I agree with the gentleman absolutely. I also say, however, that in this virgin timber the top logs most certainly will come into competition with second-growth pine.

Mr. KNUTSON. I do not agree with the gentleman. I wish I could, but I cannot, because I do not think there is any merit in his contention. They are not going to pay a long freight haul on inferior lumber from Canada.

Mr. OLIVER. Then how does the general average price on imports from Canada amount to only $26 per thousand?

Mr. KNUTSON. I am not in a position to say that those figures are correct, because I have not looked into that, but if such is the case our consumers benefit.

Mr. OLIVER. But they were furnished by the Department of Commerce.

Mr. KNUTSON. My guess is that the figures are not correct. I think the gentleman will find that the cost of the lumber we import from Canada is much greater than $26 per thousand. If the gentleman could show me where I could buy good lumber at $26 per thousand I would like to get some, because I would like to do a little building this spring to take advantage of the housing legislation that we passed 2 or 3 weeks ago.

Mr. SMITH of Maine. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Briefly.

Mr. SMITH of Maine. According to the Tariff Commission, there was imported into this country from Canada in 1937, 92,085,000 feet at a value of $2,415,000,000, or an average of $26.27.

Mr. KNUTSON. If the gentleman says those figures are from the Tariff Commission, I will accept them, but I still maintain that the gentleman's section is not going to be injured by the retention of this provision in the bill. All of New England produces only 1.2 percent of the domestic needs, a mere bagatelle. You only produce 29 percent of your local needs.

Mr. OLIVER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. OLIVER. The gentleman appreciates the fact that the second-growth pine of New England must be injured by these imports, for 92 percent of the Canadian lumber imported will be used for the same purpose as the New England product, second-growth pine.

[Here the gavel fell.]

Mr. REED of New York. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am very much interested in the amendment which has been offered. I accept the arguments presented by the gentleman from New York [Mr. SNELL] as being absolutely sound, and I shall not reiterate them. I wish, however, to call to your attention another matter. I cannot speak for other States, but I can speak for my own State. Some 30 years ago our State decided to encourage farmers who had substantial tracts of land available for the purpose to reforest them. Our State has spent millions of dollars through the years to furnish trees to people who would set them out according to State rules and regulations. We have established nurseries all over the State of New York, and every year we are setting out thousands upon thousands, in fact millions, of trees. Many of these trees are coming into bearing now—spruce, pine, and so on down the line. Even I was sold on the idea, and I set out a comparatively small tract. I am very proud of it and enjoy it.

Michigan and other States have followed the example of New York. These forests are coming into bearing now and they are proving a fine cash crop for the farmers. What you will do by letting in this cheap lumber from Canada will be to destroy the market of these farmers who have set out these trees by the millions, and who may be relying upon them. You are going to discourage them instead of encourage them by letting in this lumber. You are going to show them that they cannot invest their money and win. All through the different counties of the State of New York hundreds of thousands of acres are coming into bearing as a result of our conservation policy.

I cannot speak for the other States, but I feel certain that they will eventually adopt a policy of conservation. I say we are working at cross-purposes by admitting foreign lumber at rates now carried in the bill. Even the Soil Conservation allows $10 an acre to encourage a farmer to put out trees in cooperation with the States. Do we propose to let this cheap lumber enter from Canada and thereby destroy the program of reforestation in which we are investing the taxpayers' money?

[Here the gavel fell.]

Mr. FRED M. VINSON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, we enjoyed this combat between our Republican friends until the fight cooled off. This provision is endorsed by the National Lumber Manufacturers' Association, which states that since 1933, after having had their experience under the Smoot-Hawley bill—

> They had taken the position it would not seek tariff protection on species of lumber which are scarce in supply in the United States, but for which there is a substantial demand by American consumers. These three species fall within this class. The domestic supply of virgin northern white pine, Norway pine, and western white spruce is practically exhausted, yet there is a substantial demand on the part of American industry for these woods and it is necessary to secure supplies thereof from Canada. The excise tax has been a burden upon industry and other consumers compelled to import these woods. It has not served as a protection to American industry.

The gentleman from New York refers to the fact that a subcommittee of the Ways and Means Committee had under consideration the matter herein involved, which is true, but it was a tariff subcommittee. Evidently after having held hearings that committee realized this was an excise-tax proposition, and I take it that the members of that subcommittee felt they did not have jurisdiction. In any event they made no report upon this proposition.

There is one thing I want to get across on this side of the aisle. We have a Federal housing program. We have a home-building program. We have a navy-building program. The Secretary of State, being fully informed in regard to this problem, writes a letter and requests the action that we took herein, as it affects northern white pine and Norway pine; consequently the committee inserted this provision in the bill, and I therefore ask that the amendment offered by the gentleman from New York be voted down.

Mr. SNELL. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from New York.

Mr. SNELL. Did the committee insert this in the bill when it first received the letter from the Secretary of State?

Mr. FRED M. VINSON. I do not think it did.

Mr. SNELL. I do not think it did, either, from the gentleman's own admission. That provision was inserted in the bill about 1 minute before the committee adjourned, as has been stated on the floor a dozen times, because a Republican suggested it. The argument the gentleman has made then had no influence with the committee.

Mr. FRED M. VINSON. I am merely stating the facts. I am stating that the Secretary of State wrote a letter requesting the elimination of the excise tax on northern white pine and Norway pine.

Mr. SNELL. But you did not act on it.

Mr. FRED M. VINSON. As I stated, the Secretary requested elimination of the excise tax on imported northern white pine and Norway pine. I grant you the provision went into the bill rather late in its consideration.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, there was a pleasant interchange a few minutes ago between the gentleman from New York [Mr. SNELL] and the chairman of the Ways and Means Committee [Mr. DOUGHTON]. The gentleman from New York, in effect, said that the gentleman from North Carolina yesterday stated that the adoption of the amendment to strike out I–B would reduce the revenue, and it would be necessary for the Democratic side of the House to find other sources of revenue to take the place of what was stricken from the bill by the adoption of that amendment.

I listened intently, and although I did not catch exactly what the gentleman from North Carolina said, I was very much surprised to hear the gentleman from New York say that he may have been mistaken. He offered to apologize and did very humbly apologize to the gentleman from North Carolina. Therefore, in order to keep the RECORD straight, I would like to read exactly what appears in this morning's RECORD to be the statement of the gentleman from North Carolina. I am not in sympathy with the idea that the gentleman from New York should apologize to the gentleman from North Carolina, because the gentleman from New York had nothing to apologize for. Here is exactly what the gentleman from North Carolina stated yesterday:

> In other words, if we strike out I–B, one of two things stares us in the face—to substitute an additional amount of revenue by increasing other taxes, or to have the bill fall short of meeting the request of the President and run the risk of the bill being vetoed, and, in my opinion, it should be vetoed unless we levy other taxes to make up the loss, because we need every dollar that this bill seeks to raise.

If I was the gentleman from New York I would withdraw the apology which he made to the gentleman from North Carolina in view of the statement that the gentleman from North Carolina himself made.

Mr. DOUGHTON. Will the gentleman yield?

Mr. TREADWAY. Surely. I have not had a run-in with the gentleman from North Carolina this morning.

Mr. DOUGHTON. The gentleman yields but he keeps on talking.

Mr. TREADWAY. Certainly I do. I learned that trick a long time ago from the gentleman from North Carolina. He also keeps on talking when he yields to somebody else.

Mr. DOUGHTON. What I said, as the gentleman from New York knows very well, and if the gentleman from Massachusetts had been here he would have known also, had to do with a statement as to why we recessed or adjourned yesterday.

Mr. TREADWAY. The gentleman is mistaken. I was on the floor the entire time. Everybody in the House knew the reason why we recessed yesterday. The gentleman was stumped because he got licked. That is why he recessed.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes.

Mr. SNELL. May I suggest to the gentleman that he modify his request to allow 20 minutes of debate?

Mr. DOUGHTON. Mr. Chairman, I modify my request and ask unanimous consent that all debate on this amendment and all amendments thereto close in 20 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. PIERCE. Mr. Chairman, politics certainly makes strange bedfellows. For 5 years I have heard our colleague, the gentleman from Minnesota, roast and toast the Members on this side for their views on the tariff question. Now I find I cannot be in agreement with him in his views on the question under consideration today. He now wants to remove the excise tax on certain grades of lumber.

May I read a letter from the National Lumber Manufacturers' Association, which was quoted a few moments ago by the chairman of the subcommittee, the gentleman from Kentucky [Mr. FRED M. VINSON]?—

> The effort to include Engelmann spruce in these exemptions raises an entirely new issue. The three species you have included are either practically nonexistent or comparatively scarce in supply in this country. Engelmann spruce is in very abundant supply.

The three species to which he refers are the three mentioned in the bill.

> To prevent the extension of these exemptions will raise the whole issue of the entire lumber tariff.

I have been a pretty faithful follower of the administration and quite a faithful follower of the committee that is presenting the bill now under consideration, but I do not find myself at all in agreement with this provision of the bill. I am going to vote, and I ask my Democratic colleagues on this floor to vote, for the Snell amendment.

I come from a State which has the largest supply of standing timber in the United States. We are growing timber there. We are now cutting most of our forests under a sustained-yield plan. We have mills running that are cutting 100,000,000 feet a year, and they can run right straight through cutting just the ripe timber. I am not a lumberman. I do not know the different species that are mentioned in the bill, but I do know they take the place of some Oregon lumber that could meet the demand. When you exempt these cheap lumbers from Canada for the benefit of this firm up in Minneapolis, whatever it may be, then I know that Canadian lumber has taken the place of a carload of lumber that could come from Oregon, where the mills ought to be kept running. This small tariff or excise tax upon lumber is a great encouragement to the lumbermen of Oregon and they are very anxious that the lumber schedule be not disturbed. I ask my colleagues on this side of the aisle to vote for the Snell amendment. I believe it should prevail at this time.

[Here the gavel fell.]

Mr. BREWSTER. Mr. Chairman, I want to second the motion of my friend the gentleman from Oregon, Governor PIERCE. I am sorry so much of our time has been taken up by both party and personal controversies. This is a very serious situation from our standpoint and from that of almost every man here who has any concern for the lumber industry. This may be only the camel's nose stuck under the tent. Exactly as good a case as can be made for this exemption can be made for many other species of lumber if we read correctly the Department reports.

My friend from Minnesota states, on one hand, that these were only highly specialized classes of very high-grade lumber. On the other hand, he says that permitting these imports will relieve very materially the depletion of our own timber resources. This seems to be riding two horses going in opposite directions. You may take one ground, that it is only very high-grade lumber, or you may take the other ground, that it is going to save our forest supplies, but it seems to me impossible to support both arguments at the same time.

As a matter of fact, in 1936, according to the reports of the Department of Commerce, 92,000,000 feet of Canadian pine came into this country, of which 82,000,000 feet were northern white pine and Norway pine, which are affected by this amendment. These importations showed a value of $2,500,000, or an average price of $26 per thousand. Such a price indicates serious competition with the lumber industry of the United States.

Mr. RYAN. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. No; I am sorry I cannot yield now. I only have 5 minutes.

We have been cutting lumber in New England for 250 years. Yet in 1936 we cut 250,000,000 feet of these same species which compete with the lumber that is going to come in under the provisions of this item of this bill.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. No; I am sorry I cannot yield. The gentleman has had his day in court.

Mr. KNUTSON. I yielded to the gentleman.

Mr. BREWSTER. The gentleman did not yield to me.

We pay 30 to 35 cents an hour for labor. Canada pays 17 to 25 cents per hour. Our stumpage brings around $6 a thousand. In Canada they pay around $2 to $2.50 per thousand.

I hope all my friends will think very carefully about this. We are having a pretty hard time up in New England as you are in other sections of the country. There are quite a lot of people on relief now, and we may have more on relief. This proposal to take protection away from pine and spruce strikes right at the heart of one of our most substantial industries, on which our people have depended for 250 years. Just as certainly as you eliminate this protection, it means a large portion of our lumber industry is inevitably going to go over into Canada. Therefore I hope you will support the gentleman from Oregon [Mr. PIERCE] and the others who believe in equality to all sections and all products of the country alike. [Applause.]

Mr. LORD. Mr. Chairman, the lumber interests of my State and the Northeast are opposed to letting lumber come in from Canada free of duty. Small millmen must work very hard to get along at the present time. A reduction of $1.50 a thousand feet is more than the profit they are making. All our mills have plenty of low-grade lumber. When you cut the good lumber you always get plenty of low-grade lumber for boxes and crates, and it is hard to get rid of this lumber. This provision of the bill will bring into direct competition with our mills the cheap lumber we have hard work to get rid of.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield.

Mr. LORD. I will yield in just a minute.

The pine in our section of the Northeast is growing faster than we are cutting it today, so there is no danger of white pine being depleted. We do not need the lumber from Canada. This provision will only put out of business many little millmen, and will put many people out of work. The millmen will lose the small profit they are making at the present time. I believe the amendment should prevail for the good of our laborers and for the good of the industry.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. LORD. I yield to the gentleman.

Mr. KNUTSON. As I understand it, the lumber that is produced in the gentleman's area is used for box wood and for crates largely.

Mr. LORD. No.

Mr. KNUTSON. That is the information I have had.

Mr. LORD. We produce lumber in our area for all purposes. We have the best lumber there and wherever you produce the best grades of lumber you always get down to the low grades and, as I understand, it is the low grade that they want to ship into this country.

Mr. KNUTSON. No; that is not true. It is the virgin pine that we want to bring in.

Mr. LORD. We do not want the virgin pine brought in here.

Mr. KNUTSON. Yes, yes; we do.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. LORD. I yield to the gentleman from South Dakota.

Mr. CASE of South Dakota. May I say to the gentleman that I have talked with the Forest Service during the debate this afternoon and I asked them the primary use of this western spruce and they stated that it is used for boxing and crating. They said this would be the primary use of such lumber.

Mr. LORD. That is exactly what I have understood. This spruce lumber is for boxing and crating, but whatever the purpose may be, we have plenty of good lumber in this country, as the gentleman from Oregon [Mr. PIERCE] has well stated. I have been at the mills in his State and have seen the tremendous logs they have out there with plenty of good lumber in them. We do not need to have this lumber come in from Canada because it would put many of our people out of work and reduce the income of the present tariff.

[Here the gavel fell.]

Mr. ANDRESEN of Minnesota. Mr. Chairman, I was one of the Members of the House who opposed the lumber schedule in the so-called Smoot-Hawley Tariff Act, because I was interested in conserving our forests in the United States.

I think the crux of the whole matter with reference to this amendment is conservation, and I believe the amendment of the gentleman from New York should be voted down in the interest of conservation. I am a protectionist and I believe in protecting those things that we produce in this country in sufficient quantity to take care of our domestic needs.

Mr. CUMMINGS. Mr. Chairman, will the gentleman yield?

Mr. ANDRESEN of Minnesota. I am sorry, I cannot yield.

It is generally recognized, and I believe it is quite apparent from the facts and figures, that the supply of lumber of these types has become so depleted in this country that it is necessary for us to get such lumber from other parts of the North American Continent.

We are now spending hundreds of millions of dollars for reforestation. It therefore occurs to me that if we are to encourage such reforestation we should try to protect some of the stands of timber we now have in the United States, so that our entire supply will not become depleted.

Mr. SNELL. Mr. Chairman, will the gentleman yield for a question?

Mr. ANDRESEN of Minnesota. Yes, indeed.

Mr. SNELL. The gentleman stated that the supply of certain kinds of timber is nearly depleted in the United States. Let me say to the gentleman that the statistics show there is more of this white pine in the United States today that is accessible than there is in Canada. There is nearly 12,000,000,000 feet in this country and only about 9,000,000,000 feet in the other country.

Mr. ANDRESEN of Minnesota. I would like to give the gentleman all my time, but I must refuse to yield further, in order to conclude my speech.

Mr. SNELL. That is all right, but the gentleman made a statement that the facts do not bear out.

Mr. ANDRESEN of Minnesota. I still stand by the statement I made. Possibly, in the State of New York, where they have been replanting trees for the last 40 or 50 years, the plantings may have developed a stand of timber there, but I am referring to the ordinary virgin stands of timber in the United States that have been depleted during the past 40 or 50 years.

Mr. SNELL. I admit that certain stands of virgin timber have been depleted, but the second growth is just as good.

Mr. ANDRESEN of Minnesota. Under Theodore Roosevelt we started a program of reforestation, and I believe that the program should be continued and encouraged, but I know that the supply of white pine, Norway pine, and western white spruce has been depleted in this country.

Mr. RYAN. Mr. Chairman, will the gentleman yield?

Mr. ANDRESEN of Minnesota. I yield.

Mr. RYAN. We have heard a great deal of talk about the production of timber in New England. Does the gentleman know or can he give us any information as to the amount of timber produced in New England as compared with the amount consumed in New England, and is it not a fact that New England has produced in recent years 30 or 40 percent or less of the amount of timber consumed in New England alone?

Mr. ANDRESEN of Minnesota. I understand that is correct, and I further understand that the balance is imported from Canada.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. ANDRESEN of Minnesota. I yield to the gentleman.

Mr. KNUTSON. The gentleman from New York [Mr. REED] talked about the reforestation that is taking place. It takes 100 years to grow a tree and I presume the gentleman from New York would like to have us live in tents until this second growth attains the necessary size.

Mr. ANDRESEN of Minnesota. The gentleman from New York [Mr. REED] made the best argument we have had for

the defeat of the amendment of the gentleman from New York [Mr. SNELL].

Mr. KNUTSON. I agree with the gentleman.

Mr. ANDRESEN of Minnesota. The purpose of section 704 (c) of this bill is to remove the excise tax of $1.50 per thousand board feet from northern white pine, Norway pine, and western white spruce.

These three species of wood are imported into the United States only from Canada. There is a very limited supply of these virgin woods in this country. They do not compete with the second-growth eastern white pine and other lumber manufactured in the New England States, because they are specialty woods and used for entirely different uses.

The three species which would be exempt from the excise tax are vitally necessary in many commercial processes and industries in this country and as the commercial supply here is about exhausted, our only source of supply must come from the Canadian woods.

The second-growth lumber in the New England States does not appreciably compete with virgin northern white pine and Norway pine. And as to western white spruce, only a very small amount is actually imported into New England States. Consequently, the bulk of the shipments of virgin northern white pine, Norway pine, and western white spruce, imported from Canada, does not affect the domestic lumber industry.

Since I am concluding this debate, let me urge upon the membership of the committee, in all fairness and in the interests of conservation of our depleted domestic supply of northern white pine, Norway pine, and western white spruce, to vote down the amendment of the gentleman from New York, and give final approval to section 704 (c) as the same now appears in the bill.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. SNELL) there were—ayes 49, noes 67.

So the amendment was rejected.

Mr. ROBERTSON. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. ROBERTSON: Page 309, after line 7, insert the following:

"SEC. 711. Tax on distilled spirits, subsection (a), section 600 (a), of the Revenue Act of 1918, as amended, is amended by inserting at the end thereof the following:

"'(5) On and after July 1, 1938, $2.25 on each proof gallon or wine gallon, when below proof, and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon.'

"(B) Section 600 (a) (4) of such act is amended by inserting, after 1934, the following: 'and prior to July 1, 1938.'

"(C) Section 600 (c) of said act as amended is amended by striking out '$2 per wine gallon' and inserting in lieu thereof '$2.25 per wine gallon.'

"(D) Section 4 of the Liquor Taxing Act of 1934 is amended by striking out '$2' and inserting in lieu thereof '$2.25.'

"(E) The amendments made by this section shall not apply to brandy, and the rates of the tax applicable to such brandy shall be the rates applicable without regard to such amendments."

Mr. ROBERTSON. Mr. Chairman, I ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. SIROVICH. Mr. Chairman, can we not have the amendment read again before the gentleman starts? We could not hear it on account of the confusion.

The CHAIRMAN. Does the gentleman from Virginia yield to the gentleman from New York?

Mr. ROBERTSON. Mr. Chairman, I think I can explain the matter in 10 minutes.

Mr. FULLER. Mr. Chairman, I reserve the point of order on the amendment.

The CHAIRMAN. The gentleman from Virginia has been recognized and has been granted an extension of his time.

Mr. FULLER. But he had not started to debate.

The CHAIRMAN. The amendment was read, and the gentleman from Virginia was recognized and received unanimous consent to proceed for 10 minutes. The gentleman from Virginia is recognized for 10 minutes.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. Mr. Chairman, the gentleman from New York can have the amendment reread when he gets 5 minutes time of his own.

Mr. Chairman, this is a simple amendment. It imposes an additional tax of 25 cents per gallon on whisky. Brandy is excluded because it was represented to me that certain States, notably New York and California, are making an effort to encourage the production of grapes, and the principal use for brandy is to fortify sweet wines and champagnes. The after-dinner use for brandy with after-dinner coffee is a very small item in brandy production.

Mr. Chairman, when the President reached into our body to select a new Federal judge, he picked a man who will adorn the Circuit Court of Appeals of the District of Columbia, but he picked our best tax expert. [Applause.] Our distinguished colleague from Kentucky who will soon leave us, and no one regrets the fact more than I, won his spurs in more arenas than just taxation. In his youth I am told that he was the best shortstop that ever put a spiked shoe on a diamond in Kentucky. He could have had a distinguished career in the major leagues, had not ambition called him to the field of statesmanship, and our distinguished colleague therefore knows as well as any Member of the House the meaning of a squeeze play. Yesterday we stood safely on I–B, our first base, meeting the demand of the President, and the only specific demand that he gave to our committee that we bring out a bill that would produce as much revenue as the 1936 act. We complied with that request. Standing yesterday safely on first base, the ball was hit, and we had to run. Now, where are we going to run to? Gentlemen will rise and say, "Let us run back to first base," but when you run back to first base, every closely held family corporation will be standing there to tag you and say, "You are out." Others will say, "Let us run to the Treasury Department second base," but do you know what that would mean?

The Treasury Department when we were considering the adoption of I–B, after about 6 weeks in the committee pro and con, said, "All right; throw out I–B, and then you will have to raise the maximum rate on the 16–20 group to 22 percent." That is the Treasury Department second base. So if you run to that second base there will be some 25,000 corporations who have been tentatively promised a maximum rate of 20 percent standing there to tag you and say that you are out. There will be others to say do not do anything. But let us not delude ourselves. The only specific word that we had from our President was to give him the revenue that he had been getting and on which he predicated his Budget estimates for 1939. Shall we ask him to yield on that? No; he could not yield. We should not ask him to yield, because we have as much responsibility to meet as he. If we now dispose of this bill by taking $30,000,000 or $35,000,000 out under I–B and send it over to the Senate and consider that we have completed our job, we will delude ourselves, because it will come back on a conference report with this amount in there, and from what source will it be raised?

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. Yes.

Mr. JOHNSON of Oklahoma. Can the gentleman advise the Committee how much his pending amendment will raise in taxes if adopted?

Mr. ROBERTSON. The pending amendment will raise approximately $30,000,000, an amount sufficient to make up the loss through the elimination of I–B. In the President's Budget we find on page A–3 that for the next fiscal year he estimates the present $2 tax on distilled spirits will yield $242,000,000, although the actual receipts for the fiscal year of 1937 were much larger. It is the safest second base to which we can now proceed.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. Very briefly.

Mr. O'MALLEY. Does the gentleman's amendment provide for a greater tax on domestically produced and distilled liquors and spirits than is now placed on imported distilled spirits and liquors?

Mr. ROBERTSON. The tax on imported distilled whisky and the tax on domestically distilled whisky will be the same, $2.25 a gallon.

Mr. O'MALLEY. Plus the tariff.

Mr. ROBERTSON. The imported liquor, of course, will have to pay the tariff.

When the bill comes back to us from conference, it should carry the revenue that the President has requested of us; and, in my opinion, your situation then will not be an elective one—you will either vote the conference report up or down. You will not change it, and you will have to vote it up or you will have no bill.

Let us realistically face this situation. Many who did not approve of the I–B principle of taxation said, "We do not wish to lower the revenue that will be produced." Here is their answer: Many do not wish to increase the flat rate on corporations. Here is their answer: Many will object to some other feature of increased taxation. Here is their answer: No unemployment is involved here, no burden is involved here. In my opinion, the small increase should not add one cent to the cost to the consumer of whisky. Suppose it added 3 cents a pint, and that is all the difference it can make. Who would complain? Nobody has to buy whisky unless he wants it. It is a luxury. But put 22 percent on 25,000 corporations, or put this I–B tax back upon closely held corporations, and it is as certain as death that they will either pay or go out of business. Here, my friends, is a simple "out" that should appeal to every Member of this House.

I did not offer this amendment without carefully canvassing the whole field. We have been through a struggle ever since this bill was first taken up in our committee to find the necessary revenue without imposing too heavy a tax burden—and that is what it is, do not delude yourselves—$1,000,000,000 income taxes, $1,000,000,000 pay-roll taxes, then the capital-stock and excess-profits taxes, and then the local taxes; it is a burden, and we might as well frankly face it. But look at our fiscal situation. It was not easy to find the means to meet this situation.

The 25-cent tax on distilled whisky, with brandy excluded, will fill the gap made by the elimination of I–B. It throws no unnecessary burden on industry that is struggling. The liquor industry is not a poor, struggling industry.

I am satisfied we can find no source from which we can secure an additional $30,000,000 of revenue with less real hardship and the imposition of this small additional tax upon distilled spirits will, in my opinion, be a token of our willingness when the acid test comes, to meet our responsibility to preserve the financial integrity of our Government. We will not fail our constituents nor our country. I, therefore, hope this amendment will be adopted.

[Here the gavel fell.]

Mr. DINGELL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DINGELL. Mr. Chairman, I want to point out at the outset that the gentleman from Virginia in speaking for an additional tax on whisky speaks as I do not on behalf of the Ways and Means Committee but as an individual Member of the House. I would have no objection, Mr. Chairman, to an additional tax on whisky, provided the question were thoroughly canvassed and studied by the Ways and Means Committee. If I know the problem of taxation at all, I think that those about to be taxed should have their day at court; I think there has been absolutely nothing before the committee in connection with any hearings on whisky for the past 3 or 4 years, 4 years to be exact; and I think that the whisky producers of this country are entitled to have a hearing before we proceed to place any additional tax on them.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. Not for the moment. If and when we do consider an increase in the tax on whisky, I would favor a sufficient increase in that tax to equalize the tax on alcohol so that beer and whisky—beer, the temperance drink, will bear the same rate that is applied today to whisky. The average amount of alcohol in a barrel of beer is, approximately, 1 gallon. Today the tax on whisky is $2 a gallon, and the tax on a barrel of beer is $5, two and one-half times as much tax on beer, the temperance drink, the workingman's drink, as is applied to whisky, the strong drink. If I could persuade the House, I would produce a sufficient additional amount of revenue on whisky to be able to reduce the tax on beer to the point where both would be somewhere nearly equalized, and that would mean reducing the tax to about $3 a barrel on beer and raising to $3 a gallon the tax on whisky. Drinkers would then be paying equally whether drinking whisky or quaffing beer. The workmen's drink would not be penalized. I think, too, it would have a tendency to stimulate temperance in this country. I am not a wet, nor by any means am I a dry. I am trying to approach this thing in a way that is for the best interests of the people of the country and at the same time produce the necessary revenue for the Treasury of the United States. I now yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. Does the gentleman realize that under the reciprocal-trade agreements of 1936 the tariff on importations of distilled liquors was reduced 50 percent?

On beer alone in 1937, five times as many barrels of beer came into this country. I know the Members who have breweries in their districts are interested in the fact this question is to be taken up with the United Kingdom.

Mr. DINGELL. I realize the thing that grates the lady's nerves is our reciprocal tariff policy and the agreements. I am not in favor of the widespread importation of beer, but I may say the amount of beer imported into this country in comparison with the production is about the same as one bucketful of water in the ocean. Beer and liquor upon entering the United States pay, in addition to the tariff, the taxes imposed under the internal-revenue laws if I am not mistaken.

Mr. MEAD. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New York.

Mr. MEAD. The gentleman's suggestion that a study be made of this question before the tax is changed is very meritorious. In this connection I am sure the gentleman would want to ascertain the attitude of the Federal authorities as to the possibility of developing an illicit industry by overtaxing either beer, liquor, or wine. In other words, we should consider the whole subject before we seek to change the tax on the floor of the House.

Mr. DINGELL. I thank the gentleman for his observation. If we should change this tax without studying the situation, we are apt to bring about bootlegging. It is a dangerous thing to tamper with this particular tax without careful study. I have expressed my opinion as to how far I would be willing to go, but that is predicated on the proposition that we know precisely what we are doing and that we go about it deliberately.

Mr. FLETCHER. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Ohio.

Mr. FLETCHER. There is a tax of more than $12 a gallon on whisky in Great Britain. That has not inspired very much bootlegging over there?

Mr. DINGELL. But the mentality of the Britisher is different than in this country. His observation of the law and his attitude toward the law is entirely different. In addition to that, England never has had prohibition. We could have had a tax of $12.80 before prohibition, but we

cannot try that now because it will bring back the curse of illicit distilling and the sale of rank poisons which bring about depravity of mind and destruction of the body and worse than that, the break-down of the moral fiber of the Nation.

Some legislation affecting bootlegging was taken up by the committee a short time ago. The fact was brought out that there were many large ocean-going ships 20, 30, or 40 miles offshore catering to our American bootleggers, which sold alcohol delivered in this country for 90 cents a gallon, whereas legitimate distillers had to pay $2 a gallon in taxes. There is no question about the danger of aiding the return of illicit whisky by the stimulus of excess taxation.

Bootleggers were going out to sea and bringing in this raw alcohol for which they paid 90 cents per gallon, adding a gallon of water and flavoring and their return amounted to anywhere from $15 to $20 when bottled. We passed legislation which permitted our law enforcement agents to seize these law violators anchored off our shores, selling alcohol, a distance equal to 1 hour's sailing from shore. The distance offshore was limited by the speed of our patrol boats and extended 40 or more miles. This law broke up a rum row that our citizens scarcely knew existed. Let us be careful when proposing certain kinds of taxes.

Mr. CELLER. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New York.

Mr. CELLER. May I say, in answer to an inquiry of a gentleman, that although the tax goes up to $15 a hundred proof per gallon in England, they encourage what is known as diluted low-spirit goods. The tax is very low on the low proof and geometrically it progresses upward on the higher proofs. In England no liquor is sold above 30 proof. That means the liquor is almost diluted to the same extent as a Scotch highball. On these low-proof whiskies the tax is almost the same as ours, but on the high proof, which England seeks to discourage, the tax is very high and goes up, as I stated to $15 a gallon.

Mr. DINGELL. Mr. Chairman, may I close my discussion by asking the Members on the floor to defeat the amendment offered by the gentleman from Virginia [Mr. ROBERTSON], on the premise that if the amendment is of sufficient importance it ought to be considered by the Ways and Means Committee.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 30 minutes.

The CHAIRMAN (Mr. BLAND). Is there objection to the request of the gentleman from North Carolina?

Mr. CELLER. Mr. Chairman, reserving the right to object, would not the gentleman make that 45 minutes?

Mr. DOUGHTON. Mr. Chairman, I modify my request, and ask unanimous consent that all debate on this amendment and all amendments thereto close in 45 minutes.

Mr. O'MALLEY. Mr. Chairman, reserving the right to object, is it the intention of the gentleman to have all Members confine their remarks to 5 minutes?

Mr. DOUGHTON. That is up to the Chair.

Mr. SIROVICH. Mr. Chairman, reserving the right to object, may I ask the distinguished chairman of the Ways and Means Committee if he will grant me 10 minutes?

Mr. DOUGHTON. That is a matter within the discretion of the Chair.

The CHAIRMAN. The gentleman from North Carolina modifies his request, and asks unanimous consent that all debate on this amendment and all amendments thereto close in 45 minutes. Is there objection?

Mr. SHORT. Reserving the right to object, is that time to be equally divided between the proponents and the opponents of the pending amendment?

Mr. DOUGHTON. That is a matter that is within the discretion of the Chair.

Mr. ANDERSON of Missouri. Mr. Chairman, I would like to have 2 or 3 minutes. I have an amendment to the amendment.

Mr. DOUGHTON. That will come up later.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

Mr. FULLER. Mr. Chairman, the amendment offered by the gentleman from Virginia is quite popular but does not have any earmarks as having come from the Ways and Means Committee. It has no endorsement whatever, as far as the Ways and Means Committee is concerned, except an endorsement by the gentleman from Virginia himself.

When the question came up as to whether or not we would introduce other amendments to take the place of the item eliminated yesterday no agreement was reached. The best policy for the House to follow is to pass over this question until a later period. The worst thing that could possibly happen would be for the House to vote on the question of a tax on liquor when the Members do not know what the result of such a tax would be. When the tax of $2 was placed on liquor the tax on liquor in England was approximately $14. Since that time we have had a high protective tariff against their liquor, yet they are selling their liquor in the United States today at a much lower price than American whisky, and most of it is of a better grade.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I am sorry, I cannot yield now. If I have time I will yield to the gentleman.

If you want to get more revenue by imposing a tax on liquor, the facts should be developed. It certainly would be a poor policy to try to enact legislation of this kind at this time. The whisky business of the United States is owned, controlled, and dominated by a Whisky Trust. Everybody knows my attitude toward it. I have pending a resolution to investigate this trust. Let this bill go to the Senate, and then when it comes back to us, if we need more revenue, let us bring out a measure for a tax on liquor, or some other tax, after we have considered the matter like businessmen and like statesmen, instead of here on the floor of the House in an attempt to avoid a vote on another section of this bill. A tax of 25 cents per gallon is almost petit larceny. This trust can stand a tax of $1 more and not pass it on to the consuming public. If we are going to tax liquor more, let us get some real revenue. I know many Members will support this amendment in an effort to get revenue to take the place of that lost by striking out section I–B, so they will not have to vote to keep section I–B in the bill when the roll call comes.

Just to show you what a fertile field we could cultivate and what revenue we could get, let me assure you the cheap whisky, which is the most widely sold whisky in the United States, is nothing more than alcohol. In my younger days a man who was known as an alcohol drinker was almost ostracized from society. If you will look at most of the bottles of liquor, you will notice they bear on their labels the words "Blended liquor." Twenty percent of it is straight whisky and the rest of it is neutral spirits, and neutral spirits is nothing but alcohol colored and cut. The committee would prefer more time to consider this item, but I fear sentiment may displace judgment and the amendment be adopted.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I do not believe we should adopt this amendment. At the present time the Government gets a very splendid yield from distilled spirits. I have received this morning a tabulation from the Treasury Department which indicates that in 1935 the internal-revenue liquor-tax collections were $503,000,000, in 1936 $525,000,000, and in 1937 $592,000,000. Almost $600,000,000 was obtained from a tax at the rate of $2 per gallon. About half of these amounts annually came from whisky, rum, and gin.

If you want to kill the goose that lays the golden egg, increase these taxes. Any increase might be approaching the point of diminishing returns.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Virginia.

Mr. ROBERTSON. Has the gentleman included the tax on beer?

Mr. CELLER. No, I have not.

Mr. ROBERTSON. I believe the gentleman must be wrong. The entire revenue does not amount to $600,000,000.

Mr. CELLER. I will give the figures again. This is the report from the Secretary of the Treasury. The collections from all liquor amounted to $592,000,000 in 1937. This is not the malt tax, not the receipts from the taxes on beer. About half of five hundred and ninety-two millions are from liquor.

Mr. ROBERTSON. I beg the gentleman's pardon, but that is the revenue from the liquor tax on everything.

Mr. CELLER. Increase the liquor tax in the way suggested and you will increase bottlegging and illicit distillation. With the present tax you have sufficient temptation. Increase the tax and you increase the temptation to avoid the tax. Even today the number of seizures is large. During the last fiscal year 16,142 stills were seized having an aggregate mash capacity of 2,709,749 gallons. In connection therewith 12,365,224 gallons of mash were seized and destroyed. If you increase the tax you increase the number of seizures of illicit stills and mash far beyond the figures given and will gain nothing thereby. By raising the tax one-eighth of the full amount—$2—and the 25-cent increase would be 12½ percent of the $2 rate—you will increase the number of seizures beyond question in proportion. This was our experience during prohibition, and we should learn the lesson of prohibition. The minute you increase the taxes you increase to that extent the illicit transactions. You will increase the number of trucks and automobiles seized. Last year 4,463 automobiles were seized. In addition, 476,000 gallons of spirits carried in these automobiles were seized. The total appraised value of the property seized amounted to $3,965,360. Arrests were made of 29,477 persons for Federal liquor law violations. There were 695 major conspiracy cases investigated, and in 316 conspiracy cases terminated by court action 2,014 defendants were convicted.

Mr. KNUTSON and Mr. ROBERTSON rose.

Mr. CELLER. I will yield in just a minute. These figures even now indicate widespread violations. Such violations are solely to avoid taxes. Increase the tax in the way suggested and greater havoc will ensue.

I do not believe you would gain any revenue, because in addition to resulting decreased legal consumption there would be an increase in the cost of enforcement. Increase the tax and legal consumption decreases just as illegal consumption increases.

The amendment suggested is highly dangerous and should not prevail.

Mr. ANDERSON of Missouri. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. ANDERSON of Missouri to the amendment offered by Mr. ROBERTSON: At the end of the said amendment insert:

"(f) On and after July 1, 1938, the tax on beer shall be $2 per barrel."

Mr. ROBERTSON. Mr. Chairman, I reserve a point of order against the amendment to the amendment.

Mr. ANDERSON of Missouri. Mr. Chairman, I hope the Members of this House will not think I am presumptuous in offering this amendment. This is the first amendment I have ever offered to a revenue measure on the floor of this House and I am sincere in offering the amendment.

You desire to raise more money by taxation. I am sure the Democratic Members of this House will recall that in the campaign of 1932 their campaign promise was to give the workingman a glass of beer at a reasonable price. You have not done this. The tax on beer is so high you cannot get a 5-cent glass of beer any place today. You say you want to help labor, and by passing this amendment we will make the price of beer so low that the consumption will be increased. More people will drink beer and you will not lose 5 cents in taxes. You say you want to help labor. The more beer consumed the more people will be put to work.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Missouri. I yield for a question.

Mr. DOUGHTON. When we imposed the present tax on beer it was represented to the committee that under this tax we would guarantee a 5-cent glass of beer, but it seems the reason that is not true is because the States and local authorities have simply hoisted the tax, and if the Federal tax is now reduced, will not the State and municipal authorities increase the present tax by a like amount?

Mr. ANDERSON of Missouri. I do not think so.

You orate on this floor about helping the farmer. The farmer sells to the brewer hops and corn, rice and sugar. You say you desire to help the laboring man. This is your chance to help him and this is your opportunity to keep your campaign pledge of 1932; and I ask every Member of this House, Democrat and Republican alike, to vote for this amendment and give the laboring man a more reasonably priced glass of beer. Whisky and wine are for the rich. They can afford to pay the tax, and I agree with the gentleman from Virginia [Mr. ROBERTSON] about his tax on whisky. I do hope that you will vote for this amendment. Beer in my district is a social drink, just as coca cola is in some of the districts of other Members here. It is not used as an intoxicant. In many German homes it is as common an accompaniment to meals as coffee. There is no more reason for a high tax on it than on coca cola or coffee. In fact, there is less, for coffee and many other soft drinks have no food value, while beer has.

The common people—the people who do not attend the coctail parties of the middle class or the champagne dinners of the rich—have a right to consideration at our hands in drafting this legislation. They have no lobbyists here to raise a voice in their behalf, you Members are their only hope, and I present this amendment in the expectation that you will pass it and gratify that hope.

[Here the gavel fell.]

Mr. ROBERTSON. Mr. Chairman, I insist on my point of order that the amendment is not germane. The bill does not carry an excise tax on beer, and the purpose of the bill is to raise revenue, while the effect of this amendment would be to reduce the revenue by at least $100,000,000.

Mr. ANDERSON of Missouri. The amendment we voted on the other day reduced the revenue.

Mr. ROBERTSON. And I submit that the amendment is not germane to my amendment, which deals exclusively with distilled whisky.

The CHAIRMAN. Does the gentleman from Missouri desire to be heard on the point of order?

Mr. ANDERSON of Missouri. Yes, Mr. Chairman.

Mr. Chairman, if this amendment reduces the tax or the revenue, then the amendment passed the other day with respect to I–B reduced the tax. This amendment is just as germane as was I–B.

The CHAIRMAN (Mr. BLAND). In the opinion of the Chair, the amendment submitted by the gentleman from Virginia deals with distilled liquors, while this amendment presents a new question not germane to the pending amendment, and the point of order is therefore sustained.

Mr. SIROVICH. Mr. Chairman, in order to clarify the amendment of the gentleman from Virginia [Mr. ROBERTSON], and that you may understand what you are going to vote for, let me call your attention to the following facts. We have three kinds of alcohol:

First, beverage alcohol; second, medicinal alcohol; and third, commercial alcohol.

What comprises beverage alcohol? Under beverage alcohol we first have absolute alcohol, which is 99-percent pure alcohol; second, whisky, gin, rum, dry cognac, and brandies, which are from 47 percent to 55 percent alcohol; third, the red wines, the white wines, and the champagnes which contain from 10 percent to 22 percent alcohol; fourth, stout

ales and porter, which represent an alcoholic content of from 5 to 12 percent, and below 5 percent, beer.

Second, we have medicinal alcohol. Every vegetable, plant, and other collateral growths contain to a very great extent what we term in medicine alkaloids. These alkaloids are not soluble in water but must be dissolved in alcohol. When a solution is made of these preparations it is medicine, which is utilized to allay sickness and human sufferings and all symptoms that flow from pathological conditions.

The third form in which alcohol is used is for commerce and industry and is best known as commercial alcohol.

The Government of the United States imposes a tax of $2 per gallon on beverage alcohol and medicinal alcohol, but for commercial alcohol we removed the tax by throwing all kinds of poisons therein to denature it in order that it may not be utilized for human consumption.

The distinguished gentleman from Virginia [Mr. ROBERTSON] through his amendment may be instrumental in reviving the strife, discord, and quarrels that formerly appertained to prohibition. The problem of prohibition should be solved through education and not through legislation.

Why is this tax amendment offered? Let me tell you. We have in the United States 450,000 corporations. Eighty-eight percent of these 450,000 corporations, which amounts to almost 400,000, earn less than $25,000 a year net income which this bill has already properly provided for and which has passed the committee. The remaining 12 percent fall into the category of those who earn more than $25,000 net income a year. This bill has already provided for and approved the taxation of these corporations that earn between $25,000 and $75,000 net income a year. However, closely held family corporations, which number between 300 and 600 corporations, and which have net incomes of over $75,000 a year, plow their earnings back into surpluses, reserves, and undivided and undistributed dividends, in order to avoid income taxes. This amendment which has been offered by the gentleman from Virginia [Mr. ROBERTSON] will act as a substitute to provide the $40,000,000 which will come from the passage of his amendment. This amendment by incorporating a tax of 25 cents a gallon on alcohol is supposed to raise $40,000,000 which would eliminate the tax of 20 percent on those 300 to 600 closely held family corporations.

In my humble opinion therefore this amendment of the gentleman from Virginia will act as a consumers' tax upon over 100,000,000 people of the United States who may utilize beverages and medicines in order to protect 300 to 600 closely held family corporations so they will not have to pay their just obligations in the form of taxes to the people of the United States. [Applause.]

Mr. O'NEAL of Kentucky. Mr. Chairman, as some of you may know I am from Kentucky. As the old saying goes, "Kentucky with all her faults, we love her stills." Gentlemen, the whisky business is a lawful, legal business today and is entitled to the same fair treatment before the law that any other business is. The tax on it should be equitable and fair. We should not treat that business today as though it were an illegal business. Unfortunately it is true that the whisky business today is not treated by the Government as any other business, either by way of taxes or in any other way. In 3½ minutes I have not the time to go into that, but today the whisky business and the alcohol business are paying toward the conduct of the Federal Government, according to the last figures, $590,000,000 a year. Cigarettes and alcohol together pay into the Federal Government over $1,000,000,000 a year. That amount in my opinion is inequitable. They have reached into tobacco and into the liquor business and taken out the maximum amount. If we were to put 10 cents tax on a package of cigarettes there would be less bought, and if you place more taxes on whisky, your revenues will decrease. The whisky business alone in 1937 furnished $303,000,000 to the Federal Government, and in 1938 the figures show it was more than that. Coming from Kentucky I know that there is a great fight going on between the small distiller, the man who makes comparatively few barrels per day, and the tremendous whisky producer. Most of the small distillers can hardly carry the load today. They have not the working capital. They must pay the tax when the whisky is made, and they carry the manufacturing costs when the whisky is stored. The result is that there is not a small man in the State of Kentucky or in America in the whisky business who is not having serious trouble in carrying the load required for a working capital and loans. I regret that my time has expired. I ask you to give this more thorough consideration through a committee and not to act precipitately.

Mr. DIRKSEN. Mr. Chairman, my district in Illinois pays more whisky taxes than any other district in the United States. That fact should indicate my interest in this matter. If the logic of the gentleman from Virginia [Mr. ROBERTSON] who has offered the amendment is good, if the fact that I–B has been stricken from the bill calls for an extra tax of 25 cents a gallon on whisky, then let us strike out I–A and put another tax on beer, strike out another title and put an additional tax on tobacco, strike out a few more items and replace them with consumers' taxes, and the first thing you know you will have emasculated the entire bill and placed the taxes on the consumers of the country. The gentleman from New York [Mr. SIROVICH] is correct. Do not think for a moment the distiller will pay the tax. He does not ultimately pay the $2 tax on a gallon or the rectifying tax of 30 cents per gallon. Those are consumers' taxes that are paid by the consumers here in Washington and in New York and in San Francisco and elsewhere. If the distillers were compelled to absorb the excise taxes on liquors for as much as 3 months, they would be compelled to retire from business. This 25-cent tax would amount to approximately $25,000,000 per year and it will come out of the pocket of the consumer. If you approve this amendment, you are fastening another tax upon the consumers of the country, because this tax, like all consumer taxes, will be passed on to the man or woman who purchases a drink or a bottle of liquor. Do not be unmindful of the fact that years ago there was but a $1.10-a-gallon tax on whisky. At that time there were no State taxes. At that time there were no State gallonage taxes. The present high license fees did not obtain. Most of the States today charge from 30 cents to $1.50 a gallon.

As these various State and local taxes are imposed in addition to Federal taxes, we shall get this tax so high that the bootlegger will come back and the law of diminishing returns will set in, and instead of the $241,000,000 a year collected from whisky as in 1937 you will lose about the amount that this gentleman wants to make up with the proposed tax. Here is the report submitted to the Committee on Appropriations by the Alcohol Tax Unit. A year or two ago they were still capturing 300 stills a week, and in this last year they have been gathering up about 210 stills a week. We have made some progress in stamping out the bootlegger, but put on this tax and the traditional bootlegger will come out of the woods, and instead of raising revenue from this tax you will lose money. Here is a strange spectacle. The gentleman from Missouri [Mr. ANDERSON] wants to reduce the beer tax from $5 to $2 a barrel. Do you know how much we would lose by that proposal? We would lose about $100,000,000 a year. Now, you have another effort to increase the whisky tax by 25 cents a gallon.

One proposal would raise about twenty-five millions in revenue and other proposal would destroy one hundred millions in revenue. Is this not convincing that before this or any similar amendment is considered it should receive some investigation by the Ways and Means Committee?

I believe it is an indisputable fact that the incentive for bootlegging is in direct proportion to the size of the aggregate tax imposed on liquor. The cost of production of liquor in a home-made still is not so much less than the cost of production in a modern distillery. The illicit distiller and bootlegger who contemplates no payment of taxes can therefore measure the hazards of bootlegging against the amount of tax which he would save. If the amount is substantial, the allurements are great and the opportunities

for profit rather large. Continue to saddle the legitimate liquor industry with taxes and the harvest of bootleggers will not only go back to 300 per week where it was a few years ago but it may conceivably go much higher. The capture of 300 stills per week is no special source of pride in view of repeal of the eighteenth amendment, but it is eloquent testimony of what an onerous tax can do.

There is something altogether punitive about this proposal. Since the committee by an overwhelming vote eliminated the I–B title from the bill, somebody must be made the goat, and in this instance it will be the consumers of liquor. It may be the easy way out of a dilemma but certainly it is not the courageous way, nor does it bring much comfort to those who would ordinarily be strongly opposed to consumer taxes.

I trust the committee will defeat this proposal.

Mr. JOHNSON of Oklahoma. Mr. Chairman, the pending amendment to raise the tax on distilled liquors the insignificant amount of 25 cents a gallon ought to be enacted by an overwhelming vote. If I had my way, I would raise it considerably more than is proposed in the pending amendment. During the several years of insidious campaign on the part of the liquor interests of America, prior to the repeal of the prohibition laws the country was assured over and over that we were going to embark upon a system of high license. You will recall that the country was told that the liquor tax would be so high that it was certain to bring in more than $1,000,000,000 a year. The CONGRESSIONAL RECORD is voluminous with pre-prohibition promises of a real high license on liquor. Some of you evidently believed the liquor interests to be sincere. But the RECORD will also disclose that no sooner had prohibition been repealed than representatives of some of the brewery interests swooped down on our National Capital in an effort to defeat the very thing they had so solemnly promised would be done. You will recall when the proposal was made that the tax on liquor be at least $3 a gallon, these same liquor interests immediately had a change of front. They forgot all of their promises of high taxes on liquor. In fact, they were bitterly opposed to a small tax of $3 per gallon. I happen to know that some of the ablest members of the Ways and Means Committee felt then as now that a tax of $3 a gallon is the minimum that distilled liquor should have. Somehow, some way the brewery interests again spread their propaganda and succeeded in securing the insignificant tax of only $2 per gallon on distilled liquors, against a $12 tax in Great Britain. So now we see the sorry spectacle of the liquor interests paying only one-sixth of the tax on distilled liquors as is paid in England. Instead of the Treasury getting in excess of $1,000,000,000 in taxes on distilled liquors as was so often promised, the tax has been less than one-half the sum promised.

I repeat that in England they pay six times the tax on liquor that is now paid in the United States, and yet you talk here about this proposal as being a prohibitive tax. Much has been said about the consumer paying the bill and some of you evidently feel that this amendment might raise the price of hard liquors to the consumers. The chances are that it will not raise the price of liquor, as it is well known the brewers will charge all they think the public will pay regardless of the tax, but even if it should increase the price 3 cents to 6 cents a pint, which is the maximum that this amendment could possibly raise the price of liquor, I say to you that we could do it far better than to put the tax on the small-business man or those receiving small salaries who are unable to pay now. [Applause.]

The gentleman from Virginia should be congratulated for offering the pending amendment. It is a luxury tax. Surely those who are able to buy hard liquors, as well as those who think they are able to do so, will not object to paying this small tax. Certainly this proposal will hurt no one and will fall on the fellow who is able to pay. Here is a chance actually to raise $35,000,000 or $40,000,000 to aid in filling a rather depleted Federal exchequer, and do injustice to no one. I predict that the amendment will be adopted by an overwhelming majority. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Kansas [Mr. REES] for 3½ minutes.

Mr. REES of Kansas. Mr. Chairman, it is rather interesting in listening to this discussion to observe that those who oppose this amendment get around to a place where they seem to want to protect the poor workingman. What we are doing, if we defeat this amendment, is to further protect the whisky interests.

The law on this question, as it now stands, is a compromise. I am informed that when this particular legislation was considered by the Ways and Means Committee it was intended that whisky would be taxed for something like $3 per gallon. I am also informed that even a higher tax was considered. When the bill was considered on the floor of the House the tax was cut to $2 per gallon. This amendment raises it to $2.25 per gallon. I see no objection to taxing it for a larger amount.

We all know that whisky is a luxury and that it is not a necessity. Something has been said about a higher tax keeping people from drinking. It would be a good thing if they did not drink so much, or better still, if they did not drink at all. It is my opinion, and I seem to be in the minority, that the country would be better if whisky and other alcoholic beverages of the same kind were prohibited. Under such circumstances, we could get our revenue from other sources and the people of this country would save enough money to more than take care of the tax bill we are now considering.

But, since the law provides that whisky may be sold, and since it is a luxury, there is no reason why it should not bear a larger share of the tax income. If you defeat this amendment, you are simply helping the distillery interests of this country. Figures show that the drinking of whisky and other liquors is on the increase, and with the present attitude of this country toward the question it would seem that it would be some time before there will be any decrease in the use of it.

I am not here to support this amendment as a substitute for some other tax measure. I believe it is a fair tax. If it is a good tax we ought to support it and not support the manufacturers who are afraid that they might lose some business because of an additional tax. The raising of this extra money will not be a burden because, as I stated before, it is a tax on an unnecessary luxury. Let me suggest again that it is a scar upon the character of our country that we resort to the collection of taxes upon this product. We ought to outlaw it. So long as we are not able to outlaw it, then we should make it pay its full share of the expenses necessary for the operation of our Government.

The gentleman from New York [Mr. SIROVICH] gave us a lecture about the various ingredients in different kinds of liquors, but I do not believe he is in favor of a tax on liquor. As I recall it, he explained to the Members of the House on one occasion about the food value contained in certain kinds of liquor, comparing it very favorably with the food value of milk. The gentleman from Pennsylvania has his interests, and so it goes.

We, as Members of Congress, too often are overpersuaded because of certain interests within our own districts. We fail to give consideration to the problem as it affects the general welfare of the people of our country. Let us support this amendment. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin [Mr. O'MALLEY] for 3½ minutes.

Mr. O'MALLEY. Mr. Chairman, I rise at this time only for the purpose of giving notice that when we have acted upon the amendment offered by the gentleman from Virginia, I propose to offer an amendment to place an excise tax upon imported beers, liquors, ales, and lager, and other fermented beverages that are coming in here from abroad in ever-increasing quantities. If we must drink I believe we ought to drink American. It goes without saying, of course, that the best beer in the world is made in the city I represent; but unless some offset to the effect of the reciprocal-trade agreements is provided by excise taxes we are approaching the time when even those things like beer that we

produce here will have much of its domestic market destroyed by cheap foreign competition. If people want to drink foreign liquors, foreign beer, foreign porter, and foreign ale, they ought to pay some premium for depriving the workers and the farmers of our own country from the benefits of their drinking.

May I remind my colleagues that I came to Congress as a wet advocating repeal. I regret to see today that the liquor interests of this country refuse to see the handwriting on the wall. They are indulging in certain practices that are bringing this country again toward the brink of prohibition. The application of these higher taxes proves the growing disfavor the industry is facing. They are being represented, even here in Washington, by persons of the same unsavory ilk that did them no good in the old days, and that stoop to the same tactics that once before brought the liquor industry into disrepute. I warn the responsible and decent distillers and distributors in the industry that, unless they take steps to clean their own house, the liquor question will again confront an aroused and angry American public opinion. It is unfortunate that none are so blind as they who refuse to see, and that, if not drunk with sudden power and wealth, the liquor industry is at least so blind that they refuse to see and exterminate from their houses the rats that infest their business.

Wisconsin was always one of the wet, and sane, States of the Union, and we are proud of it. But the people of my State and city, liberal-minded, temperate, and fair, look with growing fear on some of the vicious abuses of the liquor laws and regulations that the distillers and retailers themselves ought to be the first to stop. A sensible, decent, manufacturer of any product ought to refuse to sell to those who break the laws, and in that way protect his future profits and the public against the vicious dive keeper who flouts local law and gets his license through politics and perjury. I hope, as one who always opposed prohibition, that the liquor industry will wake up before it is again too late.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. BOYLAN].

Mr. BOYLAN of New York. Mr. Chairman, I believe the offering of this amendment is the reopening of the old prohibition struggle. We were 12 years on the floor of this House trying to bring about a change in the law, which finally succeeded. During those years every one of us had the experience in his own town or city with bootlegging activities. We are familiar with the fact that law-enforcement officials were worked overtime trying to curtail bootlegging activities.

Mr. Chairman, by increasing the tax, as is proposed by the pending amendment, we are going to make the bootlegging field wider. We will make the cost of production and the marketing of lawful liquors so high that again bootleggers will be rampant throughout the country. We have heard figures given today as to the number of illicit stills discovered and seized during the past year. This will increase. If we make the tax higher, it will obviously encourage the operation of illicit stills. Furthermore, it will defeat the very purpose of the tax. Instead of securing additional revenue we will secure less revenue.

Again, you enter into the field of medicine. As was stated, everyone who takes medicine will be affected, as many medicines contain distilled spirits, especially pure alcohol. You reach into the sick room and put this tax there. In other words, you make sickness more expensive. You also reach into the home of every family in this country, because you put a tax on flavoring extracts in the manufacture of which distilled spirits—alcohol—is essential.

You will have everybody in this country drinking contraband liquor, otherwise known as "white mule," and you know what "white mule" is. You get illicit alcohol, some sugar and water, then shake it up. It is terrible stuff if you can stand it. It is the product of our lawless stills. I see gentlemen from the mountain districts smiling. It is known to be prevalent in those particular sections.

As I have said, the adoption of the present amendment will defeat the very purpose of securing additional revenue. It has been said by students of legislation that no bill can be properly written on the floor of the House. An able committee has been working for weeks and months in the preparation of this bill, yet, we presume, without study, without hearings, without having anyone interested in the matter to give us proper facts and figures, to put an additional tax burden on a particular commodity of innumerable legitimate chemical uses and which represents enormous invested capital. This tax has no merit whatsoever and it should not be favorably considered by us.

Mr. Chairman, in my opinion, the amendment should be defeated.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Missouri [Mr. SHORT].

Mr. SHORT. Mr. Chairman, I am happy to rise today in support of the amendment offered by our distinguished colleague from Virginia [Mr. ROBERTSON]. [Applause.] There have been moments during the past few dark and dangerous years through which we have been passing when I have felt genuinely proud to be counted a Member of this body. On yesterday we had one of those moments, when our very able and genial colleague from Massachusetts [Mr. MCCORMACK] pleaded so eloquently for and so splendidly succeeded in having his amendment adopted, which prohibited a discriminatory, unfair, and unjust tax from being placed upon closely held family corporations.

By defeating what in my judgment was a very nefarious and iniquitous provision of the pending bill, we were told we would lose from thirty-five to forty million dollars in revenue; but if we now adopt the pending amendment offered by the gentleman from Virginia, we will raise the money that would have been raised had not the closely held family corporation been defeated.

It seems to me this is not a wet and dry question. It is a question of whether any person in this country who can afford to pay 30 to 60 cents for a highball cannot afford to pay 3 cents more on each pint of liquor he consumes. Very many workers of our country would have been threatened with unemployment and possibly thrown out of their jobs had we adopted the corporation tax principle of closely held family corporations. I regret that, while we were about it, the House did not repeal outright the tax on undistributed profits and also materially modify the capital-gains tax.

After the membership of this body on both sides of the aisle on yesterday forgot politics and put the welfare of their country above their own party, which was one of the most encouraging signs we have witnessed here in years, and when we voted to repudiate this objectionable, inordinate, insufferable, incredible, and indefensible tax on close corporations that would have defeated the very purpose for which it was intended, by shutting down business and industry, throwing men out of work and adding to our relief rolls, I regretted the tactics employed which followed the vote. After we succeeded in agreeing to the amendment offered by the gentleman from Massachusetts [Mr. MCCORMACK] by a decisive vote, the House suddenly adjourned at 2:30 in order that there might be a round-up of the Democratic membership; so that your leaders might corral you boys and put the hot iron to you. I do not know what promise of reward or threat of reprisal has been made, but I know that 3 years ago when we held exhaustive and thorough hearings in the Military Affairs Committee on the T. V. A., we succeeded in tabling that bill by a vote of 13 to 12. Some of the Members on the majority side were called down to the White House and after the pressure was put on, after the blowtorch was turned on, one of the Members changed his vote and by the narrow margin of a single vote that bill was reported out, although during the hearings sufficient evidence was heard to warrant an investigation of the T. V. A. at that time. It goes to show when you are forced and coerced to surrender your own independence of thought and character, what a god-awful mess

you can get this country into and we are in just that kind of a mess at this time.

I hope the Members of the House will stand by the decision they made yesterday and refuse to reverse themselves and will vote for the pending amendment. [Applause.]

Mr. O'CONNOR of New York. Mr. Chairman, I rise in support of this amendment. [Applause.]

I had something to do with the repeal of the eighteenth amendment. At that time I advocated a high tax on liquor because I stated the tax on liquor is never reflected in the price, and that the Whisky Trust, which still controls the situation, would charge all the traffic would bear and the price would be what it is today if there were no tax whatever on whisky. We finally put a tax of only $2 a gallon on whisky. That was over my objection. I fought for a $5 tax. The whisky which you bought before prohibition for 90 cents a quart still costs $3 to $4 a quart. Therefore, the tax bears no relation to the price, and the addition of 6¼ cents a quart to the cost of whisky would not be reflected in the price. It should in fact be at least $2 a gallon more, and I hope that amount is added to this bill in conference.

You may say the tax is passed on to the consumer. Where do you get any taxes? You do not get them off trees or from corporations themselves. Individuals or corporations do not reach up into the air and get their taxes. Of course, the ultimate consumer pays all taxes.

There has been talk here about increased taxes bringing back the bootleggers. The bootleggers controlled the entire whisky production of this country during prohibition and those same individuals controlled all whisky when we repealed the eighteenth amendment, and they are still in control. They were bootleggers during prohibition. Some of them have settled with the Government within recent years for millions of dollars in taxes.

I have never subscribed to the theory that Congress should be concerned for the purveyors of whisky. My concern has always been for the consumer, the only one in whom we should be interested. I believed at the time when prohibition was repealed that a fatal mistake was made in not putting a $5-a-gallon tax on whisky, because the price today would be no more and the Government would have got the additional income. Because of the concern of some people for the ex-bootlegger distillers, our Government has lost hundreds of millions of dollars in revenue.

Just in passing, I hear rumors of a plot to reduce by the American-British trade treaty the tariff on Scotch whisky from $5 to $2 a gallon. Watch that. I warn you. See who is manipulating that movement in this country and abroad. The millions in commissions and fees to parties, if successful, will be most interesting.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR of New York. I yield for a brief question.

Mrs. ROGERS of Massachusetts. The gentleman knows that under the reciprocal-trade agreement the tariff has been reduced 50 percent and much more on distilled liquors as well as on beer.

Mr. O'CONNOR of New York. I do not know it. If it is so, I for one will protest it and denounce the scandal involved.

Mrs. ROGERS of Massachusetts. I was sure the gentleman would.

Mr. O'CONNOR of New York. This amendment seeks to impose an additional tax of 25 cents a gallon on whisky. If I had my way, I would raise the tax at least another dollar, so this Government would get additional revenue. The consumer would not be at all hurt, because he is paying three and four times the cost of the whisky. The testimony before the Committee on Ways and Means of all the distillers was that you could not possibly spend over 50 cents a gallon in making whisky. Therefore, let us impose this tax and get revenue for the Government. [Applause.]

The CHAIRMAN (Mr. WOODRUM). The question is on the amendment offered by the gentleman from Virginia [Mr. ROBERTSON].

The question was taken; and on a division (demanded by Mr. CELLER) there were—ayes 160, noes 34.

So the amendment was agreed to.

Mr. THOMPSON of Illinois. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. THOMPSON of Illinois: Page 304, after line 18, insert a new section (702½), to read as follows:

"Section 601 (c) of the Revenue Act of 1932, as amended, is further amended by adding at the end thereof the following new paragraphs:

"'(9) Pork, bacon, hams, sides, shoulders, loins, and other pork, including fresh, chilled, frozen, cured or cooked, steamed, prepared, or preserved, 6 cents per pound.

"'(10) Pork joints, sweet pickled, fresh, frozen, or cured, 3 cents per pound.

"The tax on the articles described in paragraphs (9) and (10) shall apply only with respect to the importation of such articles after 60 days after the date of the enactment of such paragraphs and shall not be subject to the provisions of subsection (b) (4) of section 601 (prohibiting draw-back) or section 629 (relating to expiration of taxes).'"

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this title and all amendments thereto close in 1 hour.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that all debate on this title and all amendments thereto close in 1 hour.

Permit the Chair to make the statement that there are now on the Clerk's desk 12 amendments to this title which have not yet been considered.

Mr. DIES. Mr. Chairman, there are some important amendments here. I believe an hour is too short a time. May I suggest that we have an hour and a half of debate?

Mr. DOUGHTON. Mr. Chairman, I withdraw the request and will renew it later.

Mr. THOMPSON of Illinois. Mr. Chairman, this amendment is designed to impose an excise tax upon the importation of pork and pork products. I have long been a believer in the use of excise taxes to protect the domestic production of agricultural commodities in this country. I have chosen this particular commodity on which to offer an amendment for the reason that to the best of my knowledge pork and pork products are not covered in any of the reciprocal-trade agreements that have been entered into by the State Department and the President of the United States.

The importations of pork, coming principally from Poland, and those countries which use the free port of Danzig, are most alarming. In 1934, according to the figures of the Tariff Commission, we imported 1,648,000 pounds of dressed pork. In 1935 this figure grew to approximately 10,500,000 pounds. In 1936 it had stepped up to about 42,000,000 pounds. In 1937 importations reached the alarming figure of 74,682,000 pounds of dressed pork.

This is a lot of pork. It is the equivalent of half a million dressed 150-pound hogs. I am told that at the Chicago stockyards, the largest stockyards and the largest hog-killing plant in the world, they kill only about a million and a half hogs per annum. If we permit pork and pork products to come into this country, it seems to me we should get some revenue from them in the form of an excise tax. Some of the opponents of this excise tax say the pork that comes in from Poland is very palatable, that it is a luxury, and is better pork than we produce in the United States.

If that is the case, there is justice to this amendment, which would impose and collect a 6-cents-per-pound tax on this pork, which is said by some to be to our people a luxury. However, let us see if it is a luxury. During the last year, as I have said, approximately 75,000,000 pounds of this pork came in, and what was the price? The average price, according to the Tariff Commission, of this pork was less than 24 cents a pound at seaboard, and, certainly, this does not sound to me like a luxury. It sounds to me like it is a cheaper grade of pork than what we produce here in the United States.

We have a tariff on pork, and the comparable tariff on these loins, hams, and bacon under the Hawley-Smoot Act

is 3¼ cents. If we add this tax there will be an income of approximately $5,000,000 to the Treasury of the United States and at the same time we will be affording American agriculture and the great meat-packing industry a protection against the marketing of one-half of a million 150-pound dressed hogs which we know would consume millions of bushels of corn if they were produced in this country and would create a substantial amount of purchasing power on behalf of the American farmer in general.

Therefore, I hope the committee will see fit to adopt this amendment because, as I have stated, to the best of my knowledge it does not in any manner conflict with any of the reciprocal-trade agreements that the State Department thus far has entered into on behalf of the United States.

I strongly urge that the amendment be adopted.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment. I regret very much to have to oppose the amendment offered by my friend and distinguished colleague, who is such an able and useful member of the Committee on Ways and Means, but I feel it would be inadvisable at this time, without further consideration having been given to the matter, to adopt the amendment.

Of course, we all know that in substance this is a tariff amendment, and being a farmer myself I am always in favor of the farmer having adequate remuneration and receiving a fair price for his commodities, but we all know that the price of pork and pork products for the last few years has been reasonably high. There can be no reasonable complaint, in my judgment, about the price the farmer has received for his pork products during the past few years, especially since the drought out in the great corn-producing sections of the West and Middle West when there was not adequate production of corn to produce sufficient pork to feed the American people. While I am always pleased to see the farmers get a good price for their commodities, at the same time I do not want to see the consumer penalized by being required by law to pay an unreasonable price. I think a fair balance between the producer and the consumer should always be maintained.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KELLER. I would like to know what other countries are exporting pork to this country?

Mr. DOUGHTON. I could not furnish the gentleman that information, but I do know that this will conflict, as we all know, with the tariff policy of the present administration and conflict with our reciprocal-trade relations, that law having been adopted by Congress and now being administered by the Secretary of State. We certainly ought not to throw a monkey wrench into the machinery administering that law at this time.

I therefore hope the amendment will not be adopted.

Mr. O'TOOLE. Mr. Chairman, the gentleman from Illinois [Mr. THOMPSON] has classified this imported pork as not being a luxury article of trade. The market price of imported pork today in the city of New York is 41 cents a pound as compared with the domestic pork price of 32 cents a pound.

I do not appear here in the interest of the pork growers of Europe, but I do appear in the interest of 325,000 people in the city of New York who are engaged in foreign commerce. Foreign commerce among civilized nations is a natural process. Besides the 325,000 people engaged in foreign commerce in the city of New York there are millions of people throughout the Nation in every coast city who are engaged in and responsible for the moving of commerce and making their living out of it.

The gentleman from Illinois [Mr. THOMPSON] did not tell you that boiled pork was first imported into this country in 1930, according to the figures of the Department of Commerce. At that time Poland took from the United States $81,000 of cotton. Seven years later, after exporting hams here, she took $11,986,000 worth of cotton. Czechoslovakia, the other ham exporter, 7 years ago took $14,000 worth of cotton from this country, and last year she took $381,000 worth, an increase of 700 percent.

It is just as essential for the people living in the large cities and for the manufacturers and the cotton growers to live as it is for the native pork growers. This is their manner of making a living.

We must encourage trade agreements, and at the present time a reciprocal treaty between Poland and the United States is being drafted by the Secretary of State, Mr. Hull. [Applause.]

Mr. FRED M. VINSON. Mr. Chairman, will the gentleman yield?

Mr. O'TOOLE. Yes.

Mr. FRED M. VINSON. The gentleman has made a splendid speech and given much information to the House. Did I catch the figures correctly that imported pork in New York is selling for 41 cents a pound?

Mr. O'TOOLE. Yes.

Mr. FRED M. VINSON. And the domestic article for 32 cents a pound?

Mr. O'TOOLE. Yes.

Mr. THOMPSON of Illinois. But the gentleman agrees that as yet there has been no reciprocal trade agreements negotiated with Poland and others that use the free port of Danzig.

Mr. O'TOOLE. But it is being made now.

Mr. THOMPSON of Illinois. But does not the gentleman think that Congress should assert itself before these agreements are signed and sealed?

Mr. FRED M. VINSON. The domestic product sells at 32 cents a pound and the imported article at 41 cents a pound. It seems to me that there must be some reason for that increase in price.

Mr. O'TOOLE. The average ham runs about 12 pounds, and in a food product where there is a difference of from 8 to 10 cents a pound, which means about 96 cents to $1.20 a ham, it makes the article very much a luxury.

Mr. THOMPSON of Illinois. Is that the same kind of pork, or is the gentleman comparing boned ham with ordinary pork ham?

Mr. O'TOOLE. Both the same.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. SAUTHOFF. Mr. Chairman, I offer the following amendment as a substitute for the amendment offered by the gentleman from Illinois.

The Clerk read as follows:

Amendment offered by Mr. SAUTHOFF as a substitute for the Thompson amendment: Page 309, after line 7, insert a new section as follows:

"SEC. 711. Tax on agricultural products.

"Section 601 (c) of the Revenue Act of 1932 is further amended by adding at the end thereof a new paragraph as follows:

"'(9) Agricultural products and provisions, a tax equal to the difference in cost of production (as defined in sec. 336 of the Tariff Act of 1930) of such products produced in foreign countries and like or similar domestic products: *Provided*, That the tax imposed by this paragraph shall apply only with respect to the importation of such articles.'"

Mr. COOPER. Mr. Chairman, I reserve the point of order on the amendment.

Mr. SAUTHOFF. Mr. Chairman, I wanted the committee to have an opportunity to show how much it thought of protecting the farmers of the United States. Every time a farm bill comes up, there is an objection made, either a parliamentary objection, or it dies in committee, or it is defeated on the floor, with the argument that it raises the price to the consumer. Evidently the majority does not seem to understand that the workmen of the United States will never have a market in which to sell what they make, until the farmers of the United States can pay for it, and as long as you permit the products of 30,000,000 acres of agricultural land to be imported from other countries to come into this country and undersell our products, just so long will it be necessary to subsidize the farmers of the United States.

We learned only recently that for every $100 of income that the farmer of our country has received during the past year

$18 of it has been a subsidy granted by this Government. Who pays for that subsidy? Does not your consumer pay for it? Of course, he does. He is taxed for it. The gentleman from Illinois says that he is in favor of putting a tariff on products that are introduced. He does not call it a tariff, he calls it an excise tax, trying to get out from under by substituting a different name, but he undermines the dairy industry with section 707, which he himself introduced. The shoe pinches when you put it on the other foot. Let me also call attention to the fact that in the independent offices appropriation bill which you are going to consider pretty soon, the dairy industry was again undermined in the other body by inserting in that bill a provision that oleomargarine may be sold to the institutions that are housing our veterans. You and I would not serve it on our tables, but the same Democratic majority that has undermined the dairy interests in this House also undermined the dairy interests in the other House by saying it is good enough for the veterans. Let them eat oleomargarine.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. The amendment offered by the gentleman from Illinois refers to particular products of livestock. The amendment of the gentleman from Wisconsin to the amendment of the gentleman from Illinois undertakes to bring in all agricultural products and is clearly subject to the point of order that it is not germane. The Chair, therefore, sustains the point of order.

Mr. THURSTON. Mr. Chairman, I join with and commend the gentleman from Illinois [Mr. THOMPSON], who so clearly and convincingly presented the subject matter which he introduced to the House. Cumulative evidence is not needed. There are two phases of the subject I desire to emphasize. The gentleman from Illinois has supplied you with figures in relation to the excessive importation of this product, but there are some other matters which are collateral yet highly important to this same subject. This week the Interstate Commerce Commission authorized the railroads to increase their freight charges 5 to 10 percent on different agricultural commodities. These imported products come to our seaboard by water transportation, and the cost of transportation of these products has not been increased, and in that respect a further disadvantage accrues to the farm products of this country within the last few days. The average farm product is transported 800 miles to reach the processor or consumer. We know that any article transported from Argentina or Australia or these other great agricultural countries comes to our coast for one-fourth of the amount charged by the railroads of our country for transporting the products of the farm from the interior sections of the country to the center of consumption or the seacoast. Only recently we passed a Soil Erosion Act. One of the prime purposes of that legislation was to discourage undue production of the farm, because the farmers have not been obtaining a fair price for their product. If those of you who supported that legislation want to be logical, they will join with and support the gentleman from Illinois and thereby place this additional barrier against farm products coming from abroad, which tend to unduly lower the price of farm products here. Last year I offered an amendment to increase duties on all farm imports 25 percent. It was defeated. This proposal merits your support.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from New Jersey [Mr. SEGER] for 2½ minutes.

Mr. SEGER. Mr. Chairman, I compliment the distinguished gentleman from Illinois [Mr. THOMPSON], a member of the Ways and Means Committee, on becoming partially tariff-minded, even if only so far as to impose 6 cents a pound on imported pork, and I am going to support his amendment.

I hold in my hand a letter from the Herrman Co., wholesale grocers, of Paterson, N. J., which tells a timely story—one disheartening to the American farmer as well as the American consumer. Let me read it:

PATERSON, N. J., *March 1, 1938.*

Hon. GEORGE N. SEGER,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN SEGER: We enclose a circular from a New York house offering to sell turkey and chicken, etc., packed in Poland.

For the past 3 or 4 years this market has been flooded with ham and other pork products packed on the other side. This seems to be growing, and we are anxious that you should know about it. Certainly we produce enough food products in the United States without importing from the other side. Don't you think so?

Very truly yours,

THE HERRMAN CO.,
W. G. POELSTRA, *Secretary.*

The circular referred to in Mr. Poelstra's letter advertises various meats, including chicken, turkey, duck, and so forth, and the slogan emphasized is, "Tonight—and every night—dine on imported meat."

Yes; it is coming in from Poland, from Denmark, and any number of countries. Here are the figures of the Department:

The United States, for years the world's most important bread basket, apparently now needs the help of others to assist in feeding its people. The Department of Agriculture reports that in the year ended June 30, 1937, we imported 18 percent more competitive agricultural commodities than we exported. Competitive agricultural commodities are those which could have been produced in this country at reasonable prices to the American consumer.

This condition is due to the contradictory policies of the administration. One of the most obvious causes of the current depression is the absurd domestic agricultural policy of restricting production and raising agricultural prices, while at the same time the administration, through reciprocal-trade agreements, is lowering the tariff barriers. As a consequence of these policies we find that our imports of canned meat have risen from 22,862,000 pounds in 1932 to 88,087,000 pounds in 1937. At the same time our exports of canned meat have moved from 11,420,000 pounds in 1932 to but 13,752,000 pounds in 1937.

Our exports of pork products—a commodity of which we were for years the world's principal source of supply—have dropped from 107,567,000 pounds in 1932 to 56,135,000 pounds in 1937. At the same time our imports have risen from 5,683,000 pounds to 74,830,000 pounds. This condition is due to the absurd policy of destroying millions of pigs. Because of this destruction we find the Department of Agriculture, in the Farm Outlook for 1938, reporting:

> The number of hogs slaughtered in the present marketing year, October through next September, is expected to be somewhat smaller than the 34,000,000 head slaughtered in the previous year. It will be much below the average slaughter of recent years, which ranged from 41,000,000 to 49,000,000 head.

These absurd and contradictory policies have caused the Department of Agriculture, in the same report, to inform the American farmer:

> Our export market for pork products has dwindled to a very small outlet. In the 5 years 1925–29 the annual exports of hog products were roughly equivalent to 7,000,000 hogs, or about 15 percent of our total slaughter. In 1936 our exports were equivalent to only 1,000,000 hogs, or about 3 percent of the inspected slaughter.

This policy has meant higher food prices for the American consumer and better business to the foreign farmer.

Now, going back to the circular sent me by my friend from Paterson, it contains some high-pressure advertising for these foreign meats. There is an inference that when you partake tonight you might not notice any difference between the imported and the American product, so you are admonished to "eat hearty" of the foreign food. In other words, just stuff it

or cram it down. Thus burdened, you are no longer discriminating and are in fine fettle to ponder on your tax bills. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. DINGELL] for 2½ minutes.

Mr. DINGELL. Mr. Chairman, 2½ minutes is scarcely time enough to cover a question so important as the one involving the amendment proposed by my colleague from Illinois. The Ways and Means Committee listened to his proposal, and it was deemed inadvisable to go into that question, because it may conflict with the administration's reciprocal-trade agreements. It was not, therefore, acted upon. I think it is grossly unfair to propose a matter of this importance to the House and expect action without careful study as to effect upon the commerce and trade between the two friendly nations.

Let me point out, particularly to my colleagues from the South, that only recently the Republic of Poland placed an order for American cotton, paying cash on delivery; the order was said to be one of the largest ever placed in this country. This order will pay for enough cotton to buy 10 times as many hams as have been imported in the past year. Poland buys far more than she sells to us. The Republic of Poland is fast growing into one of our foremost cash customers. If she can sell a small amount of high-priced hams in the United States, she will in turn buy our cotton and our automobiles, and our workers will buy American ham faster than you can slice it.

I am not a free-trader; I am in favor of protecting our industry, but you cannot argue me into the idea that a ham which is handicapped by 30-percent added cost laid down in New York without inclusion of tariffs or excise taxes, is in competition with our American-made hams; Polish ham sells in the big cities for about 90 cents a pound, whereas our American ham sells for about 60 cents a pound. Therefore our American hams do not need this added protection against Polish hams, because they are more costly than our American hams before they reach our shores.

The question is, Does this House want to kill off our very best customers, stifle trade and commerce, interfere with the reciprocal policy which has been so helpful to our American industries and to the farmers? Do we want to surround ourselves with a barrier excluding the products of all other countries and absolutely paralyze commerce between two friendly nations?

I am trying to reflect the attitude of my people, who are in favor of the administration's trade policy. I was invited to and attended one of the largest gatherings of the kind held in Detroit sometime ago. Then and there it was agreed that a one-sided commerce was impossible; that we could not send our ships to foreign shores laden with goods and farm products and expect the same ships to return in ballast. When our industries sell their products to foreign countries they employ labor, and labor will buy all kinds of pork products, including ham, and in quantity, to more than make up a small amount of imports.

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Nebraska [Mr. COFFEE] is recognized for 2½ minutes.

Mr. COFFEE of Nebraska. Mr. Chairman, I arise in support of the amendment offered by the gentleman from Illinois [Mr. THOMPSON]. [Applause.]

This is probably the only chance we shall have to correct the inequality of the tariff law as it pertains to pork products. I believe in a fair and reasonable tariff on agricultural products as well as on industrial products. However, our present tariff fails to protect the American farmers against the importation of pork products, especially the canned hams that are coming in from Poland.

The present tariff on these canned hams is 3¼ cents per pound, less than 10 percent ad valorem. The amendment offered by the gentleman from Illinois will impose on these imports an excise tax that will afford the necessary protection to the livestock industry in this country against these importations of canned ham.

Last year we were importing about a million pounds of canned ham per week, most of which came from Poland. This is the equivalent of the hams from 60,000 hogs per week. I want to raise this question here and now: Can we justify restricting the sale or production of corn or hogs in this country unless we are willing to curb the importation of competing products from foreign countries? Preserve the American market for the American farmer. He is, after all, the best buyer of your industrial products. When the farmer prospers, the Nation will prosper.

Pork is the chief competitor of beef, and if pork prices are demoralized, it will depress the price of beef also.

The livestock feeders have been suffering terrific losses. Unless we show our willingness to protect the domestic producers against foreign imports, it will be impossible to stabilize prices at a fair level.

Support this amendment and help protect the livestock industry. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Kansas [Mr. CARLSON] is recognized for 2½ minutes.

Mr. CARLSON. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Illinois [Mr. THOMPSON], which amendment will increase the tariff on fresh and cured pork products. It is distressing to learn that during the year 1937 we imported from Poland Polish hams which would total the production of hams from 40 percent of the hogs marketed at Chicago during the year. Chicago is the largest meat-packing center in the world and also processes more pork products than any other city in the world. This 40 percent of the hogs butchered in that city equals approximately 1,500,000 head of hogs, according to a statement recently issued by Mr. D. M. Hildebrand, of Seward, Nebr., national president of the United States Livestock Association.

Now, I know it will be said in the argument on this amendment that because of the reciprocal-trade agreements we are furnishing a market for a large number of other manufactured products in Poland, but I wonder what about the market that 1,500,000 head of hogs would have furnished in the United States. Think of the feed they would have consumed, the transportation which would have been required, and the labor they would have furnished in the processing and distribution of the meat. It occurs to me that our best market is the American market, and that the farmers and laborers of this country are entitled to it. During last year, as has been stated, we imported 38,000,000 pounds of canned ham into the United States, and I am advised that during the first 14 days of this year we imported 815,000 pounds of pork products. Surely, no one can say that the farmers of this country have been making enormous profits on hogs. In fact, it is generally admitted that the 1937 crop of spring pigs was marketed at a loss.

While I am discussing importation of pork products I would like also to mention the great increase in the importation of cattle. In 1937 we imported 500,000 head of cattle and calves for slaughter. The bulk of these cattle came from Canada or Mexico, the Canada cattle furnishing most of those weighing 700 pounds or more, and the group from Mexico falling in the group weighing under 700 pounds. Is it not fair to assume that these same cattle, had they been produced in the United States, would have consumed an enormous quantity of grain and feed? Surely no one is going to contend that with a drop of $10 per hundredweight in cattle from last October until the present date that the cattle producers are making money. It is a matter of fact that the cattle feeders are marketing the cattle they purchased last fall and receiving in return the same number of dollars they paid for them after feeding them from a hundred to a hundred and fifty days.

In conclusion I wish to ask how many millions of dollars do you think has been lost to the producers and consumers by the importation of these commodities? Again I ask the House to adopt this amendment. [Applause.]

The CHAIRMAN (Mr. WOODRUM in the chair). The question is on the amendment offered by the gentleman from Illinois [Mr. THOMPSON].

The question was taken; and on a division (demanded by Mr. THOMPSON) there were—ayes 83, noes 67.

Mr. DOUGHTON. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. DOUGHTON and Mr. THOMPSON to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 107, noes 88.

So the amendment was agreed to.

Mrs. NORTON. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

On page 301, lines 18 and 19, strike out the words "tooth and mouth washes, dentifrices, tooth pastes or toilet soaps" and insert in lieu thereof the word "articles."

Mrs. NORTON. Mr. Chairman, in offering this amendment I am speaking on behalf of the 64,000 beauty shops in the United States and their more than 10,000,000 women customers, most of whom are wage earners.

There is no reason why the tax on tooth washes, dentifrices, and toilet soaps should be repealed and have a 10-percent tax on all other toilet preparations. It is a most unfair discrimination against women and the tax should be repealed on all toilet preparations to be entirely just.

By way of explanation, may I say that over a year ago I introduced a bill for the entire abolition of the 10-percent tax on toilet articles and when this matter was before Congress last June I offered an amendment to the resolution for the same purpose.

I stand now where I stood then and I have introduced this amendment lowering the tax as a measure of partial justice in the hope that Congress will give some relief to the women of the country and the industry from the burden of this discriminatory and unjustifiable tax.

It has been repeatedly stated that in drafting this measure the committee aimed at the elimination of tax inequalities with no intention of discriminating against any class of taxpayers. In this attempt they have in the main succeeded, but I call your attention to the gross inequity of a bill which removes the tax from admitted luxuries such as furs, while accepted necessities such as toilet preparations, other than soaps and dentifrices, remain subject to the drastic 10-percent tax, which in the major part falls on woman alone.

The removal of the tax from furs means the removal of a high yield from an admitted luxury. Figures are that in 1937 the fur-tax yield was $6,000,000, with an estimated 1938 yield of $7,000,000. Against this, the toilet preparations yield in 1937 was $11,000,000, of which $2,500,000 is estimated as back taxes. I do not object to the removal of the tax on furs. I did not object to its removal from jewelry. I merely comment on the irony of these eliminations while the tax on toilet preparations is continued.

Barbara Hutton can return to America to clip coupons and while here purchase a $25,000 sable coat and a $600,000 pearl necklace and under this bill pay no tax on either item. I submit that women of small incomes, whom this tax on toilet preparations hurts the most, will question the fairness of a measure which removes the tax on sable coats and pearl necklaces, which belong only to the rich, and continues a tax on everyday toilet necessities of those who work for a small weekly wage.

Substantial proof that toilet preparations are necessities and not luxuries is in the fact that they are used in every hospital in the United States. Moreover, in the 5- and 10-cent stores the units sold run into some hundreds of millions. Certainly, if they were luxury items they could not be sold to the women of this country in such quantities nor to so high a percentage of the total population.

I am in a position to state that those conversant with employment agencies, employment and conditions of labor are agreed that toilet preparations are an absolute economic essential to women engaged in commerce and industry. The census of April 1930 shows that there were 10,752,000 women thus employed; they pay the major portion of the tax and to them toilet preparations are an economic necessity in getting and keeping their jobs.

I am, moreover, deeply interested in the manner in which this tax affects employment and conditions of labor. I have before me, as no doubt you also have, a letter from the president of district 50 of the United Mine Workers of America, attached to which are copies of resolutions adopted by six of the local unions under his jurisdiction. This message points out the injustice of the tax to their members, all of whom are employees of cosmetic manufacturers. It states that the tax has increasingly reduced employment, has affected and is affecting adversely wage scales in the industry and has prevented the expansion which would have been normal and increased employment. It also stresses that the tax has affected adversely the wages, hours, and employment of the hundreds of thousands of employees in the estimated 64,000 beauty shops in the country. There are on the average 150 beauty shops in each congressional district with an average of 750 employees. They are vitally interested in removing this burden from the industry in which they gain their living. I submit that, directly or indirectly, the tax affects employment and wages of some 400,000 people engaged in distribution and approximately 100,000 engaged in production.

How can we justify ourselves in leaving such a heavy burden on them while eliminating the tax from the richest furs, the most expensive jewelry, and every known luxury?

[Here the gavel fell.]

Mrs. NORTON. Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the RECORD, and include some very interesting statements that I have received in connection with this question.

The CHAIRMAN. Without objection, the gentlewoman from New Jersey may revise her remarks in the RECORD, but permission will have to be secured in the House to include extraneous material.

There was no objection.

Mr. COOPER. Mr. Chairman, I rise in opposition to the pending amendment.

Mr. Chairman, naturally I regret to have to rise in opposition to an amendment offered by the distinguished gentlewoman from New Jersey. However, may I invite the attention of the House to the situation presented by the amendment?

In 1937 this tax yielded about $11,677,000. It is estimated to yield in 1938 about $17,500,000. The purpose of the pending bill is to raise revenue for the Federal Government.

Mrs. NORTON. Will the gentleman yield?

Mr. COOPER. I yield to the gentlewoman from New Jersey.

Mrs. NORTON. Will the gentleman explain to the House why the tax was removed from certain articles and not from all toilet preparations? Does not the gentleman feel that this places a discriminatory tax on women?

Mr. COOPER. Mr. Chairman, I shall be glad to endeavor to reply to the distinguished gentlewoman from New Jersey.

Certain excise taxes are recommended to be repealed in the pending bill. Those included under the recommendation for repeal were submitted by the Treasury Department and were selected with two ideas in mind: One was the comparatively small amount of revenue yielded by the tax and the other was the difficulty of administering and collecting the tax on a particular item.

The statement was made a few minutes ago that this is a tax on the women and on the beauty parlors of the country. The fact is that the law levies the tax on the manufacturer, the producer or the importer. The tax is 10 percent on cosmetics, and high-priced toilet preparations and is definitely levied on the manufacturer, producer, and importer. The tax is not placed upon the beauty-parlor operators unless they manufacture the cosmetics that they use. Certainly at this time when we are exerting every

effort and bending every energy to try to raise the required amount of revenue to finance the Federal Government, however desirable an amendment might be, we cannot afford to lose the amount of revenue that would be lost by this amendment, if agreed to, which is estimated for 1938 at about seventeen and one-half million dollars. Therefore, the committee is opposed to the amendment and asks that it be voted down.

Mrs. NORTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentlewoman from New Jersey.

Mrs. NORTON. Will the gentleman consider a reduction of the tax from 10 percent to 3 percent if I should withdraw the pending amendment and offer another to make the tax 3 percent instead of 10 percent?

Mr. COOPER. We would be delighted to accord the gentlewoman that consideration, but we just cannot lose the money. We must have it.

Mrs. NORTON. You have just added a lot of money by increasing the tax on whisky.

Mr. COOPER. We lost money here yesterday, too, as the gentlewoman well knows.

Mrs. NORTON. I know; but the tax on whisky will more than compensate for that loss.

[Here the gavel fell.]

Mrs. ROGERS of Massachusetts. Mr. Chairman, I move to strike out the last word.

Mrs. ROGERS of Massachusetts. Mr. Chairman, I know the members of the committee did not mean to be cruel in having this tax remain in the bill. I wonder how many Members of the House have worked, as I have, with the mentally sick? I wonder how many Members of the House have mentally sick in their own families? I wonder how many Members of the House realize that happiness and cheer oftentimes mean the cure of a mentally sick patient. I could prove that statement if the Members were interested in finding out its truth.

In yesterday morning's Washington Post there was an article by Mr. Gerald Gross regarding the treatment of the patients at St. Elizabeths Hospital. The heading is "Beauty Parlors Help Reclaim Mentally Ill." In his story he quotes Dr. Overholser, the head of the institution. Dr. Overholser is a Massachusettsan, a veteran, and a very able psychiatrist. The article goes on to say a permanent wave and a manicure, by helping the sick patients look better, have a very beneficial effect on their mental condition. The article in part is as follows:

PRIMPING HELPS WOMEN

In every line of endeavor the object is treatment, rather than production. An exception is the beauty parlor. Rather, the beauty parlors, for there are several of them in the various female wards. Their value, says Dr. Overholser, is not only as a labor medium, but still more important, the primping and sprucing up of the women seems to have a markedly beneficial effect on their mental conditions.

"It is astonishing," said the superintendent, "how they perk up with a hair wave, a manicure, or shampoo. The service offered is fairly complete, although permanent waves are not given because that operation is rather a delicate one."

He was surprised and gratified at the success of the class in esthetic dancing which was begun since he came to St. Elizabeths. An outside volunteer is in charge of the group, which assembles twice a week. A patient plays the piano.

"There are now about 20 taking lessons," Dr. Overholser said. "The pupils are intensely interested in this novel form of therapy and it is working noticeable improvement."

These cosmetics have a very cheering effect upon women who are terrified as to their future because they cannot find work. Everyone knows the depression has worked great hardship upon the women of America. They need every bit of cheer and help they can get. There have been many suicides. I wonder how many men have had women come to their offices within the past few years seeking positions in the Government or seeking positions in shops or in offices. I wonder how many of those men have noticed that many of the women look as if they did not have enough to eat. No man wants in his office a woman with unmanicured nails. He wants the women in his office to look as well as possible. These unemployed, the shopgirls, the workers in factories and in offices, and women all over the country, the women upon whom the burden of the tax falls the hardest, are not organized to come before you. They do not have the money to organize. But they are doing a lot of thinking.

A few years ago nobody used cosmetics very much, and practically the only ones used were cold cream and powder. Today cosmetics are part of many women's costume. Today the public has no fault to find with what women consider the things necessary to use as a part of their costume. The amendment will cause a good many more of the ill-housed, ill-clad, and ill-fed women to be employed in factories that make toilet articles and cosmetics.

Mrs. NORTON. Mr. Chairman, will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I am pleased to yield to the gentlewoman from New Jersey.

Mrs. NORTON. I merely wish to observe there are approximately 50,000,000 women in this country today who are voting.

Mrs. ROGERS of Massachusetts. The statement of the gentlewoman is very true. The women are thinking and are very much interested in this matter, but they cannot come as a great vocal body before you. I wish they could.

Mr. RANDOLPH. Mr. Chairman, will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. I am very certain the gentlewoman from Massachusetts and the other splendid women here speak very well for them.

Mrs. ROGERS of Massachusetts. The gentleman is very kind. The gentleman is always interested in the welfare of women. I wish these women were here to plead for themselves. I know you would not deny them. You have taken off the tax on soap, which affects you. Do you realize there are many women who use cold cream instead of soap, or use cold cream with soap as the soap is very hard upon some skins. The tax has been taken off furs, which are a luxury. Put the tax back on furs and take it off cosmetics and toilet articles.

I earnestly hope the chairman of the committee, the gentleman from North Carolina, will give the women a chance. I have the highest regard for the gentleman. I think he does not realize what this means to the women who have so little, the women who are trying so hard at the present time to make a living.

Mrs. O'DAY. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, this may seem a matter for levity, but it has quite serious implications. I have had many, many letters from women who are members of the Woman's Trade Union League. I have received a letter from the president of the Woman's Trade Union League, Agnes Nestor, of Chicago, protesting against this tax, because it will throw so many women out of employment. You can say the consumer does not pay the tax and that its burden falls only upon the producer and the manufacturer, but invariably it is the consumer who bears the tax. If beauty parlors cannot afford to buy these cosmetics they simply lose customers, and women are put out of employment.

Further, in this complex world of today, the coal miners are affected by this tax, and they have told me so. All of these cosmetics are coal-tar derivatives, and the coal miners say an increase of this tax will lessen their employment. So you have the coal miners, the women voters, the Woman's Trade Union League, the gentlewoman from New Jersey [Mrs. NORTON], the gentlewoman from Massachusetts [Mrs. ROGERS], and myself telling you what will be the effect of retaining this tax. This tax ought to be stricken out.

Mrs. HONEYMAN. Mr. Chairman, during the first session of the Seventy-fifth Congress I spoke on the floor of this House in favor of exempting toilet preparations from the excise tax. I am still very strongly of the opinion that this

is an unfair tax, and, as the gentlewoman from New Jersey has said, a decidedly discriminatory one.

The gentleman from Tennessee [Mr. COOPER] stated that the reason some articles had been excluded from the tax was because they brought in so little revenue. I think the two most important articles excluded are soap and toothpaste. So it is a little too bad that they are the ones that bring in such little revenue considering they are the ones that are also used by men. [Laughter and applause.]

The statement was also made that the tax only applies to the manufacturer of these toilet preparations, but, of course, we know the cost will eventually descend upon the consumer.

I have had many, many letters from workingwomen who feel this is a decidedly discriminatory tax, and I urge that the amendment be adopted. [Applause.]

Mrs. JENCKES of Indiana. Mr. Chairman, I started with the Ways and Means Committee on this proposition more than a year and a half ago. I collaborated with my splendid colleague the gentlewoman from New Jersey when she had her bill before the House. This is a discriminatory tax.

My colleague from California tells me that he has an amendment which is going to bring in $50,000,000, while this tax on cosmetics involves a mere pittance of seventeen and a half million dollars as the amount estimated in 1938, and our American women today are the ones who are making the sacrifice when their budget has to be cut by reason of a tax on cosmetics.

Today the women are casting more than 50 percent of the ballots in every election and the women vote with a distinct idea of protecting their own pocketbooks.

So I beseech you all to support the amendment of my colleague from New Jersey. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment, much as I regret having to do so.

The gentlewoman from Massachusetts said, "Give the ladies a chance." Now, what chance has a man debating against the five handsome ladies who have spoken in favor of the amendment, and if it were simply a matter of a contest between a homely countryman like myself against five of the most attractive women in the United States, I certainly would not attempt to say one word.

However, Mr. Chairman, it is well for us to look at the realities just as they are.

In my judgment, if this tax is repealed it simply means that $17,000,000 of money that is badly needed will be taken out of the Treasury of the United States and placed in the pockets of the manufacturers of cosmetics. I have no doubt about this. I do not believe the retail price will be reduced one penny. No one can give us any assurance to the contrary and there has been no such assurance given by the manufacturers.

This is one of the most prosperous industries in the country and the adoption of such an amendment would simply mean taking $17,000,000 out of the Treasury of the United States, yielding to a matter of sentiment with the money going into the pockets of the manufacturers.

Mrs. NORTON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentlewoman from New Jersey.

Mrs. NORTON. The gentleman surely knows that the manufacturer passes the tax on to the consumer.

Mr. DOUGHTON. I not only do not know that but I do not believe the retail price would be reduced one penny.

Mrs. NORTON. And is it not also a fact that the tax last year amounted to only $11,000,000?

Mr. DOUGHTON. We have just voted here today to place a tax on whisky, which I am told by an authority on the subject will bring in a revenue of about $19,000,000. The adoption of this amendment would wipe out nearly all of that revenue. If you want to do this, do it with your eyes open, realizing exactly what you are doing.

I regret, but I must request, that the amendment be voted down.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from New Jersey [Mrs. NORTON].

The amendment was rejected.

Mrs. NORTON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mrs. NORTON: On page 301, amend section 701 (a) by inserting, on line 17, after the figures "1932", the following: "shall be at the rate of 3 percent instead of 10 percent and."

Mrs. NORTON. Mr. Chairman, we have sat here very patiently listening to whisky amendments and all other sorts of amendments, and I think you gentlemen might just give us some consideration in this tax bill on something that concerns women exclusively. In repealing the tax on things that men have to use, and leaving the full tax on all of the things that women have to use seems to me a bit unfair. I am willing to compromise with the committee. I am willing to cut the tax down to 3 percent. I think if you have any sense of fairness, and I am sure most of my colleagues are pretty good sports, you will go along with us on this amendment.

Mr. O'CONNOR of New York. Mr. Chairman, will the gentlewoman yield?

Mrs. NORTON. Yes.

Mr. O'CONNOR of New York. The lady has championed this cause and I have been sympathetic with it. I believe that the reductions in these taxes apply only to the men and do not go to cosmetics, which are not a luxury, but I believe that if the lady would put it at 5 percent, which is half, she would get more support in the House. I believe it should be reduced to 5 percent.

Mrs. NORTON. I am willing to make it 5 percent.

The CHAIRMAN. Without objection the amendment will be so modified.

There was no objection.

Mrs. NORTON. Now, gentlemen, let us see what kind of sports you are and how far you will go to correct an inequality in this bill.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from New Jersey.

The question was taken; and on a division (demanded by Mrs. NORTON) there were—ayes 50, noes 115.

Mrs. NORTON. Mr. Chairman, I demand tellers.

The CHAIRMAN. The gentlewoman demands tellers. As many as favor taking the vote by tellers will rise and stand until counted. [After counting.] Seven Members have risen, not a sufficient number, and tellers are refused.

So the amendment was rejected.

Mr. FLANNERY. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. FLANNERY: Page 309, after line 7, insert the following:

"SEC. 711. Tax on fuel oil.

"(a) The Revenue Act of 1932, as amended, is amended by inserting after section 630 the following new section:

"'SEC. 631. Tax on fuel oil.

"'(a) There is hereby imposed on the sale of fuel oil to any person for use by such person for the generation of heat or power, but not for use as fuel for an internal-combustion engine, a tax of 1 cent a gallon to be paid by the seller thereof.

"'(b) As used in this section, the term "fuel oil" includes crude petroleum and any derivative thereof suitable for use as a fuel, but does not include kerosene, gasoline, benzol, benzene, naphtha, or gas oil.

"'(c) The provisions of section 629 (relating to termination of taxes) shall not apply to the tax imposed by this section.

"'(d) Notwithstanding the provisions of section 621 (a) (3) of this act (relating to credits and refunds of tax) no credit or refund provided for therein shall be made with respect to fuel oil as defined in this section unless the tax imposed under this section was paid with respect to such fuel oil.'

"(b) The rate of tax imposed under section 601 (c) (4) on imported crude petroleum and fuel oil derived from petroleum shall be 1½ cents per gallon in lieu of one-half cent per gallon, but the rate prescribed in this subsection shall not apply to crude petroleum imported for refining purposes.

"(c) This section shall be effective on the day following the date of enactment of this act."

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield to me until I can put a request for unanimous consent?

Mr. FLANNERY. Certainly.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate upon this title and all amendments thereto close in 1 hour.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that all debate upon this title and all amendments thereto close in 1 hour. Is there objection?

Mr. BOILEAU. Mr. Chairman, I reserve the right to object. I ask the gentleman from North Carolina to so modify his request as to set aside at least part of that time for debate upon the section relative to cheese—section 707.

Mr. RAYBURN. In answer to that, any Member who gets recognition within the hour can discuss anything he chooses.

Mr. BOILEAU. Would not the gentleman set aside a part of that hour to devote to a discussion of that section?

Mr. DOUGHTON. I have no doubt the Chairman would be fair about that.

Mr. BOILEAU. Let us have an understanding that some of that time may be devoted to that section. I reserve the right to object. I hope it will not be necessary to object. I think we should have an understanding that at least 10 or 15 minutes be given to those who want to offer to amend by striking out section 707.

Mr. DOUGHTON. If it is within my power.

Mr. BOILEAU. So long as we have that understanding.

Mr. DIES. That is up to the Chair.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. BOILEAU. Mr. Chairman, I reserve the right to object, and I shall object unless we can have some understanding.

Mr. RAYBURN. Mr. Chairman, I demand the regular order.

Mr. BOILEAU. Mr. Chairman, I object.

Mr. FLANNERY. Mr. Chairman, this amendment as the reading of it indicates, provides for a tax of 1 cent a gallon on fuel oil that is used for the generation of heat or power, but not for fuel oil as used in internal-combustion engines, and there is excepted from the definition of fuel oil crude petroleum and any derivative thereof, excluding kerosene, gasoline, benzol, benzene, naphtha, or gas oil. The fundamental purpose of the amendment is to tax fuel oil used for heat and the generation of power.

My attention was first directed to this particular problem when I realized that gasoline, which I regard as a necessity, is taxed by the Federal Government 1 cent a gallon and by the States up to in some instances 6 and 7 cents a gallon, yet at the same time its own partner and brother is untaxed by the Federal Government in any proportionate degree and untaxed by the States. Over 500,000,000 barrels of gasoline and over 400,000,000 barrels of fuel oil are produced annually. The Government taxes the necessity but leaves untaxed what I regard as a logical source of revenue. I felt that the problem merited consideration and close attention. I presented such a proposition before the Ways and Means Committee. The first response I got before that august body was: "You are from a coal-producing area."

This, gentlemen, is true. Unfortunately, however, it is not an argument against this tax, nor does it have any logic. It might be used as an effort to impugn my motive, but with that I respectfully disagree. Let me explain parenthetically that while I come from a coal-producing area the great benefit, if any, of this bill to coal will fall upon the bituminous industry. My industry, if benefit there is to a competitive fuel, will benefit of course, but in a much lesser and slighter degree. While I have no connection with the bituminous industry, since when has it become a crime to assist them if we may do so incidentally in a proper tax measure directed primarily in another direction?

You passed the bituminous-coal bill, you passed regulations, you have exercised great concern, so I do not believe that it should be such a crime if it should benefit.

Beginning on the premise that the Government is taxing a necessity but leaving untaxed a luxury I want to show why I believe this tax on fuel oil is expedient if not absolutely necessary. Such a tax will be based, briefly, on three grounds: In the first place, it raises revenue. Such a tax, my friends, will raise a revenue of approximately $168,000,000 to $175,000,000. We have heard discussions pro and con that we lost $30,000,000 and we gained $11,000,000.

[Here the gavel fell.]

Mr. FLANNERY. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

Mr. BOREN. Mr. Chairman, I object.

Mr. TAYLOR of Tennessee. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes. He is speaking on a very interesting subject.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

Mr. CRAWFORD. Mr. Chairman, reserving the right to object, in view of the fact that the chairman of the Committee on Ways and Means has indicated that this time will be limited, and a great many of us desire to speak on this, I shall have to object.

The CHAIRMAN. Objection is heard.

Mr. BOLAND of Pennsylvania. Mr. Chairman, we have listened to my colleague from Pennsylvania, who presented this amendment with all the merit contained in the amendment. He has told you that this amendment would raise from $168,000,000 to $175,000,000. I can readily understand, of course, the temper of this House tonight, and I also understand thoroughly the temper of the committee. We shall in our humble way try to spread some of this oil on the troubled waters.

Not since I have been a Member of Congress during the past 8 years have I seen such insidious propaganda being spread through this House of Representatives, not even excluding the death sentence in the utility bill or the propaganda for the soldiers' bonus, as has been spread against this amendment. The time has come, in my estimation, when Congress should take cognizance of the fact that propaganda such as has been spread by these oil companies accusing, if you please, some of us Members from the anthracite-coal regions of having sinister purposes in presenting this amendment. Look at these headlines spread by some of the oil companies: "Coal interests again push Boland fuel-oil tax plan." So we thoroughly understand the situation here today. I have no connection with the coal companies in any way, shape, manner, or form; in fact, my experience with coal companies has been that I have never had the support of one of them, and I do not expect their support. I am interested, however, when they bring the issue of coal into this amendment. I am vitally interested in the men who work in the mines, the men who work on the railroads who have been losing their jobs because of this oil being used for fuel. It is very easy to understand this when you realize that only 5 percent of the money derived from the production of oil goes to labor, whereas 65 percent of the money derived from the production of coal is given to labor. Originally oil was a byproduct but which now has become a major factor in oil operation; almost 50 percent of its production is now being used as fuel.

This oil is shipped by pipe line into markets thereby taking business from railroads, with the result that men are deprived of their jobs. Government statistics prove and coincide with figures given by Governors of the oil-producing States that unless Congress takes cognizance of the situation our oil supply will be depleted inside of 13 years. This fact is startling and shows the great necessity for its conservation. If this fuel oil is not conserved this country

is liable to find itself in a very dangerous situation in the event we will need it for defense purposes.

I know that Members from oil-producing States are going to oppose this amendment; nevertheless, the Governors of those States here in convention recently warned this country that if oil was not conserved inside of 13 years the oil supply would be depleted.

Then we have this to contend with: If a shortage of oil comes, what are the automobile and truck owners going to do within the next 4 or 5 years? They will be paying for gasoline, just as sure as you men are sitting here, 30 to 40 cents a gallon within the next 4 or 5 years. When this comes to pass then it will be only the ultrarich that will be in a position to operate automobiles. Auto manufacturers and owners had better take warning of this coming calamity.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I hold to the theory that the question of taxing fuel oil, like questions affecting excise taxes generally, should be left in the hands of the Ways and Means Committee for thorough, careful, and complete analysis. This matter of a fuel-oil tax has been considered by the committee. The gentleman from Pennsylvania appeared before the committee and was given a hearing. The committee decided against favorable action on his bill, which is offered here and now as an amendment to the tax bill.

This proposal with reference to fuel oil is not a tax matter nor a revenue matter. It is purely a question of coercion to force by the tax method the users of crude oil to use bituminous coal for commercial, industrial, and domestic purposes. I for one am not willing to go along with any such proposal, because I contend that the people of my district, the city of Detroit, and the State of Michigan, have a right to burn bituminous coal or fuel oil, whichever they please, free from coercion in any form. We in Michigan produce a great deal of oil, and the State is becoming increasingly important in the field of oil production employing far more people in the oil fields than in the small coal-producing areas.

We produce very little bituminous coal, but regardless of how much coal we produce or how much oil we produce, the fact is we are a great consumer market in Michigan and are entitled to use whichever product we desire. I am not willing therefore to dictate to the people what kind of fuel they shall use.

Only a short time ago this House passed the Bituminous Coal Act, which was of great assistance to the bituminous-coal industry. My colleague from Massachusetts [Mr. McCORMACK] in yesterday's RECORD tells you to what extent that legislation depended upon my favorable action and how well I came through when the coal industry needed help. Now they come in here and demand that we go still further and place a penalty upon those who would, as a matter of choice or necessity, use fuel oil for heating or domestic purposes or for commercial purposes. I am uncompromisingly opposed to that, and I want to see the House take definite action on this proposition by defeating the amendment.

Mr. BARRY. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New York.

Mr. BARRY. The purpose of this amendment and the only reason that has any semblance of logic is it will force home owners with oil burners to abandon these oil burners and go back to the use of coal instead of paying this tax?

Mr. DINGELL. That is its purpose, though it aims to go beyond that. It aims to freeze the use of oil burning at its present level. The proposal is brought in here as one of conservation because it is known that many of us vitally interested in conservation might respond favorably whereas otherwise we would vote against the proposition.

Let us not be fooled. This is an iniquitous proposal and has no place in the House at the present time. It had a day at court, and if there had been any merit in the proposal the Ways and Means Committee would have given it the consideration which the proponents desired and would probably have included it in the revenue bill. It adds nothing to the bill but viciousness and favoritism and should be defeated.

Mr. KITCHENS. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Arkansas.

Mr. KITCHENS. I am wondering if the time has come when we are going to put a tax on one commodity in this country in order to build up another commodity in the same country?

Mr. DINGELL. That is the aim of the proposal at this time.

Mr. FORD of California. Is that not a tariff as between industries?

Mr. DINGELL. Precisely. Favoring one as against the other. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Chairman, there were two arguments made by the proponents of this amendment to which I wish briefly to refer. The first is the statement made by one of the gentlemen from Pennsylvania that this tax would result in additional revenue to the extent of $175,000,000 or thereabouts.

There is no oil or coal in any quantity produced by any New England State. However, this tax would impose a burden of $15,000,000 annually on the citizens of those States, the New England States being large consumers of fuel oil, both in households and in industry. I am very much opposed to the imposition of this unjust and discriminatory tax. It would impose a tax on Massachusetts alone of $8,000,000 annually. We are being taxed to the limit now. The industrial plants of New England have all the trouble that they can possibly have and still keep going. Whatever the depression may have been or may be we are suffering our full share in that area. It seems to me unfair to assess another distinct tax against that particular section of the country in order to aid the producers of a particular kind of fuel.

The statement has been made by one of the advocates of this tax that there is an "insidious propaganda" going out. Mr. Chairman, I do not think that the outpouring of the expression of individual consumers and domestic householders can be called propaganda when it directly affects their pocketbooks and budgets. In the course of the last 5 years I do not think I have received as many letters on any one subject from men and women owning their own homes as I have on the subject of the possibility of a tax on their fuel.

It is not insidious propaganda in any sense. It is the outpouring of expression of oppressed taxpayers in this country. Both industry and home owners over the last few years have been installing oil burners in place of coal furnaces. To come in now and have the Government say, "We will levy a tax against those who have changed their equipment", is putting a still further burden upon them. Instead of insidious propaganda, Mr. Chairman, we are receiving outbursts of opinion from the people, who are directly appealing to their Representatives here.

Mr. BOLAND of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Pennsylvania.

Mr. BOLAND of Pennsylvania. The gentleman has inferred that the facts I stated are insidious propaganda. There is no insidious propaganda about it. Would the gentleman call insidious propaganda letters sent here connecting me with coal companies?

Mr. TREADWAY. I made no inference whatever against the gentleman.

Mr. BOLAND of Pennsylvania. That is what I stated was insidious propaganda, and I still say so. The gentleman would say so, too.

Mr. TREADWAY. The correspondence I have had is not insidious propaganda, but honest expression of convictions.

Mr. BOLAND of Pennsylvania. I am stating this is insidious propaganda, and the gentleman will admit it is if it connects me with coal companies.

Mr. TREADWAY. I am not trying to have it apply directly to the gentleman at all, I am simply stating what the people in my district say. I do not consider that my correspondents intended the least reflection upon the gentleman.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 15 minutes.

Mr. TOWEY. Mr. Chairman, I object.

Mr. FLANNAGAN. I object, Mr. Chairman.

Mr. DOUGHTON. Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in 20 minutes.

The motion was agreed to.

Mr. DISNEY. Mr. Chairman, this is not a conservation measure by any manner of means. This is a proposal for a domestic tariff. Taking the thing from all standpoints and by all four corners, it is seen to be simply a domestic tariff. I need not remind you that when the Thirteen Colonies found they had differing views about domestic tariffs they formed the Republic to avoid such domestic tariffs. Such a tariff is all this tax would be.

Let us carry the principle to its logical conclusion. Let us tax cotton because it competes with wool, if we are going to tax oil because it competes with coal. When the distinguished gentleman from Pennsylvania [Mr. BOLAND] appeared before the Committee on Ways and Means he at first said he was for the amendment because oil competed with coal. If we are to tax cotton because it competes with wool, then let us tax wool because it competes with cotton, and then let us tax both of them because they compete with each other. Let us tax wine because it competes with whisky, so as to conserve the whisky until Christmas. It is nonsense, and you know it.

Mr. KELLER. Mr. Chairman, will the gentleman yield for a question?

Mr. DISNEY. No; I cannot yield now.

Let us not be misled by this talk about the oil reserves running out. Mankind has always found a way, industrially. If the oil does play out, we will find a way to use industrial alcohol, or get oil out of shale, or discover a hundred other ways to do the job; but the oil is not running out. We are producing more than we ever have produced. I have lived in the oil country for the last 35 years, the greater part of my lifetime, and I have noticed that every geologist who could write an article and get it published announced that within the next 5 years we would be through with oil and have no more oil, yet the statistics show we now have undeveloped reserves for years upon years ahead.

This tax is not sought to be imposed for the purpose of conservation. No voice from the coal region was ever raised in favor of conservation of oil until the question of competition arose between coal and oil. We have done things for the coal people. A year ago we passed the Bituminous Coal Commission bill. Now they are wanting more and more.

Mr. FLANNERY. If the gentleman will yield, does not the gentleman understand we have no bituminous coal up in our region?

Mr. DISNEY. The argument of the proponents of this amendment is weighted down with several erroneous premises.

The first erroneous premise is that this amendment is offered with any thought that conservation is the underlying motive. No one can be deceived on that score. This amendment proposes to tax fuel oil because it competes with coal. We thought that we had done much for the bituminous-coal people when we enacted the Bituminous Coal Commission Act, giving them the right to stabilize prices, but certain coal interests are not satisfied with that. They want to tax oil because it competes with coal.

From the short-sighted, selfish standpoint they are correct in their assumption, but from the standpoint of the Nation as a whole and from the standpoint of business at large, as well as from the standpoint of general welfare, these arguments are specious and ill founded.

If we are to tax oil because it competes with coal, why not go the whole way and tax cotton because it competes with wool; and to be entirely consistent, we should then tax wool because it competes with cotton. To pursue the argument to its full and logical conclusion, we should then tax both cotton and wool because they compete with each other. That shows the ridiculous feature of the whole argument.

One of the prime reasons why the Thirteen Colonies gathered themselves together and organized a central government was to avoid the hopeless confusion of commercial tariffs between the Colonies and domestic tariffs upon competing businesses. Domestic tariffs have ever since been looked upon with disfavor. They are not for the good of the Nation at large. The business interests of the Thirteen Colonies agreed that the States should not lay excise or import taxes or tariffs as between the Colonies, and the necessary implication is that competing businesses should not be taxed as against one in favor of the other, or for the one to penalize the other. Taxation to destroy competition is not sound public policy. Nothing could be more unsound, more short-sighted, than to begin a system of levying domestic tariffs in the United States. That has been one of the curses of European civilization.

This amendment is not offered for the purpose of the conservation of the oil of the United States. The authors of the amendment are from coal regions, and it is offered at the behest of certain coal interests, and the activity in its behalf has been carried on largely by those interests. I concede the organization the right to do this if it feels that it is on sound ground in urging a domestic tariff. But I will not agree that a domestic tariff may masquerade in the guise of a measure for conservation.

Whoever heard before of our good friends, the gentlemen from Pennsylvania, proposing a measure for the conservation of oil? Is the proper process through the medium of a tax bill, or is it more properly the province of a long-range planning program? The conservation of oil has been urged in many measures. The interstate compact is designed for that purpose. Marketing agreements have been suggested and urged for that purpose. The Connally Hot Oil Act is designed to assist along that line. But at none of the conferences involved in the study of legislation for the conservation of oil have our friends, the gentlemen from Pennsylvania, appeared; nor have they offered a suggestion; nor have other coal interests ever lent any effort in the direction of the conservation of oil. But at this twelfth hour we find them showing up with a domestic tariff under the guise of oil conservation.

From any standpoint you view it, the premise is false. But in order to offset these suggestions that oil reserves in America are about to be lost, let me offer some observations on that subject so that the truth of the whole matter may be known. Please do not misunderstand me. I realize that oil is a depletable resource; but its depletion, in my judgment, is a matter that generations yet to come will not see.

I have been reared in the midcontinent oil field of Oklahoma, Kansas, and Texas. For the last 35 years the most dire forebodings have been uttered about the depletion of our oil reserves. They began 30 or 35 years ago and are still continuing.

In the last 3 months the imminent exhaustion of America's oil reserves has been prophesied by David Cushman Coyle, Stuart Chase, and Sir John Cadman.

Let us get at the facts. In 1908 David T. Day estimated a minimum of eight and a half billion barrels, a maximum of fifteen to twenty-two and one-half billion barrels. Since January 1908 the United States has produced 18,165,771,000 barrels, which is all of Mr. Day's minimum, plus 114 percent.

In 1914 Ralph Arnold estimated future production at 5,700,000,000 barrels, and from that date to December 31, 1937, the United States has produced 16,902,686,000 barrels, which is all of Arnold's estimate, plus 196 percent.

In 1915 the United States Geological Survey estimated future production at 7,600,000,000 barrels, and from that date to the 1st of last January the United States produced 16,636,923,000 barrels, which is all of the Survey's estimate, plus 119 percent.

In 1921 a certain group of geologists estimated future production at 9,150,000,000 barrels. From that date to now the United States has produced 14,542,000,512 barrels, which is all of that estimate, plus 58 percent.

In 1925 the so-called committee of eleven estimated future production from proven acreage at 5,300,000,000 barrels, and from that date to now the United States has produced 12,066,000,451 barrels, all the committee's estimate, plus 128 percent.

In 1935 the Petroleum Administrative Board estimated a reserve of recoverable oils as of December 31, 1934, at 10,763,000,000 barrels.

In 1936 the American Petroleum Institute estimated proven petroleum reserves as of January 1, 1935, at 12,177,000,000 barrels. In 1937 the American Petroleum Institute estimated proven petroleum reserves as of January 1, 1937, at 13,063,000,000 barrels.

In 1938 the Oil and Gas Journal, a reputable authority, estimated proven petroleum reserves as of January 1, 1938, at 13,489,457,944 barrels.

From 1935 to 1937, inclusive, 3,373,936,000 barrels have been produced. Known reserves, however, have increased from 1,500,000,000 barrels over and above this production.

I quote from the Christian Science Monitor of recent date:

The forecast seems to come around at regular intervals. There was an alarm sounded in Theodore Roosevelt's administration. T R. was trying to wake up public support for a conservation policy, and his enthusiastic lieutenants turned into fat boys—trying to make the country's flesh creep—for the purposes of the campaign. Why they did so is a mystery. Conservation is a sound-enough creed without trying to bolster it up on fear.

The prediction 30 years ago was put out as an official report. It stated that there were only 8,000,000,000 barrels of oil reserve. The report coincided with the development of the automobile; in other words, with a vast addition to the demand for oil. Fifteen years ago, after 15 years of exploitation, this reserve should logically have been used up. Yet another official report put the reserves at 9,000,000,000 barrels. By this time consumption was approaching a thousand-million-barrel mark a year. Today, therefore, the reserve as stated 15 years ago should have been used up. Far from this being the case, however, the American Petroleum Institute now reports that known reserves are estimated to exceed 12,000,000,000 barrels. In short, the reserve has been exhausted twice, and yet the amount of reserve is constantly increasing.

Obviously there is something wrong somewhere. In Wonderland you can "run like everything and still remain in the same place," but not in America. The mistake lies in the implication that the known reserves are the only reserves; that technology has given up the task of utilizing oil better; that the oil supplies are limited to the actual liquid wealth. All these factors are vital in discussing the future of oil. One cannot leave the matter by saying, as Mr. Coyle does, that "the known reserves are still only about enough to carry our present rate of consumption to 1950."

The fact is that, ever since the dark prophecies were first uttered, new sources have constantly been tapped. In 1936, 15,000 out of 21,000 wells drilled contained oil; and the oil obtained from these wells alone was sufficient to meet current consumption. Such a ratio of productive wells to new wells tapped is likely to continue. For there is a tremendous area still remaining unexplored—an area about 20 times the size of the United Kingdom. That much of this area would be oil-bearing is the verdict of geologists. They describe the area as "of geological formation which may contain oil." Oil men themselves speak about the possibilities without any such qualification.

And their confidence is not based upon hope, either. Modern drilling methods have indicated that great tracts of subterranean America must be swimming in liquid wealth. An example is east Texas. Under the old methods of drilling the sand did not seem very promising. Six years ago, however, a new drill hit the rim of an enormous buried saucer and a flood of oil gushed forth revealing a mammoth strike. This strike was due to the greater depth achieved by the drilling. Now the drillers go down as far as 2 miles, at which depth the oil men have been able to tap oil wells below oil wells, as in the Santa Fe field.

Better utilization is likewise a new source of oil, even though it does not add physically to the supply. The chemist perisists in showing how to "crack" more gasoline from crude oil. Nowadays twice as much "gas" is extracted from crude oil than was extracted 30 years ago. In other words, the chemist is just as great a producer as the engineer.

In the earlier days, in the midcontinent field, when we drilled a thousand or 1,100 feet, we had reached, as we concluded then, the bottom of the oil reserves. Now we are going as deep as ten or twelve thousand feet. New methods have enlarged production. New methods have enabled us to procure larger quantities of gasoline from the crude oil. New methods are now producing alcohol as a synthetic gasoline; and the time, in my judgment, is not far distant when it will be a serious competitor of motor fuel from crude petroleum.

Vast tons of oil shale are found in the Rockies from which commercial oil may be extracted. True, it is not profitable at this moment, but should the need and requirements of industrial progress make it necessary, it would not seem to be a false prediction that oil will be extracted from these shales in commercially profitable quantities. The geologists and experts say that this is true.

Who would be affected by this tax? More than 1,000,000 families would be forced to pay an additional $40,000,000 to keep warm this year if Congress should be so foolish as to enact the tax. Approximately 1,400,000 families have established oil burners because of their convenience and economy. The shipping industry would be affected. Vessels in the foreign and coastwise trade use 1,909,000,000 gallons of fuel oil in the United States annually. Army transports use 332,000,380,000 gallons. Railroads use 1,900,000,000 gallons. Manufacturing industries use 2,189,376,000 gallons. Heating by oil makes use of 2,554,524,000 gallons. Oil companies use as fuel 1,990,960,000 gallons. Housewives' ranges use 661,-752,000 gallons. Farm machinery uses 639,300,000 gallons of fuel oil, gasoline, and kerosene. Electric power uses 435,-918,000 gallons of fuel oil for Diesel engines. I quote these figures from the National Petroleum News for February 5, 1936.

To summarize, I repeat that this amendment does not go into the subject matter of the conservation of oil, even indirectly, and that it is simply a competitive tax in favor of coal, to the detriment, not of the oil industry particularly, but to the detriment of the whole country. I repeat that no theory of domestic tariff has ever been found to be sound or based upon far-reaching public policy.

Mr. ALLEN of Pennsylvania. Mr. Chairman, there are two major problems that face this Congress. The first and the most important is unemployment, and this is not a local or a sectional problem.

Sixty-five percent of the cost of mining a ton of coal is chargeable to labor. Of the cost of producing oil, 5 percent is chargeable to labor. Thirty-five percent of the total tonnage of the railroads is involved in the hauling of coal. We know there are 100,000 railroad workers out of jobs today. Therefore, from a practical standpoint it would be a benefit to this Nation if we could use more coal and put these thousands and thousands of unemployed miners back to work.

We have known oil reserves enough to last 15 years, and there is undoubtedly more than that undiscovered. We have known coal reserves enough to last for hundreds of years. From one bituminous vein in my district alone we can mine 5,000,000 tons of coal a year for 500 years.

If we have these great unknown quantities of a fuel which is cheap and whose production employs labor, why not use this fuel in view of the fact our known reserves of oil are diminishing and undoubtedly will be exhausted some day in the not too distant future?

Mr. POAGE. If the gentleman will yield, would not more labor be used if we chopped up wood to provide the fuel for this Nation than would be used in digging coal?

Mr. ALLEN of Pennsylvania. I do not know that it would, and where is the wood? We have the coal available. Let us use the coal, and conserve our oil resources.

[Here the gavel fell.]

Mr. SANDERS. Mr. Chairman, I hope the Committee of the Whole will not agree to the pending amendment.

The gentlemen from Pennsylvania who have spoken here this afternoon appeared before the Committee on Ways and Means and said their little pieces, which were so ludicrous that in fear they might be deleted from the record

made in the Committee on Ways and Means I placed them in the Appendix of the CONGRESSIONAL RECORD on page 801. They are good reading, and place these gentlemen in a class with Bill Nye and other humorists.

Mr. FLANNERY. Mr. Chairman, will the gentleman yield?

Mr. SANDERS. No; I cannot yield now. I have just 3 minutes. The gentleman has already had two or three shots, and perhaps will need another shot.

They talk about how much revenue this tax would bring in. It would not bring in revenue. Let me tell you what it would cost. This information comes from the Bureau of Mines, and relates to the year 1936.

It will cost the 1,600,000 householders of this country $41,600,000. It will cost the steamships $33,740,000. It will cost the manufacturing industries $28,300,000. It will cost the fuel companies $25,950,000. It will cost the electric plants $11,207,000. It will cost other industries $7,320,000. In other words, the total cost of this to the consumers of the United States will be $167,850,000.

Mr. O'CONNOR of New York. Mr. Chairman, I rise in opposition to the amendment offered by my close and handsome colleague from the coal fields of Pennsylvania [Mr. FLANNERY] to place a tax of 1 cent per gallon on fuel oil used for heating purposes, and so forth.

In King Henry VIII, act 1, scene 1, Shakespeare said:

Heat not a furnace for your foe so hot that it do singe yourself.

Appreciating the patriotism which prompts the representative of Luzerne County, I contend against his amendment most reluctantly so far as he is personally concerned. I fear he "is but the voice of one crying in the wilderness," one who did not dare to personally offer the amendment, although he has been most vociferous outside these halls.

Recently that great littérateur and historian, Mr. H. G. Wells, visioned the world in 2038, only 100 years from now. That was a modest peep into the uncharted future as compared to the long-ranged vision of my distinguished friend [Mr. FLANNERY] and his bituminous and anthracite associates—soft and hard.

I deeply appreciate the patriotic concern which prompts them to conserve our natural resources—in this instance oil—by looking into the far-distant future.

Multiplying Mr. Wells 20 times, they are capable of envisioning disaster 2,000 years from now, when our oil supply may be exhausted—if ever. So let us look at that fateful day.

IN 3938

On March 4 of that year the head of the Government—if we have a government or a head then—sends the solemn message to Congress or the legislative body, whatever it is called, or if we have one, that the oil supply of this part of the world which used to be known as the United States of America "is now completely exhausted."

Of course, the message will be written in Esperanto, with the salutation in the lower right-hand corner, and will indulge in the post mortem of "we told you so." It will go on to state that in 1938—2,000 years before—the best engineering opinion of the then America predicted that our oil supply would only last for 2,000 years, that this was confirmed by an official survey of our natural resources under one Franklin D. Roosevelt, then head of the Government, with the long extinct title of "President."

Mr. Roosevelt had sent a thorough and exhaustive report to the legislative branch, then known as Congress—now an obsolete term—to the effect that our oil supply would last for 2,000 years.

It is to forestall this divinely forseen catastrophe of 2,000 years from now that my good friend, the industrious Member from Pennsylvania, now introduces this amendment to the tax bill to place a tax on all fuel oil.

Of course, he and his cosupporters of the new tax are not inspired by an ulterior motive, such that they now represent districts containing mines of coal, the competitor of fuel oil. Why, no; perish the thought. They would never suggest that, for the first time we should place a tax to equalize domestic competition—nor did they get the idea from the citrus advocates from Florida and California—to place a prohibitive tariff on bananas to force the consumption of domestic oranges and grapefruit—nor were they inspired by the successful passage twice of the Guffey coal bill, which for the first time in our history fixed a price on a commodity for the benefit of the less than one-half of our people, with the result that it did not benefit at all, because 80 percent of the miners are now out of work.

Their whole purpose is founded on the highest patriotic and altruistic plane—the conservation of our natural resources. Waste not, want not. Such unselfish statesmanship deserves the universal applause of every citizen who has a furnace or stokes one. Who would deprive him or her—usually her—on the estatic joy of getting up at 5 a. m. and going down into the cold, damp cellar, where the home brew used to ferment, raking out the cinders, behind smoked glasses, if any, shoveling on the coal; "adding fuel to the flame," as Milton said, and wearing a sweater during breakfast, this operation to be performed several times a day, and then at night, just before going to bed, what domestic joy! The house is getting chilly. Then comes that last joyful trip, in pajamas, into the nicely cooled cellar to bank the fire. Nothing could more inspire love of country!

And then that day of all days comes. Would this Congress further interfere with a fast-disappearing liberty by depriving John Householder of putting out the ashes, rolling that galvanized barrel up those creaking cellar stairs and out the long path to the sidewalk to wait, maybe several days, for the coming of the ashman, that strong, irrepressible "Tarzan" who spills most of the ashes over the drive and on the lawn. Nothing ever equaled such domestic bliss, lest it be washday without an electric washing machine.

The proponents of this amendment tearfully ask, "Would you deprive our people of those privileges?" Who could, if he had the foresight to look ahead the 2,000 years contemplated by these unselfish patriots?

They are not concerned with 1940 or Mr. Wells' 2038; 3938 is their goal.

They vision then the existence of this Government, or at least this hemisphere.

They see the head of the Government, then known as the "conglomeration of dependent States," sending his message to the assembly, which succeeded what we now know as Congress. His title is "The Magnificent One."

The conglomeration is undoubtedly held in a great amphitheater high in the air above the Washington Monument. It seats 100,000 people and is not suspended from below or above. Our distinguished colleague from New York, BRUCE BARTON, has taken care of that in his program of "repealing one law a week." He has finally succeeded in repealing the law of gravity. Aristotle attributes to the ancient sage, Georgias Leonitinus, "that humor was the only test of gravity and gravity of humor."

The delegates from all parts of the world, the then "America," assemble. The gathering consists of at least 20,000 representatives, then glorifying in the title of "Demagog De Luxe." There are not 3 or 4 groups or blocs as at present, but 20 or more—Mars, Jupiter, Saturn, and the reappeared Atlantas, and its sister Mu in the Pacific, are represented. The Martians are the strongest bloc because they are nearest the sun, which has by then been harnessed, so that one needing heat need not depend on coal or oil or furnace. Thought waves control all. If it gets chilly, the householder sends a pleasant thought wave toward the sun. If it gets too warm, he frowns in that direction. Messy coal and smelly oil are known no more. Gasoline? Shucks, the automobiles then are propelled by perpetual motion on land or on sea or through the air.

But with even all that, one might imagine how the delegates and the audience reach this auditorium in midair over the Washington Monument. Easy. By that time the New Deal shall have enacted levitation. Not by the bootstrap method, but by the control of the mind over matter, the demagogs de luxe reach the convention hall.

Undoubtedly those members more closely resembling the late female species will dominate the "conglomeration." With their full beards and bass voices they will control the proceedings, while those delegates or comrades most nearly resembling the late extinct male species will protest in high colorature through rouged lips.

Those are the days toward which the proponents of this amendment cast their far-visioned eyes. They see not through a glass darkly but penetrate the future, unknown to us ordinary mortals—"Prosit."

In the meantime, however, we mundane Members feel keenly that to place a tax of 1 cent a gallon on fuel oil used for heating purposes is unfair and unjust to our present householders. Of all modern inventions, the telephone, electricity, the washing machine, the gas or electric range, the garbage incinerator, the bathroom, and the radio, there is none to compare to the comfort offered by the oil burner. Tax, tax, tax; that is the cry of today, the cause of our revolution against King George III. Back in 1820 Sidney Smith commented on taxes as follows:

> The schoolboy whips his taxed top; the beardless youth massages his taxed horse with a taxed bridle on a taxed road; and the dying Englishman, pouring his medicine, which has paid 7 percent, into a spoon that has paid 15 percent, flings himself back upon his chintz bed, which has paid 22 percent, and expires in the arms of an apothecary, who has paid a license of a hundred pounds for the privilege of putting him to death.

[Applause.]

Mr. REED of New York. Mr. Chairman, the amendment that is proposed here is a logical outcome of a price-fixing program.

When the Guffey Coal Act was up I said that the next move would be a tax on fuel oil, and when you put a tax on fuel oil you will work along down the line until you get to the woodpile and the corncrib. There is no end to it.

Just as soon as the Guffey Coal Act went on the statute books the people immediately turned to oil furnaces. I know this occurred in my own neighborhood, and I am sure it occurred in your neighborhood. They started to put in these oil burners and the result has been that the coal people have suffered.

Many of you are interested in our export business. I was talking with the captain of a ship that sails out of a southern port, and he stated that if this provision went into effect, on one trip to South America it would cost $5,000.

This is what such a tax would mean every way you turn. It is against the economic progress of this country, and the amendment should be voted down. [Applause.]

Mr. FLANNAGAN. Mr. Chairman, you may try to laugh this amendment down, but I predict that those who vote against this amendment will rue the day they ever cast a vote to dissipate one of our natural resources.

We know very little about conservation in this country. Why, in just a short 150 years what has happened due to lack of foresight and due to our failure to conserve our natural resources? Right here in our Appalachian region we had the finest growth of hardwood timber in the world and, today, in 150 years, you can hardly find an acre of good hardwood in the whole Appalachian region. What else has happened? During the last 150 years we have wasted our land, and what has been the result? Millions upon millions of farm lands, formerly rich and productive, have been worn out, washed and gullied, or blown away, and are known today as submarginal lands. We have at last adopted a conservation program in order to protect our lands.

The same thing exactly is happening right here in America with respect of our oil reserves. You cannot laugh off the fact that the American Petroleum Institute, as late as January 1, 1937, estimated our oil supply at 13 years. The increased use of gasoline may shorten this estimate.

Our oil is certainly a natural resource, and since the red flag has gone up warning us of our limited supply should be conserved for uses that cannot otherwise be supplied, such as gasoline and lubricating oils. In view of the fact that our supply is limited it is nothing short of a crime to use it for space heating and steam generation. Then, too, we should look at the question from the point of view of our national defense. If we had to depend upon foreign oil in time of war the situation would be indeed serious.

Year by year we are using more fuel oil. Formerly a by-product, each year witnesses the lessening of the percentage of gasoline that is being extracted, until today it is the major product of the petroleum industry. Gasoline bears a very substantial burden of our State and Federal taxes which, of course, has a tendency to restrict its use and conserve the supply. We have given, however, fuel oil the green light and its use is increasing yearly, and under the policy we are pursuing will continue to increase, despite the fact our supply is limited.

Now, mention has been made that the tax of 1 cent per gallon will cost the American people several million dollars. In answer let me state that if we do not conserve the supply, and the time comes when we will have to go to substitutes for gasoline, that the cost of the proposed tax will not be a drop in the bucket to the increased costs the automobile owners will have to pay for fuel. And let me state that we have reached the point in this country where the automobile is no longer a luxury but a necessity. The use of fuel oil for space heating is not a necessity but, more or less, a luxury; and the use of fuel oil for steam generation is not a necessity. Coal can be used in both instances and should be used.

Dr. Marius Campbell, formerly connected with the Geological Survey, some years ago made an estimate of our recoverable coal from our known coal seams, and in his official capacity reported that we have in sight 3,625,000,000,000 tons, which, at our present rate of consumption, would last for the next 7,000 years. Here is another natural resource with which God has abundantly supplied us peculiarly adapted to space heating and the generation of steam, and we should do everything to encourage its use. And yet, in spite of the fact that we have this unlimited supply of coal, its use is being supplanted by a natural resource of which we have only a very limited supply. In 1929 the average consumption of coal in this country was around 500,000,000 tons. This tonnage went down a few years ago to 308,000,000 tons, and for the past few years the average has been around 400,000,000 tons. Now, under the facts, is it not the sensible thing to do to use coal instead of fuel oil wherever possible? Then, too, 65 percent of the total realization from coal goes into labor. Only 5 percent of the total realization of oil goes into labor. The increased use of coal will in certain areas go a long way toward solving our unemployment problem in those areas.

Another thing I want to call your attention to is the fact that the tax will produce revenue. It is estimated that it will produce under present consumption around $169,000,000 per year. This fact is not to be lightly brushed aside when, as we are today, hard-pressed for revenue.

Oh, I know that the amendment is going to be defeated. I am not fooling myself. The oil people have lobbied around, spreading false propaganda and poisoning the minds of the people, until I know the amendment has not a single chance. You can fool the people some of the time, but not all of the time; and when the people really understand the situation, we are going to write this amendment or a similar amendment into our tax laws in order to preserve one of our essential natural resources.

Mr. HOPE. Mr. Chairman, the question of conservation does not enter into this matter at all. The known oil reserves in this country today are twice what they were 30 years ago, and during that time we have taken over 18,000,000,000 barrels of oil from the ground. If we exhaust all of the fluid oil in this country we still have millions of acres of oil shale from which we can secure a supply of oil sufficient to run this country for many, many years. If that is exhausted we can do what European nations are doing and manufacture oil and gasoline from our inexhaustible coal supplies, and if that finally runs out, we can produce all of the motor fuel that we can ever use in this country on our farms, through the distillation of alcohol.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. MAAS. Mr. Chairman, I hope this amendment will not prevail. I do not think it will accomplish the purpose for which it is offered. Up in my country, where we are substantial users of oil burners in our homes, the average man consumes about 1,500 gallons of oil per season, and it simply means adding another $15 tax to the home owners. It will not get him to use coal instead of oil, because he has his oil burner installed, and it is simply imposing another tax from which he cannot escape, and next year the oil people will come in with a demand for a tax on coal, and the whole thing will go on up and up forever and the poor sucker of a home owner, whether he has coal or oil, will be taxed. I object to the amendment and hope it will not prevail.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. DIES].

Mr. DIES. Mr. Chairman, since this amendment is primarily aimed at the consuming States and their representatives desire to speak, I yield back the remainder of my time.

Mr. PHILLIPS. Mr. Chairman, I am opposed to the amendment and ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. PHILLIPS. Mr. Chairman, I oppose the Boland amendment taxing fuel oil 1 cent a gallon on the grounds that it is a discriminatory measure. As one of our colleagues aptly stated on the floor, it constitutes an internal tariff in that it taxes one commodity, thus benefiting goods in competition.

The argument raised in behalf of coal owners and operators is, in my judgment, fallacious. Think of the thousands of people throughout the length and breadth of our country who are now using oil burners and who if the price of fuel oil is kept within a reasonable limit will continue to use this product and thus give employment to everyone engaged in this business everywhere, including the manufacturers of oil burners, its component parts and related products.

In recent years, and in increasing numbers, small home owners and industries are turning to the use of fuel oil because of its efficiency of operation and the satisfaction it gives to the people. Those installing burners are anxious to keep costs within bounds, and a tax of the nature proposed will adversely affect thousands of people in my congressional district and in the districts of all of you other Members in the House.

I believe the measure to be extremely ill-advised and urge you to vote the amendment down. I shall vote against this amendment taxing fuel oil, and I hope a majority of this House does likewise.

Mr. BACON. Mr. Chairman, this is the most crackpot, ridiculous proposal I have ever listened to on the floor of the Congress.

This proposed tax on fuel oil is simply a tax on a primary necessity of life—heat. It is discriminatory and unfair. It singles out one type of fuel against all others. It is entirely punitive in character because it punishes those who dare to use fuel oil instead of coal or gas or wood to keep their houses warm.

The real purpose of this tax is not to raise revenue but simply to punish the oil industry and the oil user. It is completely hypocritical in that its hidden purpose is to raise the price of coal by raising the price of coal's principal competitor in home heating.

Thousands upon thousands of small-home owners throughout the United States use fuel oil to heat their homes. These people are of very modest means and they are already overburdened with all kinds of taxes, Federal, State, county, village, and so on. And it may also be recalled that many of these small-home owners are clients of the Home Owners' Loan Corporation and are struggling to meet their mortgage payments and save their homes for their families. This added burden in many cases may be more than they can bear and may result in their losing their homes. I believe it is a safe estimate that on the average small home this will add a burden of from $25 to $30 a year. On the large users of fuel oil the added expense will amount to large figures.

How any Member of Congress in his right senses can support this inane, stupid proposal is more than I can comprehend. For Congress to deliberately go out of its way to further burden, if not destroy, the average small home owning American is simply too much for me to understand.

In my congressional district there are as many, if not more, small-home owners than in any other district of the United States, and it is their protest I voice against this rank, discriminatory, punitive, hypocritical proposal.

There is one thing that this administration seems bent upon doing and that is to break the back of the consumer. It seems to me to be significant that the Member who proposes this amendment is the Democratic whip of the House. Burden upon burden and woe upon woe has been placed upon him, and this may be the straw that will break the camel's back. Some day, and I hope soon, the consumers of this country will organize in real protest. They today are the forgotten men of America.

Elsewhere in this bill we are taxing the businessman out of his business and here it is proposed to begin to tax the small-home owner out of his home.

Mr. KERR. Mr. Chairman, this proposed amendment, in my opinion, penalizes two-thirds of the people in the country. I call attention to only one specific industry, and I refer to the tobacco farmers of the flue-cured area. These farmers in my country cure a large amount of their tobacco by the use of heat from fuel oil and many now are dependent upon it to cure their tobacco. They have stripped their woodlands and burned millions of cords of wood growing a crop that has contributed to the wealth of this Nation not exceeded by any other. These farmers largely contribute $400,000,000 to revenue taxes in this country. They ought not to be penalized by having an amendment of this kind passed. It is indefensible in any view.

Mr. TOWEY. Mr. Chairman, this amendment, if I understand the gentleman from Pennsylvania clearly, is really an attempt to impose the provisions of H. R. 3134 into the revenue bill, and, while I have the highest respect for my colleague from Pennsylvania, I am very sorry to have to say that I do not entertain the same respect for the arguments advanced for the passage of this amendment. Divorced of its sugar coating, this amendment in effect would place a tariff or a duty on the fuel oil produced in other States of this Union in favor of the coal-producing State of Pennsylvania, and while we are all as sympathetic with the plight of the Pennsylvania coal industry, I believe that conditions in that industry and its ability to meet economic competition must come from changes to be effected within the coal industry itself rather than to try and destroy the oil-fuel industry in an attempt to bolster up the bad conditions existing in coal. But to get away from abstract philosophy with the effects of this bill let us look at it in a practical manner. On my desk there are hundreds of letters and more are pouring in in every mail in opposition to this tax. The reasons advanced may be summed up as follows:

First. It will mean a 15-percent sales tax on fuel oil.

Second. It will add $21 to the annual fuel bill of the 152,000 household consumers of fuel oil in New Jersey.

Third. It will add $210 to the annual fuel bill of the 6,000 New Jersey owners and operators of apartment houses, hotels, office buildings, and other such commercial enterprises who depend upon fuel oil for heat and power.

Fourth. It will increase the present fuel-oil bill of commerce and industry in New Jersey by $13,725,280 annually.

Fifth. American shipping would be penalized $33,700,000 a year, a prohibitive increase in operating costs if American shipping is to compete with foreign shipping.

Sixth. The operating costs of class 1 railroads would increase approximately $25,900,000 if fuel oil were taxed a penny a gallon.

Seventh. The petroleum industry is one of New Jersey's largest industries. Approximately 50,000 persons are directly employed. The continued well-being of the petroleum industry in New Jersey is essential to the economic prosperity of our State.

Eighth. New Jersey ranks fourth among oil-consuming States, using over 10 percent of all oil produced.

Ninth. It will add another tax to the oil industry, which now carries more than 200 different taxes.

Tenth. It is another boost to the cost of living to our Americans, which is already too high.

I say that this tax is a form of a tariff. It is discriminatory and unfair legislation, not only to the people of my State but to the people of all the States—in fact, to the State of Pennsylvania—and it should be defeated.

For these reasons, which affect not only my people but the people of the entire United States, and in view of the fact that this is not a tax but a disguised tariff, and in effect a tariff of the character prohibited by the Constitution of the United States, which provides for free intercourse and free entry of the products of one State into the ports of another State, Mr. Chairman, I believe that this tax is one of the most discriminatory and unfair taxes that has ever been proposed in the Congress of the United States, and on behalf of my people I plead that you do not enact it.

Mr. KRAMER. Mr. Chairman, I rise in opposition to the amendment and ask unanimous consent to extend my remarks.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. KRAMER. Mr. Chairman, I strenuously object to the proposal that anyone should be taxed for the benefit of users of a competitive fuel and will oppose any amendment to that effect.

Such a tax would place a staggering load upon an already overburdened merchant marine and the defeat of the amendment is vital to the shipping industry as well as to the country in general, because of its dependence upon the American merchant marine. American steamships are dependent upon a reasonably economical source of fuel for their successful operation, and they consume 20 percent of all such fuel oil. A tax of 1 cent per gallon on fuel oil consumed in the operation of American steamships would impose an additional operating burden of $34,000,000 annually and would make it impossible for a large portion of American shipping engaged in the most vital trades to continue service, and would be ruinous to American shipping. The proposed tax would further conflict with the declared policy of the Merchant Marine Act of 1936, which provides for the development of domestic and foreign commerce by water for commerce and national defense purposes. Because of the financial burden, shipping operations would necessarily be curtailed and create the unemployment of thousands of employees in the maritime industry.

I can appreciate that the coal-producing States are reluctant to share the fuel business with oil-producing States, but surely this competition does not justify a tax on a competitive product. The oil industry is a large industry, oil resources are vast, consequently it is economically used as a fuel. Living costs are exorbitant now and it would be most unjust to further burden the tenant and home owner by taxing his warmth and comfort when he chooses to use oil for fuel. Personally, I have often felt that there should be a law against the burning of coal—and especially bituminous coal—which leaves a dirty film around everything in proximity.

Acceptance of this amendment would doubly penalize the automobile owner because motor fuel is most economically produced when there is the fullest use of all its byproducts, one of the chief byproducts being fuel oil.

If the chairman of the Ways and Means Committee, the members of the subcommittee, the distinguished gentleman from Kentucky [Mr. VINSON], and the others who are seeking revenue are in earnest in their desire, I am sure my colleagues will gladly suggest other methods of revenue.

New taxes have been formed and the old ones have been increased, with the exception of the retail liquor license. Twenty-five years ago this license was obtained for $25—the only difference being that in those days it was for a saloon whereas today every barroom in the country is respectfully referred to as a "cocktail parlor." The present-day saloons—or in the modern vernacular—the cocktail parlors charge from 50 to 75 cents and $1 for a mixed drink, the basic ingredient being purchased at a price of 65 to 85 cents per gallon. These cocktail parlors, patronized by the smart set, are showing a profit that the old-time saloons never did, and they can amply afford to pay a larger license fee. This is to demonstrate to my good friends and colleagues that there are other ways of raising revenue without harassing the already overburdened merchant marine and home owners.

Mr. FORD of California. Mr. Chairman, I am opposed to the amendment to place a 1-cent tax on fuel oil for the reason that it is first of all an abortive attempt to inaugurate a tariff between industries. It would force thousands of industrial plants to change their fuel-burning appliances, and would impose a like inconvenience and expense on millions of householders. It is an unjust measure because it would tend to force present users of oil, who prefer oil for its cleanliness and effectiveness, to use coal with all its dirt and other inconveniences.

It is proposed as a conservation measure without a single fact being presented to support the claim. It is not a conservation measure at all, but simply an attempt to increase the use of coal as a fuel at the expense of the oil industry.

I hope it will not pass.

Mr. DUNN. Mr. Chairman, I am in favor of this amendment because it means more work for the coal miners in my district. Amen.

Mr. RANDOLPH. Mr. Chairman, I am in favor of the amendment. It should be clearly understood that the proposed tax on fuel oil is for space heating and steam generation and would not apply to fuel oil used in Diesel engines or consumption by the Navy.

It has been stated in the Mineral Yearbook of the Government for 1937 that the known oil reserves of the Nation would be depleted in 15 or 20 years, due partly to the increased use of gasoline. It is felt that its use in space heating and steam generation is a waste of a valuable natural resource, and those who favor this tax on fuel oil are supported from the standpoint of conservation.

In my own congressional district and in other parts of West Virginia a tax on fuel oil will aid our coal operations in their competitive struggle with fuel oil. It is only right that a reasonable tax on fuel oil be included as a part of the revenue bill which we are considering. We begin with a handicap in West Virginia as between coal and fuel-oil costs of production. We have had a decrease in consumption, with resulting unemployment among our mining population. There is a 60-percent labor cost in coal production, whereas in fuel oil there is but a 6-percent labor cost. Fuel oil should be required from a competitive angle to be taxed in a more equitable proportion.

Mr. BOREN. Mr. Chairman, when this matter was before the Ways and Means Committee, I made the following statement on this proposed fuel-oil tax:

Mr. Chairman, I wish only to make a very brief statement with reference to the proposed tax on fuel oil.

I want to point out to this committee that a 1 cent per gallon tax, or a 42 cents per barrel tax, on fuel oil would be equal to a $100 annual tax on every home in America which uses fuel oil. The purpose of the taxation is, in effect, to seek a competitive advantage for coal and would operate as a levy against the consumers for the benefit of the coal producers. The Congress has been good to the coal industry and I feel has been generous possibly beyond the point of justice. Public interest demands a curb on indirect subsidies that the coal industry apparently will seek without end. I certainly hope this great committee will not place a tax of $100 on every home that depends upon oil for fuel.

I think, also, that the need of agriculture for cheap fuel for farm use is worthy of considerable thought when it is evident that this bill would place an almost prohibitive tariff on American agriculture that cannot possibly use other fuel than oil because of natural conditions involved.

And so, Mr. Chairman, I want to urge this committee to remember the consuming public that will have to pay the price of this move for competitive advantage for coal.

Mr. Chairman, I conclude from the foregoing analysis that this proposed tax is unquestionably contrary to the public interest and levies a burden on the consumer for the benefit of a particular interest. I also want to point out that the purpose of the bill is clearly an attempt to place a tariff on one industry for the benefit of another industry. I believe this is so evident that it is axiomatic. There certainly can be no sound basis for permitting one industry to place a tariff on the products of another industry which products are sold on the domestic market.

I urge this committee to prevent the passage of this bill.

Mr. McFARLANE. Mr. Chairman, I am unalterably opposed to a 1 cent per gallon tax on fuel oil. If this tax is permitted, it would have the effect of about doubling the price of fuel oil or of forcing other oil products to help bear this tax.

Of course, those favoring this tax tell us that this tax is offered as a conservation measure. However, you have, no doubt, noticed from the debate already had on this amendment that those favoring this amendment largely come from the coal-producing regions, and it is well recognized that this amendment is offered in the hope that it will be adopted and thus place this tremendous handicap on the strongest competitor coal has, which is fuel oil.

To approve this amendment would naturally force a serious reduction in the wholesale price of fuel oil, unless other by-products absorb the tax, and since the fuel-oil operators are operating on a very close margin, this would seriously affect this entire industry and drive the small operators out of business. It is well recognized that it takes about 2 barrels of fuel oil to equal a ton of mine-run coal. The American buying public have made their choice between these two fuels based upon many factors. Now, to force them, because of this tax, to change their uses as between these two fuels would be of tremendous additional expense to our people. This expense is entirely unnecessary from every standpoint at this time. Our best information tells us our known oil reserve supply is of more than 20 years' duration, and with improved refining and recovery processes, and so forth, continually being made, our reserve supply may easily be doubled, to say nothing of this nonexplored and undeveloped territory existing at home and abroad.

This tax is very discriminatory and should not be used to drive out competition. We have already enacted legislation requested by the coal industry for their benefit, and it seems that the coal industry has, perhaps, been better cared for than any other industry. The spirit of fair play should cause all Members to vote down this amendment and protect the consumers of America who now prefer to use fuel oil. [Applause.]

Mr. BROOKS. Mr. Chairman, I have just listened to speeches delivered by Representatives from the great coal-producing States of this Nation; and they have seriously advanced the argument that by placing a tax of 1 cent a gallon upon fuel oil, many men will be put to work in these coal-producing regions. In other words, it is plain to see from this argument that the primary purpose of this tax is to advance the cost of fuel oil to the consumer beyond his ability to pay and in this manner force him into using coal in lieu of oil. With the price of fuel oil advanced by this tax, the coal mines will be open to capacity and the coal miners will resume employment. At the same time, in another great section of this country the oil wells and refineries will begin to close and men will be thrown out of employment. The boon that is visited upon one section of the Nation will fall upon another section as a blight.

One of the great industries of America is the oil industry. It employs millions of men in its production, its refining, and distribution. It employs other millions in industries of a kindred nature which owe their very existence to oil production in the United States. To help a very small proportion of the population of America which is engaged in the production of coal, the proponents of this amendment are willing to throw out of employment hundreds of thousands of men now gainfully employed in the oil industry.

The argument has also been advanced with apparent seriousness that this proposed tax—equal to about 60 percent of the value of the fuel oil sold—is a conservation measure. In this House of Representatives this argument is presented and urged with fervor by some of the Representatives from the areas producing coal in the United States. It is stated by these proponents of this measure that the oil supply is dwindling and will ultimately be consumed, leaving this Nation with no oil reserve. To my mind, the fact that these arguments for conservation of oil are urged by those who come from the great coal-producing States presents an anomalous situation. The abundance of the production of oil at the present time is the very reason why its price is lower than the price of coal and constitutes the very reason why consumers have turned to oil as a cheaper and a more practical fuel. The very fact that the supply of oil apparently is almost inexhaustible is the very reason for many of the difficulties now experienced by the coal people in these producing centers. It is therefore a strange idea which comes from the minds of these Representatives of coal-producing areas that they now so ardently champion the cause of conservation of a competitive product, namely, fuel oil.

In the final analysis, Mr. Speaker, I am not so much interested in these matters as I am interested in the men who work in the oil-producing areas of the United States. I am concerned with the fact that this huge levy upon fuel oil will throw out of employment men who are today gainfully employed in honest livelihoods. By unfair, harsh, and unnecessary discrimination the coal operators will be guaranteed, in effect, a profit from the operation of their mines and at the same time the problem of unemployment in the great oil-producing sections of the Nation will be emphasized and many of our fellow men will be thrown out of jobs and be forced to join the bread line.

Mr. O'NEILL of New Jersey. Mr. Chairman, I am opposed to the amendment.

Mr. Chairman, the amendment before us is word for word H. R. 3134, the fuel-oil tax proposal, by the majority whip of the House [Mr. BOLAND]. During this debate it has been ably pointed out that at best the qualifying argument of the proponents—conservation—is without qualification. It is a somewhat hoggy attempt to direct further benefits to the coal industry and the miners, who have already fared generously at the hands of the Congress through the enactment of the Guffey coal bill.

A tax on warmth and comfort! The home owner will be subjected, should the amendment prevail, to an increased cost of from $75 to $150 per year. The tenant who burns oil will face the same increase.

Living costs are now beyond all reason in our metropolitan sections. Municipal, State, and county taxes are rising apace and the infliction of this burden will be not alone discriminatory but unjust.

It is apparent that the temper of the committee is for rejection. I hope that it will be by a margin so great that the death of Mr. BOLAND's bill in the Committee on Ways and Means will be assured.

Mr. THOMPSON of Illinois. Mr. Chairman, I am opposed to the amendment offered by my good friend the gentleman from Pennsylvania [Mr. FLANNERY], which seeks to write into this revenue bill, H. R. 3134, introduced by another good friend of mine, the esteemed whip of the House [Mr. BOLAND of Pennsylvania]. It is my opinion, Mr. Chairman, that this tax on fuel oil is ill-conceived, in that it seeks to force the use of coal and other heat and energy producing fuels instead of fuel oil, thereby penalizing individuals, industry, and business that have previously gone to the expense of installing oil-burning equipment in their homes, businesses, and plants. This proposed tax will also penalize the manufacturers of oil-burning equipment, which I am informed are only in their infancy with much potential business available at this time. I feel that when Congress enacted the Bituminous Coal Act setting up the Bituminous Coal Commission that it went a long way in attempting to stabilize the all-important bituminous-coal industry and that we should

give the Commission a chance to function before considering further relief for the admittedly distressed soft-coal miners and operators. Likewise, I think that petroleum products of all kinds have long carried more than their fair share of taxes, both from the Federal, State, and local viewpoint and approach. I hope to see the day when we can reduce some of the existing taxes on gasoline and motor oils and think that it will be a serious mistake to attempt another tax at this time on an additional product of the petroleum industry. I represent a typical midwestern agricultural and business community and from my own district alone have received literally thousands of protests from reputable citizens against this proposed tax. I assume that as the only Illinois member on the Ways and Means Committee I am regarded as the representative of that State, the third largest in the Union in population, wealth, and importance, and my office has been flooded with letters and telegrams from all parts of Illinois in opposition to this particular tax. I would be, Mr. Chairman, unfair to the people I represent if I did not oppose the fuel-oil tax to the best of my ability. I am confident that a substantial number of the Members of the House feel as I do about the matter and that, therefore, this particular amendment will be overwhelmingly rejected.

Mr. JOHNSON of Oklahoma. Mr. Chairman, the pending amendment to the revenue bill proposing a tax of 1 cent per gallon on fuel oil is an absurdity on the face of it.

It is difficult to believe that anyone would take it seriously. Stripped of its camouflage and subterfuge it is a bold attempt to stifle the oil industry of the country which includes some 14 or 15 States, in favor of 2 or 3 coal-producing sections. It should and, I feel confident, will be defeated.

Let me say that I sympathize with those Members from the coal-producing areas and am anxious to assist in bettering economic conditions there. My good friend the brilliant and energetic gentleman from Pennsylvania [Mr. ALLEN] spoke a few minutes ago about the unemployment problem in his district. As bad as it is I am advised that it is a decided improvement over a few years ago in the coal areas. In this connection let me remind gentlemen who are demanding this tax that, if adopted, it would immediately have the effect of forcing thousands of oil-field workers out of employment in Oklahoma and other oil-producing States.

But aside from throwing thousands of people out of employment the amendment, if adopted, would work a serious hardship on every home in America now equipped with an oil burner. In all, it is estimated it would cost the American people the astounding sum of $167,000,000.

It is somewhat amusing to hear gentlemen from the coal regions of Virginia join two or three from coal-producing areas in Pennsylvania in pleading for this amendment in order to conserve the oil resources of the country. Since when did these gentlemen become so concerned lest the oil fields of Oklahoma, Kansas, Texas, and California might be diminished? Does anyone here think for a moment there would be any tears shed from those who would dry up our oil fields by such unjust legislation as the pending amendment should all of our oil resources be dissipated? Be not deceived. This is not a conservation move. This is a brazen attempt to saddle on the backs of the oil industry a tax so heavy that it would drive the industry out of business. It must not be done.

Mr. REED of New York. Mr. Chairman, I am opposed to the amendment.

Mr. MARTIN of Colorado. Mr. Chairman, in order that it may not appear unanimous I want the RECORD to show that I am for the amendment.

Mr. MURDOCK of Arizona. Mr. Chairman, I am opposed to the amendment. I rise today to speak in behalf of the consumers of fuel oil in the great West, particularly my part of the West—the mining and agricultural State of Arizona. Much farming is done in my State under irrigation with pumps, the power being furnished by fuel oil. The same applies to mining. If this tax is imposed on fuel for engines, many of the mines and other small businesses will have to close. And I have a fear that it would so apply. In Arizona fuel oil is being used now for power in regions where coal cannot possibly be used and where hydroelectric power has not yet gone. As a motive power, the internal-combustion engine is now regarded as superior to the steam engine. Let us not, by such a move as is contemplated, take a backward step industrially. Even if it did not apply to Diesel engine use, but only fuel for power, our mines and utilities would be hurt.

Nor in the heating of our homes and public buildings should we be forced back to antiquated ways. Our western cities, in contrast with the East, have the appearance of being clean, and free from stain of coal smoke and dust. We prefer the most modern type of fuel.

The CHAIRMAN. All time for debate on the amendment has expired.

The question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. FULLER and Mr. BOREN) there were—ayes 25, noes 145.

So the amendment was rejected.

Mr. HARTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HARTER: On page 309, after line 7, insert the following:

"SEC. 711. Tax on tires and inner tubes.

"(a) Section 602 of the Revenue Act of 1932 is amended to read as follows:

" 'SEC. 602. Tax on tires and inner tubes.

" 'There is hereby imposed upon the following articles sold by the manufacturer, producer, or importer, a tax at the following rates:

" '(1) Tires wholly or in part of rubber, 1½ cents a pound on total weight (exclusive of metal rims or rim bases), to be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

" '(2) Inner tubes (for tires) wholly or in part of rubber, 2½ cents a pound on total weight, to be determined under regulations prescribed by the Commissioner with the approval of the Secretary.'

"(b) The amendment made by subsection (a) shall be effective with respect to sales made after June 30, 1938."

Mr. HARTER. Mr. Chairman, the gentleman from Michigan [Mr. MICHENER], who was compelled to leave the Chamber a short time ago, had pending at the desk an amendment similar to the one which I have offered to the committee.

The present excise tax upon tires and tubes is 2¼ cents per pound on tires and 4 cents per pound on inner tubes. The excise tax yields in the neighborhood of $40,000,000 annually.

The amendment I have offered is not submitted for the purpose of eliminating this tax but in order to correct an inequity with reference to the tax on tires and tubes. The amendment would impose a tax of 1½ cents a pound on tires and 2½ cents a pound on inner tubes, a reduction of slightly more than one-third of the present tax.

Excise taxes as we all know are a form of sales tax. In this country we do not have a general sales tax but we have singled out certain articles upon which excise taxes are imposed. The present excise tax upon tires and tubes, which is levied upon a poundage basis, means that in the case of tires the present tax is about 8 percent of the wholesale value and the present tax on inner tubes amounts to about 12 percent of such wholesale value compared with rates of 2 or 3 percent for similar products. There is no commodity which is in such general and widespread use as rubber tires and tubes which pays such an excessive excise tax. They are used by people in the lower income brackets, the farmers and the wage earners. We all know that tires and tubes are much more generally used in agricultural operations than they were a few years ago. Tractors are rubber tired. All types of agricultural implements are now being equipped with rubber tires. Tractors and farm implements are not subject to excise taxes. We do not believe the tires which a farmer uses to plow his ground, to harvest his crop, or haul it to market should carry a higher tax than levied on similar products.

We impose upon passenger automobiles a tax of only 3 percent. We levy a tax of 2 percent upon trucks and upon all automobile accessories except tires and tubes. It is a gross

inequity that we should impose a tax of about 8 and 12 percent on tires and tubes, respectively, when we assess a tax of only 2 percent on other automobile accessories. Under this bill that is offered to us by the Ways and Means Committee the committee seeks to eliminate some $29,000,000 in excess taxes. This proposal, it is estimated, will lower the total excise tax on tires and tubes about $13,000,000 annually and still leave a return of about $27,000,000 annually. These rubber products in such general use, under the amendment, will continue to pay a tax far in excess of the percentages borne by automobiles and automobile accessories. When we consider that this bill terminates certain excise taxes which I will set forth with the rates and estimated loss of revenue which will result we realize the fairness of this amendment. The following taxes are to be eliminated:

	Rate	Revenue
1. Mouthwashes, tooth pastes, toilet soaps, etc.	5 percent	$6,600,000
2. Furs	3 percent	5,920,000
3. Phonograph records	5 percent	300,000
4. Sporting goods	10 percent	6,802,000
5. Cameras and lenses	do	980,000
6. Chewing gum	2 percent	929,000
7. Matches (except fancy and colored wooden matches)	2 cents per 1,000	6,900,000
8. So-called "hot-oil" tax	1 cent per gallon	894,000
Total		29,325,000

You will note that all of the articles, mouthwashes, tooth pastes, toilet soaps, furs, phonograph records, sporting goods, cameras and lenses, and chewing gum, are what might be called luxuries. They surely are not as common necessities of everyday life as rubber tires and tubes.

We suggest that the House before adopting definite changes in the excise taxes give very careful consideration to the question as to whether the contemplated repeals as I have outlined would be more beneficial to the great mass of our citizens than would be a reduction in the disproportionately high excise taxes on tires and tubes, which are used as stated by every class of people, including those in relatively low-income groups, such as factory workers and farmers.

There is another reason why consideration should be given to a reduction of these taxes. The tax at the present excessive rates on tires and tubes used on cars such as the Ford, Chevrolet, and Plymouth amounts to a very substantial sum and naturally the larger and heavier tire equipment on the bigger cars sells for a greater price and carries a proportionately higher tax. When we get to truck pneumatic tires, we find the tax becomes a most substantial one, and an element that enters into replacement of old tires which should no longer be used. We do not know how many accidents are caused by old and overused tires, but we do know that under present economic conditions pleasure-car owners i nthe lower-income brackets, and many truck owners, carry on with tires and tubes that should be replaced. A reasonable reduction in this tax would be of great benefit to these consumers and would go a long way toward greater motor safety on our streets and highways. For the reasons set forth and in fairness and equity, this amendment should be adopted.

[Here the gavel fell.]

Mr. HARTER. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

Mr. DOUGHTON. Mr. Chairman, I object.

Mr. Chairman, I move that all debate on this title and all amendments thereto close not later than 6:15 p. m.

The CHAIRMAN. The question is on the motion of the gentleman from North Carolina.

The question was taken; and on a division there were—ayes 100, noes 44.

So the motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. HARTER].

The amendment was rejected.

Mr. SNELL. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SNELL. I did not understand the gentleman's motion. Was it to close all debate on the balance of the bill?

The CHAIRMAN. On this title only.

Mr. SNELL. On this section?

The CHAIRMAN. And all amendments thereto.

Mr. COLMER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. COLMER. I understand there are some 15 amendments now pending. What opportunity will the rest of us have to be heard on our amendments, provided those who are heard first are given the 5 minutes?

The CHAIRMAN. The Chair will endeavor as best he can to recognize every Member who has an amendment.

Mr. O'MALLEY. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. O'MALLEY: Page 309, line 7, insert:

"SEC. 711. Tax on fermented liquors.

"Section 601 (c) of the Revenue Act of 1932 is amended by inserting at the end thereof the following new paragraph:

"(11) Beer, lager beer, ale, porter, and other similar fermented liquor, $3 per barrel of 31 gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of the Revenue Act of 1938, and shall not be subject to the provisions of subsection (b) (4) of this section (prohibiting draw-back) or section 629 (relating to expiration of taxes)."

Mr. O'MALLEY. Mr. Chairman, I ask unanimous consent that the number of my section may be changed to the proper number, because a section has been previously adopted which will be numbered 11.

The CHAIRMAN. The Clerk already has permission to do that.

Mr. O'MALLEY. Mr. Chairman, all that my amendment does is to put an excise tax on imported beer of $3 a barrel. Last year there was nearly a million barrels of foreign beer brought into this country and sold. That amount is equal to the production of a great many breweries of the United States. This foreign beer is made from foreign grain, and its sale here in competition with domestic beverages deprives American farmers of the sale of thousands of bushels of grain which they might otherwise sell to American breweries. The total excise tax this amendment provides for amounts to only about 10 cents a gallon upon imported beer in addition to present duties. This is so small that even the consumers of these foreign brews would never notice it on their drinks.

Mr. DISNEY. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Oklahoma.

Mr. DISNEY. I am wondering why the gentleman did not present this amendment to the committee?

Mr. O'MALLEY. I may say to the gentleman there were a good many excise taxes presented to the committee. At the time the committee was considering the excise taxes I was unable to get from the Tariff Commission the amount of imported beer that came into this country in barrels and smaller quantities in time to take advantage of the short hearings on the excise-tax question.

If this $3 per barrel excise tax is added, it will bring in around $3,000,000 worth of revenue on the basis of present importations. The importation of beer is increasing every month and up to last December there were nearly 1,000,000 barrels of beer brought into this country in 1 year in competition with American beer and in competition with American grain bought by our American breweries. This is the only excise tax that has been offered so far which does not penalize one group of Americans as against another like the fuel tax and other things of that kind. This tax would apply to foreign manufacturers of beer. Those Members who voted against the fuel-oil tax may vote for this amendment without fear of hurting a single American and at the same time encourage American industry, raise needed revenue, and increase the small-grain market for the American farmer.

Mr. Chairman, I hope the amendment may be agreed to. We not only ought to buy American but drink American, too.

Mr. FRED M. VINSON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Wisconsin [Mr. O'MALLEY].

Mr. Chairman, this is another attempt to write a tariff bill on the floor of the House. My information, which comes from a responsible source, is that there are 100,000,000 barrels of beer domestically produced. The gentleman from Wisconsin states there are something like a million barrels imported. That would be a ratio of about 1 to 100. As I understand him, the price to the consumer of imported beer is substantially 100-percent higher than the price of domestic beer.

Mr. Chairman, as it is in effect a tariff, I therefore ask the Members not to write a tariff bill in this tax bill on the floor of the House.

Mr. O'MALLEY. Will the gentleman yield?

Mr. FRED M. VINSON. I yield to the gentleman from Wisconsin.

Mr. O'MALLEY. Does not the gentleman think it would be better to have those million barrels sold by American manufacturers instead of by foreign manufacturers?

Mr. FRED M. VINSON. It only involves 1,000,000 barrels a year, which would mean only 1,000,000 as against 100,000,000. As I understand it, the imports in the main are really not in competition with the ordinary American beer.

Mr. O'MALLEY. That million barrels would equal the production of four of the largest breweries. If importation were stopped we would have four more breweries working and possibly another 25,000 Americans employed.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. O'MALLEY].

The amendment was rejected.

Mr. HULL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HULL: On page 307, strike out all of section 707, lines 1 to 13, inclusive.

Mr. HULL. Mr. Chairman, I am very sorry my amendment to this very important provision in the tax bill comes up for consideration so late in the afternoon, and, further, that very few Members will be able to understand what this section of the tax bill, and which I desire to have taken out, really means to the dairy industry of this country without a much longer explanation than I have time to make.

First, I may say I do not believe this section is properly in the tax bill. At least it should not be there, because it concerns a matter that properly should come before the Committee on Agriculture for its consideration as a matter of agricultural or dairying policy.

Further, section 707, which my amendment would strike out, is an entering wedge leading to the destruction of the first national dairy act ever enacted in this country, the Filled Cheese Act, passed in the Cleveland administration in 1896. That act grew out of the fact there had grown up a system of cheese making in this country that destroyed our export trade and damaged our domestic trade to such a large extent that all the dairy farmers, as well as the dairy-products consumers, of the country revolted against those processes. That practice was to take the cream out of milk and inject melted lard by a certain process, making a filled cheese, and passing that off on the consuming public for the regular full-cream cheese. This was the abuse that law was passed to remedy in 1896, and it is the abuse which the law has succeeded in preventing over these intervening years.

Now a section is inserted here that is very nicely drawn, covering up what is really possible under this bill if it goes through. Under the guise of providing for the manufacture of a cheese flavor to be used on food products, it is really opening up the whole question embodied in the law of 1896. This provision would enable filled cheese to be put on the market under some other name as a substitute for cheese, and this section, if it remains in the bill, would permit the manufacture of a product made of skimmed milk and lard, or any other edible oil. By being sold under the guise of a cheese flavoring that product could compete with the regular cheese the consumers are entitled to have.

This section would so amend the filled cheese law that it is doubtful if it could be enforced in the future. I trust that it may be stricken from the bill by the adoption of my amendment.

[Here the gavel fell.]

Mr. THOMPSON of Illinois. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, my friends from the dairy districts of Wisconsin are unduly alarmed about this amendment written into the bill by the Committee on Ways and Means. The amendment to the act of 1896 will stimulate the use of cheese and will create a new market for cheese. In no way will it relax the regulations dealing with filled cheese; in fact, I do not want this to occur. Over a million pounds of the highest-priced cheese manufactured in this country were used for this purpose last year. The tax on filled cheese has not amounted to anything. The act has been in effect since 1896, and the Government has collected approximately $127,000 from the tax on this product over a period of 42 years.

Mr. HULL. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of Illinois. I am sorry; I cannot yield now.

There has been a new development in food products, and section 707 will permit the opening up of this market. If this section is not written into law to exempt this cheese-flavoring process from the packaging provisions, and so forth, of the Filled Cheese Act, the cheese industry of this country will lose a market of at least a million pounds of high-priced cheese each year. This cheese must be mixed with an edible oil in order that it may be applied to popcorn, crackers, and potato chips, as well as other food products. In the language of the section there is no mention of substitutes. This product is not sold as cheese but as cheese flavor.

Mr. Chairman, I hope the amendment offered by the gentleman from Wisconsin will be rejected.

Mr. BOILEAU. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The Chair cannot recognize the gentleman on a pro forma amendment.

Mr. BOILEAU. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. BOILEAU moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. BOILEAU. Mr. Chairman, I do not want to take the entire 5 minutes, but I have here a letter from the Secretary of Agriculture on this particular point which I think every Member of the House should hear read. I therefore ask unanimous consent that within my time the Clerk may read the letter, and I shall not use the balance of the time.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The Clerk read as follows:

DEPARTMENT OF AGRICULTURE,
Washington, March 9, 1938.

Hon. GERALD J. BOILEAU,
House of Representatives.

DEAR MR. BOILEAU: I am acknowledging your letter of March 7, 1938, requesting the Department's comment on the desirability of a proposed amendment to the act of June 6, 1896, defining filled cheese. Our comment is offered largely on the basis of our experience in the enforcement of the Federal Food and Drugs Act in the interest of consumer protection.

Ostensibly this amendment will permit the substitution of edible oils other than butterfat for the natural butterfat of cheese in foods purported to be of restricted use. By the original filled-cheese law certain combinations of foods made in imitation or semblance of cheese are held to be "filled cheese." To need exemption the products, provision for which is made in the amendment, must be of the nature of cheese, in which case they will be readily mistaken

for cheese by the purchaser. Although by the amendment the exemption rests on the manner of sale and objective use, these restrictions are not, in our opinion, so binding as to preclude the possibility of many combinations of cheese and oils supplanting cheese in its ordinary uses. The ostensible sale may be claimed to be for flavoring, but actually and practically the articles may be used in place of cheese. There are many "spreads" now on the market consisting mainly of whole-milk cheese with added substances, other than edible oils, which are used to impart cheese flavor to other foods. In fact, the preparation of a sandwich can be interpreted as an imparting of cheese flavor to the bread or roll. This legislation may result in the replacement of the butterfat of the cheese component of such products by edible oil.

It is recognized that this reply does not furnish an adequate answer to your question but as the subject involves the activities of three bureaus of the Department, and requires careful study of the various factors concerned, it is impossible in the limited time available to present a more comprehensive statement.

Upon reference of the matter to the Bureau of the Budget, as required by Budget Circular 344, the Acting Director thereof advised the Department of Agriculture under date of March 9, 1938, as follows:

"I am returning herewith a copy of your proposed report in which no recommendation is made either for or against the enactment of the proposed legislation, and you are advised that there would be no objection by this office to its submission to Congressman BOILEAU."

Sincerely,

H. A. WALLACE, *Secretary.*

Mr. THOMPSON of Illinois. Mr. Chairman, I rise in opposition to the preferential motion.

Mr. Chairman, I would like to read the language of the amendment that the gentleman from Wisconsin seeks to strike from the bill:

Substances and compounds, consisting principally of cheese with added edible oils, which are not sold as cheese or as substitutes for cheese but are primarily useful for imparting a natural cheese flavor to other foods shall not be considered "filled cheese" within the meaning of this act.

The letter of the Secretary of Agriculture would indicate that the manufacturers of this cheese flavor are going to use some kind of skimmed-milk cheese. They have to use the very best kind of cheese in order to convey the proper flavor to the foods sought to be so flavored. I think the Secretary of Agriculture has entirely a wrong approach on this problem, and I call the Committee's attention to the fact that under the law the Secretary of Agriculture is charged with the administration of the Food and Drugs Act, and if any company or any individual or anyone else in this country should attempt to sell an imitation or a filled cheese or anything else by misbranding, they would be liable to prosecution by the Secretary of Agriculture under the Food and Drugs Act.

Mr. HULL. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of Illinois. I yield.

Mr. HULL. Permit me to call the gentleman's attention to the first line of the added provision, which states:

Substances and compounds, consisting principally of cheese.

Mr. THOMPSON of Illinois. Yes.

Mr. HULL. It does not mention what kind of cheese, but any old kind of cheese, even cheese mixed with lard, would be legal under this provision.

Mr. THOMPSON of Illinois. The gentleman is entirely mistaken. Cheese is cheese, and this means nothing but genuine cheese. Filled cheese is something else and is definitely defined in the original act sought to be amended, and the principal thing is the requirement of the filled-cheese act that this substance be packed in a certain kind of package.

Mr. REILLY. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of Illinois. Yes.

Mr. REILLY. Will not the law, as the gentleman has it there, permit filled cheese to be sold under another name?

Mr. THOMPSON of Illinois. Absolutely not.

Mr. REILLY. The Secretary of Agriculture does not agree with the gentleman.

[Here the gavel fell.]

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to withdraw the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. HULL].

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 54, noes 68.

Mr. BOILEAU. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. THOMPSON of Illinois and Mr. HULL.

The Committee again divided; and the tellers reported that there were—ayes 66, noes 88.

So the amendment was rejected.

Mr. KRAMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KRAMER: Page 307, after line 7, insert:

"SEC. 711. Occupational tax on retail dealers in liquors.

"Effective July 1, 1938, the occupational tax on retail dealers in liquors shall be $250 in lieu of $25."

The CHAIRMAN. The gentleman from California is recognized for 2 minutes.

Mr. KRAMER. Mr. Chairman, many years ago on the occasion when I took my first position it happened to be in one of the largest breweries in Illinois. One of my duties was to go down to the Internal Revenue Bureau and procure what was then known as the retail liquor license. At that time the license fee for a saloon, or what today they call a cocktail bar, was $25. This same license fee has been on the statute as long as I can remember. Just think of it! These saloons, cocktail bars, or whatever other names they go by, pay only $25 in order to dispense liquor, most of which is unfit to drink, and for which they charge you from 25 to 75 cents a drink.

The amount of revenue produced at present out of a total number of 295,546 licenses now in existence is something over $6,274,000. If the license fee is increased to $250, as provided in this amendment, the additional revenue will be in excess of $53,386,000. If you want to produce revenue and produce it from a reliable source, vote for this amendment.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from North Carolina is recognized for one and a half minutes.

Mr. DOUGHTON. Mr. Chairman, this amendment was not considered by the committee. It has not had the consideration that an amendment of this importance should have.

Mr. KRAMER. The gentleman is looking for revenue. This is his opportunity.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The question was taken; and on a division (demanded by Mr. KRAMER) there were—ayes 8, noes 25.

So the amendment was rejected.

Mr. HARRINGTON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment by Mr. HARRINGTON: On page 309, after line 7, insert the following:

"Sec. 711. Tax on gasoline.

"Effective on the thirtieth day after the date of enactment of this act, section 617 (c) (2) of the Revenue Act of 1932, as amended, is further amended to read as follows:

"'(2) the term "gasoline" means (A) all products commonly or commercially known or sold as gasoline (including casinghead and natural gasoline), benzol, benzene, or naphtha, regardless of their classifications or uses; and (B) any other liquid of a kind prepared, advertised, offered for sale, or sold for use, as or used as, a fuel for the propulsion of motor vehicles, motorboats, or airplanes; except that it does not include any of the foregoing mixed with 10 percent or more of anhydrous ethyl alcohol produced from annual agricultural crops grown in the continental United States and so denatured as to exempt it from the tax imposed by law upon distilled spirits, does not include any of the foregoing (other than products commonly or commercially known or sold as gasoline) sold for use otherwise than as a fuel for the

propulsion of motor vehicles, motorboats, or airplanes, and otherwise than in the manufacture or production of such fuel, and does not include kerosene, gas oil, or fuel oil.'"

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

The CHAIRMAN. The gentleman from Iowa is recognized for 2 minutes.

Mr. HARRINGTON. This is an amendment which in effect and by redefinition would exempt from the Federal 1-cent tax gasoline which is blended with 10 percent or more of alcohol produced from the products of American farms.

The purpose of the amendment is to foster and encourage an infant agricultural industry—the manufacture of fuel alcohol from surplus farm products—and the effect would be to remit to the farmers and consumers the 1-cent tax on gasoline blended with anhydrous alcohol.

The movement to convert surplus farm products into fuel alcohol is being sponsored by the Chemical Foundation of America, a nonprofit organization. One such conversion plant is now in operation at Atchison, Kans., and a second is about to be constructed in my district at Sioux City, Iowa. The blended product is now being used in motor vehicles and is found highly practicable and satisfactory. While at present the alcohol blend is made from corn, it has been demonstrated that other farm products are equally suitable, the principal ones being wheat, barley, rye, sorghum grains, artichokes and sweet potatoes, fruits, and so forth.

Inasmuch as it is estimated that the total output of fuel alcohol in 1938 will not exceed 5,000,000 gallons, which would blend 50,000,000 gallons of motor fuel, the remission of the tax in this instance would entail only $500,000.

To briefly illustrate the benefit to the farmer: A bushel of corn, sorghum grain, or any comparable grain will yield 2½ gallons of alcohol, which in turn will supply one-tenth of the volume of 25 gallons of blended fuel. Since the Federal tax on 25 gallons is 25 cents, by remitting the tax the savings resulting therefrom could be passed along to the farmer at the rate of an increase of 25 cents a bushel for his grain. The manufacturers of the blend are now contracted to pay the farmers 56 cents a bushel for corn. If this tax should be remitted they have agreed to increase the price from 66 to 70 cents a bushel. Is this not the answer to the problem of farm surpluses?

I discussed this proposition at some length recently on the floor of the House in an effort to picture the long-range effect of the development of anhydrous alcohol as a motor fuel. I made the statement that in its full development this enterprise would slow down the depletion of our vital oil reserves, solve the problem of what to do with our farm surpluses, and in the long run absorb the employment slack created by the mechanization of this age.

Let us bestow this small encouragement now and I have no doubt but that the agricultural fuel oil industry will eventually rise to bless us a millionfold by contributing materially to our future economic salvation.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. HARRINGTON].

The amendment was rejected.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I want to make a brief announcement. We heard a lot about what was needed in the way of additional revenues, and at the end of yesterday's debate that figure was placed at about $62,000,000. Today Secretary Morgenthau at a press conference stated that at the end of yesterday's debate the bill was $41,000,000 short, not $62,000,000. When the bill came before the committee it was $22,000,000 short. It was $41,000,000 short last night and at the end of the debate. The inference, therefore, is that $19,000,000 was involved in the striking out of section I–B. We have just put back $35,000,000.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I communicated with the Secretary of the Treasury today with reference to the amount of money to be raised if the amendment offered by the gentleman from Virginia [Mr. ROBERTSON] was adopted. I am informed that the likely revenue under that amendment will be about $19,000,000. I give this information to the Members for what it may be worth.

Mr. DIRKSEN. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 302, after the period in line 18, add a new subsection to read as follows:

"(i) The tax imposed by section 601 (c) (2) of the Revenue Act of 1932 shall not apply to articles sold after June 30, 1938."

Mr. DIRKSEN. Mr. Chairman, may I say that the subcommittee started work in November 1937 on this bill. On the 14th of January they issued a report entitled "Proposed Revision of the Revenue Laws of 1938." In that report it made 60 recommendations. The sixtieth recommendation found on page 81 is as follows:

It is recommended that the following excise taxes shall not be effective after June 30, 1938.

Then follows a list of 10 excise taxes, 9 of them being in the bill. Where is the other one? The other one, of course, applies to malt sirup that has heretofore been used in the home. It is legal for the average American family to make use of malt sirup. Once upon a time the art of making home brew was a traditional one in this country, but after repeal of the eighteenth amendment it went into the discard. The only revenue that has been received from this 3-cent tax after exemptions for malt sirup used by bakers and confectioners is $600,000, estimated for 1938. In 1933 this revenue amounted to $4,000,000.

This tax is an absolute nuisance and the committee that recommended it ought to take it off along with the other excise taxes.

This tax on malt sirup was imposed in June of 1932 at the rate of 3 cents per pound. Exemptions were made in the case of bakers, confectioners, and other commercial users of malt. In the first year of this tax it produced $3,928,000. That was in 1933.

Then came repeal. Manifestly the makers of illegal home brew could not compete with legalized breweries and the revenues from malt sirup progressively tumbled from that figure to $812,216 in 1937.

It is evident from these dwindling revenues that the tax is in every respect nothing more than a nuisance tax.

In the case of commercial users such as bakers and confectioners, proper certificates approved by the Treasury Department must be supplied in order to obtain exemption from the tax. Since only about 20 percent of all malt sales are at the present time taxable, there is every reason to believe that these revenues will decline year by year and a continuation of the tax will do little more than be an annoyance to the exempted users and will accomplish no results so far as other users are concerned.

Now, why was this tax not removed along with the nine other nuisance taxes carried in the bill? The only argument advanced was that removal of the tax might invite a return of the alley brewer. If anyone will take the trouble to examine the hearings on this item, he will note how utterly inconclusive they are on this point. Alley brewing has simply gone out of style because the alley brewer cannot compete. In fact, in the last report of the Federal Alcohol Administrator and of the Alcohol Tax Unit, no mention is made of the alley brewer because he does not exist.

Yet it is contended that the tax is left on malt sirup to prevent his return. The fact is that this tax does nothing more than operate to make humble families who still use malt sirup for domestic purposes pay a tax of 3 cents per pound on the malt sirup which it buys for that purpose and is therefore a sales tax in every sense of the word. It is perfectly legal and lawful for a family to use malt sirup the same as bakers if they so desire. But apparently it is the sense of the Treasury and of the Ways and Means Committee to make these humble families pay 3 cents per pound on malt

in order to force them to purchase commercial products. What other construction can be placed upon the tax?

It is rather idle to argue that this tax on malt enhances the manufacture and sale of beer. Its sale has grown by leaps and bounds as a matter of fact, and is little influenced by this tax on the malt sirup, used by a few families who might provide themselves with home-made and legally made beer. In 1933 the production of beer was about 20,666,918 barrels. In 1937 it had jumped 57,000,000 barrels. These figures tell their own story.

The revenue estimate from this item as it appears in the committee report is about $600,000 for the fiscal year 1938. What more need be said to indicate that it now exists as a nuisance tax?

Is it not a bit strange that after 2½ months of labor on the pending tax bill, the subcommittee should specifically recommend a removal of this tax and then reverse itself by continuing the tax in this bill? I trust, therefore, that the amendment will be adopted whereby this tax on a few consumers will be removed.

[Here the gavel fell.]

Mr. DINGELL. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Illinois.

Mr. Chairman, the short time I have at my disposal is too short to discuss the question now before the House. May I say that the committee has very carefully considered the question presented by the gentleman from Illinois, voted twice before agreeing to my proposal that the tax be retained. The second time the committee voted unanimously to retain the tax on brewer's wort and on malt sirup because it was conceded that these products were specially prepared to meet the requirements of alley brewers and bootleggers who would expand their operations and production of bootleg beer in competition with tax-paid, legitimate, and wholesome beer. This type and kind of sirup contains hop flavor and as such is unfit for candy and bakery use. It is a bootlegger's product, and as long as a Federal tax stamp is attached and the Federal Government is involved the bootlegger and alley brewer will think twice before acting. This tax is a stopgap to the return of the curse of bootlegging and alley brewing. I therefore ask on behalf of the committee that the amendment be defeated. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The amendment was rejected.

Mr. VOORHIS. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS: Page 301, line 20, strike out all of subsection (b) of section 701.

Mr. VOORHIS. Mr. Chairman, all this amendment does is put back the tax on furs, which has been taken off by this bill. The reason I offer it is because I believe people who can afford to buy furs can, obviously, also afford to pay a reasonable tax on them. This is in accord with the principle of taxation based on the ability of people to pay. I would not want anybody to vote for this amendment, however, who thinks if he does so he is substituting something for section I–B, because, in my opinion, there is no substitute for section I–B. That section, protecting, as it does, the individual income tax against evasion and loopholes, is a matter of principle which is fundamental to this bill and to the principle of taxation according to ability to pay. I hope my amendment putting back the 1936 rates on furs, which are clearly a luxury, will be adopted.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. VOORHIS].

The amendment was rejected.

Mr. McFARLANE. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment by Mr. McFARLANE: Page 308, after line 19, insert:
"SEC. 710. Tax with respect to radio broadcasting.
"(a) Definitions: As used in this section—
"(1) 'Broadcasting' means transmission by radio of sounds, pictures, or writing, intended to be received by the public, directly or by the intermediary of relay stations.
"(2) 'Gross receipts' of any person engaged in the business of broadcasting means the total sums paid to such person for broadcasting, but there shall be excluded from such sums such portions thereof as are paid by such person to any other person for broadcasting if such other person is engaged in the business of broadcasting under license from the Federal Communications Commission.
"(b) Imposition of tax: There is hereby imposed upon every person engaged in the business of broadcasting under license from the Federal Communications Commission, with respect to the carrying on of such business after July 1, 1938, an excise tax of 10 percent of the gross receipts of such person after such date.
"(c) Collection of tax: Every person required to pay the tax imposed by this section shall make quarterly returns under oath in duplicate and pay the tax to the collector of internal revenue for the district in which is located his principal place of business. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe. The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 percent per annum from the time the tax became due until paid.
"(d) Administrative provisions: All administrative, special, or stamp provisions of law, including penalties and including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this section."
Page 308, line 20, strike out "710" and insert "711."

Mr. McFARLANE. Mr. Chairman, this amendment is self-explanatory. It provides an excise tax of 10 percent of the gross receipts of all radio broadcasting. Measures providing for taxes of this type have been pending before the Committee on Ways and Means at various intervals since 1927. It is costing the Government each year in excess of $2,000,000 to maintain the Federal Communications Commission, and no part of this sum is provided by the industry supposed to be regulated. This amendment has been carefully prepared by the Legislative Counsel. It is estimated this tax will not work a hardship upon the industry, since the industry is taking from the smaller and the larger newspapers of this country, which are not favored by a free license and a radio broadcasting station, more than $140,000,000 each year in legitimate advertising. They are not contributing one red cent toward the maintenance of the Federal Communications Commission, which last year cost more than $2,000,000 to operate.

The gentleman from North Carolina [Mr. DOUGHTON] requested the views of Chairman McNinch, of the Federal Communications Commission, regarding H. R. 6440, the bill providing for a wattage tax on radio stations, based upon the size of said station. In reply to the gentleman from North Carolina, Chairman McNinch said in part:

There is no consistent or logical justification for basing a tax on radio broadcasting stations solely on wattage without regard to income, type of service, geographical coverage, or other pertinent considerations.

The Commission's objections to H. R. 6440 should not be taken to be objections on the part of the Commission to the principle of levying a tax upon or charging a fee for the exercise of the privilege of broadcasting, either for the purpose of reimbursing the Government for the expense incident to the regulation or licensing of broadcast stations for general revenue purposes.

I wish I had sufficient time to give you the clear picture. These radio stations receive a free license to operate by the Government, and these licenses, through trafficking by the owner, we find to be very valuable; and since these radio stations own little property and collect enormous fees for advertising, it seems they should pay a reasonable tax to the Government. Certainly under this tax bill we need the revenue, and the small newspapers of this country that do not own radio stations and need relief will appreciate your vote. Therefore I hope the Committee will adopt this amendment. [Applause.]

[Here the gavel fell.]

Mr. THOMPSON of Illinois. Mr. Chairman, I rise in opposition to the amendment.

The question of taxing radio broadcasting stations and radio broadcasters goes into a new field which should be thoroughly studied by the committee charged with raising revenue as well as the committee charged with the regulation of the radio broadcasting industry. In order to give

these committees an opportunity to study this matter, I ask that the amendment be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. MCFARLANE].

The question was taken; and on a division (demanded by Mr. MCFARLANE) there were—ayes 30, noes 60.

So the amendment was rejected.

Mr. COLMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COLMER: On page 304, after line 18, insert a new section, as follows:

"Tapioca, tapioca crude, tapioca flour, sago, sago crude, sago flour, or cassava, whether or not such products or any of them have been refined, modified, or otherwise processed, and in whatever combinations or mixtures containing a substantial quantity of any one or more of such products, 2½ cents per pound. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of this section and shall not be subject to the provisions of subsection (b) (4) of section 601 (prohibiting draw-back) or section 629 (relating to expiration of taxes)."

Mr. COLMER. Mr. Chairman, under the parliamentary situation I doubt if I could obtain the approval of this amendment if it were the Lord's Prayer. I am offering here an amendment that every man representing an agricultural district would vote for if I had the opportunity to have it explained to him. There are in excess of 500,000,000 pounds of this cheap starch imported into this country in competition with your cornstarch, with your potato starch, and with other domestically produced starches. This amendment would place an excise tax of 2½ cents a pound on this imported starch and would help your farmers in whatever section of the country they live. I ask your endorsement of this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Mississippi [Mr. COLMER].

The question was taken; and on a division (demanded by Mr. MCFARLANE) there were—ayes 55, noes 75.

So the amendment was rejected.

The CHAIRMAN. The Chair may state that amendments are now in order, if gentlemen wish to call up amendments which are at the Clerk's desk.

Mr. HULL. Mr. Chairman, I offer an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HULL: On page 309, after line 7, add a new section, as follows:

"SEC. 711. Section 601 (c) of the Revenue Act of 1932 is further amended by adding at the end the following new paragraph:

"'(11) Butter, 14 cents per pound; cheese, 8 cents per pound; milk, condensed or evaporated, 4 cents per pound: *Provided*, That the taxes imposed by this paragraph shall apply only to the importation of such articles.'"

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. HULL].

The question was taken; and on a division (demanded by Mr. HULL, Mr. O'MALLEY, and Mr. FISH) there were—ayes 50, noes 75.

So the amendment was rejected.

Mr. WHITE of Ohio. Mr. Chairman, I offer an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. WHITE of Ohio: On page 309, after line 7, insert the following new section:

"SEC. 711. Section 601 (c) of the Revenue Act of 1932 is further amended by adding at the end thereof the following new paragraph:

"'(11) Pottery and glassware, 20 percent of the price for which so sold: *Provided*, That the tax on the articles described in this paragraph shall apply only with respect to the importation of such articles.'"

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. WHITE].

The question was taken; and on a division (demanded by Mr. WHITE of Ohio) there were—ayes 52, noes 83.

So the amendment was rejected.

Mr. NELSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. NELSON: On page 309, after line 7, insert:

"SEC. 711. Tax on fermented liquors.

"Effective July 1, 1938, section 608 of the Revenue Act of 1918, as amended (relating to the tax on fermented liquors), is amended by striking out 'a tax of $5' and inserting in lieu thereof 'a tax of $2.'"

The amendment was rejected.

Mr. WIGGLESWORTH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIGGLESWORTH: On page 304, line 18, after the word "taxes", insert a new section to read as follows:

"Section 601 (c) of the Revenue Act of 1932, as amended, is further amended by adding at the end thereof the following new paragraph:

"'(11) Boots, shoes, or other footwear (including athletic or sporting boots and shoes), made wholly or in chief value of leather, 10 percent of the American selling price (as defined in sec. 402G of the Tariff Act of 1930: *Provided*, That the tax on the articles described in paragraph (11) shall apply only with respect to the importation of such articles after 60 days after the date of the enactment of such paragraph and shall not be subject to the provisions of subsection (b) (4) of section 601 (prohibiting draw-backs) or section 629 (relating to expiration of taxes).'"

The question was taken; and on a division (demanded by Mr. WIGGLESWORTH) there were—ayes 48, noes 88.

So the amendment was rejected.

Mr. HANCOCK of New York. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK of New York: Page 309, after line 7, add a new section, as follows:

"SEC. 711. The following paragraphs of schedule 7 of the Tariff Act of 1930 is amended to read as follows, to wit:

"'PAR. 713. Eggs of poultry, in the shell, 30 cents per dozen; whole eggs, egg yolk, and egg albumen, frozen or otherwise prepared or preserved, and not specially provided for, whether or not sugar or other material is added, 22 cents per pound; dried whole eggs, dried egg yolk, and dried egg albumen, whether or not sugar or other material is added, 30 cents per pound.'"

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. COOPER. Mr. Chairman, I withdraw the point of order.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. REED of New York) there were—ayes 40, noes 76.

So the amendment was rejected.

Mr. SCHNEIDER of Wisconsin. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SCHNEIDER of Wisconsin: On page 307, strike out all of line 7 down to and including all of line 11.

The amendment was rejected.

Mr. FERGUSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FERGUSON: Page 304, after line 18, insert:

"That section 601 (c) of the Revenue Act of 1932, as amended, is amended by adding at the end thereof the following new paragraphs:

"'(11) Beef, cured or cooked, steamed, prepared, or preserved, 3 cents per pound.

"The tax on the articles described in paragraph (11) shall apply only with respect to the importation of such articles after 60 days after the date of the enactment of such paragraph and shall not be subject to the provisions of subsection (b) (4) of section 601 (prohibiting draw-back) or section 629 (relating to expiration of taxes.'"

Mr. FERGUSON. Mr. Chairman, let me read from a report of the Department of Agriculture for February 19, 1938:

In the first week of February, prices of choice and prime grade slaughter steers at Chicago, averaging about $8.50 per hundred pounds, were about $9 lower than in late October, nearly $5 lower than a year earlier.

This means a loss from fifty to ninety dollars a head on a 1,000-pound steer.

With the beef industry in this condition canned beef should certainly be taxed the 3 cents per pound proposed in my amendment.

Importation of canned beef increased from 19,000,000 pounds in 1931 to 88,000,000 pounds in 1937. Live cattle imports increased from 95,000 head in 1931 to 507,000 in 1937. We cannot change the duty on live cattle because of the trade agreements. But certainly we can raise this tax on canned beef 3 cents per pound. The House today granted a 3-cent increase on the tax on pork. In justice the House should grant this increased tax on canned beef.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma.

The question was taken; and on a division (demanded by Mr. FERGUSON) there were—ayes 18, noes 50.

So the amendment was rejected.

Mr. FERGUSON. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The Clerk read as follows:

TITLE V—MISCELLANEOUS PROVISIONS

SEC. 801. Closing agreements as to future tax liability.

Section 606 (a) of the Revenue Act of 1928 is amended by striking out the words "ending prior to the date of the agreement."

SEC. 802. Returns as to formation, etc., of foreign corporations.

(a) Requirement: Under regulations prescribed by the Commissioner, with the approval of the Secretary, any attorney, accountant, fiduciary, bank, trust company, financial institution, or other person, who, after the date of the enactment of this act, aids, assists, counsels, or advises in, or with respect to, the formation, organization, or reorganization of any foreign corporation, shall, within 30 days thereafter, file with the Commissioner a return.

(b) Form and contents of return: Such return shall be in such form, and shall set forth, under oath, in respect of each such corporation, to the full extent of the information within the possession or knowledge or under the control of the person required to file the return, such information as the Commissioner with the approval of the Secretary prescribes by regulations as necessary for carrying out the provisions of the income-tax laws. Nothing in this section shall be construed to require the divulging of privileged communications between attorney and client.

(c) Penalty: Any person required under subsection (a) to file a return, or to supply any information, who willfully fails to file such return, or supply such information, at the time or times required by law or regulations, shall, in lieu of other penalties provided by law for such offense, be guilty of a misdemeanor and, upon conviction thereof, be fined not more than $2,000, or imprisoned for not more than 1 year, or both.

(d) Aid, etc., before enactment of act: The provisions of sections 340 and 341 (insofar as it relates to section 340) of the Revenue Act of 1936, added to such act by section 201 of the Revenue Act of 1937, shall remain in force only with respect to aiding, assisting, counseling, or advising, on or before the date of the enactment of this act.

SEC. 803. Information returns as to foreign corporations.

Sections 338 (a), 339 (a), and 341 (insofar as it relates to sections 338 (a) and 339 (a)) of the Revenue Act of 1936, added to such act by section 201 of the Revenue Act of 1937, shall remain in force only with respect to months beginning on or before the date of the enactment of this act.

SEC. 804. Interest on unpaid assessments.

Section 3184 of the Revised Statutes is amended by striking out at the end thereof the words "and interest at the rate of 1 percent a month" and inserting in lieu thereof the following: "and interest at the rate of 6 percent per annum from the date of such notice to the date of payment."

SEC. 805. Administration of oaths or affirmations.

Any oath or affirmation required or authorized by any internal-revenue law or by any regulations made under authority thereof may be administered by any person authorized to administer oaths for general purposes by the law of the United States, or of any State, Territory, or possession of the United States, or of the District of Columbia, wherein such oath or affirmation is administered. This section shall not be construed as an exclusive enumeration of the persons who may administer such oaths or affirmations.

SEC. 806. Basis of property acquired in connection with reorganizations.

(a) Section 113 (a) (7) of the Revenue Act of 1936 is amended to read as follows:

"(7) Transfers to corporation. If the property was acquired—

"(A) after December 31, 1917, and in a taxable year beginning before January 1, 1936, by a corporation in connection with a reorganization, and immediately after the transfer an interest or control in such property of 50 percent or more remained in the same persons or any of them, or

"(B) in a taxable year beginning after December 31, 1935, by a corporation in connection with a reorganization,

then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made. This paragraph shall not apply if the property acquired consists of stock or securities in a corporation a party to the reorganization, unless acquired by the issuance of stock or securities of the transferee as the consideration in whole or in part for the transfer."

(b) The amendment made by subsection (a) shall be applied in the computation of net income for taxable years beginning after December 31, 1935, and before January 1, 1938.

SEC. 807. Overpayments found by Board of Tax Appeals.

(a) The last sentence of section 322 (d) of the Revenue Act of 1936 and of the Revenue Act of 1934 are amended to read as follows: "No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that such portion was paid within 3 years before the filing of the claim or the filing of the petition, whichever is earlier, or that such portion was paid after the mailing of the notice of deficiency; except that where the decision of the Board is rendered before the expiration of 30 days after the date of the enactment of the Revenue Act of 1938, the credit or refund may be made of any portion paid after the mailing of the notice of deficiency."

(b) The last sentence of section 528 (d) of the Revenue Act of 1932, as amended, is amended to read as follows: "No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that such portion was paid within 3 years before the filing of the claim or the filing of the petition, whichever is earlier, or that such portion was paid after the mailing of the notice of deficiency; except that where the decision of the Board is rendered before the expiration of 30 days after the date of the enactment of the Revenue Act of 1938, the credit or refund may be made of any portion paid after the mailing of the notice of deficiency."

(c) The last sentence of section 322 (d), as amended, of the Revenue Act of 1932 and of the Revenue Act of 1928 are amended to read as follows: "No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that such portion was paid within 2 years before the filing of the claim or the filing of the petition, whichever is earlier, or that such portion was paid after the mailing of the notice of deficiency; except that where the decision of the Board is rendered before the expiration of 30 days after the date of the enactment of the Revenue Act of 1938, the credit or refund may be made of any portion paid after the mailing of the notice of deficiency."

(d) The last sentence of section 284 (e) of the Revenue Act of 1926, as amended, is amended to read as follows: "Unless the Board determines as part of its decision that the claim for credit or refund, or the petition, was filed within the time prescribed in subdivision (g) for filing claims, no such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that it was paid within 4 years (or, in the case of a tax imposed by this title, within 3 years) before the filing of the claim or the filing of the petition, whichever is earlier, or that such portion was paid after the mailing of the notice of deficiency; except that where the decision of the Board is rendered before the expiration of 30 days after the date of the enactment of the Revenue Act of 1938, the credit or refund may be made of any portion paid after the mailing of the notice of deficiency."

(e) The last sentence of section 319 (c) of the Revenue Act of 1926, as amended, is amended to read as follows: "No such refund shall be made of any portion of the tax unless the Board determines as part of its decision that such portion was paid within 4 years (or, in the case of a tax imposed by this title, within 3 years) before the filing of the claim or the filing of the petition, whichever is earlier, or that such portion was paid after the mailing of the notice of deficiency; except that where the decision of the Board is rendered before the expiration of 30 days after the date of the enactment of the Revenue Act of 1938, the credit or refund may be made of any portion paid after the mailing of the notice of deficiency."

SEC. 808. Credits against social-security tax for 1936.

(a) Allowance of credit: Against the tax for the calendar year 1936 imposed by section 901 of the Social Security Act, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him, before the 60th day after the date of the enactment of this act, into an unemployment fund under a State law. The provisions of the Social Security Act (except the provision limiting such credit to amounts paid before the date of filing returns) shall apply to allowance of credit under this section, and the terms used in this subsection shall have the same meaning as when used in title IX of the Social Security Act.

(b) Refund: Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

SEC. 809. Travel allowances in Hawaii.

Whenever by or under authority of law actual expenses for travel may be allowed to officers and employees of the United States, such allowance, in the case of travel after the date of the enactment of this act on interisland steamships in the Territory of Hawaii, shall not exceed the rate for accommodations on such steamships equivalent as nearly as may be to the lowest first-class accommodations on trans-Pacific steamships. The maximum fixed

by this section shall be in lieu of the maximum fixed by section 10 of the Treasury and Post Office Appropriation Act for the fiscal year ending June 30, 1934 (47 Stat. 1516).

Mr. FRED M. VINSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FRED M. VINSON: Page 317, after line 3, insert the following:

"SEC. 811. Waivers in transferee cases under prior revenue acts.

"(a) Section 280 (b) of the Revenue Act of 1926, is amended by inserting at the end thereof the following new paragraph:

"'(4) Where before the expiration of the time prescribed in paragraph (1) or (3) for the assessment of the liability, both the Commissioner and the transferee or fiduciary have consented in writing to its assessment after such time, the liability may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.'

"(b) Section 311 (b) of the Revenue Act of 1928, and of the Revenue Act of 1932, and of the Revenue Act of 1934, and of the Revenue Act of 1936, are each amended by inserting at the end thereof the following new paragraph:

"'(4) Where before the expiration of the time prescribed in paragraph (1), (2), or (3) for the assessment of the liability, both the Commissioner and the transferee or fiduciary have consented in writing to its assessment after such time, the liability may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.'

"(c) The amendments made by this section to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. ROBERTSON. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. ROBERTSON: Page 317, after line 3, insert the following:

"SEC. 810. Retroactive exclusion of gain from purchase of personal property within the United States and sale within possession.

"Section 119 (e) of the Revenue Act of 1936, of the Revenue Act of 1934, of the Revenue Act of 1932, and of the Revenue Act of 1928, and section 217 (e) of the Revenue Act of 1926, are amended by striking out of the last sentence 'purchase of personal property within the United States and its sale within a possession of the United States or from the.' The amendments made by this section to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia.

The question was taken; and on a division (demanded by Mr. KLEBERG) there were—ayes 75, nays 34.

So the amendment was agreed to.

Mr. ROBERTSON. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD at this point to explain this amendment.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. ROBERTSON. Mr. Chairman, this is a committee amendment which has the unanimous support of our committee and of the Treasury Department. It repeals the tax on goods produced in the United States and resold in our insular possessions, and the repeal is effective as of January 1, 1925. While this tax has been on the statute books since 1926, it was completely overlooked until recently, because it was never the intention of the Congress to place such a burden upon American citizens who were marketing American goods in our possessions. It was generally understood that they were exempted by section 251, relating to 80 percent of the income of an American citizen derived from his business in a possession.

The recent assessment of the 1926 tax upon American citizens doing business in the Philippines would not only work a hardship; it would put them out of business. The Philippine Islands is our Government's best customer. Our trade with the islands amounts to about $200,000,000 per year. Americans in the islands, trying to keep our goods in the Philippine market, are in competition with the nationals of other countries who pay no such tax. There never was a time when it was more important for us to expand our foreign trade. We certainly cannot afford to lose our export trade to the Philippines. The fairness, the justice, and the economic soundness of this amendment should appeal to every Member of this House.

Mr. HOFFMAN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HOFFMAN. What was the amendment to which we just agreed?

The CHAIRMAN. The amendment has already been voted upon and agreed to.

Mr. RAYBURN. Mr. Chairman, that is not a parliamentary inquiry.

The Clerk read as follows:

TITLE VI—GENERAL PROVISIONS

SEC. 901. Definitions.

(a) When used in this act—

(1) The term "person" means an individual, a trust or estate, a partnership, or a corporation.

(2) The term "corporation" includes associations, joint-stock companies, and insurance companies.

(3) The term "partnership" includes a syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this act, a trust or estate or a corporation; and the term "partner" includes a member in such a syndicate, group, pool, joint venture, or organization.

(4) The term "domestic" when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State or Territory.

(5) The term "foreign" when applied to a corporation or partnership means a corporation or partnership which is not domestic.

(6) The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person.

(7) The term "withholding agent" means any person required to deduct and withhold any tax under the provisions of section 143 or 144.

(8) The term "stock" includes the share in an association, joint-stock company, or insurance company.

(9) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

(10) The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(11) The term "Secretary" means the Secretary of the Treasury.

(12) The term "Commissioner" means the Commissioner of Internal Revenue.

(13) The term "collector" means collector of internal revenue.

(14) The term "taxpayer" means any person subject to a tax imposed by this act.

(b) The terms "includes" and "including" when used in a definition contained in this act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

SEC. 902. Separability clause.

If any provision of this act, or the application thereof to any person or circumstances, is held invalid, the remainder of the act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

SEC. 903. Effective date of act.

Except as otherwise provided, this act shall take effect upon its enactment.

Mr. O'CONNOR of New York. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise at this time to review my attitude toward taxes generally and especially this tax bill. My views in relation to taxes have been well known for many months. My approach to it has always been based upon its effect on unemployment. It is the generally accepted opinion throughout the country by businessmen and other persons concerned, that our tax policy has contributed at least to a great extent in increasing unemployment to the number of about 3,000,000 of our workers since last September. If there is any basis for this contention, some remedy should be afforded because the employment of our people is much more important than the collection of our taxes, however startling that statement may sound.

There are many people who feel that our tax policy and the rates of taxes are not determined by Congress, the constitutional authority, but are influenced by an executive branch of the Government, the Treasury Department, which it is claimed writes the tax bills. The old saying was, "I care not who writes your laws, if I might write your songs." In the opinion of some people this could be parodied by saying,

"I care not who is elected to Congress if I might write your laws."

To further confuse the situation, it is the attitude of some persons, not far from this Chamber, that when the Treasury has spoken on taxes, that reflects the attitude of the Chief Executive. I, personally, do not believe that to be true. It is also believed to a considerable extent that when the Treasury starts to influence a tax bill, it presents in the first instance the amount of income already derived from existing taxes and with that "floor" of a figure is held a weapon over the heads of the framers of a tax bill that the total amount should not be reduced in any respect and this despite any contention that certain of the taxes are unconscionable, unequitable, and unsound. If that strait jacket influences the drafters of our tax laws, little can be accomplished. If any tax, no matter how much revenue it produces, is considered unsound and unjust and unfair to our citizens, it should be repealed, irrespective of the temporary loss of revenue. Of course the sound thinkers on the economics of taxation contend that the repeal of an unjust law would return more revenue than its continuance.

It is this contention as to existing taxes which has caused the universal opposition throughout the country to the corporate undistributed-profits tax and the capital-gains tax. Both of these taxes are accused of having contributed to a great extent to the failure to recover from the depression of 1929 and to having greatly contributed to the recession of 1937. If that be true, they should, of course, be repealed lock, stock, and barrel.

To say that the corporate undistributed-profits tax has contributed $50,000,000 or $150,000,000 or more in revenue is no answer if it is true that the tax has contributed to the unemployment of two or three million of our workers with a consequent loss in national income of several billions of dollars. If this tax has been found to be unsound and burdensome on business, it should be repealed without any attempt at face-saving by retaining part of it in principle.

Likewise with the capital-gains tax. The best opinion in this country is that it has yielded no net income, and has been a detriment to prosperity and recovery. The Honorable Morris S. Tremaine, for 12 years and at present the comptroller of the State of New York and a recognized authority on taxation in this country, and the Honorable Mark Graves, chairman of the New York State Tax Commission, an outstanding authority on taxation recognized throughout the country, both agree that the corporate undistributed-profits tax should be entirely repealed and that the capital-gains tax should be repealed or greatly modified.

Under date of March 7, 1938, I received a telegram from Comptroller Tremaine, reviewing the present attitude of himself and Commissioner Graves, in which he said in part:

> Former Under Secretary of War, Mr. Parker Gilbert, stated that he did not believe over the cycle that the capital-gains tax produced any net revenue. He also stated he believed that tax retarded general business certainty to the extent of 5 percent and perhaps 10 percent, which would mean that at least 2,000,000 workers are kept out of jobs on account of the tax. Mr. Arthur Ballantine, Under Secretary of the Treasury under Secretary Ogden Mills and Under Secretary of the Treasury for about 6 months during the present administration, believes that this tax retards general business to the same extent as did Mr. Gilbert. Mr. Ogden Mills believed the tax retarded business even when the rates were only 12½ percent, and to a very great extent under the present rates. Mr. Jefferson Coolidge, former Under Secretary in this administration, Mr. Mark Graves and Mr. Seth Cole, counsel of the New York State Tax Commission for 13 years, believe this tax has retarded business, and that over a period it was very doubtful if it had returned to the Government any net revenue.

Mr. Tremaine goes on to state:

> If this tax retards the velocity or turn-over of business only 5 percent, it must cut the revenue of the Federal Government from other sources from 5 to 10 percent; and if coupled with the high surtaxes, it undoubtedly keeps two or three million workers out of jobs, because it prevents investment in new enterprises. The regular investment money of the trust-fund type is limited largely to legal investments. Therefore, the country needs speculation money invested in new enterprises to put millions of men to work. At the present time no new industries are started and no expansion of industry is likely as long as the capital-gains tax and the corporate undistributed-profits tax, even under the present proposed law, continue to exist. The income of labor can only be increased by an increased production, which can only come from the increased use of capital, which cannot engage in enterprises under the present retarding tax law.

The Honorable John Godfrey Saxe, a distinguished lawyer and ex-public official of New York, recognized as an authority on taxes, has long advocated that the capital-gains tax be repealed to meet the employment situation, or that it be reduced to a flat 5 percent.

The bill has been improved by the elimination of title I–B, the so-called "third basket," the corporate undistributed tax on closely held or family corporations. To my mind, this proposal was adding insult to injury. The existing tax was bad enough without throwing a crumb to the widely held corporations and then taking it out on the family corporations, which have contributed so much to the building up of this country. It has been claimed that there was an ulterior motive behind this new plan of taxation—that somebody was after somebody else. If this be true, of course, such a tax was unworthy of America, as are all punitive taxes, a fallacy into which we have fallen to some extent in recent years. Our department stores, our manufacturing plants, and many other businesses, built up for generations and still held in the same families, would have been the victims of this punitive tax.

As to excise taxes, while there is meager relief in this bill, we have lost sight of the promise that many of those taxes which were put on years ago solely as temporary, to exist only for 1 year, we now find being continued year after year in the nature of a national selected sales tax on certain commodities and solely for the reason that they have yielded some five hundred millions of dollars of revenue, which cannot be found anywhere else. To repeat, the mere fact that they yielded revenue is no justification for their continuance, if they are unfair or an undue burden on our people, such as most of them are. For instance, the Federal Government should never have gone into the gasoline tax field. That should have been left entirely to the States.

The tax on automobile tires, tubes, and so forth, is an undue imposition on our people.

So is the 1-percent tax on cosmetics, which is not a luxury, but a necessity. The meager reduction on some of the soap, and so forth, in the cosmetic list will be of little help toward relieving the women of the country from this unjust tax burden.

The same could be said of the tax on admission to theaters and practically all the other excise taxes continued in this bill. Why the committee repeals the tax on paper matches and retains it on wooden matches I cannot understand. Let us hope that will be corrected in another body.

In spite of the general opinion, supported by the Department of Agriculture and other governmental agencies, that the tax of 3 percent on commodity sales on our produce exchanges should be entirely repealed, this bill merely reduces the tax to 1 percent, but although the Department of Agriculture agreed that the tax should be entirely repealed, in addition to only reducing the tax to 1 percent, this bill places a new tax on what are known as "scratch sales" on the commodity exchanges, where a certain amount of a commodity is sold at one time in a day and the same amount of the same commodity is bought during the same day, or vice versa, all at the same price, so that there is no gain or loss in price on the commodity. This is what is sometimes called a "wash sale," But, mark you, this bill now puts a 1-percent tax on that kind of a transaction, which will many times increase the burden on our citizens dealing in commodities rather than relieve them to any extent. That innovation by itself is typical of the present attitude toward our taxpayers.

In all the instances just recited, it is the best opinion of experts on taxation and economics that more revenue would be received by the Government if such taxes were repealed rather than by their continuance or modification.

The increase of 25 cents a gallon on whisky was a distinct improvement to the bill.

As to estate taxes, this bill dips the fingers of the Government deeper into the family inheritance by reducing the exemption from $80,000 to $40,000. The increases in estate taxes during the past 7 years has been astounding to such an extent that in some States today the total of Federal and State inheritance taxes will amount to between 85 and 90 percent of the estate.

Take my own State of New York, for instance; the total Federal and New York estate taxes, without calculating the effect of this further reduction of exemption to $40,000, has increased since 1931 in some instances almost seven times. For instance, in 1931 the total taxes on an estate of $500,000 was $13,140. Today it is $83,700 and will be more under this bill. And so on up the scale of the sizes of the estate. When you come to a $5,000,000 estate, the taxes on that in 1931 were $149,140. Today they are $2,100,000, without figuring the increased taxes under this bill. In some States they would be much higher. I know that generally there will not be much sympathy toward mentioning the size of such estates, but the same proportions hold true for smaller estates, with the net result that it seems impossible that any estate can survive over three generations of this kind of taxation. That, of course, is one way to redistribute wealth, by the indirect method of taxation, but it is not the frank, open method of the distribution of wealth recently advocated by some public officials. As a matter of fact, it is a serious question whether the taxation method in anywise works toward a distribution of wealth. While it certainly decreases the size of any estate and the amount of any property which any of our citizens may own, the taxes are covered into the United States Treasury, and many persons seriously contend that the recent distributions of the Treasury moneys has not been equal or equitable among all our deserving citizens.

I have appreciated from the time this bill came onto the floor of the House of Representatives the futility of overcoming to any considerable extent the customary slogan, "Support the committee," so that any substantial changes could be made in the bill during its consideration in the House. I have long since lost the attempt to flay the windmill. I still have hopes, however, that in another body many of the fundamental fallacies in this bill will be corrected, so that in its final passage it will have the considered opinion of the Congress and the country. It is not pleasing to be compelled to "pass the buck" to the other body, and especially so because of my pride in this House, where tax legislation must, under the Constitution, originate. The situation in which we now find ourselves, to my mind, is most unfortunate, but it is a fact which we must all face, however unpleasant it may be.

The only reason which could prompt most of us to vote for this bill is that it is some improvement over the existing law.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, had directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the bill and all amendments thereto to final passage.

The previous question was ordered.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BIERMANN (at the request of Mr. HARRINGTON), indefinitely, on account of illness.

To Mr. PATRICK, indefinitely, on account of official business.

EXTENSION OF REMARKS

Mr. FISH, Mr. DIRKSEN, Mr. REES of Kansas, Mr. HILDEBRANDT, and Mr. BACON asked and were given permission to extend their own remarks in the RECORD.

Mr. CITRON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an address made by myself, as well as remarks by my colleague the gentleman from Connecticut [Mr. SMITH].

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the revenue bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MAGNUSON and Mr. WOLVERTON asked and were given permission to revise and extend their own remarks in the RECORD.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include two paragraphs of a newspaper article.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 3595. An act to authorize the purchase and distribution of products of the fishing industry; to the Committee on Merchant Marine and Fisheries.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 2709. An act to provide for the appointment of one additional United States district judge for the eastern district of Louisiana;

H. R. 7414. An act to provide for the establishment of a Coast Guard station at or near Panama City, Fla.; and

H. R. 8972. An act to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 2709. An act to provide for the appointment of one additional United States district judge for the eastern district of Louisiana;

H. R. 7414. An act to provide for the establishment of a Coast Guard station at or near Panama City, Fla.; and

H. R. 8972. An act to transfer to the Secretary of the Treasury a site for a quarantine station to be located at Galveston, Tex.

ADJOURNMENT

Mr. DOUGHTON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 34 minutes p. m.) the House adjourned until tomorrow, Friday, March 11, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m. Friday, March 11, 1938. Business to be considered: Hearing on H. R. 9738, civil aeronautics.

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on or after March 15, 1938.

There will be a meeting of Mr. MALONEY's Subcommittee of the Committee on Interstate and Foreign Commerce, at 10 a. m. Tuesday, March 22, 1938. Business to be considered: Continuation of hearing on S. 1261—through routes.

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House at 10:30 a. m. Monday, March 14, 1938, to resume hearings on H. R. 7230.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m. each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River, establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 ed., title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. CELLER: Committee on the Judiciary. House Joint Resolution 468. Joint resolution to dedicate the month of April in each year to a voluntary national program for the control of cancer; without amendment (Rept. No. 1923). Referred to the House Calendar.

Mr. HOBBS: Committee on the Judiciary. H. R. 9789. A bill to provide for the recording of the proceedings in one of the courtrooms of the District Court of the United States for the District of Columbia by sound-recording equipment; and for the reproduction of the sounds of such proceedings, in whole or in part, in the District of Columbia Circuit Court of Appeals and in the Supreme Court of the United States upon the review of any such case; without amendment (Rept. No. 1924). Referred to the Committee of the Whole House on the state of the Union.

Mr. STACK: Committee on Naval Affairs. H. R. 8039. A bill to authorize the attendance of the Marine Band at the observance of the seventy-fifth anniversary of the Battle of Gettysburg, to be held at Gettysburg, Adams County, Pa., on July 1, 2, and 3, 1938; without amendment (Rept. No. 1929). Referred to the Committee of the Whole House on the state of the Union.

Mr. GAMBRILL of Maryland: Committee on Naval Affairs. S. 2963. An act authorizing the Superintendent of the United States Naval Academy, Annapolis, Md., to accept gifts and bequests of money for the purpose of erecting a building on land now owned by the United States Government at the Naval Academy, and for other purposes; without amendment (Rept. No. 1931). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KNIFFIN: Committee on Naval Affairs. H. R. 6404. A bill for the relief of Martin Bevilacque; without amendment (Rept. No. 1925.) Referred to the Committee of the Whole House.

Mr. PHILLIPS: Committee on Naval Affairs. H. R. 6936. A bill for the relief of Joseph McDonnell; without amendment (Rept. No. 1926). Referred to the Committee of the Whole House.

Mr. SUTPHIN: Committee on Naval Affairs. H. R. 7421. A bill for the relief of E. D. Frye; without amendment (Rept. No. 1927.) Referred to the Committee of the Whole House.

Mr. BREWSTER: Committee on Naval Affairs. H. R. 8192. A bill for the relief of Herbert Joseph Dawson; without amendment (Rept. No. 1928). Referred to the Committee of the Whole House.

Mr. MAAS: Committee on Naval Affairs. S. 126. An act authorizing the President to present a Distinguished Service

Medal to Harold R. Wood; without amendment (Rept. No. 1930). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BARTON: A bill (H. R. 9810) to repeal the act authorizing the coinage of 50-cent pieces commemorating the Battle of Bennington, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. BLAND: A bill (H. R. 9811) to amend the Merchant Marine Act, 1936, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. DEMPSEY: A bill (H. R. 9812) to provide for the payment in full of the principal of awards of the Special Mexican Claims Commission; to the Committee on Foreign Affairs.

By Mr. KENNEDY of Maryland: A bill (H. R. 9813) to amend an act regulating the height of buildings in the District of Columbia, approved June 1, 1910; to the Committee on the District of Columbia.

By Mr. MEAD: A bill (H. R. 9814) to provide for the insurance by the Reconstruction Finance Corporation of loans made by banks to business enterprises for the purpose of enabling such enterprises to increase their productions, extend their operations, and modernize their plants, and for other purposes; to the Committee on Banking and Currency.

By Mr. CONNERY: A bill (H. R. 9815) to amend the patent laws to provide for the granting of licenses under patents brought within a single control by competitors to dominate an industry; to the Committee on Patents.

By Mr. TOLAN: A bill (H. R. 9816) to amend the act entitled "An act to provide for the disposition, control, and use of surplus real property acquired by Federal agencies, and for other purposes," approved August 27, 1935 (Public, No. 351, 74th Cong.), and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. FLANNAGAN: A bill (H. R. 9817) to amend section 312 of the Agricultural Adjustment Act of 1938; to the Committee on Agriculture.

By Mr. KENNEDY of Maryland: A bill (H. R. 9818) to refund sums paid by the railroads of the United States under the Railroad Retirement Act of 1934; to the Committee on Claims.

By Mr. REED of Illinois: A bill (H. R. 9819) providing for the transfusion of blood by members and former members of the Military Establishment, and by employees of the United States Government; to the Committee on Military Affairs.

By Mr. STARNES: A bill (H. R. 9820) to provide Federal employment and civil-service preference for certain veterans of their wives and widows; to the Committee on the Civil Service.

By Mr. HENNINGS: A bill (H. R. 9821) to except from discharge in bankruptcy liability for the death of a person or injury to person or property resulting from the ownership, use, or operation of a motor vehicle; to the Committee on the Judiciary.

By Mr. SUMNERS of Texas: Resolution (H. Res. 435) to correct an injustice in the Legislative Pay Act of 1929 in the pay of the janitor of the Committee on the Judiciary; to the Committee on Accounts.

By Mr. SECREST: Joint resolution (H. J. Res. 612) to increase by $10,000 the amount authorized to be appropriated for the observance of the anniversary of the adoption of the Ordinance of 1787 and the settlement of the Northwest Territory; to the Committee on the Library.

By Mr. WELCH: Joint resolution (H. J. Res. 613) to provide for the temporary operation by the United States of certain steamships, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. SCOTT: Joint resolution (H. J. Res. 614) to repeal the Neutrality Act of August 31, 1935, as amended; to the Committee on Foreign Affairs.

By Mr. McKEOUGH: Joint resolution (H. J. Res. 615) authorizing a modification of the conditions of local cooperation applicable to the project for the improvement of the Illinois waterway; to the Committee on Rivers and Harbors.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FLANNAGAN: A bill (H. R. 9822) granting a pension to Lindsay Powers; to the Committee on Pensions.

Also, a bill (H. R. 9823) for the relief of Charles A. Rouse; to the Committee on Claims.

Also, a bill (H. R. 9824) for the relief of Campbell S. Colley; to the Committee on Claims.

By Mr. KENNEDY of Maryland (by request): A bill (H. R. 9825) for the relief of Raymond Pledger and Thomas P. Giacomini, Jr., to the Committee on Claims.

Also, a bill (H. R. 9826) for the relief of certain personnel of the Coquille River Coast Guard Station, Bandon, Oreg.; to the Committee on Claims.

Also (by request), a bill (H. R. 9827) for the relief of Earle Lindsey; to the Committee on Claims.

Also, a bill (H. R. 9828) for the relief of the estate of Raquel Franco, deceased; to the Committee on Claims.

By Mr. KRAMER: A bill (H. R. 9829) for the relief of Harry Comber; to the Committee on Claims.

By Mr. PACE: A bill (H. R. 9830) for the relief of C. Z. Bush and W. D. Kennedy; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4371. By Mr. ANDREWS: Resolution adopted by the Senate of the State of New York, favoring amendment of the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4372. Also, resolution adopted by the Senate of the State of New York, favoring amendment of the Constitution of the United States which will permit taxation of income derived from securities issued by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4373. By Mr. BEITER: Petition of the Senate of the State of New York, memorializing Congress in favor of taxation of income derived from securities issued by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4374. Also, petition of the Senate of the State of New York, favoring the removal of existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4375. By Mr. LUTHER A. JOHNSON: Memorial of James P. Gayden, Groesbeck, Tex., favoring House bill 190; to the Committee on the Post Office and Post Roads.

4376. By Mr. CLASON: Memorial of the General Court of Massachusetts, favoring the continuation of Works Progress Administration projects; to the Committee on Appropriations.

4377. Also, memorial of the General Court of Massachusetts, favoring the exclusion of boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal-trade agreements; to the Committee on Foreign Affairs.

4378. Also, memorial of the General Court of Massachusetts, favoring the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4379. Mr. KENNEDY of New York: Petition of Roland German-American Democratic Society of Greater New York,

Inc., enthusiastically pledging its full support and active cooperation for the reelection of the Honorable ROBERT F. WAGNER as United States Senator from New York; to the Committee on Elections No. 1.

4380. Also, petition of the New Jersey Bankers' Association, endorsing Senate bill 3256, extending the time for liquidation of loans to executive officers of the Federal Reserve member banks until June 1940; to the Committee on Banking and Currency.

4381. By Mr. KEOGH: Memorial of the Senate, State Legislature of New York, memorializing the Congress to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of Government within the United States; to the Committee on Ways and Means.

4382. Also, memorial of the Senate, State Legislature of New York, memorializing the Congress to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will permit the taxation of income derived from securities thereafter issued by the United States or any unit or agency of the Government within the United States; to the Committee on Ways and Means.

4383. By Mr. LUCE: Petition of the General Court of Massachusetts, favoring the bill to provide Federal pensions for certain blind persons; to the Committee on Pensions.

4384. By Mr. MEAD: Resolution of the Senate of the State of New York, that the Congress of the United States be, and it hereby is, memorialized to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of Government within the United States; to the Committee on Ways and Means.

4385. Also, resolution of the Senate of the State of New York, that the Congress of the United States be, and it is hereby, memorialized to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will permit the taxation of income derived from securities thereafter issued by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4386. By Mr. O'NEILL of New Jersey: Petition of the New Jersey State Legislature, opposing Senate bill 3072; to the Committee on Interstate and Foreign Commerce.

4387. Also, petition of the New Jersey State Legislature, opposing Senate bill 3255; to the Committee on Banking and Currency.

4388. By Mr. PFEIFER: Petition of V. Loewer's Gambrinus Brewery Co., New York City, opposing the 1-cent per gallon tax on fuel oil; to the Committee on Ways and Means.

4389. Also, petition of the Senate of the State of New York, Albany, to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will permit the taxation of income derived from securities thereafter issued by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4390. Also, memorial of the Senate of the State of New York, Albany, to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of government within the United States; to the Committee on Ways and Means.

4391. Also, petition of the United Mine Workers of America, district 50, Gas, By-Product Coke and Chemical Workers, concerning discontinuance of the 10-percent tax on cosmetics; to the Committee on Ways and Means.

4392. By Mr. RICH: Petition of citizens of McKean County, Pa., favoring the Neely-Pettengill bills (S. 153 and H. R. 1669), relative to the motion-picture industry; to the Committee on Interstate and Foreign Commerce.

4393. By Mrs. ROGERS of Massachusetts: Petition of the General Court of Massachusetts, memorializing Congress in favor of a bill providing for the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4394. By Mr. TINKHAM: Resolutions memorializing Congress in favor of a bill providing for the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4395. By Mr. WIGGLESWORTH: Petition of the General Court of Massachusetts, memorializing Congress in favor of a bill providing for the granting of pensions to certain blind persons by the Federal Government; to the Committee on Pensions.

4396. By Mr. WOODRUFF: Petition of 398 citizens of the Tenth Congressional District of the State of Michigan, urging the passage of the so-called Sheppard-Hill bill, as set forth in Senate bill 25 and House bill 6704; to the Committee on Military Affairs.

SENATE

FRIDAY, MARCH 11, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, March 10, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the Senate by Mr. Latta, one of his secretaries.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Clark	Hughes	O'Mahoney
Ashurst	Copeland	Johnson, Calif.	Overton
Austin	Davis	Johnson, Colo.	Pittman
Bailey	Donahey	King	Radcliffe
Bankhead	Duffy	La Follette	Reames
Barkley	Ellender	Lee	Russell
Berry	Frazier	Lewis	Schwartz
Bilbo	George	Lodge	Schwellenbach
Bone	Gerry	Logan	Sheppard
Borah	Gibson	Lonergan	Shipstead
Bridges	Gillette	Lundeen	Smathers
Brown, Mich.	Glass	McCarran	Thomas, Okla.
Brown, N. H.	Green	McGill	Thomas, Utah
Bulkley	Guffey	McKellar	Townsend
Bulow	Hale	McNary	Truman
Burke	Harrison	Maloney	Tydings
Byrd	Hatch	Miller	Vandenberg
Byrnes	Hayden	Minton	Van Nuys
Capper	Herring	Murray	Wagner
Caraway	Hill	Neely	Walsh
Chavez	Hitchcock	Norris	Wheeler

Mr. MINTON. I announce that the Senator from California [Mr. MCADOO] is absent because of a cold.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Texas [Mr. CONNALLY], the Senator from Illinois [Mr. DIETERICH], the Senator from New Jersey [Mr. MILTON], the Senator from Idaho [Mr. POPE], and the Senator from North Carolina [Mr. REYNOLDS] are detained from the Senate on important public business.

The Senator from South Carolina [Mr. SMITH] is detained in his State, being engaged in delivering a series of lectures on the recently enacted farm bill.

The Senator from West Virginia [Mr. HOLT] is necessarily detained.

The VICE PRESIDENT. Eighty-four Senators have answered to their names. A quorum is present.

PETITIONS AND MEMORIALS

Mr. AUSTIN. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred a resolution adopted by the Board of Aldermen of the City of Burlington, Vt., in opposition to trade agreements which subject the textile industries in the United States to destructive foreign competition.

There being no objection, the resolution was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

Resolution in opposition to trade agreements which subject the textile industries of the United States to destructive foreign competition

Resolved by the Board of Aldermen of the City of Burlington, as follows, That, in the opinion of this board, any trade agreements of the United States with any foreign country which reduces the existing tariffs on imports of textile goods, and especially any such agreement with Japan or Great Britain, will subject the textile industries of this country to destructive competition because of the great difference between the living and working standards of those countries and the living and working standards of the United States and will, therefore, injuriously affect and perhaps destroy the textile industries of New England and of this city and vicinity and necessarily greatly increase unemployment; that this board hereby records its emphatic opposition to any and all of such agreements now existing or contemplated, and protests against the same; and further

Resolved, That the city clerk be, and he is hereby, directed to forward a certified copy of this resolution to Hon. Cordell Hull, Secretary of State, at Washington, D. C., and to each of the Members of Congress from this State, informing each of them that he is doing so by direction of this board.

Mr. AUSTIN. Mr. President, I also ask unanimous consent to have printed in the RECORD and appropriately referred a letter in the nature of a petition from the Lamoille County (Vt.) Ministerial Association, praying for the enactment of the so-called Neely anti-block-booking bill, being Senate bill 153.

There being no objection, the letter was ordered to lie on the table and to be printed in the RECORD, as follows:

FIRST UNIVERSALIST CHURCH,
Morrisville, Vt., March 8, 1938.

Senator WARREN AUSTIN,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR AUSTIN: Yesterday at the regular meeting of the Lamoille County Ministerial Association a motion was passed unanimously instructing me as secretary to write you about the Neely bill (S. 153). The consensus of opinion among our members is that this bill ought to pass. We believe the people of given communities and the independent theater owners should have the choice of pictures to be seen or shown. Block booking has militated against the smaller communities getting the best pictures without the serious handicap of seeing a lot of trash.

I was also instructed to ask you to have our support of the Neely bill inserted in the CONGRESSIONAL RECORD, if that is possible.

Sincerely,

WILLIAM J. METZ,
Secretary, Lamoille County Ministerial Association.

Mr. WALSH presented a resolution of the General Court of Massachusetts, favoring the enactment of the bill (H. R. 5538) providing for the granting of pensions by the Federal Government to certain blind persons, imposing duties upon the United States Treasurer in connection therewith, providing penalties, and making an appropriation, which was referred to the Committee on Pensions.

(See resolution printed in full when laid before the Senate by the Vice President on the 10th instant, p. 3150, CONGRESSIONAL RECORD.)

Mr. LODGE presented a resolution of the General Court of Massachusetts, favoring the enactment of the bill (H. R. 5538) providing for the granting of pensions by the Federal Government to certain blind persons, imposing duties upon the United States Treasurer in connection therewith, providing penalties, and making an appropriation, which was referred to the Committee on Pensions.

(See resolution printed in full when laid before the Senate by the Vice President on the 10th instant, p. 3150, CONGRESSIONAL RECORD.)

Mr. COPELAND presented a concurrent resolution of the Legislature of the State of New York, favoring an amendment to the Constitution of the United States providing for the removal of existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the Federal Government or any unit or agency of Government, which was referred to the Committee on the Judiciary.

(See resolution printed in full when laid before the Senate by the Vice President on the 10th instant, p. 3150, CONGRESSIONAL RECORD.)

Mr. COPELAND also presented a concurrent resolution of the Legislature of the State of New York, favoring an amendment to the Constitution of the United States so as to permit the taxation of income derived from securities thereafter issued by the Federal Government or any unit or agency of the Government within the United States, which was referred to the Committee on the Judiciary.

(See resolution printed in full when laid before the Senate by the Vice President on the 10th instant, p. 3150, CONGRESSIONAL RECORD.)

Mr. COPELAND also presented a resolution adopted by Local Union No. 2090, United Brotherhood of Carpenters and Joiners of America, of New York City, N. Y., favoring the prompt enactment of legislation to appropriate sufficient funds for slum clearance in order to give employment to building-trade workers at prevailing union wages, which was referred to the Committee on Appropriations.

He also presented a petition of sundry citizens of New York City and vicinity, New York, endorsing the 23-point program of the little-business men's committee, which was referred to the Committee on Education and Labor.

He also presented a letter in the nature of a petition signed by several members of Windsor Terrace Post, No. 1175, American Legion, of Brooklyn, N. Y., praying for the enactment of the bill (H. R. 8893) to amend the act approved June 28, 1934, to compensate widows and children of persons who died while receiving monetary benefits for disabilities directly incurred in or aggravated by active military or naval service in the World War, which was referred to the Committee on Finance.

He also presented a petition of sundry citizens of Cobleskill, N. Y., praying for the enactment of legislation to repeal the profits and capital-gains taxes, which was referred to the Committee on Finance.

He also presented resolutions adopted by the Petroleum Industries Committees of Genesee, Orleans, Rockland, Wyoming, and Yates Counties, in the State of New York, favoring the repeal of Federal taxes on gasoline and lubricating oils, which were referred to the Committee on Finance.

He also presented a resolution adopted by the James M. Power Democratic Club, Inc., of Brooklyn, N. Y., favoring the enactment of legislation permitting the registration of aliens as to whom there are no records of admission into the United States prior to January 1, 1938, which was referred to the Committee on Immigration.

He also presented a petition of sundry citizens of New York City, N. Y., praying for the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also presented a petition of sundry citizens of New York City, N. Y., and vicinity, praying for the enactment of legislation to prohibit the sending of samples of wines and liquors through the mail, which was referred to the Committee on Post Offices and Post Roads.

He also presented memorials of sundry citizens of the State of New York, remonstrating against the enactment of the bill (S. 3331) to provide for reorganizing agencies of the

Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which were ordered to lie on the table.

He also presented a resolution adopted by the Colored Voters and Civic League of Brooklyn, N. Y., favoring the enactment of the so-called Wagner-Van Nuys antilynching bill, which was ordered to lie on the table.

Mr. BULKLEY submitted the following joint resolution of the Legislature of the State of Ohio, which was referred to the Committee on Commerce:

Joint resolution memorializing the Congress of the United States to defeat the Parsons bill which would greatly increase the diversion of water from the Great Lakes into the Chicago Drainage Canal

Whereas the Parsons bill now on hearing before the Rivers and Harbors Committee of the House of Representatives in the Congress of the United States represents Chicago's effort to reverse the United States Supreme Court on the issue of water extraction from the Great Lakes for the benefit of the Mississippi River; and

Whereas the Supreme Court in 1930 set up a diminishing scale of water diversion and ordered that after the end of 1938, Chicago could take no more than 1,500 cubic feet per second from Lake Michigan, which, of course, is in addition to the city's domestic pumpage which now represents some 1,700 cubic feet per second; and

Whereas such further diversion of water from the Great Lakes, as contemplated by the Parsons bill, would be injurious to the interests of all lake ports and would seemingly be in contravention of the Constitution in authorizing a diversion of water from one natural watershed to another, if such diversion visits material injury on one of them: Therefore be it

Resolved by the General Assembly of the State of Ohio, That the Congress of the United States is hereby memorialized to defeat the Parsons bill, now pending, in the interest of all the States bordering on the Great Lakes; and be it further

Resolved, That a properly authenticated copy of this resolution be transmitted by the clerk of the house of representatives to President Franklin D. Roosevelt and to the United States Senators and to the Members of Congress from Ohio.

REPORTS OF COMMITTEES

Mr. BROWN of Michigan, from the Committee on Claims, to which was referred the bill (H. R. 1948) conferring jurisdiction upon the United States District Court for the District of Massachusetts to hear, determine, and render judgment upon the claims of certain property owners within the Old Harbor Village area of Boston, Mass., reported it with amendments and submitted a report (No. 1492) thereon.

Mr. JOHNSON of Colorado, from the Committee on Military Affairs, to which was referred the bill (S. 3263) for the relief of the State of Georgia, reported it with amendments and submitted a report (No. 1493) thereon.

Mr. COPELAND, from the Committee on Commerce, to which was referred the bill (S. 2576) providing for the adjustment on the retired list of the Coast Guard of William Edward Reynolds, reported it without amendment and submitted a report (No. 1494) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. LOGAN:

A bill (S. 3649) for the relief of A. M. Marret, administrator and trustee of the estate of W. F. Woodruff, deceased; to the Committee on Claims.

By Mr. McNARY:

A bill (S. 3650) for the relief of Jack Mattson; and

A bill (S. 3651) for the relief of Ole Peterson; to the Committee on Claims.

By Mr. WALSH:

A bill (S. 3652) to authorize certain officers of the United States Navy and the United States Marine Corps to accept such medals, orders, and decorations as have been tendered them by foreign governments in appreciation of services rendered; to the Committee on Naval Affairs.

By Mr. COPELAND:

A bill (S. 3653) conferring jurisdiction upon the Court of Claims of the United States to hear, determine, and render judgment upon the claim of the New York Harbor Drydock Corporation; to the Committee on Claims.

A bill (S. 3654) to improve the efficiency of the Lighthouse Service, and for other purposes; to the Committee on Commerce.

By Mr. BARKLEY:

A bill (S. 3655) amending section 312 of the Agricultural Adjustment Act of 1938; to the Committee on Agriculture and Forestry.

By Mr. THOMAS of Oklahoma:

A bill (S. 3656) for the relief of Phil Ernest Wallace and Naomie Wallace; to the Committee on Claims.

By Mr. TYDINGS:

A bill (S. 3657) for the protection of the female sponge egg-bearing blue crab in any State or Territory and authorizing the Department of Commerce to define the spawning season for the same, and for other purposes; to the Committee on Commerce.

By Mr. SHEPPARD:

A bill (S. 3658) to correct the military record of Ray McDonald; to the Committee on Military Affairs.

By Mr. McCARRAN:

A bill (S. 3659) to promote the development and safety, and to provide for the regulation, of civil aviation and air transport; to the Committee on Interstate Commerce.

REORGANIZATION OF EXECUTIVE DEPARTMENT—AMENDMENT

Mr. CLARK submitted an amendment intended to be proposed by him to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which was ordered to lie on the table and to be printed.

AMENDMENT TO DEPARTMENTS OF STATE AND JUSTICE, ETC., APPROPRIATION BILL

Mr. BROWN of Michigan submitted an amendment intended to be proposed by him to the bill (H. R. 9544) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1939, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 19, line 1, strike out "$588" and insert the following: "$5,588, including not to exceed $5,000, to be immediately available, to enable the United States to participate in the meetings of the said association and of its executive committee, including travel and subsistence, in the calendar year 1938," as authorized by Public Resolution No. 68, Seventy-fifth Congress, approved August 24, 1937.

AMENDMENT TO MOTOR CARRIER ACT OF 1935

Mr. SHIPSTEAD submitted an amendment intended to be proposed by him to the bill (S. 3606) to amend the Interstate Commerce Act, as amended, by amending certain provisions of part II of said act, otherwise known as the Motor Carrier Act, 1935, which was referred to the Committee on Interstate Commerce and ordered to be printed.

PROPOSED ENLARGEMENT OF GRAND TETON NATIONAL PARK IN WYOMING

Mr. O'MAHONEY submitted the following resolution (S. Res. 250), which was referred to the Committee on Public Lands and Surveys:

Resolved, That the Committee on Public Lands and Surveys, or any duly authorized subcommittee thereof be, and it is hereby, authorized and directed to institute and conduct a thorough investigation of all questions relating to the suitability and feasibility of extending the boundaries of the Grand Teton National Park in Wyoming, including the attitude of the citizens of Teton County, Wyo., toward such extension.

Resolved further, That for the purposes of this resolution the said committee, or any subcommittee thereof, is authorized to hold hearings; to sit and act at such times and places during the sessions and recesses of the Congress until the final report is submitted; to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths; to take such testimony; and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in

excess of 25 cents per hundred words. The expense of the committee, which shall not exceed $5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

THE MAKING OF A REPRESENTATIVE—ADDRESS BY FORMER SPEAKER CLARK

[Mr. MINTON asked and obtained leave to have printed in the RECORD an address delivered by Champ Clark, then Speaker of the House of Representatives, at the Washington Press Club reception to newly elected Congressmen, March 16, 1916, which appears in the Appendix.]

OVER-THE-COUNTER SECURITIES MARKET—ADDRESS BY ROBERT E. HEALY

[Mr. MALONEY asked and obtained leave to have printed in the RECORD an address delivered by Hon. Robert E. Healy, commissioner, Securities and Exchange Commission, at the annual dinner of the New York Security Dealers' Association, on March 10, 1938, on the subject of the so-called Maloney bill, having to do with the over-the-counter market in securities.]

SUPERHIGHWAYS—ADDRESS BY GEN. R. C. MARSHALL, JR.

[Mr. BULKLEY asked and obtained leave to have printed in the RECORD an address delivered on March 2, 1938, by Gen. R. C. Marshall, Jr., consulting engineer, before the Washington Society of Engineers.]

THE ARMY OF THE UNITED STATES—ADDRESS BY COL. ADNA R. CHAFFEE

[Mr. SHEPPARD asked and obtained leave to have printed in the RECORD an address by Col. Adna R. Chaffee before the Committee of One Hundred at Miami Beach, Fla., March 1, 1938, on the subject The Army of the United States.]

CZECHOSLOVAKIAN TRADE PACT—EDITORIAL FROM BOSTON HERALD

[Mr. HARRISON asked and obtained leave to have printed in the RECORD an editorial from the Boston Herald of March 9 on the subject of the recently negotiated trade agreement with Czechoslovakia, which appears in the Appendix.]

ADDITIONAL REPORT OF A COMMITTEE

Mr. BANKHEAD, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 3655) amending section 312 of the Agricultural Adjustment Act of 1938, reported it without amendment.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BURKE. Mr. President, there have been some expressions of dissatisfaction on the part of the proponents of the pending measure and the majority leadership because of the slow progress that is being made with the bill. It seems to me there is some merit in the contention. So far as I am concerned, I personally hope that we may very soon, today, or Monday at the latest, reach the time when we may vote on the committee amendments and begin the consideration of the controversial amendments. I do not know how long it will take me to present my views, but I think only a small part of the day, and then I hope the Senate may proceed to consider the committee amendments which are pending.

Mr. BARKLEY. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Kentucky?

Mr. BURKE. I yield.

Mr. BARKLEY. As I understand, then, the Senator from Nebraska, as he has indicated heretofore, will act to cooperate with us to try to get prompt consideration of the bill and amendments that may be offered and that are now pending?

Mr. BURKE. To the fullest extent. As I say, I do not know whether or not other speakers are ready to proceed in the general debate. It seems to me that has been quite well covered already, and I express the hope that, before the day is over, we may proceed to consider the committee amendments.

Mr. BARKLEY. I appreciate the Senator's attitude, as I am sure the Senator from South Carolina [Mr. BYRNES], in charge of the bill, does.

Mr. BURKE. Mr. President, in reference to proceeding more rapidly, although I do not at all retract what I have said as to my own view that we should promptly proceed to the consideration of the amendments, I think it should be said that, while it is true that the question of reorganization of the executive department was brought before Congress something over a year ago, on January 12, 1937, by a message from the President submitting the report of the President's committee, of course it should be remembered that that was followed very shortly by a message proposing reorganization of another one of the coordinate departments of the Government, the Federal judiciary, and that as a result of that suggestion certainly no one in the Senate was able for the entire remainder of that session to give very much attention to the proposed reorganization of the executive department.

When I say "no one," of course I make an exception of the members of the Senate committee or the joint committee of Congress, whose members, I understand, held meetings and gave some consideration to the question.

When we talk about unnecessary delay it should be further remembered that the bill now before us was not presented to Congress until the 27th day of January, and that it is a very different bill from the one which was under consideration early last year. In fact, at times I am somewhat amused by the attitude of my good friend from South Carolina [Mr. BYRNES] and others, who in one breath say, "No; the President's committee report, or at least the bill which the chairman of the committee withdrew from his pocket, ought not to be considered at all; the Senate committee did not pay any attention to that bill, did not want anything to do with it, and dissented from many of its features," and in the next breath they say, "This matter has been before Congress since the 12th of January 1937, and we must hasten along." Be that as it may, however, we should make progress; and so I proceed to the remarks I have in mind.

The measure now before the Senate, known as the executive department reorganization bill, might well be described as "The Abolition Act of 1938." Under title I, the President is authorized to—

> Abolish the whole or any part of any agency, or the functions thereof.

Title II follows with this language:

> The United States Civil Service Commission and the offices of Civil Service Commissioners are abolished.

We pass to title III and read:

> The General Accounting Office and the offices of Comptroller General and Assistant Comptroller General are hereby abolished.

So if we were looking for a new title for this very important measure, I think we might very well call it "The Abolition Act of 1938."

There are a great many persons in the country, and I think a considerable number in the Senate, who would like to see a decrease in some of the activities of the Federal Government, even if such decrease should call for the abolition of certain agencies of Government. Possibly this abolition act, on first thought, will appeal to them; but when we go into the bill a little further, we find that it does not stop with the provisions for abolishing agencies and functions of Government. It goes right on to reestablish and recreate new instrumentalities to take the place of the old.

For instance, by Executive order, if this bill becomes law, the whole or any part of any agency, or the functions thereof, may be transferred to the control of any other agency, and all, with a few specified exceptions, may be regrouped, reorganized, consolidated, and segregated to suit the Executive will. Again, there is to be substituted for the Civil Service Commission an Administrator, a Deputy Administrator, and an Advisory Board of seven members. There is to be a revamped Bureau of the Budget with a Director and an Assistant Director, a General Auditing Office with an Auditor General and an Assistant Auditor General,

together with a Joint Committee on Public Accounts composed of 24 Members of the Congress.

After thus abolishing, and immediately recreating in different form, these various agencies, the bill proceeds into hitherto undeveloped territory. There is to be established a Department of Welfare, with a Secretary, an Under Secretary, two Assistant Secretaries, and a Solicitor. Then comes the National Resources Planning Board of five members. There follows a very general authorization to the President, and all Department heads, to employ and fix the compensation of an altogether unlimited number of experts and consultants to aid in consultation, investigation, and research. These appointments are to be made without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States. Finally, in section 502, the President is authorized to appoint six administrative assistants at not to exceed $10,000 each per year.

Mr. BYRNES. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. LOGAN in the chair). Does the Senator from Nebraska yield to the Senator from South Carolina?

Mr. BURKE. I yield to the Senator.

Mr. BYRNES. Reverting to the section previously referred to by the Senator, the authority to employ experts and consultants, the bill provides that such employment shall be temporary.

Mr. BURKE. Yes. One reason why the discussion of this proposal is confusing is because there is here thrown together a great variety of subjects which, it seems to me, might, with much less confusion and much more properly, be considered separately, each on its own merits. I see no connection between the proposal to give the President six administrative assistants, if he has made a sufficient showing that he needs them, and the other suggestion, tied into the same bill, that we should now abolish the bipartisan Civil Service Commission and authorize the President to appoint a single administrator in its place. If we are to consider a proposal to abolish the office of independent Comptroller General—an office which Congress, after the most careful and painstaking study, set up a few years ago—why is it necessary to put in the same bill a proposal to create a new Cabinet position, the Department of Welfare? Is it not unnecessarily confusing to throw into this composite mass the question of the wisdom of having Congress abdicate its authority to establish agencies and prescribe the functions thereof, in order to give the President a free hand in ruling the destinies of 130,000,000 people? The bill, it seems to me, should be returned to the committee for further study, and with instructions that whatever parts thereof it may decide after careful consideration are for the good of the country shall be submitted separately to the Senate for action on each, based upon its own merits.

At this time I should like to make some general observations on a few of the diverse subjects embraced in this proposal.

It has been repeated on the floor of the Senate, time and time again, that the executive department needs reorganizing. Probably there will be none to deny that statement. If such action was necessary 5 years ago, or at any of the earlier periods when the matter was under discussion, the need must be far greater today. We all recognize that, for good or ill, there has been a vast extension of the activities of the Federal Government since March 4, 1933. There is little reason to believe that very many, if any at all, of these new burdens will be laid down. It therefore behooves Congress and the President to provide the most efficient administrative machinery consistent with our democratic processes.

I am not willing, in the search for efficient management, to establish one-man rule in this country. It may very well be that if Congress would go home, and stay there indefinitely, and if the courts would cease to function, the President would be able, with all power centered in him, to set up a business-like administration far superior in some respects to anything we have ever known in this country. But few want to go that far, certainly not Congress, nor the President, nor any considerable number of the people. If some waste and inefficiency are necessarily connected with a democratic form of government, we can well afford to pay the price.

By this I do not at all mean that we should countenance overlapping bureaus and boards, nor continue, a single day longer than necessary, any improperly functioning agencies. Every Chief Executive should constantly be on the alert to eliminate waste and extravagance. There are countless improvements that can be made, that will result in greater efficiency and considerable economy, without in any way interfering with the basic structure that has been established. It is undoubtedly necessary to go beyond that and make some structural changes. When the Chief Executive, after thorough study, is satisfied that such a program is necessary, if he will submit a definite recommendation to Congress, I have no doubt that approval will be promptly and cheerfully given.

I know that the Senator from South Carolina, who is in charge of the pending measure, takes a very different view.

Mr. SCHWELLENBACH. Mr. President——

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Does the Senator from Nebraska yield to the Senator from Washington?

Mr. BURKE. I yield; and then I shall express some views on the point on which I have just touched.

Mr. SCHWELLENBACH. Will the Senator from Nebraska assure us that he will give as prompt and cheerful approval to any such suggested reorganization bill as he does to any bill which the President of the United States happens to favor? And will he point out any promptness or any cheerfulness he has ever evidenced in approving anything the President has sought?

Mr. BURKE. In answer to the Senator from Washington, let me say that I will undertake to give prompt, immediate, and cheerful consideration to any proposal submitted by the Chief Executive. If it is of such a nature as some proposals which have been presented, one in particular last year, I promise now that, after such consideration as may be necessary, I will fight it vigorously; but I will at least give earnest and serious consideration to every proposal which may be made.

Returning to what I was saying in reference to the Senator from South Carolina, I state—and the RECORD abundantly establishes the fact—that the Senator from South Carolina is altogether skeptical concerning the ability of Congress to take the recommendation of the present President, or of any President, along the line of doing away with duplication, or improving the machinery of government, and acting favorably on the recommendation. He, himself, is convinced, it seems to me, that a majority of the Members of both the House and the Senate would be unable to resist the pleas and the pressure coming from those who would suffer from personal set-backs if we gave our approval to an Executive recommendation for consolidation of duplicated services. While I have not quoted the Senator's exact language, I am sure he will agree that that is the substance of the view he has expressed a number of times upon this floor.

In support of this position the Senator cites as his chief authority, surprising as it may seem coming from the Senator from South Carolina, no one other than President Hoover. Because in the dark days of January 1933 when President Hoover's influence was at the lowest possible ebb, when the entire country, and Congress as well, were in the frame of mind to disregard any recommendation coming from that source, because under those circumstances the Democratic-controlled House, within about 60 days after President Hoover had been repudiated at the polls, refused to follow his leadership, therefore it is established, according to the Senator from South Carolina, as immutable as the laws of the Medes and the Persians, that no President and no Congress could ever get together in support of a sensible program to improve the executive departments.

I do not believe this body will be influenced very greatly by such an argument. The country is now aroused, as seldom

before in the Federal history, to the necessity of bringing about efficiency and economy in government. In the face of a staggering national debt and continued deficits, let the President send up a definite, carefully thought out proposal to improve some of the agencies of government, to do away with duplication, waste, and extravagance in some of these overlapping boards and bureaus, and any Member of the Congress who did not immediately give his enthusiastic support would sign his political death warrant, and properly so. If there were any quibbling here, a fireside chat would unloose the wrath of the country upon the heads of the guilty parties.

No, Mr. President, the Senator from South Carolina is not talking good sense when he argues that the only way to reorganize the executive departments is for Congress to admit its own incompetence and meekly turn the job over to the Chief Executive, retaining no other control than the remote possibility of overriding a Presidential veto.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. BURKE. I gladly yield to the junior Senator from Indiana. I do not say, as one of the newspapers did recently, "the very junior Senator from Indiana."

Mr. MINTON. If I may ask the very junior Senator from Nebraska, the very, very junior Senator from Nebraska, a question, he has been speaking about the fact that President Hoover was repudiated by the Congress, and that they would not follow his leadership.

Mr. BURKE. In January 1933.

Mr. MINTON. After he had been repudiated at the polls; and the Senator now states that if the present President should submit a proposal, of course, it would receive careful consideration at his hands, and at the hands of those who think as he does, although the President suffered a defeat at the hands of the Senator, and others who think as he does, after the President had come out of an election with a tremendous majority last year. Does the Senator think the President would have any better chance of getting anything done at the hands of people who believe as the Senator from Nebraska believes than he had last year, or than Hoover had?

Mr. BURKE. It would be necessary to define a term used by the Senator in his question. He asks whether the President would have any better chance of getting "anything" done. I hope at least that the President is not in a position where he can get anything done merely because he suggests it. I hope a suggestion like the one referred to by the Senator, to reorganize the judicial department, or any thing remotely resembling it, will not ever again be sent to the Congress.

Mr. BARKLEY. Mr. President, will the Senator from Nebraska yield?

Mr. BURKE. I yield.

Mr. BARKLEY. I hope the Senator will supplement his statement by adding that he hopes the President is not in such a situation that he cannot get anything from Congress because he merely asks for it.

Mr. BURKE. I think that would be a great calamity, which we ought to avert by every possible means within our power.

Mr. MINTON. Mr. President, will the Senator yield further?

Mr. BURKE. I yield.

Mr. MINTON. Does not the Senator from Nebraska believe that the Senator from South Carolina is justified in his deduction that Congress would likely not undertake adequate reorganization of the departments of the Government since they have been at it for 43 years and have not done anything about it? Does not the Senator think that the record of Congress is sufficient justification for the position taken by the Senator from South Carolina?

Mr. BURKE. No; I do not agree with that at all. I think that in this day and at this time, if the President should send to the Congress a definite proposal for reorganization of the executive departments designed to eliminate waste and extravagance, in line with the proposed amendment offered by the senior Senator from Alabama yesterday, Congress would promptly and favorably take action upon such a proposal if reasonably made.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BURKE. I yield.

Mr. BYRNES. I did not intend to interrupt the Senator, but inasmuch as he has been interrupted——

Mr. BURKE. I have no objection.

Mr. BYRNES. I ask the Senator whether he thinks it is quite accurate to say that I based my opinion upon the action of the Democratic House in 1932 when Mr. Hoover submitted the reorganization plan. The fact is that I have several times in the Senate made the statement that in 1932 there was no question of politics in the consideration of this matter. The proposal to give this power to the President originated in a Democratic House, and when it came to the Senate the Senator from Tennessee [Mr. McKELLAR], the then Senator from New Mexico, Mr. Bratton, and the Senator from South Carolina [Mr. BYRNES] reported the joint resolution to the Senate, and when it was adopted such Democrats as Lew Douglas in the House and McDuffie and the gentlemen I have mentioned in the Senate were responsible for reporting the joint resolution giving to a Republican President the power to reorganize.

I have not said that the matter was acted upon by the House with any partisan motives at all. I just believed it was impossible of accomplishment under the method suggested. I have also said that President Harding during his administration submitted to the Congress recommendations as a result of a long investigation by a joint committee. The Republican Party was then in control of both Houses, as well as of the Presidency, and they refused to act. President Coolidge urged the Congress to adopt the recommendations of the joint committee which had been submitted by President Harding. The Republicans were then in control, and they refused to act.

I did not intend to have my statement construed as reflecting upon the action of the House on the Hoover order, or intimating that it was due to a difference in politics. There was no mention of politics by anyone in the discussion of the proposal in June 1932 or on March 3, 1933. Democrats were proposing to give the power to a Republican President.

Mr. HATCH. Mr. President——

Mr. BURKE. Let me say just a word in answer to the statement just made, and then I will gladly yield to the Senator from New Mexico.

What I had in mind in referring to the Senator from South Carolina was the statement he made on the floor a week ago Monday, and which I think he repeated later, when he called attention to the fact that after this power had been given to President Hoover—and certainly there was no partisanship in that—the President after study submitted recommendations to the Congress, and they were rejected.

I listened to the statement of the Senator from South Carolina, and later I also read his remarks in the RECORD, and, as I recall, that was the first example in the Senator's mind. It was the glaring example to prove that no President and no Congress could ever get together on this matter. So I was merely calling attention to the situation when the recommendations were made by President Hoover for doing away with duplication and improving the administration in the executive departments. Some of those recommendations were set out by the Senator in his remarks. They were submitted, as I recall, after the election in 1932, or, in any event, they did not come up for action in the House until, I believe, January 1933, when a great number of new Democratic Senators and Representatives were already in Washington ready to take their seats in Congress. I say that it proves nothing to say that under those circumstances, in the closing hours of an administration discredited at the polls, either House or both Houses of Congress refused to accept recommendations made by the Chief Executive. I say that proves nothing as to the ability of Congress fairly to take recommendations for reorganization submitted under other and what would neces-

sarily be more favorable circumstances, and give them earnest consideration and adopt them.

Mr. BYRNES. Mr. President, I know the Senator will recall that I was relating the history of the efforts to pass a reorganization bill, not singling out that one. That one, however, was emphasized because in that particular case a recommendation had been submitted to the Congress. Both Presidents Harding and Coolidge prior to that time had submitted similar recommendations and nothing had been done by the Congress. Theodore Roosevelt had urged reorganization, as had other Presidents. I was simply saying that the Congress had never done anything, and, notwithstanding recommendations made by Republican Presidents, Republican Congresses did not act and Democratic Congresses did not act.

Mr. BURKE. Mr. President, let the RECORD show that the Senator from South Carolina does not rely exclusively, or even, we will say, largely upon the failure of President Hoover to put through the recommendations he made just before he went out of office, but that he thinks as a general matter that Congress in the past has shown a disinclination to follow any President in these matters. I am willing to go even that far, and still say that to my mind the Senator's argument is very inconclusive.

Mr. HATCH. Mr. President——

The PRESIDING OFFICER (Mr. SCHWELLENBACH in the chair). Does the Senator from Nebraska yield to the Senator from New Mexico?

Mr. BURKE. I yield.

Mr. HATCH. I was interested in the optimism displayed by the Senator from Nebraska in his statement made a while ago, before the interruptions occurred, as to how quickly a plan for reorganization might be adopted by the Congress if such a plan were submitted. My pessimism does not necessarily arise from the matters referred to which occurred last summer. I am thinking right now of a matter pending before a committee of which the Senator from Nebraska and I are both members. A very simple plan has been proposed to aid and assist the judicial branch of the Government in the dispatch of its business. The plan calls for the appointment of an administrative officer—a plan with which the Senator from Nebraska is well acquainted. I do not know that the executive department of the Government has endorsed or approved this plan, but I think we might safely assume that it has. I think the judicial department approved it in a judicial conference which was held, did it not?

Mr. BURKE. Yes.

Mr. HATCH. I ask the Senator if he has any thought that that simple change will be favorably acted upon by our committee.

Mr. BURKE. Let me say, in reference to the proposal to set up an administrative court officer, that it involves a very striking change in our judicial system. Through all the years the Department of Justice has served as the administrative agency for the courts. I believe it was only a little over a year ago that a certain Federal judge, one of the judges of the circuit court of appeals, conceived the idea that it would be a good plan to take all those duties away from the Department of Justice and to have the Supreme Court set up an administrative officer of its own choosing and let him handle the whole matter. My recollection is that when the proposal was presented to the conference of senior circuit court judges a year ago last fall it was merely discussed; that some of the members present expressed great doubt whether it should be adopted, and the suggestion went over for study.

It came up again at a similar conference held last fall, and it is my understanding that the majority of the members of that conference expressed their approval, although there was some doubt as to the wisdom of the proposal.

In due time, at the beginning of the present session, as I recall—although I am not certain as to that, and it may have been done at the extraordinary session—the chairman of the Judiciary Committee offered a bill to effectuate that purpose. Hearings have been held in this comparatively short time. The president of the American Bar Association came before the committee and expressed on behalf of the association his strong approval. Many judges came before the committee and testified. There was some opposition. It is a serious matter. The subcommittee considering it has not reached any decision. I do not know whether or not the plan will be adopted. At the very beginning it seemed to me to be an excellent suggestion. As I have studied it a little more, I am not so sure of my own position with respect to it. I do not believe that we ought to condemn what some at least may think is somewhat slow procedure in making these very grave changes.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BURKE. I yield.

Mr. CLARK. I should like to ask the Senator from Nebraska whether by any chance the judge of the circuit court of appeals to whom he referred as being the father of this scheme happened to be the same judge of the circuit court of appeals who was so much impressed with the congestion of the lower courts that about a year ago he left his own very much congested circuit on the Pacific coast of the United States and came to Washington to put in some 6 months away from his circuit lobbying for certain suggested judicial reforms.

Mr. BURKE. I am very familiar with the instance to which the Senator refers. The judge who originated this plan is not the same judge, but happens to be on the Atlantic coast instead of the Pacific coast. However, I have no doubt that we might still be able to get the judge from the ninth circuit come to Washington and spend 2 or 3 months here urging this matter and letting his court suffer.

Mr. HATCH. Mr. President, will the Senator yield further?

Mr. BURKE. I am glad to yield to the Senator from New Mexico.

Mr. HATCH. I was not arguing the merits of the bill. My purpose in rising was to venture the prophecy that even the bill to which I referred would not be acted upon by the committee at the present session of Congress. That is one of the reasons why I am just a little pessimistic, with respect to measures which come to Congress with the approval of the Executive, as to Congress acting on them and disposing of them.

Mr. BURKE. I have a document in my desk in my office which was submitted to me some time in the past by the senior Senator from New Mexico, a study of which would now indicate that he does not rank very high as a prophet. In this case, however, I should be inclined to agree——

Mr. HATCH. Mr. President, may I again interrupt the Senator?

Mr. BURKE. Yes.

Mr. HATCH. I do not know to what document the Senator refers, but, whatever it is, I will say that I do not rank high as a prophet, and I hope that in this instance I shall be entirely wrong.

Mr. BURKE. I think the Senator is probably correct in this instance, as I doubt very much whether the measure he mentions will ever receive sufficient study at this session so that it will be submitted to both Houses of Congress and adopted.

The Senator from South Carolina, I think, is in some measure justified in taking exception to my statement that he relied solely upon the example of the inability of President Hoover to put through his recommendations for changes in the executive departments, and, to the extent that the Senator from South Carolina expressed a contrary view a few moments ago, I gladly accept it; but I realize that we then have a more difficult task, because if the Senator were merely influenced by the unfortunate experience of President Hoover we might be able to take that out of his head, but if he has an ingrained suspicion and distrust of Congress, I do not know what steps we may take to convince him that Congress is always ready to do its duty if we give it time enough, though sometimes it acts more slowly than some think it should.

It seems to me in this connection that the sensible thing to do in reference to title I of this bill—unless the whole measure shall be recommitted—is to adopt what is called the Wheeler amendment, with possibly—and I think so far as I am concerned almost without change—the modification proposed yesterday by the senior Senator from Alabama [Mr. BANKHEAD].

If that were done, the President could then proceed to map out a definite plan of reorganization of the executive departments which would assure, according to his views and his study of the question, a maximum of efficiency at a minimum of cost, and submit it to the Congress. I venture to say that in far less time than we have spent considering this revolutionary proposal to put the Government completely in the hands of the Chief Executive, the reorganization could be completed.

There is just one qualification, however, which I should make in reference to this statement. It would be necessary for the President to exercise some sound discretion in selecting the advisers whose judgment he would follow in submitting such recommendations. Of course, the President cannot personally go out into these multiplied agencies of government and determine which ones are properly functioning, and where it would be possible to group, coordinate, consolidate, reorganize, and segregate agencies and functions of the Government. Nor, with the onerous burdens that must weigh upon him day and night, could he even receive in his study and digest detailed reports that might be brought to him. He would have to select individuals capable of doing the job and laying before him conclusions and final results.

That leads us to this comment: There is no doubt that the President is deeply interested in reorganizing the executive department, as he was also in reorganizing the judiciary department a year ago. In the latter case, some of us, at least, feel that very unsound advice was given to the President which resulted in a recommendation from him which shocked the country and greatly delayed proper reforms in the judiciary, in addition to producing a host of other unpleasant results. We do not know who was chiefly responsible, in the way of advice, for that tragic mistake. But in the case of the executive department reorganization, which is now before us, we do have more definite information. It is proper briefly to examine the record.

Because of his deep and very proper interest in the problem of administrative management of the executive branch of the Government, the President took certain action. I quote from his message of January 12, 1937:

> Accordingly, after extended discussions and negotiations, I appointed a Committee on Administrative Management, to examine the whole problem broadly and to suggest for my guidance and your consideration a comprehensive and balanced program for dealing with the overhead organization and management of the executive branch as it is established under the Constitution.

Three very able men were selected by the President to carry on that important task. Whether or not they were men whose judgment could safely be followed must be determined by an examination of the result of their rather extended consideration of the problem. In any event, they were the President's choice, and I have no word of criticism to offer in reference to any one of them. There were no limitations or restrictions to hinder him in selecting anyone he wanted. Adequate funds were made available to the President's committee. It is reported, and I assume correctly, that $100,000 was turned over to the committee out of relief funds appropriated by Congress, in order that it might do a thorough job.

The committee made its report to the President a year ago in January. In submitting that document to Congress the President said:

> I have examined this report carefully and thoughtfully—
>
> It is a long and complicated, but very interesting report—
>
> and am convinced that it is a great document of permanent importance. I think that the general program presented by the committee is adequate, reasonable, and practical, and that it furnishes the basis for immediate action. The broad facts are known; the need is clear; what is now required is action.

I might digress a little at this point to talk about the pressure for immediate action, but I think I shall resist the temptation.

Again, the President said in reference to this report, in his message submitting it to Congress:

> I endorse this program and feel confident that it will commend itself to you also with your knowledge of government, and to the vast majority of the citizens of the country who want and believe in efficient self-government.

Under these circumstances there should be little doubt in the mind of anyone that if Congress had heretofore turned over to the President full authority to reorganize the executive department, without retaining in itself any effective check or control, reorganization would now be an accomplished fact. In the light of the statement made by the President himself, it cannot be doubted that he gave his endorsement and his approval to the suggestions of his committee, and requested action.

Not only would reorganization now be an accomplished fact, but it would, in general terms, be the kind of reorganization set forth in the report of the President's committee. So, in the light of these circumstances, I think it proper that we examine that report briefly at least, and see what were some of the changes suggested by the President's committee in reorganizing the executive department, changes which met such generous approval in the words of the President.

I am not now quoting from the report; but, beginning with the Interstate Commerce Commission in 1887, Congress set up a number of independent regulatory agencies, including the Federal Trade Commission, the Federal Communications Commission, the Federal Power Commission, the Securities and Exchange Commission, and others. The President's committee, chosen by him, with adequate funds to finance its efforts, and consisting of able men in a position to secure all the technical advice they needed, made a thorough study, and in their wisdom decided that the time has come in this country when we must do away with all these independent commissions. They propose to substitute what they call—and I quote—"modern managerial agencies." At the head of each would be a single executive officer.

I think it would be well to read briefly from the report of the President's committee to see exactly what was in its mind and what must have been the President's thought when he stated that he had "examined the report carefully and thoughtfully," and that he considered it "adequate, reasonable, and practical." I shall read, from page 67 of the report of the President's Committee on Administrative Management in the Government of the United States, subhead (d) under title V, which bears the caption "Administrative Reorganization of the Government of the United States." Subhead (d) has the heading "The Independent Regulatory Commissions."

I now read from the report of the President's committee:

> Beginning with the Interstate Commerce Commission in 1887, the Congress has set up more than a dozen independent regulatory commissions to exercise the control over commerce and business necessary to the orderly conduct of the Nation's economic life. These commissions have been the result of legislative groping rather than the pursuit of a consistent policy. This is shown by the wide variety in their structure and functions and also by the fact that just as frequently the Congress has given regulatory functions of the same kind to the regular executive departments.
>
> These independent commissions have been given broad powers to explore, formulate, and administer policies of regulation; they have been given the task of investigating and prosecuting business misconduct; they have been given powers, similar to those exercised by courts of law, to pass in concrete cases upon the rights and liabilities of individuals under the statutes. They are in reality miniature independent governments set up to deal with the railroad problem, the banking problem, or the radio problem. They constitute a headless "fourth branch" of the Government, a haphazard deposit of irresponsible agencies and uncoordinated powers. They do violence to the basic theory of the American Constitution that there should be three major branches of the Government, and only three. The Congress has found no effective way of supervising them; they cannot be controlled by the President; and they are answerable to the courts only in respect to the legality of their activities.
>
> MIXTURE OF EXECUTIVE AND JUDICIAL FUNCTIONS
>
> The independent regulatory commissions create a confusing and difficult situation in the field of national administration.

There is a conflict of principle involved in their make-up and functions. They suffer from an internal inconsistency, an unsoundness of basic theory. This is because they are vested with duties of administration and policy determination with respect to which they ought to be clearly and effectively responsible to the President—

We would, of course, have to decline any further to call them independent commissions—

and at the same time they are given important judicial work in the doing of which they ought to be wholly independent of Executive control. In fact, the bulk of regulatory commission work involves the application of legislative "standards" of conduct to concrete cases, a function at once discretionary and judicial and demanding, therefore, both responsibility and independence.

The evils resulting from this confusion of principles are insidious and far reaching. In the first place, governmental powers of great importance are being exercised under conditions of virtual irresponsibility. We speak of the "independent" regulatory commissions. It would be more accurate to call them the "irresponsible" regulatory commissions, for they are areas of unaccountability. It is not enough to point out that these irresponsible commissions have of their own volition been honest and competent. Power without responsibility has no place in a government based on the theory of democratic control, for responsibility is the people's only weapon, their only insurance against abuse of power.

But though the commissions enjoy power without responsibility, they also leave the President with responsibility without power. Placed by the Constitution at the head of a unified and centralized executive branch and charged with the duty to see that the laws are faithfully executed, he must detour around powerful administrative agencies—

Of course, there is an instance, to which I will soon refer, of the President attempting to avoid the detour and taking action aimed directly at the functioning of the independent agency. But, in general—

he must detour around powerful administrative agencies which are in no way subject to his authority and which are, therefore, both actual and potential obstructions to his effective over-all management of national administration. The commissions produce confusion, conflict, and incoherence in the formulation and in the execution of the President's policies. Not only by constitutional theory, but by the steady and mounting insistence of public opinion, the President is held responsible for the wise and efficient management of the executive branch of the Government. The people look to him for leadership. And yet we whittle away the effective control essential to that leadership by parceling out to a dozen or more irresponsible agencies important powers of policy and administration.

* * * * * * *

The independent commission, in short, provides the proper working conditions neither for administration nor for adjudication. It fails to provide responsibility for the first; it does not provide complete independence for the second.

Then this one paragraph, in closing, which, it seems to me, every Member of this body should keep clearly in mind:

THE ADMINISTRATIVE PROBLEM

The independent commissions present a serious immediate problem. No administrative reorganization worthy of the name can leave hanging in the air more than a dozen powerful, irresponsible agencies free to determine policy and administer law. Any program to restore our constitutional ideal of a fully coordinated executive branch responsible to the President must bring within the reach of that responsible control all work done by these independent commissions which is not judicial in nature. That challenge cannot be ignored.

At the same time, the commissions present a long-range problem of equal or even greater seriousness. This is because we keep on creating them. Congress is always tempted to turn each new regulatory function over to a new independent commission. This is not only following the line of least resistance; it is also following a 50-year-old tradition. The multiplication of these agencies cannot fail to obstruct the effective over-all management of the executive branch of the Government almost in geometric ratio to their number. At the present rate we shall have 40 to 50 of them within a decade. Every bit of executive and administrative authority which they enjoy means a relative weakening of the President, in whom, according to the Constitution, "the executive power shall be vested." As they grow in number his stature is bound to diminish. He will no longer be in reality the Executive, but only one of many executives, threading his way around obstacles which he has no power to overcome.

So this committee appointed by the President studied this whole matter and reported to the President, and through the President to the Congress, that we should promptly and immediately do away with all the independent regulatory commissions set up over a number of years.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BURKE. I yield to the Senator from Missouri.

Mr. CLARK. Does the Senator not think it is perfectly evident that the man who wrote the statement the Senator has just read from the report of the President's committee, whether he was the former newspaper reporter, Mr. Brownlow, or the college professor, Mr. Merriam, or the professional reformer, Mr. Gulick, was not aware of the fact that the principal functions of such commissions as the Interstate Commerce Commission, the Federal Trade Commission, and the Communications Commission, are as agencies of the legislative branch of the Government and as extensions of the legislative power? In other words, the important function which has been conferred on such commissions is the ascertainment of particular facts in order to carry out a policy of Congress enunciated in a statute, and that they are legislative rather than executive or administrative in character. Does not the Senator agree that the man who wrote that statement, whether he was one of the President's committee or one of the hundred-thousand-dollar staff, was a man who was not sufficiently familiar with the processes of government to realize that these commissions are essentially legislative in character rather than executive or judicial?

Mr. BURKE. I think the Senator from Missouri is entirely correct in his statement, with one possible exception. It may be that the distinguished members of the President's committee who prepared this report realized that the independent commissions were set up by Congress to serve as arms of the Congress, to see that the will of Congress was carried out in certain respects; it may be that they were not ignorant of that fact; but that they were now in such a frame of mind that they believed the welfare of this country would be better served if the powers of Congress which these commissions are exercising should no longer be considered as legislative powers but should be taken away and added to the Executive powers. I think that is a reasonable interpretation of their view, for a careful study of their report indicates that no member of that committee had any real belief in Congress or any real use for the legislative department of government. The members of the President's committee believed in increasing the stature of the Chief Executive. I am not referring to the present occupant of the White House, but to the office of Chief Executive. They believed that that is the way to get results in government. But, in any event, they were either ignorant of the fact that these regulatory commissions are legislative in origin and function, or else they chose to ignore that and not only to whittle down the power of the Legislature but to add to the power of the executive branch.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BURKE. I yield to the Senator from Virginia.

Mr. BYRD. Has the Senator referred to the fact that the power to confirm nominations was to be practically taken away from the Senate except in the case of Cabinet members, judges, and ambassadors?

Mr. BURKE. I thank the Senator for calling my attention to that fact, which is clearly set out in the report and which further substantiates the point I was trying to make, that it was apparently the settled conviction of the President's commission that whatever powers, whether designed to carry out the regulations of Congress or the power of confirmation or anything else, could be taken away from the legislative branch that would be all to the good.

It is easy to believe that the paragraph which I have just read expressed rather accurately what was then, and, undoubtedly, still is, in the President's mind in reference to the independent commissions. If there is doubt on that point, we need only refresh our memories with reference to the Humphrey affair. All the members of the Senate are familiar with that case, and I do not wish to spend any particular time on it, except to say that it seems to me very important as showing the President's views in reference to independent commissions. The independent committee complained that the President must detour around the independent commissions. That is true only because the Supreme Court unanimously said that until we pass some such measure as recommended by the President's commission, he cannot impose his will upon them.

I have before me copies of the correspondence which passed between W. E. Humphrey and the President of the United States in the summer and early fall of 1933. I should like to read just one or two of the letters, although they are all really very interesting.

Under date of July 19, 1933, Mr. W. E. Humphrey, from the State of Washington, who was a member of the Federal Trade Commission and appointed for a term fixed by Congress which would expire sometime later in this year of 1938, wrote to the President as follows:

JULY 19, 1933.

MY DEAR MR. PRESIDENT: Information comes to me that you are going to ask my resignation. For what reason I do not know.

Then Mr. Humphrey goes on in the letter to ask for an interview with the President. Inasmuch as he mentions the names of some Senators and others, I shall not read it unless a request to that effect is made. The whole purpose of the letter was to ask for an interview.

Under date of July 25, 1933, the President replied:

MY DEAR COMMISSIONER: In reply to your letter of last week I regret that the present demands on my time make it impossible at the moment to grant your request for a personal interview. Without any reflection at all upon you personally, or upon the service you have rendered in your present capacity, I find it necessary to ask for your resignation as a member of the Federal Trade Commission. I do this because I feel that the aims and purposes of the administration with respect to the work of the Commission can be carried out most effectively with personnel of my own selection.

On August 1 Mr. Humphrey replied:

I thank you for your expressions of confidence and consideration, and they are received in the same spirit in which they are given.

Not knowing Mr. Humphrey, I do not know whether or not he possessed a subtle sense of humor.

Especially do I appreciate your statement that your action is without any reflection on me personally or upon the service that I have rendered in my present capacity, but that you feel that the purposes of the Commission could be carried out more effectively with personnel of your own selection.

While I heard that you intended to ask my resignation, I did not believe it until I received your letter. Naturally I was somewhat disturbed and shocked on its receipt. If I could have had a personal interview with you before you made the request, the matter might have been arranged satisfactorily to all parties concerned. But it is not profitable to discuss this question now.

The President replied by telegram on August 4:

I have your letter and I fully appreciate your desire to have a little time to make arrangements. Therefore I am accepting your resignation—

I really should have read the entire letter of August 1, because nowhere in it is there any indication of an intention to resign—

Therefore I am accepting your resignation, but not to take effect until August 15. Please acknowledge receipt.

On August 11 Mr. Humphrey replied:

MY DEAR MR. PRESIDENT: In acknowledging your telegram of August 4, I thank you for the courtesy and consideration shown. You say "I am accepting your resignation * * *." In this you are in error, as I have not tendered my resignation as a member of the Federal Trade Commission and cannot do so. If any document purporting to be my resignation has been presented to you, it was without my authority, consent, or knowledge. As all of my requests for a personal interview have been denied, I feel that it is a duty I owe the public and myself to briefly state why I cannot comply with your request.

The statute creating the Federal Trade Commission says: "Any Commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office." I must assume that the President and the public know the language of this statute. It is a matter of common knowledge that to ask the resignation of an officer, where the causes for his removal are specified by statute, is a polite way of giving him an opportunity to prevent removal for one or more of these causes. If I were to tender my resignation, I would stand convicted in the public mind of having violated the above-quoted statute. By such act my long record of service would be shadowed and I should be personally discredited.

It is true, Mr. President, that you stated in your letter to me that your request was "without any reflection at all upon you personally, or upon the service you have rendered in your present capacity," and that you ask my resignation because you believe that the work of the Commission "can be carried out most effectively with personnel of my own selection," and that you congratulate me upon my long and active service.

* * * * * * *

The creation of the Federal Trade Commission was favored by all parties. The bill for its establishment passed both Houses of Congress without a dissenting vote—

And yet that is one of the commissions which the President's committee would now entirely do away with—

something unusual in legislation of this importance. The statute provides that there can be only three members of the Commission of one party. There are now three Democrats on the Commission. Therefore, it seems probable that if I leave a Republican will serve the rest of my term. If I am correctly informed, according to precedent, the minority party is consulted in filling these minority places. * * *

Congress intended that the Federal Trade Commission should be an independent, semijudicial, continuing body, at all times to deal fairly and intelligently with matters that come before it. The statute provides for rotation in office of its members. The vital purpose of these provisions was that the business of the country might at all times have, in the often-quoted language of the Supreme Court, "a tribunal appointed by law and informed by experience."

No one questions the way in which I came into this office. You do not question the way that I have conducted it. Under such circumstances, with all due respect, I cannot conceive why my right to hold the office should be questioned. Why should I resign? I cannot but feel, to ask my resignation for purely political reasons, not only violates the statute under which I was appointed, but that it disregards in spirit the civil-service laws.

I am well aware of the decision that holds that the President has the unrestrained power to remove postmasters. There is no such decision made involving a statute similar to that creating the Federal Trade Commission. I am of the firm conviction that for me to resign would be to consent to a policy that would lessen the value of the Federal Trade Commission and all independent bodies. I must therefore most respectfully decline your request for my resignation.

The President replied to that under date of August 31, as follows:

MY DEAR COMMISSIONER HUMPHREY: I am sure that I do not need to tell you that I would not wish to hurt you in any way if it can possibly be avoided, and that is why I still hope that you will be willing to let me have your resignation as a member of the Federal Trade Commission.

You will, I know, realize that I do not feel that your mind and my mind go along together on either the policies or the administering of the Federal Trade Commission, and, frankly, I think it is best for the people of this country that I should have full confidence.

Mr. Humphrey replied to that letter reiterating his refusal to resign; and he was thereupon, as you all know, summarily dismissed from office. He sought appropriate legal relief by suing for his salary before the Court of Claims, and the matter eventually reached the Supreme Court; and, as I have already stated, the Supreme Court by unanimous decision decided that the Federal Trade Commission was an independent body, and that even the one holding the high office of President of the United States must, in the language of the President's committee, detour around that Commission, at least when it comes to interfering with its independence.

By the time the matter was in the Supreme Court Mr. Humphrey had died. In any event, he had been summarily removed from the Commission, and his successor had been appointed and confirmed.

I recognize that the Senate committee has brought before us a much-amended bill, which does not reflect the views of the President's committee in reference to the independent commissions. But when I recall to mind the details of the Humphrey case, followed by the fact that the President's committee takes its stand upon the proposition that "no administrative reorganization worthy of the name" can be effected if we permit the independent commissions to live, I want to be very careful as to the extent of the powers turned over to the Executive. And since we have now mentioned the matter of powers of the President, I wish to refer to the original bill drafted by the President's Committee on Administrative Management.

This bill was submitted to the Joint Congressional Committee on Government Reorganization as a proposal by which the recommendations of the President's committee

might be enacted into law. It is contended, and no doubt correctly—I accept the statement fully—that the President's committee did not produce the bill and say, "Take this and enact it without dotting an 'i' or crossing a 't.' It is just what the President wants." I know that nothing of that kind happened; even that a little play went on about the minority leader asking if there was a bill, and with some reluctance the chairman of the committee said, "Yes; he had a bill," and he produced it.

On the other hand—and this seems to me to be the important point—I have heard no contention that the bill of the President's committee fails in any respect as a vehicle by which the recommendations of that committee, so heartily endorsed by the President, might be enacted into law.

Let us turn now for a moment to section 2, title I, of the bill of the President's committee, entitled "Power of the President." Since this is largely the same provision as that in the bill now before us—and I will point out the differences—I will read this short section.

POWER OF THE PRESIDENT

As I have said, I am greatly interested and concerned in making sure that the legislative branch of the Government shall not surrender any more of its powers to the present Executive or to any Executive than may be absolutely necessary.

Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish any of the purposes set forth in section 1 of this title he may by Executive order:

(a) Transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency;

(b) Establish any agency to receive the whole or any part of any other agency, or the functions thereof, and this shall include the power to establish Federal corporations and direct that such action be taken as may be necessary to effect the transfer to any such corporation of the assets and liabilities of any federally owned and controlled corporation or corporations and empower any such Federal corporation to exercise such functions as may be necessary to effectuate the purposes for which the federally owned and controlled corporation or corporations were established.

(c) Regroup, coordinate, consolidate, reorganize, or segregate the whole or any part of any agency, or the functions thereof; or

(d) Abolish the whole or any part of any agency, or the functions thereof, and this shall include the liquidation and dissolution of any federally owned and controlled corporation in accordance with the laws of the United States, or of any State, Territory, or possession of the United States (including the Philippine Islands), or the District of Columbia, under which such corporation was organized; and

(e) Prescribe the name and functions of any agency transferred, retransferred, established, regrouped, coordinated, consolidated, reorganized, or segregated under this title, and the title, functions, tenure, and method of the appointment of its head, or of any of its officers or employees.

I think everyone will admit that that was quite a broad grant of power to the Executive.

Mr. GERRY. Mr. President——

The PRESIDING OFFICER (Mr. BROWN of Michigan in the chair). Does the Senator from Nebraska yield to the Senator from Rhode Island?

Mr. BURKE. I yield.

Mr. GERRY. Is it not very apparent that the President, if the proposed legislation shall be enacted, will have to ask a committee to study and do the reorganizing and grouping which he thinks necessary, and that practically that committee will be the one which will really do the reorganizing, for, with all the work the President has on hand, necessarily he cannot give the matter the time and the detailed study which would be necessary?

We now have such an example. One such committee, the committee to which the Senator has just referred, has reported, and the recommendations of that committee have certainly not met with the approbation of the select committee which has the proposed legislation in charge, and which has brought in the pending report. Does not the Senator think that is a very good argument why before any of the recommendations were carried out, they should be submitted to the Congress for its approval?

Mr. BURKE. I have no doubt the Senator from Rhode Island is entirely correct. Of course, the President could not do the regrouping, reorganizing, transferring, segregating, and so on, as mentioned in the bill before us. He would have to have a committee to do those things.

I would go even a step further and say that in all likelihood, if the pending bill should be enacted, the President would appoint the same committee. They worked for a couple of years on the matter; he had complete confidence in them; they spent, I suppose, something like a hundred thousand dollars, or nearly that, in carrying on their work, and the President approves entirely of the recommendations they have made. So I would rather expect that if we should enact the pending bill, the job of getting the framework ready to carry out all the powers the Congress would turn over to the President would be committed to Mr. Brownlow, Mr. Gulick, and Mr. Merriam, to go ahead and make their arrangements and submit recommendations for the President's approval.

I should read also in connection with the power of the President subhead (a) of section 501 of title 5 defining the term "agency." It will be remembered that all these things could be done to anything bearing the name "agency."

The term "agency" includes the President or any executive department—

I interrupt the quotation there to say that I do not suppose even the President's committee had in mind that the President would be able, after investigation, to transfer the duties of his own office and to set them up in some other agency, or do anything of the kind, but here is the language:

The term "agency" includes the President or any executive department, independent establishment, commission, legislative court, board, bureau, service, administration, authority, federally owned and controlled corporation, agency, division, or activity of the United States, whether in the District of Columbia or in the field service, or any office, or part thereof, and shall include the municipal government of the District of Columbia, the Botanic Garden, Library of Congress, Library Building and Grounds, Government Printing Office, and the Smithsonian Institution: *Provided*—

Even the committee thought they had gone just a little far in that, so they included a proviso:

Provided, That the inclusion of the municipal government of the District of Columbia within the meaning of the term "agency" shall not be construed to authorize the abolition of the municipal government of the District of Columbia or the transfer of all the functions of such municipal government to any other agency.

I think we ought to be very grateful to the committee for having protected the municipal government of the District of Columbia from the full sweep of the proposals which it was making.

Mr. GERRY. Mr. President, will the Senator yield?

Mr. BURKE. I yield.

Mr. GERRY. Can the Senator tell me whether the Brownlow report was ever printed as a document?

Mr. BURKE. The report of the President's committee?

Mr. GERRY. Yes; the original report which was made by the committee, which the President transmitted.

Mr. BURKE. Yes; the President submitted with his message on January 12, 1937, their full report, comprising something like 84 pages, a copy of which I have before me, and I hope every Member of the Senate will take occasion to read the report from start to finish, even though, as I reiterate, the proponents of the pending bill have abandoned some of the very urgently made recommendations of the President's committee.

Mr. GERRY. Mr. President, I suggest that it would be a good idea for the Senator to state the number of the report for ready reference, because I feel sure a great many Senators will desire to read it, especially if the Senator's contention, with which a great many agree, is correct—that the President would, if the proposed legislation were enacted, be very likely to reappoint the same committee or a similar committee to carry out the reorganization.

Mr. BURKE. I thank the Senator for the suggestion. The full report is contained in Senate Document No. 8,

Seventy-fifth Congress, first session, and bears date January 12, 1937.

I realize that the select committee has brought before us a much amended bill, which, as I have said, does not reflect the views of the President's committee in reference to the independent commissions.

We were, however, studying the matter of powers. I read the definition of the power of the President as contained in the report of the President's committee. Turning now to the amended bill before us, we find that the language is identical, except that subhead (b) and all of subhead (d) except the first line are omitted and a considerable number of limitations on the President's power are added.

There is still in this amended bill, however, an enormous grant of power, and it does not require a prophet or the son of a prophet to be able to look ahead and see that, once Congress lays the groundwork by passing the bill in anything like its present form, every effort will continuously be used to have further power placed in the hands of the Executive—power approaching that contained in the original bill of the President's committee.

A word must now be said about section 205, which deals with Presidential appointments.

Mr. VANDENBERG. Mr. President, will the Senator yield before he leaves the subject he has just been discussing?

Mr. BURKE. I yield to the Senator from Michigan.

Mr. VANDENBERG. I wish to ask the Senator how he would interpret the situation I shall submit to him; and I should be glad to have the Senator from South Carolina listen, if he will be good enough to do so, for I think there should be no doubt of the answer. Would the Federal Deposit Insurance Corporation come within the power of the President to abolish, transfer, and so forth?

Mr. BURKE. My answer would be "Yes." I see no reason why that agency would not come within his power. However, I should be glad to have the Senator from South Carolina refute that if he cares to do so.

Mr. BYRNES. Does the Senator refer to the language on page 3, in line 7?

Mr. VANDENBERG. I mean the application of the various powers that are noted from line 1 to line 11, on page 3. Would those powers attach to the Federal Deposit Insurance Corporation?

Mr. BYRNES. The powers would apply to every agency of the Government except those that are exempted in the lines following. I asked the Senator if he referred to the language with respect to abolishing because I wanted to call the Senator's attention to the amendment which is on his desk as to abolishing functions, on page 3, line 7.

Mr. VANDENBERG. I have not seen the amendment. May I ask what it would do?

Mr. BYRNES. The amendment I have submitted is, on page 3, to strike out lines 7 and 8 and to insert the following:

(3) Abolish any agency whenever all of its functions are transferred to the jurisdiction and control of any other agency or agencies; and

With that exception, the language the Senator referred to would apply to the Federal Deposit Insurance Corporation.

Mr. VANDENBERG. Mr. President, if the Senator will permit me, I should like to make an observation at that point. I think the matter is rather important. It seems to me that at the present time we have a very vivid demonstration of the utility of the Federal Deposit Insurance Corporation in the economic life of our country, because it is the one thing which is permitting a justified banking stability today, which is the chief differentiation between the present depression and the one we previously suffered.

The fact remains that there are those who are opposed to Federal deposit insurance. I think the head of the Federal Reserve System has been quoted as being in opposition to Federal deposit insurance. According to the answer which has been given me regarding the status of the Federal Deposit Insurance Corporation, the powers now exercised by the F. D. I. C. could be transferred to the Federal Reserve Board. Regardless of whether that would be a friendly or hostile instrumentality, the fact remains that, according to the answer which has been given me, we are proposing to permit some executive arm of the Government to determine the fate and destiny, in net effect, of an instrumentality set up by Congress itself for the purpose of stabilizing the banking system. It seems to me it is at least one instrumentality which the Senator from South Carolina should permit us to include among the exemptions, because surely the Federal Deposit Insurance Corporation must be given a complete and absolute permanence of status in view of the nature of the service it renders to the country and particularly is rendering today.

I might make another observation in the same connection if the Senator from Nebraska will permit me to do so.

Mr. BURKE. If I may interrupt at that point, I hope that before this matter is disposed of the Senator from South Carolina will be in the situation, or even in a frame of mind, to make much greater exemptions than the very meritorious one called for by the Senator from Michigan.

Mr. VANDENBERG. If the Senator will permit me, I shall enlarge just a little further upon the situation I am submitting to him. There is a very violent disagreement in our country as to whether we should maintain the dual banking system, that is to say, whether there should be a maintenance of State banks. The Federal Reserve authorities are very definitely opposed to the maintenance of State banks. They want a unified national banking system. They may be right, but that is beside the point. The point is that the power to determine that question certainly must be left with the Congress. But, inasmuch as the Federal Deposit Insurance Corporation controls absolutely the life or death of a banking unit today, because a bank cannot under normal circumstances exist without it, if that Corporation may be transferred to the jurisdiction of the Federal Reserve System, and the Federal Reserve System on a perfectly conscientious basis may undertake to use it in a fashion to discourage State banking, the ultimate net result might be that we would have permitted the Federal Reserve Board to decide our responsibility and our problem as to whether or not the dual banking system in this country shall be maintained.

I submit very prayerfully to the very able Senator from South Carolina that there are factors and phases attached to the Federal Deposit Insurance Corporation which certainly recommend that it be lifted out from this proposed grant of power.

I thank the Senator from Nebraska for permitting me to offer that suggestion.

Mr. BYRNES. Mr. President, I will say that under the bill there will be no power to prevent the continued exercise of the functions in which the Senator is interested. What the Senator said about the importance of those powers being exercised by the gentlemen who are now exercising them could be said, as the Senator knows, with equal force with respect to every department of the Government.

I share the Senator's viewpoint with respect to the functions of the F. D. I. C. In my opinion, there is just as much justification for transferring them to the Department of Agriculture as to the Federal Reserve Board. However, I have no reason to believe that great harm would result if what is suggested were done. The Senator proposes to exempt the F. D. I. C. because he is interested in it. It is my opinion that every other Senator is interested in some bureau or agency. It is not only with respect to the F. D. I. C. that such argument may be made. The same argument may be made with respect to every agency or bureau.

Mr. VANDENBERG. I must resist the Senator's statement that an appeal for an exemption of the F. D. I. C. rests on a parallel with an appeal for the exemption of any other of the multitudinous bureaus and agencies of the Government. I insist to the Senator that he himself in his own bill has exempted the Federal Reserve System from the operation of the measure, and that the Federal Deposit Insurance Corporation is just as much of an integrated, essen-

tial part of the banking system of this country, and in many respects a great deal more important, and therefore that it does fall in a separate classification.

Mr. BYRNES. Let me say that the bill specifically exempts the Federal Reserve System in section 2 (b). The private member banks were the stockholders, so we placed the exemption in the bill.

Mr. VANDENBERG. It may also be said that a great portion of the stock of the F. D. I. C. is owned by the banks because they put up a basic portion of the investment.

Mr. BYRNES. I shall be glad to discuss that with the Senator later when we get to it.

Mr. VANDENBERG. I submit to the Senator from Nebraska that he finds in the Federal Deposit Insurance Corporation a dramatic personification of the danger of permitting an unlimited executive authority over agencies that are serving an essential public welfare and which have been established by will of Congress, and should never be disestablished except by the will of Congress.

Mr. BURKE. I thank the Senator. I share fully his views as to the extreme urgency of Congress not passing any measure which under any possible interpretation might bring about the results which he has indicated.

There was one section of the bill that interested me very greatly from the start. I refer to section 205. I listened with great interest to what the Senator from South Carolina had to say about that section, and, as I recall, he said it was not a matter of great importance; that there were not many people who would be affected, and if any Senator offered a motion to strike it out probably he would not have any very serious objection to it.

Mr. BYRNES. Mr. President, the Senator from South Carolina said he would agree to have it stricken out.

Mr. BURKE. He would even go further and agree to have it stricken out. I refer to it now, not because we have the threat, as I see it, of the possibility of the enactment of that section still hanging over us—for I rely on the statement of the Senator from South Carolina—but I believe that we have a right and that it is our duty to examine this entire proposal. That was the reason why I spent some time on the report of the President's committee and the bill which that committee drafted to carry out its views, and, if it were not for taking too much time, I would have liked to follow the history of this particular bill through its various amended stages, because it seems to me, Mr. President, that all of that is of the utmost importance. It may be that when attention is called to a section which is obnoxious, even in the much amended form now before us, the chairman of the committee may wave it aside and say, "I will agree to have that stricken out."

But I think it should not be stricken out of our consciousness. We ought to know what it was proposed to do, because even after the good-natured chairman has consented to striking out many provisions, other provisions will still remain which are susceptible of different interpretations. We should know what was in the minds of those who were trying to work out this program, because, as I said before with reference to the powers of the Executive in doing away with the independent commissions, I have no doubt in my own mind that when we pass any kind of a reorganization bill there will be a constant, forceful effort to mold that measure, to amend it hereafter, to strengthen it, and to interpret it in order to carry out just as fully as possible the recommendations originally contained in the bill. So when I refer to section 205 I do so without apology, because I think we are fully within our rights in taking this bill as it was laid before us originally.

Section 205 is short. I shall read it:

PRESIDENTIAL APPOINTMENTS

SEC. 205. The President, by and with the advice and consent of the Senate, shall make appointments to fill any vacancy in any office or position of head of any bureau, division, service, or other similar agency which is in or under the jurisdiction or control of and is directly responsible to the head of an executive department, independent establishment, or independent agency—

That covers all independent commissions—

but only if the President finds that such office or position is policy-determining in character. Any determination by the President that any such office or position is policy-determining in character shall be final, and the power of the President to make such determinations shall expire on June 30, 1940.

Before consenting to have that section stricken from the bill, the Senator from South Carolina told us there was really no threat against the independent establishments because, as he says, he has assurance that only a few of such positions exist. From whom did he obtain that assurance? Did he obtain it from the one person his bill empowers to make such a conclusive finding? Not at all. Someone in one of the departments has given him some kind of assurance on that point. Would that assurance be binding upon anyone? Not in the slightest degree. No one could expect the President now to tie his own hands by submitting a list of the policy-determining positions. Yet the opinion of anyone else is a waste of breath. In this innocent-appearing section there is potential danger to the continued independence of every independent commission.

If we are to pass this bill at all, I know of only one way to be at all safe so far as title I is concerned. That is to write into the bill the Wheeler-Bankhead amendment. Then the independent commissions, and the structure of government which Congress has built up under the Constitution, will be safe until Congress has at least had the opportunity to consider and to act on proposed changes.

For the day, at least, I do not wish to spend any further time on title I of the bill.

I pass over title II, dealing with the Civil Service. When the amendment is before us to strike that title from the bill, I hope to express my very strong approval of the amendment, and my dissent to title II.

I should now like, for what I hope will be a somewhat brief time, to discuss title III, dealing with accounting and auditing.

We are urged by the proponents of the bill—and the provisions to accomplish the purpose are stated in the bill—to abolish the General Accounting Office and the offices of Comptroller General and Assistant Comptroller General. I believe the Senate committee has fully accepted the recommendations of the President's committee in this respect.

To replace the General Accounting Office and the Comptroller General and Assistant Comptroller General, if the bill becomes law, there is to be a revamped Bureau of the Budget and an Auditor General. We are now asked to place our stamp of disapproval on the system so carefully worked out by Congress in the period between 1919 and 1921. Extensive hearings were held at that time. In the House a special committee on the Budget heard a great many very able witnesses. It will be worth while, I think, to recall the membership of that committee. James W. Good, of Iowa, was chairman. The Democratic members on the committee were: Joseph W. Byrns, of Tennessee; Claude Kitchin, of North Carolina; John N. Garner, of Texas; Edward T. Taylor, of Colorado; Everett B. Howard, of Oklahoma.

The Republican members were: Philip P. Campbell, of Kansas; Martin B. Madden, of Illinois; Willis C. Hawley, of Oregon; Henry W. Temple, of Pennsylvania; George Holden Tinkham, of Massachusetts; Fred S. Purnell, of Indiana.

The special committee entered upon a comprehensive study of the financial plan of the Government. The names of some of the witnesses who appeared upon request and testified should be mentioned. I shall mention only a few of the great number: Frank O. Lowden, Governor of Illinois; O. H. Wright, director of finance, Illinois; William F. Willoughby, director, Institute for Government Research; John T. Pratt, president, National Budget Commission, New York; Walter W. Warwick, Comptroller of the Treasury; Gen. H. M. Lord, Director of Finance, War Department; Charles D. Norton, president, First Security Co., New York; L. F. Loree, president, Delaware & Hudson Co.; R. F. Cutting, chairman, Bureau Municipal Research, New York; Charles A. Beard, director, Bureau Municipal Research, New

York; Frank J. Goodnow, president, Johns Hopkins University; Dr. Robert S. Brookings, chairman, Institute Government Research; Hon. Carter Glass, then Secretary of the Treasury; Hon. Henry L. Stimson, former Secretary of War; Franklin D. Roosevelt, then Assistant Secretary of the Navy.

On the opening day of the debate in which we are now engaged, a week ago last Monday, the Senator from South Carolina [Mr. BYRNES] told us that when the Budget and Accounting Act of 1921 was passed, he, as a Member of the House, understood the purpose of that law was to give Congress an audit of the money which had been spent. I quote the language of the Senator from South Carolina, which appears on page 2508 of the CONGRESSIONAL RECORD for February 28, 1938:

> When I listened to the debate over the proposed Accounting Act of 1921, I said:
> "At last we will have an audit that will inform the Congress about the money that is spent."
> Instead of that we know nothing about it.

Elsewhere in his discussion he repeated that it was his understanding that the purpose of the Budget and Accounting Act of 1921 was to give Congress an audit of the expenditures of the Government. As I read the hearings which preceded the consideration of the 1921 act, and the discussions on the floor, I am sure that only one conclusion can be drawn. What Congress had in mind in 1920 and 1921 was the establishment of a system which would give legislative control over appropriated moneys, as contrasted with control by the spending agencies followed by a report or audit after the money had been spent.

I desire to repeat that statement. It seems to me clear that in 1920 and 1921 Congress desired, above all things, to establish a system which would give continuous legislative control over appropriated moneys, as contrasted with a system which provided only for control by the spending agencies themselves, followed by a report or audit after the money had been spent.

I do not minimize the importance of an independent audit to show how all the moneys appropriated by Congress were spent; but far more important is a system which will insure that the money is not spent except in accordance with the legislative will. I think it can be demonstrated conclusively that such was the controlling motive which actuated the passage of the law setting up the office of Comptroller General.

Such a system is more important today than ever before, because we have embarked on a tremendous spending program, and Congress has relaxed many of the controls over spending which formerly were in force. I am not ready to admit that the members of the special committee of the House, whose names I read a moment ago, did not know what they were doing when they set up an independent Comptroller General, whose duty was to be to see to it that the spending agencies kept within the law in disbursing the funds appropriated by Congress. I am not ready to admit that the Members of Congress in 1920 and 1921 who followed the recommendation of their committee were all wrong and did not know what they were doing. When the Senator from South Carolina cast his vote in favor of the 1920 bill setting up an independent Comptroller General, I think he knew exactly what he was doing. He then approved the idea of investigating the legality of expenditures before they were made.

When the bill of 1920 was vetoed by President Wilson, because he held the tenure of office provided therein was unconstitutional, the Senator from South Carolina was so sure of his position that a check should be provided upon the legality of the expenditures before the money had gone beyond reach that he was counted, unless I am mistaken, among those who voted to override the veto of his own President.

Immediately following the reading of the veto message in the other House, Representative Good, chairman of the special committee that had drafted the bill, made a statement, a few paragraphs of which I will read:

> Mr. GOOD. Mr. Speaker, I regret more than I can express that the President has thought it necessary to veto the Budget bill. I cannot arrive at any conclusion other than that the legal advice he has received as to the constitutional powers of Congress in this respect is, indeed, faulty.
> The committee on the Budget—
>
> That was the committee whose names I read—
>
> went into this matter very carefully, and in considering the matter there was never a vote, either on the subject of creating the General Accounting Office and providing for the Comptroller General and his assistants or in the Budget itself, where there was any division of sentiment between the members of that committee.
> In creating the General Accounting Office and providing for the Comptroller General and the Assistant Comptroller General, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations. It was considered that as to the President's appointment, if it was made a political office, the President would in all likelihood appoint someone of his own political faith. If the political situation should change and a President of some other political faith should assume the duties of that office, then, that succeeding President would likewise appoint someone of his political belief. It was the desire of the committee that the situation should be avoided if possible.
> You will recall—
>
> Chairman Good went on to say—
>
> You will recall that a former President, somewhat miffed because a Comptroller of the Treasury had ruled against his contention, sent word to the Comptroller that if he could not change the opinion of the Comptroller, he could change the Comptroller. It was the opinion of the committee that that condition should not be possible in the office that we were creating, an office that is to be, as it were, an arm of the Congress, where the official might be compelled to say to the executive officials, "This appropriation shall not be expended for any other purpose than that expressly provided for in the appropriation." We all know the tremendous influence that has always been brought upon the Comptroller of the Treasury, no matter who was President of the United States or to what political party he belong or who might occupy the position of Comptroller.

In the words which I have quoted, Chairman Good expressed the whole purpose of the legislation enacted and vetoed in 1920, and reenacted in 1921, the reenactment being similar, in all respects, to the first measure, except for changing the tenure of office of the Comptroller General and changing somewhat the method of his removal from office. Was it the purpose of the 1921 bill, which is still the law and which it is now proposed to repeal, to provide for an audit after the spending agency of the Government had spent the money appropriated by Congress? Not at all. When the Senator from South Carolina says that was what he thought the bill was designed to do, he is mistaken or has forgotten. The purpose of that measure was to set up an official authorized to speak the voice of Congress and say to every spending agency in the executive department, "This appropriation shall not be expended for any other purpose than that expressly provided for in the appropriation."

That is the whole controversy about title III of the pending bill. Senators cannot support that part of the pending bill unless they are willing to go on record as believing that Congress was mistaken when it set up an agency to investigate the legality of the expenditure of its appropriations before the money is gone. They must be willing to say before they can support title III of the pending bill, that the present Vice President, who was a very ardent advocate of the 1921 act, did not know what he was doing. They must make the same decision as to the Senator from South Carolina, and other Members of this body who, either here or in the other House, gave their full approval to the bill which was enacted in 1921.

On the question as to what Congress intended to accomplish by the act providing for an independent Comptroller General, I desire to present briefly some of the testimony before the special committee of the House. One witness presented in a very able manner the view now held by the Senator from South Carolina. This witness did not approve of setting up an official representing Congress who could stop an executive officer from paying out money on the ground that the contemplated expenditure was not in

accord with the legislative will. The committee listened attentively to that witness, argued with him, questioned him, but did not agree with his opinion, and drew a bill expressing the opposite view.

I refer to Mr. John T. Pratt, president of the National Budget Committee of New York. I will read briefly from the House committee hearings on page 137. Chairman Good said:

Mr. Pratt, has your committee—

Speaking of the budget committee of New York—

given serious consideration to the question of the control and audit of accounts?

Mr. Pratt replied:

We have a very strong feeling upon that question, and I believe we reflect the view of the bureaus, that it would be very unwise to put any more difficulties in the way of the expenditure of money by the executive departments.

That is exactly the position, as I understand it, of those who favor the pending bill—

Under Mr. Plumley's bill—

There were a number of bills pending at the time—

the executive departments would not have the right to expend money without the approval of the Comptroller, which I think is very unwise. I think you ought to have a postaudit, not to make necessary an approval before the actual money granted by Congress is expended by the executive department.

The chairman said, in answer to that:

Unless Congress has some arm that can be used to furnish the information as to expenditures, the Committees on Appropriations will continue in the dark to some extent with regard to inefficiency in the service and duplications in the service. If the machinery that we provide in the creation of the Budget is not effective, Congress is left practically without the machinery, assuming in an intelligent way the obligation that is passed to it when the Budget comes before Congress for its consideration. It seems to me that any well-devised plan ought first to give the executive that makes the Budget all the machinery that is necessary for him to make it so that when he does make it he can assume more responsibility for it, and when he transmits it to Congress, Congress, too, must have the machinery so that it can in an intelligent way assume the responsibility placed upon that body.

Mr. Pratt said:

That is what ought to be done; but as I understand the bill establishing a Comptroller General, it means that before any department could expend the money granted by Congress it would have to have the approval of this agent of Congress, which I believe would greatly hamper administrative work. Now, I understand from people who have had experience in the administrative end of the Government that that would tie up and hamper very materially the operation of the Government.

Then the chairman, expressing what appeared to be the unanimous view of his committee, said:

The door of the Treasury, then, ought to be open to the head of every department to go in and get all the money he wanted? That is what he would like to have.

Mr. Pratt replied:

Congress ought to handle this matter from the standpoint of finding out what has happened to the money that they have granted, but what I am complaining of is putting in a check before the actual expenditure of the money.

When the Senator from South Carolina says that he thought that that bill provided for doing just that he must have had in mind the views expressed by Mr. Pratt, and almost solely by him. I will read again what Mr. Pratt said:

Congress ought to handle this matter from the standpoint of finding out what has happened to the money that they have granted, but what I am complaining of is putting in a check before the actual expenditure of the money.

That is the exact controversy now before this body so far as title III is concerned.

The chairman replied:

It often happens that that is just where you must put in the check, because, as Governor Lowden said yesterday, if he is an efficient executive he wants to do all he can to have his department function in the broadest and most healthy way. Now, with that kind of an executive, if he finds an appropriation that might with some little twist or strained construction of the law be used for another purpose he is going to twist it; he is going to get that strained construction if he can. Congress is the body that appropriates the money, and yet it exercises no control over the expenditure of the appropriation. So that we have the Executive, with all the officials appointed by the Executive, with the Comptroller of the Treasury subject to removal if he does not render decisions in accordance with the wish of the Executive, and the result is that Congress is left absolutely helpless to know, first, whether the appropriation is being expended for the purpose for which it was appropriated, and, second, whether the accounts are properly audited.

Mr. Pratt went on to say:

To analyze the points that you have in mind and upon which we both agree it is this—that it is the business of Congress to see that money is expended in the proper way in the several executive departments. There are two ways in which to bring that about. One is to adopt the suggestion of Senator McCormick, to have a man whose approval is necessary before money is actually expended. Second, to establish a machinery which will have the opportunity to follow these expenditures and see that the money is expended in the way and for the purpose for which it was appropriated. On the other hand, if you base it on the idea of human nature and have a Cabinet officer realize that it is up to him to see that the money is expended properly you will force him to see that it is expended in the way it should be and for the purposes for which it was appropriated.

For the benefit of Senators who have recently arrived in the Chamber, I will say that I was just reading the testimony of a witness who appeared in 1919 or 1920 before a special Budget Committee of the House of Representatives. Included among the members of that special House committee were the present Vice President of the United States, the former Speaker of the House, Joseph W. Byrns, and a number of other distinguished persons. I was pointing out that one of the witnesses, Mr. Pratt, expressed before that committee exactly the views which the Senator from South Carolina [Mr. BYRNES] and those who take his position are now urging in the passage of this measure; but he stood almost alone in that respect—altogether alone so far as the members of the committee were concerned.

The chairman of the committee, speaking what was clearly demonstrated to be the unanimous opinion of the committee then, and so far as I know at all times since, said:

It seems to me that the ideal system would be one that would give the President the machinery to prepare the estimates to be submitted to Congress in a budget or some other form, so that he can assume full responsibility and know that when that estimate is made it is an estimate that he is willing to stand for. Then when it goes to Congress the responsibility becomes the responsibility of Congress to act upon it, and that body will be judged by the ability with which it discharged its duties. Now, after that is done there ought to be an independent body, independent of the executives, with an official who could say, "This appropriation can or cannot be used for this purpose," and that decision would be binding and he could not be removed by the Executive. He could go over in a broad and general way the auditing of those accounts and in that bureau there would be efficiency experts on the staff of the auditor who could determine whether or not this department was functioning in a healthy way—

And so forth. Mr. Pratt answered:

I agree with you in all but one point. If you put this man in, as you have outlined, you are practically putting him in charge of the entire expenditure of the money that you have granted. If you are going to have him see that every clerk in every bureau in the whole executive and spending departments is doing his work, he needs a great deal bigger organization than a budget staff.

The chairman said:

Mr. Pratt, I think you did not understand my question before. It was not my thought or the thought of any member of this committee that we ought to have an official connected with this Congress, or independent, who would pass upon the necessity for expenditures or anything of that kind. He would have no power to pass upon anything of that kind except the legality of the expenditure. Where an appropriation was made for a given purpose, he would have no power to say how much of it should be used for that purpose; but where an attempt was being made to use it for some other purpose and the question of its legality came up, his opinion would be final upon that question, and that question only.

And the views of the chairman were fully carried out.

Then there was another witness before the committee, Mr. Walter W. Warwick, who then was and for a number of years had been Comptroller of the Treasury. He gave the committee his views as to the essentials of the control that

should be exercised by Congress over the expenditure of appropriations. He was asked the following question:

Mr. GARNER. If it would not embarrass you, Mr. Warwick, I would be glad to have you tell the committee your suggestions as to the best system Congress could adopt in the way of auditing the expenditures of the Government.

Mr. Warwick said:

I have believed for many years that there should be one auditing office. The present situation—

He was referring to the time prior to the passage of the act of 1921—

is such that the Comptroller has no power to direct the auditors.

* * * * * * *

Most of them—

Referring to the bills then pending—

leave the establishment as it is with a change of name and take it out of the department and put it under Congress, but, as a rule, they have not changed the jurisdiction.

Then he went on with his answer more directly:

The chairman's bill * * * goes somewhat further than the others and takes the offices out of the Treasury and makes them an independent department.

Those are the words of the Comptroller of the Treasury, a very able man, who had served for a number of years as Comptroller of the Treasury, and who, I think, continued in that office until he was supplanted by the Comptroller General. This is what he said about that subject:

The chairman's bill * * * goes somewhat further than the others and takes the offices out of the Treasury and makes them an independent department. That feature, I think, is essential. That is what is generally understood, I think, as putting them under Congress. When you create a separate department, independent of any executive department of the Government, and the President has made the appointment and Congress has put in the law a limitation on the power of removal, such limitation as they can constitutionally make, the executive department is through with that establishment and the establishment will be looking to Congress for its subsistence and its life.

Mr. CLARK. Mr. President, at that point, will the Senator yield?

The PRESIDING OFFICER (Mr. HILL in the chair). Does the Senator from Nebraska yield to the Senator from Missouri?

Mr. BURKE. Yes; I yield.

Mr. CLARK. Is it not a fact that the ancient office which existed practically since the foundation of the Republic, formerly known as Comptroller of the Treasury, while physically located in the Treasury Department, was not a part of the Treasury Department, as it was recognized by many executives and many Secretaries of the Treasury, but that the purpose of establishing the office of Comptroller General was not to abolish the former functions of the Comptroller of the Treasury but was simply to make the tenure of the occupant of that office more secure, and make him subject to removal only by the Congress rather than by the President?

As I understand, the original necessity for the establishment of the office of Comptroller came about by reason of such practices in the early days of the Republic as instances in which Congress would make an appropriation for the pay of troops in the War Department, let us say, and the Secretary of War for some reason of his own would see fit to take those funds and use them for subsistence, or for purchases, or for some other purpose, and then would send in a deficiency estimate for the pay of troops; and Congress originally set up the office of the Comptroller of the Treasury, with six auditors to work under him, for the purpose of checking such practices as that. Then, in the establishment of the General Accounting Office, Congress felt that they had not completely divorced the office of Comptroller of the Treasury from the control of the Treasury Department, as it was originally intended to have been, and specifically set up the system of the General Accounting Office and provided that the Comptroller General should be appointed for a term of 15 years, should not be eligible for reappointment, and could be removed only by an act of Congress, for the purpose of completing what had always been the intention of Congress in making the Comptroller an independent functionary of the Government.

Mr. BURKE. I am sure the Senator is entirely correct in saying that whereas the Comptroller of the Treasury was physically in the Department of the Treasury, the occupant of that office and his assistants were not officials of the Treasury Department or subordinate in any way to the Treasury Department; but in the passage of this act, as Mr. Warwick pointed out, it was thought best actually to take them out of the Treasury, continuing their independent state.

Mr. CLARK. The Senator doubtless is familiar with an incident which once took place, in which the then Secretary of the Treasury, now the distinguished senior Senator from Virginia [Mr. GLASS], in testifying before a House committee in reference to the Comptroller of the Treasury, used language to the effect that there had been no friction between the Treasury Department and the Comptroller of the Treasury, although the Comptroller of the Treasury was not really an official of the Treasury Department.

Mr. BURKE. I recall that testimony. Mr. Hawley, a member of the committee, then propounded this question:

It has been suggested that if the Comptroller General or Auditor General, or whatever title he might have, had the authority to inspect the expenditures of any department prior to the making of the expenditure it might be such a limitation on the discretion of the department as to limit it in its functions.

Mr. Warwick, the Comptroller of the Treasury, responded:

I think it might well go to the point where it would be embarrassing to the department executing the law. I think that must always be guarded against in any accounting department that is to operate without too much friction. Of course, I go on the theory that a reasonable amount of friction between the auditing office and the spending office is merely an evidence that the auditing office is alive. If everything is harmonious, I do not think the auditing office is accomplishing much. So that the position of Comptroller of the Treasury is not a very popular one; possibly the more he does the less popular he becomes. If he allows the job to go along easily and says nothing, he may accomplish nothing. But it is an unpopular place.

Mr. Warwick knew what he was talking about. There is a hue and cry against the Comptroller General's office today. What does that mean? Exactly what Mr. Warwick said. The Comptroller General has checked the spending agencies from going outside the purposes for which appropriations have been made, and they have not liked it. These spending agencies of the Government have set up a great noise because they have not relished being checked and held to account. They would be much better satisfied if they could be left free to do the spending first, and have the checking done after the money is gone. They are willing to take their chance that since the money appropriated was spent for a public purpose, even though not in the way Congress directed, nobody will be too hard on them. A slap on the wrist, and at the most an admonition not to do it again, and all will be forgotten. Exactly that situation was pointed out while Mr. Warwick was on the witness stand.

Mr. Garner, a member of the committee, said:

In other words, you have this state of affairs, that, for instance, if the War Department orders an account paid, although that account was not authorized by law, and the disbursing officer pays the money, the Auditor for the War Department declining to approve it, then the Department of Justice investigates and concludes that, in its judgment, the money was spent for a good purpose, and therefore you pay out the money that Congress never authorized to be paid.

In those words Representative Garner, a member of the committee, expressed the whole philosophy of the establishment of the office of an independent comptroller general as a legislative arm of the Government, an office which should reach out after money has been appropriated and not release its grasp on the money until it was sure it was being spent in the way Congress had directed.

It seemed to be the opinion of Mr. Garner, and of the other members of the special committee, that since the Constitution vests in Congress the exclusive right to appropriate public money, there must of necessity go along with that, not only the constitutional right, but the solemn obligation

resting on Congress to see to it that the moneys, which it orders taken out of the Public Treasury, shall be applied to the purposes for which the appropriation was made, and to those purposes only. It was to carry out that obligation that Congress passed the 1921 act and set up the General Accounting Office and the Comptroller General. Experience may have demonstrated some defects in that legislation. Instead of retaining the principle, which is just as vital today as when adopted, and offering amendments to cure the defects, it is proposed to abolish the General Accounting Office and the position of Comptroller General, and start off on some new tack.

The issue is clear. Shall we continue legislative control over appropriated moneys, or leave that control to the spending agencies? Those who believe that it is the duty of Congress to see that appropriations are spent only in the manner, for the purposes, and to the extent that Congress has declared, should vote to retain the present system. Improve it where necessary, but retain the principle.

Mr. President, I shall conclude in a few moments, but there is one other matter which I should like to mention briefly.

It is argued that the present system must be wrong because it is not in accord with the approved methods of successful business corporations. A letter has been offered from a reputable firm of commercial auditors in the effort to sustain this argument. They give their full approval to the pending bill for the following reason:

> By the proposed legislation it appears to us that the accounting and auditing functions and organizations of the Federal Government would be brought generally into line with the principles of American business organization.

If the premise is correct that the problem of fiscal control in government is substantially the equivalent of that in private business, then a strong case has been made by these commercial accountants in favor of the pending bill. But is the problem sufficiently the same as to justify the conclusion stated?

In industry the goal is profit. In government this element is wholly lacking. Spending officers of a corporation have one primary purpose in paying money out of the corporation treasury, namely, to so spend it as to get operating results and produce a profit for the corporation. Spending agencies of the Government, on the other hand, have no concern about making profits. Congress determines what activities shall be carried on, and the spending agencies have no discretion in the matter, no right to do other than to use the moneys appropriated by Congress in supporting those activities strictly in accordance with the legislative will.

Haskins & Sells, commercial auditors, whose letter was read by the Senator from South Carolina, may note large expenditures—

First, for educational and promotional work—in other words, lobbying efforts—at Washington and at State capitols; or

Second, for sending some political boss and party on a world cruise; or again,

Third, for the purchase of supplies in excess of the market price at the time of the purchase, or any of numerous other items.

Would the auditors publish these facts to stockholders and investors? Or would they consider that these were matters for determination by management as to whether such use of corporate moneys would promote ultimate profits for stockholders?

If items such as these appeared in the accounts of a Government disbursing officer the accounts would be disallowed and the expenditures ordered returned to the Treasury.

The essential difference is that in industry the dealing is with private money—money with which reasonable risks can be taken on the chance of gain. In government the dealing is with public moneys appropriated for stipulated uses and properly expendable only in strict accordance with the legislative will.

There is a fundamental difference between a great industrial corporation and our system of democratic government. The Comptroller General is a law-enforcement officer whose prime duty it is to disallow and recover payments of public funds made in contravention of law. Haskins & Sells show a rather complete lack of comprehension of the function of the office of Comptroller General when they say that it should be filled by a man who could qualify as a "professional auditor." This office does not call for one who is merely expert as an adder of figures or a verifier of book accounts. Rather he must have the qualifications of a judge, as already pointed out in the testimony to which I adverted, because it is his duty to see that no public funds are expended except in accordance with the law. This misapprehension of the duties of the office accounts for the following complaint by Haskins & Sells:

> Under the present system the authority of the Comptroller General appears to place him astride of the administrative departments, exercising jurisdiction as to matters of fact and of law both prior to and after procurement and expenditure.

The Comptroller General is not "astride" the spending agencies as long as they disburse public funds in strict accordance with the law. As the representative of the Congress he determines the legal availability of appropriations for particular uses. If the spending agencies seek an authoritative determination, under which they will be protected in making the disbursement, he renders an advance decision, at their request. If that is not requested, and he finds in their accounts violations of law in the uses of public moneys, he requires reimbursement.

Haskins & Sells are professional auditors, expert in verifying the accuracy of a set of books. They know how books of accounts should be maintained in industry; how to classify items of receipt and expenditure. It is upon their checking of the records that stockholders and investors must rely for the truthfulness and accuracy not only of the corporate accounts but of reports and statements based thereon. They are expert verifiers. They operate after the event, after spending by management. They check the accuracy of the records which disclose that spending.

That is all very important. However, it bears no resemblance to the duties of a Comptroller General in Government. He is the legislative representative whose duty it is to follow up the moneys appropriated by the legislative body and see that they are spent in strict accordance with the appropriation measures. He is vested with judicial power because only so would he be able to determine whether a proposed disbursement, or a challenged one, comes within the terms of the law. These are duties altogether outside those which Haskins & Sells render to their corporate employers. They are not law enforcers, nor yet law interpreters. They are checkers and verifiers of figures. Their function is important, but very dissimilar to that of the Comptroller General. Their letter to the Senator from South Carolina is important not because it offers any support for the proposal to abolish the office of Comptroller General. Rather, it convincingly demonstrates that this office should be maintained and strengthened.

Mr. President, there are quite a number of other things I wish to say regarding the pending legislation, under its various titles, but, inasmuch as it is hoped that before very long we shall be considering specific amendments restricting the power of the President to put through uncontrolled changes in the executive departments, amendments to retain the independent Comptroller General and the General Accounting Office, amendments to preserve the civil-service system, and other proposed amendments to the bill, I am going to withhold my further remarks until we consider those specific amendments.

Mr. McNARY obtained the floor.

Mr. LEWIS. Mr. President——

The PRESIDING OFFICER (Mr. SCHWELLENBACH in the chair). Does the Senator from Oregon yield to the Senator from Illinois?

Mr. McNARY. I yield.

Mr. LEWIS. The Senator from Oregon is very generous to yield to me. I know it is his intention to discuss the

subject matter now before the Senate, and conscious as we all are of his supreme ability, we know it will be taken up most entertainingly and most profitably.

I now desire to address myself to a subject matter that is apart from the bill under consideration, but which I regard as exceedingly serious.

Mr. VANDENBERG. Mr. President, does the Senator desire a quorum call?

Mr. LEWIS. I thank the Senator from Michigan.

Mr. VANDENBERG. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HATCH in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Clark	Hughes	O'Mahoney
Ashurst	Copeland	Johnson, Calif.	Overton
Austin	Davis	Johnson, Colo.	Pittman
Bailey	Donahey	King	Radcliffe
Bankhead	Duffy	La Follette	Reames
Barkley	Ellender	Lee	Russell
Berry	Frazier	Lewis	Schwartz
Bilbo	George	Lodge	Schwellenbach
Bone	Gerry	Logan	Sheppard
Borah	Gibson	Lonergan	Shipstead
Bridges	Gillette	Lundeen	Smathers
Brown, Mich.	Glass	McCarran	Thomas, Okla.
Brown, N. H.	Green	McGill	Thomas, Utah
Bulkley	Guffey	McKellar	Townsend
Bulow	Hale	McNary	Truman
Burke	Harrison	Maloney	Tydings
Byrd	Hatch	Miller	Vandenberg
Byrnes	Hayden	Minton	Van Nuys
Capper	Herring	Murray	Wagner
Caraway	Hill	Neely	Walsh
Chavez	Hitchcock	Norris	Wheeler

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

AMERICAN OR INTERNATIONAL CONTROL OF PACIFIC ISLANDS—THREAT OF WAR POSSIBILITIES

Mr. LEWIS. Mr. President, I intrude myself on the Senate at this moment on a subject which is not the subject of the bill now before the Senate. Heretofore I have often committed this form of offense; and for this trespass which I have been allowed by the Senate, I express a sense of gratitude.

The news which is brought to us this afternoon of what seems to be the outbreak which is inevitable in Europe, as between Austria and Germany, carries with it a significance which, to my thinking, greatly concerns the United States and touches us, because of certain other matters, in something of a serious aspect.

Some time lately the Senator from Massachusetts [Mr. WALSH], the chairman of the Committee on Naval Affairs, directed the attention of the Senate to the fact that on certain islands in the Pacific of which possession has been taken by the United States as its property, the United States flag was unfurled on the flagstaff as an announcement of our national sovereignty.

Promptly in that connection there arose the fact that there are three other islands very approximate and very necessary to the preservation of the route of the United States along the Equator. We contend, with respect to those islands, that possession having been taken by the United States as against any claim then existing, they became our property for all necessary use.

Some time past I made bold to call the attention of this honorable body to the fact that certain islands mandated to Japan, since Japan has gone to war, should now be returned to this country, or to the uses of this country, as they are essential to us in the event any emergency should require us to protect our interests in the Pacific.

It now develops, to the surprise of many of us, that our friend Great Britain claims title to these particular islands which are described as in the track of the Equator. If that title were maintained according to her contention, the United States would be left with no islands which she could use as a base necessary in her movement toward her defense or protection in the area of the continent of Asia. It is reported that England now claims the possession of these three islands, the names of which have been mentioned, which lie near the Equator, and claims the title, although we do not know from any source on what basis the title is claimed by our honorable friend.

The situation causes me great concern. I warn my colleagues in the Senate, and I warn the country—though I assume it amounts to little for any Senator to express an opinion, as there are those who feel that it is audacious on the part of an agent or trustee of a State to express a political opinion—that the conflict between Austria and Germany is for the purpose of control by Germany of Austria, which Germany, through a war, once succeeded in possessing. When new control of Austria is had by Germany, the move then will be directly to bring about an arrangement between the newly empowered Germany, Italy, and Japan, to carry out the complete possession of what we now speak of as the Orient. That complete possession is addressed wholly against the United States. It will be done not only in order that Japan may maintain sovereignty over all of Asia, but also in order that she may maintain all rights and contentions as against those of the United States.

If England shall now take the position that we may not possess these islands as a base for supplies or as a base for defense, such an attitude means that England, too, has joined an understanding with Germany for the purpose of effectuating any arrangement which will give Germany control and power, in order that Germany may join Japan in obtaining complete control of all the Orient, as against any contention of the United States of America.

I rise to speak upon a subject on which I should have addressed this honorable body 4 days before, had I not been lying so seriously ill that I did not have the power to return to this honorable body to honor myself by association with my colleagues.

It is now intimated in the public press that somebody, in the name of this Government, has agreed to a partnership with England under which our rights to the islands are admitted, and the control or ownership on the part of England is in no wise admitted, but, nevertheless, we join in an enterprise for joint possession of these islands between ourselves and another country in any matter wherein the islands may be occupied, or may be necessary to our defense, or to the interests and welfare of the other country in a partnership.

I cannot conceive that a military conflict could occur between our country and England. I cannot bring myself to the thought that Britain would ever allow herself to be drawn into a war against the United States if it were within her power to prevent it. But if a conflict is on eve, as it seems to be, between countries with respect to which England is so allied that she would be powerless to avoid entrance into such conflict, by reason of furnishing supplies or sympathy or force to one side or the other, then the mere fact that England may have a feeling of friendship for the United States which she would like to exhibit by taking no part in any war against us would be perfectly useless to us, because the instrumentalities which we could use for our defense would be taken by her in behalf of her ally; and England then and there, because of her interests, would be our opponent.

Mr. President, I ask the attention of the Senate to a few incidents of history which I will recall to my honorable colleagues, who, busy with their local matters and home interests, have perhaps passed them over. Whenever the United States has assumed to enter into a partnership with a foreign country of a sort or on a foundation which may be necessary to our own welfare it has cost us distress and, in certain instances, embarrassment.

Sometime in the history of the past there was an island called San Juan, just on the other side of the State of Washington approaching the Pacific. A little Irishman with the qualities that belong to that conquering race seized possession of the property in the name of the United States. All that could be seen of him at a distance was his red hair flaming in the sunlight in competition with the glory and grandeur of the sun beaming upon him. He would never

leave the island. England claimed the property. She sought possession of it on the ground of some previous title that had not been asserted but which, nevertheless, she insisted prevailed. This little American Irishman refused to leave, though he was threatened with arrest and imprisonment. His announcement was that he could be arrested and jailed, but then his cause could be taken up by his country. Those representing England then proposed a partnership—that the two countries join together, the island partly to belong to America and partly to belong to England. This brought on a very considerable dispute. It was found that San Juan Island was specifically American territory and to surrender it to a partnership of the kind suggested would deny us a possession so necessary to the protection of that area of our country.

Mr. President, I may astound my honorable colleagues when I say that this dispute came near bringing us to war. England sent a battleship to take charge of the property upon the theory that it was her possession. America sent what was then a patrolling ship to defend and protect American interests. It was only by the intervention of agencies of a friendly nature that, with much difficulty, efforts to prevent a conflict were successful.

Mr. President, once after that this Government assumed in friendship with another government to take possession jointly of an island off the coast of Canada. That island is now claimed by the French. It will not be forgotten, however, that in the attempt of division of partnership as between the two countries conflict came so near as almost to duplicate the quarrel we had with France immediately following the English War of 1812. I myself do not know who it is who assumes to make a partnership between ourselves and a foreign country over such possessions as those concerning which I read. But I have heard the able Senator from Nebraska [Mr. BURKE] this morning dwell at considerable length, interpellated by many able Senators around me, including the Senator from Michigan [Mr. VANDENBERG], who, I see, does me the compliment to listen to my remarks, on the privileges the Congress has as against those who assume, in executive authority, privileges that are not vested in them. If the time has come, my comrades, when we desire a partnership with any foreign country as to any possession which is claimed to be American, I respectfully insist that it is for Congress to make determination. The question should be presented to this honorable body in a proper manner to receive its approval, if it is to be approved, or its dissent, if it be against the interest of America. Until that shall be done, I deny the right of any official of any government, to whatever branch he may belong, of my own or a foreign land, to assume to enter into an arrangement that shall leave a foreign country with the belief that we have participated in a partnership, with all its responsibilities and its liabilities, and also to leave such country under the impression that it has been done with the understanding of America and carries with it the complete knowledge on the part of our countrymen.

Mr. CLARK. Mr. President——

Mr. LEWIS. Does my able friend from Missouri desire to interrupt me?

Mr. CLARK. I do not wish to interrupt the continuity of the Senator's remarks——

Mr. LEWIS. I yield gladly.

Mr. CLARK. But has the Senator seen the story which is published currently in the newspapers to the effect that the United States has been granted special privileges in the great new British naval base at Singapore?

Mr. LEWIS. I answer my able friend that I read one or two days ago that there had been offered the United States, in return for the privilege of certain islands to which I have referred, the enjoyment of a certain base that is now in Singapore, with the specific exception that it is not to apply in time of any conflict.

Mr. CLARK. Mr. President, let me ask my friend, the Senator from Illinois, whether he thinks the advantages would be worth anything unless they did extend to time of conflict?

Mr. LEWIS. I answer my friend that I not only think there would be no advantage in the privilege, one way or the other, but I think it would bring us back into a position which we have for months been consistently trying to avoid, that is, the assumption that we have joined a foreign country in some form of partnership and are ready to take the consequences and responsibilities to ourselves of such an undertaking.

Mr. CLARK. Let me ask the Senator, if I may, whether he believes it is possible that the Government of Great Britain, the British Empire, or whatever one may please to call it, would extend any advantages whatever to the United States without the expectation, and the very certain expectation, of being repaid in kind with comparable advantages as to our naval bases?

Mr. LEWIS. I answer my friend that in the first place, I recognize that Great Britain has been and is a great naval power, well learned and well schooled through its past experience in all that which profits itself, and has ever been warned by its experience of anything that goes to the advantage of any other country, and that it will allow nothing by agreement or by practice that will permit advantage to adhere to another country to the disadvantage or even to a division of profit of England or Great Britain. I answer the Senator, "No." I see no benefit whatever, but, on the contrary, I see great injury.

Mr. CLARK. Then let me conclude by asking the Senator whether he believes that such an arrangement ought to be made or constitutionally can be made without the consent of Congress?

Mr. LEWIS. I have just alluded to my position. I repeat it is my judgment—and I rose on the floor with the permission of the junior Senator from Oregon, who allowed me to intrude myself previous to his speech on the main question before the body—that any arrangement of the kind looking to a partnership of the island or any islands I have described or in the matter of Singapore, if reported correctly, can only be done by an act of Congress that binds the people of this country to its responsibilities and possibly to its dangers. I deny the right on the part of any branch of our Government, however much I may respect them, to assume to enter into that which holds us up before the world as responsible in partnership with a foreign nation either at Singapore or in islands of the Pacific, which, according to what I think I see upon the map of the future, are so necessary to the defense of the United States.

As I proceed in this casual manner—and I am anxious to speak slowly, for I know that generally I am too rapid in speech and that perhaps it makes difficult the work of the reporters, and I desire to be exactly understood—let me say that we want no ill feeling on the part of any other country. We want to be understood exactly and want that no man in our honorable legislative body shall be held up as having uttered an expression that will disclose unnecessary enmity or antagonism. I invite my country to the thought that upon the third time she sought a partnership in neighboring islands, in property near us, with a foreign country, the very fact that we got into that found us in the situation which will follow, I say to my able and distinguished friend from Missouri [Mr. CLARK] and to my friends around me, as to those islands in the Pacific which it is said we are to join with them, or as to Singapore. The moment we enter into a partnership or an arrangement, the question arises, then, who is to manage the property? Someone must control it. Who is to direct the method of its enjoyment? Who is it that is to direct the method of its occupation? Who shall say how much shall be shared by one and denied to another? Who shall say when it shall be occupied by us in conflict or in peace and to what purposes and objects it shall be applied. It is such things that give rise to quarrels; it is the very entrance into them.

May I say to my colleagues around me that which would apply possibly more if addressed to the galleries, our hearers,

that there are no divorces until marriage? It is the marriage that gives the divorce.

We have instances in the law of those who have dwelt very well together for a certain length of time, in complete union and companionship, until they married; and when they married, there came the divorce. Now, if we shall start this process of marriage in this association between ourselves and a foreign country over the possession of this land, the question arises again, sir, How shall be divided the patrimony? How much shall be enjoyed by one or the other? What shall be regarded, sir, as the title of one or the title of the other? And right then and there, sir, in this occupation, begins the question of the conflict after that marriage.

I am here as one who forbids the banns. I oppose the marriage, and I oppose any arrangement or agreement, if such is in prospect, such as my able friend from Missouri has given us one illustration of, or that which is now said to exist as to the islands. I oppose its being undertaken; for the only way to avoid a conflict at this particular time is to keep away from that which has ever aroused one.

Mr. President, I hope we shall have no conflict; but, sir, I must not be blind to the fact that just now, in view of what is transpiring in France, and the surrender being made and that which England is compelled to yield to, our America stands as the only democracy on earth. Is she now to be gradually drawn in, and little by little, sir, find herself so enmeshed that she is powerless to maintain herself separately and independently?

The able Senator from Idaho [Mr. BORAH], who is giving me his close attention, the other day tendered for the CONGRESSIONAL RECORD a document from an English publication which had for its theory bringing the United States in some form with England into responsibility in some Asiatic conflict or in whatever conflicts there may be. The final clause was, "Shall we be able to drag her in?" And now, Mr. President, as I recall that phrase, I rise, with the kind consent of the Senate, to say the time has come when we must express ourselves as utterly and absolutely opposed to any attempt by any department of this Government, or anybody outside of this Government, attempting to speak for this Government, particularly to bind us to an obligation to a foreign country, which foreign country is very clearly now destined for conflict, either for its own profit in assault or for its defense.

I respectfully urge, from what we now know of the facts, that there should be this understanding—that this United States through its Navy Department, this United States through its State Department, must understand that it speaks an obligation against the American people only through its Congress, the agents of the American people and its representatives. This body, sir, will not allow this United States to be slowly, quietly, and effectively drawn in by those ancient methods first of genial flattery, and then, sir, of some wheedling inducement, and then finally of binding quality, until we have gotten so far that we find ourselves in a condition of such danger that we are compelled to go further in—as unhappily in the World War—in order to get out.

It is because of this, sir, and the danger I see ahead, and the necessity for preserving this country against that which I see is the moving action of all the countries of the world addressed against our commercial development and industrial superiority, that I rise here to make the protest I have expressed. Here I ask the cooperation of my honorable colleagues in the Senate to contemplate and to arise to the thought that this is our America. We will stand as Americans. We will decide for ourselves, as Americans, the course for America. We can allow no other country, however genial may be its protests, however kindly may be its front, however plausibly it may indicate its friendship, to bind us to anything that involves us in a responsibility other than that which the American public authorizes us to incur. Here again, as I close, permit me to say our position is this:

We are Americans, for America; and we will allow neither our own nor any other Government to bind us to our disaster or to our danger by that in which we have no voice and no concern. This America must remain American.

I thank the Senate.

Mr. McNARY obtained the floor.

Mr. JOHNSON of California. Mr. President——

Mr. McNARY. I yield to the Senator from California.

Mr. JOHNSON of California. Mr. President, I congratulate my friend from Illinois [Mr. LEWIS]. In the latter part of what he has said he has spoken more eloquently than I could and more eloquently than often he does. I reecho exactly what he has said in that regard.

In listening to the Senator from Missouri [Mr. CLARK] and also the Senator from Illinois [Mr. LEWIS], it seems to me there is some confusion as to what is our foreign policy. I have made certain inquiries in that direction. I even went so far as to submit a resolution here. That resolution was picked up before ever it was passed or before ever it had been heard by a committee and was answered before ever it had been passed or before ever it had been heard by a committee, and was answered directly by the Secretary of State with a series of negatives. I was delighted with his immediate answer; but, sir, I have seen events occur since that time that make me wonder whether he is any better informed than I, or the Senator from Illinois, or the Senator from Missouri. I have read his response to the general sentiment of the country, asking what his policy was, and I read that he was going to parallel the course pursued by the democratic governments of the earth; that in effect, substantially—I do not quote him exactly—he was going to parallel other democracies which went in a direction such as that in which he was then going.

Then came the peculiar circumstance of the resignation of Mr. Eden and Mr. Chamberlain's ascendancy, and Mr. Chamberlain, instead of paralleling the lines of the Secretary of State, went off at a tangent suddenly and announced that he was going not to "quarantine" the dictatorships, or the Fascists, or the other governments that were not people's governments, but he was going to deal with them—deal with them why? Because it was for Britain's benefit, and because it meant the peace, prosperity, and future of the "tight little island."

I do not at all blame Mr. Chamberlain. He has the right in whatever manner he sees fit to govern his country, and to govern it for its peace and its prosperity and its future. But I have the right, and you, sir, have the right, and all Americans have the right, to try to govern this country as we think is best for its peace and its prosperity and its progress; and when we do that, we do no more than Chamberlain is doing over in England today. All England responds to him and his idealism, of which we have heard so much, and which we have been emulating in words—the "good neighbor" policy, and the idealism of which we prated so much in common with him. This idealism, when it came to the test, went out of the window, and we saw the realistic policy of Britain in all its nakedness.

No longer can we parallel courses, no longer "quarantine" bad and wicked nations.

Mr. President, that is apart from the naval program. I have said on this floor each time, in prefacing what I had to say concerning our foreign policy, that I was in favor of the naval bills; but, notwithstanding that I said it, two of the local newspapers here published the statement that I was against the naval bills. So I will correct that little misstatement while I am about it. It is of no consequence, and nobody cares a rap whether I am one way or whether I am the other except myself, but I do care. I therefore make that correction of the Post and the Herald of a week ago Monday. I make it upon the floor, where it may again be printed in the RECORD.

But, Mr. President, when the Senator from Illinois says that this country is American and we are Americans, he says what is God's truth; and we, in taking care of this country, no matter what may be done by any individual who is in command for the moment, will see that this country is kept American and kept for Americans.

BURLEY TOBACCO MARKETING QUOTAS

Mr. BARKLEY. Mr. President, I have introduced a bill to amend section 312 of the Agricultural Adjustment Act of 1938 so as to permit the producers of burley tobacco to have a referendum and establish quotas. The bill has been reported favorably by the Committee on Agriculture and Forestry, and I ask unanimous consent for its present consideration.

The PRESIDING OFFICER. Is there objection?

There being no objection, the Senate proceeded to consider the bill S. 3655, which was read, as follows:

Be it enacted, etc., That section 312 of the Agricultural Adjustment Act of 1938 is hereby amended by adding the following new subsection:

"(f) Notwithstanding any other provisions of this act, the Secretary shall, within 15 days after the enactment of this subsection (f), proclaim the amount of the total supply of Burley tobacco for the marketing year therefor beginning October 1, 1937, and a national marketing quota shall be in effect for Burley tobacco marketed during the marketing year for such tobacco beginning October 1, 1938. The Secretary shall also determine and specify in such proclamation the amount of such national marketing quota in terms of the total quantity of such tobacco which may be marketed, which will make available during the marketing year beginning October 1, 1938, a supply of such tobacco equal to the reserve supply level. The referendum with respect to such quota, pursuant to subsection (c) of this section, shall be held and the results thereof proclaimed within 45 days after the enactment of this subsection (f)."

Mr. BARKLEY. Mr. President, the supply of Burley tobacco at the beginning of the 1937 marketing season was approximately 970,000,000 pounds. The normal supply of Burley is approximately 938,000,000 pounds, and the reserve supply level, which is 5 percent in excess of normal, is 985,000,000 pounds. The marketing quotas become effective at the reserve supply level. At present the total supply is between 3 and 4 percent in excess of normal, but slightly below the marketing quota level. The 1937 crop of Burley was between 395,000,000 and 400,000,000 pounds, and due to the fact that most of the Burley crop is purchased by a relatively small number of buyers, prices for the 1937 crop were extremely irregular. If the amount marketed in 1938 should equal that marketed in the past season, prices might fluctuate even more widely, and prices probably would average below those of the 1937–38 season.

Due to the fact that the acreage of Burley could be expanded materially, and probably would be expanded in 1938, it would seem advisable to give growers an opportunity to vote on whether or not they want marketing quotas next year. If a national marketing quota should be proclaimed, it would be approximately 360,000,000 pounds.

Mr. McNARY. Mr. President, I have conferred with the Senator from Kentucky in regard to this bill, and, in my opinion, there was an omission in this respect in the law as it was enacted. I think the growers of Burley tobacco should have the privilege of a referendum as much as the producers of any other commodities mentioned in the law have that privilege. Therefore I have no objection to the consideration of the bill. I think it should be passed.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

MISSISSIPPI RIVER BRIDGE, ILLINOIS

Mr. LEWIS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of House bill 8466, authorizing the construction of a bridge across the Mississippi River between Rock Island, Ill., and Davenport, Iowa.

Mr. McNARY. Mr. President, I have no objection to the Senate passing a bridge bill at this time by unanimous consent.

Mr. LEWIS. Mr. President, I ask that the bill be considered and passed at this time, because it is felt that there are a number of men who can be put to work tomorrow.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois?

There being no objection, the bill (H. R. 8466) authorizing the city of Rock Island, Ill., or its assigns, to construct, maintain, and operate a toll bridge across the Mississippi River at or near Rock Island, Ill., and to a place at or near the city of Davenport, Iowa, was considered, ordered to a third reading, read the third time, and passed.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes.

Mr. McNARY. Mr. President, I shall not yield again unless we reach the hour of recess.

I shall preempt this convenient opportunity to speak briefly on one section of the bill having to do with the reorganization of the executive functions of the Government. I shall reserve to a later date some remarks on the civil-service phase of the bill, and on the General Accounting Office and department of welfare features.

It is my opinion that there are four major sections in the bill. I shall direct my attention for a brief time to that part of it which relates to the powers proposed to be conferred upon the President. I must say, in all candor, that I shall oppose the bill in its present form. I commend the very able Senator from South Carolina who knows more about the bill than does anyone else in the Senate, for making a very serious and genuine effort to improve the structure of the bill. At the same time, I must not omit reference to the able Senator from Virginia [Mr. BYRD], who has analyzed the bill with equal studiousness, who knows its provisions, and has contributed largely to a better understanding of the measure.

The objection which I have, and which I shall voice at this time, is limited to that portion of the bill which refers to the powers of the President. I am not nervous or disturbed about granting plenary powers to the President of the United States in a measure of this kind. What I want is to be assured that the Congress may recapture the power conferred upon the President or retain some of the power over acts of the President in connection with reorganization.

I realize that no President has the time to devote to the intense study necessary to a step of this importance and complexity. He must rely upon those who are down the line, and who, in my opinion, may not have had the opportunity to study civil government as applied to our national affairs. I have found from a good many years' experience in Washington that many of those who are not in first positions in the Government employment, while studious, yet have not had the opportunity of travel and of association so as to apprise themselves of the large scope of the problems they are studying, and the President must rely on that class for any modifications he may make in the Government structure.

My reason for discussing the matter this afternoon primarily is because of the amendment offered by the senior Senator from Montana [Mr. WHEELER] a few days ago, which is an effort to provide a means for the recapture by Congress of any power conferred upon the President if Congress shall desire to correct what it may conceive to be an error in the decision of the President.

Briefly, the objection I have is that the amendment provides for a joint resolution, which must, of course, be passed by both branches of the Congress and be signed by the President, and which would have all the legal effect and legislative force of a statute. If that is traced logically from its beginning to its conclusion, it will be readily observable that when a joint resolution is passed it must go to the President for his signature. If he refuses to sign, and sends a veto of the measure to the Congress, a two-thirds vote will be required to overturn any order made by the President.

As a practical proposition, and one which is real, I know that any President can command one-third of the Congress, whatever his politics may be. Therefore, it is my judgment

that if we rely upon a joint resolution to recapture or reclaim the power we intend to convey to the President, we will give all the power away, because of the President's power of veto, and the fact that his political influence will certainly extend to one-third of the Congress. It is for that reason that I object to the proposal made by the Senator from Montana. I think it could be very much improved, indeed, that it would conform to my notion, if provision were made for a concurrent resolution instead of a joint resolution, because a concurrent resolution, of course, would not require the signature of the President and would be fully operative when passed by the House and Senate and signed by their respective presiding officers.

I would be more particularly pleased with a further modification of the amendment offered by the Senator from Montana by having it contain the same language which was used in giving power to Mr. Hoover in a former bill, and retaining power in the Congress at the same time. Under that legislation a simple resolution was required to defeat any order of the Executive. A resolution adopted by the Senate or a resolution adopted by the House of Representatives had the force and effect of nullifying an order of the Executive.

Mr. President, I think that much power should remain in the Congress. I am not so jealous of the power of the Congress that I should not want to give the President any power to function along this line, but I think it would be a very grave mistake if we should give carte blanche authority to the President without retaining sufficient power to correct any errors such as must necessarily creep in, due to the imperfections of the human mind.

This afternoon I have read with some care an amendment having a similar purpose, offered by the senior Senator from Alabama [Mr. BANKHEAD]. The amendment provides that an Executive order shall become effective 30 calendar days after it is transmitted to the Congress; then provision is made for the contingency of an adjournment of Congress. The amendment provides the novel and almost naive plan that if 25 percent of the membership of the House of Representatives or the Senate shall ask for a vote upon any order of the Executive the vote may be had.

Mr. JOHNSON of California. Mr. President, if the Senator will pardon me a moment, this is a very important matter the Senator is discussing, and I should like to call a quorum.

Mr. McNARY. Mr. President, I appreciate the courtesy of the Senator; but, frankly, I know what happens when a quorum is called at this time in the day.

Mr. JOHNSON of California. I do not think that what the Senator apprehends would happen in this instance. There would be a willingness on the part of Senators to listen to the Republican leader, and his words would bear fruit.

Mr. McNARY. I must again repeat my expression of gratitude to the Senator, but I am sure that at this late hour Senators would not be interested in what I have to say. If they are interested, I shall be glad to have the able Senator from California direct them to my remarks, which will be published in the CONGRESSIONAL RECORD tomorrow morning.

I was discussing the amendment offered by the Senator from Alabama which, as I have said, is a step in the right direction, and is comforting to those who believe that the Congress should not part with all its rights and freedom in a matter of this kind.

Under the amendment, if 25 percent of the membership of the House of Representatives or the Senate should suggest that an order of the President be considered, it would be brought to the attention of the House wherein the 25 percent first signed a petition to that effect, and when that was done, 10 days and 1 hour would be given before a vote would be taken. There might be some objection on the ground that if 10 days were given a filibuster might destroy the opportunity for a final vote, or that intervening business might prevent a full and free discussion; but, so far as I am concerned, I should be willing to make the limit 10 days and 1 hour.

What I fear is that an Executive order might become effective on account of nonaction. It must be kept in mind that under the bill as framed, nonaction on the part of the Senate and the House is equal to affirmative action and approval. I believe that in actual practice, if not in theory, if an Executive order were sent to the Congress by the President, some effort would be made to prevent action within the time prescribed—namely, 60 days. Therefore, any effort to retain the power in Congress would not be effective, because it would not require affirmative action.

I think the able Senator from South Carolina a few days ago placed in the RECORD an opinion delivered by a former Attorney General, Mr. Mitchell, referring entirely to another matter, but containing obiter dictum, as the lawyers call it, or, as the layman would say, a casual observation, which in nowise had anything to do with the matter before the able Attorney General for his consideration.

I cannot share the view announced by the Senator from South Carolina that, if we pass a measure and it is signed by the President and becomes a statute, Congress loses all right to reclaim any of the power which it theretofore had.

That argument, of course, means that a bill must be passed, which would be subject to veto by the President. That is a contingency which I want to avoid. We pass bills from time to time creating commissions. The measures contain the language, "subject to the advice and consent of the Senate." That is what we call a reservation of power. We may disapprove of the action of the President when he submits the name of a nominee to the Senate. That is a veto by this body. That ends the nominee's aspirations for that day.

Mr. President, in that way Congress retains power after a statute is signed by the President, and its provisions have been invoked.

One of the things I like about the Bankhead amendment is that it does not require the passage of a joint resolution. In fact, it provides for action which is more like that taken under a concurrent resolution, because it requires action by both branches of Congress. I would be content with provision for a concurrent resolution. But so long as in 1932 we made reservations with respect to the power we gave to President Hoover to reorganize, I do not know why the able Senator from South Carolina, who claims authorship of that amendment, would not agree at this time to a similar amendment in this bill.

I yield to the Senator from South Carolina.

Mr. BYRNES. Mr. President, I really did not hear the Senator from South Carolina ask the Senator from Oregon to yield, but I heard him yield.

Mr. McNARY. I appreciate the courtesy.

Mr. BYRNES. However, if the Senator wishes me to restate my reasons I shall do so, although I have already stated them. Is that what the Senator wishes me to do?

Mr. McNARY. I made the simple request, because the Senator always wants to be consistent and regular in matters of legislation, that he now accept the same proposal he made during the Hoover administration, namely, that the Senate or the House may nullify any Executive order the President may submit by a simple resolution of either branch of Congress.

Mr. BYRNES. The answer of the Senator from South Carolina is that the measure to which the Senator refers was passed in June 1930, and after that time an Executive order was sent to the House of Representatives.

The Senator suggests that on the question of policy the Senator from South Carolina should be influenced in his attitude by reason of what then occurred, when the House, by adopting a simple resolution, disapproved the order, and it became null and void.

But there exists a more serious consideration than that. The then Attorney General, Mr. Mitchell, after June 1932, submitted the opinion to which the Senator has referred, and the Senator from South Carolina, the Senator from New Mexico, and the Senator from Tennessee, and others who were then on the Appropriations Committee, concluded that the opinion of the Attorney General was correct. That opinion held that the question involved was whether or not

there was a valid delegation of power by the Congress to the President; that there could be such a delegation of power by the Congress, setting forth the standards under which the President could act as the agent of the Congress to fill in the details; that if there were sufficient standards set forth in the law it was a delegation of power, and if the power were once delegated, it no longer remained in the Congress. So, when the order came to the Congress it was effective, because there had been a valid delegation of power; and the action of one House of the Congress could not repeal the act of the President which was pursuant to a valid delegation of power; and that only by action which had the effect of legislation, by the passage of a bill or a joint resolution, could the Congress repeal the act of the President pursuant to a valid delegation of power. That was the opinion of the Attorney General:

It was convincing to us, and on March 3, 1933, in the Hoover administration, I was then a member of the committee which reported the exact language contained in the pending bill. So the Senator from South Carolina, while he makes no claim to consistency, is now consistent with the thought he then had, except that in this bill we have excepted the quasi-judicial bodies from the regulatory power.

Inasmuch as the Senator from Oregon has made the inquiry, I will say that the same defect is apparent in the amendment offered by the Senator from Alabama, to which the Senator has referred. If we are correct in the view we take that one House cannot alone disapprove, then there is not any question that we are correct as to this amendment.

I agree that we can provide that the order shall become effective upon a date certain, or upon the happening of a contingency, when the Congress has nothing to do with and exercises no discretion in affecting that contingency. However, if we pass a measure which provides for submitting the matter to the Executive, but instead of delegating the power we retain the power in ourselves, and require the President to submit an order which does not become law until we can exercise our discretion, then we have never parted with the power. The test as to effectiveness is whether it is based upon the happening of something beyond our power, and which does not involve the exercise of discretion by the Congress. That is the opinion of the Attorney General in the administration of the Senator's party. I thought it was sound, and it influenced our action.

Mr. McNARY. Mr. President, the Senator is a distinguished member of his profession. I am very happy to have him give me his views of the opinion of the Attorney General. The word "valid" is probably not a happy word for the Senator to use. The Senator means that the Attorney General held that if we enact a statute conferring power upon the Executive, we give away all the power we have or share and are foreclosed to reassert it. Is that the point?

Mr. BYRNES. That is one point. There are two points. The other is as to the right of one House to act to disapprove. What the Attorney General said, I will say in passing, was concurred in by a Democratic Attorney General later. This is the opinion of Attorney General Mitchell:

> It must be assumed that the functions of the President under this act were executive in their nature or they could not have been constitutionally conferred upon him, and so there was set up a method by which one House of Congress might disapprove Executive action. No one would question the power of Congress to provide for delay in the execution of such an administrative order, or its power to withdraw the authority to make the order, provided the withdrawal takes the form of legislation. The attempt to give to either House of Congress, by action which is not legislation, power to disapprove administrative acts, raises a grave question as to the validity of the entire provision in the act of June 30, 1932, for executive reorganization of governmental functions.

That is, boiled down, the statement of the Attorney General.

Mr. McNARY. Is that the language of the Attorney General?

Mr. BYRNES. That is the language of Attorney General Mitchell.

Mr. McNARY. Yes; what I characterize as dictum.

Mr. BYRNES. Yes; because that particular act was not before him.

Mr. McNARY. Exactly. I have found from experience that most observations of that character cannot be relied upon as good law.

Mr. President, I completely disagree with the legal conclusions of the respected and able Attorney General. Under the logic or the want of logic of his statement any power conferred upon the President could not be conditional.

Let me give an illustration which came to me a moment ago. When we give the President the power to appoint a commissioner, we retain the power to determine upon the capacity and the fitness of the one whom he appoints. It occurs frequently, day by day, when we create a commission, that we grant the power to the President to appoint the members of such commission. Full plenary power is thus granted to the President to function; and the bill becomes a statute when it is signed by the President. But we do not permit the President to be the sole arbiter of how the statute shall be executed. When the President sends a nomination to the Senate in response to the provisions of an act, we have a right to veto the nomination and declare the person unfit for the office. We thus have a retention of power, and no smaller power than I am seeking to retain in this bill.

The able Senator makes clear his position and attempts to maintain his consistency by saying that the obiter dictum of the Attorney General, a casual observation, is the reason why he has not included in this bill the provision in the statute which was enacted when Mr. Hoover was President; namely, that either branch of the Congress shall retain its power to nullify an Executive order of the President. I think the obiter dictum of the Attorney General is a very poor excuse to assert as a fundamental reason for opposing such a proposal as was made by the able Senator from Alabama. The proposal of the Senator from Alabama—which I like better than the one offered by the Senator from Montana—is that 25 percent of the membership may enforce action by either the Senate or the House. Such a provision would prevent the President from using his influence in the Congress to the end that an order might not come up for consideration. Twenty-five percent of the membership of this body is not a large number; and it is my opinion that if an order came to us which was worthy of reconsideration and correction, 25 percent of the membership could be found to support such a proposition.

The virtue of the proposal made by the Senator from Alabama, plus the freedom of action on the part of either branch, is that by a simple resolution of the Senate or House the Executive order could be nullified. Congress should retain such power when such an important measure as this, affecting the whole civil structure of the country, is involved.

I commend the Senator from South Carolina for the amendment which he has offered today, which, if I understand it, is designed to eliminate the provision of the bill which says that the President may abolish the functions of an agency. I am referring in almost eulogistic terms to the amendment offered by the Senator from South Carolina, which I found on my desk, and which eliminates the provision of the bill giving the President power to abolish the functions of an agency but permits the functions to continue, though he has a right to transfer the agency.

Mr. BYRNES. That is substantially the effect of the amendment.

Mr. McNARY. I think that amendment does away with some of the complaint which has been urged against the bill in the Senate, in the House, and in the press.

Mr. BYRNES. Let me say also that there are three amendments, all having the same effect. It was not the purpose of the committee—as the Senator knows, he being a member of the committee—to give to the President power to abolish a law but simply to accomplish what is accomplished by the language which is contained in the amendment I have offered.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. McNARY. I yield to the Senator from Kentucky.

Mr. BARKLEY. Supplementing what the Senator from South Carolina has said, my understanding is that the effect of the amendment would be that if the President should transfer all or any part of the functions of one agency to some other agency in the process of consolidation, he could abolish the agency from which the functions are taken, because it would be useless to permit the shell of an agency to remain with no functions. It never was intended that the bill should authorize the President, by abolishing the functions which Congress had set up, to repeal a law and thereby nullify what Congress had done; but in the event functions are transferred or consolidated with those of other bureaus or agencies, no reason would exist why the agency from which the functions were transferred should continue in existence.

Mr. McNARY. I thank the Senator for his statement, and I have no reason to find fault with it. One of the very serious objections I had to the bill in the form in which it came to us was the power conferred upon the President to abolish an agency or a function of an agency. I might illustrate by using many different agencies, but let us take as an example the T. V. A., which is now being considered on the floor of the Senate. Whether or not it would be the part of wisdom to abolish the functions of the T. V. A., I shall not discuss; but if the President should abolish the functions of the T. V. A.—which, in my opinion, he would have a right to do under the provisions of the bill as it was presented to the Senate—such action really would be a nullification of the act creating the T. V. A.

Mr. BYRNES. I should give assent to that statement. The Senator from Arkansas, the Senator from Kentucky, and others participated in drafting the bill. Our theory was that the powers must relate back to the purposes, and there was no intention to convey the power suggested. But if there is any question as to the language giving that power, the only sensible thing for us to do is to put it beyond question. That is what I propose to do by my amendment.

Mr. McNARY. Carrying the illustration a little further, even with the adoption of the amendment the President might transfer the functions of the T. V. A. to the Federal Power Commission, and then, at the same time, abolish the Commission.

Mr. BYRNES. After the powers were transferred?

Mr. McNARY. Yes.

Mr. BYRNES. Yes; if the powers were transferred, there would be nothing for the Commission to do.

Mr. McNARY. Such a step may be the solution of the problem, which I shall be very happy for the Senator to indicate. Many similar illustrations might be found. So, far from being captious, I am very much pleased with the amendment which has been suggested by the Senator. I assume that the Senator found no difficulty in connection with transferring functions and abolishing agencies. Has the Senator given that subject very serious consideration? Has he given any thought to the abolition of an agency, and yet the retention of its functions after transfer?

Mr. BYRNES. The abolition of an agency?

Mr. McNARY. Yes. For example, as I stated, the T. V. A. might be abolished and its functions transferred to the Federal Power Commission.

Mr. BYRNES. Under the provisions proposed the President could abolish an agency only when all its functions had been transferred to another agency.

Mr. McNARY. That is what I say. That procedure involves a matter which is more or less complex and should receive studious consideration.

Still using the same illustration, if the President should transfer the functions of the T. V. A. to the Federal Power Commission, knowing that it is a kindred institution, and if at the same time by the same stroke of the pen he should abolish the T. V. A., has the Senator considered from that standpoint whether such a step would be good governmental action?

I feel certain that if we should incorporate in the bill the amendment of the Senator from South Carolina the President would still have power to transfer the functions of the Tennessee Valley Authority to the Federal Power Commission, which is a kindred institution, as I have stated, and then at the same time abolish the T. V. A. I think that conclusion is indisputable.

Mr. BYRNES. Under the provisions of the bill, if the President should transfer all the functions of the T. V. A. to the Power Commission he could abolish the T. V. A. It would have no power; it would have no functions. There would then be no reason why it should not be abolished.

Mr. McNARY. I agree with that statement. The amendment offered by the Senator—which I hope will be accepted—improves the bill in very many ways. I wish the Senator would go further and accept some amendment similar to the Bankhead amendment. I should prefer the language which the Senator worked out in 1932, which provided that either branch of the Congress by a simple resolution could nullify any Executive order which came to the Congress. If those two amendments should be inserted in the bill and made a part of it, I think the bill would command very much more support than it now does.

Mr. BYRNES. I have no doubt it would command the support of the Senator.

Mr. McNARY. No; I will not go that far; but I think it might favorably affect others.

Mr. BYRNES. I believe it would not command the support of the Senate. I do not think it could be done under the law, and I do not think, as a matter of policy, it ought to be done.

Mr. McNARY. There is no denying the ability of the able Senator from South Carolina as a lawyer. Despite the opinion or casual observation of the former Attorney General, has the Senator considered the illustration which I gave a moment ago of Congress by statute creating a commission and retaining the power by preventing the confirmation of appointees?

Mr. BYRNES. When Congress exercises its constitutional power to confirm, an entirely different question is involved, I submit to the Senator, than that now presented.

Mr. McNARY. Yes; but frequently bills are passed which provide for confirmation by the Senate of appointees to offices provided for in such bills. We only recently considered the constitutional provision to include appointees who have a salary of $5,000. It is mostly operative by statute; the authority is found entirely in the statute. Does the Senator maintain, may I ask him, if Congress should pass a joint resolution or a bill or the pending measure, and it should be signed by the President, and spread upon the statute books, that the Congress would lose all control over that statute even if it contained provisions retaining in the Congress certain authority?

Mr. BYRNES. Either one of two things must happen. If the Congress has validly delegated the power, then it has passed from Congress, but if it has not delegated it, then, it is simply an invitation to the President to submit a recommendation as to a plan which could be acted upon by the Congress.

Reverting to the argument of the Senator, I call his attention to the provision of the Constitution with reference to confirmations of nominations. I think he will agree that under that provision Congress exercises a constitutional power as to the confirmation of the appointments contemplated.

Mr. McNARY. Is it the opinion of the Senator from South Carolina that under a bill passed by it Congress has no power to retain any of its authority; and that if it does, as is provided in this bill, it can only become effective by a resolution of the Congress, and that Congress has not the authority to retain that power in itself?

Mr. BYRNES. Absolutely. As I have said, just one of two things happens: Either the Congress has the power; and if so, it has not delegated it to the President—if it delegates it to the President validly, then Congress has not got it. It cannot be hanging in midair.

Mr. McNARY. It never hangs in midair. It is a conditional grant of power to the President to do a specific thing. The President is granted power to make certain alterations in the civil structure of the Government, providing it meets with the approval of the Congress. Does the Senator say that Congress cannot insert a provision of that kind in the bill?

Mr. BYRNES. If it is dependent upon a condition other than the exercise of discretion by the Congress, yes; but if it is dependent upon that, then it has not granted anything more than an invitation to submit the recommendation, at which time the Congress may determine whether or not they will pay any attention to it.

Mr. McNARY. That is exactly the proposition. We say to the President, "We are not giving you full power to do this; we are not giving you carte blanche authority to do this," beyond saying, "Go ahead and reorganize the Government along certain lines in accordance with certain provisions and specifications and restrictions contained in the bill. After you reach your conclusions send your judgment in the form of an Executive order to Congress, and we will determine as a finality whether we will accept it." The Senator thinks that may not be done legally by the Congress?

Mr. BYRNES. The Senator from South Carolina has no doubt about it.

Mr. McNARY. The Senator has no doubt that it may not be done?

Mr. BYRNES. I have no doubt that it may not be done. I know the Senator and I do not agree on that question.

Mr. McNARY. No; we do not agree.

Mr. BYRNES. But that is my judgment.

Mr. McNARY. Mr. President, I had merely wanted to speak on these two amendments, reserving the right to discuss other aspects of the bill at a later time. I ask unanimous consent to insert in the RECORD, as a part of my remarks, an article which appertains to the unusual and supreme power granted to the President by the pending bill. I refer to an article by Mr. Franklyn Waltman, recently published in the Washington Post under the general heading "Politics and People."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post of March 5, 1938]

POLITICS AND PEOPLE—CHIEF OBJECTION TO REORGANIZATION BILL IS THAT IT GIVES PRESIDENT LEGISLATIVE POWER

(By Franklyn Waltman)

Foremost among the objections to the President's Government reorganization bill is the contention that it constitutes a surrender on the part of Congress of powers which under our constitutional form of government should never be delegated to the executive branch of the Government.

What is there to that contention? In the first place, the bill confers on the President authority to rearrange, with certain exceptions, the Federal Government as he sees fit. But under the bill he can do more than that. It gives him the authority to nullify or modify policies approved by Congress. Indeed, it is open to question whether the bill as it now stands does not give the President power to initiate policies—all of which is an exercise of legislative power.

Where is such authority found in the bill? It is found in that section marked "power of the President," which authorizes him to issue Executive orders for the reorganization of the Government. Not only may he transfer, regroup, consolidate, and reorganize the departments and agencies of the Federal Government, with a few exceptions; but he also is authorized to "abolish the whole or part of any agency, or the functions thereof" and to "prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head."

We are concerned for the moment here with the use of that word "functions." Stated simply, the bill empowers the President to "abolish" in whole or part the "functions" of any Federal agency, except those specifically put beyond his reach, which include the quasijudicial independent agencies, the Federal Reserve Board, the District of Columbia government, and the General Auditing Office.

The only restrictions imposed on the President in abolishing the functions of any agency to which the law applies, or in prescribing functions of any agency affected by an Executive order issued under this legislation, are that he act in accord with the standard prescribed by the bill and that he shall not "create or establish any new agency to exercise any functions which are not expressly authorized by law in force on the date of the enactment of this act."

The latter restriction, let it be noted, applies only to the creation or establishment of "any new agency." It does not assert that Mr. Roosevelt cannot prescribe for an already existing agency functions outside of existing law. As a restriction against the President exercising legislative power it is inadequate.

But what is meant by the term "functions"? The word is not defined in the pending bill, although it was defined in the original measure laid before congressional committees by the President's Reorganization Committee. There it was defined as including "any rights, privileges, powers, duties, or functions, or any part thereof." In the Mead bill pending in the House the term is defined as meaning "any rights, privileges, powers, immunities, duties, authority, or function."

Thus, it seems reasonably clear that if the Byrnes bill is passed as it now stands, the President could abridge or abolish the rights, duties, or authority of any of the applicable agencies. Thus, if Mr. Roosevelt decided he no longer wished the Federal Government to contribute Federal aid for highway building, he could abolish the Bureau of Public Roads in the Agricultural Department.

For example, if he decided he did not wish that bureau to contribute as much to highway building as it is now doing, he could "abolish" part of its functions. It so happens that the President has made such a proposal to Congress. There is widespread opposition on Capitol Hill to that proposal. Nothing so far has been done about it.

If the Byrnes bill is passed in its present form, Mr. Roosevelt would not need congressional action to curtail Federal aid for highway building. By an Executive order he could "abolish" in part the functions of the Bureau of Public Roads.

If Congress did not like that action it could, under the pending legislation, adopt within 60 days a bill declaring the Executive order invalid. Mr. Roosevelt could veto that bill and it would require a two-thirds vote of both House and Senate to override that veto in order that the will of Congress might prevail.

Thus, in an important matter of policy Congress would be impotent unless two-thirds of its membership stood together. It is not a question here whether the Federal aid for highways should be reduced. As a matter of fact, the author of this column thinks it should be and stands with the President on that. The point here is that such action should be taken in an orderly, democratic, constitutional manner.

Not quite so clear as the President's authority under this bill to abolish functions of an agency is his authority to prescribe functions not authorized by Congress. But the existence of such a doubt, raised by Senator HARRY F. BYRD on the Senate floor, indicates the defective nature of the bill.

On its face there is nothing in this bill which would prevent the President from transferring part of the functions of, say, the Reconstruction Finance Corporation, to another agency, and broadening the present functions of the R. F. C. to do things not provided by existing law. Such action might be unconstitutional, but it would be some time before the courts could check use of the power.

This is not a fanciful hypothesis in view of the use of the R. F. C. in 1933 to raise the price of gold as a part of the plan for devaluation of the dollar—a function never specifically conferred on the R. F. C. by Congress, and one that Congress had not demonstrated any intention of conferring.

Reorganization of the Federal Government is a thorny problem, as experience has demonstrated. Agencies cannot be shifted around and consolidated unless their functions go with them. That is obvious. But the President should not be given a broad, vague power to "abolish" functions or to "prescribe" functions that do not now exist. That power, under the Constitution, belongs to Congress.

If it is not intended that the President should exercise a function which properly belongs to Congress the bill in unmistakable language should restrict him from doing so. If such language is impossible without impairing the authority to carry out needed reorganization, the Wheeler amendment, requiring congressional ratification of the President's actions, should be adopted. There can be no third choice if constitutional, representative government is to be maintained in this country.

ADDITIONAL DISTRICT JUDGE, NORTHERN DISTRICT OF ALABAMA

Mr. McNARY. Mr. President, I promised the Senator from Montana [Mr. WHEELER] I would yield the floor in time for him to have a conference report considered.

Mr. WHEELER. Mr. President, I ask unanimous consent to call up the conference report on the so-called Federal Trade Commission bill, being Senate bill 1077.

The PRESIDENT pro tempore. Without objection, the unfinished business will be temporarily laid aside so that the conference report may be considered. Is there objection? The Chair hears none, and the conference report will be read.

Mr. BANKHEAD. Mr. President——

Mr. WHEELER. Let me say to the Senator from Alabama that the Senator from New York [Mr. COPELAND] wanted to

be heard on the matter, and he wanted to ask some questions. He has been sent for and will be here in just a moment.

Mr. BANKHEAD. Mr. President, in the meantime will the Senator yield to me?

Mr. WHEELER. I yield to the Senator from Alabama.

Mr. BANKHEAD. I ask unanimous consent to have considered at this time Senate bill 3554 for the creation of an additional judge at Birmingham, Ala. I have consulted both the majority and minority leaders and they have no objection. Let me say, by way of brief explanation, that we have now no judge sitting in the northern district of Alabama. The judge for that district has been stricken with paralysis and mental trouble; he has been off the bench for 4 months. There has been no one there to hold court. There is a vacancy in one of the referee's positions; a vacancy in the list of appraisers of property at Muscle Shoals; and persons in jail cannot even plead guilty. So there is a great emergency for action and the Committee on the Judiciary has reported this bill favorably.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BANKHEAD. I yield.

Mr. BURKE. The bill, I understand, contains the provision that upon the happening of a vacancy it will not be filled, so that the bill does not involve the appointment of a permanent additional judge?

Mr. BANKHEAD. Yes; the committee has reported an amendment to that effect, the adoption of which I am going to ask.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

Mr. AUSTIN. Mr. President, reserving the right to object, I should like to inquire if the judgeship provided for by this bill is not also provided for in the omnibus bill relating to the creation of additional judges?

Mr. BANKHEAD. No. I will say to the Senator that this judgeship is not contained in the bill to which he refers. The emergency in the northern district of Alabama has only recently developed because of the physical condition of the judge, as I stated before the Judiciary Committee, as the Senator will recall, if he was present the other day.

Mr. HATCH. Mr. President, may I say, in reply to the Senator from Vermont, that the Senator from Alabama has had this matter before the committee which considered the omnibus bill to which the Senator from Vermont refers. I am quite sure the Senator from Vermont was not present. Provision for the judge in the northern district of Alabama is not contained in the other bill. It is purely an emergency position and the action proposed to be taken is fully warranted by the circumstances which exist.

Mr. AUSTIN. I ask the Senator, who is the chairman of the subcommittee considering the omnibus bill, if that committee has studied this particular bill?

Mr. HATCH. We have. I have conferred with the Attorney General about it, and also with the Senator from Alabama. I may say to the Senator from Vermont that the necessity for the passage of the bill simply arises from the fact that the presiding judge of the district is totally incapacitated physically from performing the duties of his office. It is absolutely essential to have a judge there, and there is no prospect of the recovery of the judge at any time in the near future.

Mr. BARKLEY. Mr. President, will the Senator from Vermont yield to me?

Mr. AUSTIN. I yield.

Mr. BARKLEY. As I understand, the bill does not authorize a permanent increase in the number of judges in Alabama? The bill provides for the appointment of an additional judge, due to the incapacity of the present judge, but if and when a vacancy shall occur, either by death or resignation, there will be no increase in the number of judges, but the judge appointed under this bill will merely take the place of the present judge?

Mr. BANKHEAD. That is provided by the amendment reported by the committee in the form of an additional section, which I will ask to have adopted. The bill does not create an additional judge. If the incapacitated judge should die, no other judge is to be appointed after the appointment provided for by this bill shall be made.

Mr. AUSTIN. In view of the statements which have been made, I will not object to the present consideration of the bill.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the Senate proceeded to consider the bill (S. 3554) authorizing the appointment of an additional judge of the District Court for the Northern District of Alabama, which had been reported from the Committee on the Judiciary with an amendment, at the top of page 2, to insert:

SEC. 2. That whenever a vacancy shall occur in the office of the district judge for the northern district of Alabama by the retirement, resignation, or death of the judge senior in commission, such vacancy shall not be filled, and thereafter there shall be but one district judge in said district.

So as to make the bill read:

Be it enacted, etc., That the President is authorized to appoint, by and with the advice and consent of the Senate, one additional judge of the District Court of the United States for the Northern District of Alabama who in addition to the powers and authority of a district judge shall also have the powers and authority of senior district judge for said district when the senior judge has been absent from his active duties for 3 months and thereafter until the senior judge returns and actively resumes the duties of senior judge for said district.

SEC. 2. That whenever a vacancy shall occur in the office of the district judge for the northern district of Alabama by the retirement, resignation, or death of the judge senior in commission, such vacancy shall not be filled, and thereafter there shall be but one district judge in said district.

The PRESIDENT pro tempore. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

AMENDMENT OF FEDERAL TRADE COMMISSION ACT—CONFERENCE REPORT

Mr. WHEELER. I now present the report of the committee of conference on Senate bill 1077, and ask unanimous consent for its immediate consideration.

The PRESIDENT pro tempore. The report will be read.

The report was read, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1077) to amend the act creating the Federal Trade Commission, to define its powers and duties, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the amendment of the House, insert the following:

"That section 1 of the Act entitled 'An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes,' approved September 26, 1914, as amended (U. S. C., 1934 ed., title 15, sec. 41), is hereby amended by inserting before the period at the end of the third sentence thereof a colon and the following: '*Provided, however*, That upon the expiration of his term of office a Commissioner shall continue to serve until his successor shall have been appointed and shall have qualified.'

"SEC. 2. Section 4 of such Act, as amended (U. S. C., 1934 ed., title 15, sec. 44), is hereby amended to read as follows:

"'SEC. 4. The words defined in this section shall have the following meaning when found in this Act, to wit:

"'"Commerce" means commerce among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation.

"'"Corporation" shall be deemed to include any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, which is organized to carry on business for its own profit or that of its members, and has shares of capital or capital stock or certificates of interest, and any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, without shares of capital or capital stock or certificates of interest, except partnerships, which is organized to carry on business for its own profit or that of its members.

"'"Documentary evidence" includes all documents, papers, correspondence, books of account, and financial and corporate records.

"'"Acts to regulate commerce" means the Act entitled "An Act to regulate commerce", approved February 14, 1887, and all Acts

amendatory thereof and supplementary thereto and the Communications Act of 1934 and all Acts amendatory thereof and supplementary thereto.

"'"Antitrust Acts" means the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies", approved July 2, 1890; also sections 73 to 77, inclusive, of an Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes", approved August 27, 1894; also the Act entitled "An Act to amend sections 73 and 76 of the Act of August 27, 1894, entitled 'An Act to reduce taxation, to provide revenue for the Government, and for other purposes'", approved February 12, 1913; and also the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914.'

"SEC. 3. Section 5 of such Act, as amended (U. S. C., 1934 ed., title 15, sec. 45), is hereby amended to read as follows:

"'SEC. 5. (a) Unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are hereby declared unlawful.

"'The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the Acts to regulate commerce, and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in section 406 (b) of said Act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

"'(b) Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of competition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership, or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The person, partnership, or corporation so complained of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring such person, partnership, or corporation to cease and desist from the violation of the law so charged in said complaint. Any person, partnership, or corporation may make application, and upon good cause shown may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Commission. If upon such hearing the Commission shall be of the opinion that the method of competition or the act or practice in question is prohibited by this Act, it shall make a report in writing in which it shall state its findings as to the facts and shall issue and cause to be served on such person, partnership, or corporation an order requiring such person, partnership, or corporation to cease and desist from using such method of competition or such act or practice. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or, if a petition for review has been filed within such time then until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or of law have so changed as to require such action or of the public interest shall so require: *Provided, however,* That the said person, partnership, or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate circuit court of appeals of the United States, in the matter provided in subsection (c) of this section.

"'(c) Any person, partnership, or corporation required by an order of the Commission to cease and desist from using any method of competition or act or practice may obtain a review of such order in the circuit court of appeals of the United States, within any circuit where the method of competition or the act or practice in question was used or where such person, partnership, or corporation resides or carries on business, by filing in the court, within sixty days from the date of the service of such order, a written petition praying that the order of the Commission be set aside. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission forthwith shall certify and file in the court a transcript of the entire record in the proceeding, including all the evidence taken and the report and order of the Commission. Upon such filing of the petition and transcript the court shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, evidence, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the Commission, and enforcing the same to the extent that such order is affirmed, and to issue such writs as are ancillary to its jurisdiction or are necessary in its judgment to prevent injury to the public or to competitors pendente lite. The findings of the Commission as to the facts, if supported by evidence, shall be conclusive. To the extent that the order of the Commission is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of such order of the Commission. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 240 of the Judicial Code.

"'(d) The jurisdiction of the circuit court of appeals of the United States to affirm, enforce, modify, or set aside orders of the Commission shall be exclusive.

"'(e) Such proceedings in the circuit court of appeals shall be given precedence over other cases pending therein, and shall be in every way expedited. No order of the Commission or judgment of court to enforce the same shall in anywise relieve or absolve any person, partnership, or corporation from any liability under the Antitrust Acts.

"'(f) Complaints, orders, and other processes of the Commission under this section may be served by anyone duly authorized by the Commission, either (a) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or the president, secretary, or other executive officer or a director of the corporation to be served; or (b) by leaving a copy thereof at the residence or the principal office or place of business of such person, partnership, or corporation; or (c) by registering and mailing a copy thereof addressed to such person, partnership, or corporation at his or its residence or principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post office receipt for said complaint, order, or other process registered and mailed as aforesaid shall be proof of the service of the same.

"'(g) An order of the Commission to cease and desist shall become final—

"'(1) Upon the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time; but the commission may thereafter modify or set aside its order to the extent provided in the last sentence of subsection (b); or

"'(2) Upon the expiration of the time allowed for filing a petition for certiorari, if the order of the Commission has been affirmed or the petition for review dismissed by the circuit court of appeals, and no petition for certiorari has been duly filed; or

"'(3) Upon the denial of a petition for certiorari, if the order of the Commission has been affirmed or the petition for review dismissed by the circuit court of appeals; or

"'(4) Upon the expiration of thirty days from the date of issuance of the mandate of the Supreme Court, if such Court directs that the order of the Commission be affirmed or the petition for review dismissed.

"'(h) If the Supreme Court directs that the order of the Commission be modified or set aside, the order of the Commisison rendered in accordance with the mandate of the Supreme Court shall become final upon the expiration of thirty days from the time it was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected to accord with the mandate, in which event the order of the Commission shall become final when so corrected.

"'(i) If the order of the Commission is modified or set aside by the circuit court of appeals, and if (1) the time allowed for filing a petition for certiorari has expired and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Commission rendered in accordance with the mandate of the circuit court of appeals shall become final on the expiration of thirty days from the time such order of the Commission was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Commission shall become final when so corrected.

"'(j) If the Supreme Court orders a rehearing; or if the case is remanded by the circuit court of appeals to the Commission for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Commission rendered upon such rehearing shall become final in the same manner as though no prior order of the Commission had been rendered.

"'(k) As used in this section the term "mandate", in case a mandate has been recalled prior to the expiration of thirty days from the date of issuance thereof, means the final mandate.

"'(l) Any person, partnership, or corporation who violates an order of the Commission to cease and desist after it has become

final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than $5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States.'"

"SEC. 4. Such act is further amended by adding at the end thereof new sections to read as follows:

"'SEC. 12. (a) It shall be unlawful for any person, partnership, or corporation to disseminate, or cause to be disseminated, any false advertisement—

"'(1) By United States mails, or in commerce by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of food, drugs, devices, or cosmetics; or

"'(2) By any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase in commerce of food, drugs, devices, or cosmetics.

"'(b) The dissemination or the causing to be disseminated of any false advertisement within the provisions of subsection (a) of this section shall be an unfair or deceptive act or practice in commerce within the meaning of section 5.

"SEC. 13. (a) Whenever the Commission has reason to believe—

"'(1) that any person, partnership, or corporation is engaged in, or is about to engage in, the dissemination or the causing of the dissemination of any advertisement in violation of section 12, and

"'(2) that the enjoining thereof pending the issuance of a complaint by the Commission under section 5, and until such complaint is dismissed by the Commission or set aside by the court on review, or the order of the Commission to cease and desist made thereon has become final within the meaning of section 5, would be to interest of the public.

"'the Commission by any of its attorneys designated by it for such purpose may bring suit in a district court of the United States or in the United States court of any Territory, to enjoin the dissemination or the causing of the dissemination of such advertisement. Upon proper showing a temporary injunction or restraining order shall be granted without bond. Any such suit shall be brought in the district in which such person, partnership, or corporation resides or transacts business.

"'(b) Whenever it appears to the satisfaction of the court in the case of a newspaper, magazine, periodical, or other publication, published at regular intervals—

"'(1) that restraining the dissemination of a false advertisement in any particular issue of such publication would delay the delivery of such issue after the regular time therefor, and

"'(2) that such delay would be due to the method by which the manufacture and distribution of such publication is customarily conducted by the publisher in accordance with sound business practice, and not to any method or device adopted for the evasion of this section or to prevent or delay the issuance of an injunction or restraining order with respect to such false advertisement or any other advertisement,

the court shall exclude such issue from the operation of the restraining order or injunction.

"'SEC. 14. (a) Any person, partnership, or corporation who violates any provision of section 12 (a) shall, if the use of the commodity advertised may be injurious to health because of results from such use under the conditions prescribed in the advertisement thereof, or under such conditions as are customary or usual, or if such violation is with intent to defraud or mislead, be guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than $5,000 or by imprisonment for not more than six months, or by both such fine and imprisonment; except that if the conviction is for a violation committed after a first conviction of such person, partnership, or corporation, for any violation of such section, punishment shall be by a fine of not more than $10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment: *Provided*, That for the purposes of this section meats and meat food products duly inspected, marked, and labeled in accordance with rules and regulations issued under the Meat Inspection Act approved March 4, 1907, as amended, shall be conclusively presumed not injurious to health at the time the same leave official "establishments."

"(b) No publisher, radio-broadcast licensee, or agency or medium for the dissemination of advertising, except the manufacturer, packer, distributor, or seller of the commodity to which the false advertisement relates, shall be liable under this section by reason of the dissemination by him of any false advertisement, unless he has refused, on the request of the Commission, to furnish the Commission the name and post-office address of the manufacturer, packer, distributor, seller, or advertising agency, residing in the United States, who caused him to disseminate such advertisement. No advertising agency shall be liable under this section by reason of the causing by it of the dissemination of any false advertisement, unless it has refused, on the request of the Commission, to furnish the Commission the name and post-office address of the manufacturer, packer, distributor, or seller, residing in the United States, who caused it to cause the dissemination of such advertisement.

"SEC. 15. For the purposes of sections 12, 13, and 14—

"(a) The term 'false advertisement' means an advertisement, other than labeling, which is misleading in a material respect; and in determining whether any advertisement is misleading, there shall be taken into account (among other things) not only representations made or suggested by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertisement fails to reveal facts material in the light of such representations or material with respect to consequences which may result from the use of the commodity to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual. No advertisement of a drug shall be deemed to be false if it is disseminated only to members of the medical profession, contains no false representation of a material fact, and includes, or is accompanied in each instance by truthful disclosure of, the formula showing quantitatively each ingredient of such drug.

"(b) The term 'food' means (1) articles used for food or drink for man or other animals, (2) chewing gum, and (3) articles used for components of any such article.

"(c) The term 'drug' means (1) articles recognized in the official United States Pharmacopœia, official Homœopathic Pharmacopœia of the United States, or official National Formulary, or any supplement to any of them; and (2) articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals; and (3) articles (other than food) intended to affect the structure or any function of the body of man or other animals; and (4) articles intended for use as a component of any article specified in clause (1), (2), or (3); but does not include devices or their components, parts, or accessories.

"'(d) The term "device" (except when used in subsection (a) of this section) means instruments, apparatus, and contrivances, including their parts and accessories, intended (1) for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals; or (2) to affect the structure or any function of the body of man or other animals.

"'(e) The term "cosmetic" means (1) articles to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body or any part thereof intended for cleansing, beautifying, promoting attractiveness, or altering the appearance, and (2) articles intended for use as a component of any such article; except that such term shall not include soap.

"'SEC. 16. Whenever the Federal Trade Commission has reason to believe that any person, partnership, or corporation is liable to a penalty under section 14 or under subsection (l) of section 5, it shall certify the facts to the Attorney General, whose duty it shall be to cause appropriate proceedings to be brought for the enforcement of the provisions of such section or subsection.

"'SEC. 17. If any provision of this Act, or the application thereof to any person, partnership, corporation, or circumstance, is held invalid, the remainder of the Act and the application of such provision to any other person, partnership, corporation, or circumstance, shall not be affected thereby.

"'SEC. 18. This Act may be cited as the "Federal Trade Commission Act".'"

"SEC. 5. (a) In case of an order by the Federal Trade Commission to cease and desist, served on or before the date of the enactment of this Act, the sixty-day period referred to in section 5 (c) of the Federal Trade Commission Act, as amended by this Act, shall begin on the date of the enactment of this Act.

"(b) Section 14 of the Federal Trade Commission Act, added to such Act by section 4 of this Act, shall take effect on the expiration of sixty days after the date of the enactment of this Act."

And the House agree to the same.

BURTON K. WHEELER,
ROBERT F. WAGNER,
JAMES J. DAVIS,
Managers on the part of the Senate.

CLARENCE F. LEA,
VIRGIL CHAPMAN,
HERRON PEARSON,
CHAS. A. WOLVERTON,
CARROLL REECE,
Managers on the part of the House.

Mr. WHEELER. Mr. President, with the exception of two or three sections, which I shall call to the attention of the Senate in a few moments, the Senate in the Seventy-fourth Congress passed a bill similar to this. The bill which was passed by the Senate at the present Congress went to the House of Representatives. The House approved the bill substantially as passed by the Senate, with some amendments added to the bill, after long hearings. When it was considered in the House, I think, there were three different teller or division votes upon it. It passed the House of Representatives the last time by approximately a vote of about 10 to 1.

Mr. President, Senate bill 1077, as agreed upon by the Senate and House conferees, amends sections 1, 4, and 5 of the present Federal Trade Commission Act, and adds seven new sections to said act, namely, sections 12 to 18, inclusive.

The amendment to section 1 provides that upon the expiration of his term of office, a Commissioner shall continue to serve until his successor shall have been appointed and shall have qualified. A similar provision was adopted with respect to the terms of office of members of the Interstate Commerce Commission by Congress in the act of July 16, 1935. The purpose of the amendment is to maintain a full

membership upon the Commission during the interim between the expiration of the term of office of a Commissioner and the appointment and qualification of his successor.

The amendments to section 4 of the act deal solely with definitions. They amplify or clarify the definitions of "corporation," "documentary evidence," "acts to regulate commerce," and "antitrust acts," as now carried in the present law. "Corporation" is made to include a trust or so-called "Massachusetts trust." The definition of "documentary evidence" is amended by including therein "books of account, financial, and corporate records." This is a clarifying amendment and is in accordance with the decisions of the courts.

"Acts to regulate commerce" are amended to expressly include the Communications Act of 1934, and all acts amendatory thereof and supplementary thereto, and to the definition of "antitrust acts" the Clayton Act of October 15, 1914, is added. This is one of the antitrust acts but had not been passed at the time the Federal Trade Commission Act was written.

Section 5 of the present act is amended, first, by making unlawful "unfair or deceptive acts or practices in commerce." The present act makes unlawful "unfair methods of competition," and the Supreme Court has held that the Commission loses jurisdiction of a case where an actual or potential competitor is not involved. This amendment makes the consumer who may be injured by an unfair trade practice of equal concern before the law with the merchant injured by the unfair methods of a dishonest competitor.

The other amendments to section 5 are, first, a provision making cease-and-desist orders of the Commission final 60 days after their service unless an appeal therefrom is taken to the courts, in which event they become final after they have been duly modified or affirmed by the courts upon such appeal; second, a provision that any person, partnership, or corporation who violates an order to cease and desist of the Commission after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than $5,000 for each such violation; and, third, a provision that after the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it, whenever in the opinion of the Commission conditions of fact or of law have so changed as to require such action or if the public interest shall so require. It is further provided that in such cases the respondent may, within 60 days after such a reopening, obtain a review thereof in the appropriate circuit court of appeals of the United States.

The imposition of civil penalties for violation of cease-and-desist orders which have become final is supplemental to and not intended to supersede the power of the circuit courts of appeals, upon their own initiative or upon application by the Commission, through contempt proceedings, to punish violations of those orders which have been affirmed or modified by said courts.

The other amendments to the present law consist of entirely new sections dealing, in the main, with the false advertising of food, drugs, devices, and cosmetics, and providing penalties for the dissemination or the causing of the dissemination of such advertisements.

Section 12 (a) makes unlawful the dissemination or the causing of the dissemination of such false advertisements by the United States mail, or in commerce by any means, for the purpose of inducing, or which are likely to induce, the purchase of food, drugs, devices, or cosmetics, or by any means, for the purpose of inducing, or which are likely to induce, directly or indirectly, the purchase in commerce of these commodities.

Section 12 (b) provides that the dissemination or the causing of the dissemination of false advertisements within the provisions of subsection (a) shall be an unfair or deceptive act or practice in commerce within the meaning of section 5. This is to retain Federal Trade Commission jurisdiction through its cease-and-desist order procedure over such false advertisements which might not be of such serious character as to warrant criminal prosecution under a later section of the act, section 14.

Section 13 authorizes the Commission to secure temporary injunctions restraining the dissemination or the causing of the dissemination of false advertisements pending the issuance of complaints by the Commission and their review by the courts, whenever the Commission has reason to believe that such injunctive relief is in the interest of the public. The purpose of this section is to enable the Commission, during that period necessary for action under its cease-and-desist order procedure, to give the public adequate protection. Appropriate safeguards are attached to the securing of injunctions in the case of newspapers, magazines, periodicals or other publications published at regular intervals by the provisions of paragraph (b) of this section.

Section 14 (a) makes the violation of section 12 (a) a misdemeanor, and provides criminal penalties for the violation of any of its provisions in cases where the use of the commodity falsely advertised may be injurious to health because of results from such use, or if such violation is done with intent to defraud or mislead. A fine of not more than $5,000, or imprisonment for not more than 6 months, or both such fine and imprisonment, is provided for a first conviction, and for a second conviction the penalties are doubled.

It is also provided that for the purposes of this section, meats and meat food products duly inspected and labeled in accordance with the rules and regulations of the Meat Inspection Act shall be conclusively presumed not injurious to health at the time said products leave official establishments.

Section 14 (b) affords the disseminators of advertisements, including publishers and radio broadcasters, an exemption from the penalties of the section, unless they refuse, upon the request of the Commission, to furnish the Commission the name and post-office address of the manufacturer, packer, distributor, seller, or advertising agency, residing in the United States, causing the dissemination of such advertisements. A similar exemption is given to an advertising agency, unless it refuses to give the Commission the information specified. These exemptions are to avoid unwarranted hardship on those persons who may not be in a position to determine the falsity of the advertisements, and where ample recourse may be obtained against the persons primarily responsible for the false advertisements and who profit from the sale of the commodities falsely advertised.

Section 15 contains the definition of false advertisement, as well as the definitions of food, drugs, devices, and cosmetics. These definitions are similar to those relating to the false labeling or misbranding of food and drugs in the bill now pending before the House Committee on Interstate and Foreign Commerce.

Section 16 provides that the Commission, whenever it has reason to believe that any person, partnership, or corporation is liable to penalties under section 14 or subsection (1) of section 5, shall certify the facts to the Attorney General, whose duty it shall be to cause appropriate proceedings to be brought for the enforcement of the provisions of such section or subsection.

Section 17 contains the usual separability clause.

Section 18 provides that this act may be cited as the "Federal Trade Commission Act."

Sections 5 (a) and 5 (b) of the new act fix the time when certain of the provisions of the act become effective. It is provided that orders to cease and desist served on or before the date of the enactment of this act become final 60 days after the passage of the act, and that the penalty provisions of section 14 shall take effect 60 days after the date of the enactment of the act.

The Federal Trade Commission has always had jurisdiction over false advertising of foods, drugs, devices, and cosmetics as well as over all other commodities. The new provisions of this bill dealing with those specific commodities do

not confer upon the Commission jurisdiction which it does not now possess but are designed to make its control of such advertising more effective. Control over labeling and condemnation, through seizure proceedings, of these same products remains, where it has always rested, with the Food and Drug Administration of the Department of Agriculture. No jurisdiction is taken from that Department, which has never exercised control over the false advertisement of foods and drugs.

Broadly speaking, this legislation is designed to give the Federal Trade Commission jurisdiction over unfair acts and practices for consumer protection to the same extent that it now has jurisdiction over unfair methods of competition for the protection of competitors.

More stringent control over the advertising of these four commodities has been provided because their use directly affects the consumer's health rather than his pocketbook.

More effective and expeditious relief has been provided in all cases where the public interest so requires by providing for the securing of temporary injunctions. Other procedural amendments and removing the necessity of proving competition and injury to competitors are also in the interest of expedition.

The legislation establishes no new bureaus and no new fields of activity for the Commission but provides more effective methods of accomplishing the purposes of the existing law.

Let me say to the Senate also, that I talked with the head of the National Advertising Association. He came to my office to see me with reference to the bill after it had passed the House of Representatives, and said to me that their organization was in favor of this bill. He said that they had tried to work out among their advertisers some kind of an understanding whereby they would not resort to these unfair practices; that about 97½ percent of them had gone along, but unfortunately there were a very small minority of those doing advertising who would not comply with the common rules of decency, and that they had now come to the conclusion that it was necessary to have this kind of a law enacted in order to protect the consuming public against that very small minority. Likewise, one of the largest groups of manufacturers of drugs and cosmetics, and products of that nature, stated to me that they had no objection whatever to this bill and, as a matter of fact, were in favor of it.

I have found no objection to the bill excepting some objections which came, I am told, from the Agricultural Department. One man who represents some drug concern, a lawyer, opposed it; and, incidentally, I am told that every case he has ever had against the Federal Trade Commission he has lost in court. Then some leaders of women's organizations have opposed it by reason of the fact that some persons in the Agricultural Department stirred them up without real justification.

I desire to emphasize the fact that those who will be most vitally interested, the National Drug Manufacturers and the national advertising people, tell me that they have no objection to the bill. The bill passed the House of Representatives. Three votes were taken on it, and the last time it passed the House by a vote of almost 10 to 1. As a matter of fact, the only objection that was raised to it in the conference was that some members of the conference committee felt that it was not sufficiently broad in its scope and did not go far enough. But from my study of the bill I think it is a very fair bill.

Mr. COPELAND. Mr. President, if it is really the intent to consider the conference report this afternoon, I shall be forced to ask for a quorum.

Mr. McKELLAR. Mr. President, I desire to occupy about 5 minutes on another matter. Will the Senator yield for that purpose?

Mr. COPELAND. Mr. President, what is the legislative situation? Has the conference report been called up?

The PRESIDENT pro tempore. The conference report is being presented to the Senate, and only by unanimous consent may the Senator from Tennesse introduce any other matter.

Mr. COPELAND. Am I to understand the Chair to say that the conference report has been approved?

The PRESIDENT pro tempore. No; the Chair stated that the conference report is being presented to the Senate.

Mr. COPELAND. Very well. I have no objection to anything else being discussed, but if we are to consider the report this afternoon I shall have to suggest the absence of a quorum.

Mr. McKELLAR. I desire the floor for about 5 minutes in order to make a few remarks.

The PRESIDENT pro tempore. The Senator from Tennessee is recognized.

PROPOSED INVESTIGATION OF T. V. A.

Mr. McKELLAR. Mr. President, a day or two ago, in a debate here, it was charged that the Tennessee Valley Authority was $10,000,000 short in its accounts; and, as proof of that statement, reference was made to a report made by the General Accounting Office on January 3, 1938.

In view of those statements, yesterday I addressed the following letter to the Honorable R. N. Elliott, Acting Comptroller General of the United States, Washington, D. C.:

MARCH 10, 1938.

Hon. R. N. ELLIOTT,
Comptroller General of the United States, Washington, D. C.

DEAR MR. COMPTROLLER GENERAL: Enclosed I hand you a copy of an article which appeared yesterday afternoon in the Evening Star, giving an account of Senator BRIDGES' speech wherein it was stated the Tennessee Valley Authority is $10,000,000 short in its accounts.

Will you kindly advise me if your office has found this to be true? I should like to know and if you will advise me today I shall greatly appreciate it.

Thanking you, I am very sincerely yours,

KENNETH McKELLAR.

Late yesterday afternoon I received the following letter addressed to me:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 10, 1938.

Hon. KENNETH McKELLAR,
United States Senate.

MY DEAR SENATOR: There has been received your letter of March 10, 1938, as follows:

"Enclosed I hand you a copy of an article which appeared yesterday afternoon in the Evening Star, giving an account of Senator BRIDGES' speech wherein it was stated the Tennessee Valley Authority is $10,000,000 short in its accounts.

"Will you kindly advise me if your office has found this to be true? I should like to know, and if you will advise me today I shall greatly appreciate it."

It is understood that the data used by Senator BRIDGES were recently published in the local press and apparently were taken from the recent annual report of this office.

Pursuant to section 312 of the Budget and Accounting Act, 1921 (42 Stat. 25), this office, on January 3, 1938, made a report "of the work of the General Accounting Office," and, beginning on page 67 of such report, the work of the office incident to the audit of the transactions of the Tennessee Valley Authority, as required by law, is given in some detail. It will be noted that the report deals with the program of audit and the volume, costs, etc., involved, rather than being a report of the results of such audit, except to the extent that the volume of work may bear upon such results. On page 68 of the annual report, supra, the volume of work involved is stated as follows:

"* * * During the fiscal years 1936 and 1937 exceptions were made and the Authority regularly notified on a total of 7,964 transactions, involving $15,542,459.70. Of such number and amount there was released, after proper explanation or recovery, a total of 3,077 exceptions, amounting to $4,814,950, leaving 4,887 still pending in the amount of $10,727,509.70. Full details of such exceptions and the reasons therefor will be included in the special report on such audit as required by section 14 (b) of the act."

While such information would also be available to the Tennessee Valley Authority officials, it would seem that the information published by the local press was obtained from the information quoted above from the report.

If I can furnish any further information, I will be pleased to do so upon request.

Sincerely yours,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

This morning I wrote the following letter to the Comptroller General:

MARCH 11, 1938.

(By special messenger.)

Hon. RICHARD N. ELLIOTT,
Acting Comptroller General, Washington, D. C.

MY DEAR MR. COMPTROLLER GENERAL: Your letter of the 10th in answer to my letter of same date received and noted.

I regret to say that your letter gives me not the slightest information that I did not have before. I had the report before me when I wrote the letter. I was familiar with the language which you quote. I must be exceedingly inept in asking for information. I will try to be more specific. What I want to know is what the language that you quote on page 2 of your letter means. It has been construed by certain newspapers and certain Senators to mean that your office has audited the T. V. A. books and has reported that the T. V. A. is short in its accounts $10,727,509.70. Now, so that you cannot possibly misunderstand me, I will undertake to make my questions for information so specific that you can answer them yes or no.

Question. Did this audit made by your organization show that the T. V. A. is short in its accounts $10,727,509.70, or had illegally used that amount of funds? If your answer is "yes," that point is settled; but if "no," then why did you use such language in your report?

Again, this report was made prior to June 30, 1937, and in it you say:

"Full details of such exceptions and the reasons therefor will be included in the special report on such audit as required by section 14 (b) of the act."

Question. Have you filed the report required by section 14 (b)? If you answer "yes," may I have a copy? If "no," why has it not been filed?

Again, is such report prepared? If you answer "yes," may I have a copy of it? If "no," why?

Again, the law under which you audit the T. V. A. requires all exceptions to T. V. A. expenditures not to be published until your office gives the T. V. A. an opportunity to explain the basis on which expenditures were made. Did your office in 1935, 1936, and 1937 submit these exceptions to the T. V. A.?

Again, did you, as required by law, furnish your exceptions to T. V. A. expenditures in 1935, and if "yes," give the date.

Did your office furnish the T. V. A. with exceptions to T. V. A. expenditures in 1936; and if so, give the date when it was furnished.

Did your office furnish the T. V. A. with exceptions to T. V. A. expenditures in 1937; and if so, give the date when it was furnished.

Did your office furnish the T. V. A. with exceptions to T. V. A. expenditures in 1937; and if so, give the date when it was furnished.

These questions can be answered, I am sure, without any delay, and I will appreciate your sending me the answers in time for the Senate session today, if possible.

Very sincerely yours.

To my letter I received a reply from Mr. Elliott, as follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 11, 1938.

Hon. KENNETH MCKELLAR,
United States Senate.

MY DEAR SENATOR: There has been received your letter of March 11, 1938, pointing out that my letter of the 10th instant did not contain the desired information, by reason of which you now propound several questions specifically eliciting certain information with reference to transactions of the Tennessee Valley Authority and of the audit action thereon by this office.

In such connection there was pointed out in my letter of the 10th instant the facts obtaining to the work of this office, as published in the annual report submitted January 3, 1938, pursuant to section 312 of the Budget and Accounting Act, 1921, on pages 67 to 69 of which certain details were stated showing the procedure and volume of work incident to the audit of the Tennessee Valley Authority accounts.

With reference thereto, you now ask whether this audit shows "that the T. V. A. is short in its accounts $10,727,509.70, or had illegally used that amount of funds?" As indicated in my report, supra, the answer to your question must be in the negative because it will there appear that "a total of 3,077 exceptions amounting to $4,814,950" had been released "after proper explanation or recovery." The report states that exceptions were made to the transaction mentioned which should be understood that the transactions were merely questioned and since many of the exceptions were released "after proper explanation" the report should have been understood as not referring to shortages, and clearly there appears nothing in the report to suggest or imply that the items there involved were shortages.

Here is a complete denial that there was a shortage in the Tennessee Valley Authority accounts, and an assertion by the Comptroller General that he did not mean to make the statement which has been inferred by certain newspapers and certain Senators, that there was a shortage. He distinctly answers the question in the negative. This is the General Accounting Office, which furnished the report, stating:

Clearly there appears nothing in the report to suggest or imply that the items there involved were shortages.

He then proceeds:

You also ask whether there has been "filed the report required by section 14 (b)" meaning section 14 (b) of the act of August 31, 1935 (49 Stat. 1080). No audit report as required by said section, supra, has been filed since the enactment, and the reason therefor is that such audit reports, due to lack of available funds and the required personnel, as stated in my annual report, supra, have not been fully completed. As stated in the report, the transactions of the Tennessee Valley Authority have been audited to include June 30, 1937, but it will require quite a while to complete the reports.

The reply to your next question is, as stated, that such report is incomplete and is therefore not fully prepared.

With reference to the requirement that the Tennessee Valley Authority be given an opportunity to explain the transactions to which exceptions are taken by this office, and in reply to your question as to whether this office did in 1935, 1936, and 1937 submit such exceptions to the Tennessee Valley Authority, I have to reply that all of the exceptions taken by this office to which reference is made in the report were communicated to the Tennessee Valley Authority. In the annual report, supra, it is stated that "exceptions were made and the Authority regularly notified on a total of 7,964 transactions." As of the date of the report the exceptions were promptly communicated to the Tennessee Valley Authority, and since the effective date of the report such exceptions have likewise been promptly communicated to the Tennessee Valley Authority and numerous replies thereto have been received. It should be added, however, that these exceptions were not necessarily made and communicated to the Tennessee Valley Authority in the years 1935, 1936, or 1937, respectively, that is, as explained in the annual report, the audit was not always current with the accounts rendered and the exceptions were not necessarily made in the same year in which the transactions occurred.

In the next question you state: "Again, did you, as required by law, furnish your exceptions to T. V. A. expenditures in 1935, and if 'yes,' give the date?" Answering the question literally, "no"; but if you have reference to an audit report on the transactions of the Tennessee Valley Authority in 1935, the answer is that all of the exceptions taken prior to July 1, 1937, referred to in the annual report were furnished the Tennessee Valley Authority. However, as stated before, the audit report has not been completed, and only the completed portion has been furnished the Tennessee Valley Authority.

In your next questions you ask: "Did your office furnish the T. V. A. with exceptions to T. V. A. expenditures in 1936 [and 1937], and if so, give the date when it was furnished?" The answer to these questions is that such exceptions as have been taken as mentioned in the annual report for the years in question have been furnished the Tennessee Valley Authority, but the audit reports have not been fully completed and the Tennessee Valley Authority has not been furnished with all exceptions that will be taken.

It was the purpose of this office in the annual report, supra, to convey to the Congress an idea of the several problems confronting this office incident to the audit requirements of section 14 (b) of the Tennessee Valley Authority Act, as amended. Inasmuch as you state that you are familiar with the information reported on pages 67 to 69 of such report, it is assumed that you do not care for repetition thereof here. Accordingly, this reply is limited to answering your questions as specifically as the facts will permit.

If I can furnish you any further information, I will be pleased to do so upon request.

Sincerely yours,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

Mr. President, thus into thin air, into nothing, go the charges that were hurled about in this Chamber 2 days ago, that the Tennessee Valley Authority was short in its accounts by over $10,000,000, and that the report of the Comptroller General of the United States showed it. We have before us the testimony of the Comptroller General himself, dealing with his report, and he says it does not show there is such a shortage. Those are the facts. Those are the facts as we stated them the other day. I submit, Mr. President, that the wide publicity given to charges against this activity of the Government is without parallel. According to the last letter of the Comptroller General, it seems that the report was made for the purpose of showing the necessity for funds to make these examinations, and it says that nothing should be implied as against the Tennessee Valley Authority for anything therein stated, and he does not see how it could be implied.

Mr. President, in my judgment the sum and substance of the argument made against the T. V. A. the other day is simply a mare's nest created by those who hate the T. V. A. When we come to look into the matter, when the light of reason and of fact is placed on the transaction, we find that there is absolutely nothing in those charges that were heralded abroad all over the country that the Tennessee Valley Authority had either misappropriated funds or illegally withheld funds.

AMENDMENT OF FEDERAL TRADE COMMISSION ACT—CONFERENCE REPORT

The PRESIDENT pro tempore. Let the Chair state the parliamentary situation. The Senator from Montana [Mr. WHEELER] has asked unanimous consent that the Senate proceed to the consideration of a conference report. The Chair asked if there was any objection to the request of the Senator from Montana. There was no objection. Then the Senator from Montana said he did not desire to proceed with that matter until the Senator from New York [Mr. COPELAND] had come into the Chamber.

The Chair now desires to know as to whether or not the Senator from Montana withdraws his request for unanimous consent.

Mr. WHEELER. I do not. I wish to say that I talked to the Senator from South Carolina [Mr. BYRNES]. I understand he wants to present some amendments to the reorganization bill, and I suggested to him that I was perfectly willing that the conference report should be temporarily laid aside while he presented the amendments to the pending bill, with the understanding that the conference report be taken up immediately after action is had upon those amendments.

Mr. COPELAND. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. The Senator from Montana made no request.

Mr. WHEELER. No; I made no request.

Mr. BYRNES. Then I make the request that the conference report be temporarily laid aside so that consideration may be had of the amendments which I send to the desk, and I ask that after action has been taken upon them the Senate return to the consideration of the conference report.

The PRESIDENT pro tempore. Is there objection?

Mr. COPELAND. Reserving the right to object, what is the intention of the Senator from Montana relative to the conference report after this particular transaction of business is completed?

Mr. WHEELER. I intend to take up the conference report.

Mr. COPELAND. Is the Senator serious about that?

Mr. WHEELER. I am.

Mr. COPELAND. Then, at the proper time, I shall ask for a quorum call.

Mr. BARKLEY. Let me say I had hoped that we might dispose of the committee amendments on the pending bill this afternoon, especially those that are not controversial, and recess until Monday. The Senator from Montana [Mr. WHEELER] suggested his desire to take up the conference report. It was my understanding it would only take a few minutes. But I now have my information on that subject revised—that it will take more than a few minutes. Therefore, it is my purpose to have a session tomorrow in order that the conference report may be considered and disposed of, assuming that we can get an arrangement by which the noncontroversial amendments to the reorganization bill may be disposed of this afternoon.

Mr. COPELAND. May I ask my leader a question? It is proposed that the Senate act on the conference report on a bill which passed the House on the 12th of January. That is 2 months ago. Why has it become so urgent that action shall be had today? I have no disposition to delay the action on the conference report, but the bill has been so emasculated and so damaged by its passage through the House that I would not have a free conscience if I did not let the American people know that the consumer is getting the hot end of the stick. Why not put the consideration of the conference report over until sometime next week? I do not see any reason why it should be considered now.

Mr. BARKLEY. I am not urging that that be done. The Senator from Montana has been urging the consideration of this conference report for a week or so, and I have put him off from day to day because I did not want to interfere with the consideration of the reorganization bill. So far as I am concerned there is no emergency about it, but a conference report is a privileged matter, as the Senator knows, and can be taken up on motion at any time when the Senator in charge of it can get recognition for that purpose.

I do not care particularly when it is disposed of, but I do not want it seriously to interfere with the pending business, and it was my understanding that it would not do so.

Mr. COPELAND. I may say to my leader that I am not in doubt as to the ultimate passage of the conference report. But the conference report has included in it material which, in my judgment, ought not to be there. The country should be told that. That cannot be done in 5 minutes or 10 minutes.

Mr. BARKLEY. I have no desire to shut off the Senator. I am sure the Senator from Montana does not desire to do that either. But why can we not lay it aside now, and dispose of amendments to the pending bill, according to the request of the Senator from South Carolina, and we will have a session tomorrow and the Senator can discuss the conference report as long as he wants to, so far as I am concerned.

Mr. COPELAND. It is up to the leader. I cannot see how in the interest of good legislation it is necessary to take up now, under pressure, a bill which passed the House 2 months ago, and it would not make any difference whether it is taken care of next week, or the week after, or at some other appropriate time. But so far as I am concerned, as much as I hate to spend time on this particular matter—I would rather talk about salmon—I am determined to present the view that is held, not alone by myself, but by every consumer organization in this country. It is all very well to say that the advertisers are satisfied. Of course they are satisfied. Why should they not be satisfied. They have the world by the tail if we pass the bill in its present form. But the consumers of America are not protected.

Mr. WHEELER. The conference report has been pending before the Senate for some time. The House approved it. I have gone to the leader during the last 3 or 4 weeks and repeatedly asked to have the conference report taken up. On two or three occasions, at the suggestion of the Senator from New York, I have postponed request for action; once, I remember, when he was going to be out of the city, and at least on one other occasion. I do not want the report hanging over us any longer.

It is said that the consumer is not protected in this bill. I ask anyone to read the bill, and then say whether or not the consumer is protected. I am not worried about the consumer not being protected under the terms of the bill. The bill provides that if the Federal Trade Commission finds that false advertisements have been put out with reference to cosmetics the one who is found guilty thereof may be sent to the penitentiary. In view of that, it seems to me that the consuming public is quite well protected.

As I said, some Senators on the committee wanted the bill to be more stringent than it is, but we all know that action cannot be taken against one who is simply charged without giving him a hearing before the Federal Trade Commission.

I am perfectly willing to let the conference report go over, and let the Senator from South Carolina present amendments to the reorganization bill, which are noncontroversial, as I understand, and which I have gone over.

Mr. JOHNSON of California. Mr. President, I do not question what either the Senator from Montana has said or what the Senator from New York has said. Now, at 13

minutes to 5 o'clock, it is proposed to take up the amendments that are proposed by the committee to the reorganization bill. I would rather not take them up tonight by any means. I did not understand exactly what the urbane leader of the Democrats said when he spoke of the matter. Did he say that it was his intention to hold a session tomorrow?

Mr. BARKLEY. Yes. I said we had hoped that we might avoid having a session tomorrow.

Mr. JOHNSON of California. So have I.

Mr. BARKLEY. By disposing of the noncontroversial committee amendments to the pending bill.

Mr. JOHNSON of California. I join ardently in that hope.

Mr. BARKLEY. But if we keep talking about something that is not going to be done until 5 o'clock, we will not only not dispose of the conference report but any amendments to the reorganization bill.

It seems to me we might make a little progress before we quit. We come here and talk until about 4:30, and then everybody complains that it is too late to take up anything or do any work. I am willing to stay here until 5 or 6 o'clock, so far as I am concerned, in order that we may dispose of the amendments, which ought not to occasion any debate, because, as I understand, they are not controverted.

Mr. JOHNSON of California. Mr. President, are all these amendments satisfactory to the Senator from Virginia [Mr. BYRD]?

Mr. BYRNES. I have gone over the amendments with the Senator from Virginia and with others; and if there is any one of the amendments which the Senator from Virginia desires not to be considered this afternoon, it will not be offered.

Mr. JOHNSON of California. Is the Senator from Virginia agreeable to taking up the committee amendments now?

Mr. BYRD. Yes, Mr. President; I think it is just as well to dispose this afternoon of the committee amendments and those which are not in controversy.

Mr. COPELAND. Mr. President, may I say a word? Our leader has said that if this program is carried out we must meet tomorrow. In other words, the Senate is to be punished, and I am to be punished, by being brought back tomorrow to consider a matter concerning which there is no more urgency than there is in any trivial thing which might be mentioned with which to compare it. I am satisfied; I will come back tomorrow; but it is perfectly absurd for us to take up at this late hour an important conference report. It is important, as I shall be able to show the Senators, no matter how they may ultimately vote. Because the matter has gotten into the present legislative jam, the whole Senate, the occupants of the press gallery, and everybody else concerned are to be punished by being brought back tomorrow.

Mr. BARKLEY. I am sure the Senator does not mean to intimate that it is any punishment to the Senate or to the occupants of the press gallery to listen to any explanation the Senator has to make.

Mr. COPELAND. The facetious remark of the Senator is all very well——

Mr. BARKLEY. I am in earnest about it.

Mr. COPELAND. But I do not think it shows remarkable leadership to have a performance of this sort.

Mr. BARKLEY. I am sorry about that. Unless the Senate decides to the contrary, we shall attempt to have a session tomorrow. The truth is that we have been recessing on Saturday to accommodate Senators, but there is no reason on that account why we should continue to recess every Saturday simply to accommodate Senators. Saturday is a weekday, and we have just as much obligation to work on Saturday as on any other day. I am sorry the Senator from New York takes the position that because we want to work tomorrow on a matter in which he is interested we are punishing him or the Senate or anybody else.

Mr. COPELAND. I want my leader to understand that, so far as I am concerned, I am satisfied to come here tomorrow and stay all day, if need be; but I am not satisfied to be the one responsible for bringing the whole Senate, the occupants of the press gallery, and everybody else, back here tomorrow.

Mr. BARKLEY. Mr. President, I assume all the responsibility, and I relieve the Senator from New York from any of it whatever.

Mr. JOHNSON of California. Mr. President, the question of responsibility having been decided, I have no further objection to make.

The PRESIDENT pro tempore. The Senator from South Carolina asks unanimous consent that the conference report be laid aside until action is taken upon the committee amendments to the reorganization bill.

Mr. JOHNSON of California. The Senator from South Carolina does not ask unanimous consent, does he?

The PRESIDENT pro tempore. That is the impression of the Chair.

Mr. BYRNES. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. BYRNES. Is the conference report pending?

The PRESIDENT pro tempore. The conference report is pending.

Mr. BYRNES. I ask unanimous consent that the conference report be temporarily laid aside for the purpose of considering the noncontroversial amendments to the reorganization bill.

Mr. JOHNSON of California. I object.

Mr. BYRNES. Any amendment as to which there is a controversy will be withdrawn.

The PRESIDENT pro tempore. The Senator from California objects. The question is on agreeing to the conference report.

Mr. COPELAND. Mr. President, I shall not be so disagreeable as to make extensive reference to the RECORD of March 1937 when this matter was under consideration in the Senate. I was fearful at that time—as the questions which I asked will indicate—that we had in store for us the sort of a bill we have received. I was assured by the Senator from Montana [Mr. WHEELER] that there need be no anxiety on that score.

On two different occasions the Senate has unanimously passed a food and drug bill including a provision that the advertising features should be dealt with by the Food and Drug Bureau of the Department of Agriculture. The bill failed in conference in the preceding Congress because of a disagreement between the two Houses regarding this particular feature.

If it is agreeable to my leader, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Burke	Hatch	Overton
Austin	Byrd	Hayden	Pittman
Bailey	Byrnes	Hill	Sheppard
Barkley	Capper	Hitchcock	Vandenberg
Bilbo	Clark	Johnson, Calif.	Wheeler
Borah	Copeland	Lonergan	
Brown, Mich.	Gerry	McKellar	
Bulkley	Hale	McNary	

The PRESIDENT pro tempore. Twenty-nine Senators have answered to their names. There is not a quorum present. The names of the absent Senators will be called.

The legislative clerk called the names of the absent Senators; and Mr. BERRY, Mr. ELLENDER, Mr. FRAZIER, Mr. MILLER, Mr. NORRIS, Mr. SHIPSTEAD, and Mr. VAN NUYS answered to their names when called.

The PRESIDENT pro tempore. Thirty-six Senators have answered to their names. There is not a quorum present.

Mr. BARKLEY. I move that the Sergeant at Arms be directed to request the attendance of Senators until a quorum is obtained.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Kentucky.

The motion was agreed to.

The PRESIDENT pro tempore. The Sergeant at Arms will carry out the order of the Senate.

Mr. BONE, Mr. BROWN of New Hampshire, Mr. GEORGE, Mr. GILLETTE, Mr. GREEN, Mr. GUFFEY, Mr. HERRING, Mr. HUGHES, Mr. LA FOLLETTE, Mr. LEE, Mr. LODGE, Mr. MALONEY, Mr. MCGILL, Mr. MINTON, Mr. REAMES, Mr. RUSSELL, Mr. THOMAS of Utah, and Mr. TYDINGS entered the Chamber and answered to their names.

The PRESIDING OFFICER (Mr. MCGILL in the chair). Fifty-four Senators having answered to their names, a quorum is present.

The question is on agreeing to the conference report. The Senator from New York [Mr. COPELAND] has the floor.

Mr. BARKLEY. Mr. President, will the Senator yield? I want to make a motion to recess, if the Senator will yield for that purpose.

Mr. COPELAND. Until when?

Mr. BARKLEY. Until tomorrow.

Mr. COPELAND. Is a motion to adjourn in order?

Mr. BARKLEY. A motion to adjourn is always in order, but that is not the motion I intend to make.

Mr. COPELAND. Is a motion to adjourn until 12 Monday in order?

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Kentucky?

Mr. COPELAND. I addressed a question to the Chair on a point of order. Is a motion to adjourn until a given time, say, 12 o'clock noon on Monday next, in order?

The PRESIDING OFFICER. That motion is in order. A motion to adjourn to a day certain is in order. But a motion to adjourn would have precedence over a motion to adjourn to a day certain.

Mr. COPELAND. Of course, I want to yield to the wishes of my leader. Am I in order to say anything at this time?

The PRESIDING OFFICER. The Senator has the floor.

Mr. COPELAND. Mr. President, I see no more reason now than I did a little while ago why the conference report should be taken up this week. I still regard it as a punishment, an unnecessary one, to bring the Senate here tomorrow. I assume the Senator from Kentucky was about to move a recess until 12 o'clock tomorrow. It would be ungracious of me not to yield to my leader in this particular matter, particularly when obstinacy on my part would mean the detention of Senators in the Senate Chamber. It is now 5:30. I think I may state to my leader, if it is any inducement to him, that if he should decide to move an adjournment until 12 o'clock Monday, I do not think I would consume more than an hour and a half in what I have to say with respect to the conference report. I must say it.

I am in this matter representing the consumers of America, the Federation of Womens' Clubs, every housewife who knows about the bill, and it is not right that the conference report should be agreed to until the facts are known. I have no thought in my mind that what I shall do will be sufficient to defeat the conference report. I have had too long experience with such matters to entertain such a belief.

But at least I desire to maintain, and must maintain, my self-respect. I must let the country know the significance of this measure. I must let the Senate know how it weakens the Federal Trade Commission in its control of other commodities to put into the bill the matter relating to the advertising of food and drug products. I do not think it is right. I do not think the Senate will think it is right when the Senate knows all about it.

At any rate, so far as I am concerned, I would not be right with my conscience if I did not express myself regarding this particular measure. It is up to my leader to decide what he wants to do.

Mr. BARKLEY. Mr. President, I have already indicated to the Senator and to the Senate what I want to do. The Senate may overrule my wishes in the matter. It is not my fault that this matter is now before the Senate, except that I did not object, and no other Senator objected, when the Senator from Montana [Mr. WHEELER] asked unanimous consent that the conference report be taken up.

Mr. COPELAND. May I ask my leader if it is not true that I asked that I might be present when the conference report was taken up?

Mr. BARKLEY. Absolutely so, and I sent for the Senator, who was in the Appropriations Committee when the matter came up. The matter is up regardless of whose fault it is. I suppose any Senator could have objected, but conference reports are always privileged matters, and it was my understanding that the report could be disposed of with a very short statement on the part of the Senator from Montana and the Senator from New York. Evidently I was misinformed as to the Senator from New York.

The bill which is the unfinished business of the Senate has been before the Senate for 2 weeks.

We have not voted on a single amendment, although many of them are noncontroversial. It has been generally understood, by those who are in favor of the bill as well as by those who oppose it or desire to amend it, that beginning on Monday we shall take up in detail the amendments to the bill which may be offered from the floor, and dispose of them without unnecessary delay. I am anxious, the Senator from South Carolina [Mr. BYRNES] is anxious, and I know all other Senators are anxious, that we proceed without further delay to the consideration of amendments which may be offered to the pending bill. It is for that reason that I think the Senate ought to meet tomorrow and discuss the conference report so long as any one wishes to discuss it, in order that we may proceed on Monday to the consideration of detailed amendments to the reorganization bill, in accordance with our general understanding.

I am sorry I am the instrumentality for causing inconvenience to Senators by holding a session on Saturday; but I think the circumstances justify it, and that is what I hope will be done.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. CLARK. I had understood it was the purpose of the leadership to take up on Monday the matter of the confirmation of Mr. Burlew as First Assistant Secretary of the Interior.

Mr. BARKLEY. No; that is not the program.

Mr. CLARK. I have also been informed that it was the purpose of the Senator from Nevada [Mr. PITTMAN] to address the Senate for some 4 or 5 hours on the Burlew appointment. I wondered how many amendments to the pending reorganization bill would be considered if we had a 4- or a 5-hour speech on the Burlew nomination.

Mr. BARKLEY. I will say to the Senator from Missouri that we have discussed informally, and I think we discussed yesterday on the floor of the Senate, the question when we should take up the nomination of Mr. Burlew; and no agreement has been reached as to when we shall do so. My impression is that it will not be until the reorganization bill is out of the way.

Mr. CLARK. Let me say to the Senator from Kentucky that I am in no particular hurry to take it up; but I understood there was such an agreement.

Mr. BARKLEY. No agreement has been reached as to when the Burlew nomination shall come up, for the reason that it is generally understood that it will take all of one day's session, and it is not desirable to interfere with the consideration of the unfinished business for that purpose.

Mr. BURKE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Nebraska?

Mr. COPELAND. I yield.

Mr. BURKE. Is the Senator from New York agreeable to a proposal to recess until Monday noon and vote on the conference report not later than 2 o'clock on Monday?

Mr. COPELAND. Yes. Perhaps we could vote earlier.

Mr. BURKE. One o'clock?

Mr. COPELAND. Suppose we say 1:30 o'clock.

Mr. BARKLEY. I should not be agreeable to that unless it is satisfactory to the Senator from South Carolina, who is in charge of the reorganization bill.

Mr. BYRNES. Mr. President, I think the Senator from New York has the floor. I ask if the Senator will yield to me?

Mr. COPELAND. I yield.

Mr. BYRNES. I ask the Senator from New York if he will agree that the Senate recess until Monday and vote at 1 o'clock on Monday on the conference report, if that is agreeable to the Senator from Montana.

Mr. WHEELER. I should have no objection to that, except that I do not want to be entirely excluded from an opportunity to answer, in a few minutes, anything the Senator from New York may say.

Mr. BYRNES. Mr. President, my understanding is that the Senator from New York does not expect to take any great length of time if he can have until Monday to prepare his case. The Senator from Montana does not want more than 15 minutes, as he originally stated to the Senator from Kentucky.

Mr. BARKLEY. Will the Senator from New York agree that we may vote not later than 1 o'clock on Monday, and that the Senator from Montana may have not to exceed 15 minutes of the time available for debate?

Mr. COPELAND. I think not. If the Senator from Montana is to take up 15 or 20 minutes, I should be willing to have the vote at 1:30. That would allow an hour for me.

Mr. BARKLEY. My request was not for 15 or 20 minutes for the Senator from Montana, but for 15 minutes; so he could not take more than 15 minutes. But the proposal is entirely agreeable to me if it is agreeable to the Senator from South Carolina.

Mr. BYRNES. So far as I am concerned it is entirely agreeable to me if the Senator from New York wants to occupy the time until 1:30.

Mr. BARKLEY. Mr. President, I ask unanimous consent that when the Senate resumes its session on Monday it continue the consideration of the conference report which is now before it; that not later than 1:30 o'clock the Senate shall proceed to vote upon the conference report without further debate; and that the Senator from Montana shall have not to exceed 20 minutes of the time available for debate.

Mr. McNARY. Mr. President, does the request of the Senator from Kentucky imply that there will be no session tomorrow?

Mr. BARKLEY. It implies that there will be no session tomorrow.

The PRESIDING OFFICER. The Senator from Kentucky asks unanimous consent that on Monday the Senate proceed to the consideration of the conference report and vote upon it not later than 1:30, and that the Senator from Montana have 20 minutes of the time available for debate in which to discuss the conference report.

Mr. COPELAND. That is agreeable to me, Mr. President.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDING OFFICER (Mr. McGILL in the chair) laid before the Senate a message from the President of the United States submitting the nomination of Ernest G. Draper, of Connecticut, to be a member of the Board of Governors of the Federal Reserve System for the unexpired portion of the term of 14 years from February 1, 1936, vice Joseph A. Broderick, which was referred to the Committee on Banking and Currency.

(For nomination this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF A COMMITTEE

Mr. McCARRAN, from the Committee on the Judiciary, reported favorably the following nominations:

Robert L. Ailworth to be United States marshal for the eastern district of Virginia; and

Joseph W. Kehoe, of Alaska, to be United States attorney for the third division, district of Alaska.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state, in their order, the nominations on the Executive Calendar, with the exception of the one which it is understood is to be passed over.

THE JUDICIARY

The legislative clerk read the nomination of Bunk Gardner, of Kentucky, to be United States district judge, Canal Zone.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES ATTORNEYS

The legislative clerk read the nomination of Francis J. W. Ford to be United States attorney for the district of Massachusetts.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of J. Howard McGrath to be United States attorney for the district of Rhode Island.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Sterling Hutcheson to be United States attorney for the eastern district of Virginia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Joseph H. Chitwood to be United States attorney for the western district of Virginia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES MARSHALS

The legislative clerk read the nomination of George Vice to be United States marshal for the northern district of California.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Robert E. Clark to be United States marshal for the southern district of California.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of John White Stuart to be United States marshal for the western district of Virginia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That concludes the calendar.

RECESS TO MONDAY

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 5 o'clock and 40 minutes p. m.) the Senate took a recess until Monday, March 14, 1938, at 12 o'clock meridian.

NOMINATION

Executive nomination received by the Senate March 11 (legislative day of January 5), 1938

FEDERAL RESERVE SYSTEM

Ernest G. Draper, of Connecticut, to be a member of the Board of Governors of the Federal Reserve System for the

unexpired portion of the term of 14 years from February 1, 1936, vice Joseph A. Broderick.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 11 (legislative day of January 5), 1938

UNITED STATES DISTRICT JUDGE

Bunk Gardner to be United States district judge of the Canal Zone.

UNITED STATES ATTORNEYS

Francis J. W. Ford to be United States attorney for the district of Massachusetts.

J. Howard McGrath to be United States attorney for the district of Rhode Island.

Sterling Hutcheson to be United States attorney for the eastern district of Virginia.

Joseph H. Chitwood to be United States attorney for the western district of Virginia.

UNITED STATES MARSHALS

George Vice to be United States marshal for the northern district of California.

Robert E. Clark to be United States marshal for the southern district of California.

John White Stuart to be United States marshal for the western district of Virginia.

HOUSE OF REPRESENTATIVES

FRIDAY, MARCH 11, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty and ever-living God, we beseech Thee, out of Thy infinite mercy, to look upon us with divine favor; guide and uphold us by Thy loving care. May we be wise in counsel and in example and altogether worthy to serve our country. We pray that we may not be amiss in judgment, courage, and in perseverance; let us prove our worth in all that we do and say. Heavenly Father, this old world is groaning and travailing in pain. Brotherhood, virtue, and justice are bowing low to the superior power of injustice, cruelty, and godless ambition. May every true, honest heart long to see overthrown man's inhumanity to man which pretends to be government. We pray that the poorest, most ignorant, and the most sorely oppressed may be the concern of every praying soul. Oh, may our own beloved country seek to bind up wounds and not make them; quench the fires of war and not kindle them. Let our hand reach out to minister stern kindness without revenge. Through Christ, the Prince of Peace. Amen.

The Journal of the proceedings of yesterday was read and approved.

REMARKS BEFORE THE HOUSE

Mr. COCHRAN. Mr. Speaker, on Monday I answered the speech of the gentleman from New York [Mr. FISH], especially that part in which he criticized the Democratic administration for passing laws which, he said, had brought about the ruination of business. In so doing I called attention to the advances made by the Monsanto Chemical Co. of St. Louis. I also referred to the president of that company, Mr. Edward M. Queeny, stating, although his company had shown an advance in every year since Mr. Roosevelt became President, he was probably the outstanding critic of the present Democratic administration. I showed by Mr. Queeny's own statement how prosperous this company was, and I likewise stated the comparative consolidated balance sheet showed in 1932, under a Republican administration, working capital of $5,275,671; that it increased from year to year until in 1936, the latest figures available in Moody's Manual of Investments, the working capital was $12,402,538.

I read an article from the St. Louis Star-Times of March 5 showing the healthy condition of the company at the close of business December 31, 1937, which was its best year.

My purpose, Mr. Speaker, was to bring out that despite this great increase in business from year to year during the Democratic administration, still Mr. Queeny was most critical when speaking of the administration and legislation passed by the Congress since 1933.

This morning I received a letter from Mr. Queeny commenting upon my speech, or parts of the speech, which he read in the St. Louis papers. He had not read the entire speech when the letter was written. I sent Mr. Queeny a copy of my speech when the RECORD was available Tuesday. Politically, we can probably be classed as enemies, but personally we are not. He is a very likable gentleman, but I certainly do not agree with his logic, and I have not hesitated from time to time to tell him so.

Mr. Speaker, in fairness to Mr. Queeny—and I do not feel that anyone can say that I do not always try to be fair—I feel that Mr. Queeny's comment on my speech should be placed in the RECORD, and, therefore, I ask permission to insert his letter at this point.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The letter is as follows:

MONSANTO CHEMICAL CO.,
St. Louis, Mo., March 9, 1938.

Hon. JOHN J. COCHRAN,
House of Representatives, Washington, D. C.

DEAR MR. COCHRAN: Local newspapers report that on Monday you stated on the floor of the House:

"When the Securities and Exchange Act was pending Mr. Queeny assured me that if it was passed his company would have to go out of business. When we were considering the 1936 Revenue Act he told me its adoption would force the Monsanto Corporation to close its doors."

As I am sure you intended your remarks to be accurate, and as the intervening years may have clouded the facts and left such an impression with you, allow me to review the facts:

In company with the heads of several St. Louis companies, I told you that the Securities and Exchange Act as it was originally proposed would leave no alternative to delisting our stocks from the exchanges. Due to your efforts and others who were sympathetic with our objections, the proposed act was so greatly modified before passage that the CONGRESSIONAL RECORD reports you stating on April 30, 1934:

"Yesterday I received a telephone message from the man whom I considered chairman of that delegation" (this refers to me) "telling me that they were satisfied with the bill as reported and that they did not think it could be improved upon on the floor of the House."

The following are pertinent paragraphs from my letter written to you on March 5, 1936, while Congress was considering the President's proposed undistributed-profits tax:

"These (undistributed profits tax) proposals turn upside down the fundamentals upon which successful American industry is based, that of plowing back a portion of the earnings in order to make greater profits in the future, provide greater employment and greater usefulness to the Nation.

"Our position is the result of reinvesting for 34 years a part of every year's profits in the business. Our 1936 budget provides for the reinvestment of $2,000,000 of our estimated profits. This amount would purchase machinery and equipment, provide for the temporary employment of the building trades and the permanent employment of additional operating and maintenance men in new production.

"We have always been taught that it is wise to lay aside in good times provisions for a rainy day. These proposals so penalize the accumulation of a corporate surplus as to make it extremely unlikely that anything over absolute needs will be accumulated. Thus in future depressions we would have a multiplication of the usual bankruptcies and unemployment.

"The enactment of these proposals would result in widely fluctuating receipts by the Federal Government. In times of prosperity the taxes would be high because of the large earnings, and in times of depression revenues would shrink to the vanishing point, for there would be no surplus with which to continue dividend payments such as was done in innumerable instances in the past.

"I believe that the enactment of the President's proposals into law would stop the tremendous progress that American industry has made over the past several decades. It would have a deterrent effect on all modernization that is so sorely needed, and so penalize the building of new plant and the expansion of facilities as to make it extremely unlikely that much would proceed. Certainly our own plans would be revised and curtailed. This would aggravate unemployment in the building trades and in the manufacturing of heavy equipment, which trades are now the greatest con-

tributors to current unemployment. It would hinder the expansion of corporate profits which would otherwise supply an increasing base for future Federal revenue.

"I believe it would kill the proverbial goose that lays the golden eggs."

Two years operation of the undistributed-profits tax confirms me in the representation I then made to you.

It is true that viewing 1937 as a whole, and in spite of the tax, our company, in common with most industry, had a successful year. It is true also that in this period American recovery did not attain the real prosperity of England and other foreign nations. It is also true our sales and earnings in the last quarter of 1937 reflected the lack of confidence and curtailed buying that culminated in the current severe depression that has affected such a large part of American industry.

I will appreciate it if you will place a copy of this letter in the CONGRESSIONAL RECORD so that my true attitude on these subjects will be in evidence therein.

With kindest regards, believe me,

Sincerely yours,

EDGAR M. QUEENY, *President*.

P. S.—Although the press have asked me if I have any comment to make on your statement I have not given them copies of this letter.—E. M. Q.

PERMISSION TO ADDRESS THE HOUSE

Mr. SNYDER of Pennsylvania. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. SNYDER of Pennsylvania. Mr. Speaker, the subcommittee of the Committee on Civil Appropriations is now holding hearings on the civil functions of the War Department. Any Member of the House wishing to appear before this committee will please phone the clerk, Mr. Pugh, before Monday, March 14, 1938, at 4 p. m., and an appointment will be made so he can be heard by the committee.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, several days ago the President at one of his press conferences chided the newspapers of the country for not giving more favorable publicity in their reports of the activities of the National Labor Relations Board.

In view of the Board's apparent unfair and one-sided attitude in connection with most of the hearings that have been held in the past 12 months, I can see no reason why more favorable publicity should be expected.

In this connection I desire to call attention to Members of this House to the conduct of the Board in connection with the charges against the Ford Motor Co. branch in St. Louis, Mo. Certainly, if the investigation by the National Labor Relations Board of the charges made in St. Louis is an example of the work of the Board, very little favorable publicity could be expected.

The Board's so-called investigation into charges that the St. Louis branch of the Ford Motor Co. had been guilty of violating the National Labor Relations Act resulted in a complaint being filed charging discrimination against 278 employees for union activities.

In reading a report of the Ford hearing at St. Louis, conducted by Trial Examiner Dudley, I was amazed at my findings.

The report shows that 278 Ford workers were named as complainants.

Three of those named never worked for the Ford Motor Co. at any time.

Two resigned their employment with the Ford Co. in March 1937, long before Local 325 of the U. A. W. A. was organized.

Twenty-one named in the complaint were working for the Ford Co., but declared they did not know charges had been filed in their names.

Forty-five others listed as complainants failed to appear at the hearing to testify as to any discrimination against them.

Twenty-eight of those named as being discriminated against were working in the plant when the strike was called and walked out at that time.

Fifty-eight others who had been notified by Ford officials to return to work when the plant resumed production after a shut-down made necessary by a change of models failed to report for duty.

Four of the complainants were not employed at the time the charges were made because of disability, with compensation cases pending before the Missouri Workmen's Compensation Commission.

Four others had been sent for to return to work as production in the plant was increased, but reported they were afraid to resume their jobs due to threatened labor violence.

Now, Mr. Speaker, this accounts for 195 of the Ford workers, named as complainants, against whom it was impossible for the company to have discriminated, out of a total of 278 listed.

In view of these facts, it is quite apparent that the officers of the National Labor Relations Board in St. Louis were either negligent in their investigation or they were guilty of fraud when they filed the complaint in the names of the 195 men I have listed here.

As further proof that charges were filed without adequate investigation, I refer you to the testimony of one Frank Morris, testifying at the hearing of the charges.

Morris was asked if he had ever talked to anyone connected with the Labor Board about the charges, or if he had given his permission to anyone to use his name as a complainant against the Ford Co. His answer was "No."

Morris was then asked if he had any idea as to why he had been named as a complainant charging the Ford Motor Co. with discrimination against him because of his union membership. His answer was:

The only way I can figure it out, they had a tough time getting me in. They wanted to get me out of the company.

Trial Examiner Dudley then asked:

What do you mean by that?

Answer. They had a tough job getting me to join up with the C. I. O.; they wanted me to—to get me fired with the company. That is the only reason I can figure out.

Trial Examiner Dudley then said:

I don't understand what you mean. I wish you would explain it.

Answer. Well, they had a hard time getting me to sign a C. I. O. card, and on that account they didn't want me working for the company after that.

Question (Trial Examiner Dudley). What has that got to do with your being a complainant?

MORRIS. They filed that to make me look bad with the company, I guess.

Trial Examiner DUDLEY. Do you think they thought the company would fire you when they saw your name in the complaint?

Answer. I imagine that is what they had in mind.

Now, Mr. Speaker, there are others who declared they had never been consulted and had no knowledge that their names had been used by the N. L. R. B. in making the charges.

In my opinion such conduct on the part of an agency of the Federal Government is outrageous. Imagine a group of Federal employees running around the country and indiscriminately using the names of workers to file charges against reputable concerns.

Is there any reason why such an agency should be given more favorable publicity by newspapers?

I could hardly believe my eyes when I read the testimony at the St. Louis hearing. I wish every Member of Congress would obtain a copy and read it. It contains unanswerable evidence that charges made in this House from time to time to the effect that the National Labor Relations Board is biased, prejudiced, and unfair, have not been based on thin air.

I have never before discussed actions of the Labor Board but could not restrain myself after reading the report of the St. Louis examination. I believe if the President and others desire more favorable publicity for the N. L. R. B., that agency of Government should put its house in order.

EXTENSION OF REMARKS

Mr. MOTT and Mr. MILLS asked and were given permission to extend their own remarks in the RECORD.

Mr. OLIVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point and include therein a copy of a resolution recently adopted by the City Council of Portland, Maine. This resolution is addressed to the Congress and refers to Federal assistance for publicly owned airports.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. OLIVER. Mr. Speaker, the resolution referred to is as follows:

IN CITY COUNCIL,
March 7, 1938.

Whereas the city of Portland, Maine, has acquired and developed a municipally owned airport; and

Whereas airports constitute an important unit in transportation in interstate commerce, and also necessary links in a national-defense system; and

Whereas the Federal Government, therefore, as well as the municipality, has an interest in the establishment, development, and maintenance of publicly owned airports: Now, therefore, be it

Resolved by the City Council of the City of Portland in City Council assembled, 1. That this city council urges the Congress of the United States, and particularly the Senators and Representatives in Congress from the State of Maine, that legislation be enacted by Congress to provide and enable Federal financial assistance and cooperation in the establishment, development, and maintenance of publicly owned airports.

2. That copies of this resolution be sent forthwith to Senator PAT MCCARRAN and Congressman CLARENCE F. LEA, and also to Senators WALLACE H. WHITE, Jr., and FREDERICK HALE, and Congressmen JAMES C. OLIVER, CLYDE H. SMITH, and RALPH O. BREWSTER.

Read and adopted, ordered spread on the records, and recommendation adopted.

A true copy of record.

Attest:

A. E. SMITH,
City Clerk, City of Portland, Maine.

PERMISSION TO ADDRESS THE HOUSE

Mr. SHANLEY. Mr. Speaker, I ask unanimous consent that on today after disposition of the business on the Speaker's desk and following the legislative program and any special orders previously entered, I may be permitted to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. TREADWAY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. TREADWAY. Mr. Speaker, I have been asked by a good many Members about the nature of the motion to recommit I expect to make on the revenue bill. I shall make such a motion covering two distinct features—first, repeal of the undistributed-profits tax, and, second, modification of the capital-gains tax. If by vote of the House hereafter the so-called third basket tax should be replaced in the bill, I shall include that in my motion to recommit.

DISTRICT OF COLUMBIA BUSINESS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the business of the Committee on the District of Columbia in order on Monday next may be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALENDAR WEDNESDAY BUSINESS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the business in order on the next Calendar Wednesday may be dispensed with.

Mr. CARLSON. Reserving the right to object, Mr. Speaker, may I ask the majority leader a question? We have dispensed with several Calendar Wednesdays. There are several committees that would like to have the call. I have in mind particularly the Committee on Pensions, which I believe is third in line of call. This committee has on the calendar the bill (H. R. 9285) granting a pension to widows and dependent children of World War veterans, which it would like to have considered by the House. I sincerely hope this practice of dispensing with business in order on Calendar Wednesday will not be continued during the remainder of the session.

Mr. RAYBURN. Frankly, I am making these two requests for the reason that I want the consideration of the bill from the Committee on Naval Affairs to go along without interruption next week.

Mr. CARLSON. I shall not object, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALL OF THE HOUSE

Mr. BOEHNE. Mr. Speaker, I make the point of order a quorum is not present.

The SPEAKER. Evidently, a quorum is not present.

Mr. DOUGHTON. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 33]

Biermann	Drewry, Va.	Martin, Colo.	Stack
Boykin	Faddis	Mitchell, Ill.	Sullivan
Bradley	Fulmer	O'Connell, Mont.	Taylor, Colo.
Cannon, Wis.	Gray, Pa.	O'Connor, Mont.	Taylor, S. C.
Cartwright	Hancock, N. C.	Patrick	Thomas, N. J.
Colden	Harlan	Pettengill	White, Idaho
Cole, Md.	Jenckes, Ind.	Poage	Wilcox
Crowther	Jenks, N. H.	Sabath	
Deen	Long	Sacks	
Douglas	Lucas	Short	

The SPEAKER. Three hundred and ninety-three Members have answered to their names, a quorum.

On motion of Mr. DOUGHTON, further proceedings under the call were dispensed with.

REVENUE BILL OF 1938

The SPEAKER. The unfinished business is the further consideration of the bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes. Upon adjournment yesterday the previous question had been ordered upon the bill and all amendments thereto to final passage. Is a separate vote demanded on any amendment?

Mr. FRED M. VINSON. Mr. Speaker, I request a separate vote on the McCormack amendment striking out title I–B of the bill.

The SPEAKER. Is a separate vote demanded on any other amendment?

Mr. COOPER. Mr. Speaker, I demand a separate vote on the amendment of the gentleman from Illinois [Mr. THOMPSON] levying an excise tax on certain pork products.

The SPEAKER. Is a separate vote demanded on any other amendment?

Mr. MOTT. Mr. Speaker, I demand a separate vote on the committee amendment and the Boileau amendment thereto with respect to subdivision (c) of section 704, the lumber item.

Mr. KENNEDY of New York. Mr. Speaker, I demand a separate vote on the Robertson of Virginia amendment providing an additional tax on distilled spirits.

Mr. BOILEAU. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BOILEAU. Mr. Speaker, the gentleman from Oregon [Mr. MOTT] has asked for a separate vote on a committee amendment and the Boileau amendment thereto to section 704. The gentleman from Oregon obviously is in error, as the Boileau amendment is not an amendment to the committee amendment but a separate amendment to the section.

The SPEAKER. The Chair is advised that the statement made by the gentleman from Wisconsin is correct.

Mr. MOTT. Then, Mr. Speaker, I ask a separate vote on the committee amendment and also on the Boileau amendment.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The Clerk will report the first amendment on which a separate vote has been demanded.

The Clerk read as follows:

Strike out title I–B from line 17 on page 275 to and including line 16 on page 284.

Mr. FRED M. VINSON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 234, nays 153, answered "present" 1, not voting 41, as follows:

[Roll No. 34]

YEAS—234

Aleshire	Dorsey	Kinzer	Reed, Ill.
Allen, Del.	Dowell	Kirwan	Reed, N. Y.
Allen, Ill.	Drew, Pa.	Kitchens	Rees, Kans.
Allen, Pa.	Eaton	Kleberg	Reilly
Anderson, Mo.	Eckert	Kniffin	Rich
Andresen, Minn.	Edmiston	Knutson	Richards
Andrews	Engel	Koppelmann	Robsion, Ky.
Arends	Englebright	Kramer	Rockefeller
Ashbrook	Farley	Lambertson	Rogers, Mass.
Bacon	Ferguson	Lambeth	Rogers, Okla.
Barry	Fish	Lamneck	Rutherford
Barton	Fitzgerald	Lanham	Satterfield
Bates	Flaherty	Larrabee	Sauthoff
Beam	Flannery	Lesinski	Schaefer, Ill.
Beiter	Fleger	Lewis, Colo.	Schneider, Wis.
Bell	Fletcher	Lord	Schuetz
Bigelow	Forand	Luce	Schulte
Bland	Ford, Miss.	Luckey, Nebr.	Secrest
Bloom	Frey, Pa.	Ludlow	Seger
Boehne	Gamble, N. Y.	McAndrews	Shafer, Mich.
Boren	Gambrill, Md.	McCormack	Shanley
Boylan, N. Y.	Gearhart	McGranery	Sheppard
Brewster	Gehrmann	McGrath	Simpson
Brown	Gifford	McGroarty	Smith, Conn.
Bulwinkle	Gilchrist	McLaughlin	Smith, Maine
Burch	Gingery	McLean	Smith, Okla.
Caldwell	Goldsborough	McMillan	Smith, Va.
Carlson	Gray, Ind.	McSweeney	Smith, W. Va.
Carter	Green	Maas	Snell
Case, S. Dak.	Greever	Mahon, S. C.	Spence
Casey, Mass.	Gregory	Mapes	Starnes
Champion	Griswold	Martin, Mass.	Stefan
Church	Guyer	Mason	Sutphin
Citron	Gwynne	May	Sweeney
Clark, Idaho	Haines	Meeks	Swope
Clason	Halleck	Merritt	Taber
Claypool	Hamilton	Mosier, Ohio	Taylor, Tenn.
Cluett	Hancock, N. Y.	Mott	Thurston
Coffee, Nebr.	Harrington	Norton	Tinkham
Cole, N. Y.	Hart	O'Connell, R. I.	Tobey
Collins	Harter	O'Connor, N. Y.	Towey
Connery	Hartley	O'Malley	Treadway
Costello	Healey	O'Neal, Ky.	Umstead
Cox	Hendricks	O'Neill, N. J.	Wadsworth
Cravens	Hennings	Oliver	Wallgren
Crawford	Hobbs	Owen	Walter
Crosby	Hoffman	Pace	Welch
Crosser	Holmes	Parsons	Wene
Culkin	Hope	Patton	West
Daly	Hull	Peterson, Fla.	White, Ohio
Dempsey	Hunter	Peterson, Ga.	Wigglesworth
Dickstein	Imhoff	Phillips	Withrow
Dies	Jarman	Plumley	Wolcott
Dingell	Jarrett	Polk	Wolfenden
Dirksen	Jenckes, Ind.	Powers	Wolverton
Ditter	Jenkins, Ohio	Rabaut	Woodruff
Dixon	Kelly, Ill.	Ramspeck	Woodrum
Dockweiler	Kennedy, Md.	Randolph	
Dondero	Kennedy, N. Y.	Reece, Tenn.	

NAYS—153

Allen, La.	Cooley	Flannagan	Kee
Amlie	Cooper	Ford, Calif.	Keller
Arnold	Creal	Fries, Ill.	Kelly, N. Y.
Atkinson	Crowe	Fuller	Keogh
Bernard	Cullen	Garrett	Kerr
Binderup	Cummings	Gavagan	Kocialkowski
Boileau	Curley	Gildea	Kvale
Boland, Pa.	Delaney	Greenwood	Lanzetta
Boyer	DeMuth	Griffith	Lea
Bradley	DeRouen	Havenner	Leavy
Brooks	Disney	Hildebrandt	Lemke
Buck	Doughton	Hill	Lewis, Md.
Buckler, Minn.	Doxey	Honeyman	Luecke, Mich.
Buckley, N. Y.	Driver	Hook	McClellan
Burdick	Duncan	Izac	McFarlane
Cannon, Mo.	Dunn	Jacobsen	McGehee
Chandler	Eberharter	Johnson, Luther A.	McKeough
Chapman	Eicher	Johnson, Lyndon	McReynolds
Clark, N. C.	Elliott	Johnson, Minn.	Magnuson
Cochran	Evans	Johnson, Okla.	Mahon, Tex.
Coffee, Wash.	Fernandez	Johnson, W. Va.	Maloney
Colmer	Fitzpatrick	Jones	Mansfield
Martin, Colo.	Sadowski	Scott	Tolan
Massingale	Sanders	Scrugham	Transue
Maverick	Patman	Sirovich	Turner
Mead	Patterson	Smith, Wash.	Vincent, B. M.
Mills	Pearson	Snyder, Pa.	Vinson, Fred M.
Mitchell, Tenn.	Pfeifer	Somers, N. Y.	Vinson, Ga.
Moser, Pa.	Pierce	South	Voorhis
Murdock, Ariz.	Poage	Sparkman	Warren
Murdock, Utah	Quinn	Steagall	Wearin
Nelson	Ramsay	Sumners, Tex.	Weaver
Nichols	Rankin	Tarver	Whittington
O'Brien, Mich.	Rayburn	Teigan	Williams
O'Connell, Mont.	Rigney	Terry	Wood
O'Day	Robertson	Thom	Zimmerman
O'Leary	Robinson, Utah	Thomas, Tex.	
O'Toole	Romjue	Thomason, Tex.	
Palmisano	Ryan	Thompson, Ill.	

ANSWERED "PRESENT"—1

Houston

NOT VOTING—41

Barden	Douglas	Michener	Stack
Biermann	Drewry, Va.	Mitchell, Ill.	Sullivan
Boykin	Faddis	Mouton	Taylor, Colo.
Byrne	Fulmer	O'Brien, Ill.	Taylor, S. C.
Cannon, Wis.	Gasque	O'Connor, Mont.	Thomas, N. J.
Cartwright	Gray, Pa.	Patrick	Whelchel
Celler	Hancock, N. C.	Pettengill	White, Idaho
Colden	Harlan	Sabath	Wilcox
Cole, Md.	Jenks, N. H.	Sacks	
Crowther	Long	Shannon	
Deen	Lucas	Short	

So the amendment was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Thomas of New Jersey (for) with Mr. Sullivan (against).
Mr. Pettengill (for) with Mr. Houston (against).
Mr. Short (for) with Mr. Sabath (against).
Mr. Taylor of South Carolina (for) with Mr. Biermann (against).
Mr. Michener (for) with Mr. Byrne (against).

General pairs:

Mr. Drewry of Virginia with Mr. Jenks of New Hampshire.
Mr. White of Idaho with Mr. Douglas.
Mr. Wilcox with Mr. Crowther.
Mr. Gasque with Mr. Barden.
Mr. Cartwright with Mr. Shannon.
Mr. Taylor of Colorado with Mr. Colden.
Mr. O'Brien of Illinois with Mr. Stack.
Mr. McSweeney with Mr. Whelchel.
Mr. Boykin with Mr. Cannon of Wisconsin.
Mr. Fulmer with Mr. Long.
Mr. Hancock of North Carolina with Mr. Mouton.
Mr. Patrick with Mr. Cole of Maryland.
Mr. Deen with Mr. Gray of Pennsylvania.
Mr. Celler with Mr. Mitchell of Illinois.
Mr. Faddis with Mr. Harlan.
Mr. Sacks with Mr. O'Connor of Montana.

Mr. HOUSTON. Mr. Speaker, I have an active pair with the gentleman from Indiana, Mr. PETTENGILL. If the gentleman from Indiana were present, he would vote "yea." I therefore desire to withdraw my vote and answer "present."

The result of the vote was announced as above recorded.

The SPEAKER. The Clerk will report the next amendment on which a separate vote has been demanded, the so-called Thompson amendment.

The Clerk read as follows:

Page 304, after line 18, insert a new section (702½), to read as follows:

"Section 601 (c) of the Revenue Act of 1932, as amended, is further amended by adding at the end thereof the following new paragraphs:

"'(9) Pork, bacon, hams, sides, shoulders, loins, and other pork, including fresh, chilled, frozen, cured or cooked, steamed, prepared, or preserved, 6 cents per pound.

"'(10) Pork joints, sweet pickled, fresh, frozen, or cured, 3 cents per pound.

"'The tax on the articles described in paragraphs (9) and (10) shall apply only with respect to the importation of such articles after 60 days after the date of the enactment of such paragraphs and shall not be subject to the provisions of subsection (b) (4) of section 601 (prohibiting draw-back) or section 629 (relating to expiration of taxes).'"

Mr. COOPER. Mr. Speaker, I ask for the yeas and nays on this amendment.

The yeas and nays were ordered.

The question was taken; and there were—yeas 201, nays 181, answered "present" 1, not voting 46, as follows:

[Roll No. 35]

YEAS—201

Aleshire	Allen, Ill.	Andresen, Minn.	Arends
Allen, Del.	Amlie	Andrews	Arnold

Ashbrook	Farley	Lambertson	Rigney
Bacon	Ferguson	Lamneck	Robinson, Utah
Bates	Fish	Lea	Robsion, Ky.
Beam	Fleger	Leavy	Rockefeller
Bell	Fletcher	Lemke	Rogers, Mass.
Binderup	Forand	Lord	Rogers, Okla.
Bland	Fries, Ill.	Luce	Rutherford
Bolleau	Fuller	Luckey, Nebr.	Ryan
Boren	Gamble, N. Y.	Luecke, Mich.	Satterfield
Boyer	Gearhart	McAndrews	Sauthoff
Brewster	Gehrmann	McGranery	Schaefer, Ill.
Buckler, Minn.	Gifford	McGroarty	Schneider, Wis.
Burdick	Gilchrist	McKeough	Schuetz
Caldwell	Gray, Ind.	McLaughlin	Schulte
Cannon, Mo.	Greever	McLean	Secrest
Carlson	Griffith	Maas	Seger
Carter	Griswold	Maloney	Shafer, Mich.
Case, S. Dak.	Guyer	Mapes	Shannon
Champion	Gwynne	Martin, Colo.	Simpson
Church	Halleck	Martin, Mass.	Smith, Maine
Clark, Idaho	Hamilton	Mason	Smith, Okla.
Clark, N. C.	Hancock, N. Y.	Massingale	Smith, Va.
Clason	Harrington	May	Smith, Wash.
Claypool	Hart	Meeks	Snell
Cluett	Harter	Moser, Pa.	Stefan
Coffee, Nebr.	Hartley	Mosier, Ohio	Sutphin
Coffee, Wash.	Hendricks	Mott	Sweeney
Cole, N. Y.	Hildebrandt	Murdock, Utah	Taber
Collins	Hill	Nelson	Taylor, Tenn.
Connery	Hoffman	Nichols	Teigan
Crawford	Holmes	O'Connor, N. Y.	Thompson, Ill.
Creal	Hope	Oliver	Thurston
Crosby	Houston	O'Malley	Tinkham
Crowe	Hull	O'Neill, N. J.	Tobey
Culkin	Hunter	Pace	Treadway
Cummings	Imhoff	Parsons	Vincent, B. M.
Dempsey	Jarrett	Patterson	Wallgren
DeRouen	Jenckes, Ind.	Peterson, Fla.	Walter
Dirksen	Jenkins, Ohio	Pierce	Wene
Ditter	Johnson, Minn.	Plumley	White, Ohio
Dixon	Johnson, Okla.	Polk	Wigglesworth
Dondero	Keller	Powers	Withrow
Dowell	Kelly, Ill.	Randolph	Wolcott
Eaton	Kinzer	Reece, Tenn.	Wolfenden
Edmiston	Kirwan	Reed, Ill.	Wolverton
Eicher	Kniffin	Reed, N. Y.	Wood
Elliott	Knutson	Rees, Kans.	
Engel	Kramer	Reilly	
Englebright	Kvale	Rich	

NAYS—181

Allen, La.	Drew, Pa.	Kocialkowski	Rankin
Allen, Pa.	Driver	Kopplemann	Rayburn
Anderson, Mo.	Duncan	Lambeth	Richards
Atkinson	Dunn	Lanham	Robertson
Barry	Eberharter	Lanzetta	Romjue
Barton	Eckert	Larrabee	Sadowski
Beiter	Evans	Lesinski	Sanders
Bernard	Fernandez	Lewis, Colo.	Scott
Bigelow	Fitzgerald	Lewis, Md.	Scrugham
Bloom	Fitzpatrick	Ludlow	Shanley
Boehne	Flaherty	McClellan	Sheppard
Boland, Pa.	Flannagan	McFarlane	Sirovich
Boylan, N. Y.	Flannery	McGehee	Smith, Conn.
Bradley	Ford, Calif.	McGrath	Smith, W. Va.
Brooks	Ford, Miss.	McMillan	Snyder, Pa.
Brown	Frey, Pa.	McReynolds	Somers, N. Y.
Buck	Gambrill, Md.	Magnuson	South
Buckley, N. Y.	Garrett	Mahon, S. C.	Sparkman
Bulwinkle	Gavagan	Mahon, Tex.	Spence
Burch	Gildea	Mansfield	Starnes
Casey, Mass.	Gingery	Maverick	Steagall
Celler	Goldsborough	Mead	Sumners, Tex.
Chandler	Green	Merritt	Swope
Chapman	Greenwood	Mills	Tarver
Citron	Gregory	Mitchell, Tenn.	Terry
Cochran	Haines	Murdock, Ariz.	Thom
Colmer	Havenner	Norton	Thomas, Tex.
Cooley	Healey	O'Brien, Mich.	Thomason, Tex.
Cooper	Hennings	O'Connell, Mont.	Tolan
Costello	Honeyman	O'Connell, R. I.	Towey
Cox	Hook	O'Day	Transue
Cravens	Izac	O'Leary	Turner
Crosser	Jacobsen	O'Toole	Umstead
Cullen	Jarman	Owen	Vinson, Fred M.
Curley	Johnson, Luther A.	Palmisano	Vinson, Ga.
Daly	Johnson, Lyndon	Patman	Voorhis
Delaney	Johnson, W. Va.	Patton	Warren
DeMuth	Jones	Pearson	Wearin
Dickstein	Kee	Peterson, Ga.	Weaver
Dies	Kelly, N. Y.	Pfeifer	Whittington
Dingell	Kennedy, Md.	Phillips	Williams
Disney	Kennedy, N. Y.	Poage	Woodrum
Dockweiler	Keogh	Quinn	Zimmerman
Dorsey	Kerr	Rabaut	
Doughton	Kitchens	Ramsay	
Doxey	Kleberg	Ramspeck	

ANSWERED "PRESENT"—1

McCormack

NOT VOTING—46

Barden	Faddis	Mitchell, Ill.	Taylor, Colo.
Biermann	Fulmer	Mouton	Taylor, S. C.
Boykin	Gasque	O'Brien, Ill.	Thomas, N. J.
Byrne	Gray, Pa.	O'Connor, Mont.	Wadsworth
Cannon, Wis.	Hancock, N. C.	O'Neal, Ky.	Welch
Cartwright	Harlan	Patrick	West
Colden	Hobbs	Pettengill	Whelchel
Cole, Md.	Jenks, N. H.	Sabath	White, Idaho
Crowther	Long	Sacks	Wilcox
Deen	Lucas	Short	Woodruff
Douglas	McSweeney	Stack	
Drewry, Va.	Michener	Sullivan	

So the amendment was agreed to.

The Clerk announced the following additional pairs:

On this vote:

Mr. Short (for) with Mr. McCormack (against).
Mr. Thomas of New Jersey (for) with Mr. Sullivan (against).
Mr. Michener (for) with Mr. Byrne (against).

General pairs:

Mr. Drewry of Virginia with Mr. Jenks of New Hampshire.
Mr. White of Idaho with Mr. Douglas.
Mr. Wilcox with Mr. Crowther.
Mr. Hobbs with Mr. Wadsworth.
Mr. O'Neal of Kentucky with Mr. Woodruff.
Mr. West with Mr. Welch.
Mr. Gasque with Mr. Barden.
Mr. Taylor of Colorado with Mr. Colden.
Mr. O'Brien of Illinois with Mr. Stack.
Mr. McSweeney with Mr. Whelchel.
Mr. Boykin with Mr. Cannon of Wisconsin.
Mr. Fulmer with Mr. Long.
Mr. Hancock of North Carolina with Mr. Mouton.
Mr. Patrick with Mr. Cole of Maryland.
Mr. Deen with Mr. Gray of Pennsylvania.
Mr. Faddis with Mr. Harlan.
Mr. Sacks with Mr. O'Connor of Montana.
Mr. Sabath with Mr. Biermann.
Mr. Cartwright with Mr. Taylor of South Carolina.
Mr. Pettengill with Mr. Mitchell of Illinois.

Mr. McCORMACK. Mr. Speaker, I voted "no." On this vote I am paired with the gentleman from Missouri, Mr. SHORT. If he were here, he would vote "aye." I withdraw my vote of "no" and answer "present."

Mr. BEITER changed his vote from "aye" to "no."

Mr. ANDERSON of Missouri changed his vote from "aye" to "no."

Mr. COCHRAN changed his vote from "aye" to "no."

The result of the vote was announced as above recorded.

Mr. WOODRUFF. Mr. Speaker, I was unavoidably detained from the Chamber during the vote just taken. Had I been present, I would have voted "aye."

The SPEAKER. The Clerk will report the next amendment on which a separate vote is demanded.

The Clerk read as follows:

Page 305, line 22, after the comma following the parentheses, insert "Engelmann spruce."

The SPEAKER. The question is on agreeing to the amendment.

Mr. MOTT. Mr. Speaker, on that I demand the yeas and nays.

The SPEAKER. The gentleman from Oregon demands the yeas and nays. As many as favor taking the vote by the yeas and nays will rise and stand until counted. [After counting.] Forty-seven Members have risen, not a sufficient number, and the yeas and nays are refused.

Mr. MOTT. Mr. Speaker, I ask for a division on this vote.

The House divided; and there were—ayes 110, noes 107.

Mr. MOTT. Mr. Speaker, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. FRED M. VINSON and Mr. MOTT to act as tellers.

The House again divided; and the tellers reported—ayes 135, noes 96.

So the amendment was agreed to.

The SPEAKER. The Clerk will report the next amendment, on which a separate vote is demanded.

The Clerk read as follows:

Committee amendment: Page 305, lines 22 and 23, strike out "grown in Manitoba, Saskatchewan, or Alberta."

The SPEAKER. The question is on agreeing to the amendment.

The question was taken; and on a division (demanded by Mr. MOTT) there were—ayes 195, noes 56.

So the amendment was agreed to.

The SPEAKER. The Clerk will report the next amendment on which a separate vote is demanded.

The Clerk read as follows:

Amendment offered by Mr. ROBERTSON: Page 309, after line 7, insert the following:

"SEC. 711. Tax on distilled spirits, subsection (a), section 600 (a), of the Revenue Act of 1918, as amended, is amended by inserting at the end thereof the following:

"'(5) On and after July 1, 1938, $2.25 on each proof gallon or wine gallon, when below proof, and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon.'

"(B) Section 600 (a) (4) of such act is amended by inserting, after 1934, the following: 'and prior to July 1, 1938.'

"(C) Section 600 (c) of said act as amended is amended by striking out '$2 per wine gallon' and inserting in lieu thereof '$2.25 per wine gallon.'

"(D) Section 4 of the Liquor Taxing Act of 1934 is amended by striking out '$2' and inserting in lieu thereof '$2.25.'

"(E) The amendments made by this section shall not apply to brandy, and the rates of the tax applicable to such brandy shall be the rates applicable without regard to such amendments."

The SPEAKER. The question is on the amendment.

Mr. KENNEDY of New York. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 290, nays 96, not voting 43, as follows:

[Roll No. 36]

YEAS—290

Aleshire	Dickstein	Hobbs	Meeks
Allen, Del.	Dies	Honeyman	Merritt
Allen, Ill.	Disney	Hook	Mills
Allen, La.	Ditter	Hope	Mitchell, Tenn.
Allen, Pa.	Dockweiler	Houston	Moser, Pa.
Andrews	Dondero	Hull	Mosier, Ohio
Arends	Dorsey	Imhoff	Mott
Arnold	Doughton	Izac	Murdock, Ariz.
Ashbrook	Dowell	Jarman	Murdock, Utah
Atkinson	Doxey	Jarrett	Nelson
Bacon	Drew, Pa.	Jenckes, Ind.	Nichols
Barton	Driver	Jenkins, Ohio	O'Brien, Mich.
Bates	Duncan	Johnson, Luther A.	O'Connell, Mont.
Bell	Eaton	Johnson, Lyndon	O'Connell, R. I.
Bernard	Eberharter	Johnson, Minn.	O'Connor, N. Y.
Binderup	Eckert	Johnson, Okla.	O'Day
Bland	Edmiston	Johnson, W. Va.	O'Malley
Bolleau	Elliott	Jones	Owen
Boren	Engel	Kee	Pace
Boyer	Farley	Keller	Parsons
Bradley	Ferguson	Kerr	Patman
Brewster	Fish	Kinzer	Patterson
Brooks	Fitzgerald	Kitchens	Patton
Brown	Flaherty	Kleberg	Pearson
Buck	Flannagan	Kniffin	Peterson, Fla.
Buckler, Minn.	Flannery	Kopplemann	Peterson, Ga.
Bulwinkle	Fletcher	Kramer	Phillips
Burch	Forand	Kvale	Pierce
Caldwell	Ford, Calif.	Lambertson	Plumley
Cannon, Mo.	Ford, Miss.	Lambeth	Poage
Carlson	Frey, Pa.	Lamneck	Polk
Case, S. Dak.	Fries, Ill.	Lanham	Quinn
Casey, Mass.	Fuller	Lea	Ramsay
Chandler	Gamble, N. Y.	Leavy	Ramspeck
Church	Garrett	Lemke	Randolph
Citron	Gearhart	Lewis, Colo.	Rankin
Clark, Idaho	Gehrmann	Lord	Rayburn
Clark, N. C.	Gifford	Luce	Reece, Tenn.
Claypool	Gilchrist	Luckey, Nebr.	Reed, Ill.
Cluett	Gingery	Ludlow	Reed, N. Y.
Cochran	Goldsborough	Luecke, Mich.	Rees, Kans.
Coffee, Nebr.	Gray, Ind.	McClellan	Reilly
Coffee, Wash.	Green	McCormack	Rich
Cole, N. Y.	Greenwood	McFarlane	Richards
Collins	Greever	McGehee	Rigney
Colmer	Gregory	McGrath	Robertson
Connery	Griffith	McGroarty	Robinson, Utah
Cooley	Griswold	McLaughlin	Robsion, Ky.
Cooper	Guyer	McMillan	Rockefeller
Costello	Gwynne	McReynolds	Rogers, Mass.
Cox	Haines	McSweeney	Rogers, Okla.
Cravens	Halleck	Mahon, S. C.	Romjue
Crawford	Hamilton	Mahon, Tex.	Rutherford
Crosby	Hancock, N. Y.	Maloney	Sanders
Culkin	Harrington	Mapes	Satterfield
Cummings	Harter	Martin, Colo.	Sauthoff
Dempsey	Healey	Mason	Schaefer, Ill.
DeMuth	Hendricks	Massingale	Schneider, Wis.
DeRouen	Hill	Maverick	Schuetz
Schulte	Snyder, Pa.	Thomas, Tex.	Weaver
Scott	South	Thomason, Tex.	West
Scrugham	Sparkman	Thurston	White, Ohio
Secrest	Starnes	Tobey	Whittington
Shafer, Mich.	Steagall	Transue	Williams
Sheppard	Stefan	Treadway	Withrow
Simpson	Sumners, Tex.	Turner	Wolcott
Smith, Conn.	Sutphin	Umstead	Wolfenden
Smith, Maine	Swope	Vinson, Fred M.	Wood
Smith, Okla.	Taber	Voorhis	Woodruff
Smith, Va.	Tarver	Wadsworth	Woodrum
Smith, Wash.	Taylor, Tenn.	Wallgren	Zimmerman
Smith, W. Va.	Terry	Walter	
Snell	Thom	Warren	

NAYS—96

Amlie	Dirksen	Keogh	Pfeifer
Anderson, Mo.	Dixon	Kirwan	Powers
Andresen, Minn.	Dunn	Knutson	Rabaut
Barry	Eicher	Kocialkowski	Ryan
Beam	Englebright	Lanzetta	Sadowski
Beiter	Evans	Larrabee	Seger
Bigelow	Fernandez	Lesinski	Shanley
Bloom	Fitzpatrick	Lewis, Md.	Shannon
Boehne	Fleger	McAndrews	Sirovich
Boylan, N. Y.	Gambrill, Md.	McKeough	Somers, N. Y.
Buckley, N. Y.	Gavagan	McLean	Spence
Burdick	Gildea	Maas	Sweeney
Carter	Hart	Magnuson	Teigan
Celler	Hartley	Mansfield	Thompson, Ill.
Champion	Havenner	Martin, Mass.	Tinkham
Chapman	Hennings	May	Tolan
Clason	Hildebrandt	Mead	Towey
Crosser	Holmes	Norton	Vincent, B. M.
Crowe	Hunter	O'Leary	Vinson, Ga.
Cullen	Jacobsen	Oliver	Wearin
Curley	Kelly, Ill.	O'Neal, Ky.	Welch
Daly	Kelly, N. Y.	O'Neill, N. J.	Wene
Delaney	Kennedy, Md.	O'Toole	Wigglesworth
Dingell	Kennedy, N. Y.	Palmisano	Wolverton

NOT VOTING—43

Barden	Deen	Long	Sacks
Biermann	Douglas	Lucas	Short
Boland, Pa.	Drewry, Va.	McGranery	Stack
Boykin	Faddis	Michener	Sullivan
Byrne	Fulmer	Mitchell, Ill.	Taylor, Colo.
Cannon, Wis.	Gasque	Mouton	Taylor, S. C.
Cartwright	Gray, Pa.	O'Brien, Ill.	Thomas, N. J.
Colden	Hancock, N. C.	O'Connor, Mont.	Wheichel
Cole, Md.	Harlan	Patrick	White, Idaho
Creal	Hoffman	Pettengill	Wilcox
Crowther	Jenks, N. H.	Sabath	

So the amendment was agreed to.

The Clerk announced the following additional pairs:

On this vote:

Mr. Michener (for) with Mr. Sullivan (against).
Mr. Short (for) with Mr. Byrne (against).

Until further notice:

Mr. Drewry of Virginia with Mr. Jenks of New Hampshire.
Mr. White of Idaho with Mr. Douglas.
Mr. Wilcox with Mr. Crowther.
Mr. Boland of Pennsylvania with Mr. Thomas of New Jersey.
Mr. Creal with Mr. Hoffman.
Mr. McGranery with Mr. Gasque.
Mr. Taylor of Colorado with Mr. Colden.
Mr. O'Brien of Illinois with Mr. Stack.
Mr. Boykin with Mr. Cannon of Wisconsin.
Mr. Fulmer with Mr. Long.
Mr. Hancock of North Carolina with Mr. Mouton.
Mr. Patrick with Mr. Cole of Maryland.
Mr. Deen with Mr. Gray of Pennsylvania.
Mr. Faddis with Mr. Harlan.
Mr. Sacks with Mr. O'Connor of Montana.
Mr. Sabath with Mr. Biermann.
Mr. Cartwright with Mr. Taylor of South Carolina.
Mr. Pettengill with Mr. Mitchell of Illinois.
Mr. Barden with Mr. Wheichel.

Mr. BARRY changed his vote from "yea" to "nay."

Mr. HOOK changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the amended bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that in engrossing the bill H. R. 9682, the Revenue Act of 1938, the Clerk of the House be authorized to make such technical changes in title I and title I–A as are necessary on account of the striking out of title I–B.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER. The question is on the passage of the bill.

Mr. TREADWAY. Mr. Speaker, I offer a motion to recommit, and on that I ask for the yeas and nays.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. TREADWAY. I am.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Motion to recommit offered by Mr. TREADWAY: I move to recommit the bill H. R. 9682 to the Committee on Ways and Means, with instructions to report the same back to the House forthwith with the following amendments:

Strike out all of pages 15, 16, 17, 18, 19, and 20, and lines 1 to 10, inclusive, on page 21, and insert in lieu thereof the following:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the adjusted net income (minus the sum of the credit for dividends received provided in sec. 26 (b) and the credit for the net operating losses for the preceding taxable year provided in sec. 26 (c)) of every corporation a tax as follows:

"Upon adjusted net incomes not in excess of $5,000, 12½ percent.

"$625 upon adjusted net incomes of $5,000 and upon adjusted net incomes in excess of $5,000 and not in excess of $25,000, 14 percent in addition of such excess.

"$3,425 upon adjusted net incomes of $25,000, and upon adjusted net incomes in excess of $25,000, 16 percent in addition of such excess.

"(c) Exempt corporations: For corporations exempt from taxation under this title, see, section 101.

"(d) Tax on personal holding companies: For surtax on personal holding companies, see title I-A.

"(e) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102."

Strike out lines 12 and 13, on page 131, and insert in lieu thereof the following: "be the partial tax plus either—

"40 percent of the net long-term capital gain; or

"12½ percent of the net long-term capital gain computed (despite the provisions of subsec. (b)) by taking into account 100 percent of the recognized gain or loss realized within the taxable year from sales or exchanges of capital assets held for more than 1 year, whichever is the lesser."

Mr. COOPER. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. TREADWAY. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 94, nays 291, not voting 44, as follows:

[Roll No. 37]

YEAS—94

Allen, Ill.	Dowell	Lambertson	Seger
Andresen, Minn.	Eaton	Lord	Shafer, Mich.
Andrews	Engel	Luce	Simpson
Arends	Englebright	Ludlow	Smith, Maine
Bacon	Fish	McLean	Snell
Barton	Fleger	Maas	Sutphin
Bates	Gamble, N. Y.	Mapes	Sweeney
Beiter	Gearhart	Martin, Mass.	Taber
Bradley	Gifford	Mason	Taylor, Tenn.
Brewster	Gilchrist	Mott	Thurston
Carlson	Guyer	Oliver	Tinkham
Carter	Gwynne	Phillips	Tobey
Case, S. Dak.	Halleck	Plumley	Towey
Celler	Hancock, N. Y.	Powers	Treadway
Church	Hartley	Reece, Tenn.	Wadsworth
Clason	Hoffman	Reed, Ill.	Wene
Cluett	Holmes	Reed, N. Y.	White, Ohio
Cole, N. Y.	Hope	Rees, Kans.	Wigglesworth
Costello	Hunter	Rich	Wolcott
Crawford	Jarrett	Robsion, Ky.	Wolfenden
Culkin	Jenkins, Ohio	Rockefeller	Wolverton
Dirksen	Kennedy, N. Y.	Rogers, Mass.	Woodruff
Ditter	Kinzer	Rutherford	
Dondero	Knutson	Secrest	

NAYS—291

Aleshire	Binderup	Buckley, N. Y.	Claypool
Allen, La.	Bland	Bulwinkle	Cochran
Allen, Pa.	Bloom	Burch	Coffee, Nebr.
Amlie	Boehne	Burdick	Coffee, Wash.
Anderson, Mo.	Boileau	Caldwell	Collins
Arnold	Boland, Pa.	Cannon, Mo.	Colmer
Ashbrook	Boren	Casey, Mass.	Connery
Atkinson	Boyer	Champion	Cooley
Barry	Boylan, N. Y.	Chandler	Cooper
Beam	Brooks	Chapman	Cox
Bell	Brown	Citron	Cravens
Bernard	Buck	Clark, Idaho	Creal
Bigelow	Buckler, Minn.	Clark, N. C.	Crosby
Crosser	Harrington	McMillan	Romjue
Crowe	Hart	McReynolds	Ryan
Cullen	Harter	McSweeney	Sadowski
Cummings	Havenner	Magnuson	Sanders
Curley	Healey	Mahon, S. C.	Satterfield
Daly	Hendricks	Mahon, Tex.	Sauthoff
Delaney	Hennings	Maloney	Schaefer, Ill.
Dempsey	Hildebrandt	Mansfield	Schneider, Wis.
DeMuth	Hill	Martin, Colo.	Schuetz
DeRouen	Hobbs	Massingale	Schulte
Dickstein	Honeyman	Maverick	Scott
Dies	Hook	May	Scrugham
Dingell	Houston	Mead	Shanley
Disney	Hull	Meeks	Shannon
Dixon	Imhoff	Merritt	Sheppard
Dockweiler	Izac	Mills	Sirovich
Dorsey	Jacobsen	Mitchell, Tenn.	Smith, Conn.
Doughton	Jarman	Moser, Pa.	Smith, Okla.
Doxey	Jenckes, Ind.	Mosier, Ohio	Smith, Va.
Drew, Pa.	Johnson, Luther A.	Murdock, Ariz.	Smith, Wash.
Driver	Johnson, Lyndon	Murdock, Utah	Smith, W. Va.
Duncan	Johnson, Minn.	Nelson	Snyder, Pa.
Dunn	Johnson, Okla.	Nichols	Somers, N. Y.
Eberharter	Johnson, W. Va.	Norton	South
Eckert	Jones	O'Brien, Mich.	Sparkman
Edmiston	Kee	O'Connell, Mont.	Spence
Eicher	Kelly, Ill.	O'Connell, R. I.	Starnes
Elliott	Kelly, N. Y.	O'Day	Steagall
Evans	Kennedy, Md.	O'Leary	Stefan
Farley	Keogh	O'Malley	Sumners, Tex.
Ferguson	Kerr	O'Neal, Ky.	Swope
Fernandez	Kirwan	O'Neill, N. J.	Tarver
Fitzgerald	Kitchens	O'Toole	Teigan
Fitzpatrick	Kleberg	Owen	Terry
Flaherty	Kniffin	Pace	Thom
Flannagan	Kocialkowski	Palmisano	Thomas, Tex.
Flannery	Kramer	Parsons	Thomason, Tex.
Fletcher	Kvale	Patman	Thompson, Ill.
Forand	Lambeth	Patterson	Tolan
Ford, Calif.	Lamneck	Patton	Transue
Ford, Miss.	Lanham	Pearson	Turner
Frey, Pa.	Lanzetta	Peterson, Fla.	Umstead
Fries, Ill.	Larrabee	Peterson, Ga.	Vincent, B. M.
Fuller	Lea	Pfeifer	Vinson, Fred M.
Gambrill, Md.	Leavy	Pierce	Vinson, Ga.
Garrett	Lemke	Poage	Voorhis
Gavagan	Lesinski	Polk	Wallgren
Gehrmann	Lewis, Colo.	Quinn	Walter
Gildea	Lewis, Md.	Rabaut	Warren
Gingery	Luckey, Nebr.	Ramsay	Wearin
Goldsborough	Luecke, Mich.	Ramspeck	Weaver
Gray, Ind.	McAndrews	Randolph	Welch
Green	McClellan	Rankin	West
Greenwood	McCormack	Rayburn	Whittington
Greever	McFarlane	Reilly	Williams
Gregory	McGehee	Richards	Withrow
Griffith	McGrath	Rigney	Wood
Griswold	McGroarty	Robertson	Woodrum
Haines	McKeough	Robinson, Utah	Zimmerman
Hamilton	McLaughlin	Rogers, Okla.	

NOT VOTING—44

Allen, Del.	Douglas	Long	Sabath
Barden	Drewry, Va.	Lucas	Sacks
Biermann	Faddis	McGranery	Short
Boykin	Fulmer	Michener	Stack
Byrne	Gasque	Mitchell, Ill.	Sullivan
Cannon, Wis.	Gray, Pa.	Mouton	Taylor, Colo.
Cartwright	Hancock, N. C.	O'Brien, Ill.	Taylor, S. C.
Colden	Harlan	O'Connor, Mont.	Thomas, N. J.
Cole, Md.	Jenks, N. H.	O'Connor, N. Y.	Whelchel
Crowther	Keller	Patrick	White, Idaho
Deen	Kopplemann	Pettengill	Wilcox

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Thomas of New Jersey (for) with Mr. Sullivan (against).
Mr. Michener (for) with Mr. Barden (against).
Mr. Short (for) with Mr. Sabath (against).
Mr. Douglas (for) with Mr. Taylor of South Carolina (against).
Mr. Jenks of New Hampshire (for) with Mr. Byrne (against).
Mr. Crowther (for) with Mr. Hancock of North Carolina (against).

Until further notice:

Mr. Drewry of Virginia with Mr. Faddis.
Mr. Taylor of Colorado with Mr. Colden.
Mr. McGrannery with Mr. Gasque.
Mr. O'Brien of Illinois with Mr. Stack.
Mr. Boykin with Mr. Cannon of Wisconsin.
Mr. Fulmer with Mr. Long.
Mr. Patrick with Mr. Cole of Maryland.
Mr. Deen with Mr. Gray of Pennsylvania.
Mr. Sachs with Mr. O'Connor of Montana.
Mr. Cartwright with Mr. White of Idaho.
Mr. Pettengill with Mr. Mitchell of Illinois.
Mr. O'Connor of New York with Mr. Keller.
Mr. Whelchel with Mr. Biermann.
Mr. Harlan with Mr. Kopplemann.
Mr. Mouton with Mr. Wilcox.

Mr. O'CONNOR of New York. Mr. Speaker, I was not present when my name was called. If I had been present, I would have voted "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. FRED M. VINSON and Mr. TREADWAY demanded the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 293, nays 97, answered "present" 1, not voting 38, as follows:

[Roll No. 38]

YEAS—293

Aleshire	Driver	Kleberg	Quinn
Allen, Del.	Duncan	Kniffin	Rabaut
Allen, La.	Dunn	Kocialkowski	Ramsay
Allen, Pa.	Eberharter	Kopplemann	Ramspeck
Anderson, Mo.	Eckert	Kramer	Randolph
Andresen, Minn.	Edmiston	Kvale	Rankin
Arnold	Elliott	Lambeth	Rayburn
Ashbrook	Evans	Lamneck	Reilly
Atkinson	Farley	Lanham	Richards
Barry	Ferguson	Lanzetta	Rigney
Beam	Fernandez	Larrabee	Robertson
Beiter	Fitzgerald	Lea	Robinson, Utah
Bell	Fitzpatrick	Leavy	Rogers, Okla.
Bigelow	Flaherty	Lesinski	Romjue
Binderup	Flannagan	Lewis, Colo.	Ryan
Bland	Flannery	Luckey, Nebr.	Sadowski
Bloom	Fleger	Ludlow	Sanders
Boehne	Fletcher	Luecke, Mich.	Satterfield
Boileau	Forand	McAndrews	Schaefer, Ill.
Boland, Pa.	Ford, Calif.	McClellan	Schuetz
Boren	Ford, Miss.	McCormack	Schulte
Boyer	Frey, Pa.	McGehee	Scott
Boylan, N. Y.	Fries, Ill.	McGranery	Scrugham
Brooks	Fuller	McGrath	Secrest
Brown	Gambrill, Md.	McGroarty	Shanley
Buck	Garrett	McKeough	Shannon
Buckley, N. Y.	Gasque	McLaughlin	Sheppard
Bulwinkle	Gavagan	McMillan	Sirovich
Burch	Gilchrist	McReynolds	Smith, Conn.
Caldwell	Gildea	McSweeney	Smith, Okla.
Cannon, Mo.	Gingery	Magnuson	Smith, Va.
Casey, Mass.	Goldsborough	Mahon, S. C.	Smith, Wash.
Celler	Gray, Ind.	Mahon, Tex.	Smith, W. Va.
Champion	Green	Maloney	Snyder, Pa.
Chandler	Greenwood	Mansfield	Somers, N. Y.
Chapman	Greever	Martin, Colo.	South
Citron	Gregory	Massingale	Sparkman
Clark, Idaho	Griffith	May	Spence
Clark, N. C.	Griswold	Mead	Starnes
Claypool	Haines	Meeks	Steagall
Cochran	Hamilton	Merritt	Stefan
Coffee, Nebr.	Harrington	Mills	Sumners, Tex.
Coffee, Wash.	Hart	Mitchell, Tenn.	Sutphin
Collins	Harter	Moser, Pa.	Sweeney
Colmer	Havenner	Mosier, Ohio	Swope
Connery	Healey	Mouton	Tarver
Cooley	Hendricks	Murdock, Ariz.	Terry
Cooper	Hennings	Murdock, Utah	Thom
Costello	Hildebrandt	Nelson	Thomas, Tex.
Cox	Hill	Nichols	Thomason, Tex.
Cravens	Hobbs	Norton	Thompson, Ill.
Creal	Honeyman	O'Brien, Mich.	Thurston
Crosby	Hook	O'Connell, R. I.	Tolan
Crosser	Houston	O'Connor, N. Y.	Transue
Crowe	Hunter	O'Day	Turner
Cullen	Imhoff	O'Leary	Umstead
Cummings	Izac	O'Neal, Ky.	Vincent, B. M.
Curley	Jarman	O'Neill, N. J.	Vinson, Fred M.
Daly	Jenckes, Ind.	O'Toole	Vinson, Ga.
Delaney	Johnson, Luther A.	Owen	Wallgren
Dempsey	Johnson, Lyndon	Pace	Walter
DeMuth	Johnson, Minn.	Palmisano	Warren
DeRouen	Johnson, Okla.	Parsons	Weaver
Dickstein	Johnson, W. Va.	Patman	Welch
Dies	Jones	Patterson	Wene
Dingell	Kee	Patton	West
Disney	Keller	Pearson	Whittington
Dixon	Kelly, Ill.	Peterson, Fla.	Williams
Dockweiler	Kelly, N. Y.	Peterson, Ga.	Wood
Dorsey	Kennedy, Md.	Pfeifer	Woodrum
Doughton	Keogh	Phillips	Zimmerman
Dowell	Kerr	Pierce	
Doxey	Kirwan	Poage	
Drew, Pa.	Kitchens	Polk	

NAYS—97

Allen, Ill.	Bradley	Clason	Eaton
Amlie	Brewster	Cluett	Elcher
Andrews	Buckler, Minn.	Cole, N. Y.	Engel
Arends	Burdick	Crawford	Englebright
Bacon	Carlson	Culkin	Fish
Barton	Carter	Dirksen	Gamble, N. Y.
Bates	Case, S. Dak.	Ditter	Gearhart
Bernard	Church	Dondero	Gehrmann
Gifford	Lord	Reed, N. Y.	Tinkham
Guyer	Luce	Rees, Kans.	Tobey
Gwynne	McFarlane	Rich	Towey
Halleck	McLean	Robsion, Ky.	Treadway
Hancock, N. Y.	Maas	Rockefeller	Voorhis
Hartley	Mapes	Rogers, Mass.	Wadsworth
Hoffman	Martin, Mass.	Rutherford	Wearin
Holmes	Mason	Sauthoff	White, Ohio
Hope	Maverick	Schneider, Wis.	Wigglesworth
Hull	Mott	Seger	Withrow
Jacobsen	O'Connell, Mont.	Shafer, Mich.	Wolcott
Jarrett	Oliver	Simpson	Wolfenden
Jenkins, Ohio	O'Malley	Smith, Maine	Wolverton
Kennedy, N. Y.	Plumley	Snell	Woodruff
Kinzer	Powers	Taber	
Lambertson	Reece, Tenn.	Taylor, Tenn.	
Lemke	Reed, Ill.	Teigan	

ANSWERED "PRESENT"—1

Knutson

NOT VOTING—38

Barden	Douglas	Lucas	Stack
Biermann	Drewry, Va.	Michener	Sullivan
Boykin	Faddis	Mitchell, Ill.	Taylor, Colo.
Byrne	Fulmer	O'Brien, Ill.	Taylor, S. C.
Cannon, Wis.	Gray, Pa.	O'Connor, Mont.	Thomas, N. J.
Cartwright	Hancock, N. C.	Patrick	Whelchel
Colden	Harlan	Pettengill	White, Idaho
Cole, Md.	Jenks, N. H.	Sabath	Wilcox
Crowther	Lewis, Md.	Sacks	
Deen	Long	Short	

So the bill was passed.

The Clerk announced the following pairs:

On the vote:

Mr. Sullivan (for) with Mr. Thomas of New Jersey (against).
Mr. Sabath (for) with Mr. Short (against).
Mr. Barden (for) with Mr. Michener (against).
Mr. Taylor of South Carolina (for) with Mr. Douglas (against).
Mr. Byrne (for) with Mr. Jenks of New Hampshire (against).
Mr. Hancock of North Carolina (for) with Mr. Crowther (against).

General pairs:

Mr. Drewry of Virginia with Mr. Faddis.
Mr. Taylor of Colorado with Mr. Colden.
Mr. O'Brien of Illinois with Mr. Stack.
Mr. Boykin with Mr. Cannon of Wisconsin.
Mr. Fulmer with Mr. Long.
Mr. Patrick with Mr. Cole of Maryland.
Mr. Deen with Mr. Gray of Pennsylvania.
Mr. Pettengill with Mr. Mitchell of Illinois.
Mr. Sacks with Mr. O'Connor of Montana.
Mr. Cartwright with Mr. White of Idaho.
Mr. Whelchel with Mr. Biermann.
Mr. Harlan with Mr. Wilcox.

The result of the vote was announced as above recorded.

On motion of Mr. COOPER, a motion to reconsider was laid on the table.

COMMITTEE ON RIVERS AND HARBORS

Mr. MANSFIELD. Mr. Speaker, on August 11 the Committee on Rivers and Harbors submitted a report on the bill (S. 2650) to authorize the completion, maintenance, and operation of the Fort Peck project for navigation, and for other purposes. This bill has never been called up for consideration. I ask unanimous consent to submit a supplemental report on the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

REVENUE BILL OF 1938

Mr. HOBBS. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. HOBBS. Mr. Speaker, on the roll-call vote on the so-called Thompson pork amendment I was unavoidably detained, being called to one of the departments on official business. Had I been here, I would have voted "nay."

Mr. HAINES. Mr. Speaker, my colleague the gentleman from Pennsylvania, Mr. GRAY, was called away on account of official business today, and has asked me to say to the House that had he been present he would have voted "yea" on the so-called McCormack amendment, "nay" on the motion to recommit the bill, and "yea" on the final passage of the bill.

EXTENSION OF REMARKS

Mr. BOREN and Mr. HILDEBRANDT asked and were given permission to extend their own remarks in the RECORD.

Mr. GRAY of Indiana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. SCOTT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and include therein a report from the United States Army engineers on flood conditions in southern California.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. SCHNEIDER of Wisconsin. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the bill just passed, and include therein two letters bearing on the subject.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOFFMAN. Mr. Speaker, in these days when unemployment is increasing, while the Congress continues to vote additional sums for relief and Government activities, and while we are considering measures to extract from the pockets of the taxpayers the necessary funds, it is well that the House should realize what is happening in industry.

So that you may have first-hand information in one instance at least, let me read you the following telegrams and letters received by me:

ILION, N. Y., *March 9, 1938.*

Thousands of Remington Rand workers face loss of jobs. United States circuit court allowed us to petition National Labor Relations Board for hearing. Hearing refused by Board. Wagner Act penalizes workers. Please help us keep our jobs by compelling Board to hear our side. Immediate action imperative.

REMINGTON RAND EMPLOYEES ASSOCIATION,
REGINALD BOOT, *Secretary.*

MIDDLETOWN, CONN., *March 9, 1938.*

Present employees, numbering 6,000, Remington Rand workers, refused hearing by Labor Board. Our story never heard, not wanted. Took jobs in good faith left vacant by others. Reinstatement of strikers means economic ruin to us. Unfairness of Wagner Act making Fascists of honest workers. Immediate action necessary; your assistance imperative to combat order of Russian court.

ELMER PETERSON,
Chairman, Remington Rand Employees Association.

MIDDLETOWN, CONN., *March 9, 1938.*

You have received the following telegram from me:

"Present employees, numbering 6,000, Remington Rand workers, refused hearing by Labor Board. Our story never heard; not wanted. Took jobs in good faith left vacant by others. Reinstatement of strikers means economic ruin to us. Unfairness of Wagner Act making Fascists of honest workers. Immediate action necessary. Your assistance imperative to combat order of Russian court."

It is self-explanatory.

Enclosed is a copy of our employees' paper which, by the way, is published entirely by and for the employees themselves. Articles checked are of particular importance in our present position.

We have had an absolutely rotten deal. All we ask is a square deal and not a new deal.

Your comments and assistance will be greatly appreciated.

Very truly yours,

E. PETERSON, *Chairman,*
Middletown Remington Rand Employees Association, Inc.

SYRACUSE, N. Y., *March 9, 1938.*

The jobs of 6,000 Remington Rand workers are jeopardized because the National Labor Relations Board refuses to abide by the circuit court's decision that we be given a hearing before the court enters a formal order for wholesale reinstatement of strikers who have been out nearly 2 years.

Please use your office and influence to force the Board to allow us our constitutional rights of being heard and presenting evidence in behalf of these workers. We have never been given that opportunity.

Your assistance will be appreciated.

REMINGTON RAND EMPLOYEES ASSOCIATION,
SYRACUSE PLANT,
F. L. O'BRIEN, *President.*

ILION, N. Y., *March 9, 1938.*

On behalf of the 3,000 members of our local independent union and 6,000 members in all Remington Rand plants, we respectfully demand your assistance in compelling the National Labor Relations Board to give us a square deal. The Board's order as it now stands, if enforced, would penalize not the employer but the workers.

The Board's decision which is now in the United States circuit court of appeals was based on biased, one-sided, distorted testimony. Our members were never asked or given the opportunity to testify. This fact was recognized by the court and 20 days allowed us in which to petition the Board. This we did at considerable expense. The Board turned us down flat. They are discriminating not only against the company but against the employee.

We have no quarrel with our fellow men. They chose to strike and quit their jobs. We chose to maintain our God-given right to work.

We hold no brief for Remington Rand, Inc. We are not fighting their fight, but we are fighting for our fellow employees and for the jobs they hold.

Now the Board, after almost 2 years' time, would throw many of us out on the streets and put back men who quit voluntarily. As citizens, voters, and taxpayers we earnestly and respectfully demand your help.

You, among other Members of the Senate and Congress, have studied and openly denounced this autocratic bureaucracy, the National Labor Relations Board.

Here is a specific example of their ruthless tactics. Any impartial investigation will prove that here in Ilion only 400 out of the 2,300 employees wanted a strike. The majority chose to work.

Please give us your wholehearted support and champion our rights to work or to strike as our conscience dictates. Thanking you in anticipation, I am,

Yours sincerely,

REGINALD BOOT,
Secretary, Association of Remington Rand Employees.

I also note here my reply:

If I understand the situation about which you wired me, it is this:

The N. L. R. B. has rendered a decision requiring the Remington Rand Co. to reinstate those who struck and who have been out of the plant for something like 2 years; that, if this order is complied with, it will mean a number equal to those reinstated will lose their jobs. The circuit court of appeals gave you the right to petition the National Labor Relations Board for a hearing. This you did and the Board has now decided against you.

There is nothing that I can do in connection with this matter for the reason that, if I understand the law, your remedy is by an appeal to the circuit court.

The fact that the order may be unjust, discriminatory, and deprive you of your jobs and so handicap the employer that all—you and the strikers—may lose out because of the inability of the company to continue in business under such circumstances, is not a legal reason for a reversal of the order.

The Board's interpretation of the Wagner Act has the effect of destroying independent and A. F. of L. unions, when complaint is made by C. I. O. The difficulty rests with the Wagner Act itself and with the manner in which it is interpreted and enforced by the personnel of the N. L. R. B.

That factories have been compelled to close, that workers have been thrown out of jobs, because of this law and its interpretation, apparently has no effect, either upon the Board or Congress.

Throughout the country factories are closing because of the impossibile conditions brought about by the Board's decisions. One is led to give more credence to the statement of Bainbridge Colby made in 1934, that—

A substantial number of the President's immediate advisers are not desirous of business revival, feeling that to prolong the depression will produce a better psychological background for the prosecution of their revolutionary designs.'

As the President approves of the Wagner law and backs the Board in its activities, it becomes more and more evident that the statement of Hugh Johnson, to the effect that—

"Just now the President is on a tack that * * * is murderously wrong."

contains much of truth.

If the object be the promoting of industrial strife, the disruption of the American Federation of Labor and the coercion of the members of independent unions and those who belong to no unions into joining the C. I. O., a continuation of its present activities gives promise of success.

P. S.—Am advised that Judge Hand of the Second Circuit Court of Appeals is settling decree today. Have not, of course, information as to what it will contain.

Calling the National Labor Relations Board, a Miss Frankfurter, who spoke for the Board, advised that on March 5 a petition was filed by the independent union, under the order of the circuit court of appeals, and that, on the 8th, the petition was denied without any testimony whatsoever being taken.

This shows the attitude of the Board, which apparently denied to the independent union and the independent workers the right to their day in court.

Let me ask the Members of this House how any business concern can continue to operate its plant, if the Labor Board or its examiners are to exercise the right to employ and discharge, as they have in this instance.

If we assume that the Board is acting within its legal authority, what then can be said of the justice and of the fairness of the law itself?

How can any employer maintain production through a force of employees who know they cannot be discharged; that, if they are discharged, the Board will reinstate them with back pay?

That question is a fair one. Every Member of the House knows the answer. Every Member of the House knows that the Wagner law must be amended. Every Member knows that its interpretation and enforcement must be put in other hands or it will continue to bring disaster to the country.

If the Board will not give heed to the widespread protest which is arising against its activities, Members of Congress should take note of the situation, for all of us have to go back to our own communities to be elected, and the admonition given us by the people of Seattle in the recent election should be heeded—where those who sponsored and continued the unfair activities of the C. I. O. were defeated by a vote of 78,997 to 48,114.

Typical of comments from Seattle was this statement on the result:

> It means that the people are returning to the enjoyment of law and order and a sane administration of their city.

So, too, will the people of the Nation return to sanity. Soon will we reach that state of mind where, as Senator GLASS prophesied:

> We shall be ashamed of having wandered so far from the dictates of common sense and common honesty.

Returns from the election of the International Typographical Union, where Claude M. Baker received the vote of 478 unions, while C. I. O.'s candidate, Charles P. Howard, the present incumbent, received but 204, should stiffen the backbone of, and make audible, those, if any, who have been waiting for the political straws to indicate their course.

If an appeal for fairness and justice to the worker is disregarded, we should at least remember that sooner or later, in every congressional district where there are industrial workers, Congressmen will be called to account for their stand upon this question of the right of every American to work without paying tribute to some organization.

EXTENSION OF REMARKS

Mr. BREWSTER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein certain schedules.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. LORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein portions of two letters from constituents of mine.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LEWIS of Colorado. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address I recently delivered on the subject of Colorado.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

RECIPROCAL-TRADE AGREEMENTS

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I call the attention of the House to a petition containing 6,000 names that I received this morning from the workers of Lowell, Mass., protesting against the proposed reciprocal-trade agreement with Great Britain. The petition reads as follows:

> MY DEAR MR. SECRETARY: In view of the existing conditions in the leather, textile, and shoe industries which have resulted in bringing untold misery and hardships to thousands of workers and their dependents, we plead with you to forsake the policy of the reciprocal-trade agreements and conduct a thorough investigation with the intent purpose of alleviating in every possible way competition with foreign countries where the standards of living are not in accord with the United States. If we are to have a lasting prosperity and a confidence in government and business which will promote a more equitable livelihood for all of the people, then stop at once the invasion of the cheap foreign-made goods, the ends of which will not only bring poverty and despair but will reflect upon the general morale of the workers in the industries affected. We need your help in this respect to protect our wages, working conditions, and employment, as well as the health and happiness of ourselves and our families.

These workers realize they will lose their jobs if this trade pact goes through. Mr. Speaker, the boot and shoe workers and the leather workers in my own district and all through Massachusetts are in despair over the treatment they have received in the provisions of the Czechoslovakian agreement.

NAVAL AUTHORIZATION BILL

Mr. O'CONNOR of New York. Mr. Speaker, I call up House Resolution No. 432.

The Clerk read as follows:

House Resolution 432

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 9218, a bill to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 12 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Naval Affairs, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

Mr. O'CONNOR of New York. Mr. Speaker, I yield 30 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. Speaker, this is a rule for the consideration of the naval-building-program bill. It is an open rule permitting amendments and allowing 12 hours of general debate.

In the few minutes I shall occupy I should like to call the attention of the House to the situation in this country in respect to the attitude of some of our people toward peace and war.

Mr. Speaker, for some time we have been overwhelmed, or at least the Rules Committee has been overwhelmed, with communications from all over the country with reference to peace or war, or the methods that we might adopt in anticipation, idle or otherwise, of the possibility of a war in the future. Some of these communications—and I say this advisedly—bear all the earmarks of a racket. Many are identical form letters which on their face evidence that some of the smart boys in Washington and in other places are using the state of mind of our people and trying to arouse their emotions by getting them to join organizations and pay dues for the benefit of somebody's pocket.

That same goings on was so marked in connection with the Ludlow amendment that some Members thought of investigating the situation. That there are signs of a racket in connection with some of the peace organizations, of which the decent people of America connected with churches and

other organizations are the innocent victims, appears on the face of these communications.

The people who are advocating a strictly defensive, pacifist attitude in this country, strangely enough, are to a great extent in certain groups. The extreme radical organizations, which would think nothing of throwing a bomb into the Capitol, who would think nothing of destroying their employer's establishment, are the most outspoken pacifists in this Nation; at least, they are pacifists if they fear there is any possibility of this great Government of ours joining in the far future with the old, established governments of the world to protect the world against the present movement which is going on in some places. I wonder if they are pacifists to the extent of not doing anything if Mr. Stalin's Government were attacked?

Today in his column, Mr. Benjamin DeCasseres said:

Peel a professional pacifist and you will find a militaristic red.

From my experience in receiving thousands of communications from all over this country I cannot say at this moment that I disagree with that cryptic statement.

Mr. LUDLOW. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield to the distinguished gentleman for a question.

Mr. LUDLOW. The gentleman has referred to some racket in connection with the Ludlow amendment. I wish the gentleman would tell us what he knows about any such racket. I have never heard of anything of that kind in connection with the Ludlow amendment.

Mr. O'CONNOR of New York. Of course, I know the gentleman does not know about it. The gentleman, I know, would be the last one in America to countenance it, because we all appreciate the sincerity of the gentleman from Indiana, but the gentleman might have been an innocent victim of what has been going on in this country. Where did three or four men in Washington, not connected with Congress, get the money to pay people to go out and make speeches in behalf of the Ludlow amendment?

Mr. LUDLOW. I can truthfully say to the gentleman that the Ludlow amendment, so far as I know or had any connection with it, was a sincere effort to promote peace, and it was backed by sincere men and women who were interested in promoting peace in this country.

Mr. O'CONNOR of New York. I am sure of that as to the distinguished gentleman's sincerity. I am sure the people of America belonging to civic and church organizations were sincere, but it would appear that there were some smart boys who took advantage of these sincere people.

Mr. O'MALLEY. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield.

Mr. O'MALLEY. Where does the money come from to pay the speakers who are promoting huge armament programs by this Nation? Is there any racket in that, and why has not that been investigated? [Applause.]

Mr. O'CONNOR of New York. I am just as much against that. I have no knowledge of it, because I have never received one communication by letter or orally in support of this bill.

Mr. O'MALLEY. Well, that ought to be investigated like the peace organizations that the gentleman wants to investigate.

Mr. O'CONNOR of New York. If there is any evidence of that sort, it should, of course, be investigated, and to the very bottom.

Mr. Speaker, there are many cross-currents of thought in this country at the present time with reference to all of these measures pertaining to peace or war. During recent years we have heard on the floor of this House, we have read editorials, and we have seen newspaper accounts referring to the Rules Committee, saying that the Rules Committee on this or that occasion has pigeonholed or has throttled or has smothered certain legislation; that the Rules Committee would not bring it to the floor, and that all legislation should be brought to the floor of the House.

On some occasions I have said, looking casually over the membership of the House, that I could not at a glance recognize the face of a Member who at some time or other in my 15 years had not come to me and said, in effect: "For heaven's sake, John, don't let that thing out; smother it." Very often he has been a Member who had on one or more occasions taken the floor and accused the Rules Committee of its arbitrary "smothering" process. In connection with this bill, for instance, peace organizations, representatives of churches, women delegations, have written to me and called on me and said, "Don't let that bill out of the Rules Committee; the House is not entitled to consider that measure; smother it."

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. For a question.

Mr. RICH. When the gentleman is speaking of these church organizations and these peace meetings I want to say that I believe these church people and the people in these peace meetings are doing the things they are doing in an honest effort to prevent war, and I believe they are sincere in their purpose, and they do these things because in their own way they believe in them, and not because of publicity.

Mr. O'CONNOR of New York. Oh, there is no question about that. I sympathize with them, but I fear somebody is playing on their emotions.

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. For a question.

Mr. BOILEAU. Are there any Members of the House who are opposed to this bill who have asked the gentleman not to report the bill out?

Mr. O'CONNOR of New York. Yes, indeed.

Mr. BOILEAU. But not in large number, because as I understand it most of the opponents of the bill in the House are willing to have it discussed openly, and I submit to the gentleman that these peace organizations who have asked the gentleman to kill the bill in committee have been so taught by the gentleman himself, that that is a very effective way of accomplishing their purpose.

Mr. O'CONNOR of New York. Of course, there is no basis for the gentleman's statement as to my being a teacher. What I was saying is prefatory to this. There is another bill here—and, of course, the last thing I am ever going to do is to put a colleague on the spot—that was born with the name of Sheppard-Hill, but which has been rechristened the May bill. That bill has some relation to war. I think it is commonly referred to as taking the profits out of war, while other people call it a bill that would make the conduct of war by the United States absolutely impossible.

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Please wait until I finish this statement, because maybe then the gentleman will not want to ask me the question. In connection with that May bill, there is a great confusion throughout the country that it is before the Rules Committee. Of course, no bills are before the Rules Committee until the committee reporting the bill applies to the Rules Committee for a rule to consider it, and that has not yet been done in the case of the May bill. Even then they are not before the Rules Committee. Only the rule is before the committee. But here is the interesting point I am attempting to make. Members of the House who have taken the floor and denounced the Rules Committee for not reporting a measure are now beseeching the Rules Committee "for heaven's sake throttle and smother and strangle that measure."

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Not yet, please. And from all over the country, from church organizations, from peace organizations, from labor organizations come requests, and in editorials in the newspapers one will read that the Rules Committee must not let that thing pass. I am not adding the expletives. It is amazing that the same individuals, Members of this House, labor leaders, editors, columnists, clergymen, and organizations in America, which some time ago and within the past few years have been bitterly denouncing the Rules Committee as an obstruction to democratic processes,

now want the Rules Committee to smother that particular bill, and so it goes. It all depends on whose ox is gored.

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Just one second, please. Of course, I never want to see that day come when the Rules Committee, just out of spite, tosses a certain bill into the arena.

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Yes.

Mr. BOILEAU. I think the gentleman wants to be absolutely fair and give me an opportunity to ask a question, because he has indicated that perhaps I might not want to ask him a question, and he infers that perhaps I was in that category to which he has made reference. The gentleman will not claim that I asked him not to bring the bill out.

Mr. O'CONNOR of New York. I would not answer the question if the gentleman had even asked me.

Mr. BOILEAU. I am very anxious to have it brought out, and I hope the gentleman will bring it out with a rule that will permit us to offer amendments that will give us a real opportunity to take the profits out of war by a process of taxation.

Mr. O'CONNOR of New York. I can assure the gentleman now, if, as, and when there is a rule, that so far as I am personally concerned it will be an open rule, permitting all germane amendments and the gentleman can offer any amendments he sees fit.

Mr. BOILEAU. But under the May bill, such amendments as I have in mind would not be in order if I understand the rules of the House. It would not be in order to offer an amendment imposing taxes, but if we wanted really to have an amendment in order on the floor, the gentleman would have to bring in a rule to make it in order, because there are no taxes provided for in the May bill.

If you want to accomplish the purpose of the President's message, to take the profits out of war, the Rules Committee will have to bring in a rule that will make an amendment in order that actually imposes taxes.

Mr. O'CONNOR of New York. Of course, I am in no position to pass on the parliamentary question whether such amendments would be in order. What I have said goes to the point with which I and other members of the Rules Committee are familiar, that there is so much confusion, so many cross-currents in this country as to the actions of the Rules Committee. The usual comment is a misrepresentation. If I were running this country and also running the rest of the world, I would see to it that every foreign parliament passed a Ludlow amendment; I would see to it that they passed bills to take the profits out of war; I would see to it that any naval-building program bill was defeated. I would see to it that they disarmed, so they would be helpless when we wanted to take them over. That is good national policy when you control the world-wide situation. Maybe that is why some foreign elements in this country would like to handicap us. But in these days, with the newspapers carrying the headlines they do, the Members of Congress can do a real service back home among their people and in their churches, with the women and the men of America by saying, "Keep cool. Do not be swerved by unthinking organizations, or by demagogues, by racketeers who may be preaching 'peace' for their personal benefit, or from any other ulterior motive." [Applause.]

[Here the gavel fell.]

Mr. MAPES. Mr. Speaker, I yield myself 11 minutes.

Mr. Speaker, the time permitted for debate on the rule does not permit any extended comment on the remarks of the gentleman from New York, the distinguished chairman of the Committee on Rules. Nobody knows better than he that practically no legislation comes before Congress without there being extremes for and against it. It is the duty of Members of Congress to separate the wheat from the chaff and to pass upon the merits of all legislation without reference to the extremes on either side. This question of national defense unquestionably furnishes an exaggerated example of these extremes. Admittedly, it is difficult to exercise sane and reasonable judgment in the consideration of it.

This is a liberal rule. It provides for 12 hours of general debate and the reading of the bill after that under the 5-minute rule and the general rules of the House, which will allow any germane amendment to be considered.

As far as I am concerned, there is no reason for opposing the rule, providing it is understood that one's failure to do so does not commit him to the legislation. I do not object to the rule, but with my present light I am opposed to the bill and shall vote against it unless it is changed before it gets to a final vote much more than I imagine it will be, or unless much more information is given for the necessity of it during the debate than I imagine will be given.

Without having actually checked over the record, I think that I have voted for every Army and Navy bill—every bill that has been presented for national defense—that has been considered in Congress during the last 25 years, but I cannot see any adequate reason for the passage of this legislation at this time.

This bill is an authorization only, to be sure, but unless it is intended to follow up the authorization with appropriations to put it into effect it is meaningless except for its evil portents. It will fool nobody but ourselves, and why pass legislation now of all times the only effect of which will be to irritate and annoy and bring anxiety and fear to so many of our own citizens?

If it is intended to follow up the authorization with appropriations to make it effective, then it is unreasonable and unnecessary, and the sooner it is defeated the better. Appropriations for national defense have been steadily mounting during the last few years, until they have now reached the stupendous amount of $1,000,000,000 annually. Where are they going to stop if this mad race for armaments continues?

Sentiment in this country is overwhelmingly against war. It is against any war except a defensive one or to repel actual invasion, and the present authorized strength of the Navy is ample for that purpose.

I am not competent to discuss the comparative merits of battleships and aircraft, but to me to authorize the building of more battleships, not to mention auxiliaries, at this time, when more are already authorized than can be built, or the building of which can even be started, in a long time, just does not make sense. It leads one to wonder if there is not some foundation for the conclusion which so many have reached that the main purpose of this bill at the present time is to distract attention from domestic problems. Is the proposal real or is it a sham? Is it to be looked upon seriously or as a bluff? Is it a naval or a diplomatic program? Whatever it is Congress and the country have a right to know about it before taking action on a bill of such importance and one which has the possibilities of such serious consequences.

In 1934 Congress passed the Vinson-Trammell Act authorizing a naval building program of $4,000,000,000 to bring our Navy up to the strength prescribed in the treaties signed at Washington February 6, 1922, and at London April 22, 1930. Our construction program has never been up to the strength authorized by that act and is far behind it today. It authorized a navy as large as is reasonably necessary or as large as the country ought to be called upon to support under present economic conditions.

As stated in the minority views on this bill:

> Under the Vinson-Trammell Act, in 5 years there have been added to the Navy, or are now being built, 141 ships, which it is estimated will cost the sum of $1,443,643,280. The 72 ships now building will require $586,107,367 to complete.
>
> In addition there are already authorized additional ships which will certainly cost more than $2,000,000,000 more. The 11 new battleships alone already authorized will cost in excess of $1,000,000,000 at the present rate of increased cost.

Listen to this:

> These ships may be as large and as powerful and as heavily armed as the naval authorities may deem advisable.

And again:

These ships may be commenced as promptly as the naval experts have indicated it would be possible to prepare the necessary shipbuilding facilities in public or private yards.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. MAPES. For a very brief question.

Mr. KNUTSON. Was any evidence presented to the Rules Committee tending to show that our national security was threatened?

Mr. MAPES. Not in my presence, and I was present during all the hearings on the rule.

As the minority very pertinently asks: "Why should Congress authorize three more $75,000,000 battleships when the Navy is not ready to build three battleships that are already authorized?"

The two service committees of the House of Representatives—the Committee on Naval Affairs and the Committee on Military Affairs—have reported two important bills in the last few days, this one from the Committee on Naval Affairs proposing to increase the strength of the Navy beyond its present authorized strength at an estimated cost of $1,250,000,000, exclusive of personnel and other maintenance expenses, in addition to the regular annual naval appropriations of over $550,000,000, the largest in peacetime in the history of the United States; and the May bill from the Committee on Military Affairs proposing to give the President power to do anything he sees fit in time of war with the people of the United States and their property.

One cannot be considered without keeping the other in mind. Together they are in line with much of the legislation of the last few years. They propose increased governmental expenses and national debt and further delegation and concentration of power in the Executive at the expense of Congress and the people. How much longer can this pyramiding of the national debt and of Government expenses and the concentration of power in the Executive be continued? Is it any wonder that so many, as they witness this continued and constant trend, have almost given up in despair? Nothing would be more heartening to the people of the country than to see Congress exercise its independent judgment again and reduce Government expenses and the tax burden, instead of constantly increasing them. Now is a good time to start.

The bill before us is objectionable quite as much for what it does not do as for what it does. It contains no provision for the calling of a naval conference of the leading powers of the world for the purpose of entering into an agreement to stop the mad scramble for supremacy in the building of navies now going on. The last conference for that purpose failed because of the refusal of Japan to participate in it. Japan has now indicated its willingness to participate in such a conference. An attempt to reach an agreement among the leading naval powers of the world should be renewed. The importance of such an agreement cannot be overestimated. Certainly it is worth while to make the effort. [Applause.]

[Here the gavel fell.]

Mr. O'CONNOR of New York. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. MAVERICK].

PACIFISTS, COMMUNISTS, MUNITIONS MAKERS, AND 245 PERCENT PROFIT

Mr. MAVERICK. Mr. Speaker, on the 28th day of January, when the President's message came here, I rose on this floor and said that it was one of the most important subjects, if not probably the most important, that had come before the Congress of the United States since the time Woodrow Wilson came before them in extraordinary session when war was declared.

Today there is trouble all over the world, and the thing that we have got to do for the American people is to keep this country out of war.

The gentleman from New York [Mr. O'CONNOR] brings up the question of rackets, organizations, people who are pacifists. What about the fact that warship material prices have already risen, according to the hearings, from 95 to 245 percent? And what about the munitions makers; what about the steel makers; what about the makers of paint, engines, and all the things that go into the building of a navy? Oh, let us not talk about these things. My good friend from New York even brought in Mr. Stalin; poor old Stalin had to be brought in here.

I want to tell you that nearly all the Communists of this country are in favor of a naval increase. Every one of the Communists I know of are in favor of the bill and the reason is they think we are going to take our Navy over there and fight Japan, and get Japan out of China, because that is a menace to Russia. But I am not getting up a new "red" scare; I only mention this because Stalin and the "red" boys and girls have been dragged in.

IS THIS AN ABANDONMENT OF THE NEW DEAL?

Mr. Speaker, I fear this bill marks an abandonment of the New Deal, that we are forgetting what we are here for and that we Democrats will go home in failure. We will be confronted by the charge that we have surrendered our representative power, giving our war-making power over to the Chief Executive. This is a serious thing.

I am not opposed to national defense. I have been a soldier and I know what it is. I am opposed to this bill because it is lopsided, because it is overgrown, and because it is absolutely unnecessary.

NAVY, MORE NAVY; ARMY IS SIDETRACKED

On January 21 we passed the biggest naval bill since World War days. One week later we were confronted with the extraordinary demand for naval expansion.

Now, the Navy crowd knew all about this before January 21. But a week later another Navy bill is presented to us and never in the history of the Congress, as far as I know, has an extra naval bill been brought in for consideration before considering the Army.

This is sidetracking the Army. It is putting the Army aside. It is not right, it is not fair to the Army of the United States.

May I tell you something else? The coasts of the United States are absolutely undefended as far as modern, up-to-date, and long-range guns are concerned. What we need to do in this country is build up a national defense on the coasts of this Nation, which means guns and airplanes.

JAPAN CANNOT CATCH UP WITH US IN NAVAL BUILDING

We have 15 battleships now and 4 more coming up.

Japan cannot keep up with us.

Japan cannot catch up with us.

We just do not need the ships. We have 72 building, which will cost $600,000,000. We have 11 battleships authorized for the next few years, which will cost $2,000,000,000. Now they come in here and ask for $1,200,000,000 in addition. With prices of these war materials 95 to 245 percent over what they formerly were, it is folly to even think of it.

REPUBLICANS HAVE MADE GOOD MINORITY REPORT—READ IT

May I say to the Democrats that for the first time since I have been a Member of Congress the Republicans have put in a real, honest-to-God, sensible minority report. [Applause.] God forbid the day they make a partisan issue of this, because they have a good issue. This is a sensible issue, and the Republican side has offered a common-sense report for the people of the country.

Mr. Speaker, I want the Navy bill to come up. But the people should get the whole story—and we ought to use our heads and not vote billions for lopsided, unreasonable national defense. Think it over; think it over—we may be leading this country to war. [Applause.]

Mr. MAPES. Mr. Speaker, I yield 10 minutes to the gentleman from Tennessee [Mr. TAYLOR].

Mr. TAYLOR of Tennessee. Mr. Speaker, I am opposed to this rule and also the bill which it proposes to make in order.

I yield to no one in my interest in adequate national defense, but I am one of those who honestly believe that anything beyond reasonable provision for our national defense

is calculated to jeopardize, rather than safeguard, the peace and security of this country. [Applause.]

Mr. Speaker, why all this agitation for a "super" gigantic Navy? Whence cometh the danger? Who threatens our safety and tranquillity? I do not profess to be an expert on world affairs, but I do profess to be somewhat of a student of world conditions; and, to save my life, I am unable to feel any apprehension whatsoever of any immediate likelihood of our country becoming embroiled in war with any foreign power. Of course, war is always a possibility, but in view of our melancholy experience of 20 years ago, this Nation will certainly not willingly go to war again to pull the chestnuts of some foreign nation out of the fire. [Applause.]

Mr. Speaker, I am willing to vote any amount necessary for adequate national defense, but I shall never vote one penny for aggression, and to me this bill smacks of that suggestion. This bill not only means a billion and a quarter of the already overburdened taxpayers' money for naval armament, but it also means an annual expenditure of from twenty-five to fifty million to maintain the personnel which this increase will require.

I repeat, Mr. Speaker, whence comes the threat to our national safety? There is only one nation that can be considered even remotely as a potential adversary and that is Japan; and our relations with the Japanese Government today are more cordial than they have ever been. Japan just recently gave public assurance that she had no designs on any of our possessions in the Pacific, and just a few days ago, as a further mark of friendship, announced a policy of withdrawal of her fishery activities from the Alaskan waters. And, besides, Japan is not in financial condition to wage war on Uncle Sam if she desired to do so. The war which she has been carrying on with China has already depleted and practically impoverished her financial resources, and only on day before yesterday the press carried the information that Japan is now very anxious to negotiate a truce with China.

Mr. PHILLIPS. Will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield to the gentleman for a short question.

Mr. PHILLIPS. May I ask the gentleman if he thinks when a Japanese sentry slapped that American woman in the face that was a gesture of friendship?

Mr. TAYLOR of Tennessee. That was not an act of the Japanese Government. That was the willful act of a Japanese fanatic, and was promptly repudiated and denounced by the Tokyo Government.

Mr. MAVERICK. Should we go to war and kill a million or so men on account of someone being slapped?

Mr. TAYLOR of Tennessee. I hope we would have more sense than that. Our nationals have no business exposing themselves to such dangers and indignities, and if they do, it is their own responsibility. [Applause.]

Mr. KNUTSON. I think it is recognized by all that this bill is brought in here to protect the integrity of the British Empire.

Mr. TAYLOR of Tennessee. I admit that it does have that complexion to some extent.

Mr. MOTT. Will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield to the gentleman from Oregon.

Mr. MOTT. The gentleman said that Japan had agreed to withdraw her fishing activities from Alaska. I call the gentleman's attention to the fact that about 3 weeks ago the Japanese Ambassador to this country stated there were no Japanese fishing activities in Alaska. How can he withdraw something that is not there?

Mr. TAYLOR of Tennessee. I read in the press that the Japanese Government had made such announcement, and I accepted it as true.

Mr. MOTT. I ask the gentleman how he can do that?

Mr. TAYLOR of Tennessee. I cannot yield further. I am very sorry, but my time is limited.

Mr. Speaker, why should we enter this mad armament race simply because certain European nations have possessed themselves of a war hydrophobia complex? There may be some reason and excuse for a nation to arm proportionate to that of another unfriendly contiguous country, but that equation does not enter into our situation. Thank God, we are far removed from any nation which, out of a spirit of envy or avarice, might undertake to attack us. [Applause.]

Mr. Speaker, the peril to this Nation does not come from the possibility of invasion from abroad; our menace is internal. We have two major problems on our hands which are far more insidious and far more dangerous to the safety and perpetuity of this Republic than that of hostile invasion. One is our unemployment problem, which is increasing daily, and which if not arrested may lead to serious consequences, and the other is the presence of subversive influences which are daily becoming more active, more rampant, and more audacious. I am much more concerned and alarmed by the growth of fascism, nazi-ism, and communism in our country than by any possibility of attack by a foreign foe. It would be far better, in my judgment, Mr. Speaker, to spend this billion and a quarter to eradicate these diabolical influences from our land and to provide employment for the twelve to fifteen million who are now in enforced idleness. These are real, present, pressing problems, that stand out like a sore thumb, demanding immediate attention, and they are becoming more aggravated and more malignant every hour. [Applause.]

But, Mr. Speaker, the advocates of this measure offer as an argument in its support that it will mean a substantial contribution to the solution of our unemployment problem. Due to the peculiar nature of battleship construction, in proportion to our vast army of unemployed, the jobs which this measure will provide will be almost negligible, just a drop in the bucket. Of course, it will mean an increase of the workers in the Government navy yards and in private munitions factories, but this will be only temporary. It will, of course, afford an opportunity to some of the young men of our country to see the world "through a porthole," and ultimately, peradventure, may give them the snug privilege of occupying 6 feet of terra firma in some foreign clime; but I fail to enthuse over this type of occupation. [Applause.]

So far as I am concerned, I am not going to support an unnecessary naval program to gratify the empty ambition of a few militaristic admirals and greedy munitions makers, and I am not a pacifist by any sort of means. Oh, yes, Mr. Speaker, these admirals would welcome an opportunity to add a little more gold braid to their uniforms and these avaricious munitions makers would like to increase the income to their coffers, but let us think for a moment of the mothers of those splendid American boys who have no alternative when the tocsin of war is sounded and they are called to the colors. Let us not repeat the stark tragedy of 1917.

Mr. Speaker, with the single exception of Great Britain, we now have by far the largest and most formidable Navy in the world. Just a few days ago we passed a Navy bill carrying an appropriation of over $500,000,000, and a large part of that colossal sum will go into the construction of battleships and other fighting implements. This proposal, however, has no relation and is in addition to the program I have just mentioned.

Of course, if it is our purpose to police the world, that is an entirely different proposition. If we are to gendarme the Mediterranean, the Indian Ocean, and the Yangtze Kiang, we will not only need the ships contemplated in this bill but vastly more. But, Mr. Speaker, this is not my conception of America's destiny. We are a peaceful Nation and have never entertained imperialistic ideas and objectives, and we have never coveted anything that belonged to a neighbor nation. If we will mind our own business we will stay out of war and continue to command the respect and confidence of the nations of the earth. [Applause.]

In the final analysis, Mr. Speaker, nations are not unlike individuals. Equip a man with a brace of six-shooters and instantly he becomes pugnacious and wants to fight. So it has ever been with nations, as you will find in scanning

the pages of history. To paraphrase a famous slogan of a great American patriot—Charles C. Pinckney—"millions for defense," but not one single, solitary dime for aggression. [Applause.]

Mr. O'CONNOR of New York. Mr. Speaker, I yield 5 minutes to the gentleman from California [Mr. SCOTT].

Mr. SCOTT. Mr. Speaker, ever since I have been a Member of the House, and that has been only 4 years, I have rather consistently opposed every armament appropriation. I think that at the time I was right in doing so. A lot will be said in the debate with reference to how the speaker abhors war, how he does not want the country to go to war, how he wishes for peace. So do I. A lot will be said about the young people who might lose their lives in case of war and about the suffering on battlefields and the suffering at home. Oh, how I agree with all this. No one decries the utter futility and insanity of war more than I, and I think I have tried to do something while a Member of the House to prevent the possibility of just that sort of thing. I do not like war and I do not like preparations for war, but we are asked to vote to authorize over a billion dollars for the national defense of the country. I am going to change the policy I have followed since I have been here and vote for that authorization, and I think I am still doing the right thing. I am going to do it for just one reason, because I believe honestly and conscientiously it is the price we now have to pay for the policy of isolation we adopted sometime ago and have followed consistently and inconsistently. I believe it is the price we must pay to protect ourselves against something we ourselves created.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SCOTT. No; I cannot yield. I am sorry.

Our isolation policy has set us alone against a preparing world and makes it impossible for us to have friends in the world.

Mr. LUCKEY of Nebraska. Mr. Speaker, will the gentleman yield?

Mr. SCOTT. No; I cannot yield; I am sorry.

People seem to have the idea there is something wrong about having friends among the nations of the world. I cannot see anything to prevent our being on a friendly basis with other countries, who also like peace better than war, a friendly basis of cooperation to maintain peace in the world, but if we refuse to do it and turn away from them I do not see how we can expect those countries to do it for us.

I am afraid it is necessary to vote for this appropriation for our defense, but I do not believe we should stop with that and say, "Now, we have solved the problem." I do not believe it is right to say we will withdraw from the family of nations and build an enormous armament to protect ourselves, and then say that is all we need to do. Any step which contributes to international anarchy is a step toward war. If war is ever to be eliminated, it will be through the creation of a system of cooperation. There is every evidence that an overwhelming majority of the peoples of the western world desire such a system and will support it. I am going to vote for this appropriation and then I am going to continue to insist, as I have before, that the American Nation, the most powerful, the wealthiest, and the largest Nation in the world, take the lead in world politics to try to maintain world peace. It seems to me easy to reach the conclusion that the more world peace there is, the greater the extent of world peace, the less necessity there is for armament in the United States, and conversely, when the entire world seems to be seething, when some nations of the world seem to be bent upon destruction, when nations of the world have foresaken all attempts to maintain world peace and proceed by aggression to destroy world peace, then the position is forced upon us that at least we must be able to defend ourselves. We must be able to defend ourselves against those nations or groups of nations who ally themselves as sea powers and army powers and agree to work in concert, as have Rome, Berlin, and Tokyo, to further the aggression upon which each of these countries is today bent. It becomes our duty to see that the United States is protected. I am sorry we have to fall back on the admirals for that protection, but we have so hamstrung the Department of State that it is almost ineffective in keeping our Nation secure by maintaining world peace.

Men in both Houses of Congress, after opposing all cooperative efforts to build a system of stable peace for the world, now announce their opposition to provision for adequate defense of the United States. They warn the American people through the press and on the floor that the naval construction bill reported by the House Naval Affairs Committee is not in the interests of peace and liable to lead to war.

Our people must perceive the inconsistency, the unsoundness, and the danger for America of the stand of these men on this issue. It is so clear that foreign policies for peace and national defense against war are interrelated parts of the same problem; it is just as clear that if we do not insure our national defense by foreign policy we must insure it by armaments.

These men have prevented in the past the effective use of our foreign policy to preserve peace for America. Facing now the consequences of what they have so strenuously helped to do in a world arming competitively for war, they would now leave America comparatively defenseless.

It is easy to visualize with what pleasure certain governments antagonistic to American ideals and institutions read today, as they have in the past years, the policies advocated by these men. We all know that they yield to no one in patriotism, but we challenge their views on this central issue of American foreign policy as fundamentally unsound.

This challenge is supported by the hard facts of geography, strategy, and history. Our present Navy is adequate for defense on one ocean only, and quite insufficient to protect our coasts and the Monroe Doctrine against a simultaneous attack from both our oceans. Yet, while we stand alone in an arming world, we face overseas a combination of three militaristic great powers who support each other in their aggressive aims. Our Navy could not meet their combined fleets, even today, on equal terms without foreign aid.

For more than a century, as our own history shows, our Atlantic defense has been an academic issue. It was so in 1830, 1850, 1870, and 1880, when we felt secure in that ocean with an insignificant navy; it is equally so today, when we feel free to concentrate our fleet in the far Pacific. But it may not be so tomorrow.

Geography and history show, furthermore, that our favorable situation on the Atlantic has been in the past, and is today, inseparably bound up with British control of the European waves. Ever since sail gave way to steam no European fleet or combination of fleets has been able to undertake an attack upon our hemisphere without a prior British guaranty of nonintervention, since its supply lines would have lain at the mercy of British sea power. Because the British have had vital reasons, such as the safety of their imperial communications around the cape and their important Latin-American trade and investments, to oppose European empire building in South America, we have felt safe for a century on the Atlantic.

If we were sure that these conditions would endure in the future we would have no compelling need for a navy adequate to safeguard both our coasts. But we could only insure the continuance of these conditions by steps in foreign policy which these men have consistently opposed. Since we are not taking any effective diplomatic steps to safeguard our Atlantic frontier we must prepare to defend it with our Navy.

Battleships and cruisers take time to build. It is essential, for this reason, to build them before any two-ocean threat to our country or our hemisphere can develop. Such a threat would appear an immediate consequence of a conclusive victory of the Fascist powers in the European war we all fear, a victory which would place them in control of the European waves and the strategically placed West Coast of Africa.

These men must accept a personal responsibility for blocking American policies in support of peace, which might have averted the ominous conditions our country now faces on

both its oceans. These men are therefore in an untenable position when they oppose the provisions for adequate national defense which these conditions have forced upon America.

I wish that we had done something about it before, so that this appropriation would not be necessary, but we did not. We must face the condition while we proceed with the theory. Hoping all the time that America will renounce her isolation and take her place in a concerted effort for world peace, I must vote to pay the bill rendered to us by the isolationists. [Applause.]

[Here the gavel fell.]

Mr. MAPES. Mr. Speaker, I yield 7 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, for 18 years I have voted for every national-defense measure for the armed forces of our country, for the Army, the Navy, the air force, and the marines. This is not a question between pacifists and those in favor of national defense; it is a question between those who believe in adequate national defense and those who are advocating a supernavy, not for purposes of defense, but for purposes of aggression. Only a month ago we passed in this House the greatest peacetime Navy bill in all history, amounting to $550,000,000. We have a Navy 50 percent greater than Japan's, yet all the admirals testify that Japan must have a navy from two to two and one-half times larger than ours even to attack us. We never were better or more adequately protected at any time in our history than we are today from the point of view of national defense on the high seas.

I am convinced that if we pass this supernavy bill it will change our entire foreign policy as promulgated by George Washington in April 1793, in which he established our original policy of neutrality and noninterference with the affairs of other nations. This has been the traditional American foreign policy for 150 years, adhered to by Adams, Jefferson, Madison, and Monroe, and by every President and Secretary of State down to these days. I am convinced this supernavy, requiring additional sums of $1,100,000,000, constitutes a complete change in our foreign policy and translates into legislative actuality the now famous Chicago speech of the President in which he advocated concerted action in policing and quarantining the world.

This is the issue before us, and it is not that of pacifism but rather of proper and adequate national defense. I, for one, believe in the strongest and best navy to protect our own shores, but I am not in favor of a supernavy to go over to somebody else's shores and involve us in foreign warfare. [Applause.] I do not believe this issue can be settled in the House of Representatives. I am convinced that because of the mass barrage of misleading propaganda and the insistent demands of the administration of this bill without modification it will be jammed through the House of Representatives, and the only possible place it can be finally settled will be in the congressional districts of every sitting Member of the House, be he Republican or be he Democrat. This is a great American issue that transcends all party lines, Republican and Democratic alike, because the people of this country of ours are peace loving and want to keep out of ancient foreign blood feuds and boundary disputes. They want adequate national defense, but they do not want a supernavy. They do not want to change our foreign policy from neutrality to unneutrality, from noninterference to interference, and they do not want a policy which will take us into entangling alliances and wars of the Old World. [Applause.]

The headlines of the papers today are filled with possibilities of war in Austria and with stories of the Nazi difficulties. It is not our concern what form of government exists in Austria, Germany, or Soviet Russia. That is their business and not ours. It is our business, however, to protect ourselves against the influence of Communists, Nazis, or Fascists within the United States. I agree with what has been said upon the floor of the House that we have more to fear from our enemies from within than our enemies from without.

Let me read what George Washington had to say in his Farewell Address, and this applies more aptly today than it did 150 years ago:

> Why forego the advantages of so peculiar a situation? Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?

The position of the American people is simply this: If these old nations of the world want to go stark, raving mad and arm to the teeeth and go to war, it is their war and not ours. [Applause.] We are prepared to spend millions for defense but not one dollar to send American soldiers or American ships to foreign lands to fight other people's battles. [Applause.]

[Here the gavel fell.]

Mr. MAPES. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. MAHON of Texas. Mr. Speaker, will the gentleman yield?

Mr. FISH. I cannot yield now.

I submit that I have followed the hearings before the Naval Affairs Committee; and not one iota of evidence has been introduced by any admiral in addition to the evidence given on December 7, 1937, 4 months ago, when they advocated a $550,000,000 bill, which passed this House, and stated that to be adequate for all purposes of national defense. There has not been one iota of additional evidence except to say something about the fact that Japan, Italy, and Germany have entered into an anticommunistic pact. What have we do to with a communistic pact? Have we any alliance with Soviet Russia? Communistic or anticommunistic pacts are no concern of ours. All we want to do is to have adequate national defense for ourselves. [Applause.]

Mr. O'CONNOR of New York. Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin [Mr. O'MALLEY].

Mr. O'MALLEY. Mr. Speaker, I am only rising at this time in the hope that an erroneous impression given here today may be corrected. I was sorry to hear the gentleman from New York intimate in his remarks that the peace organizations of this country, the churches, and all those forces in this country that abhor war and are doing their best to oppose the hysteria and mania that is driving us close to war today are inspired by or have been misled by racketeers. Nothing was said about the rackets that provide the money for the speeches of those representing various organizations that want great armament and make a business of promoting war. They have not been investigated, and I want to say here and now that for every 10 cents that the peace organizations of this country have spent from their own pockets to warn the American people against the disastrous road we are following the munitions makers and their satellites have furnished a thousand dollars to supply the newspapers with propaganda for war.

I am not a pacifist. I do not believe anybody with my name ever was a pacifist. [Laughter.] I appeared before the Naval Affairs Committee to oppose this appropriation because I believe it is the wrong way to spend the taxpayers' money. The record shows that not one of these ships can possibly be manufactured or completed for 5 years. If this is true, then this appropriation is not for immediate defense; it is for nothing but a threat to the rest of the world, at a time when we should be the calmest nation in the world where war hysteria is concerned.

England has hoped to persuade this country to enter into an agreement for mutual cooperation and policing of the Pacific. This hope failed because the American people were against it and the British were forced to enter into some kind of an agreement with the dictators of Europe.

At the time I appeared before the Naval Affairs Committee I asked that committee to obtain from the State Department the records of the memoranda and conversations that our unofficial ambassadors have been holding with the foreign governments as to any possible agreement for policing the Pacific. They said there was no such agreement in

existence, but only yesterday the press stated that high naval officials admitted that there was an agreement for some sort of cooperation in the Pacific with Great Britain.

Mr. Speaker, I want to read here a few of my remarks before the committee:

> It might do this committee and Congress a lot of good if it were possible for us to obtain copies of the memorandums and the radiograms and the notations exchanged between our State Department and the British Foreign Office over the last year. Of course, there has been no agrement. We know that the State Department has denied that there was an agreement for mutual cooperation. I am perfectly willing to take the word of the State Department, but that there was a cooperation discussed and that there were memoranda back and forth between American unofficial representatives and the British Government representatives for mutual naval and military cooperation, I am firmly convinced, and the only way I can be unconvinced is for the State Department willingly and openly to submit copies of the memoranda and all the data to the American people through Congress.

If there is no agreement, then why do we need this great expenditure? Why do we not provide coast defenses and protect our people here at home. This great expenditure can mean only aggression. Millions of Americans would be proud to lay down their lives in defense of our shores but they would be fools to again sacrifice themselves for the quarrels of other nations.

[Here the gavel fell.]

Mr. O'MALLEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include in my extension certain excerpts from my testimony before the Naval Affairs Committee.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. MAPES. Mr. Speaker, I yield the balance of the time on this side to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Speaker, my esteemed friend the gentleman from Michigan [Mr. MAPES] stated that the shipbuilding facilities of this country are not equal to building the proposed naval construction program. If this is true—and I do not question it—it is due to the fact that all the ships that have been built in this country since the war have been built within 700 miles of the city of Washington and in four or five shipyards. In a word, shipbuilding on the Pacific coast has become almost a thing of the past.

This bill is designed to aid in bringing our Navy to such strength as will provide adequate national defense. "National naval defense" means the defense of our entire coast line from the Aleutian Islands in Alaska to the northeast coast of Maine. After a lifetime of study of this very problem Admiral Leahy, in testifying on this measure, indicated that this line of national defense could be described by a quadrangle extending from the Aleutian Islands southward in the Pacific to Samoa, thence eastward to the Panama Canal, and thence northeastward to Maine. The weakest point in that entire line of national defense lies on the Pacific coast of the United States.

As I have stated before, national naval defense is a chain forged from three links which can only be as strong as the weakest of these three links, namely, the United States Navy, the United States merchant marine, and the ship construction and repair facilities available to keep both the Navy and the merchant marine at their highest point of efficiency in any locality under any circumstances. Each is interdependent upon the other.

At the present time the last of these is hopelessly inadequate to cope with any emergency on the Pacific Ocean. Not a single large ship has been constructed on the Pacific coast since the World War. The limited amount of shipbuilding that has taken place has been at the two west coast navy yards located at Mare Island, on San Francisco Bay, and Bremerton, on Puget Sound. Two destroyers are now being assembled at the Union Iron Works plant of the Bethlehem Steel Corporation, located on San Francisco Bay; but, mark you, I said "assembled," which means that all the machinery, armament, hulls, and other materials are being manufactured at the Fore River plant of the Bethlehem Steel Corporation in Massachusetts or at other plants on the Atlantic coast of the United States.

Prior to and during the World War shipbuilding was a major industry on the Pacific coast. Due to the fact that practically all raw materials entering into the construction of modern vessels are produced in the eastern part of the United States, there has been a natural economic coordination in the manufacture of these materials. Ninety-five percent of all materials used for the construction of modern vessels is produced east of the Mississippi River with the inevitable result that the Pacific coast shipyards have not been able to enter into competition with shipyards on the east coast. Were it not for the limited shipbuilding in the two navy yards in that area, shipbuilding and ship construction would have become a lost art.

I invite the attention of Congress to the fact that there are five navy yards and nearly the same number of large private shipyards building and repairing naval vessels on the Atlantic coast. During the past several years the naval fleet has been stationed in the Pacific for reasons of which each of us is certainly aware. With more than 2,400 miles of coast line to defend between the Canadian boundary and the Mexican boundary, with the Panama Canal to defend a thousand miles farther south, and the Alaskan coast line running another thousand miles farther north, to say nothing of the defense of Hawaii, in the event of a major naval engagement on the Pacific, owing to the limited shipyard facilities on that coast, vessels of the United States Navy requiring major repairs must return to the Atlantic coast, where adequate facilities are available to carry on that work. In the event that some disaster should occur to prevent usage of the Panama Canal, this would mean that in an emergency all such vessels would have to travel around the Horn and up through the Atlantic the entire length of South and Central America to reach a shipyard where major repairs could be effected.

That is not national defense. It is imperative that this Congress take action that will guarantee adequate defense to the Pacific coast as well as to the Atlantic coast. While we may "coast along" with complacency concerning this situation in time of peace, the fact is that there are only two drydocks on the Pacific coast capable of accommodating capital ships for major repairs, and they are 800 miles apart—one at the Bremerton Navy Yard and one at Hunters Point on San Francisco Bay.

This bill, which this rule permits consideration of, provides for the construction of naval vessels on the Pacific coast under certain conditions, and will go far to correct this deplorable situation. It will encourage the development of private shipyards to a point where in time of emergency they can handle any situation—to a point wherein this link in the chain of national defense will be sufficiently strong to uphold the Navy and merchant marine under any and all conditions. This is essential.

Such a policy has been subscribed to by the President of the United States in his message setting forth the need for the enactment of this very bill. The President in his message said, in part:

> We cannot assume that our defense would be limited to one ocean and one coast and that the other ocean and the other coast would with certainty be safe. We cannot be certain that the connecting link—the Panama Canal—would be safe. Adequate naval defense affects, therefore, the simultaneous defense of every part of the United States of America.

This legislation is in keeping with the announced policy of the Commander in Chief of the Army and Navy. It will provide such shipyard facilities on the Pacific coast as will adequately meet any requirement of war in a national emergency.

This bill calls for the construction of approximately 399,712 tons of naval vessels of different types, as set out in the bill, at an estimated cost of over $1,000,000,000. The House of Representatives has already passed a bill, pursuant to the Naval Authorization Act of 1937, appropriating approximately $553,000,000 for naval construction and armament.

The Maritime Commission has awarded contracts for a number of merchant vessels at a combined cost of $54,000,000, and have bids before it at this time for a number of cargo vessels at a cost of $25,000,000. In addition to these, the Commission has entered into contracts with private operators for the construction of a number of ships running over a period of years at a cost of $60,000,000.

This naval and merchant-marine construction, therefore, will total about $1,692,000,000, every cent of which is to be spent for national defense. Every dollar of this money will be expended and the ships will be built within 700 miles of the Capitol Building, unless the just-construction provision in this bill is retained. This is not national defense; it is sectional defense. If this vast sum of money is to be used for national defense, it must be the means for providing proper facilities for the maintenance of our Navy and merchant marine under any conditions on both the Atlantic and Pacific coasts of the United States; otherwise we cannot justify our action as Members of the National Congress.

Mr. O'CONNOR of New York. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. HARLAN, for 1 day, on account of sickness.

To Mr. BOYKIN (at the request of Mr. HOBBS) on account of official business necessitating his presence in his district.

EXTENSION OF REMARKS

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD in regard to the bill passed earlier in the day.

The SPEAKER. Is there objection to the request of the gentleman from Arizona?

There was no objection.

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT OVER

Mr. O'CONNOR of New York. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. Under previous order of the House the Chair recognizes the gentleman from Connecticut [Mr. SHANLEY] for 5 minutes.

Mr. SHANLEY. Mr. Speaker and my colleagues, there was a quickening of the pulse of the American people last week when the first intimation trickled out of Nantucket that sea scholars from Washington were seeking the ancient log books of whalers who had traveled the seven seas in the latter part of the eighteenth and the first half of the nineteenth centuries from ports along the North Atlantic. Seeking these logs to justify our claims to islands in the Pacific gave our New Englanders a real thrill.

We who have been in touch with the rich treasures of these men have a double source of satisfaction in the importance that their miraculous and herculean labors have brought forth. First and foremost we thrill over the growing value of their records—for these very copious and sincere logs may be the bases for strengthening our claims to these pinpoints in the South Pacific. Secondly, we are justly proud that these men who went down to sea in ships at a period which is too little known to all of us may be resurrected in all their glory for all posterity.

Thus these pin points—these seeming dots of coral-atoll like—have opened up new frontiers and our Connecticut heroes come in for a just share of praise and contribution to modern diplomatic history.

Let me present to you the authoritative statements of Col. Lawrence Martin, one of America's most famous map experts, formerly in the State Department and now in the Congressional Library, occupying a chair of cartography that he has made famous. Read this paper if you will and see in your imagination the heroic background of our whalers in the South Pacific. Today those men are responsible for islands that may well give us the air supremacy of the world. They were young men, for Captain Palmer was only 22 at this time and the mantle of skill that those men held is today the mantle of skill and daring that our modern youthful sky birds wear today. Connecticut Yankees were leaders in the exploration of this section of the world. Side by side with other New Englanders they have left us hundreds of islands that they first saw and explored.

THE LOG OF PALMER'S DISCOVERY OF ANTARCTICA

(Abstract of a paper read before the American Philosophical Society at Philadelphia on November 26, 1937)

Antarctica, fifth in size among the seven continents, both Australia and Europe being smaller, was discovered on Saturday, November 18, 1820, by Capt. Nathaniel Brown Palmer, of Stonington, Conn. The hour was 4 a. m.

This is proved by the log book of the sloop *Hero*, now in the Library of Congress, and from 1820 to 1927 continuously in the possession of its author, his brother (Capt. A. S. Palmer), his niece (Mrs. Richard Fanning Loper), and his great-nephew (Mr. A. P. Loper), all residents of Stonington.

Acknowledged since 1821 throughout the world, the fact of Captain Palmer's discovery is now known to rest upon first-hand evidence—the book itself—rather than upon secondary sources.

Recognition of this great achievement by explorers, by governments, and by scientific associations includes those of (a) the Russian Admiral Bellingshausen, who bestowed the name Palmer Land in or soon after 1821; (b) the British Admiralty, which published the name in 1822; (c) the French Government, which published the name in 1824; (d) the United States Government, which made the name obligatory in 1912 on all appropriate Federal maps, charts, and other official publications; (e) the American Geographical Society of New York, which unveiled a bronze plaque in its house at Broadway and One Hundred and Fifty-sixth Street in 1914 in commemoration of Captain Palmer's achievement; (f) the National Geographic Society, the Franklin Institute, the American Philosophical Society, etc.

The log book of the *Hero* and associated manuscripts in the Palmer Papers demonstrate three important things. The motive for the voyage was business, namely, the gathering and sale of fur-seal skins and seal oil. Palmer discovered Deception Harbor, the breached volcanic crater in Deception Island; he explored Yankee Sound (McFarlane Strait) and many other parts of the South Shetland Islands, charting them creditably but not platting his observations into maps. Last, but by no means least, the log of the *Hero* specifically demonstrates that various secondary accounts of the adventure are erroneous.

One author, writing only a dozen years after the return of the *Hero*, and writing from Stonington, asserted that Palmer encountered the Russian admiral on the return from the discovery cruise; obviously he had not perused the log of the *Hero* which proves that the encounter took place some 60 days earlier and in 1820 rather than in 1821. Another author, writing from Philadelphia, said that "only remarks about the weather and the sea are entered (in the log of the *Hero*) during the time in which (Captain Palmer's) exploration was made;" this gentleman did not read the right portion of the log book; a third author set forth the log book record of the first one of the 7 days of the discovery cruise, and then presented an erroneous digest of the entries for the 6 ensuing days during which Palmer went to Antarctica and back; if he observed the words that contain the specific latitude of the Antarctic coast and the characterization of its appearance, he did not apprehend their significant importance. And yet this third author wrote a whole book about Capt. N. B. Palmer.

Finally it must be pointed out that the Royal Geographical Society's claim, a dozen years ago, that Bransfield anticipated Palmer some 9 months in the discovery of the Antarctic mainland, is not based upon any existing log book, as Palmer's discovery is now known to be. The third-hand record of Bransfield's sighting of a supposed peak, through fog, on January 31 to February 1, 1820, does not necessarily involve a peak on the Antarctic mainland rather than upon one of the islands northeast of the terminus of Palmer Land.

The log of the *Hero* is irrefutable evidence of Captain Palmer's discoveries in November 1820 near 60°10' west longitude and 63°45' south latitude.

Now here is the real glamour of this whole story. Today we are searching for the log of a ship in which this same youthful Captain Palmer made subsequent journeys to that same region. If we had that log, we might well conclusively remove all doubts that might possibly exist even about the hero's exploits, but more to the point that ship's journal

might well give us the clinching evidence and original proof needed to bulwark our claims to islands in the Ellice, Phoenix, and neighboring groups.

Well, that log, Mr. Speaker and my colleagues, may be dust covered in some attic, cellar, or chest right at this minute in some house along the Connecticut coast. Well might it be in this same richly storied Stonington, nearby Mystic, friendly Essex, Groton, or New London, or in the innumerable shore towns up and down the Connecticut coast. It might have been carried to some distant point inland, but wherever it is, it is of value, and I hope that it may soon see the light. Some member of a writers' or a research project in the W. P. A. or some student may read this and start that search. I pledge myself and I know my colleague, Representative WILLIAM FITZGERALD, in whose district live so many of the descendants of these intrepid whalers, pledges himself to assist in this search.

Not only may we discover that log but other logs of the same and later periods of priceless value to American diplomacy and America's high hopes for world air trade supremacy. Thus the logs of the *Express*, the *Frederick*, the *Alabama*, the *Free Gift* may be unfolded to the critical eyes of such scholars as Colonel Martin or S. Whittemore Boggs, geographer of the Department of State, or F. I. Burnham, authority on maps of the Far East.

For your interest I insert here a copy of an article from the Gazette, of New London, Conn., dated April 24, 1822, which speaks for itself:

CONTINENT OF NEW SOUTH ICELAND

NEW LONDON, Wednesday, April 24, 1822.—We have been favored with interesting particulars respecting a southern continent by Capt. Nathaniel B. Palmer, of the sloop *James Monroe*, lately arrived at Stonington from the South Shetlands.

Captain Palmer proceeded in the *James Monroe* from the Shetland Isles to the continent and coasted it from abreast of the isles to the eastward as far as 44° west longitude, keeping as near to the shore as the edge of firm ice would admit. At some places he could coast along shore; at other parts he could not approach nearer the shore than from 1 to 5 or 6 leagues, owing to the firm and fast ice, although it was midsummer there at the time, being in November, December, and January.

In 61°41′ south latitude, 45°27′ west longitude from Greenwich, the coast was clear of firm ice, and here they discovered a fine harbor, lying about 1 mile within the entrance of Washington Strait, which harbor was named Palmer's Harbor, where he came to anchor. He found not the least appearance of vegetation on the land excepting the winter moss. Neither did he here discover any animals, only a few sea leopards, beautifully spotted. Of birds there were penguins, port egmont or sea hens, white pigeons, and gulls.

There is no doubt now that there exists a south continent and that Captain Cook's "Southern Thule" belongs to it. Captain Palmer could discern the mountains covered with snow in the interior as he sailed along the coast.

I also wish to insert two other items that appeared in the same issue showing the way news was carried and the type or names of other ships whose logs are also important:

Arrived at Stonington, 12th instant, schooner *George*, Wilcox; on the 16th, schooner *Express*, Dunbar; the 17th, sloop *James Monroe*, Palmer, from South Shetland, with fur seal skins and oil, to Edward Fanning, W. W. Rodman, B. Pendleton, and others. The schooner *Free Gibson*, brig *Catharine*, and sloop *Essex*, sailed at the same time for Stonington, Brigs *Alabama Packet*, Fanning, *Frederick*, Pendleton, *Emeline*, Treme, and sloop *Hero*, Pendleton, all of Stonington, shipped their cargoes by the vessels returned and proceeded from South Shetland for the Pacific Ocean, for seal skins and oil.

STONINGTON, April 17, 1822.—Arrived sloop *James Monroe*, Palmer, 75 days from New South Shetlands, cargo of oil, to Edmund Fanning. Sailed January 31, in company with brigs *Frederick*, Pendleton, *Alabama*, Fanning, and sloop *Hero*, Pendleton for Pacific Ocean.

Mr. Speaker and my colleagues, I wish to thank you for this chance to bring this matter before you in the hope that it may stir latent interest in a subject whose contemplation and study project one into the most romantic of all sea ages.

NEW RULES OF PLEADING, ETC., IN FEDERAL DISTRICT COURTS

Mr. RAMSAY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD upon the proposed new rules of pleading, practice, and procedure in inferior Federal courts.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT

Mr. O'CONNOR of New York. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly, under its order previously adopted, the House (at 4 o'clock and 10 minutes p. m.) adjourned until Monday, March 14, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House at 10:30 a. m. Monday, March 14, 1938, to resume hearings on H. R. 7230.

COMMITTEE ON THE POST OFFICE AND POST ROADS

There will be a hearing before Subcommittee No. 7 of the Committee on the Post Office and Post Roads at 10 a. m. Tuesday, March 15, 1938, on H. R. 9290 (star routes). Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10:30 a. m. Tuesday, March 22, 1938, on bills in behalf of post-office substitutes. Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10 a. m. Wednesday, April 6, 1938, on bills in behalf of custodial employees in the Postal Service. Room 213, House Office Building.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization on Wednesday, March 16, 1938, at 10:30 a. m., in room 445, House Office Building, for the public consideration of several private bills.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on March 17, 1938. Rebuttal witnesses.

Supplement to notice dated Tuesday, March 22, 1938:

For the past few days there has appeared in the RECORD notice of a hearing before the Maloney subcommittee of the Committee on Interstate and Foreign Commerce to be held on Tuesday, March 22, 1938, regarding S. 1261, through rates. This hearing has now been postponed indefinitely.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m. each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON THE CENSUS

The Committee on the Census will hold hearings in room 312, House Office Building, Tuesday, March 15, 1938, at 10:30 a. m., on H. R. 9659.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1122. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the legislative establishment, Government Printing Office, for the fiscal year 1939 in the sum of $28,500 (H. Doc. No. 538); to the Committee on Appropriations and ordered to be printed.

1123. A letter from the Secretary of Hawaii, transmitting a copy of the Journal of the Senate of the Legislature of the Territory of Hawaii; to the Committee on Insular Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KERR: Committee on Immigration and Naturalization. H. R. 9690. A bill to deny United States citizenship to persons who believe in any form of Government for the United States contrary to that now existing in the United States; with amendment (Rept. No. 1941). Referred to the House Calendar.

Mr. PETERSON of Florida: Committee on Merchant Marine and Fisheries. H. R. 9526. A bill to amend the act of May 27, 1908, authorizing settlement of accounts of deceased officers and enlisted men of the Navy and Marine Corps; without amendment (Rept. No. 1942). Referred to the Committee of the Whole House on the state of the Union.

Mr. WALLGREN: Committee on Merchant Marine and Fisheries. H. R. 8715. A bill to authorize the Secretary of Commerce of the United States to grant and convey to the State of Delaware fee title to certain lands of the United States in Kent County, Del., for highway purposes; with amendment (Rept. No. 1943). Referred to the Committee of the Whole House on the state of the Union.

Mr. COLDEN: Committee on the Disposition of Executive Papers. House Report No. 1944. Report on the disposition of executive papers in the Navy Department. Ordered to be printed.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KEOGH: Committee on Claims. H. R. 6846. A bill for the relief of Harvey Robinson and Carrie Robinson, his wife; with amendment (Rept. No. 1932). Referred to the Committee of the Whole House.

Mr. DREW of Pennsylvania: Committee on Claims. H. R. 6951. A bill for the relief of Harold Price; with amendment (Rept. No. 1933). Referred to the Committee of the Whole House.

Mr. DREW of Pennsylvania: Committee on Claims. H. R. 8051. A bill for the relief of Roswell H. Haynie; with amendment (Rept. No. 1934). Referred to the Committee of the Whole House.

Mr. SMITH of Washington: Committee on Claims. H. R. 8391. A bill for the relief of Frances M. Heinzelmann; with amendment (Rept. No. 1935). Referred to the Committee of the Whole House.

Mr. THOMAS of New Jersey: Committee on Claims. H. R. 8543. A bill for the relief of Earl J. Lipscomb; without amendment (Rept. No. 1936). Referred to the Committee of the Whole House.

Mr. KEOGH: Committe on Claims. H. R. 8586. A bill for the relief of George W. Mason, trustee for the Congress Construction Co.; with amendment (Rept. No. 1937). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 8633. A bill for the relief of the Georgia Marble Co.; with amendment (Rept. No. 1938). Referred to the Committee of the Whole House.

Mr. COFFEE of Washington: Committee on Claims. H. R. 8643. A bill for the relief of Kate Durham Thomas; with amendment (Rept. No. 1939). Referred to the Committee of the Whole House.

Mr. WOOD: Committee on War Claims. House Joint Resolution 146. Joint resolution granting insurance payments to Hugh H. Newell; with amendment (Rept. No. 1940). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on War Claims was discharged from the consideration of the bill (H. R. 9450) for the relief of Peter Koutsaymanes; and the same was referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DISNEY: A bill (H. R. 9831) granting a pension to the regularly commissioned United States deputy marshals of the United States Court in the Indian Territory or the United States District Court for the Western District of Arkansas, including the Indian Territory, now the State of Oklahoma, and to their widows and dependent children; to the Committee on Pensions.

By Mr. BARRY: A bill (H. R. 9832) to authorize the purchase of certain pictures by William E. Norton; to the Committee on the Library.

By Mr. KELLER: A bill (H. R. 9833) to provide a minimum State cotton allotment, under the Agricultural Adjustment Act of 1938, of not less than 8,000 acres in certain cases; to the Committee on Agriculture.

By Mr. GOLDSBOROUGH: A bill (H. R. 9834) to authorize a preliminary examination and survey of Big Elk Creek and Elk River, Cecil County, in the State of Maryland, for flood control, for run-off and water-flow retardation, and for soil-erosion prevention; to the Committee on Flood Control.

By Mr. HART: A bill (H. R. 9835) to amend section 1 of the Shipping Act of 1916, as amended; to the Committee on Merchant Marine and Fisheries.

By Mr. RAMSAY: A bill (H. R. 9836) to amend title 45, chapter 2, section 51, of the Code of Laws of the United States; to the Committee on the Judiciary.

By Mr. BEITER: A bill (H. R. 9837) to provide for the reduction of unemployment and the restoration of purchasing power through the construction of useful public works and the encouragement of long-range planning in the field of public works; to the Committee on Ways and Means.

By Mr. HEALEY: A bill (H. R. 9838) to amend title 45, chapter 2, of the Code of Laws of the United States by addition of section 60 thereto; to the Committee on the Judiciary.

By Mr. STEAGALL: A bill (H. R. 9839) to extend for 1 additional year the 3½-percent interest rate on certain Federal land-bank loans, to provide a 4-percent interest rate on such loans for the period July 1, 1939, to June 30, 1940, and to provide for a 4-percent interest rate on land-bank commissioners' loans for 1 additional year; to the Committee on Agriculture.

By Mr. LUTHER A. JOHNSON: Joint resolution (H. J. Res. 616) to provide funds to enable the Secretary of Agriculture to carry into effect the provisions of title IV of the Agricultural Adjustment Act of 1938, approved February 16, 1938 (Public, No. 430); to the Committee on Appropriations.

By Mr. LUDLOW: Concurrent resolution (H. Con. Res. 39) declaring it to be the sense of Congress that the President should take the lead in a suspension of naval construction by the leading powers and should call a conference on limitation of armaments; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Massachusetts, memorializing the President and the Congress of the United States to consider their resolution dated February 28, 1938, with reference to House bill 5538, concerning pensions for the blind; to the Committee on Pensions.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BOYLAN of New York: A bill (H. R. 9840) for the relief of the estate of Costas Demellis; to the Committee on Claims.

By Mr. O'NEILL of New Jersey: A bill (H. R. 9841) for the relief of Antonio Berruti; to the Committee on Immigration and Naturalization.

By Mr. SCRUGHAM: A bill (H. R. 9842) for the relief of John Engblom; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4397. By Mr. BATES: Petition of the General Court of Massachusetts, memorializing Congress in favor of a bill (H. R. 5538), providing for the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4398. By Mr. BLOOM: Petition of the members of Local No. 12088 of the United Mine Workers of America, District 50, urging the repeal of section 603 of the Revenue Act of 1932; to the Committee on Ways and Means.

4399. By Mr. BOYLAN of New York: Letter from Seeley & Co., New York, N. Y., regarding Senate bill No. 5; to the Committee on Interstate and Foreign Commerce.

4400. By Mr. DIXON: Petition of the General Assembly of Ohio, House Joint Resolution No. 91, memorializing the Congress of the United States to defeat the Parsons bill, which would greatly increase the diversion of water from the Great Lakes into the Chicago Drainage Canal; to the Committee on Military Affairs.

4401. By Mr. HART: Petition of the One Hundred and Sixty-second Legislature of the State of New Jersey, protesting against the Federal licensing bill which would require all corporations to secure a Federal license before they could engage in interstate commerce and, as a condition of procuring such Federal license, impose regulations affecting the action of the corporation in matters that are not interstate and are, therefore, not within the power of Congress to regulate; to the Committee on the Judiciary.

4402. Also, petition of the One Hundred and Sixty-second Legislature of the State of New Jersey, protesting against the Securities and Exchange Commission being given regulatory powers over transactions in bonds of States and political subdivisions thereof, as it would be an unwarranted and unjustified intrusion upon the powers reserved by the Constitution of the United States to the States and to the people; to the Committee on Banking and Currency.

4403. By Mr. KENNEDY of New York: Petition of the Roland German-American Democratic Society of Greater New York, Inc., stating that it considers the provisions of the Pepper-Coffee Federal arts bill as adequately and admirably suited to carry out a people's art program on a national basis, and declares itself as being wholeheartedly in favor of the enactment of this bill by the Congress of the United States; to the Committee on the Library.

4404. Also, petition of the printing trades, opposing the so-called reciprocal-trade treaties now being negotiated by the State Department with foreign nations, affecting printing and binding of books insofar as they are now being imported cheaper than we can manufacture them by American labor; to the Committee on Foreign Affairs.

4405. Also, memorial of the Senate and Assembly of the State of New York, memorializing the Congress of the United States to enact and submit to the several States for ratification an amendment to the Constitution of the United States which will permit the taxation of income derived from securities thereafter issued by the United States or any unit or agency of government within the United States; to the Committee on ways and Means.

4406. By Mr. KRAMER: Resolution of the Los Angeles County Committee of Young Democratic Clubs, relative to the support of the O'Connell resolution, known as the Peace Act; to the Committee on Foreign Affairs.

4407. Also, resolution of the Los Angeles County Committee of Young Democratic Clubs, relative to the Murray-O'Connell resolution; to the Committee on the Judiciary.

4408. Also, resolution of the California State Chamber of Commerce, relative to the establishment of a definite agricultural wage by the Government, etc.; to the Committee on Labor.

4409. Also, resolution of the Los Angeles Veterans' Democratic Club, relative to adequate flood-control system in Los Angeles County, etc.; to the Committee on Flood Control.

4410. By Mr. O'NEILL of New Jersey: Memorandum of Unemployment Compensation Commission, State of New Jersey, with reference to grant of additional funds to the Social Security Board for administration of unemployment compensation programs; to the Committee on Ways and Means.

4411. By Mr. RUTHERFORD: Petition of residents of Bradford County, Pa., opposing the passage of House Joint Resolution 285; to the Committee on the Library.

4412. By Mr. TINKHAM: Resolutions memorializing Congress in favor of a bill providing for the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4413. By the SPEAKER: Petition of Victory Post, No. 4, the American Legion, Washington, D. C., petitioning consideration of their resolution with reference to the Federal Government building a modern sports arena and national armory in the District of Columbia; to the Committee on the District of Columbia.

SENATE

MONDAY, MARCH 14, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Friday, March 11, 1938, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had passed a bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Calif.	O'Mahoney
Ashurst	Dieterich	Johnson, Colo.	Overton
Austin	Donahey	King	Pittman
Bailey	Duffy	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Bilbo	George	Lodge	Reynolds
Bone	Gerry	Logan	Russell
Borah	Gibson	Lonergan	Schwartz
Bridges	Gillette	Lundeen	Schwellenbach
Brown, Mich.	Glass	McAdoo	Shipstead
Brown, N. H	Green	McCarran	Smathers
Bulkley	Guffey	McKellar	Smith
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Walsh
Copeland	Hughes	Nye	Wheeler

Mr. MINTON. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Tennessee [Mr. BERRY], the Senator from Texas [Mr. CONNALLY], the Senator from Kansas [Mr. MCGILL], the Senator from Florida [Mr. PEPPER], the Senator from Texas [Mr. SHEPPARD], and the Senator from New York [Mr. WAGNER] are detained from the Senate on important public business.

The VICE PRESIDENT. Eighty-eight Senators have answered to their names. A quorum is present.

REPORT OF FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

The VICE PRESIDENT laid before the Senate a message from the President of the United States, which was read, and, with the accompanying report, referred to the Committee on Foreign Relations, as follows:

To the Congress of the United States:

I transmit herewith a report by the Secretary of State showing all receipts and disbursements on account of refunds, allowances, and annuities for the fiscal year ended June 30, 1937, in connection with the Foreign Service retirement and disability system as required by section 26 (a) of an act for the grading and classification of clerks in the Foreign Service of the United States of America, and providing compensation therefor, approved February 23, 1931.

FRANKLIN D. ROOSEVELT.

(Enclosure: Report concerning retirement and disability fund, Foreign Service.)

THE WHITE HOUSE, *March 14, 1938.*

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a telegram in the nature of a petition from Local No. 10, Committee on Legislation, American Radio Telegraphists Association, of New York City, N. Y., praying for the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also laid before the Senate a letter in the nature of a memorial from J. O. Morse, of Port Angeles, Wash., remonstrating against the enactment of legislation imposing a Federal tax on fuel oil, which was referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a petition from the California Wool Growers' Association, signed by S. P. Wing, secretary, of San Francisco, Calif., praying for the adoption of the proposed amendments of Senators GEORGE and WHEELER to the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, which was ordered to lie on the table.

Mr. HOLT presented a letter in the nature of a memorial from the Chamber of Commerce of Williamson, W. Va., signed by H. G. Clark, president, and Truda J. Browning, secretary, remonstrating against any proposed revision of the reciprocal-trade agreement between the United States and Canada, which was referred to the Committee on Finance.

Mr. WALSH presented a letter in the nature of a memorial from Helen A. Cunningham and 700 other employees of the Danvers Bleachery, of Peabody, Mass., remonstrating against any reciprocal-trade agreement which would lower the tariff duties on foreign textiles, which was referred to the Committee on Finance.

Mr. GREEN presented the following resolution of the Legislature of the State of Rhode Island, which was referred to the Committee on Finance.

Concurrent resolution memorializing Congress of the United States of America to defeat H. R. 3134, introduced by Representative BOLAND, seeking to place a 1 cent per gallon tax on fuel oil used for heating and the generation of power

Whereas Representative BOLAND of Pennsylvania has introduced before the Congress of the United States a measure known as H. R. 8134, which, if passed, will place a 1 cent per gallon tax on all fuel oil used for heating and power generation purposes; and

Whereas a study of this bill clearly reveals that the same is discriminatory in its effects and is productive of no possible good except to burden fuel oil with a tax for the benefit of a competing commodity, namely, coal; and

Whereas statistics reveal that in the city of Providence alone there are approximately 16,856 homes, or 25 percent of the total number of homes in this city, using fuel oil for the heating and comfort thereof; and

Whereas this tax will add $21 to the annual fuel bill of every householder in the State of Rhode Island who consumes fuel oil; and

Whereas this measure, if passed, will add $210 to the annual fuel bill of owners and operators of apartment houses, hotels, office buildings, and such other commercial enterprises who depend on fuel oil for heat and power; and

Whereas the imposition of this tax will throttle the already staggering industry of this State, which depends upon the use of fuel oil for the generation of power; and

Whereas the imposition of this tax will place an additional burden on thousands of poor families already on relief rolls who use fuel oil for the heating of their homes: Be it therefore

Resolved by the Senate of the State of Rhode Island, That the Congress of the United States of America be and it is hereby respectfully memorialized to defeat with all convenient speed not only H. R. 3134, introduced by Representative BOLAND of Pennsylvania, aforesaid, but all other sundry and divers legislation whatsoever which proposes to place a 1 cent per gallon tax on fuel oil used for heating and power generation purposes; and be it further

Resolved, That a copy of this resolution be transmitted to the President of the United States, the Clerk of the House of Representatives, the Secretary of the Treasury of the United States, and to each Member of Congress elected from the State of Rhode Island and that the latter be urged to use their best offices to procure the defeat of such legislation as will accomplish the purposes of this resolution.

REPORTS OF COMMITTEES

Mr. DIETERICH, from the Committee on the Judiciary, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 1136. A bill providing for waiver of prosecution by indictment in certain criminal proceedings (Rept. No. 1495);

S. 2382. A bill to amend the Judicial Code in respect to claims against the United States for just compensation (Rept. No. 1496).

Mr. ASHURST (for Mr. CONNALLY), from the Committee on the Judiciary, to which was referred the bill (S. 3096) to amend section 35 of the Criminal Code, as amended (U. S. C., title 18, sec. 82), relating to purloining, stealing, or injurying property of the United States, reported it without amendment and submitted a report (No. 1497) thereon.

Mr. THOMAS of Utah, from the Committee on Military Affairs, to which was referred the bill (S. 2369) to amend the act entitled "An act for making further and more effectual provision for the national defense, and for other purposes," approved June 3, 1916, as amended, and for other purposes, reported it without amendment and submitted a report (No. 1498) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HATCH and Mr. CHAVEZ:

A bill (S. 3660) authorizing the grant of a patent for certain lands in New Mexico to Mitt Taylor; to the Committee on Public Lands and Surveys.

By Mr. SCHWELLENBACH:

A bill (S. 3661) for the relief of Henry Milton Dix; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 3662) for the relief of Dr. W. C. Webb; to the Committee on Indian Affairs.

HOUSE BILL REFERRED

The bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, was read twice by its title and referred to the Committee on Finance.

PRINTING OF HEARINGS AT WHITE HOUSE ON T. V. A. (S. DOC. NO. 155)

Mr. NORRIS. Mr. President, I ask unanimous consent that there be printed as a Senate document the hearings had at the White House on March 11 on the Tennessee Valley Authority matter.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

FAILURE OF TREASURY DEPARTMENT TO COMPLY WITH LAWS GOVERNING OUTSTANDING CHECKS—LETTER FROM THE SECRETARY OF THE TREASURY

Mr. BYRNES. Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the Secretary of the Treasury dated March 14, 1938, with reference to a certain report from the Comptroller General.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

TREASURY DEPARTMENT,
Washington, March 14, 1938.

MY DEAR MR. CHAIRMAN: There was inserted in the CONGRESSIONAL RECORD of March 4, 1938, page 2800, by request of Senator BYRD, a report of the Comptroller General of the United States, entitled "Failure of Treasury Department to Comply With Laws Governing Outstanding Checks."

Since it is possible that the submission of such report to the Congress at this time may have some reference to the debates in the Senate on reorganization of the executive departments, I feel that you should be made acquainted with all of the facts.

The fact is that the Treasury Department has been unable to perform all of the functions vested in it by the Congress because the Comptroller General of the United States has failed to comply with the act of May 2, 1866, as amended by the acts of July 1, 1916, June 10, 1921, and June 26, 1934, which require the General Accounting Office to report to the Treasury Department the names of payees and amounts of all checks drawn on the Treasurer of the United States (with certain exceptions), which have been outstanding and unpaid for more than 1 full fiscal year.

The difficulties referred to in the report arise from an unwarranted interpretation by the Comptroller General of section 21 of the Permanent Appropriation Repeal Act of 1934, which reduced the negotiable period for Government checks from 3 fiscal years to 1 fiscal year.

Under the law the Treasury Department has three separate and distinct duties relating to such checks—

First. To transfer the amounts of such checks from the checking accounts of the disbursing officers who drew the checks to a trust fund denominated "Outstanding liabilities."

Second. To place the amount of each check to the credit of the payee.

Third. To make an administrative examination of claims for the amounts of such checks before settlement by the General Accounting Office.

It is with respect to the last two requirements that the difficulties between the General Accounting Office and the Treasury Department have arisen. These difficulties do not arise because of the law itself, but rather from the Comptroller General's interpretation of the act of June 26, 1934.

When this question arose over 2 years ago, the General Counsel of the Treasury Department made an exhaustive study of the matter. In a formal opinion dated September 20, 1935, the General Counsel stated that the Permanent Appropriation Repeal Act of 1934 did not repeal the prior provisions of law which require—

First. That the General Accounting Office shall report to the Secretary of the Treasury the names of the payees of checks to be covered into the outstanding liabilities account; and

Second. That the Treasury Department shall place the amounts of such checks to the credit of the respective payees.

In section 21 of the Permanent Appropriation Repeal Act no mention whatever is made of the detailed record of individual payees of checks, which the Treasury Department is required to maintain under the act of 1866. The Comptroller General relies upon section 26 of the act, which provides that all acts or parts of acts inconsistent or in conflict with the provisions of the Permanent Appropriation Repeal Act are repealed to the extent of such inconsistency or conflict.

The Comptroller General's difficulty arises from the fact that he has confused the outstanding liabilities trust fund, which is maintained as an appropriation account upon the books of the Government, with the separate detailed record of payees which the Treasury is required to keep under the act of 1866. He has failed to distinguish between the duty placed upon the Treasury Department with respect to the trust fund appropriation account, and the separate and distinct duty of the Department relating to the maintenance of the records of individual payees.

That these two records are separate and distinct, and that the procedure with respect to one does not necessarily involve the other, may be demonstrated by the fact that prior to the enactment of the Budget and Accounting Act of June 10, 1921, the two records were maintained in entirely different divisions of the Treasury Department. The outstanding liabilities trust fund account was maintained upon the appropriation ledgers of the Division of Bookkeeping and Warrants, whereas the detailed record of payees of checks was maintained in the Division of Public Moneys. The record containing the names of the payees of checks was transferred from the Division of Public Moneys to the Division of Bookkeeping and Warrants under section 308 of the Budget and Accounting Act. Since such transfer, however, the two records have been maintained in different sections of the Division of Bookkeeping and Warrants. Their maintenance involves separate and distinct functions.

Neither the law, the hearings, the debates, nor the House or Senate committee reports on the bills contain even the remotest indication that there was any intention on the part of the Congress to abolish the detailed record of the payees of Government checks, which has been continuously maintained since 1866 by specific requirement of law. I consider it to be my public duty to see that such records are maintained.

So much for the law. Now, with reference to the practical phases of the matter.

The Comptroller General contends that these records are not necessary; that under the Budget and Accounting Act it is the Comptroller General's duty to settle all claims and demands for and against the United States. But this overlooks the fact that under the law the Treasury Department is required to make an administrative examination of all claims for the proceeds of such checks. Obviously, if the Treasury is to make a proper examination of such claims, it must have in its records the names of the payees. Section 308 of the Budget and Accounting Act provides

specifically that "the certification of outstanding liabilities for payment shall be performed by the Division of Bookkeeping and Warrants (Treasury Department)."

There is another phase of the law affecting this matter on which the Comptroller General has gone astray.

Under title 31, section 151 of the United States Code, it is provided that payment of claims for such checks shall be made "on presenting the same to the proper officer of the Treasury." The Comptroller General apparently believes that "the proper officer of the Treasury" in this case referred to the accounting officers of the Treasury, whose duties were transferred to the General Accounting Office under the Budget and Accounting Act of June 10, 1921. But in this he is mistaken. This is clear from the wording of section 308 of the Budget and Accounting Act, which, as I have already stated, specifically provided that "the certification of outstanding liabilities for payment shall be performed by the Division of Bookkeeping and Warrants (Treasury Department)."

The conclusions submitted to the Congress in the Acting Comptroller General's report of March 4, 1938, are not supported by the law nor are they sound from the standpoint of administrative procedure and independent audit.

The question arises: Shall claims for outstanding checks be paid upon settlements of the General Accounting Office without a proper administrative examination? As recently as March 2, 1938, through the use of the records which the Comptroller General suggests as being unnecessary, the Treasury Department prevented an erroneous payment upon a duplicate settlement of the General Accounting Office in connection with one of these checks involving the sum of $480—which only goes to prove the need for a truly independent audit of the Government's accounts. Since the owner of the proceeds of every check which has been covered into the Treasury under the outstanding liability law is entitled to make claim therefor, without limitation as to time, it is only business prudence that a detailed record of the payees of such checks be maintained by an organization other than the one which settles the claims.

I confidently believe that a careful investigation of the matter would prove beyond reasonable doubt that the General Accounting Office in this matter is wrong from the standpoint of both the law and good administration.

Very truly yours,

H. M. MORGENTHAU,
Secretary of the Treasury.

HON. JAMES F. BYRNES,
Chairman, Select Committee on Government Organization, United States Senate, Washington, D. C.

FEDERAL LABOR BOARDS AND THE WORKERS

Mr. DAVIS. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the American Federation of Labor News Bulletin of March 12, 1938, entitled "Federal Labor Boards and the Workers." I also ask that the editorial be referred to the Committee on Education and Labor, because the long record of the American Federation of Labor in advancing the principles which make for the welfare of those who work entitles this expression of policy to the careful consideration of all the Members of the Senate and the committee which is chiefly concerned with labor problems.

There being no objection, the editorial was ordered to be printed in the RECORD and referred to the Committee on Education and Labor, as follows:

FEDERAL LABOR BOARDS AND THE WORKERS

The danger to working men and women of Federal labor boards given statutory authority to determine wages, hours, and work standards generally, is plainly and emphatically set forth in the analysis issued by the American Federation of Labor of the federation's bill providing a flat minimum for wages at 40 cents an hour and a maximum work week of 40 hours for oppressed and sweated industries, with enforcement of the law placed in the hands of the United States Department of Justice, instead of in a Government board, composed of one or more persons, with autocratic and arbitrary powers provided in the bill which the House of Representatives recommitted to the House Labor Committee last December, following strenuous objections to its enactment made by the American Federation of Labor.

Pointing out that "administrative machinery cannot be entrusted with the power and obligation to make the required determinations for the effective enforcement of fair-pay legislation," and that the findings and determinations on jurisdiction in the limited groups of workers to which the bill recommitted by the House was to have application, "are in many respects identical to, in many respects similar to, and in many respects even more involved than those required in the effective enforcement of the National Labor Relations Act," the American Federation of Labor's statement said:

"With trial and error as teacher, it is now generally agreed, as labor has found, that administration of the National Labor Relations Act by the National Labor Relations Board is fatally defective. It is now apparent that such administration by the National Labor Relations Board has in many instances repudiated generally accepted concepts and disrupted tried and tested principles of collective bargaining between capital and labor. It has impaired and destroyed rights of contract and of property upon which labor has hitherto predicated its very existence and continued progress. Such administration has brought turmoil into industrial relations, has usurped the prerogatives of the courts essential to the preservation of our democratic form of government and has jeopardized industrial freedom and initiative—all contrary to the clear intent of the Congress to create unrestricted opportunities for labor to organize, to strengthen bargaining agencies, to promote their practices, and to foster the objective of a more harmonious and stabilized relationship between labor and capital as part of the national policy for the general good.

"It is therefore generally recognized, and the American Federation of Labor insists, that it is no longer safe to permit a Government board of that kind or a similar administrator to make the many determinations necessary in the administration of fair-pay legislation: whether, for instance, collective bargaining is effective in a particular industry or whether collective-bargaining machinery is adequate in a particular case when predicated upon open, voluntary, and harmonious cooperation between employers and independent collective-bargaining agencies; to determine the proper units for classification of labor generally recognized as craft labor for purposes of collective bargaining; or to make the other numerous determinations under the fair-pay legislation upon the precedents established by the National Labor Relations Board on the basis of interpretations of corresponding language in the National Labor Relations Act."

The federation cited the "apparent lack of equipment" by the National Bituminous Coal Board "to deal with intricate economic and social facts" in connection with fixing coal prices, "its unrepresentative character in dealing with considerations requiring representativeness," and declared that the determinations connected with the economic and social facts used as the basis for wage standards are even more involved than those required for fixing coal prices.

These facts, the federation's statement concluded, coupled with "the tendency of administrative agencies to grasp and exercise an autocratic usurpation of power in matters seriously affecting the destiny of the entire population, all warn against substituting an administrative board or other independent governmental agency for the parties in determining for them the wages of labor's hire and the terms and conditions under which labor and capital shall, side by side, function together. And let it never be forgotten that labor as well as capital is ever on the alert to detect and guard against a fettering of freedom, even when friendly hands offer a kindly bondage."

The real remedy for this dangerous situation is found in the American Federation of Labor wage and hour bill providing simply for a 40-hour maximum workweek and a wage of not less than 40 cents an hour, applicable to every section of the United States, and without the establishment of any administrative machinery.

REORGANIZATION OF EXECUTIVE DEPARTMENT—ADDRESS BY SENATOR BAILEY

[Mr. BYRD asked and obtained leave to have printed in the RECORD a radio address delivered by Senator BAILEY on Saturday, March 12, 1938, on the subject The Bill to Reorganize the Federal Government, which appears in the Appendix.]

DISPLACEMENT OF AMERICANS BY ALIENS—ARTICLE BY SENATOR REYNOLDS

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an article entitled "No Alien Should Displace One of Our Own," written by him and published in the March 1938 issue of the National Republic, which appears in the Appendix.]

GUBERNATORIAL NOMINATION IN PENNSYLVANIA—STATEMENT BY SENATOR GUFFEY

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD a statement issued by him on March 11, relative to the gubernatorial nomination in Pennsylvania, which appears in the Appendix.]

THE AMERICAN MARKET FOR THE AMERICAN FARMER—ADDRESS BY L. J. TABER

[Mr. BORAH asked and obtained leave to have printed in the RECORD an address on the subject of The American Market for the American Farmer, delivered by L. J. Taber, master of the National Grange, at Des Moines, Iowa, February 18, 1938, which appears in the Appendix.]

RESPONSIBLE OPPOSITION—ARTICLE BY WALTER LIPPMANN

[Mr. MINTON asked and obtained leave to have printed in the RECORD an article by Walter Lippmann entitled "Responsible Opposition," published in the Greenville (S. C.) News and other newspapers on Saturday, March 12, 1938, which appears in the Appendix.]

Whereas the imposition of this tax will place an additional burden on thousands of poor families already on relief rolls who use fuel oil for the heating of their homes: Be it therefore

Resolved by the Senate of the State of Rhode Island, That the Congress of the United States of America be and it is hereby respectfully memorialized to defeat with all convenient speed not only H. R. 3134, introduced by Representative BOLAND of Pennsylvania, aforesaid, but all other sundry and divers legislation whatsoever which proposes to place a 1 cent per gallon tax on fuel oil used for heating and power generation purposes; and be it further

Resolved, That a copy of this resolution be transmitted to the President of the United States, the Clerk of the House of Representatives, the Secretary of the Treasury of the United States, and to each Member of Congress elected from the State of Rhode Island and that the latter be urged to use their best offices to procure the defeat of such legislation as will accomplish the purposes of this resolution.

REPORTS OF COMMITTEES

Mr. DIETERICH, from the Committee on the Judiciary, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 1136. A bill providing for waiver of prosecution by indictment in certain criminal proceedings (Rept. No. 1495);

S. 2382. A bill to amend the Judicial Code in respect to claims against the United States for just compensation (Rept. No. 1496).

Mr. ASHURST (for Mr. CONNALLY), from the Committee on the Judiciary, to which was referred the bill (S. 3096) to amend section 35 of the Criminal Code, as amended (U. S. C., title 18, sec. 82), relating to purloining, stealing, or injurying property of the United States, reported it without amendment and submitted a report (No. 1497) thereon.

Mr. THOMAS of Utah, from the Committee on Military Affairs, to which was referred the bill (S. 2369) to amend the act entitled "An act for making further and more effectual provision for the national defense, and for other purposes," approved June 3, 1916, as amended, and for other purposes, reported it without amendment and submitted a report (No. 1498) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HATCH and Mr. CHAVEZ:

A bill (S. 3660) authorizing the grant of a patent for certain lands in New Mexico to Mitt Taylor; to the Committee on Public Lands and Surveys.

By Mr. SCHWELLENBACH:

A bill (S. 3661) for the relief of Henry Milton Dix; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 3662) for the relief of Dr. W. C. Webb; to the Committee on Indian Affairs.

HOUSE BILL REFERRED

The bill (H. R. 9682) to provide revenue, equalize taxation, and for other purposes, was read twice by its title and referred to the Committee on Finance.

PRINTING OF HEARINGS AT WHITE HOUSE ON T. V. A. (S. DOC. NO. 155)

Mr. NORRIS. Mr. President, I ask unanimous consent that there be printed as a Senate document the hearings had at the White House on March 11 on the Tennessee Valley Authority matter.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

FAILURE OF TREASURY DEPARTMENT TO COMPLY WITH LAWS GOVERNING OUTSTANDING CHECKS—LETTER FROM THE SECRETARY OF THE TREASURY

Mr. BYRNES. Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the Secretary of the Treasury dated March 14, 1938, with reference to a certain report from the Comptroller General.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

TREASURY DEPARTMENT,
Washington, March 14, 1938.

MY DEAR MR. CHAIRMAN: There was inserted in the CONGRESSIONAL RECORD of March 4, 1938, page 2800, by request of Senator BYRD, a report of the Comptroller General of the United States, entitled "Failure of Treasury Department to Comply With Laws Governing Outstanding Checks."

Since it is possible that the submission of such report to the Congress at this time may have some reference to the debates in the Senate on reorganization of the executive departments, I feel that you should be made acquainted with all of the facts.

The fact is that the Treasury Department has been unable to perform all of the functions vested in it by the Congress because the Comptroller General of the United States has failed to comply with the act of May 2, 1866, as amended by the acts of July 1, 1916, June 10, 1921, and June 26, 1934, which require the General Accounting Office to report to the Treasury Department the names of payees and amounts of all checks drawn on the Treasurer of the United States (with certain exceptions), which have been outstanding and unpaid for more than 1 full fiscal year.

The difficulties referred to in the report arise from an unwarranted interpretation by the Comptroller General of section 21 of the Permanent Appropriation Repeal Act of 1934, which reduced the negotiable period for Government checks from 3 fiscal years to 1 fiscal year.

Under the law the Treasury Department has three separate and distinct duties relating to such checks—

First. To transfer the amounts of such checks from the checking accounts of the disbursing officers who drew the checks to a trust fund denominated "Outstanding liabilities."

Second. To place the amount of each check to the credit of the payee.

Third. To make an administrative examination of claims for the amounts of such checks before settlement by the General Accounting Office.

It is with respect to the last two requirements that the difficulties between the General Accounting Office and the Treasury Department have arisen. These difficulties do not arise because of the law itself, but rather from the Comptroller General's interpretation of the act of June 26, 1934.

When this question arose over 2 years ago, the General Counsel of the Treasury Department made an exhaustive study of the matter. In a formal opinion dated September 20, 1935, the General Counsel stated that the Permanent Appropriation Repeal Act of 1934 did not repeal the prior provisions of law which require—

First. That the General Accounting Office shall report to the Secretary of the Treasury the names of the payees of checks to be covered into the outstanding liabilities account; and

Second. That the Treasury Department shall place the amounts of such checks to the credit of the respective payees.

In section 21 of the Permanent Appropriation Repeal Act no mention whatever is made of the detailed record of individual payees of checks, which the Treasury Department is required to maintain under the act of 1866. The Comptroller General relies upon section 26 of the act, which provides that all acts or parts of acts inconsistent or in conflict with the provisions of the Permanent Appropriation Repeal Act are repealed to the extent of such inconsistency or conflict.

The Comptroller General's difficulty arises from the fact that he has confused the outstanding liabilities trust fund, which is maintained as an appropriation account upon the books of the Government, with the separate detailed record of payees which the Treasury is required to keep under the act of 1866. He has failed to distinguish between the duty placed upon the Treasury Department with respect to the trust fund appropriation account, and the separate and distinct duty of the Department relating to the maintenance of the records of individual payees.

That these two records are separate and distinct, and that the procedure with respect to one does not necessarily involve the other, may be demonstrated by the fact that prior to the enactment of the Budget and Accounting Act of June 10, 1921, the two records were maintained in entirely different divisions of the Treasury Department. The outstanding liabilities trust fund account was maintained upon the appropriation ledgers of the Division of Bookkeeping and Warrants, whereas the detailed record of payees of checks was maintained in the Division of Public Moneys. The record containing the names of the payees of checks was transferred from the Division of Public Moneys to the Division of Bookkeeping and Warrants under section 308 of the Budget and Accounting Act. Since such transfer, however, the two records have been maintained in different sections of the Division of Bookkeeping and Warrants. Their maintenance involves separate and distinct functions.

Neither the law, the hearings, the debates, nor the House or Senate committee reports on the bills contain even the remotest indication that there was any intention on the part of the Congress to abolish the detailed record of the payees of Government checks, which has been continuously maintained since 1866 by specific requirement of law. I consider it to be my public duty to see that such records are maintained.

So much for the law. Now, with reference to the practical phases of the matter.

The Comptroller General contends that these records are not necessary; that under the Budget and Accounting Act it is the Comptroller General's duty to settle all claims and demands for and against the United States. But this overlooks the fact that under the law the Treasury Department is required to make an administrative examination of all claims for the proceeds of such checks. Obviously, if the Treasury is to make a proper examination of such claims, it must have in its records the names of the payees. Section 308 of the Budget and Accounting Act provides

specifically that "the certification of outstanding liabilities for payment shall be performed by the Division of Bookkeeping and Warrants (Treasury Department)."

There is another phase of the law affecting this matter on which the Comptroller General has gone astray.

Under title 31, section 151 of the United States Code, it is provided that payment of claims for such checks shall be made "on presenting the same to the proper officer of the Treasury." The Comptroller General apparently believes that "the proper officer of the Treasury" in this case referred to the accounting officers of the Treasury, whose duties were transferred to the General Accounting Office under the Budget and Accounting Act of June 10, 1921. But in this he is mistaken. This is clear from the wording of section 308 of the Budget and Accounting Act, which, as I have already stated, specifically provided that "the certification of outstanding liabilities for payment shall be performed by the Division of Bookkeeping and Warrants (Treasury Department)."

The conclusions submitted to the Congress in the Acting Comptroller General's report of March 4, 1938, are not supported by the law nor are they sound from the standpoint of administrative procedure and independent audit.

The question arises: Shall claims for outstanding checks be paid upon settlements of the General Accounting Office without a proper administrative examination? As recently as March 2, 1938, through the use of the records which the Comptroller General suggests as being unnecessary, the Treasury Department prevented an erroneous payment upon a duplicate settlement of the General Accounting Office in connection with one of these checks involving the sum of $480—which only goes to prove the need for a truly independent audit of the Government's accounts. Since the owner of the proceeds of every check which has been covered into the Treasury under the outstanding liability law is entitled to make claim therefor, without limitation as to time, it is only business prudence that a detailed record of the payees of such checks be maintained by an organization other than the one which settles the claims.

I confidently believe that a careful investigation of the matter would prove beyond reasonable doubt that the General Accounting Office in this matter is wrong from the standpoint of both the law and good administration.

Very truly yours,

H. M. MORGENTHAU,
Secretary of the Treasury.

HON. JAMES F. BYRNES,
Chairman, Select Committee on Government Organization, United States Senate, Washington, D. C.

FEDERAL LABOR BOARDS AND THE WORKERS

Mr. DAVIS. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the American Federation of Labor News Bulletin of March 12, 1938, entitled "Federal Labor Boards and the Workers." I also ask that the editorial be referred to the Committee on Education and Labor, because the long record of the American Federation of Labor in advancing the principles which make for the welfare of those who work entitles this expression of policy to the careful consideration of all the Members of the Senate and the committee which is chiefly concerned with labor problems.

There being no objection, the editorial was ordered to be printed in the RECORD and referred to the Committee on Education and Labor, as follows:

FEDERAL LABOR BOARDS AND THE WORKERS

The danger to working men and women of Federal labor boards given statutory authority to determine wages, hours, and work standards generally, is plainly and emphatically set forth in the analysis issued by the American Federation of Labor of the federation's bill providing a flat minimum for wages at 40 cents an hour and a maximum work week of 40 hours for oppressed and sweated industries, with enforcement of the law placed in the hands of the United States Department of Justice, instead of in a Government board, composed of one or more persons, with autocratic and arbitrary powers provided in the bill which the House of Representatives recommitted to the House Labor Committee last December, following strenuous objections to its enactment made by the American Federation of Labor.

Pointing out that "administrative machinery cannot be entrusted with the power and obligation to make the required determinations for the effective enforcement of fair-pay legislation," and that the findings and determinations on jurisdiction in the limited groups of workers to which the bill recommitted by the House was to have application, "are in many respects identical to, in many respects similar to, and in many respects even more involved than those required in the effective enforcement of the National Labor Relations Act," the American Federation of Labor's statement said:

"With trial and error as teacher, it is now generally agreed, as labor has found, that administration of the National Labor Relations Act by the National Labor Relations Board is fatally defective. It is now apparent that such administration by the National Labor Relations Board has in many instances repudiated generally accepted concepts and disrupted tried and tested principles of collective bargaining between capital and labor. It has impaired and destroyed rights of contract and of property upon which labor has hitherto predicated its very existence and continued progress. Such administration has brought turmoil into industrial relations, has usurped the prerogatives of the courts essential to the preservation of our democratic form of government and has jeopardized industrial freedom and initiative—all contrary to the clear intent of the Congress to create unrestricted opportunities for labor to organize, to strengthen bargaining agencies, to promote their practices, and to foster the objective of a more harmonious and stabilized relationship between labor and capital as part of the national policy for the general good.

"It is therefore generally recognized, and the American Federation of Labor insists, that it is no longer safe to permit a Government board of that kind or a similar administrator to make the many determinations necessary in the administration of fair-pay legislation: whether, for instance, collective bargaining is effective in a particular industry or whether collective-bargaining machinery is adequate in a particular case when predicated upon open, voluntary, and harmonious cooperation between employers and independent collective-bargaining agencies; to determine the proper units for classification of labor generally recognized as craft labor for purposes of collective bargaining; or to make the other numerous determinations under the fair-pay legislation upon the precedents established by the National Labor Relations Board on the basis of interpretations of corresponding language in the National Labor Relations Act."

The federation cited the "apparent lack of equipment" by the National Bituminous Coal Board "to deal with intricate economic and social facts" in connection with fixing coal prices, "its unrepresentative character in dealing with considerations requiring representativeness," and declared that the determinations connected with the economic and social facts used as the basis for wage standards are even more involved than those required for fixing coal prices.

These facts, the federation's statement concluded, coupled with "the tendency of administrative agencies to grasp and exercise an autocratic usurpation of power in matters seriously affecting the destiny of the entire population, all warn against substituting an administrative board or other independent governmental agency for the parties in determining for them the wages of labor's hire and the terms and conditions under which labor and capital shall, side by side, function together. And let it never be forgotten that labor as well as capital is ever on the alert to detect and guard against a fettering of freedom, even when friendly hands offer a kindly bondage."

The real remedy for this dangerous situation is found in the American Federation of Labor wage and hour bill providing simply for a 40-hour maximum workweek and a wage of not less than 40 cents an hour, applicable to every section of the United States, and without the establishment of any administrative machinery.

REORGANIZATION OF EXECUTIVE DEPARTMENT—ADDRESS BY SENATOR BAILEY

[Mr. BYRD asked and obtained leave to have printed in the RECORD a radio address delivered by Senator BAILEY on Saturday, March 12, 1938, on the subject The Bill to Reorganize the Federal Government, which appears in the Appendix.]

DISPLACEMENT OF AMERICANS BY ALIENS—ARTICLE BY SENATOR REYNOLDS

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an article entitled "No Alien Should Displace One of Our Own," written by him and published in the March 1938 issue of the National Republic, which appears in the Appendix.]

GUBERNATORIAL NOMINATION IN PENNSYLVANIA—STATEMENT BY SENATOR GUFFEY

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD a statement issued by him on March 11, relative to the gubernatorial nomination in Pennsylvania, which appears in the Appendix.]

THE AMERICAN MARKET FOR THE AMERICAN FARMER—ADDRESS BY L. J. TABER

[Mr. BORAH asked and obtained leave to have printed in the RECORD an address on the subject of The American Market for the American Farmer, delivered by L. J. Taber, master of the National Grange, at Des Moines, Iowa, February 18, 1938, which appears in the Appendix.]

RESPONSIBLE OPPOSITION—ARTICLE BY WALTER LIPPMANN

[Mr. MINTON asked and obtained leave to have printed in the RECORD an article by Walter Lippmann entitled "Responsible Opposition," published in the Greenville (S. C.) News and other newspapers on Saturday, March 12, 1938, which appears in the Appendix.]

AUDITING OF GOVERNMENTAL EXPENDITURES—EDITORIAL FROM THE WASHINGTON DAILY NEWS

[Mr. BYRD asked and obtained leave to have printed in the RECORD an editorial from the Washington Daily News entitled "Watch Dog or Poodle?" which appears in the Appendix.]

ORDER OF BUSINESS

The VICE PRESIDENT. When the Senate took a recess on Friday the Senator from New York [Mr. COPELAND] had the floor on the conference report on Senate bill 1077. The Senate agreed to vote thereon on or before 1: 30 p. m. today, with an order that the Senator from Montana [Mr. WHEELER] should have 20 minutes. So, the Chair thinks he should recognize the Senator from New York, with the statement that at 10 minutes past 1 o'clock it will be the duty of the Chair to let the gavel fall and take from the floor the Senator who may have it at that time, and give it to the Senator from Montana in accordance with the order of the Senate.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Nebraska?

Mr. COPELAND. Mr. President, I will yield to the Senator from Nebraska in just a moment. I beg of Senators that they will remain on the floor while the conference report on Senate bill 1077 is before the Senate. I have given consideration to the discussion which took place on Friday. The Senator from Montana was then very generous. He said he would be satisfied with 20 minutes. I do not intend to take more than 20 minutes. So, in all human probability, we will be ready to vote on this question before 1 o'clock, I should think. I ask Senators, however, that they listen to the argument. I have it in a formal statement, which can be very briefly presented, but I should like to have a hearing. Now I yield to the Senator from Nebraska.

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY

Mr. NORRIS. Mr. President, I submit a resolution providing for an investigation of the T. V. A. by a committee of the Senate to be appointed by the Vice President. In the resolution I have included all the items that are included in the resolution heretofore submitted by me and afterward reported by the Committee on Agriculture and Forestry and now on the calendar, and also what is contained in the resolution proffered by the Senator from New Hampshire [Mr. BRIDGES] and the Senator from Utah [Mr. KING]. I tried to get in touch with the Senator from Utah, but was unable to do so. I did get in touch with the Senator from New Hampshire, who, in turn, got in touch with the Senator from Utah, and, I understand, the resolution as now submitted is agreeable to them. I ask——

Mr. KING. Mr. President, will the Senator yield?

Mr. NORRIS. If the Senator will let me make a request, then I will yield. I ask unanimous consent for the present consideration of the resolution.

The VICE PRESIDENT. The Senator from Nebraska asks unanimous consent for the immediate consideration of a resolution, which the clerk will read.

The legislative clerk read the resolution (S. Res. 251), as follows:

Resolved, That a special committee consisting of five Senators, to be appointed by the Vice President, is hereby authorized and directed to make an investigation of the operations of the Tennessee Valley Authority, with a view of ascertaining—

(1) Whether said Authority is carrying out with reasonable economy and efficiency the provisions of the Tennessee Valley Authority Act, approved May 18, 1933, and the amendatory act, approved August 31, 1935.

(2) Whether the work of said Authority has been handicapped or interfered with in any way by any internal dissension among members of the Board of said Tennessee Valley Authority; if so, the cause, if any, of such dissension, and what effect it has had upon the work of said Authority.

(3) Whether any member of said Board is holding office in violation of subsection H, section 2, of said act; and whether any member of said Board has given aid or assistance, either directly or indirectly, to private power companies in suits for injunctions instituted by said private power companies.

(4) What suits, if any, have been instigated by private power companies in State and Federal courts, praying for injunctions against the activities of said Board; what effect, if any, said injunctions have had upon the carrying out of said act according to its terms; what disposition has been made up to date of said injunction suits; what has been the expense to said Tennessee Valley Authority in defending said suits; what has been the disposition of said suits in the superior courts to which said cases have been appealed from the lower courts; and what has been the loss in revenue to said Authority on account of said suits.

(5) What has been the financial loss to the municipalities and farm organizations which have been prevented by said suits from purchasing electric power of said Authority.

(6) What has been the effect upon the personnel and the organization perfected by the Board under said act by the prosecution of said injunction suits, or by the action of any member of said Board in giving aid or assistance to private power companies therein.

(7) What have been the activities, if any, of the private power companies, in attempting by the expenditure of money, the institution of legal proceedings, or other means and methods, to prevent municipalities and farm organizations in the Tennessee Valley from buying electric power of said Authority.

(8) What efforts, if any, have been made by private power companies to prevent municipalities or farm organizations desiring to purchase power of said Authority, from acquiring title to their distributing systems.

(9) To what extent, if any, have the public interests been injured or jeopardized by the activities of the private power companies in attempting to prevent the board from carrying out the provisions of said act.

Resolved further, That said committee is authorized and directed to make a full and complete investigation of all phases of the administration of the Tennessee Valley Authority Act of 1933, as amended, by the Tennessee Valley Authority. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations, if any, for necessary legislation.

Said committee is hereby authorized, in the performance of its duties, to sit at such times and places, either in the District of Columbia, or elsewhere, as it deems necessary or proper. It is specifically authorized to require the attendance of witnesses by subpena or otherwise; to require the production of books, papers, and documents; and to employ counsel, experts, clerical, and other assistants; and to employ stenographers at a cost not exceeding 25 cents per 100 words.

Said committee is hereby specifically authorized to act through any subcommittee authorized to be appointed by said committee. The chairman of said committee or any member of any subcommittee may administer oaths to witnesses and sign subpenas for witnesses; and every person duly summoned before said committee, or any subcommittee thereof, who refuses or fails to obey the process of said committee or who appears and refuses to answer questions pertinent to said investigation shall be punished as prescribed by law.

The expenses of said investigation, not exceeding in the aggregate $50,000, shall be paid from the contingent fund of the Senate on vouchers signed by the chairman of the committee or the chairman of any subcommittee.

All hearings before said committee shall be public, and all orders or decisions of the committee shall be public.

The committee shall make a full report to the Senate as soon as possible.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. BARKLEY. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Kentucky?

Mr. COPELAND. I yield.

Mr. BARKLEY. I have no desire to delay, or in the slightest degree to prevent, an investigation of the T. V. A. I am heartily in sympathy with any movement for an investigation. I doubt if any resolution of that sort can be adopted without some discussion and without the possibility of amendment. Therefore, I hope the Senator from Nebraska will not insist on the present consideration of the resolution, inasmuch as the Senate must vote at 1:30 o'clock on the conference report which is now pending.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. COPELAND. I yield to the Senator from Nebraska.

Mr. NORRIS. I realize that the Senator from New York has the floor, and that he may take it at any time he desires to do so. I anticipated that this resolution would be agreed to by unanimous consent. If there is any objection to it, of course, under the rule it must go over. I do not want to delay the reorganization bill.

Mr. BARKLEY. I understand. There are some matters in connection with an investigation which I think the Senate

should take into consideration. Resolutions providing for the same sort of an investigation, submitted by three Members, are pending in another body. I have been trying to keep in touch with this matter; and I think it would be most regrettable if the two Houses should order separate investigations and have them in progress at the same time. Whether it would be wise to have a joint committee of the two Houses make the investigation, or have such an arrangement so that the same ground would not be covered by two separate committees of the two Houses, I think should be given some consideration.

I did not anticipate that this resolution would be submitted or that it would come up today. For that reason, while I do not want to be in the attitude of objecting to the present consideration of the resolution, I hope the Senator from Nebraska will not insist that it be agreed to now, because I doubt whether it could be done without some discussion in order to consider all phases of the matter.

Mr. McNARY. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Oregon?

Mr. COPELAND. I yield to the Senator.

Mr. McNARY. I have had some communication with the T. V. A. concerning the allocation of costs in connection with appropriations which have been made. I desire to look over the resolution and see if it includes the material I desire to have the T. V. A. supply. For that reason, and in view of the fact that this hour is set apart for another purpose, I shall have to object.

The VICE PRESIDENT. Objection is heard.

Mr. KING. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Utah?

Mr. COPELAND. I do.

Mr. KING. I desire to say to the Senator from Nebraska that I did not know the text of the resolution, and therefore I did not indicate that I would approve of it, and I do not say that I shall disapprove of it. I have not seen the resolution, and the information I received was that the Senator from Nebraska had agreed to the resolution which had been offered by the Senator from New Hampshire [Mr. BRIDGES] and myself, plus the one he had offered.

Mr. NORRIS. That is just what the resolution is. There is not anything else in the resolution.

Mr. KING. I desire to examine it. Let me say that I also had in mind, as I said to the Senator the other day, if he will pardon me, the fact that I desire to confer with the Representative from Texas [Mr. MAVERICK], because he has a resolution calling for an investigation; and I foresaw just what was indicated by the Senator from Kentucky [Mr. BARKLEY]—that there might be two investigations—and I did not think that was necessary. I hoped there would be only one, and that it would be a comprehensive, full, and complete investigation.

Therefore I join in the request that the resolution go over so that we may consider the phases of the matter of which I have spoken.

The VICE PRESIDENT. Objection being made, the resolution will go over under the rules.

AMENDMENT OF FEDERAL TRADE COMMISSION ACT—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1077) to amend the act creating the Federal Trade Commission, to define its powers and duties, and for other purposes.

Mr. COPELAND. Mr. President, in the Seventy-fourth Congress, on the 4th of May 1936, we had an extended discussion in the Senate over the bill of the Senator from Montana [Mr. WHEELER], changing the powers of the Federal Trade Commission. We were in full agreement—certainly I was in agreement—with the bill. I think it was an excellent bill. That particular bill, however, received no attention in the House in the Seventy-fourth Congress.

In the Seventy-fifth Congress, about a year ago, the Senator from Montana again brought to the floor of the Senate the same bill, an excellent measure, and the Senate very quickly passed it. The bill went to the House. There it has been rewritten in such a way, in my opinion, as to emasculate it and to ruin it. If the bill had been left in the form in which it was presented by the Senator from Montana, I should be here now defending the report of the conference committee, if it needed any defense.

What I have to say on this point will cover not more than 15 minutes, and I hope Senators will listen. I feel that in a sense I am representing a cause today.

Mr. President, I wish to say to Senators that I have authority to speak for a large group of women in this country, and they are all voters, so it might be wise for Senators to give some heed to what we have before us. These organizations are the University Women, the Dietetic Association, the Home Economics Association, the American Nurses' Association, The Girls' Friendly Society, the Council of Women for Home Missions, the Medical Women's National Association, the National Board of the Y. W. C. A., the National Congress of Parents and Teachers, the National Council of Jewish Women, the National League of Women Voters, the National Women's Trade Union League, the National Consumers' League, and so on.

Mr. President, as this matter is presented to us, Senate bill 1077, as amended by the House, specifically authorizes proceedings against the false advertising of foods, drugs, therapeutic devices, and cosmetics. Consistent with established procedure under the Federal Trade Commission Act, it proposes to suppress the glaring misrepresentations in the advertisements of countless nonpoisonous but wholly worthless nostrums, by the employment of cease-and-desist orders and injunctions.

These procedures impose no penalty for such violation of the law as was committed before an order becomes effective. The efforts of the Federal Trade Commission to prevent such advertising under the present law have been unsuccessful. They have been unsuccessful because the unscrupulous vendors of nostrums were secure in the knowledge that no penalty was risked for any number of publications of false advertisements occurring up to the time an order became effective. This fact has been an open invitation to the racketeering fringe of industrialists to disregard the obligation of truthfulness in advertisements disseminated before the effective date of cease-and-desist orders. When that effective date arrives these scoundrels change to some other misrepresentation, or change their commodities in some trifling manner and start all over again—safely insulated against all risk.

The only exception to the cease-and-desist order and injunction procedures against nonpoisonous nostrums falsely advertised as remedies for serious diseases, is where the Commission can acquire proof of actual intent to defraud. In such cases criminal penalties are provided.

Proof of such intent in the sale of nostrums is notoriously difficult, as has been demonstrated by more than 25 years' enforcement of the amendment to the old Food and Drugs Act requiring proof of fraud in proceedings against false claims in the labeling of patent medicines. Efforts to enforce this provision have always been extremely time consuming and expensive and usually have been futile.

A few days ago the Senator from Montana [Mr. WHEELER] stated that the only lawyer who had opposed the changes in the bill as presented by the conference committee, was a man who had always lost his cases. I say to the Senator, in all good nature, that that lawyer might have lost his cases but he served the purpose of his clients, because he found one loophole and then another loophole, and for 10 years lost his cases, but the cases are still on trial. In the meantime, the product is still being sold.

It took the Government more than 10 years and cost more than $75,000 to stop the label misrepresentation of a horse liniment advertised as a cure for tuberculosis. Five years ago, because the difficulty of proving fraud, the Government

lost a case against the sale of a brew of horsetail weed labeled as a cure for diabetes.

In the investigation of each of these medicines the Government acquired sheaves of death certificates showing the deaths of scores of users from the disease the medicine was supposed to cure. Most of these unfortunate victims could have been treated successfully by rational methods and have been insured a normal span of life. Many of them had been getting proper treatment but were persuaded to abandon it in favor of these concoctions; they were allured by the glowing misrepresentations on the labels and in advertising of perfectly useless concoctions.

Because of the uncertainty of the outcome and the exorbitant expense of action where intent to defraud is a necessary element in the case, proceedings under the House amendments against the false advertising of fake nostrums will, of necessity in most cases, be through the cease-and-desist order or injunction.

The only other instance where the House amendments provide penalties for initial publications of false advertisements is where the advertised article is actually poisonous and may, therefore, be injurious to health. But such articles are rarely advertised. False advertising of them constitutes but a negligible fraction of the false advertising of foods and drugs generally. When the Congress passes a revised food and drug bill, as I feel sure it will, these dangerous nostrums will promptly be put off the market and will no longer be advertised.

It is apparent from these considerations that the House amendments to Senate bill 1077, relating to false advertising of foods, drugs, therapeutic devices, and cosmetics, make no appreciable change in the existing Federal Trade Commission Act from the standpoint of practical results to be obtained. It will serve merely to perpetuate the same ineffective control procedure as regards foods and drugs that has prevailed since the Federal Trade Commission Act was passed in 1914.

The volume of false advertising of patent medicines occurring daily demonstrates beyond argument the ineffectiveness of existing control. No informed person can deny this.

If Congress is to announce to the Nation the passage of a new false-advertising measure, I submit that the announcement should be backed by a law which will guarantee substantial improvement. It should meet the public demand, shared alike by consumers and reputable manufacturing and advertising interests, the demand for a law that will put an end to the glaring abuses now prevalent; and the bill will not do that.

To my mind there is also a grave question of the wisdom of amending the Federal Trade Commission Act to control the false advertising of foods, drugs, therapeutic devices and cosmetics. That law was enacted as antitrust legislation. It was designed to curb monopolistic tendencies by preventing unfair competitive practices. The enforcing agency, the Federal Trade Commission, was created to assume the role of commercial umpire rather than guardian of consumer welfare.

In its legal field I think the Federal Trade Commission has done a fine job. In that field, and limited to that, I certainly have no possible objection to the splendid bill presented by the Senator from Montana in the last Congress and in this Congress.

The truthfulness of advertising representations for foods, drugs, therapeutic devices, and cosmetics is of extreme importance to public health and welfare. The safe and effective use of these articles affects the well-being of every one of us, every day we live. While false advertising of these particular commodities may constitute an encroachment on the profits of honest manufacturers, and while that encroachment may be serious, the harm done to consumers is, to my mind, of far greater consequence.

It seems to me, therefore, that any legislative approach to the control of false advertising of these commodities should be through admendment to established legislation enacted in the direct interest of consumers, rather than through legislation dealing with unfair practices between commercial competitors.

It is for this reason that food and drug bills I have sponsored, which are primarily consumer protective measures and only incidentally protective of honest business, have carried provisions for the control of false advertising. These bills carrying such provisions have been passed by the Senate, both in this Congress and in the last Congress.

In my opinion, it was the opposition of the Federal Trade Commission in the last Congress that defeated the food and drug bill in the closing days of the session. I was willing to compromise by leaving with the Federal Trade Commission control of false advertising that was purely economic in its aspects, but I was not willing to compromise by leaving to the demonstrated ineffective control of the cease-and-desist-order procedure of that law, false advertising which had a relationship to public health. My colleagues in the conference and the Senate by direct vote sustained this contention.

Public-health considerations are not germane to the Federal Trade Commission Act; they are germane to the Food and Drugs Act, under which for more than 30 years false label statements have been subject to control. Advertising is but an extension of labeling. Identical problems are involved in proceedings against false statements on labels and false statements in advertising.

We are dealing with identical things. Whether the false statement is on the label or whether the false statement is through the advertising, we are dealing with exactly the same thing.

The offenses of adulteration, misbranding, and false advertising are inextricably interwoven and present a single unified administrative problem. To divide that problem, as proposed by the House amendments to S. 1077, even if those amendments were properly drawn, would assure confusion, uncertainty, waste, and inefficiency of consumer protection.

Complex scientific questions continually arise in the administration of laws dealing with the purity and wholesomeness of our food and drug supplies. To meet these questions the Food and Drug Administration has built up a competent scientific staff. No such staff exists in the Federal Trade Commission.

It will not do to say that the staff of the Food and Drug Administration will serve the Federal Trade Commission in the administration of the false advertising law. No administrative officer can deal effectively with problems as they arise without having immediately and continuously at his command the technical advice of experts in the field to which the questions relate.

If the Federal Trade Commission is given the authority over the advertising of these commodities related to health it will be necessary for it to duplicate the staff now existing in the Food and Drug Administration. That will be expensive. Years will be required to assemble an efficiently functioning staff.

I am opposed to the House amendments to S. 1077 for the two reasons I have indicated. First, the amendments make no substantial advance in the authority to deal with false advertising over what has been contained in the Federal Trade Commission Act for more than 20 years. Second, inclusion of authority to control false advertising in the Federal Trade Commission will result in waste, inefficiency, confusion, and failure of consumer protection.

The prompt and effective solution of the problem, desired alike by consumers and industry, demands that the needed authority be written into the Food and Drugs Act. This the Senate by its vote on S. 5 has twice approved. In the interest of all concerned in this legislation, let us stand firm in the course we have taken.

Finally, to show how defective is the bill in the form presented by the conference committee, I call attention of the Senate to section 12 of the bill, found on page 5 of the report. Senators will note that section 12 (a) defines as unlawful the dissemination in interstate commerce or

through the United States mails of all false advertisements of foods, drugs, devices, or cosmetics. It prohibits also the dissemination of false advertisement of these commodities where the dissemination does not cross State lines or involve the use of the mails, if the advertisement is calculated to induce interstate commerce in these four classes of commodities.

But in paragraph (b) of this same section, the House and the conferees have thought it necessary to declare specifically that the dissemination of false advertisements of these commodities in violation of subsection (a) shall be an unfair or deceptive act or practice in commerce within the meaning of section 5. It refers back to section 5.

The clear implication of this language, if the Congress passes the measure in its present form, is that the Congress did not intend the false advertising of the great host of other commodities besides foods, drugs, devices, and cosmetics should be subject to regulation under section 5 of the Federal Trade Commission Act. It follows that in this effort to secure to the Federal Trade Commission the control of false advertising of goods and drugs, of devices, and cosmetics that the Commission has sacrificed the control it has maintained through all the years since the act was passed back in 1914 over other commodities.

I have in my hand a release of the Federal Trade Commission dated Saturday, October 16, 1937, and on page 8 of this pamphlet the Commission boasts that it has obtained stipulations to cease and desist from false and misleading representations—in respect to what? In respect to commodities, a few of which I shall mention: Veneers and plywood, fur garments, general merchandise, men's underwear and other wearing apparel, hats and caps, burial vaults, radio sets, hosiery—several cases involving hosiery—washing and ironing machines, vacuum cleaners, radio sets, another hosiery case, furs, fur goods and fur pieces, mattresses, machinery, including electric grinders and tool sets, trousers, wearing apparel, piston rings for automobiles.

The Commission stopped the false representations as regards those commodities. They cannot do so as regards false advertising under the provisions of this bill, as proposed to be amended. When it is amended as proposed, the Commission must confine its activities exclusively to false advertisements with respect to foods, drugs, cosmetics, and devices.

If these past actions have been desirable, what will be the consequence of the enactment of this legislation? It means that the lid is off for any type and kind of false-advertising representation for every commodity made by man except the four commodities specifically carved out for control by this section.

I ask the Senate: Is it a wise public policy to do this?

The other day my dear friend from Montana [Mr. WHEELER] said that no one had objected. I do not wonder about that. The industries making commodities other than foods, drugs, and cosmetics were initially opposed to the bill. They were opposed to the bill introduced by the Senator from Montana in the Seventy-fourth Congress and the one introduced in the Seventy-fifth Congress, but they have been silent about the House bill; they have been silent about the report as it comes to us from the conferees. Of course, since these amendments to the original Senate bill were tacked on there has been industrial silence.

Do Senators wonder that I venture to protest? This bill is the most violent misuse of legislative power that can be imagined. Yet it was proposed the other day to pass it with a possible quarter of an hour of courtesy debate.

Having said this, let me add: Three simple amendments would widen the scope of the bill, restore it to the original intent of its author, the Senator from Montana, and make it a credit to the Congress. It would preserve to the Federal Trade Commission——

Mr. McNARY. Mr. President, will the Senator yield at that point?

Mr. COPELAND. I yield.

Mr. McNARY. The Senator made the statement that three simple amendments would be curative; then the Senator passed on to another subject. Does the Senator intend later to indicate the nature of those amendments?

Mr. COPELAND. I am glad to tell the Senator what they are. In the first place, I would strike out the definitions given for drugs, devices, and cosmetics. I would not seriously object to those commodities being defined. I am not so interested about that, because I want the Federal Trade Commission to proceed as far as it can under its powers.

But on page 5 of the report, section 4, I should strike out the words "foods, drugs, devices, or cosmetics" and insert the words "any commodity." Then the Federal Trade Commission could continue the work it has done with other commodities. It would have the same power with respect to foods, drugs, and cosmetics that it now has and has utilized with respect to other commodities; but I would give the Federal Trade Commission wider powers to deal with "any commodity."

Likewise, in section 13, I should strike out the same words and insert the words "any commodity."

If the amendments suggested were made, I would be forced to say that the bill would be a good bill. It would preserve to the Federal Trade Commission the power it covets with respect to foods and drugs, and it would continue its jurisdiction over other commodities.

The Senate voted for the bill in the Seventy-fourth Congress and again in the present Congress, upon the assurance that the measure was to be what its language stated. I took part in the debate, the Senator from Nebraska took part in the debate, and other Senators took part. The bill as presented was an excellent bill; but as it is now modified the American people are not protected in any respect whatever against false advertising of any other commodities. The whole effort of the Federal Trade Commission must be devoted to foods, drugs, and cosmetics. The bill comes back to us maimed and mutilated. It is a bill which will destroy the usefulness of the present statute. The conference report should be modified or defeated.

Mr. President I have done my best to present the facts. If the conference report is adopted and the bill in its present form becomes a law, the consumers of this country will be raped. The housewives of America will be the victims of evils which will be felt by every home in our country.

With the three amendments suggested, I should say that the bill would be an excellent one. Under the bill as it comes to us there would in general be no more protection of the public against false advertising than there is at present, under the powers which the Federal Trade Commission have exerted and exercised. The bill as amended will control false advertising of foods, drugs, and cosmetics, and nothing else. So I say that the conference report should be defeated or modified in the simple manner I have suggested.

Mr. WHEELER. Mr. President, I am sure that the Senator from New York and I agree upon the objects to be attained. Apparently someone has given him some misinformation with reference to what is in this bill as it came from conference.

Mr. COPELAND. I read the bill.

Mr. WHEELER. If the Senator read it, then he misunderstood it, because the statements he has made on the floor show clearly that he has not understood the legal interpretations which are placed upon it.

First of all, I introduced a bill which passed the Seventy-fourth Congress, and passed at the next session. It was twice passed by this body. The conference report provides, among other things, in section 5:

SEC. 5. (a) Unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce, are hereby declared unlawful.

The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the acts to regulate commerce, and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in section 406 (b) of said act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

The Supreme Court of the United States, when the original act was before it in the case of *Federal Trade Commission* v. *Raladam Co.* (283 U. S. 643), said:

> Findings, supported by evidence, warrant the conclusion that the preparation is one which cannot be used generally with safety to physical health except under medical direction and advice. If the necessity of protecting the public against dangerously misleading advertisements of a remedy sold in interstate commerce were all that is necessary to give the Commission jurisdiction, the order could not successfully be assailed. But this is not all.
>
> By the plain words of the act, the power of the Commission to take steps looking to the issue of an order to desist depends upon the existence of three distinct prerequisites: (1) That the methods complained of are unfair; (2) that they are methods of competition in commerce; and (3) that a proceeding by the Commission to prevent the use of the methods appears to be in the interest of the public.

So that the Supreme Court of the United States held that the term "unfair methods of competition" meant that there must be an injury to some competitor before the Federal Trade Commission could stop a man from falsely advertising some medicine or drug, or other commodity. It must be shown that the competitor was hurt. By this bill the Federal Trade Commission has jurisdiction where there is injury to the public. The Federal Trade Commission can do exactly what the Senator desired to have done. If there are unfair or deceptive practices in advertising a commodity to the injury of the general public, the Federal Trade Commission, on complaint from John Doe, or upon its own initiative, may issue a cease-and-desist order, whether or not the practice is injurious to a competitor. Many competitors have gone to the Federal Trade Commission and complained, saying, "Here is a man who is injuring my business by putting out a false advertisement." But it is a difficult thing for the Commission to find out, in dollars and cents, just how his competitor is damaged. Under the bill S. 1077, no injury need be shown to a competitor, and this will save thousands of dollars.

The bill passed the Senate, and has been acted on by the House. The form of the bill as it passed the Senate and the House has been reported by the conference committee in almost the identical words, with a few minor exceptions, which do not change the substance.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. AUSTIN. I desire to ask the Senator's opinion concerning that feature of the bill which relates to the findings of the Commission as to the facts. I have no controversy over the policy of which the Senator has been speaking. In fact, I agree with him that the Commission ought to have the power to issue a tentative edict, even though the injury has not yet occurred. What is the use of prevention if we wait until the injuries happen? The two ideas are inconsistent. So, I am in harmony with that view, but I speak of something which seems to run through a great many of these new bills, and which seems to be a flare-back to an archaic idea in the administration of justice, and that is that the iota of evidence rule ought to prevail.

Referring to page 3 of the report, in the last third of the page, the language is:

> The findings of the Commission as to the facts, if supported by evidence, shall be conclusive.

I wish to know if it is the opinion of the Senator from Montana that that is a good policy, if we take it literally. I will stop there, and ask another question after the Senator has considered the first question.

Mr. WHEELER. My understanding of the bill is that the findings of fact will be conclusive. But there must be substantial evidence to uphold the findings. The same rule applies in a court of equity, because this bill provides an appeal to the circuit court of appeals.

Mr. AUSTIN. Mr. President, will the Senator yield further?

Mr. WHEELER. I yield.

Mr. AUSTIN. The word "substantial" used by the Senator is entirely satisfactory to me, and I believe that is the way this provision ought to be construed by the courts. In other words, the court is not limited, in its review, to the mere iota of evidence.

Mr. WHEELER. Let me say to the Senator I think I can clear this matter up for him. This language is not new; it was in the original bill; it has been before the court, and has been construed, as I understand, in the way the Senator suggests.

Mr. AUSTIN. Mr. President, will the Senator yield to me for one further question?

Mr. WHEELER. I yield.

Mr. AUSTIN. Putting it in another way, I think it amounts to the same thing. Suppose the issue of facts raised in the Commission were the jurisdictional issue whether the respondent was, in fact, engaged in interstate commerce; and then, suppose, on appeal, there was an iota of evidence on that point. I understand the Senator's point of view to be that that would not be sufficient to sustain the finding of the Commission of the existence of interstate commerce, but that there must be a reasonable basis in the evidence for the finding of that fact in order to have it hold?

Mr. WHEELER. I do not think there is any question about that at all. The finding on the part of the Commission would be a finding of fact as to a point of law, and the court can always say, as a matter of law, this is not interstate commerce. That would be a finding of law. A court can pass on the question of jurisdiction. The Commission could say the respondent did so and so, and we find this to be the fact. Then, it is a question of law for the court to determine whether or not those facts are sufficient to bring the transaction within interstate commerce.

Mr. AUSTIN. Mr. President, will the Senator from Montana permit another question?

Mr. WHEELER. Yes.

Mr. AUSTIN. When the issue of fact is taken up on appeal to the circuit court of appeals and the claim is made that the finding of fact is not supported by evidence, then, does the Senator regard the question as a question of law, just as if it had been raised by saying that the claim is not supported by "the evidence?"

Mr. WHEELER. It is a question of law. I think there can be no question about it at all. This language, as I have said, was in the original act, and I am quite sure it has been construed by the court in accordance with the general rule of law as the Senator has laid it down.

Now I wish to refer to the point made by the Senator from New York that in this measure there is no protection of the general public. The very thing we are seeking to do in the proposed law is to protect the general public. That is the whole purpose of the bill. There was a question under the old law as to whether or not the public could be protected, but that doubt is eliminated by this bill.

I want to explain it definitely. John Doe files a complaint or the Federal Trade Commission proceeds on its own initiative and it says that a certain advertisement which is being circulated is a false advertisement or conceals the truth. Action can be taken if the advertisement is false and also if it conceals the truth. The Commission can say to a respondent "Your advertisement is misleading—material facts are either not stated or they convey a false impression. A complaint is lodged with the Federal Trade Commission. The Commission cites the respondent, and he has, on 30 days' notice, a hearing. If the product is, as the Senator suggests, one that might be injurious to the public, one which might cause death, the Commission can immediately get a temporary injunction in the Federal court until such time as they can make a thorough investigation. Also they can go ahead and say, "This advertisement on its face is so false that people who use the product in some way may be injured in health or may actually be killed." The Commission can certify the case to the Attorney General and the Attorney General can file an information against the one putting out the product charging him with a criminal offense, and upon conviction in the Federal court the defendant could be punished by a fine of not to exceed $5,000 or 6 months in jail. So, so far as protecting

the general public is concerned, first, the Commission can act upon their own initiative, or John Doe can file a complaint with the Commission that certain matter constitutes false advertising. The Commission examines the complaint and says, "We will set the case down for a hearing, at which your attorney will appear;" which is exactly the same procedure as in a court.

If, in the meantime, while the hearing is pending or before a "cease and desist" order has been issued, the producer of the article continues to sell it, then the Commission may go into court and ask for a temporary injunction to prevent the selling of the article until the Commission has had an opportunity to pass on it, or the Commission can turn it over to the Attorney General and ask him to file an information charging the producer with a penal offense.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. COPELAND. I agree with everything the Senator says, but why should not this power of control of false advertising be applied to all commodities? Why should foods and drugs be taken by themselves?

Mr. WHEELER. Let me answer that. The bill does apply to all commodities, let me say to the Senator.

Mr. COPELAND. I do not see that in the bill.

Mr. WHEELER. Let me say further that the question the Senator raises was discussed in conference. The House conferees pointed out that they had made this decision and the House had affirmed it, in effect, twice. The Senator's food and drugs bill went to the Interstate and Foreign Commerce Committee in the House of Representatives, and the Federal Trade Commission bill went there also. The Committee on Interstate and Foreign Commerce of the House took up both bills and considered them. The committee held long hearings. After having held those hearings, they took up the definition of false advertisement with reference to foods and drugs, and they took the definition of advertisement from the bill which the Senator from New York had drafted, and they said, "The place to put this is under the Federal Trade Commission, because in the Federal Trade Commission there is developed an orderly procedure, the same kind of procedure as obtains in courts of law." They said that was the proper place for it rather than to give arbitrary power to some bureaucrat in a department. Then, too, they doubtlessly felt that further control of advertising should be under that agency which had always had jurisdiction. The Food and Drug Administration has never had jurisdiction over any advertising.

Now, with reference to ladies' organizations, there has been sent out to a great many women's organizations throughout the country much misrepresentation with reference to this bill. A young lady in the Department, who came down here with Mr. Tugwell as his secretary, or as one of his clerks, wrote a book entitled "The Chamber of Horrors." She is still with the Department of Agriculture, and she wrote the book while she was there. A reading of her book discloses that she has disseminated much misinformation with reference to the Federal Trade Commission. It stirred up many people in this country. We all agree that false and fake advertising should be stopped. As I said the other day, a representative of the National Advertisers came to see me and said to me, "Senator, we have tried to stop it in our own organization. From 95 to 97½ percent of the advertisers agree, but there is a small minority of 2½ percent who will not agree. We want to see this bill enacted in order to get that 2½ percent into line."

Mr. COPELAND. Mr. President, will the Senator yield further?

Mr. WHEELER. If the Senator will pardon me just a second, then I will yield. I have not any fault to find with the young lady to whom I have referred, but she has been sending out such propaganda to ladies' organizations; she has been here at the Capitol and has been propagandizing at the Capitol and telling many things about the Federal Trade Commission which are untrue and not based on facts. What we are seeking to do is to extend the powers of the Federal Trade Commission so that the Federal Trade Commission may reach the very things of which the young lady complains; we are seeking to do that in an orderly fashion; and I say, so far as protecting the public is concerned, the bill goes further than almost any that has been written in the past, because it does say to the Federal Trade Commission, "You can initiate a proceeding or you can have an information filed against a defendant under this proposed statute if on its face it is shown that an article or practice would be injurious to the public." So far as the public is concerned, there is no question that the minute a matter coming under the bill, if it shall be enacted, is called to the attention of the Federal Trade Commission, they can go right into court and have an injunction issued or they can request the Attorney General of the United States to file an information and say to him, "You do not have to present the case to a grand jury, because it is a misdemeanor, and you can file an information in the case."

Mr. COPELAND and Mr. AUSTIN addressed the Chair.

Mr. WHEELER. I yield first to the Senator from New York.

Mr. COPELAND. I think the Senator, perhaps, misunderstands my position. I am not finding fault with the powers conferred upon the Federal Trade Commission to deal with foods, drugs, and cosmetics. I cannot find fault with the definitions, because, as the Senator has said, I had something to do with writing them myself; but, if it is good doctrine, if it is for the benefit of the public to proceed against false advertising in the case of foods, drugs, devices, and cosmetics, why is it not good doctrine to apply that same thing to all commodities? That is what I have in mind.

Mr. WHEELER. Let me say to the Senator——

Mr. COPELAND. May I say a word further?

Mr. WHEELER. Yes.

Mr. COPELAND. I am the kind of chap who knows when he is licked. I know that the House will never agree to turn over to the Food and Drug Administration the control of advertising of drugs and cosmetics. I am not fooled about that. So, for the moment I concede that point.

When a bill is being written to protect the public, however, I cannot understand why all articles are not included.

Every household in America is being imposed upon by the false advertising of a thousand things besides foods, drugs, and cosmetics. So, as I said in response to a question from the Senator from Oregon, my particular plea is that the language in section 12, subsections (1) and (2), be changed from "food, drugs, devices, or cosmetics" to "any commodity." Then, so far as I am concerned—because I realize that I am licked—I am not going to find any fault about the other part.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from Vermont.

Mr. AUSTIN. My question relates to the same matter that the Senator from New York inquired about. I ask the Senator from Montana if the following section does not accomplish just exactly what the Senator from New York desires; namely, section 12 (b), reading as follows:

> The dissemination or the causing to be disseminated of any false advertisement within the provisions of subsection (a) of this section shall be an unfair or deceptive act or practice in commerce within the meaning of section 5.

Mr. WHEELER. That is correct.

Mr. COPELAND. Yes; but, if the Senator from Montana will yield, let me say to the Senator from Vermont that I want to give that power to the Federal Trade Commission over all other commodities.

Mr. WHEELER. It already has it.

Mr. COPELAND. I do not know where that power is given to it.

Mr. WHEELER. I will point it out.

Mr. COPELAND. It is perfectly clear to me that section 12 is dragged in by its heels. That is the particular section to which I object.

Mr. WHEELER. If the Senator will permit me, let me read section 5 (a) and part of section 5 (b):

SEC. 5. (a) Unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are hereby declared unlawful.

The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the acts to regulate commerce, and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in section 406 (b) of said act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

(b) Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of competition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership, or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least 30 days after the service of said complaint.

So the only difference is that under this section the Commission may stop false advertising with reference to all products. They have always used that power; but in the past they have had to show that the false advertisement was injurious to some competitor. We are doing away with that requirement in this bill and are providing that if an advertisement is false and deceptive it may be stopped if it is injurious to the public.

What has confused some persons with reference to this matter is that it is necessary to have a slightly different provision of law with reference to food and drugs, because those are articles that are injurious to the health of persons as distinguished from those which are injurious to their pocketbooks. Therefore, a different rule is necessary; and it is that which has confused some persons. We are more strict with the advertising of foods, drugs, devices, and cosmetics because their effect is direct and their use might endanger life. If exactly the language which the Senator from New York desires were put in the bill at this point, I do not think it would change the substance of the law one iota, because, as I said, in section 5 and in section 12 (b) there is language which gives the Federal Trade Commission the right to stop deceptive practices, and so forth.

Mr. GEORGE. Mr. President, in the opinion of the Senator from Montana, this bill as embodied in the conference report does not restrict the powers of the Federal Trade Commission?

Mr. WHEELER. On the contrary, it greatly adds to them.

Mr. GEORGE. It greatly adds to them and makes it unnecessary to show special injury by a complaint?

Mr. WHEELER. That is correct.

Mr. GEORGE. But the Commission may take jurisdiction and make its orders effective if it can show injury to the public?

Mr. WHEELER. That is correct.

Mr. GEORGE. But in framing the bill no restriction has been placed upon the Commission with reference to all commodities?

Mr. WHEELER. None at all.

Mr. GEORGE. Although there is particular provision with reference to drugs and foods?

Mr. WHEELER. The Senator is entirely correct; and the reason for that, as I have stated, is that when we are dealing with drugs and with food products which are injurious to the health of persons, the wording of the statute had to be somewhat different than in the case of the ordinary deceptive practices which affect only a person's pocketbook. That is the only difference. Instead of the bill weakening the power of the Federal Trade Commission, if any lawyer in this body will examine the bill, he will see that under the bill the power of the Federal Trade Commission is greatly strengthened, as the Senator from Vermont [Mr. AUSTIN] stated a moment ago.

Candidly I think lack of power at present is one of the reasons why some of the things the Senator from New York complained about have gone on in this country with reference to false advertising. Both the Senator from New York and I are seeking to accomplish the same end. Whether the end is accomplished under the Agricultural Department or under the Federal Trade Commission does not make any difference to me, except that I think when we enact laws here in Congress we ought to take their enforcement as far as we can away from bureaucratic control, and we ought to have orderly processes for their enforcement such as would exist in the courts. The bill seeks to make orderly processes available to any person, whoever he may be, whether he is a false advertiser, or whether he is using deceptive practices with reference to goods, or whether he is putting out false advertisements with reference to medicine, and so forth. The bill does not take away from the Agricultural Department the right they now have to seize goods which are improperly labeled. Today, if somebody falsely labels goods, the Agricultural Department may go out and seize the goods. If they were given the power they wanted, and that which was advocated in the Tugwell bill when it first came here, they would have power simply to seize a man's goods, and then he would have to go into court to reclaim them.

Mr. AUSTIN. Mr. President, will the Senator yield at that point for a question?

Mr. WHEELER. Yes.

Mr. AUSTIN. I have not found in the bill anything which takes away from the Agricultural Department any of its powers. Is there any such thing in the bill?

Mr. WHEELER. Not a thing. There is not anything in the bill which takes a single power away from the Agricultural Department. What the Agricultural Department was seeking to do was to take away from the Federal Trade Commission the power it has always had over advertising.

Mr. AUSTIN. If the Agricultural Department now may seize goods which are not in conformity with the law, it may do so after this bill becomes law?

Mr. WHEELER. This bill does not in any way at all affect the Department's power in that respect.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. WHEELER. I yield to the Senator from New York.

Mr. COPELAND. I fear I have even now failed to make clear what I have in mind. I know the bill takes away nothing from the Food and Drug Administration. I am not contending that that is so. I want it understood that I never favored the Tugwell bill, either. When it came back to the floor of the Senate it was not the Tugwell bill. This bill, however, has been deliberately framed in the House so as to take away this power from the Food and Drug Administration. I am not finding any fault about that, either, for the moment; but the section of the bill which deals with false advertising is section 12:

SEC. 12. (a) It shall be unlawful for any person, partnership, or corporation to disseminate, or cause to be disseminated, any false advertisements.

That is where we come to the false advertising, which is not found in the early parts of the bill at all, or in the present law. But the bill goes on to say:

(1) By United States mails, or in commerce by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of food, drugs, devices, or cosmetics.

Why foods, drugs, and cosmetics alone? Why not any commodities? There are a thousand other commodities as to which equally false claims are made. What I am contending for is that that language should be changed by striking out the words designating these four commodities and inserting "any commodity," so that the Federal Trade Commission will actually have its powers enlarged to do all the things proposed by the early parts of the bill, and also, when it comes to false advertising, that it may proceed against a concern which puts out any commodity and advertises it in a false manner.

Mr. WHEELER. I tried to explain that matter to the Senator a moment ago. Under section 5 (a) we are dealing with commodities in general. In one section we are dealing with things that injure the health of persons; and con-

sequently a different rule has been adopted, and exactly the definitions the Senator put in the Food and Drugs Act have been used. They were put in this bill exactly as the Senator drafted them.

When we come to the other section, as I said to the Senate a moment ago, under section 5 the Federal Trade Commission has this power—

Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of competition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership, or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least 30 days after the service of said complaint.

When it comes to drugs and food and cosmetics the bill goes further because of the fact that the Federal Trade Commission then have the power to step in immediately.

You are seeking to sell him something which is misrepresented. The Commission say in those instances, "We will set the case down for a hearing, and we will issue a cease-and-desist order. If you lose you have a right to go to the circuit court of appeals." But where there is a question of the public health, where one may take some medicine as a result of false advertising which might kill him, they say, "You may get out an injunction to prevent it immediately, pending these hearings before the Federal Trade Commission."

We are not going to make one wait until the official order is made and for 60 days thereafter, but we are providing that he can go in immediately and get an injunction. Then we provide that if it is palpable on the face of the matter that the article is going to injure health we will say, "You can certify it to the Attorney General and file an information against the man for false advertising when he gets out the advertising as to some medicine, drugs, or cosmetics that are injurious."

I hope that I have made myself clear. The Senator is saying, "Why do you not give the Federal Trade Commission the same power with reference to something that affects the pocketbook that you give them with reference to drugs and food?" I think a different rule should apply. We discussed that very point in the conference, and the Senator from Pennsylvania and I and one of the members of the House committee felt that the food and drug provisions might be extended to all commodities. But when we suggested that it be inserted, it was explained to us that if we did that it would bring down on our heads every businessman in the United States, who would probably say to us, "What are you going to do? You are not going to give us a chance. You are going to make it possible for someone to get an injunction against us. You are going to enable one to file a complaint charging us with a criminal offense and you should not do that." So we proceeded to provide for an orderly proceeding, the same as any litigant would have the benefit of in a civil case.

Mr. COPELAND. Mr. President——

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator from Montana yield to the Senator from New York?

Mr. WHEELER. I yield.

Mr. COPELAND. If the Senator will refer to section 12, subsection (b), he will see that it shows that in order to throw it back to section 5 language had to be inserted that—

(b) The dissemination or the causing to be disseminated of any false advertisement within the provisions of subsection (a) of this section shall be an unfair or deceptive act or practice in commerce within the meaning of section 5.

Mr. WHEELER. Yes.

Mr. COPELAND. I am eager to protect the consumers of this country against false advertising as to other things than the matters we have under consideration. The false advertising of cosmetics might not be a serious thing while the false advertising of certain textiles might be a very serious thing.

If in the bill the Senator in charge would change the language in two places and insert the words "any commodity" instead of naming the four, and should leave in the definitions of foods and drugs, it would entirely satisfy me, and I think he would have a bill which would commend itself to the people of this country. Otherwise it is an emasculated bill; it will not do what is desired, and there will be great disappointment, of course, in the application of the law.

Mr. WHEELER. Mr. President, I do not wish to take up more of the time of the Senate, but it has been held by the courts, for instance, that when a man who is advertising clothes, and states "These clothes are made of wool," when they are made of shoddy, that is an unfair method of competition. Under the pending bill a man can be reached, if he states that clothes contain wool when there is nothing in them but shoddy.

I my judgment, the bill is one of the greatest steps forward toward the elimination of unfair practices and unfair competition that has ever been taken by the Congress of the United States.

With reference to complaints by the general public, no one has really complained, except, as I stated a little while ago, a lawyer who had lost his Federal Trade Commission cases in court. The bill passed in the House of Representatives by a vote of 10 to 1. The first time it was acted on the vote was 180 to 70. The second time the vote was taken by tellers, and it passed by a vote of over 10 to 1.

The opposition in the House was not on the ground that the bill was not strong enough, but that it was too strong in some particulars. This is the first time anyone has ever suggested to me that the bill was not sufficiently stringent. We amended it in conference because the packers and the meat processors felt that under such a law they could be prosecuted for selling pork, for instance, or other meat, notwithstanding the fact that it might have on it the official stamp of the Government, if when it reached the consumer it turned out that it was not good. So we inserted a provision to the effect that where pork or other meat was stamped and labeled pure it would be conclusively presumed not injurious to health when it left the official establishments. All we sought to do was to draft a bill which would be fair, which would protect the general public in the most stringent manner, and at the same time give a person who was being prosecuted the benefit of some orderly processes, the same as applies in the courts of the country.

The PRESIDING OFFICER. The hour of 1 o'clock and 30 minutes having arrived, the question is on agreeing to the conference report.

Mr. COPELAND. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. COPELAND. I had expected, as perhaps could be construed from my remarks, that there would be pending when the vote was taken the proposed change in section 12, subdivision (a), subsections (1) and (2), providing for the omission of the words "foods, drugs, devices, or cosmetics", and the insertion of the words "any commodity", the same amendment to apply in both provisions.

The PRESIDING OFFICER. A conference report cannot be amended.

Mr. COPELAND. A further parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. COPELAND. I realize that in a vote on the acceptance or rejection of the report it would not be possible to pass on the matter I have suggested. Therefore I shall take my seat and my medicine at the same time.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

FOREIGN-TRADE COMPACTS

Mr. LODGE. Mr. President, I do not desire to take a moment of the time of the Senate to discuss the proposed trade agreement with the United Kingdom, but I do wish to read to the Senate a rather brief editorial which appeared yesterday in one of the outstanding Democratic newspapers of

this country, the Boston Post. If the Senate will bear with me for a moment, I will read the editorial. It is as follows:

[From the Boston Post of March 13, 1938]

CIRCUSES, BUT NO BREAD

This country is so big that it would be impossible for Mr. Cordell Hull, Secretary of State, to make any sort of a trade compact with a foreign nation without harming some industry.

About the only thing that we cannot seem to do here is carry our own goods to world markets. Cheap labor and other factors render our recurrent attempts at a merchant marine useless.

Almost every major raw material for our factories can be raised here. Every product and mechanical device can be manufactured here. Our variety of climates make us independent of all other nations for food.

If the United States were hermetically sealed against the world, only a few products, such as bananas and rubber, would be lost to us. And there is no question that we would soon find a way around that situation.

Mr. Hull, in his effort to pull our foreign trade out of the dumps, has been trying to create new markets for our surplus natural and manufactured products. In doing so he is harming one industry to help another, according to the degree of importance that they take on paper or in his mind.

He is robbing Peter to pay Paul.

That is the essence of our trade compact system. It is obvious to those who benefit as well as those who are harmed. Mr. Hull is an able and conscientious man. He stands head and shoulders above the rest of the New Deal Cabinet in public devotion and ability. He is fulfilling a decidedly questionable program with the fervor of a good public servant and cannot be blamed if his sentiments breathe the spirit of the Old South, of free-tradism, and the sort of idealism which leaves our pockets empty.

Here in New England we were brought up on different sort of pap. We have had more business experience than the rest of the country. We are older in farming and manufacturing than any other section.

We were first in commerce, first in distribution, and first in modern manufacturing methods.

This long experience has made us sure of one fact: It is that a sure and certain market for any product of this country is possible only in this country.

That is why we think that the recent Czechoslovakian pact, which will injure our shoe business because of a promised market in that country for automobiles, is poor business.

The money that is taken out of the hands of shoe workers here will not build automobile business appreciably in Czechoslovakia, because the people in that country, politically and economically, cannot afford to buy automobiles or run them.

Why, gasoline there is 60 cents a gallon! But a man in Lynn, Brockton, or Haverhill can and will buy and run automobiles, if he has a job. Why sell him down the river for a market in Czechoslovakia, which at its best will be mediocre?

It is true that the pact holds down imports of women's cheap shoes and distributes the burden more equally on all branches of the industry, but let us not forget that shortly the Anglo-American trade pact is coming which will deal the production of men's shoes a body blow, by letting in $7 shoes which could not be made here for double that sum.

If we divide up an important industry like shoe manufacturing among our foreign friends, sooner or later we are going to lose the domestic market. Losing this, we have nothing left. The section of our industry which depends for its life on foreign trade has never survived in this country. This is distressing, but true.

We have a deeper problem than this, too, of which our Government must be well aware.

This is the simple problem of bread.

So stark has been the reality of hard times, that the transfer from self-support to public relief of our factory hands is now immediate.

We take a man off a shoe company's pay roll and he goes on the municipal or W. P. A. pay roll. Where is the wisdom there? Or the profit? Do we think that we can avoid this by gunning for a market in a country where not one man in a thousand makes enough money to run an automobile, let alone buy one?

Down in Washington they are running a diverting and exciting show, by all this. But we shall not enjoy watching the show on empty stomachs.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (H. R. 8466) authorizing the city of Rock Island, Ill., or its assigns, to construct, maintain, and operate a toll bridge across the Mississippi River at or near Rock Island, Ill., and to a place at or near the city of Davenport, Iowa, and it was signed by the President pro tempore.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). The question is on agreeing to the first committee amendment, on page 7, lines 17 and 18.

Mr. BORAH. May the amendment be stated?

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. Under the subhead "Effective date of Executive order", on page 7, line 17, after the word "Congress", it is proposed to strike out "within 3 years from the date of the enactment of this act" and to insert "prior to July 1, 1940", so as to make the section read:

EFFECTIVE DATE OF EXECUTIVE ORDER

SEC. 4. (a) Whenever the President issues an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of 60 calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order: *Provided*, That if Congress shall adjourn before the expiration of 60 calendar days from the date of such transmission such Executive order shall not become effective until after the expiration of 60 calendar days from the opening day of the next succeeding regular or special session.

(b) No Executive order issued by the President under the provisions of this title shall become effective unless transmitted to the Congress prior to July 1, 1940.

The amendment was agreed to.

The next amendment of the committee was, under the subhead "Definitions," on page 8, line 6, after the word "United", to strike out "States" and the comma, and to insert "States", so as to read:

DEFINITIONS

SEC. 5. When used in this act, unless the context otherwise requires—

(1) The term "agency" means any executive department, independent establishment, independent agency, commission, board, bureau, service, office, administration, authority, division, or activity in the executive branch of the Government, whether in the District of Columbia or elsewhere, and shall include the municipal government of the District of Columbia, and any corporation a majority of the stock of which is owned by the United States and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests.

(2) The term "independent establishment" means the legislative courts and the Board of Tax Appeals, the Federal Communications Commission, the Federal Power Commission, the Federal Trade Commission, the Interstate Commerce Commission, the National Bituminous Coal Commission, the National Labor Relations Board, the Securities and Exchange Commission, and the United States Maritime Commission.

The amendment was agreed to.

Mr. BYRD. Mr. President, I understood from the Senator from South Carolina that these amendments were to be adopted without prejudice and that they can be reconsidered for the purpose of presenting additional amendments.

Mr. BYRNES. I made the statement to the Senator from Virginia on Friday afternoon, when we were discussing the adjournment over Saturday, that such an arrangement would be entirely satisfactory to me because of the condition that then existed; but I think we ought to dispose of these committee amendments now. The suggestion then made was with the idea of having an adjournment over Saturday. Of course the Senator will have the right to move to reconsider at any time.

Mr. BYRD. If there should be any reason to reconsider, the Senator from South Carolina would raise no objection, would he?

Mr. BYRNES. No. I wish to be as reasonable as possible.

Mr. BYRD. There are only one or two amendments involved with respect to which there may be subsequent amendments offered.

Mr. BYRNES. If the Senator will tell me what those amendments are, I think there will be no difficulty at all in agreeing that they be passed over. I would rather not take them up at all now than to proceed to consider them and then have to waive the rules.

Mr. BYRD. What I had in mind especially was the amendment to section 4.

Mr. BYRNES. On what page?

Mr. BYRD. Page 7.

Mr. BYRNES. I will agree with the Senator from Virginia right now that if he desires to recur to that amendment there will be no objection.

Mr. BARKLEY. Mr. President, does the Senator from Virginia want to amend the committee amendment on page 7?

Mr. BYRNES. Mr. President, what the Senator from Virginia stated was with respect to the committee amendment on page 7, lines 17 and 18. What the Senator from Virginia has in mind is that if the so-called Wheeler amendment, for instance, should be adopted, then he would want to revert to this amendment to make it conform to the bill. In such a contingency there would certainly be no objection on my part to reverting to it.

Mr. GEORGE. Mr. President, is it a committee amendment that is being discussed?

Mr. BYRNES. Yes.

Mr. GEORGE. I wish to call the Senator's attention to the fact that I have an amendment which I do not care to press until the Wheeler amendment has been voted on. I suppose that would not be affected by the adoption of any committee amendment.

Mr. BYRNES. No.

The PRESIDING OFFICER. The clerk will state the next amendment reported by the committee.

The next amendment was, on page 15, after line 4, to insert:

(c) The Board is further authorized, subject to the civil-service laws, to appoint a secretary and such other officers and employees as the Board deems necessary to enable it to exercise the functions vested in it by law; and the compensation of the secretary and all such officers and employees shall be fixed in accordance with the Classification Act of 1923, as amended.

So as to make the section read:

SEC. 204. (a) The Board is authorized to assist the Administrator in an advisory capacity in connection with matters relating to personnel administration in the various agencies of the Government; to confer with the Administrator and make recommendations with respect to personnel standards, practices, or policies for any such agency; and to make recommendations to the President and the Congress with respect to the development, improvement, and extension of the merit system and the laws relating to personnel administration.

(b) The Board is further authorized to make such investigations and reports with respect to personnel administration as the President or the Congress may request, and the Board shall make an annual report to the President and the Congress concerning its activities during the year for which such report is made.

(c) The Board is further authorized, subject to the civil-service laws, to appoint a secretary and such other officers and employees as the Board deems necessary to enable it to exercise the functions vested in it by law; and the compensation of the secretary and all such officers and employees shall be fixed in accordance with the Classification Act of 1923, as amended.

The amendment was agreed to.

The next amendment was, under the subhead "Presidential appointments", on page 15, line 24, after the word "expire", to strike out "3 years after the date of enactment of this act" and to insert "on June 30, 1940", so as to read:

PRESIDENTIAL APPOINTMENTS

SEC. 205. The President, by and with the advice and consent of the Senate, shall make appointments to fill any vacancy in any office or position of head of any bureau, division, service, or other similar agency, which is in or under the jurisdiction or control of and is directly responsible to the head of an executive department, independent establishment, or independent agency, but only if the President finds that such office or position is policy determining in character. Any determination by the President that any such office or position is policy determining in character shall be final, and the power of the President to make such determinations shall expire on June 30, 1940.

The amendment was agreed to.

The next amendment was, on page 16, line 5, after the word "Government", to strike out "and in any corporation a majority of the stock of which is owned by the United States, and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests", and in line 13, after the words "any such", to insert "agency which is", so as to make the section read:

EXTENSION OF CLASSIFIED CIVIL SERVICE

SEC. 206. (a) In addition to the authority vested in the President by the civil-service laws, the President is authorized to cover into the classified civil service any offices or positions in any agency of the Government, except offices or positions to which appointments are required to be made by the President by and with the advice and consent of the Senate: *Provided*, That in the case of any such agency which is a corporation organized under the laws of any State, Territory, or possession of the United States (including the Philippine Islands), or the District of Columbia, the President is authorized to direct that such action be taken as will require appointments to such offices or positions in such corporation to be made in accordance with the civil-service laws, but such action shall not be inconsistent with the laws under which such corporation was organized or with the charter or articles of incorporation of such corporation.

(b) The provisions of this title relating to the covering into the classified civil service of offices and positions shall, in addition to being applicable to any office or position authorized by existing law, be applicable to any office or position authorized by this act, or by any subsequent act unless the Congress specifically provides otherwise.

The amendment was agreed to.

The next amendment was, on page 17, line 7, after the word "transferred", to insert "under this act"; in line 9, after the word "Budget" and the comma, to strike out "or"; in line 10, after the word "Board", to strike out "under this act", and to insert "or any other agency", so as to make the section read:

SEC. 207. The incumbent of any office or position which is covered into the classified civil service under the provisions of this title, or who does not have a classified civil-service status on the date his office or position is transferred under this act to the Civil Service Administration, the General Auditing Office, the Bureau of the Budget, the National Resources Planning Board, or any other agency, shall not thereby acquire a classified civil-service status, except (1) upon recommendation by the head of the agency concerned within 1 year after such office or position has been covered into the classified civil service or so transferred, and certification within such period by such head to the Administrator that such incumbent has served with merit for not less than 6 months prior to the date such office or position was covered into the classified civil service or so transferred, and (2) upon passing such suitable noncompetitive examination as the Administrator may prescribe.

The amendment was agreed to.

The next amendment was, on page 18, line 10, after the words "in any", to strike out "corporation a majority of the stock of which is owned by the United States, and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests" and to insert "such agency which is a corporation organized under the laws of any State, Territory, or possession of the United States (including the Philippine Islands), or the District of Columbia", so as to make the section read:

EXTENSION OF CLASSIFICATION ACT

SEC. 208. (a) Subject to the limitations hereinafter provided, whenever the President, after such classification and compensation surveys or investigations as he may direct the Administrator to undertake, and after consideration of the Administrator's resulting reports and recommendations, shall find that an extension of the provisions of the Classification Act of 1923, as amended, to any office or position not at the time subject to such provisions in any agency of the Government is necessary to the more efficient operation of the Government, he may by Executive order extend the provisions of such act to such office or position: *Provided*, That any action taken under this subsection with respect to any office or position in any such agency which is a corporation organized under the laws of any State, Territory, or possession of the United States (including the Philippine Islands), or the District of Columbia shall not be inconsistent with the laws under which such corporation was organized or with the charter or articles of incorporation of such corporation.

(b) Whenever the President, upon report and recommendation by the Administrator, shall find that the rates of the compensation schedules of such act are inadequate for any office or position which is located at a station that is isolated, remote, or inaccessible when compered with stations at which offices or positions of the same character are usually located, or which involves physical hardships or hazards that are excessive when compared with those usually involved in offices or positions of the same character, or which is located outside the States of the United States and the District of Columbia, he may by Executive order establish necessary schedules of differentials in the rates prescribed in such compensation schedules, but the differential in the compensation of any such office or position shall not exceed 25 percent of the

minimum rate of the grade to which such office or position is allocated under such compensation schedules: *Provided*, That if the Administrator finds that the factor of isolation, hardship, hazard, or foreign service is uniformly applicable to each office or position in any given class of offices or positions, the differential provided for in this subsection shall not apply to any office or position in such class.

(c) Except as Congress may otherwise provide by law, the power granted to the President by this section shall not apply to the following—

(1) Offices or positions in the Postal Service the compensation of which is fixed under the act of Congress approved February 28, 1925 (43 Stat. 1033), as amended;

(2) Offices or positions of teachers, librarians, school-attendance officers, and employees of the community-center department under the Board of Education of the District of Columbia, the compensation of which is fixed under the act of Congress, approved June 4, 1924 (43 Stat. 367), as amended;

(3) Offices or positions in the Metropolitan Police, in the fire department of the District of Columbia, and in the United States Park Police, the compensation of which is fixed under the act of Congress, approved July 1, 1930 (46 Stat. 839);

(4) Commissioned officers and enlisted personnel in the military and naval services and the Coast Guard, and commissioned officers in the Public Health Service and the Coast and Geodetic Survey, the compensation of which is fixed under the act of Congress, approved June 10, 1922 (42 Stat. 625), as amended;

(5) Offices or positions in the Government Printing Office the compensation of which is fixed under the act of Congress, approved June 7, 1924 (43 Stat. 658);

(6) Offices or positions of Foreign Service officers in the Foreign Service of the United States the compensation of which is fixed under the act of Congress, approved May 24, 1924 (43 Stat. 140), as amended;

(7) Offices or positions of clerks in the Foreign Service of the United States the compensation of which is fixed under the act of Congress, approved February 23, 1931 (46 Stat. 1207);

(8) Offices or positions of commercial attachés, assistant commercial attachés, trade commissioners, assistant trade commissioners, and clerks and other assistants to officers, including clerical and subclerical assistants, in the Foreign Commerce Service of the Department of Commerce, the compensation of which is fixed under the act of Congress, approved March 3, 1927 (44 Stat. 1394), as amended;

(9) Offices or positions of verifiers-openers-packers, clerks, guards, inspectors, station inspectors, and laborers, in the Customs Service of the Treasury Department the compensation of which is fixed under the act of Congress, approved May 29, 1928 (45 Stat. 955), as amended;

(10) Offices or positions of inspectors in the Immigration and Naturalization Service of the Department of Labor the compensation of which is fixed under the act of Congress, approved May 29, 1928 (45 Stat. 954), as amended;

(11) Offices or positions the duties of which are to serve as an officer or member of the crew of a vessel; and

(12) Offices or positions the duties of which are to perform the work of an apprentice, helper, or journeyman in a recognized trade or craft, or other skilled mechanical craft, or the work of an unskilled, semiskilled, or skilled laborer; except that whenever such offices or positions involve work in the regular custody, operation, or maintenance of a Government building, or other Government property, or work which is subordinate, incidental, or preparatory to work of a professional, scientific, or technical character, the President, upon a finding that the characteristics and working conditions of such offices or positions render them substantially the same as comparable offices or positions in the District of Columbia included within the Classification Act of 1923, as amended, may by Executive order extend the provisions of such act to include them.

The amendment was agreed to.

The next amendment was, under the heading "Title III—Accounting and Auditing—Transfer of accounting functions," on page 27, after line 2, to insert:

(f) The first two sentences of section 207 of the Budget and Accounting Act, 1921 (U. S. C., 1934 edition, title 31, sec 16), are amended to read as follows: "There is hereby created an independent agency to be known as the Bureau of the Budget. There shall be in the Bureau a Director and an Assistant Director. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive a salary at the rate of $10,000 a year. The Director shall appoint the Assistant Director, subject to the civil-service laws, and his salary shall be fixed in accordance with the Classification Act of 1923, as amended."

So as to make the section read:

TITLE III. ACCOUNTING AND AUDITING

TRANSFER OF ACCOUNTING FUNCTIONS

SEC. 301. (a) The General Accounting Office and the offices of Comptroller General and Assistant Comptroller General are hereby abolished, and all functions vested in the General Accounting Office, the Comptroller General, and the Assistant Comptroller General by law in force on the date of enactment of this act (including the function of determining the availability of appropriations), except functions vested in the General Auditing Office by this act, are hereby vested in the Bureau of the Budget and the Director of such Bureau. Nothing in this section shall be construed to authorize the Bureau of the Budget to exercise any functions vested in the General Auditing Office by this act or to direct the manner in which such functions shall be exercised.

(b) The Attorney General of the United States shall render an opinion with respect to the jurisdiction of the Director of the Bureau of the Budget in connection with the settlement of any public account or any claim or demand against the United States, upon request thereof, within 60 days after receipt of notice of such settlement, by the said Director or the head of the executive department, independent establishment, or independent agency concerned, and any such opinion of the Attorney General shall be final and conclusive upon the said Director and all other officers and agencies of the Government.

(c) The records, property (including office equipment), personnel, and unexpended balances of appropriations of the General Accounting Office shall be transferred to the General Auditing Office and the Bureau of the Budget upon the effective date of this section as the President shall prescribe by Executive order.

(d) The Director of the Bureau of the Budget, with the approval of the President, shall make such rules and regulations as may be necessary to carry out the functions vested in him by this section.

(e) Section 2 of the Budget and Accounting Act, 1921 (U. S. C., 1934 edition, title 31, sec. 2), is amended by inserting after the word "including" the words "any independent establishment as defined in section 5 of the Reorganization Act of 1937 and."

(f) The first two sentences of section 207 of the Budget and Accounting Act, 1921 (U. S. C., 1934 edition, title 31, sec. 16), are amended to read as follows: "There is hereby created an independent agency to be known as the Bureau of the Budget. There shall be in the Bureau a Director and an Assistant Director. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive a salary at the rate of $10,000 a year. The Director shall appoint the Assistant Director, subject to the civil-service laws, and his salary shall be fixed in accordance with the Classification Act of 1923, as amended."

Mr. AUSTIN. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BROWN of Michigan in the chair.) The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Calif.	O'Mahoney
Ashurst	Dieterich	Johnson, Colo.	Overton
Austin	Donahey	King	Pittman
Bailey	Duffy	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Bilbo	George	Lodge	Reynolds
Bone	Gerry	Logan	Russell
Borah	Gibson	Lonergan	Schwartz
Bridges	Gillette	Lundeen	Schwellenbach
Brown, Mich.	Glass	McAdoo	Shipstead
Brown, N. H.	Green	McCarran	Smathers
Bulkley	Guffey	McKellar	Smith
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Walsh
Copeland	Hughes	Nye	Wheeler

The PRESIDING OFFICER. Eighty-eight Senators having answered to their names, a quorum is present.

The question is on agreeing to the committee amendment on page 27, line 3.

The amendment was agreed to.

The next amendment was, under the subhead "General Auditing Office," page 28, line 21, after the word "turpitude", to strike out the comma and the words "and for no other cause and in no other manner except by impeachment", so as to make the section read:

SEC. 302. (a) There is hereby established a General Auditing Office which shall be an agency of the Congress and independent of the executive branch of the Government and shall be under the direction and control of an Auditor General. The powers granted to the Auditor General and the General Auditing Office by this act shall be exercised for the purpose of aiding the Congress in obtaining information to be used as a basis for legislation, or for such other action as the Congress may deem necessary and proper.

(b) The Auditor General and an Assisant Auditor General shall be appointed by the Joint Committee on Public Accounts established by section 307 of this act. The Auditor General shall receive a salary at the rate of $10,000 per annum, and the salary of the Assistant Auditor General shall be fixed in accordance with the Classification Act of 1923, as amended. The Assistant Auditor General shall perform such functions as the Auditor General may

prescribe, and shall act as Auditor General in the absence of the Auditor General or in the event of a vacancy in that office.

(c) Except as hereinafter provided in this subsection, the Auditor General and the Assistant Auditor General shall hold office for 15 years. The Auditor General shall not be eligible for reappointment. The Auditor General or the Assistant Auditor General may be removed at any time by concurrent resolution of the Congress after notice and hearing, when, in the judgment of the Congress, the Auditor General or the Assistant Auditor General has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude. Any Auditor General or Assistant Auditor General removed in the manner herein provided shall be ineligible for reappointment to that office. When an Auditor General or Assistant Auditor General attains the age of 70 years, he shall be retired from his office.

The amendment was agreed to.

The next amendment was, on page 29, line 6, after the word "United", to strike out the word "States" and the comma and insert the word "States"; on page 30, in line 20, after the word "exception", to strike out the semicolon and the words "and all" and to insert a comma and the words "and a report concerning such exception may, in the discretion of the Auditor General, be made to the Congress. All."

So as to make the section read:

SEC. 303. (a) The Auditor General shall make an audit of the receipts, expenditures, money, securities, and funds of the Government (including any corporation a majority of the stock of which is owned by the United States and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests), and shall make a complete annual report to the Congress not later than March 1 of each year with respect to such audit made during the preceding fiscal year. Such report shall be made as nearly as practicable in accordance with accepted principles of auditing, and shall contain all necessary memoranda and tables, together with an appropriate certificate of audit and such comments as may be pertinent to the subject matter of the audit.

(b) Claims and demands against the United States shall be audited by the General Auditing Office promptly after payment, but prior to final settlement of the disbursing officers' accounts by the Director of the Bureau of the Budget. Each such audit shall be conducted as nearly as practicable in the vicinity of disbursing offices of the United States in the District of Columbia and elsewhere.

(c) Claims which the Director of the Bureau of the Budget is authorized by law to adjust and settle prior to payment shall be audited by the General Auditing Office after payment, and the certificates of settlement in such cases shall be accompanied by a certificate of the administrative officer, if any, having jurisdiction over the appropriation involved in the settlement, setting forth his recommendations thereon.

(d) The disbursing officers of the Government shall transmit daily to the General Auditing Office copies of all checks, and the vouchers, pay rolls, and other documents, relating to expenditures made by them, but in any case in which such daily transmission is not practicable then transmission shall be made at such time or times as the Director of the Bureau of the Budget shall prescribe. Whenever the General Auditing Office takes exception to any item of disbursement, notice thereof shall be immediately given by the General Auditing Office to the disbursing officer concerned and to the Director of the Bureau of the Budget, together with a statement of the reasons for such exception, and a report concerning such exception may, in the discretion of the Auditor General, be made to the Congress. All such exceptions shall be taken into consideration by the Director of the Bureau of the Budget in settling the accounts of disbursing officers. At the time such notice is given to the disbursing officer, or immediately after audit when no exceptions are taken, the General Auditing Office shall return the original documents transmitted to it by the disbursing officer.

(e) On and after the effective date of this section, the periodic accounts which disbursing and collecting officers are required by law to render shall be transmitted by them to the Director of the Bureau of the Budget for settlement.

(f) The Director of the Bureau of the Budget is authorized to transmit the accounts of disbursing and collecting officers to the agency concerned for administrative examination upon a showing by such agency, satisfactory to the Director of the Bureau of the Budget, that the public interest requires such an examination, and the Director of the Bureau of the Budget may provide by regulations for such examination in the District of Columbia or elsewhere.

(g) The Director of the Bureau of the Budget shall furnish promptly to the General Auditing Office copies of all certificates issued by him in settlement of accountable officers' accounts, and the General Auditing Office shall examine the copies of such certificates of settlement. The Auditor General shall report promptly to the said Director and to the Congress all public accounts deemed by him to have been improperly settled by the said Director; but no such report shall be made to the Congress with respect to any disagreement between the General Auditing Office and the said Director until the expiration of 30 days after the said Director has been notified of such disagreement, and no such report shall be made to the Congress if the said Director revises his decision in accordance with the views of the General Auditing Office.

(h) The Auditor General shall also report to the Director of the Bureau of the Budget and to the Congress any of the following matters which come to his attention in the course of his audit: (1) Any expenditure of public funds which he deems to have been unwisely or improvidently made by or under the authority of the head of any agency of the Government, and (2) any procedures which he deems to be inadequate for full protection against loss of revenue.

(i) The Auditor General shall make such investigations and reports as shall be requested by either House of Congress, or by the Joint Committee on Public Accounts, or by any other committee of either House having jurisdiction over expenditures, appropriations, or revenue; and the Auditor General shall furnish any such committee such aid and information as it may request.

(j) All reports required by this section to be made to the Congress shall be made to the Joint Committee on Public Accounts when the Congress is not in session.

The amendment was agreed to.

The next amendment was, on page 39, after line 6, to strike out:

DEPARTMENT OF CONSERVATION

SEC. 402. The Department of the Interior shall hereafter be known as the "Department of Conservation," and the Secretary of the Interior shall be known as the "Secretary of Conservation," and all the provisions of titles IV and XI of the Revised Statutes, including all acts amendatory and supplementary thereto, and all other acts referring to the Department of the Interior, the Secretary of the Interior, or any other officers or employees of that Department, are amended accordingly.

The amendment was agreed to.

The next amendment was, on page 39, line 18, to change the section number from 403 to 402.

The amendment was agreed to.

The PRESIDING OFFICER. That concludes the committee amendments. The bill is before the Senate and open to further amendment.

Mr. BYRNES. Mr. President, I offer, with the approval of the committee, a series of amendments, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the first amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 2, lines 12 and 13, it is proposed, after the word "head" and the comma, to strike out "and by abolishing such agencies or such functions, or any part thereof" and to insert in lieu thereof "and for such purpose to abolish such agencies."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 2, line 20, it is proposed to strike out "segregation, or abolition" and insert in lieu thereof "or segregation."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 2, line 21, after the word "thereof" and the comma, it is proposed to insert "or that the abolition of any agency."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 3, in lines 7 and 8, it is proposed to strike out—

(3) Abolish the whole or any part of any agency, or the functions thereof; and.

And to insert in lieu thereof the following:

(3) Abolish any agency whenever all of its functions are transferred to the jurisdiction and control of any other agency or agencies; and.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 4, lines 6 and 7, it is proposed to strike out the words "create or establish any new agency" and to insert in lieu thereof the words "authorize any agency."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 5, in line 1, after the word "agency", it is proposed to strike out the words "or function."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 5, line 4, after the word "abolished", it is proposed to strike out "or the affairs of the agency with respect to the function abolished, as the case may be."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina on behalf of the committee.

The CHIEF CLERK. On page 37, line 7, after the word "welfare", it is proposed to strike out the words "and conservation", so as to make the heading read:

Title IV. Departments of Welfare and National Resources Planning Board.

The amendment was agreed to.

Mr. BYRNES. Mr. President, I submit some further amendments, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendments.

The CHIEF CLERK. On page 25, in line 15, after the word "functions", it is proposed to insert the words "relating to any agency of the Government."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina.

The CHIEF CLERK. On page 29, line 21, after the word "accounts", it is proposed to strike out the words "by the Director of the Bureau of the Budget."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina.

The CHIEF CLERK. On page 30, line 9, after the word "of", it is proposed to insert the words "agencies of."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina.

The CHIEF CLERK. On page 31, line 5, after the word "officers", it is proposed to insert "of agencies of the Government"; on page 31, in line 7, after the word "settlement", it is proposed to strike out the period, insert a comma and the following: "and the periodic accounts which disbursing and collecting officers within the legislative branch of the Government and of the United States Supreme Court are required by law to render shall be transmitted to the Auditor General for settlement."

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from South Carolina.

The CHIEF CLERK. On page 34, after line 10, it is proposed to strike out through line 18, on page 35, and to insert in lieu thereof the following:

SEC. 307. (a) There is hereby established a joint congressional committee to be known as the Joint Committee on Public Accounts (hereinafter referred to as the Joint Committee), to be composed of seven Senators, to be appointed by the President of the Senate, and seven Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives.

(b) Any member of the Joint Committee who has been reelected to the House of Representatives may continue to serve as a member of the Joint Committee notwithstanding the expiration of the Congress.

(c) A vacancy in the Joint Committee shall not affect the power of the remaining members to execute the functions of the Joint Committee, and shall be filled in the same manner as the original selection.

Mr. VANDENBERG. Mr. President, may I inquire of the Senator from South Carolina whether the amendment as read eliminates the requirement for bipartisan membership on this committee?

Mr. BYRNES. It does. Instead of providing for 28 members, it provides for 14 members, 7 from each House.

Mr. VANDENBERG. Why does the Senator eliminate the requirement for minority party representation?

Mr. BYRNES. There is no requirement for minority representation on any committee with which I am familiar. I know of no committee in the House on which the minority has not been given representation.

Mr. VANDENBERG. The Senator says that ordinarily there is no such provision. I call his attention to the fact that the bill which he reported did require minority representation; and he is now changing that.

Mr. BYRNES. Yes.

Mr. VANDENBERG. May I ask the Senator from South Carolina whether it would be feasible, as a matter of phraseology, to offer an amendment to his amendment, to require minority representation in the same ratio which exists in the bill as he originally reported it?

Mr. BYRNES. I submit to the Senator that if he would provide for it in the ratio of the membership of the Senate today it might not be so convenient for him.

Mr. VANDENBERG. That may be the Senator's view, but I should be glad to have at least that much representation assured.

Mr. BYRNES. If the Senator wants to offer an amendment providing that the minority be granted representation in proportion to its membership in the House and Senate today, I will accept his amendment.

Mr. VANDENBERG. The Senator may be as facetious as he pleases about this—I almost said as fascistic as he pleases.

Mr. BYRNES. I think the Senator did pretty well. [Laughter.]

Mr. VANDENBERG. But I submit that if the Senator puts as much stake on his Joint Committee on Public Accounts as he pretends to, he ought to be willing to protect it textually at every possible point.

Mr. BYRNES. When I suggested proportional representation I was facetious. I should not want a provision in the bill for proportional representation. The only thought of the Senator from South Carolina is that there should be minority representation. The thought that there might not be minority representation certainly did not occur to me. If the Senator wishes to offer an amendment to provide that the minority shall be given representation upon that committee, I have no objection at all.

Mr. VANDENBERG. Inasmuch as it is the Senator's amendment, will he be good enough to suggest the language himself, so that it will meet his view?

Mr. BYRNES. I wish to withdraw the amendment in order to perfect it as I would want to have it done.

The PRESIDING OFFICER. The amendment is withdrawn temporarily.

The bill is open to further amendment.

Mr. O'MAHONEY. Mr. President, on behalf of the committee I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Wyoming on behalf of the committee.

The CHIEF CLERK. On page 10, in line 5, before the period, it is proposed to insert a semicolon and the following:

but any rules and regulations so made which would require the approval of the President if they were made by the United States Civil Service Commission shall be submitted to the President for approval and shall not become effective until approved by him.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Wyoming.

Mr. BYRD. Mr. President, will the Senator state the purpose of his amendment?

Mr. O'MAHONEY. The amendment is designed to make certain that all regulations governing the civil service which now must be approved by the President before they can be announced by the Civil Service Commission, will continue to be approved by the President before they may be announced by the administrator. This is designed to remove any danger of misinterpretation of the provisions of the bill.

Mr. BYRD. The Senator from Massachusetts [Mr. WALSH] is very much interested in this matter. I suggest the absence of a quorum.

Mr. BYRNES. I told the Senator from Massachusetts when he was addressing the Senate that I would have no objection to the adoption of this amendment, which he favors.

The PRESIDING OFFICER. The absence of a quorum having been suggested, the clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Calif.	O'Mahoney
Ashurst	Dieterich	Johnson, Colo.	Overton
Austin	Donahey	King	Pittman
Bailey	Duffy	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Bilbo	George	Lodge	Reynolds
Bone	Gerry	Logan	Russell
Borah	Gibson	Lonergan	Schwartz
Bridges	Gillette	Lundeen	Schwellenbach
Brown, Mich.	Glass	McAdoo	Shipstead
Brown, N. H.	Green	McCarran	Smathers
Bulkley	Guffey	McKellar	Smith
Bulow	Hale	McNary	Thomas, Okla.
Burke	Harrison	Maloney	Thomas, Utah
Byrd	Hatch	Miller	Townsend
Byrnes	Hayden	Milton	Truman
Capper	Herring	Minton	Tydings
Caraway	Hill	Murray	Vandenberg
Chavez	Hitchcock	Neely	Van Nuys
Clark	Holt	Norris	Walsh
Copeland	Hughes	Nye	Wheeler

The PRESIDING OFFICER (Mr. SCHWELLENBACH in the chair). Eighty-eight Senators having answered to their names, a quorum is present.

Mr. VANDENBERG. May I suggest to the Senator from South Carolina that before proceeding to the next amendment we perfect the one upon which we have now agreed and which we were discussing a few moments ago?

Mr. BYRNES. That is satisfactory to me.

Mr. VANDENBERG. Will the Senator send up the amendment again?

The PRESIDING OFFICER. Is there objection to laying aside temporarily the amendment proposed by the Senator from Wyoming [Mr. O'MAHONEY]? The Chair hears no objection, and the amendment is temporarily laid aside.

Mr. VANDENBERG. Mr. President, the amendment of the Senator from South Carolina has been read. I do not think it is necessary to read it again. In line 4 of the amendment I move to amend after the word "Senators", by inserting the words "not more than five Members to be of the same political party", and in line 6, after the word "Representatives", to insert the same phrase.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan to the amendment offered by the Senator from South Carolina.

Mr. BYRNES. I have no objection to the amendment to my amendment.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question recurs on the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] on behalf of the committee.

Mr. O'MAHONEY. Mr. President, I ask that the amendment be again stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 10, line 5, before the period, it is proposed to insert a semicolon and the following:

> But any rules and regulations so made which would require the approval of the President if they were made by the United States Civil Service Commission shall be submitted to the President for approval and shall not become effective until approved by him.

The PRESIDING OFFICER. Without objection, the amendment will be agreed to.

Mr. JOHNSON of California and Mr. AUSTIN addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

Mr. JOHNSON of California. Mr. President, I asked recognition during the time the chair was saying that "Without objection, the amendment will be agreed to," because I desired to know something about the amendment. If the Senator from Wyoming will kindly state the purpose of the amendment, I should like to know it.

Mr. O'MAHONEY. I shall be very happy to do so.

The bill as it came from the committee was criticized in several quarters upon the ground that it clothed the civil-service administrator with complete powers to make rules and regulations, whereas under the present law the Civil Service Commission does not have that power, but must refer all rules and regulations to the President for his approval. The purpose of this amendment, to which I have secured the consent of the committee, is to retain that very wise provision of the present law. In other words, if this amendment shall be adopted it will not be possible for an administrator lightly to change the rules and regulations.

Mr. BYRNES. Mr. President, at the time the argument was made I stated to the Senate that the language of the bill on page 10, line 4, giving power to the administrator "to make rules and regulations * * * to carry out any of such functions" had reference only to the internal administration of the organization, and did not, in the opinion of the committee transfer to the administrator the power now vested in the President to make rules. Inasmuch as there was some question about the interpretation to be placed upon the language, I stated that I had no objection to the amendment offered by the Senator from Wyoming.

Mr. WALSH. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Massachusetts?

Mr. BYRNES. I am very glad to yield to the Senator from Massachusetts.

Mr. WALSH. Of course the adoption of this amendment has no relationship to the issue which will be raised shortly as to whether we shall have a civil-service administrator or a civil-service administration.

Mr. BYRNES. Oh, none whatever. It is absolutely independent of that; and I may say to the Senator, as I have already indicated, that my personal preference is for the retention of the Civil Service Commission. It is obvious, however, that an administrator who will be constantly subject to pressure from persons who desire to secure a certain result with respect to an appointment will be protected by this amendment, because the regulations will be adopted once and for all.

Mr. WALSH. In other words, the Senator is seeking, from his standpoint, to protect the provisions of the bill in the event there is a civil-service administrator.

Mr. BYRNES. The Senator correctly understands the matter.

Mr. WALSH. I approve the amendment.

Mr. JOHNSON of California. Mr. President, the only reason of my inquiry was that I was in hearty sympathy with what was said by the Senator from Massachusetts, and in somewhat the same line by the Senator from Wyoming, in regard to the civil-service provisions, and I did not grasp the exact nature of the amendment until the explanation was forthcoming; but now, the amendment being satisfactory to the Senator from Wyoming and the Senator from Massachusetts, I see no objection to it.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wyoming on behalf of the committee.

The amendment was agreed to.

Mr. O'MAHONEY. Mr. President, on behalf of the committee, I offer a further amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Wyoming on behalf of the committee will be stated.

The CHIEF CLERK. On page 25, after line 10, it is proposed to insert the following section:

SEC. 212. Section 9 of the Classification Act of 1923, as amended (42 Stat. 1490; U. S. C., 1934 ed., title 5, sec. 669), is hereby further amended by adding at the end thereof the following paragraph:

"Under such regulations as may be prescribed by the Civil Service Administrator with the approval of the President—

"There shall be established in each department one or more boards of review, each of which shall be composed of three or more members, the chairman to be designated by the Civil Service Administrator and the other members to be designated by the head of the department concerned. The boards of review shall meet at the call of their respective chairmen for the purpose of considering the passing upon the merits of such efficiency ratings assigned to employees as may be submitted to such boards of review as hereinafter provided. Any employee shall, upon written request to the chairman of the appropriate board of review of his department, be entitled, as a matter of right, to a hearing and a review by such board of review of his efficiency rating. After any such hearing, the board of review may make such adjustments in any such efficiency rating as it may find to be proper."

Mr. O'MAHONEY. Mr. President, I have prepared this amendment after numerous conferences with representatives of Government employees.

For many years employees have felt that there should be a board of appeal to which complaints about efficiency ratings could be taken. Efforts to secure the establishment of such a board in the past have failed because, in the form in which the proposal was made, it would have tended to give the Civil Service Commission jurisdiction over the personnel in the various departments. The amendment which I have sent to the desk will not be subject to this criticism, because it establishes a board of review in each department. It therefore meets the objection which heretofore has been made to the board of appeal, and it provides a method whereby grievances may be heard in each department.

The president of the American Federation of Government Employees has indicated to me his approval of this proposal. I have here a letter from the president of the National Federation of Federal Employees which I ask to have printed in the RECORD as part of my remarks.

The PRESIDING OFFICER. Without objection, the letter will be printed in the RECORD.

The letter is as follows:

NATIONAL FEDERATION OF FEDERAL EMPLOYEES,
Washington, D. C., March 14, 1938.

Hon. JOSEPH C. O'MAHONEY,
Senate Office Building, Washington, D. C.

DEAR SENATOR O'MAHONEY: In support of the amendment which you have offered to S. 3331, proposing to set up boards of review in the various departments and independent establishments for the purpose of considering appeals by individual employees from service ratings, I desire to offer for your consideration a brief observation as to the experience of the National Federation of Federal Employees for 20 years in connection with grievances of individual employees in respect of efficiency ratings assigned to them. These grievances have fallen very generally into the following categories:

1. Where the method of rating was perfunctory, uncoordinated, and the mark assigned by the original rating officer was subject to little, if any, analysis or examination by any reviewing officer.

2. Where data in regard to specific incidents either to the credit or the discredit of the employee was not made a matter of record, with the result that ratings were assigned on the basis of the personal recollection of the rating officer and recent incidents in the official work of the employee to be rated, whether favorable or unfavorable, would largely govern the rating assigned, instead of the rating representing the work of the employee over the entire period.

3. Cases where ratings were actually used as instruments of discrimination on the part of rating officers who made use of them unduly to raise or lower the proper rating which, under a well-ordered system, would be assigned to employees.

4. Cases where the methods of rating officers were fairly well standardized, these original ratings were coordinated and reviewed and ratings assigned represented a fair appraisal of the quality of the employee's work for the period rated, but because little, if any, attempt was made to explain the employee's shortcomings by personal interview the employee affected considered the rating unfair.

By setting up boards of review, one member of which will come from outside of the personnel of the particular department or independent agency affected, hearings on appeal will bring out and suggest the necessity for revision of rating methods where such necessity exists, will undoubtedly lessen to a very large extent opportunities on the part of rating officers improperly to use rating assignments for punitive purposes, and will also afford an opportunity for the exercise of intelligent vocational guidance in respect of employees who honestly believe that the rating assigned to them is unfair.

On the basis of our experience with a vast number of cases involving ratings assigned to individual employees, I am satisfied that your proposed amendment when enacted will materially improve employee morale and inure likewise to the interest of the Government.

Sincerely,

LUTHER C. STEWARD, *President.*

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wyoming on behalf of the committee.

The amendment was agreed to.

Mr. BYRNES. Mr. President, referring to section 205, on page 15, several times during the debate I have stated that after the bill was reported in this form I communicated with the departments of the Government asking for a statement as to the number of appointees who would be affected by the language of section 205, and was advised that in all of the departments there would be 14. I do not believe the section is important, and I therefore move to strike out section 205.

The PRESIDING OFFICER. The amendment offered by the Senator from South Carolina will be stated.

The CHIEF CLERK. On page 15, it is proposed to strike out lines 12 to 25, both inclusive, as amended.

Mr. WALSH. Mr. President, I have pending an amendment for that purpose. Now the Senator from South Carolina moves to strike out the language?

Mr. BYRNES. I assume that the Senator from Massachusetts is correct in stating that he has such an amendment pending. I did not know it.

Mr. WALSH. Yes.

Mr. BYRNES. I remember that when the Senator was speaking upon the subject I stated that I thought the section should be stricken out.

Mr. WALSH. It does not make any difference who makes the actual motion. We are both in accord. The Senator and I heretofore discussed the matter.

Mr. BYRNES. Exactly. When the Senator made the proposal, I told him that was my view.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina.

The amendment was agreed to.

Mr. BYRD. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment offered by the Senator from Virginia will be stated.

The CHIEF CLERK. On page 4, line 22, after the word "transfer," it is proposed to insert a comma and the words "but such unexpended balances so transferred shall be used only for the purposes for which such appropriation was originally made."

Mr. BYRNES. Mr. President, as I have stated, it is my understanding of the law that when an unexpended balance is transferred by Executive order under the language of the bill for a specific purpose, it cannot be spent for any other purpose; but I have no objection to the amendment. It simply restates the existing law.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia [Mr. BYRD].

The amendment was agreed to.

Mr. BYRD. Mr. President, on page 42 I move to strike out section 501, which gives to the President unlimited power to employ the number of persons he desires to employ for consultation, investigation, and research, and to fix their salaries.

The PRESIDING OFFICER. The amendment offered by the Senator from Virginia will be stated.

The CHIEF CLERK. On page 42, beginning with line 13, it is proposed to strike out all down to and including line 26 in the following words:

SEC. 501. Subject to such regulations as the President may from time to time prescribe, the President and the heads of the executive departments, independent establishments, and independent agencies of the Government, for the purposes of consultation, investigation, and research in connection with the exercise of functions vested in them by law, or, in the case of the heads of such agencies, for the purposes of conducting such investigations or research as may be required of them by the President, are respectively authorized, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to appoint and fix the compensation of such experts and consultants for temporary periods as may be necessary.

Mr. BYRNES. Mr. President, the purpose of this section is solely to give to the President the power which is now exercised by him in a number of departments. The purpose is as stated by the Senator from Virginia, with one exception, but a tremendously important exception—that it gives the power to employ persons only temporarily.

In the Treasury Department, for example, in the preparation of a tax bill, authority has been given to the head of the Department to employ an expert temporarily for the purpose of consultation, at a compensation to be fixed under contract, and limited in time. In some other departments the power is not given, and they may employ persons only temporarily, at compensations to be fixed by contract. In most cases the individual who is employed must be appointed under the civil-service law, and in some cases he would be subject to the Classification Act. The object of this amendment is simply to enable the head of a department in an emergency to employ an expert. It is only an authorization. Of course whether or not Congress appropriated money would be a matter for Congress hereafter to decide; but to my mind it is not at all important. The power has been used so seldom that I do not believe it is important, and I have no objection to striking it out.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia [Mr. BYRD].

The amendment was agreed to.

Mr. WALSH. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 8, beginning with line 20, it is proposed to strike out all down to and including line 9, on page 10, in the following words:

CIVIL SERVICE ADMINISTRATION

SEC. 201. (a) There is hereby established in the executive branch of the Government an organization to be known as the Civil Service Administration (hereinafter referred to as the "Administration"), at the head of which shall be a Civil Service Administrator (hereinafter referred to as the "Administrator"), who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of 15 years and shall receive a salary at the rate of $10,000 per annum. The Administrator shall be selected without regard to any political affiliations, shall be a person specially qualified for the office of Administrator by reason of his executive and administrative qualifications, with particular reference to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law.

(b) The Administrator shall appoint a Deputy Civil Service Administrator, subject to the civil-service laws, and his salary shall be fixed in accordance with the Classification Act of 1923, as amended. The Deputy Civil Service Administrator shall perform such functions as the Administrator may prescribe, and shall act as Administrator in the absence of the Administrator or in the event of a vacancy in that office.

(c) The United States Civil Service Commission and the offices of Civil Service Commissioners are abolished, and all functions vested in such Commission are hereby vested in the Administration. The records, property (including office equipment), personnel, and unexpended balances of appropriations of such Commission are hereby transferred to the Administration.

(d) The Administrator is authorized to delegate to any officer or employee of the Administration any functions vested in the Administrator or the Administration by law, and to make such rules and regulations as may be necessary to carry out any of such functions.

(e) The Administrator shall cause a seal of office to be made for the Administration, of such device as the President shall approve, and judicial notice shall be taken of such seal.

Mr. WALSH. Mr. President, I call attention to title II of the bill, which deals with civil service and classification. There are several sections, sections 201, 202, 203, 204, 206, 208, 209, and 210, to which I shall refer. Section 205, to which I have been opposed, has just been stricken out on motion of the Senator from South Carolina. This action will make it unnecessary to ask for action on my amendment to strike this section from the bill. The section in this title providing for the extension of the Classification Act, found on page 17, section 208, and the section providing for the extension of the classified civil service are not affected by the amendment offered by me. In other words, the amendment excludes the provisions in the reported bill which seek to expand and enlarge the classified civil service law and laws relating to the fixing and determining of the salaries of Government employees under the classification law.

It is to be noted that these two sections, which are hailed as tending to improve and enlarge greatly the present merit system, are not mandatory. The President is given permission and authority to place under the classified civil-service laws such departments of the Government as are not now under the merit system. He may or may not act. The power extends not only to the present President but to future Presidents. But for the sake of making the issue direct and clear cut, my amendment deals only with the provisions of the bill which seek to change the present organization of a three-membership Civil Service Commission and to substitute in its place a civil-service administrator. So all there is in the bill that is hailed as meritorious or as an attempt to bring under the merit system and the classification law employees of the Government who are not now so protected is not in issue. We agree that it is desirable that these steps be taken. Personally, I would prefer that the direction to the President be mandatory, or that Congress itself should take action; but it is a step forward and it is, in my opinion, a beneficial and desirable move.

The amendment I have offered also strikes out the provision for an advisory committee and substitutes wherever the words "civil-service administrator" appear the words "Civil Service Commission," so that all of the increased powers, all that will be helpful in a better administration of the civil service, is not in issue in any way, shape, or form.

We come down to the sole, single, straightforward issue: Do we want this important branch of the Federal Government, dealing with every person employed in or out of the merit system, dealing with every man or woman who shall aspire in the future to occupy a position of employment under the Federal Government—do we want this branch of the Government managed and directed by one individual appointed for a term of 15 years, or do we want a commission of three members, bipartisan, both political parties represented?

It is important, in my opinion, first of all to know what the 15-year term means, and I desire to ask the Senator from South Carolina a question in this regard. Is it his opinion that once the President names an administrator for 15 years, he will not be removable during his term?

Mr. BYRNES. Mr. President, I have no doubt that he can be removed by the President.

Mr. WALSH. For what reasons?

Mr. BYRNES. He can be removed by the President just as any executive officer in the departments of the Government can be removed.

Mr. WALSH. I agree with the Senator; so we are in agreement on that point.

Mr. BYRNES. I say "executive officer." Of course, without my referring to it, the Senator knows what the decision of the Court was in the Humphrey case.

Mr. WALSH. Also in the Myers case.

Mr. BYRNES. An officer exercising a quasi-judicial function cannot be removed. If he were performing duties purely executive, as I read the Myers case, which I do not think has been changed by the Humphrey decision, he could be removed.

The reason impelling the Senator from South Carolina to insert the 15-year provision was that, instead of an administrator holding office, as is the case with the present Civil Service Commission, without any term fixed, I desired to make the term 15 years so that whenever any President removed him he would have to answer to the court of public opinion for removing a man before his term of office expired.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BORAH. I suppose the two Senators are agreed that the administrator may be removed, because they agree that the office will be purely executive.

Mr. WALSH. Yes.

Mr. BORAH. Is it true that it is a purely executive office? Of course, we will agree that the officer is not a quasi-judicial officer, but will we agree that he has no connection with the legislative department of the Government? The Myers case protects a legislative agency just as fully as it protects a quasi-judicial officer.

Mr. BYRNES. Mr. President, the Senator from Idaho and I would not disagree at all. The Senator from Massachusetts has the same opinion, I understand. Certainly the officer is quasi judicial, certainly he is not quasi legislative, because the President makes the rules. If the Commission made the rules, there might be some argument, but the rules of the civil service, under the law, are declared by the President. Any action of the Commissioners is only as a recommendation. The President may discard the recommendation or he may accept it, or change it. Therefore the rule-making power is in the President. That is why I expressed the opinion that the administrator would be an executive officer.

Mr. BORAH. I do not desire to urge the matter, but I am not ready to concede that there is no legislative function in connection with this position. In the matter of classifications this office will be carrying out legislative mandates.

Mr. WALSH. Mr. President, the reason for my inquiry was to still further narrow the issue between the Senator from South Carolina and myself. He has admitted that any President could remove the officer appointed for a 15-year term, just as the President can remove any one of the present three Commissioners. So the term of office having been written in the law at 15 years really is not effective, in view of his decision.

Mr. BYRNES. Mr. President, it is just as effective as the Congress can ever make effective an office for a term of years.

Mr. WALSH. I am not disputing that. Of course, certain definite causes could be provided in the act which a President would have to find before he could remove the administrator.

Mr. BYRNES. There is no such provision in the civil-service law. The civil-service law merely provides that the President is authorized to appoint, by and with the advice and consent of the Senate, three persons, not more than two of whom shall be adherents to the same party.

Mr. WALSH. Not under the present civil-service law, but originally in the bill, when it appeared before the Senator's committee, it did specify two grounds for removal, which the Senator struck out.

Mr. BYRNES. I did it deliberately, because I did not want to extend an invitation to the President to remove the administrator. My thought is that if we provide in the act that the President may remove for inefficiency it is an invitation to a President at any time to remove for inefficiency, just as the language of the law today is an invitation, which has generally been accepted by the President, to remove the present Commissioners.

Mr. BORAH. Mr. President, if this is purely an executive office, of course we cannot fix any limit as to when the President may dismiss the administrator. The 15-year provision would not be binding upon the President.

Mr. WALSH. That is my judgment.

Mr. BORAH. In other words, we are assuming that we have no power, that is, to say that the President should not dismiss him within 15 years; whereas the President has the power. If the administrator is an executive officer, it is within his sole judgment as to when he may dismiss him.

Mr. WALSH. That is my judgment.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BARKLEY. The Senator has already touched on the point I had in mind when he admitted that the same rule of removal that would prevail by implication in the case of the administrator provided in the bill applies to the Commission. Any President can remove all three of the Commissioners, and Presidents usually find a way by which to shift them around so that a majority are members of the party in power.

Mr. WALSH. The Senator is correct.

Mr. BARKLEY. I am not criticizing that; I am merely calling attention to the fact that that always occurs. I do not think there can be any doubt that the contemplated officer would be an executive officer, just as the members of the Commission itself are executive officers, because they deal solely with the appointment of employees of the Government, which is an executive function under the Constitution.

The distinction between the Humphrey case and the Myers case does not necessarily apply to the matter now under discussion, but the Myers case certainly has bearing upon the question, because the Commission is not a legislative agency, and it would not be necessary to set up a legislative agency to determine who might be appointed to an appointive or an administrative position.

I imagine the 15-year provision will be beneficial only because it will concentrate upon the mind of any President the idea that this is a 15-year term, and that even though he might desire to remove the administrator before the expiration of his term, there would have to be substantial reasons for his action which would be justifiable in public opinion before he would do so. The same thing might apply to the Comptroller General, who is really more an agent of Congress than any other appointee can possibly be considered to be. There is no more possibility of politics being injected into the removal of a single administrator than is possible and is customary, I will say, in the removal or elimination otherwise of Commissioners of the Civil Service Commission under the present law.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from Idaho?

Mr. WALSH. I yield.

Mr. BORAH. I do not see how the designation of 15 years would be any restraint upon the President, because it is assuming to control something which it is exclusively within the power of the President to control, and indeed he might resent even the attempt of Congress undertaking to say as to when he shall exercise this power.

Mr. BARKLEY. Even if it is to be considered to be no more than a gesture on the part of Congress, suggesting to the President that here is an office that is to be removed from the vicissitudes of politics, and granting that we should not bind the President by any such action unless we could fix the limitations, which, in my judgment, we cannot fix, because it is not a quasi judicial or quasi legislative function that is performed by the Civil Service Commission or by the administrator—yet if it is only to be considered to be a gesture to any President it is at least worth while, since it makes it necessary for the President to give a good reason why the administrator should be removed.

Mr. WALSH. Mr. President, the discussion which has taken place seems to me to clarify the issue that I raised by my inquiry made to the Senator from South Carolina with respect to the 15-year term, which apparently was introduced in this bill for the purpose of giving the appearance of an unchanging civil-service organization, and one more or less independent of the President, and independent thereby of political control. I think, in view of what has been said, that if this is an executive office, and it is agreed that it is an executive office by the Senator from South Carolina and the Senator from Kentucky and myself, and in part by the Senator from Idaho, the 15-year term is not in any way

binding on the President, and he can remove the administrator under this measure in the same way and manner that he can remove any one of the three Commissioners at his own election.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. WHEELER. It may be assumed, for the sake of the argument, that should a Republican President be elected in the next Presidential election, he would not have any compunction in ousting a Democratic officeholder and putting in a Republican.

Mr. WALSH. That is probably the thing he would do.

Mr. WHEELER. Yes.

Mr. CLARK. Mr. President, will the Senator yield further at that point?

Mr. WALSH. I yield.

Mr. CLARK. I should like to have the Senator's opinion on the language appearing on page 9, beginning with line 3:

> The Administrator shall be selected without regard to any political affiliations—

I want to emphasize the words, "without regard to any political affiliations—

> shall be a person specially qualified for the office—

And so forth.

As I read the words, "without regard to any political affiliations" they simply mean that in order to qualify for the office of administrator of the civil service it is not required that a man shall be the chairman of the national committee of the dominant party at the moment, but that if he happens to be the chairman of the national committee of the dominant power at the moment he is not disqualified in any degree whatever from being the civil-service administrator. So that, if we should assume the situation of the present administration going out of office, and unfortunately, an administration coming in that wished to appoint the chairman of the national committee of the new dominant party, or combination of parties, as the case might be, to administer the civil-service laws of the United States, he would be eligible under this measure for that appointment.

Mr. WALSH. I agree with the Senator.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BARKLEY. He would have to have some qualifications in addition to being the chairman of a committee. The fact that he might be chairman would not bar him, but he would have to have some other qualifications.

Mr. CLARK. That was precisely the point I was making. Will the Senator from Massachusetts permit me a few words more?

Mr. WALSH. Yes.

Mr. CLARK. I hold no brief for the present Civil Service Commission, whose inefficiency I conceive to be more the result of mediocre appointments than anything else. However, under the proposed system an absolute dictatorship over the personnel in the whole United States Government would be set up.

The words to which so much attention has been paid—"without regard to any political affiliations"—do not mean a single thing on the face of the earth. Bad as the Civil Service Commission may have been in this administration, or at any time in the past, there nevertheless has been, at least politically, a majority and a minority in that Commission. There has always been the opportunity for the political minority member of the Commission to set up a protest against any abuses of the civil-service system. Under the proposed system, with a dictator appointed without regard to political affiliations, which, of course, means that somebody connected with the dominant party will be appointed, there is no chance for a protest from any minor-party member of a commission.

When I brought this subject up I had in mind what the Senator from Massachusetts just said, that assuming that the present high-minded administration went out of office and a new administration came in, probably the first official act of the new administration, under the powers granted in this measure, would be to remove the civil-service administrator, and there is nothing in the measure to bar the appointment of the chairman of the national committee of the incoming dominant party or anybody else who may have a mind specially devoted to the control of patronage, to be civil-service administrator. Under the system, when that is done, there would be no minority representation on the Civil Service Commission to point its finger at abuses, and to point out what might happen under such a system.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BORAH. I was going to say, in connection with what the Senator from Missouri has said, that a President might at the beginning of his administration select a gentleman whom he never would have to go to see but who would know precisely what he wanted done.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BYRNES. I think the Senator from Missouri should read the remainder of the section, which provides that the administrator—

> Shall be a person specially qualified for the office of Administrator by reason of his executive and administrative qualifications, with particular reference to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law.

That any President elected by the people of this Nation, in the face of a statute fixing the term of office of a man for 15 years, would dare to remove him from that office and select the national chairman of a political party, particularly in view of the specific provision in the statute as to qualifications, is more than I can conceive.

Mr. CLARK. Mr. President, will the Senator yield to me for one moment?

Mr. WALSH. I yield.

Mr. CLARK. I am glad to hear the Senator from South Carolina express that opinion, because I have another amendment which I propose to offer at a later stage of the bill through which I intend to seek to implement the qualifications of certain officers along the line of the qualifications laid down by the President's committee and by the committee presided over by the Senator from South Carolina.

But Mr. President, if anyone will read the qualifications laid down on page 9 of the bill, it may be seen that the chairman of a national committee may very well qualify under these provisions. The bill, on page 9, reads:

> The Administrator shall be selected without regard to any political affiliations, shall be a person specially qualified for the office of Administrator by reason of his executive and administrative qualifications, with particular reference to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law.

Mr. President, there have undoubtedly been in the past, and will be in the future, men of great executive and administrative ability who have been chairmen of the various party campaign committees and could qualify under any standard of administrative or executive ability.

So far as the other qualifications laid down are concerned, as to his actual experience or his knowledge of accepted practices in respect to the functions vested in that office by law, they have reference only to the personnel. I dare say that there have been very few chairmen—certainly very few competent chairmen—of the dominant party in any administration who have not had very great and wide experience in the control of personnel in the executive departments, which would lead them to qualify under the provisions of the act as proposed by the Senate committee. I suggest again that the objections of the Senator from South Carolina [Mr. BYRNES] to my remarks are not well taken for that reason. Any competent chairman of a national committee of the dominant party, if he has been in that position sufficiently long, has acquired great experience in the matter of the control of personnel.

Mr. WALSH. Mr. President——

Mr. BARKLEY. Mr. President, will the Senator yield for a suggestion?

Mr. WALSH. I yield.

Mr. BARKLEY. In reply to the suggestion of the Senator from Idaho [Mr. BORAH] that any President might appoint an administrator whom he might never have to see again, implying that the administrator would know exactly what the President wanted him to do, and would do it, let me say that a President could do that now by appointing three persons whom he never would have to see.

Mr. BORAH. But there would be one member of the board to check up on him. That is the virtue of this proposition.

Mr. BARKLEY. I am not so certain that it is a virtue. It may be a theoretical virtue, but not an actual one.

Mr. BORAH. Under the provisions of this bill Mayor Hague might be appointed to fill this position absolutely in accordance with the provisions of the bill.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. BYRNES. Does the Senator from Idaho take the position that the chairman of a national committee has particular experience in the accepted practices of the Civil Service Commission with reference to holding examinations as a result of which appointments are made?

Mr. WALSH. Mr. President, we have been discussing a subject which, in my opinion, we ought to keep in mind in considering legislation of this character. Every Governor—and I think I was guilty of the offense when I was Governor of my own State—and most Presidents, assume that they are to hold office indefinitely; and the kind of machinery for better and more efficient methods of handling the affairs of government that they believe is best dominates and controls their judgment. We lose sight of the one issue that we, as Members of the Congress, ought to remember, and that is: What is best in the long run, year after year, President after President? God forbid it, but the man who is now President of the United States might not be in office a week from today. God forbid, but the very man who is now Vice President may not be Vice President or President a month from today.

While I was Governor of my State I charged myself with reforming and changing the bureaus and departments of the government, with the thought that while I was in office, and while I could name certain types of men, I could make progress toward establishing a more efficient and more steadfast form of government. The reason why we have bipartisan boards is because of the experience of years. Under such a system, with Presidents, Governors, and men in high positions coming and going, the rights of the minority and the rights of all citizens are more likely to be secure and safe in the hands of a bipartisan commission than in the hands of one individual who may be dominated and controlled completely by the Governor of the particular State or by the President of the United States. I am frank to say that the consideration to which I refer actuates me more than anything else in the position I am taking. If I were sure that the present occupant of the White House was alone to exercise the proposed authority and power I personally could see no harm in it, because I feel that he has a high concept of the civil service and has an ambition to raise it to a position which it has not heretofore enjoyed.

But we are not dealing with that kind of a situation. We are setting up the kind of government machinery which is best designed to protect, defend, and secure the rights of every man and woman in the employ of the Government, or who is likely to become an employee of the Government in the future.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WALSH. I yield to the Senator from Vermont.

Mr. AUSTIN. I should like to ask the Senator from Massachusetts if he does not think that the portentous events in Europe and Asia have a probative effect upon us which should lead us to decentralization of power instead of centralization of power, which seems to be the underlying cause of the trouble in Europe today.

Mr. WALSH. The Senator is correct. Let me say in passing that when the senior Senator from Idaho [Mr. BORAH] delivered his speech against the antilynching bill, in which he dwelt upon the harmful effect upon democracies and democratic institutions of centralization of government, in my opinion, his peroration was one of the ablest and most brilliant things I have ever heard while I have been a Member of this body. I have the privilege of delivering each year a series of lectures to Foreign Service students in one of the universities in this city, and I was so impressed with the statement of the Senator from Idaho that I read his peroration at the first lecture, to the great admiration of the young men in that class who are preparing for the Foreign Service.

The Senator from Idaho pointed out clearly and unmistakably that the more we take away the power, the interest in, and the obligations and responsibilities of the individual and place them in the hands of bureaucrats the more harmful will be the results to democracy.

Democracy is on trial everywhere, as we know. It is on trial in this country. Our democracy is on trial. If one desires evidence of it, he should drop into the hearings before the subcommittee of the Committee on Education and Labor and listen to students from universities in large numbers enthusiastically, militantly—shall I say boldly—proclaiming their belief in nostrums and doctrines which we did not believe could be nurtured and cherished by the youth in the educational institutions of our country.

Personally I feel that we ought to be very reluctant to set up bureaus and give them such wide legislative powers. Congress ought not to continue, as it has been doing, to delegate its responsibilities to the Executive and to the various departments and bureaus of our Government.

Mr. President, I come now to an important inquiry in connection with this subject matter. What is the matter with the present Civil Service Commission? What is the trouble with it? What is wrong about it?

Not a single word has been said on the floor of the Senate in opposition to it, except, I believe, by the Senator from Pennsylvania [Mr. GUFFEY]. With that one exception, I think there has been no personal criticism of the manner in which the Civil Service Commission performs its tasks and the manner in which it functions.

Let us see what the functions of the Civil Service Commission are. It has two main functions.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. CLARK. As I understood the objections of the Senator from Pennsylvania the other day to the Civil Service Commission, they were only to the effect that when he himself had been a member of the civil-service system, as the member of a committee at Pittsburgh, it had not worked out entirely in accord with his wishes.

Mr. GUFFEY. Mr. President——

Mr. WALSH. I was not present and did not hear the able speech of the distinguished Senator from Pennsylvania, but I was informed that he was critical of the civil-service system. I think his is the only speech which has been made on the floor of the Senate to that effect.

Mr. WHEELER. That speech would not be anything against the Civil Service Commission, would it?

Mr. WALSH. Mr. President, the Civil Service Commission, as it has been constituted, deals solely and alone with powers which the Congress has delegated to it. We have provided in various acts for a classified civil service. Let me apologize for making a distinction, which I assume all Senators know, but which I must confess is frequently overlooked unless it is clearly and definitely brought to mind. The civil service is one thing. The classified civil service is another thing.

The Civil Service Commission has nothing to do with the civil service. Everybody in the employ of the Government is in the civil service. The Civil Service Commission deals only with the question of classifying people in the civil service and with the classified civil-service law. Only when we pass a law which says that the civil-service classification law shall not be applicable to this commission or that commission is the civil service exempted and removed from any examination or any classification of such employees.

We have been passing such laws very often recently. But so far as the record shows, every time the Congress has given the authority to the Civil Service Commission to per-

form the duty of placing the employees in a particular department under the classified civil service, the Civil Service Commission have done it satisfactorily; and there has been no omission; there has been no faultfinding, and there has been no injustice done.

It may be said that there ought to be more employees under the classified civil service. That is true; but we have not allowed them to go under the classified civil service. Either the Congress has failed to put them under the classified civil service or some President has failed to do so in the few instances when they could have done so in the past. Such instances will be largely increased under this bill.

I now yield to the Senator from Pennsylvania [Mr. GUFFEY], and regret I have kept him waiting so long.

Mr. GUFFEY. Mr. President, does the Senator from Massachusetts recall what was the period of the most efficient enforcement of the merit system under the civil-service law—under what administration?

Mr. WALSH. Personally I have been of the opinion that the classified civil-service administration in the Federal Government has been at all times efficient and at all times commendable.

Mr. GUFFEY. I think the greatest advance ever made in the civil service was under the second administration of Grover Cleveland. At that time we had a single administrator. Does the Senator recall that?

Mr. WALSH. I do not recall it. Who was the single administrator?

Mr. GUFFEY. Theodore Roosevelt. While he was a member of the Commission he was practically a single administrator. He dominated the Commission.

Mr. WALSH. Who was the administrator?

Mr. GUFFEY. Theodore Roosevelt, of course.

Mr. WALSH. I thought the Senator said he was a member of the Commission.

Mr. GUFFEY. Yes; he was, but he was practically the whole Commission, and he extended it broader than anybody had ever done before.

Mr. CLARK. Mr. President, I should like to ask the Senator whether there was a commission or a single administrator. That is the matter to which the dispute here now relates—whether we should have a commission or a single administrator. I should like to find out the position of the Senator from Pennsylvania.

Mr. GUFFEY. I will answer the Senator.

Mr. CLARK. I think the Senator from Pennsylvania ought to have time to go out and hold a caucus with himself to find out the facts.

Mr. GUFFEY. I should say that there were three members of the Commission at that time, and Theodore Roosevelt was one of them; but he was, in reality, the Commission; he never belonged to anything that he did not dominate.

Mr. BARKLEY. Mr. President, probably the matter can be cleared up by saying that Theodore Roosevelt was Chairman of the Commission, and therefore was the Commission.

Mr. WALSH. That would be natural.

Mr. McNARY, Mr. NORRIS, and Mr. BORAH rose.

Mr. WALSH. Do either of the Senators desire the floor?

Mr. McNARY. I merely wanted to see calm restored.

Mr. WALSH. Mr. President, I wish to repeat what I have said. There have been two main functions delegated to the Civil Service Commission. When Congress has authorized it, and only when Congress has authorized it, the Commission could say, "We will put certain employees under the classified service." But the Commission can only act when Congress acts; they have acted when Congress has acted, and the fact that there are not under the classified service hundreds and thousands of employees is not the fault of the Commission, but the fault of Congress.

The other chief function that they have is in regard to the application of the Classification Act to Government employees. We ourselves limited the application of the Classification Act only to employees in the city of Washington. There is not a single employee of the Federal Government under the Classification Act except those in the city of Washington, with the result that we have certain employees doing the same kind of work in Washington under the Classification Act, with a certain salary, and other employees in the field in various sections of the country doing the same kind of work but getting entirely different salaries, in some instances a good deal more and some instances a good deal less. Is it the fault of the Civil Service Commission that only a fraction of the Government employees are under the Classification Act?

Outside the two functions of which I have spoken—and I am speaking generally now—except the functions that are interlocked in the performance of their duties, they have no others.

The President may issue an Executive order, it is true, and ask them to conduct examinations for the appointment of postmasters, but that is not in accordance with an act of Congress. In such instances the Commission acts as the agent of the President in assisting him to apply the test which he defines to determine the qualification of various candidates for the offices referred to.

Then there is another factor for which Congress is to blame. I refer to provisions of the law which permit bureau chiefs to require noncompetitive examinations. In such cases the Civil Service Commission is powerless. If under the law a department head says, "I want John Smith to be given a noncompetitive civil-service examination," the Commission are obliged to conduct such an examination.

I come back to my previous inquiry, namely, what has been done by the Civil Service Commission, composed of three men, that is reprehensible, that is inefficient, that is wrong? If they have not been efficient, if they have not done their duty, where does the blame lie? Of course, the blame lies with the authority that has the power to remove the Commission.

Mr. TYDINGS. Mr. President——

Mr. WALSH. I yield to the Senator from Maryland.

Mr. TYDINGS. If there has been any fault with the present Civil Service Commission, how is that going to be corrected by providing for a single administrator instead of a Commission of three men?

Mr. WALSH. Personally I do not see how thereby conditions are going to be corrected; I think it is going to be harmful to the whole system. I have conceded, as we must all concede, if we are to be sensible about these matters, that one administrator, under certain conditions, can function better than can three Commissioners. I concede it is possible that there could be selected one man of such caliber, of such integrity, of such high concepts of this office that he could function better than three men. As I said once in my own Commonwealth, a civil-service administrator is the master school teacher of the State.

That is what such an officer really is to the Government employees. He is the headmaster for conducting all examinations, for raising proper standards, for making the just promotions. I concede that, but I cannot concede that day after day, week after week, administrator after administrator, one administrator is better than three. That is why I am taking the position I have taken, having reached the conviction for the welfare of the country, for the welfare of the employees who are not yet under the classified civil service but who may be put under it shortly.

I expect under this bill, if it becomes a law, that those who are seeking retirement will appear before this board to determine questions affecting retirement. Then there are ex-soldiers who say that they are entitled to preference. I say that their rights are more likely to be safe and secure in the hands of a board of three men than in the hands of a single administrator or a deputy administrator to whom the administrator may have to delegate his functions. It seems to me that any large and wide view of the question brings us back again and again to the conclusion that three commissioners are more likely to do justice than is one administrator.

After all, is not justice the chief function of government? Why, then, should we provide for one administrator

instead of a commission of three? A great statesman once said that "governments are mere tyrannies that do not do justice." The whole end, scope, and purpose in the setting up of the civil service was to give an opportunity to American boys and girls, on merit, to get into the Government service, and then to have a bureau or department to see to it that justice is given them and that their rights are protected and safeguarded and secured.

Mr. President, I do not know that I need to dwell any longer on this matter, but I should like to call attention to some of the work performed by the Commission at the present time.

As a matter of practice the present Commission meets every day at 2 o'clock to hear whatever cases may be brought before it. At that time the Commission sits in a semi-judicial capacity and hears individual cases relating to the rating—listen to this—of every man and woman in the civil service. It hears questions relating to classification, promotion, and retirement and also listens to groups of citizens who are interested in some phase of its work. Members of Congress frequently appear before the Commission and conduct hearings. I myself have been before the Commission and conducted hearings.

How can all these duties be performed and opportunity be afforded employees with complaints or grievances or afforded Members of Congress, to get a quasi-judicial hearing by a single one-man administrator, considering all the other duties which will rest upon him?

What is really likely to happen is that a second or third deputy will have to see these people, hear their cases, and some other method provided for settlement. Yet it is now proposed that all these functions be placed in the hands of one man. A commission of three members removes the suspicion—I only say "suspicion"—and the possible accusation that the civil service is being administered by an official of one political party for the sole interest of that political party, or by an official racially, politically, or sectionally prejudiced, because one man rather than three persons represents different groups of our citizens. A single administrator, in all probability, removes the possibility of a woman being named or having anything to do with the administration of the civil-service system. A single administrator would deal in all the affairs of the civil service being administered, whether by a man or by a woman, whereas under the existing Commission both sexes are represented since President Wilson held office.

Mr. President, I might continue the discussion and argument; but it all comes down to what Senators think in their consciences is the best thing for the Government and for the men and women who come in contact with its special functions. If you were employed in some department of the Government, and had a grievance of some kind, would you sooner have your case go before a commission of three, or before a single commissioner?

Mr. LEWIS. Mr. President, may I trouble the able Senator from Massachusetts to make an application of that remark? As matters now appear from the press, does he not feel that had there been one intelligent man patriotically devoted to what is known as T. V. A., there would have been a much better condition than there is now under the three who appear to be administering the T. V. A. in such a manner as we read of in the press, with the result which seems to have followed?

Mr. WALSH. Mr. President, if I had today and now to vote upon the question whether we should abolish the Commission of three and place the power in the hands of one person, I should not vote to name a single commissioner. The very fact that we have three, the very fact that there has not been unity of action, the very fact that matters in the T. V. A. have not been carried on in secrecy, have resulted in our knowing what is going on there. What we know is due to the fact that there is a Commission of three and not one, if what we hear is true.

So I say to my good friend from Illinois, as I said before, that I can conceive of an administrator of the civil service or an administrator of the T. V. A. being so high-minded, so competent, so capable as to render for a period of time a longer and better kind of service than a commission of three; but we are dealing with machinery which becomes obsolete and old, and has to be oiled up and repaired. That, after all, applies to the branches of government we are developing.

A bureau of this kind deals with a great many persons more intimately than any other bureau. What department of our Government is closer to the man or woman who is about to seek retirement, and has some question as to retirement, than this Department in its functioning? What one of all our bureaus is closer to the masses of our people? What bureau comes more intimately into the lives, into the very homes of these persons—the men and women who are employed by the Government and seek promotion, want increased salary, or want to have errors in their classification corrected?

Mr. President, I do not propose to continue the discussion, except to say in conclusion that the Senator from Missouri [Mr. CLARK], the Senator from South Dakota [Mr. BULOW], the chairman of the Civil Service Committee, and I feel strongly that it would be a grave mistake, a serious mistake, to depart from the present system. That is why the American Federation of Labor and Government employees generally feel that it is a mistake, because they see how closely and intimately such a commission enters into their lives and into their rights. They have no more desire than I have, or my colleagues here have, to differ with any request of this committee, or differ with any request or wish of the President. We take this position because we believe the functions which this Commission performs are such that in the long run they can be better administered by three persons than by one.

Mr. NORRIS. Mr. President, will the Senator yield before he takes his seat?

Mr. WALSH. Certainly.

Mr. NORRIS. The Senator has expressed a belief which I think is in every Senator's heart—that what we are seeking to do is to provide the best method, the most efficient method of carrying on these duties, and the one that will help the civil service the most.

Mr. WALSH. Exactly.

Mr. NORRIS. That is one reason why I have been very much impressed with the Senator's argument in favor of three members of the Commission, because he has been so fair, and has admitted that there might be a case where one would be even better than three. After all, it comes down to the question of who is to administer the law.

I listened the other day to the Senator from Washington on this very subject, and I was very much impressed with what he said. I desire to ask the Senator from Massachusetts a question on that point. From what was said by the Senator from Washington, I derived the impression that the modern way, the way to which the State governments are very rapidly coming over, is to have a one-man regulation of civil service. Also, I have been impressed with the fact that this one man will hold office for 15 years, and therefore he will not be subject to the uncertainty of tenure to which members of the Civil Service Commission now are subject. While I do not know that it is in the law, it is the practice that they shall serve only during the will and the wish of the President. When a new President takes office, I think it is the common practice for the members of the Civil Service Commission to submit their resignations to him.

I do not know that any real harm has come from that, because it seemed to me that all the members of the Civil Service Commission with whom I have come in contact were very anxious to perform their duty, regardless of their politics; but whether these duties are performed by one man or three, would it not be an improvement if the man's term were not dependent upon the term of office of the President?

Mr. WALSH. Did the Senator from Nebraska hear the discussion which took place an hour ago?

Mr. NORRIS. Unfortunately I did not.

Mr. WALSH. That very subject was discussed at great length.

Mr. NORRIS. Then I shall not ask the Senator anything about it.

Mr. WALSH. It was agreed that, notwithstanding the provision for a 15-year term, the President could at will remove this officer if he chose to do so.

While admitting that to a degree, the Senator from South Carolina [Mr. BYRNES] very properly urged that the very fact that the President named a man for 15 years was an indication that he ought not to be disturbed, and that a President would be reluctant to remove an official when the Congress had fixed his term of service at 15 years. I think we all finally agreed, however, that, as a matter of policy, this being an executive office, the President could remove the Commissioner.

In one sense, we are not dealing with the civil service at all. We are dealing with the administration of the classified civil service and the classification law. We are not dealing at all with whether this Commission may put under civil service a group of employees here or remove another group of employees there. The Senator understands that.

Mr. NORRIS. Oh, yes; I understand that.

Mr. WALSH. What we are doing is trying to establish a department which will see that fairness and justice and accuracy and honesty and broad-mindedness are exercised in determining which of these employees are entitled to positions in the public service upon the basis of merit, which are entitled to promotions, and so forth.

Mr. NORRIS. Although I have been sadly disappointed for many years with the civil-service law, and the way it has worked out——

Mr. WALSH. The Senator has in mind what I have, too, the post-office appointments.

Mr. NORRIS. Personally, I think we are to blame for that more than anybody else.

Mr. WALSH. That is correct. That is a fair statement.

Mr. NORRIS. Of course, we could take the employees of the Government out from under the civil service altogether, which, no matter whether there were three Commissioners or a dozen or one, would leave the employees absolutely helpless.

Mr. WALSH. Of course, the President has now put even postmasters under the classified civil service, so far as he can do so without an act of Congress, by providing that the person who is first on the list shall be named.

Mr. NORRIS. Yes; I think that helps us.

Mr. WALSH. In fact, he goes beyond the requirement of law and insists that the first one be named.

Mr. NORRIS. It seems to me there are other difficulties which could easily be remedied; but these are just my ideas. I never have been able to have them enacted into law.

Mr. WALSH. The Senator has asked me about the drift in the States in recent years toward a single commission. When we discussed this matter the other day I called attention to the situation in Arkansas and Tennessee, and I asked the Senator from Tennessee [Mr. MCKELLAR] to confirm what I had to say. It so happens that both of those States set up a civil service a year and a half ago, about the same time. The commission in Arkansas was composed of three members. Within several months, or before the year was over, they had completely placed under civil service approximately 26 departments of the State government. In Tennessee there was a single commissioner, and up to the date of the last information I have been able to get—using the information which comes to me from the Senator from Tennessee [Mr. MCKELLAR]—he has done nothing whatever; and the intimation was that somebody higher than the commissioner did not want anything done.

I do not say that this is true generally, but several Senators have informed me that as soon as a new Governor takes office in some of the States, if he does not like the three commissioners or the one commissioner, as the case may be, he reorganizes the commission, and puts in a commission of his own choice.

I desire to say that the drive upon men in public life, and particularly upon Governors, for jobs since the beginning of the depression has been tremendous.

The break-down of the civil service has been moving with too great rapidity. I am chairman of the subcommittee of the Committee on Finance which has been hearing the question of whether we should not put under civil service the employees in the various States who are paid out of the Public Treasury and who are administering the unemployment compensation law. We have put all our employees under the classified civil service, and some States have done the same; but as a matter of fact, in many of the States the positions have become nothing but political jobs. I know one State in particular where many persons were selected as inspectors under the Social Security Board without any examination at all, and it was generally commented upon that it was an evasion of the civil-service law. I am afraid that I cannot help the Senator very much by agreeing that the move for a single administrator has been entirely public-spirited and entirely in the interest of the promotion of the merit system.

Mr. NORRIS. Mr. President, I may say to the Senator that I would grasp at most anything which I thought would afford any improvement along that line. Even from what the Senator says, it looks as though the case is almost hopeless; that no matter whom we get, the politician will worm his way in and bore from within.

Mr. WALSH. I must say that prior to the depression I was very much impressed with the manner in which the classified Civil Service Act was operating. I have personally been of the opinion that the Federal civil service—and I stated this repeatedly, long before the present issue ever came up—was, in my opinion, superior, on a higher plane, more really meritorious than the State civil-service system.

Mr. NORRIS. Let me ask the Senator a question about his amendment specifically. In what respect does it change the bill?

Mr. WALSH. Not in the slightest respect, except that a vote for my amendment will be a vote for three commissioners, and a vote against it will be for a single administrator.

Mr. NORRIS. Would the commissioners be appointed for 15 years?

Mr. WALSH. No; they would not be. They would be appointed just as they are now appointed under the present law.

Mr. NORRIS. Does not the Senator think it would help the civil service if appointments were made for a longer term, so that they would not depend upon the wishes of any particular political party?

Mr. WALSH. I agree with the Senator; but I have reached the conclusion that it cannot be done.

Mr. NORRIS. That they could be removed anyway?

Mr. WALSH. Yes.

Mr. NORRIS. That is perhaps true, speaking in a purely technical and practical sense, but if any President attempted to remove them, and did not have a reason for doing it, or did it arbitrarily, I think he would confront a public sentiment which would go very far toward preventing any President from doing that very thing.

Mr. WALSH. Yes; I think every Senator talking privately and confidentially agrees that there has been a great strain on the civil service—and it is to be expected—since the depression. If that is so are we not more likely to overcome the difficulties of the depression by having a commission of three than by having one administrator? Are we not likely to ride the storm—and there is a storm; it is not a cyclone, though it is very marked, and of course we have seen it here. The Senator recalls that a year ago the other branch of the Congress defied this branch in relation to the placing of the employees of the Federal Housing Authority under the Civil

Service Act. We had to compromise by limiting the law to those employees who drew salaries of $1,980 and under, and if I may quote the members of the conference—and I hope it is not unparliamentary—they told us that the House was indignant and determined to have no part of civil service employment requirements.

Mr. CLARK. Mr. President——

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from Massachusetts yield to the Senator from Missouri?

Mr. WALSH. I yield.

Mr. CLARK. Does not the Senator believe it to be a fact that under the present law the Civil Service Commissioners hold their offices at the pleasure of the President?

Mr. WALSH. Exactly.

Mr. CLARK. Does the Senator not also believe that under the proposed law, the Civil Service Commission of three being abolished, and one civil service administrator being appointed, he would also hold his office at the pleasure of the President?

Mr. WALSH. Everyone, practically, agrees to that.

Mr. CLARK. Therefore, is not the only question whether there shall be a commission of three, which may possibly represent a minority, who may bring abuses at any time to the attention of the Congress——

Mr. WALSH. And to the attention of the public.

Mr. CLARK. Or whether we shall have one administrator, in which case there will be no opportunity for ever bringing any abuses to the attention of the Congress?

Mr. NORRIS. Mr. President, will not the Senator yield at that point?

Mr. WALSH. I will be glad to yield after I say that I think the Senator from Missouri has very accurately and concisely stated the issue before us.

Mr. NORRIS. It seems to me, however, that the Senator from Missouri is only technically correct. There are now three members of the Civil Service Commission, who tender their resignations to the President whenever there is a change of administration. I think that is entirely wrong. There ought to be a sentiment that they should not do that. The law fixing their terms of office should not require them to do it. On the other hand, if there were a 15-year term, and one administrator, while it is technically true, perhaps, that the President could remove him—and probably that would be construed by the courts to be legal—yet there is a vast difference between the President removing such a man without reason, without any hearing, without giving any justification, in the face of public sentiment against it, and the acceptance of resignations which come to the President voluntarily every time there is a change of administration.

Mr. CLARK. Mr. President, will the Senator from Massachusetts yield just a moment further?

Mr. WALSH. Certainly.

Mr. CLARK. Of course, what the Senator from Nebraska has said means that there is more moral suasion on any President—I am not now referring to the present President of the United States—there is more moral suasion on any President not to remove a man who has a 15-year term than in the case of a man who has a 4-year term, or an indefinite term. That may be true from a practical standpoint, but I doubt very much that it is. If the thought which has just been expressed by the Senator from Nebraska were to be carried out to its logical conclusion, the law ought to provide, not a 15-year term, because there is only a difference in degree between a 4-year term and a 15-year term; the administrator should be appointed for life, as Federal judges are.

Mr. NORRIS. No.

Mr. CLARK. Subject only to removal for cause, for misconduct.

Mr. NORRIS. I would not agree to that, so far as I am concerned.

Mr. CLARK. I was satisfied the Senator from Nebraska would not, because I have often heard the Senator express his opinion about appointments for life; but the theory of the Senator from Nebraska would lead to that conclusion.

Mr. NORRIS. We make a little god of him, and he is independent of everybody. The President cannot remove a judge.

Mr. CLARK. That is quite true.

Mr. NORRIS. It is only Congress that can remove a judge, by impeachment proceedings. It may be that 15 years is too long a term for the administrator; it may be that it is not long enough. We tried that in the case of the Comptroller General.

Mr. CLARK. If the Senator from Massachusetts will yield further——

Mr. WALSH. Certainly.

Mr. CLARK. It seems to me that the essential issue is whether we shall have one administrator, who may be a czar, or have a minority representative on a commission who may on occasions make objections to the policy of the majority, and make his objections known in such a way as to attract the attention of the Congress and the country. It does not seem to me to make any difference whether a man is appointed for 4 years or appointed for 15 years, provided it is agreed, as I think nearly everyone here does agree, that the appointment is subject to the pleasure of the President, because the President can remove a man holding an office for a 15-year term just as readily as he can remove a man holding one for a 4-year term, except that he does not in the ordinary course of affairs have the opportunity to make the appointment so often.

The essential question now before the Congress is whether or not the control of the personnel of the Government service, nearly a million classified employees of the United States under the classified civil service, shall be in a tribunal to whom they may have a right to appeal, or whether they shall be subject to the will of one man, and whether, in the case of injustice, there may be an opportunity for some minority member of the Commission of three to file a minority report in such a way that it may come to the cognizance of the Congress, or whether a question shall go automatically by the decision of one man who must necessarily—and I think we will all agree on this—never have an opportunity in his own proper person, any more than the President now has the opportunity in his own proper person, to examine into the merits of particular individual cases. It seems to me that is the only issue before the Senate.

Mr. WALSH. It really is.

Mr. CLARK. The issue is between a three-man commission and a one-man administrator.

Mr. WALSH. I shall close by putting this proposition before the Senate. How many votes on this side of the Chamber would such a proposal from a Republican President get? I reply, no votes, because we would not give up what we are going to give up if we get rid of the three-member Commission—bipartisanship—because we would not give up the judgment of three men for the judgment of one man. We would consider that priceless. That is why I say that if this proposal came from someone other than the distinguished Democratic President who now occupies the White House, in my humble judgment it would receive very few votes on this side of the Chamber.

The issue here—and let us clearly understand it—is, surrender bipartisanship and surrender the judgment of three, and have instead the judgment of one in every case where the constituents of the Senator from Missouri or of any other Senator appear before the Commission demanding or asking for any of the rights they have under the merit service, the classification, or the retirement laws.

Mr. BYRNES. Mr. President, I turn first to the question asked by the Senator from Nebraska [Mr. NORRIS] and the answer of the Senator from Massachusetts [Mr. WALSH]. In recent years, as a result of the depression, there has been a drive against the merit system, it is said. The Senator from Massachusetts referred, by way of illustration, to a bill pending before a committee of which he is chairman, which bill was introduced because of the necessity of protecting the Social Security Administration against the spoils system. I am familiar with the bill. I happen to be the author

of it. The reason for its introduction was not that there had been resort to the spoils system by a single administrator, but that the Unemployment Commission in one or two States had shown evidence of not providing merit systems for the selection of employees in the administration of Social Security funds. The bill provides that the State must submit its merit system to the Social Security Board for approval. It has to do with action by a commission, not by a single administrator.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. WALSH. I hope the Senator from South Carolina will be fair with respect to this matter. I think I have been fair in discussing it.

Mr. BYRNES. I certainly wish to be fair about it.

Mr. WALSH. The Senator said he was familiar with the bill. The intimation is that when I referred to Tennessee and Arkansas I was referring to or having in mind a bill that was not before my committee.

Mr. BYRNES. No. If the Senator understood me that way I am sorry.

Mr. WALSH. The Senator told only a part of the story. Is it not a fact that the Senator from Tennessee introduced the bill?

Mr. BYRNES. Yes.

Mr. WALSH. And is it not a fact that the Governor of his State had absolutely ignored a statute, and did not keep anybody in the civil service?

Mr. BYRNES. Mr. President, I did not stay at the hearing to hear the Senator from Tennessee, and, therefore, I cannot answer. What I stated was that I had introduced a bill on the subject, and that was the bill which I understood was reported. I am subject to correction in that respect, because the Senator from Tennessee said that the same subject matter was covered by both bills, and he was in sympathy with the purposes sought to be accomplished by my bill. I left the committee room before the meeting was ended. It may be entirely true that the Senator from Tennessee afterward made the statement referred to. I was not referring to that at all. What I am referring to is that the evil sought to be corrected by the bill was an evil due to a commission and not to a single administrator.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. McKELLAR. I brought the facts to the attention of the subcommittee of the Finance Committee, of which the Senator from Massachusetts [Mr. WALSH] was the chairman. In my State, as in some other States, the commissioner of agriculture, I believe, or at any rate one of the State commissioners, appoints the officials of the social-security set-up. They are to be appointed under the civil-service rules that the State is required to set up. The State had by legislative act set up civil-service rules, but they had not been used.

Mr. WALSH. For how long had they not been used?

Mr. McKELLAR. They had not been used at all. They never had been used.

Mr. WALSH. For over a year or 2 years?

Mr. McKELLAR. Never since they were set up had they been used. The result was that a political difference arose, and an extra session of the legislature was called. Quite a large number of non-civil-service employees were discharged. My recollection is that the proof showed that six or eight members of the legislature had been appointed in the social-security set-up. They were members of the legislature who had voted in the way the State administration desired them to vote on the State disfranchisement bill, and those men, as a reward for their vote on a matter of local or State legislation, had been rewarded by being appointed to positions in the social-security set-up in place of others who were dismissed.

Mr. WALSH. And the Senator's State civil-service law was completely scrapped.

Mr. McKELLAR. Absolutely. The civil-service law that was passed by the legislature of the State of Tennessee in 1935 was scrapped. It contained provisions which prohibited members of the legislature from serving in the social-security set-up. Notwithstanding that, in setting up the social-security regime not only was the law ignored but it was absolutely violated, and members of the legislature were appointed to social-security positions as a reward for political service. I am very happy to say that two or three members of the legislature afterward declined to accept the places that had previously been promised them——

Mr. NORRIS. Mr. President——

Mr. BYRNES. Mr. President, I should like to answer the question.

Mr. NORRIS. Will the Senator yield to me to ask the Senator from Tennessee a question?

Mr. BYRNES. I yield.

Mr. NORRIS. I am somewhat at a loss to know how that illustration has any application to the question as to whether we should have three members or one member.

Mr. McKELLAR. I do not know that it has the slightest application.

Mr. NORRIS. Would not all that has been described have occurred if the law provided for three members, or five, or one?

Mr. McKELLAR. I do not think it has the slightest application. I want to say that, so far as I am personally concerned, I cannot say that I am in entire harmony with what is being done under the present civil-service laws. I think that many things are being done that ought not to be done. However, I should prefer to have the civil service as it is now to the 15-year dictatorship under the civil service that is provided for in the bill.

Mr. BYRNES. Mr. President, the question was correctly stated by the Senator from Nebraska, whether the administration of this law should be left in the hands of three persons or of one. The Senator from Nebraska asked if in recent years the State legislatures have not shown a trend toward vesting the power in a single administrator. In Massachusetts three members are appointed by the Governor. The salary of the chief commissioner is $5,000, and the assistants not more than $2,000. The executive officer is a commissioner. In Maryland there is only a single administrator. That provision was made in 1920. In New Jersey there is a single administrator. In Wisconsin there is a single administrator. The Wisconsin law was passed in 1923. The same man has been left in charge of the administration in the State of Wisconsin through all these years, through the administrations of five Governors. The States of Arkansas and Tennessee provided for a single administrator in 1937. The date of the act in Tennessee was February 10, 1937.

What the Senator from Tennessee spoke of, to which attention has been called by the Senator from Nebraska, referred not to a single administrator, but to a commission administering social security funds.

The State of Maine has a single administrator also created under the act of 1937.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. BYRNES. I yield.

Mr. BARKLEY. The State of Michigan also has a single commissioner.

Mr. BYRNES. The Senator is correct.

Mr. BARKLEY. Five States last year provided for a single administrator instead of a commission.

Mr. BYRNES. Mr. President, we come right back to a discussion of the question of what is efficient administration of personnel or of executive duties. Where the principal duties of a body are quasi-judicial they should be left to a commission. We could all agree as to that. When it comes to an executive office—and this office, according to the Senator from Massachusetts, is an executive office—then we are confronted with the question whether the executive duties should be performed by three men instead of one man.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BYRNES. I will yield in a moment. We might as well ask: Should we have three Presidents? Should we have

three Secretaries of the Treasury? Should we have three Directors of the Veterans' Administration? The Senator from Massachusetts says, "They pass upon retirements and upon compensation." The Veterans' Administration passes upon the question of how much compensation a veteran should receive. Whenever a Department removes a man the Civil Service Commission cannot reinstate him unless the Department in discharging him failed to follow the proper procedure, which is to give him notice of the charges.

We may picture the commissioners sitting down and passing upon the rights of employees. They cannot select one individual for employment, however. All that they do is to hold examinations. The three highest candidates must be certified. The other duty they have to perform is that whenever a department sends over to the Civil Service Commission a statement of the duties performed by an office, the Commission determines under what classification an officer having such duties to perform should be placed. But the standards of pay are set up by statute, and the rules are approved by the President. They act under these standards and rules. That is their duty. As to reinstating employees in office, they have no power to do it.

It is a mistake to think of the Civil Service Commission as being necessary because consideration must be given to racial groups or religious groups. If that be so, why not have three Presidents, or six Presidents, so that all groups may have representation? If we follow such a theory, we shall have what inevitably happens whenever a commission performs executive functions.

I do not speak of the T. V. A. with the idea of becoming involved in that discussion. I do not want to do so. Someone has mentioned it, however, and therefore I refer to it. I assert that whenever there are executive functions to perform, if there are three men performing them, the bigger the men the more certain it is that the functions will never be performed. The only way to have executive functions performed by a commission is to have one Bergen and two Charlie McCarthys. The Bergen will dominate. But if a commission is to function with the greatest efficiency, it is necessary to have one dominating character on the commission, with the others agreeing.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BYRNES. Not just now.

Mr. CLARK. That is precisely the theory of Mr. Hitler and Mr. Mussolini, is it not?

Mr. BYRNES. Mr. President, the Constitution of the United States says we are to have one Executive of the United States, one President. When Mr. GERRY suggested that we might have three Secretaries of the Treasury, his suggestion was, of course, rejected. His vote was the only vote in support of such a proposition. Under our form of government there is a responsible executive in the executive department, clothed with power, and held to his responsibilities. Under our form of government an executive department or commission is entirely different from a quasi-judicial body performing functions such as those performed by the Federal Trade Commission, the Interstate Commerce Commission, and other commissions of that character.

With respect to the question of removal, it is said that the President could remove the civil-service administrator. I have said that I believe he could do so. But there is a vast difference between an executive department and a quasi-judicial body. It is difficult for me to believe that any Member of the Senate is really serious in saying that he does not see a difference. Under the existing law the President appoints three persons on the Commission. Those persons are appointed under a statute which provides that the President may remove the Commissioners. The President does remove the Commissioners. For the very purpose of correcting that situation, we go as far as Congress could go, in my opinion, in connection with an executive office, by providing that the man appointed shall be selected regardless of political affiliations, and because of particular experience with the duties of the office to which he is appointed. We give him a 15-year tenure of office. As I have said time and again on this floor, I admit that under the decisions he could be removed; but if any man who is elected President of the United States finds, when he comes into office, a civil-service administrator who has been appointed for 15 years, and undertakes to remove that man and kick him out of an office to which he has been appointed for 15 years, the President will have to show the American people a good cause, or his action will condemn him more than any other act of his administration. When Members of the Senate say that with a change in administration the civil-service administrator would be kicked out of office, I reply that I do not believe it. I do not believe there is a Member of the Senate who would do it, if he were President.

Mr. BONE. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BONE. I am curious about the matter of removal. The Senator has said that under the decisions the President might remove the administrator. I have in mind the Humphrey decision, and I assume the Senator may have in mind the Myers decision, involving a postmaster. In this bill a definite term is fixed by Congress. I do not notice any language which would authorize removal by the President. Congress could impeach the administrator.

Mr. BYRNES. The argument has been made that the Humphrey case is limited in its application to officers having quasi-judicial duties. An executive officer, under the law, could be removed.

Mr. BONE. I have one further question on which I should like to have a little information. On page 9——

Mr. BYRNES. Would the Senator mind allowing me to continue? I will yield to him later in connection with the matter he has just mentioned.

The argument is made by the Senator from Vermont [Mr. AUSTIN] that because Hitler walked into Austria, we should have three Civil Service Commissioners instead of one. I suppose hereafter, no matter what proposal is pending, the question will be asked, "In view of the events in Austria, is this not a serious matter?" Somehow, Mr. President, I cannot become excited over the argument that because Hitler moved into Austria, the result will be a great effect upon holding examinations to obtain a list of eligibles for jobs in the departments.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. AUSTIN. I think the Senator's inference is perhaps unjustified. I ask the Senator if he does not think the events which are taking place in Europe in the transition from democracy to autocracy should be a warning to us as we legislate, step by step, toward centralization of authority in our country That is the point.

Mr. BYRNES. The question is whether it is a centralization of authority to have one personnel official in a Department. If that is true, then why not have three Presidents, three Secretaries of the Treasury, and three Secretaries of War to perform purely executive functions, and sacrifice the Nation while they are having a mistrial or a cat fight.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BARKLEY. There might have been a civil-service commission of three or five in Germany, and still Hitler might have walked into Austria.

Mr. BYRNES. I really do not believe the events of Saturday and Sunday would have been different whether there had been three, or five, instead of one. I do not think the business executives of this country, in the administration of personnel, will now determine, because of events in Austria, to have three or five or seven men administer personnel instead of one. I do not think the States, the list of which I have given, are going back to commissions in handling personnel. I do not believe Wisconsin will return to the commission form after several years of satisfactory experience with a single administrator.

Nothing has been said about the advisory board provided for in the bill. Not more than four of the seven members of the advisory board may be of the same political party.

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. LEWIS. The able Senator from South Carolina must be conscious that Senators rely upon him because of the information he possesses on this subject. Will the Senator, while he is speaking on the subject, inform the Senate what particular duties or services the advisory board will render to the one man who is called the administrator?

Mr. BYRNES. The single administrator would perform the duties now performed by the Commission. Many people erroneously believe that the Commission drafts the civil-service rules. It does not. The President makes the rules. Under the provisions of the bill the President will still make the rules. The amendment which was adopted today assures beyond peradventure, even to the most doubtful Member of the Senate, that the President will continue to make the rules. The Commission now holds examinations, as the Senator knows, through a chief examiner. The Commission does not hold an examination and never will hold an examination. I stated the other day that during my 20 years' experience I do not recall having talked to a Civil Service Commissioner about any matter, because I have long since found that the chief examiner holds the examinations; if there is an appeal as to a rating, it goes to a board of review established in the Civil Service Commission, and the board of review passes upon the appeal; and then the Civil Service Commission determines whether a certain position in the Agricultural Department, for example, shall be classified in grade 1, grade 2, grade 3, grade 4, or grade 9. If there is a question as to the grade of the position, an appeal may be taken to the Commission. The question whether a job should be in grade 9 or grade 6 does not affect the individual.

With regard to retirements, a man is entitled to retire at a certain age, after a certain length of service. The only other way in which he may retire is by reason of physical disability. He may apply for earlier retirement because of physical disability. Compare those functions with the functions exercised by the Veterans' Administration. The Veterans' Administration efficiently administers the law, passing upon the physical condition of a man, and the amount of compensation he should receive, which may be changed as a result of an examination. Is there any reason why we should change that system and establish a commission? It may be said that because there are veterans of various races or religions, we ought to have a commission of three. If we should have a commission of three, why not a commission of twelve, so as to give everybody representation? The result would be that nothing would be done. It is said that nobody is urging this proposal. There is no one who is familiar with it, who has had experience, who has not urged it. There has been no partisan argument in this matter. It was urged in the previous administration, that of President Hoover.

Former Governor Thomas E. Campbell, of Arizona, who was Chairman of the Civil Service Commission for years, has strongly stated his opinion. He was on the Commission. This is what he said:

> I was greatly encouraged when the President accepted the thoroughly sound personnel recommendations of his Committee on Administrative Management. The establishment of a United States Civil Service Administration, to be headed by a single Civil Service Administrator selected on a merit basis as a result of a Nation-wide open competitive examination—

That is not in this bill—

> can hardly fail to result in better and more effective personnel administration in the Federal Government.
>
> My previous experience as a public official in local and State jurisdictions and as Governor of the State of Arizona, as well as President of the United States Civil Service Commission, have led me to the definite conclusion that boards or commissions are clearly not suited to the performance of administrative duties. Boards and commissions carry on their work by compromise and indecision. This is an inefficient method of operation and usually results in needless confusion, the diffusion of responsibility, harmful delay, and the lack of needed leadership. In cases where this situation does not exist, commissions frequently fall under the domination of one of their strongest members, while the other members play the role of mere "yes men."
>
> It is for these reasons that many of the difficulties and inadequacies apparent in the administration of the Federal merit system will unquestionably be overcome if the proposed single civil-service administrator is made responsible for all administrative and technical personnel functions. The creation of a civil-service board of seven nonsalaried citizens, as suggested by the Committee on Administrative Management, will furnish sufficient protection for the integrity of the merit system. The proposed new Board will have no administative or technical duties to perform. However, it will serve as a watchful adviser to the President and the civil service administrator. In this capacity it will render a useful function without manifesting the weaknesses inherent in the existing Civil Service Commission.
>
> Within the past 50 years governmental operations have become broad in scope and complex in character. It is now more essential than ever before that the personnel chosen to carry on the work of the Federal Government be highly qualified. This result can be attained only if Uncle Sam's central personnel agency is permitted to operate under the administrative direction of a qualified administrator who can accept full responsibility for its work and can give it the imaginative leadership that is required. An efficient Government is essential if our democracy is not to be supplanted by some more drastic form of government. That is why I am looking forward to the final adoption of the President's personnel proposals. I am for them. I hope they will be passed by the Congress.

Leonard White, who served on the Commission for 4 years, after 4 years of service, made a public statement almost exactly in the language of Governor Campbell, expressing the same opinion, based upon his experience.

The Senator from Massachusetts [Mr. WALSH] says the employees are opposed to having a single administrator. That is true of the employees' organization affiliated with the American Federation of Labor. But the National Federation of Federal Employees, of which Mr. Luther C. Steward is the representative in Washington, is in favor of the single administrator. The employees' organization of which Mr. Jacob Baker is the leader in the city of Washington is in favor of the single administrator. A large group of women employees had their legislative representative, Mrs. Harris T. Baldwin, appear before the committee, and she stated that that organization was in favor of the single administrator.

So far as employees' organizations go, the majority of them were in favor of the single administrator; but I believe in the proposal, as I said before, not solely because employees may want this or that kind of organization, because, after all, there are 129,000,000 persons who pay these employees and who are entitled to efficiency in government; but when the men who have served on the Civil Service Commission and who are now out of it say, upon the basis of their experience, that it is in the interest of efficiency to have a single administrator, I believe the Senate should give some weight to the opinions they express.

Mr. LEWIS. Mr. President——

Mr. BYRNES. I yield to the Senator from Illinois.

Mr. LEWIS. Will the Senator be so good as to explain what particular service is to be rendered by the civil-service advisory board which serves with or under the particular man of whom we speak as the sole administrator?

Mr. BYRNES. Under the provisions of the bill—

> The Board is authorized to assist the Administrator in an advisory capacity in connection with matters relating to personnel administration in the various agencies of the Government; to confer with the Administrator and make recommendations with respect to personnel standards, practices, or policies for any such agency; and to make recommendations to the President and the Congress with respect to the development, improvement, and extension of the merit system and the laws relating to personnel administration.
>
> The Board is further authorized to make such investigations and reports with respect to personnel administration as the President or the Congress may request, and the Board shall make an annual report to the President and the Congress concerning its activities during the year for which such report is made.

The board is provided with a secretary for the reason that we want the board, when it meets in Washington, to have an office to which it can go, and a secretary to advise its members, and to furnish them with a statement of what has been going on in the examinations, and a statement of

the documents which have been published by the civil-service administrator, so that they can see what has been done without even going to the civil-service administrator for such information. Since some gentlemen in perfect good faith have this fear about a single administrator using his office for political purposes, it was our thought that an advisory board such as is established by the bill, which must meet at least four times a year and may meet oftener—a board with not more than four members out of the seven of one party—will have an opportunity to see if, in the administration of the civil-service laws, there is any political partisanship, and if so, to report it. The members of the advisory board are purposely made independent.

They are not regular job holders, but have other business in life. They have their own incomes, which make them independent. They cannot receive more than $1,500 in any year as a per diem for attending these meetings. Since they are not dependent upon their jobs, these seven men—or, if my friends say they want to have a woman on the board, six men and one women—meeting here, can listen to complaints, see whether there has been any political partisanship, and, if so, report it under the law to the President and the Congress, and thus call attention to it. The Senator from Illinois may rest assured that in that way we shall obtain more information than we now obtain with reference to matters going on in the Civil Service Commission.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BYRNES. Yes; I yield to the Senator from Missouri.

Mr. CLARK. Did the Senator ever know of one of these citizens' commissions working part time, meeting once or twice or three or four times a year on a per diem basis, that ever amounted to a hill of beans?

These commissions have been set up before. I think the Senator from South Carolina will agree with me that in each case they have a paid secretary, or a paid executive officer, or a paid official of some sort who makes up an agenda, or who makes up the recommendations which are accepted by these men who are busy on other things, running their own companies, making their own livings in civil employment, and meeting here once or twice or three or four times a year. In my experience—and if the Senator from South Carolina has had any different experience I should like to have him point it out—none of these commissions has ever amounted to a hill of beans so far as regulating any practice of a permanent governmental organization, in operation 365 days of the year, was concerned.

Mr. BYRNES. Mr. President, there is an advisory committee to the Federal Reserve Board. I have no criticism to make of them. Neither have I a criticism of the Advisory Board on Public Buildings. There are also others.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BYRNES. Not at this moment. I must first answer the question of the Senator from Missouri. I do not know how effective the advisory committee are in their recommendations and advice to the Federal Reserve Board itself. I am not in position to state. I will say to the Senator from Missouri without any hesitation that whether this advisory board will fail to amount to a hill of beans, as he says, or whether it will amount to an effective agency, as I should like it to do, will depend entirely upon whom the President appoints on it. If the President should appoint a person as qualified as the Senator from Missouri the advisory board would amount to more than a hill of beans.

Mr. CLARK. Mr. President, if the Senator from South Carolina will yield for just a moment, a Senator would be ineligible under the law.

Mr. BYRNES. He would not be eligible now; but I say the board would be a useful body if it were possible that another such man as the Senator from Missouri could be induced, because of his interest in the civil-service merit system, to serve on it. It would not take very much of a man's time. I believe the President could induce men of high standing to serve on an advisory board of that kind; and I am not willing to agree that the Senator from Missouri could not pick out seven men who would render really valuable service upon an advisory board of that kind. I should be willing to trust him with it.

Mr. CLARK. Mr. President, if the Senator will yield to me for just one further suggestion——

Mr. BYRNES. Yes; I yield.

Mr. CLARK. There is no implication on my part that the present President of the United States, or any other President, would not pick out the best men he could find; but it is my thought that it would be impossible for a group of men living in different parts of the United States, not familiar with the ordinary routine and with the problems which will come up every day under the civil-service administrator, to be sufficiently familiar with those questions and with the great interests involved to be able to come into Washington 2 or 3 days, or 4 or 5 days, or 8 or 10 days, three or four times a year, and familiarize themselves with the work of this office—and that is all we should expect this sort of a board to do in such a way as to be able to pass with any intelligence on the administration of the administrator, who has been in office 365 days of the year. It is no reflection on the present President, or any future President, or on the class of men whom he will appoint, to say that he would not be able to do that, because a volunteer committee primarily concerned with their own business in their own towns and in their own States are not going to be able to come down here and put in enough time three or four times a year to familiarize themselves with the administration sufficiently to take the responsibility of what has been done while they were away.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BYRNES. Let me answer the Senator from Missouri, and then I will yield.

I simply wish to repeat that I disagree with the conclusion of the Senator from Missouri. If it is so impossible ever to get anyone with ability to serve on an advisory board of this kind, it would be useless to have three members of a civil-service commission. I am not willing to agree, however, that the President of the United States could not find seven men who would be willing to serve upon this advisory board and who would render useful service. They would not have to familiarize themselves with what is going on in every department of the Government as to the personnel and their various grievances.

As they come here and devote themselves to this work they can ascertain the policies that have been followed, the character of examinations that have been held, look over the actions of the Commission upon questions of retirement, and so forth. There are only two or three functions that are now performed by the Commission. If the Democratic Party is in power, and there are three Republican members on the advisory board, if they receive one-half of the complaints that Senators and Representatives now receive from persons in the departments about things that affect them, they will have a great deal of information upon which to work. There will be no lack of information, no lack of complaints for the members of the advisory board to investigate; and as they investigate them they can perform a real service, and certainly they can prevent the use of the office of administrator for political purposes.

Mr. WHEELER. Mr. President——

Mr. BYRNES. I yield to the Senator from Montana.

Mr. WHEELER. I desire to call the attention of the Senator to the fact that a commission of this kind, almost identical with it, was set up with reference to the Office of Indian Affairs. The men on the Commission were probably as high a class of men as could possibly be picked out. There was no question about their integrity, their honesty, or their earnestness; but they knew practically nothing about what was going on in the Office of Indian Affairs.

We had an investigation of the Indian Service a few years ago. As a matter of fact, the only information the Board of Indian Commissioners had was what was furnished to them by the Commissioner of Indian Affairs, and it amounted to just nothing. There was not any question about the character or the ability of the members of the Board. The Senator from Wisconsin [Mr. LA FOLLETTE]

was a member of the investigating committee; the Senator from North Dakota [Mr. FRAZIER] was a member of the committee; and I think everybody on the committee came to the conclusion that notwithstanding the honesty and integrity of the members of the Board of Indian Commissioners, it was a worthless commission, and as a matter of fact we abolished the Commission because they used to come here and hold sessions for a few days, and as I recall they had a secretary, and their secretary just O. K.'d everything the Department did, and these gentlemen met here and O. K.'d practically everything that was done.

The Commission amounted to nothing, and Congress abolished it for that reason.

Mr. BYRNES. Mr. President, I think the Senator and every other Member of the Senate will agree that, admitting what he says to be true, what happened in the case of one commission or one official cannot govern our judgment about all mankind. Whether they amount to anything or not depends entirely upon the character of the men who are appointed to the commissions. Some man might be elected to the Senate from Montana and he may be eminently worthy, or he may not amount to anything.

Mr. WHEELER. That is probably true, in the Senator's mind, with reference to the present senior Senator from Montana. [Laughter.]

Mr. BYRNES. No; I was just about to say one might be elected who would not amount to anything, but we have with us now the distinguished and able senior Senator from Montana, who does amount to a great deal. It depends on the good judgment of the people who do the electing or the appointing. A strong man might be elected as a Senator from Kentucky, or one who was not a strong man. It depends——

Mr. BARKLEY. Mr. President, I notice the Senator did not conclude his remarks about me as he did his comment about the Senator from Montana, that there was a strong man here from the State already. [Laughter.]

Mr. BYRNES. I am, of course, entirely content to pay the Senator from Kentucky the same compliment, and say that we have in our leader on this side a strong man from the State of Kentucky.

Mr. WHEELER. Mr. President, let me say to the Senator from South Carolina that it is a notorious fact that when men are appointed on boards of directors of great corporations 9 times out of 10 the members do not know what is going on. They meet occasionally. We have had before us in the railroad investigations some of them who did not know what was going on. That has appeared not only in one case but in numerous cases.

If the Senator expects a commission of the kind provided for to be of any use whatsoever, he will find he is greatly mistaken. There is no use fooling ourselves with the idea that such a commission would be of any use. It might just as well be cut out and the Government saved that much money, because it is only window dressing. That is all any commission of that kind would be.

Mr. BYRNES. Mr. President, I can only again express my disagreement. The Civil Service Reform League and others who have given a great deal more thought to this question, and are more familiar with it than is the Senator from Montana, or am I, believe the proposed board would be of great benefit. That is true of Governor Campbell, of Arizona, who was on the Commission for years, and he believes in the advisory committee. That is true of Leonard White, who served on the Commission.

In some States, for instance, as I have stated, in Maryland, there is a single administrator; there is no commission. In other States commissioners have been appointed. These officers would be prospective board members. I believe the President would call upon personnel directors of some of the great industrial organizations, men who have had experience in dealing with personnel, and ask them to serve. I believe the President would ask them to serve on the committee, because it would not consume much of their time, and they could by such service make a contribution to their Government. It would make it an organization really valuable to the Government. If, on the other hand, the President should appoint men who were simply seeking jobs, in order to get per diems, it would not amount to anything. Therefore, I say it would depend entirely upon what the President should do in making the appointments.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. NORRIS. I have been greatly impressed with what was said by the Senator from Missouri and the Senator from Montana. I do not believe that, on the average, the board proposed to be set up by the bill would accomplish much. It is true there might be a world of good done by the board, but it would have to be by some broad-minded man or men able financially to perform this service as a matter of love. It seems to me that if it is to be effective, the membership will necessarily have to be confined to such people. They might do tremendous good, I concede. But I would not like to see the board limited to that class of people, worthy as they might be, and I do not think the Senator would. It seems to me that if the board is to accomplish any good its members ought to receive salaries high enough to enable them to afford to give their time to the work, and in such case I can see how they would be very valuable. I should like to see the board cut down to three, and see the members paid salaries which would enable them to devote their time to the examination of the civil-service system and to the making of proper reports.

Mr. BYRNES. The idea was that for this service there could be secured men who have been interested in the development of civil service throughout the country, whose hearts are in it, and who, by reason of their experience, could perform the duty provided in an advisory capacity.

Mr. NORRIS. But the men whom the President would appoint ordinarily would be confined to a small class, and the President ought to get that kind of men, because they are able, to begin with, to give valuable advice as to the working of any civil-service law, and their experience would mean much, but they could not afford to serve on this committee unless they were very wealthy men, and unless they wanted to devote their time to the job without pay.

Mr. BYRNES. They are supposed to meet not less than four times a year.

Mr. NORRIS. That only emphasizes the fact, it seems to me, that not very good work could be expected of them. I have been impressed by what the Senator has said about one administrator. It seemed to me it would be well to have an advisory board of some kind, and I would like to see one that was useful. If we are to have one administrator, I am rather inclined to follow in that direction. But I am afraid the board the bill sets up would not do much good unless we could get seven men to serve who were able to live without salary. If they are to meet only three times a year, they will not do much good, no matter how able and conscientious they may be.

Mr. BYRNES. The bill provides they must meet at least quarterly.

Mr. WHEELER. Mr. President, it is proposed that one man be appointed as administrator, and then to have a board of seven men of outstanding character. It would seem to me that the only complaint against the present Commission, then, would be that they are inefficient and incompetent. If high-class people were appointed at the outset, and Representatives and Senators stopped kicking them around as political footballs in order to get jobs from them, we probably would have an efficient Commission.

Mr. NORRIS. I wonder how we can do that.

Mr. WHEELER. That is the difficulty.

Mr. NORRIS. It seems to me it is insurmountable.

Mr. WHEELER. There will be that difficulty with one administer, just as it exists with three.

Mr. NORRIS. Probably.

Mr. WHEELER. There will not be any more effectiveness or any more efficiency, unless Senators and Representatives themselves stop pulling and hauling and kicking them around, and unless the national committee and all the

bureaus stop pulling them around in order to get men jobs.

I happen to know the chairman of the Commission at the present time. He comes from my State, and is an exceedingly high-class individual. I have never talked with him about the bill, and do not know what his views are in regard to it because I have not conferred with him, but I do know we could not find anywhere in the United States a more honorable, honest, conscientious individual than he to fill a position of this kind.

Mr. NORRIS. Why does not the Senator confer with him about the bill? I think his views would be very valuable.

Mr. BURKE. Mr. President, Mr. Harry Mitchell, the President of the Civil Service Commission, the gentleman to whom the Senator from Montana has referred, testified before the committee, and I have before me his testimony, which, as it is very brief, I think ought to be read into the RECORD at this point.

Mr. WHEELER. I will be very glad to have it in the RECORD. I did not know he had testified.

Mr. BURKE. I think this is important. Mr. Mitchell has now served 5 years as Chairman of the Commission. He stated:

> I do not agree that an administrator can manage the business of the Civil Service Commission as well as a bipartisan commission of three persons. My principal reason for that objection is that I believe it will eventually have the effect of making the Commission more political. No matter how good a man may be appointed by the President then in office, I feel quite sure that if there is a political turn-over the President of the opposition party would insist upon a change, and in the past we have had Presidents who were not enthusiastically in favor of the competitive system, and under him there might be appointed a man who would allow politics to have a part in the business of the Commission. It is inconceivable to me that under any system set up in our political life in America that the party in power would permit somebody that has been appointed by the opposition to handle the personnel matters of the Government.
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> An organization that has the handling of the personnel affairs of the Government has an entirely different sort of job than the organization that is handling finances or material resources. In the work of the Commission, the welfare of over half a million individuals is involved. When these individuals have individual ideas, and Senators and Congressmen are called upon to represent them, they must take the individual into account.
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> So far as the actual problem of administration is concerned, I will agree that a single administrator might do better than a commission. The Commission's duties are sort of quasi-judicial and also sort of quasi-legislative. There are a great many things the Commission has to do that cannot be governed by set rules and regulations. They pass upon policies that affect the welfare and lives of individuals, and I do not believe that the decision of one person would ever inspire the confidence that the decisions of a bipartisan commission do.
>
> It is now composed, as you know, of not more than two members of one party, and unless there is someone of the opposition party to watch out for lapses or evasions of the civil-service law, I would sincerely fear that the law might be evaded and such a situation would inevitably be a blow to the whole competitive system.
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> I am not only expressing my own views, but also the views of others on the Commission who have had experience.

Mr. WHEELER. I thank the Senator.

Mr. NORRIS. Mr. President, will the Senator from Montana yield?

Mr. WHEELER. I yield.

Mr. NORRIS. It seems to me one weakness of the testimony my colleague has just read is that the witness assumes something which I do not believe would happen, although others think it would.

Mr. WHEELER. What is that?

Mr. NORRIS. It involves the possible removal of the administrator at the pleasure and will of the President.

Mr. WHEELER. There is no question about it.

Mr. NORRIS. There is no question that the President would have the legal right to remove him, but I do not believe there would be one time in 10,000 when the power would be exercised by the President without a trial, without some evidence to show that the administrator was incompetent and ought to be removed.

Mr. WHEELER. I wish I had as much confidence that whoever may be elected President of the United States will not be any more politically minded than the Senator indicates. I think we must be realistic about it, and we only have to look at what has happened in the past. Certainly when Mr. Harding came into office we had a politically minded President. Certainly when Mr. Coolidge came in and certainly when Mr. Hoover came in and certainly when the present administration came in we had politically minded Presidents. It does not make any difference who the President is, whether he is Democratic or Republican, pressure is going to be put on him.

Mr. NORRIS. Does the Senator think that if the pending measure had been on the statute books, any one of the Presidents he has mentioned, faced with the public sentiment that would have been against him, would have removed the administrator without a trial and without any evidence?

Mr. WHEELER. Certainly.

Mr. NORRIS. I do not believe he would.

Mr. WHEELER. I not only think that one of them would have done it but I think that all of them would have done it.

Consider, for instance, the situation when the present administration came into power. Pressure was brought to bear upon every Democratic Senator to have every Republican who held office ousted, whether or not he was under civil service. The intolerance on the part of the Democrats at that particular time was to me appalling. Many Senators on this side of the Chamber with whom I talked regretted what was happening. Everyone who talked to me on that subject spoke of the pressure that was brought to bear to have every Republican kicked out of office merely because he happened to be a Republican. So, Mr. President, if the Republican Party should come into power the pressure upon the new President by the hungry seekers for office would be so great that he would not be able to withstand that pressure, any more than the present administration could withstand the same kind of pressure.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. NORRIS. Similar pressure would be brought by a seeker for office through his Senators or Member of the House if he could get them to work for him, and unfortunately in most cases he could. They would all help him. Pressure would come from Congress instead of upon the Congress. The pressure on the President for such appointments would come from the Senate and from the House.

Mr. WHEELER. Yes; it would come from the Senate and from the House.

Mr. NORRIS. It would come from us.

Mr. WHEELER. It would come from us; yes. Pressure is brought to bear on the Civil Service Commission by Members of Congress, as well as by the heads of various departments in order, in effect, to break down the civil-service rules and regulations. I has been done under the Republicans, and it is being done under the Democrats.

Mr. President, it seems to me we ought to strengthen the power of the Commission rather than to weaken it, which I believe would be the result if the power were placed in the hands of one administrator. We should attempt to make the civil service less political instead of more political, which I am afraid it will be under a one-man administrator.

Mr. NORRIS. I am trying now to determine how to bring that about. I have not decided how to vote, but my object will be to strengthen the civil service. All that is going on under the present system shows that we ought to strengthen the civil service.

Mr. WHEELER. The pressure we have been talking about has never been so strong as in recent years.

Mr. NORRIS. From what the Senator from Massachusetts has said, and also from my own personal experience, I know that there has never been a time when the pressure has been so great as in this awful depression, when all over the country men who have been thrown out of jobs and who would not before have accepted a political position are begging on their knees to get one.

Mr. WHEELER. That is all true. If it had not been for the economic depression beginning in 1929 the pressure to

put men into Government positions would not have been so great on the Democrats as it has been. By reason of that depression, however, as I previously said, every Democratic Senator has had come to him applicants who ordinarily would not have accepted a public office under any circumstances or conditions, but because of the depression they have begged for such positions. Many of those applicants were men who ordinarily earned good salaries and held high positions.

Such men have come here and applied great pressure for positions, and their friends have applied great pressure in their behalf. As I stated the other day, in the Park Service and in the Forest Service it was said, "All these employees are Republicans. They are under the civil service, but you ought to get rid of them." The same condition will exist, in my judgment, if we provide for a one-man administrator, and he will not be able to withstand the pressure from Congress and the executive departments. If a commission were appointed, and if the commission were entirely nonpartisan, it would be different. The trouble with some of the commissions appointed by both Republicans and Democrats has been that the Republicans appointed Democrats who were favorable to them and who called themselves Democrats but who voted the Republican ticket, and the Democrats did the same with Republicans who voted Democratic. We have had numerous illustrations of that with respect to the Interstate Commerce Commission, the Federal Trade Commission, and other commissions, during the Harding and Hoover administrations.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. MINTON. Prompted by what the Senator from Montana had to say to the Senator from Nebraska, let me ask the Senator if he does not recall that we had a Comptroller General appointed for a 15-year term, and no President tried to remove him. He exercised executive functions and legislative functions, and Congress should not, in my judgment have so blended legislative and executive functions that the President of the United States could not remove him.

Mr. CLARK. Mr. President, that office has been vacant for nearly a year.

Mr. WHEELER. Anything that I would say about the Comptroller General of the United States and the right of the President of the United States to remove him would be a curbstone opinion, because I never looked into the question, but I understood the law was such with reference to the Comptroller General that the President could not remove him.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRD. The Comptroller General can only be removed by the passage by Congress of a joint resolution.

Mr. MINTON. Congress has so provided, but Congress provided the same thing with reference to the removal of postmasters. However, the Supreme Court held that the Congress could not shackle the power of the President to remove at will any executive officer, and if that is so—and it is true, because the Supreme Court has so construed the Constitution—the Congress cannot so tie up legislative functions with executive functions that the President of the United States cannot remove an officer who exercises executive functions because he also exercises legislative functions.

Mr. WHEELER. Then, I take it the Senator from Indiana disagrees with the Senator from South Carolina [Mr. BYRNES], the Senator from Missouri [Mr. CLARK], and the Senator from Massachusetts [Mr. WALSH], with reference to whether or not the President could remove the official without cause.

Mr. MINTON. No. I agree that he can.

Mr. WHEELER. If the Senator agrees that he can, then there is not any question about the power of the President of the United States to remove such a person from office.

Mr. MINTON. I am saying that he could remove the Comptroller General, but he did not. I am saying that if we gave a man a 15-year term, as the Senator from Nebraska has said, no President of the United States would remove him merely because he wanted to remove him.

Mr. WHEELER. The Senator said that the President of the United States could remove the Comptroller General.

Mr. MINTON. Yes, because he is exercising executive power as well as legislative power.

Mr. WHEELER. I should be obliged to disagree with the Senator from Indiana on the question of the power of the President to remove the Comptroller General. However, undoubtedly the President of the United States never thought he could remove him. The Senator is now assuming an entirely different thing. The question is as to whether or not a President of the United States would remove the administrator if a change of administration should occur, and I say that I do not care who the President of the United States might be, in my humble judgment the pressure would be so strong upon him, if the Republicans came into power, that he would be obliged to make the change. Pressure would be brought upon the President to remove such an officer. We all know that if, when the present administration came into office, a Republican had been the administrator and the President could have removed him, he would have removed him by reason of the pressure being so strong for his removal that he could not have withstood it.

Mr. MINTON. Mr. President, I think the President would have the legal power to make such a removal. However, if a provision were made in the bill that the official should serve 15 years, the President, in my opinion, would be slow to remove him without cause.

Mr. WHEELER. There would be terrific pressure put upon the President by those on the other side of the Chamber, if the Republican Party came into power, to remove the Democratic administrator and to appoint one of their own party. The reverse would be true with respect to the other party if it came into power later.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. CLARK. We have referred several times today to the famous Humphrey case. I am one of those who is rather familiar with the record of the late Commissioner Humphrey. I do not think there is any question on earth that if the President of the United States had seen fit to comply with the law in the matter of removing Mr. Humphrey he would have been able to furnish adequate and complete grounds for removing him. Mr. Humphrey had given out interviews which had been published in the public press.

Mr. WHEELER. And I was delighted when the President removed him.

Mr. CLARK. He sent out interviews which would undoubtedly have been held by any court of competent jurisdiction in this country as a ground for his removal. But the President of the United States did not see fit to follow what I would have regarded as the proper course. Instead of giving Mr. Humphrey a hearing, as required by law, and removing him for cause, he saw fit simply to remove him on the basis of a letter in which he stated that Mr. Humphrey's mind did not run along with his.

This instance shows the danger which generally exists, although it did not exist in this particular case, because it so happened that the law was not complied with; but it is a danger that we might encounter were another President to come into office, no matter how upright he might be, or how fixed his mind as to his right to remove or not to remove individuals. As far as I am concerned, along with the Senator from Montana I was glad to see Mr. Humphrey removed, but I thought it should have been accomplished in line with the law rather than in the manner in which it was brought about.

Mr. MINTON. The mechanics of the removal of Commissioner Humphrey did not have anything to do with the decision of the Supreme Court, did it?

Mr. CLARK. I insist it did.

Mr. MINTON. No, Mr. President. The Supreme Court said Mr. Humphrey was exercising legislative and quasi-judicial functions, and therefore he could not be removed by the President.

Mr. CLARK. Does the Senator have any doubt that if the President had proceeded, as he had a right to do under the statute, to charge Commissioner Humphrey with malfeasance in office, and had held a hearing, he could have accomplished what he set out to accomplish?

Mr. MINTON. Yes; because he was acting under the statute.

Mr. CLARK. The Senator has no doubt that the President would have had a right to do that in view of the public statement Mr. Humphrey gave out to the press while a member of the Federal Trade Commission?

Mr. MINTON. What the Supreme Court did was not the result of the failure of the President to follow that procedure. It said he did not have the power to remove Mr. Humphrey in the manner in which he did it.

Mr. CLARK. That is because that question was not presented to the Supreme Court. I take it that the Senator from Indiana, able lawyer that he is, will not endeavor to controvert the fact that if the President of the United States had proceeded in the manner prescribed by the statute and given Mr. Humphrey a hearing in respect of some of the statements Mr. Humphrey gave out to the press in which in effect he said, "What do you suppose I got appointed Chairman of the Federal Trade Commission for?"—in other words, had the President taken steps for the removal of Mr. Humphrey in compliance with the law, Mr. Humphrey would have had no recourse in the courts or any place else.

Mr. MINTON. Then, the President would have exercised legislative authority delegated by the Congress of the United States to remove one of its own arms, but he would be exercising that legislative authority under certain standards fixed by Congress.

Mr. CLARK. That is correct, and that is what I am insisting on with respect to this measure.

Mr. WHEELER. I agree with the Senator from Missouri that there were probably grounds upon which hearings could have been had with respect to Mr. Humphrey, and a finding of facts could have been had upon which action for removal could have been taken, and then an appeal taken from that action, but the President, instead of doing that, tried to remove him simply on the ground that his mind did not go along with the mind of the President. Other Presidents have tried to do the same thing.

Mr. LOGAN. Mr. President, will the Senator yield?

Mr. WHEELER. I yield the floor.

Mr. LOGAN. I believe that if the courts of the United States and the Congress were to follow the rule which has been well established in Kentucky, there would be no difficulty about such things. The Governor has the power to remove for malfeasance and neglect and for many other reasons; but our courts have held that the Governor cannot remove anyone from office until it has been found by a court of competent jurisdiction that the officer has brought himself within the rule which will allow the Governor to remove him, and I think that is a very sound position.

Mr. WHEELER. I agree with the Senator entirely.

Mr. BURKE. Mr. President——

The PRESIDING OFFICER. The Chair would like to know which Senator has the floor at this time.

Mr. BURKE. I should like to ask the Senator from Montana to yield to me so that I may ask the Senator from Missouri a question. The Senator from Montana had the floor.

Mr. WHEELER. I yielded the floor.

Mr. BARKLEY. I will assume the floor and yield to the Senator from Nebraska to ask the Senator from Missouri a question.

Mr. BURKE. I desire to ask the Senator from Missouri how he reconciles the two statements. He says that, in his judgment, the President in 1933 could have removed Commissioner Humphrey from the Federal Trade Commission by following the provisions of the law which made the Commissioner removable by the President upon proof of incompetence, neglect of duty, or malfeasance in office. How does the Senator from Missouri reconcile the statement he makes in that connection with the statement of the President in his letter to Mr. Humphrey asking for his resignation, in which the President stated—I am not quoting his exact language—that he did not question in any particular Mr. Humphrey's efficiency or competence or anything else about his handling of the office, except for one thing—that his mind did not go along with the President's mind, and he wanted somebody else?

Mr. CLARK. I do not attempt to reconcile the grounds on which I should have removed Mr. Humphrey if I had been President of the United States, with the grounds on which the President of the United States actually based the removal. I say only that I believe that if the President of the United States had seen fit to proceed in accordance with the provisions of the statute, abundant evidence could have been produced to justify him in arriving at the result at which he finally did arrive without complying with the statute. I certainly make no defense of the statements in the President's letter to Mr. Humphrey. I do say that I think Mr. Humphrey might very properly have been removed if the President had proceeded in accordance with the statute.

Mr. BONE. Mr. President, will the Senator yield while I ask a question of the Senator from South Carolina?

Mr. BARKLEY. I yield.

Mr. BONE. On page 9 the bill provides that—

> The Administrator shall appoint a Deputy Civil Service Administrator, subject to the civil-service laws.

There is nothing now in the law designating such an office, is there?

Mr. BYRNES. No.

Mr. BONE. The bill goes on:

> And his salary shall be fixed in accordance with the Classification Act of 1923, as amended.

There is nothing in the Classification Act setting up provisions for the salary of an official of this kind who does not exist under present law.

Mr. BYRNES. No; but whenever a position of that kind is created, my understanding is that if the position is within the Department when the qualifications are set out they are then forwarded to the Commission. In this case the grade and salary of this office would be determined by the Commission.

Mr. BONE. Under this bill, the present Commission would not decide that question, would it?

Mr. BYRNES. All the laws now in force as to the present Commission would be continued.

Mr. BONE. They would be administered by the administrator?

Mr. BYRNES. Yes.

Mr. BONE. There is nothing in the bill to indicate what the salary of the deputy would be, or what his powers would be, except the provision in subsection (b) on page 9.

Mr. BYRNES. In the case of most of such deputies the salary is around $7,000 or $7,500, but I have no means of knowing. It is left to the Commission to determine after considering the qualifications and the grade of the position.

Mr. BARKLEY. Mr. President, it is obvious that we cannot vote on the pending amendment this afternoon. I have consulted with the author of the amendment, the Senator from Massachusetts [Mr. WALSH], with the minority leader, and with other interested Senators. I therefore ask unanimous consent that not later than 2 o'clock tomorrow the Senate shall proceed to vote on the amendment now pending, and any amendment which may be offered to it, without further debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WALSH. Mr. President, before we recess I desire to make a brief statement.

I wish to stress the fact that we already have a Civil Service Commission, and we already have a civil-service administrator, in the person of the chief examiner, who conducts all the examinations and attends to all the business which the proposed administrator would do.

The chief examiner is the chief officer and chief manager of this department. But to offset the suggestion and innuendo that the Commission does not amount to anything and has nothing to do, I filed some interrogatories and asked for some information as to just what their duties are, for the purpose of determining whether it is wise to maintain a Commission of three rather than to have a single administrator in adjudicating the matters which are handled by the Commission.

I received this information, and I now ask each Senator to put to himself the question whether it is better for one man or three people to adjudicate these cases, which every employee in the Government has a right to bring to the attention of the Commission.

The Commission meets every day except Saturday at 2 o'clock, and considers the cases which come before it for decision.

These include hearings of appeals from action taken by the Commission's Board of Appeals and Review in such matters as frauds in examinations, false statements in papers filed with the Commission, allocation of positions to their proper grades under the Classification Act of 1923, as amended, all retirement questions, removals for political or religious reasons, appeals from ineligible ratings in oral examinations, and so forth.

The duties of the Commission are, in substance, duties performed on appeals from the Chief Examiner or the Board of Appeals; and the employees in the Government service, when questions as to their rights arise, have a right to go before the Commission. I ask each Member of this body overnight to ask himself the question, if he were a Government employee and had an issue with a bureau chief or a department in any one of these particulars, would he prefer to go before a board of three, or a single administrator?

FOREST PROBLEM (H. DOC. NO. 539)

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read and referred to the Committee on Agriculture and Forestry, as follows:

To the Congress of the United States:

I feel impelled at this time to call to the attention of the Congress some aspects of our forest problem, and the need for a policy and plan of action with respect to it.

Forests are intimately tied into our whole social and economic life. They grow on more than one-third the land area of the continental United States. Wages from forest industries support five to six million people each year. Forests give us building materials and thousands of other things in everyday use. Forest lands furnish food and shelter for much of our remaining game, and healthful recreation for millions of our people. Forests help prevent erosion and floods. They conserve water and regulate its use for navigation, for power, for domestic use, and for irrigation. Woodlands occupy more acreage than any other crop on American farms, and help support two and one-half million farm families.

Our forest problem is essentially one of land use. It is a part of the broad problem of modern agriculture that is common to every part of the country. Forest lands total some 615,000,000 acres.

One-hundred-and-twenty-odd million acres of these forest lands are rough and inaccessible—but they are valuable for the protection of our great watersheds. The greater proportion of these protection forests is in public ownership. Four hundred and ninety-five million acres of our forest lands can be classed as commercial. Both as to accessibility and quality the best four-fifths, or some 396,000,000 acres of these commercial forests, is in private ownership.

This privately owned forest land at present furnishes 96 percent of all our forest products. It represents 90 percent of the productive capacity of our forest soils. There is a continuing drain upon commercial forests in saw-timber sizes far beyond the annual growth. Forest operations in them have not been, and are not now, conducive to maximum regrowth. An alarming proportion of our cut-over forest lands is tax-delinquent. Through neglect, much of it is rapidly forming a new but almost worthless no man's land.

Most of the commercial forest lands are in private ownership. Most of them are now only partially productive, and most of them are still subject to abuse. This abuse threatens the general welfare.

I have thus presented to you the facts. They are simple facts, but they are of a character to cause alarm to the people of the United States and to you, their chosen representatives.

The forest problem is, therefore, a matter of vital national concern, and some way must be found to make forest lands and forest resources contribute their full share to the social and economic structures of this country and to the security and stability of all our people.

When in 1933 I asked the Congress to provide for the Civilian Conservation Corps I was convinced that forest lands offered one source for worth-while work, noncompetitive with industry, for large numbers of our unemployed. Events of the past 5 years have indicated that my earlier conviction was well founded. In rebuilding and managing those lands, and in the many uses of them and their resources, there exists a major opportunity for new employment and for increasing the national wealth.

Creation of the national forest system, which now extends to 38 States, has been a definite step toward constructive solution of our forest problem. From national forest lands comes domestic water for more than 6,000,000 people. Forage, occurring largely in combination with timber, contributes stability to one-fourth the western range livestock industry. Through correlated and coordinated public management of timber and all other resources, these public properties already help support almost a million people and furnish healthful recreation to more than 30,000,000 each year. By means of exchanges and purchases the Congress has for many years encouraged additions to this system. These measures should very definitely be continued as funds and facilities are available.

The Congress has also provided that the National Government shall cooperate with the various States in matters of fire protection on privately owned forest lands and farm woodlands. The States are in turn cooperating with private owners. Among other measures, the Congress has also authorized an extensive program of forest research, which has been initiated and projected; Federal cooperation in building up a system of State forests; cooperative activities with farmers to integrate forest management with the general farm economy; the planting of trees in the prairie-plains States—an activity which has heretofore been carried on as an emergency unemployment relief measure with outstanding success and material benefit—and, under the omnibus flood-control bill, measures to retard run-off and erosion on forested and other watersheds.

Progress has been made, and such measures as these should be continued. They are not adequate, however, to meet the present situation. We are still exploiting our forest lands. Forest communities are still being crippled—still being left desolate and forlorn. Watersheds are still being denuded. Fertile valleys and industrial cities below such watersheds still suffer from erosion and floods. We are still liquidating our forest capital; still cutting our accessible forests faster than they are being replaced.

Our forest budget still needs balancing. This is true in relation to future as well as present national needs. We need and will continue to need large quantities of wood for housing, for our railroads and our telephone and telegraph lines, for newsprint and other papers, for fiber containers, for furniture, and the like. Wood is rich in chemicals. It

is the major source of cellulose products such as rayon, movie films, cellophanes, sugars of certain kinds, surgical absorbents, drugs, lacquers, phonograph records. Turpentines, rosins, acetone, acetic acid, and alcohols are derived from wood. Our forest budget should, therefore, be balanced in relation to present and future needs for such things as these. It should also be balanced in relation to the many public services that forests render, and to the need for stabilizing dependent industries and communities locally, regionally, and nationally.

I am informed, for example, that more than $100,000,000 has recently gone into development of additional forest industries in the southeastern section of our country. This means still more drain from southern forests. Without forestry measures that will insure timber cropping there, existing and planned forest enterprises must inevitably suffer. The Pacific Northwest contains the greatest reserves of virgin merchantable timber in the continental United States. During recent years many private forest lands have been given better fire protection there, and there are more young trees on the ground. But the cutting drain in our virgin Douglas fir forests is about four times current growth, and unless existing practices are changed the old fir will be gone long before new growth is big enough for manufacture into lumber.

I recommend, therefore, study by a joint committee of the Congress of the forest-land problem of the United States. As a Nation we now have the accumulated experience of three centuries of use and abuse as guides in determining broad principles. The public has certain responsibilities and obligations with respect to private forest lands, but so also have private owners with respect to the broad public interests in those same lands. Particular consideration might, therefore, be given in these studies, which I hope will form the basis for essential legislation during the next session of Congress, to the situation with respect to private forest lands and to consideration of such matters as:

First. The adequacy and effectiveness of present activities in protecting public and private forest lands from fire, insects, and diseases, and of cooperative efforts between the Federal Government and the States.

Second. Other measures, Federal and State, which may be necessary and advisable to insure that timber cropping on privately owned forest lands may be conducted as continuous operations, with the productivity of the lands built up against future requirements.

Third. The need for extension of Federal, State, and community ownership of forest lands, and of planned public management of them.

Fourth. The need for such public regulatory controls as will adequately protect private as well as the broad public interests in all forest lands.

Fifth. Methods and possibilities of employment in forestry work on private and public forest lands, and possibilities of liquidating such public expenditures as are or may be involved.

Facilities of those technical agencies that, in the executive branches of the Government, deal with the many phases of our forest problem will of course be available to such committee as the Congress may appoint. These technical agencies will be glad to assist the committee in assembling and interpreting facts, indicating what has been done, what still needs to be done, and in such other ways as the committee may desire.

I make this suggestion for immediate study of our forest problem by the Congress in the belief that definite action should be taken by the Congress in 1939. States, communities, and private capital can do much to help—but the fact remains that, with some outstanding exceptions, most of the States, communities, and private companies have, on the whole, accomplished little to retard or check the continuing process of using up our forest resources without replacement. This being so, it seems obviously necessary to fall back on the last defensive line—Federal leadership and Federal action. Millions of Americans are today conscious of the threat. Public opinion asks that steps be taken to remove it.

If the preliminary action is taken at this session of the Congress, I propose to address letters to the Governors of those States in which the amount of State and privately owned forest land is substantial, enclosing to them a copy of this message to the Congress and asking their full cooperation with the Congress and with the executive branch of the National Government.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 14, 1938.*

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

Mr. DIETERICH, from the Committee on the Judiciary, reported favorably the nomination of Harry C. Blanton, of Missouri, to be United States attorney for the eastern district of Missouri.

Mr. O'MAHONEY, from the Committee on the Judiciary, reported favorably the nomination of Thurman W. Arnold, of Connecticut, to be an Assistant Attorney General, vice Robert H. Jackson, resigned.

Mr. HARRISON, from the Committee on Finance, reported favorably the nomination of Dr. James A. Crabtree to be surgeon in the United States Public Health Service, to take effect from date of oath.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state in their order the nominations on the calendar, with the exception of the one passed over.

THE JUDICIARY

The legislative clerk read the nomination of Joseph W. Kehoe, of Alaska, to be United States attorney for the third division, district of Alaska.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Robert L. Ailworth to be United States marshal for the eastern district of Virginia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Tuesday, March 15, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 14 (legislative day of January 5), 1938

UNITED STATES MARSHAL

William Thomas Dowd, of North Carolina, to be United States marshal for the middle district of North Carolina. (Mr. Dowd is now serving in this office under an appointment which expired March 2, 1938.)

COLLECTOR OF CUSTOMS

Margaret M. McQuilkin, of Salt Lake City, Utah, to be collector of customs for customs collection district No. 48,

with headquarters at Salt Lake City, Utah. (Reappointment.)

REGISTER OF THE LAND OFFICE

Theodore Wanerus, of Wyoming, to be register of the land office at Buffalo, Wyo. (Reappointment.)

APPOINTMENTS TO TEMPORARY RANK IN THE AIR CORPS IN THE REGULAR ARMY

Maj. Romeyn Beck Hough, Jr., to be lieutenant colonel with rank from March 8, 1938.

Capt. Kenneth Campbell McGregor to be major, vice Maj. Romeyn B. Hough, Jr., Air Corps, nominated for appointment as temporary lieutenant colonel, Air Corps.

CONFIRMATIONS

Executive nominations confirmed by the Senate, March 14 (legislative day of January 5), 1938

UNITED STATES ATTORNEY

Joseph W. Kehoe to be United States attorney for the third division, district of Alaska.

UNITED STATES MARSHAL

Robert L. Ailworth to be United States marshal for the eastern district of Virginia.

HOUSE OF REPRESENTATIVES

MONDAY, MARCH 14, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, in this reposeful silence, let us hear the whisper of the Divine. Give ear, O Lord, to our words and consideration to our meditation. Thou knowest the possibilities of our service. However imperfect we are, we pray Thee to let the white truth of all things shine from behind all outward appearances. Whatever there is in nobility, in patience, and in heroism, grant that in these we may find our lives by losing them. May the Congress be replete with fine emotions and deep satisfaction and each day herald good cheer and well-being to every part of our land. No matter what the veiling fogs may be, may we see the stars and hear Thee saying: "Peace, be still, be not afraid." Putting aside needless differences, may we not tarry in confusion and uncertainty. Heavenly Father, bless our President, our Speaker, and all our Representatives with the inspiration of reason, of faith, and of wisdom. Hear our prayer, O Lord, and grant us Thy peace. In our Redeemer's name. Amen.

The Journal of the proceedings of Friday, March 11, 1938, was read and approved.

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H. R. 8466. An act authorizing the city of Rock Island, Ill., or its assigns, to construct, maintain, and operate a toll bridge across the Mississippi River at or near Rock Island, Ill., and to a place at or near the city of Davenport, Iowa.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 3554. An act authorizing the appointment of an additional judge of the district court for the northern district of Alabama; and

S. 3655. An act amending section 312 of the Agricultural Adjustment Act of 1938.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1077) entitled "An act to amend the act creating the Federal Trade Commission, to define its powers and duties, and for other purposes."

CALL OF THE HOUSE

Mr. RAYBURN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently there is not a quorum present.

Mr. RAYBURN. Mr. Speaker, I withhold the point of order for the moment, as I understand there are some Members who wish to extend their remarks. I must announce, however, that for today I shall feel called upon to object to anyone having any time before going into the Committee of the Whole.

The SPEAKER. The Chair is reluctantly obliged to hold, having announced that there was no quorum present, that the point of order may not be withheld. It raises a constitutional question. The rule will have to be observed.

Mr. RAYBURN. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 39]

Barden	Douglas	Lord	Sirovich
Biermann	Drew, Pa.	Lucas	Somers, N. Y.
Bradley	Drewry, Va.	McGranery	Sullivan
Buck	Evans	McGroarty	Swope
Buckley, N. Y.	Farley	McLaughlin	Taylor, Colo.
Byrne	Flannagan	Mosier, Ohio	Taylor, S. C.
Cartwright	Frey, Pa.	O'Brien, Ill.	Teigan
Celler	Gasque	O'Brien, Mich.	Thompson, Ill.
Champion	Gingery	O'Connor, Mont.	Towey
Citron	Greenwood	Patrick	Vincent, B. M.
Clark, N. C.	Hancock, N. C.	Peterson, Fla.	Vinson, Fred M.
Colden	Harlan	Pfeifer	Wearin
Cole, Md.	Hart	Phillips	Weaver
Colmer	Hartley	Quinn	Wene
Connery	Hoffman	Rankin	Whelchel
Crowther	Holmes	Rich	White, Idaho
Cullen	Hunter	Richards	Wilcox
Daly	Jarrett	Robertson	Withrow
Deen	Kelly, N. Y.	Rutherford	Wolcott
Disney	Kerr	Sabath	Wood
Ditter	Lea	Sacks	Woodruff
Dorsey	Leavy	Satterfield	
Doughton	Long	Short	

The SPEAKER. Three hundred and thirty-six Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mrs. JENCKES of Indiana, Mr. PLUMLEY, and Mr. MARTIN of Massachusetts asked and were given permission to extend their own remarks in the RECORD.

Mr. BEITER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an article prepared by Gen. Avery D. Andrews and a letter received from Mr. Joshua C. Chase with reference to the Florida sea-level canal.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. TREADWAY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a statement I made before the Committee on Reciprocal Tariff Information this morning.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. TINKHAM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a resolution which I am introducing today.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

Mr. Speaker, I appeared before the Tariff Commission today but was not allowed to finish the statement I had

prepared to present to them. I ask unanimous consent to include this in the extension of my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mr. BATES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to insert therein an address I made before the Committee on Tariff Reciprocity Information this morning.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CASEY of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a statement I made before the Tariff Commission this morning.

The SPEAKER. Without objection it is so ordered.

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a short article from a valiant ex-soldier in Ohio dealing with military affairs.

The SPEAKER. Without objection it is so ordered.

There was no objection.

Mr. DIMOND. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement which I made before the subcommittee of the House Committee on Appropriations.

The SPEAKER. Without objection it is so ordered.

COMMITTEE ON LABOR

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent that the subcommittee of the Committee on Labor handling the wage and hour legislation may sit during the sessions of the House this week.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

EXTENSION OF REMARKS

Mr. MILLS. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and to include therein a statement by Gaston L. Porterie, attorney general of the State of Louisiana, on the title of the State to the bed of the sea adjacent to their shores, in opposition to Senate bill No. 2164.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. MAVERICK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio speech I made last night over the Columbia Broadcasting System.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BREWSTER. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. O'CONNELL of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement in reference to the *Algic* case, by the *Algic* defense committee.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

Mr. SWEENEY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD on the subject of a resolution I now send to the Clerk's desk, asking for an investigation by this House of the plot or attempt to take Boake Carter, an American citizen and radio commentator, off the air because he dared to exercise his constitutional prerogative as an American citizen in criticizing our foreign policy. I ask further consent to have the resolution printed at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The resolution referred to follows:

House Resolution 436

Whereas it has been reported in the public press that at a recent secret meeting held in New York City attended by Norman Davis, the roving Ambassador of the United States, members of the General Staff, and other leaders in the Government; and

Whereas the public press reports the purpose of this meeting was to discuss plans and methods to be used in getting the radio and newspapers to become instrumentalities in preparing the people for war; and

Whereas the reports in the public press stated that considerable bitterness in the meeting was directed toward the radio news commentator, Boake Carter, because of his consistent broadcasting of antiwar sentiment; and

Whereas the public press further reports that at this meeting there was talk of plans by which Boake Carter could be taken off the air; and

Whereas it has been recently reported because of said Boake Carter's disclosure of British propaganda in the United States that attempt will soon be made to question the legality of the visa by which he entered this country from Europe several years ago; and

Whereas said Boake Carter is a fully naturalized American citizen and he has been a resident of the United States for the past 16 years, exercises the prerogative of his citizenship in courageously giving expression to his thoughts and convictions as an American citizen; and

Whereas there is danger to the Republic and the constitutional right of free speech if a supergovernment is permitted to make unjust attack upon any American citizen or institution that exercises the constitutional right of free speech in the United States: Therefore be it

Resolved, That the Speaker of the House of Representatives be, and he is hereby, authorized to appoint a special committee to be composed of seven Members for the purpose of conducting an investigation of the truth or falsity of the secret meeting referred to herein, and to make inquiry and investigate any individual or agency that attempts to interfere with the constitutional right of any American citizen in the exercise of free speech.

That said special committee, or any subcommittee thereof, is hereby authorized to sit and act during the present Congress at such times and places within the United States, whether or not the House is sitting, has recessed, or has adjourned, to hold such hearings, to require the attendance of such witnesses and the production of such books, papers, and documents, by subpena or otherwise, and to take such testimony as it deems necessary. Subpenas shall be issued under the signature of the chairman and shall be served by any person designated by him. The chairman of the committee or any member thereof may administer oaths to witnesses. Every person who, having been summoned as a witness by authority of said committee or any subcommittee thereof, willfully makes default, or who, having appeared, refuses to answer any question pertinent to the investigation heretofore authorized, shall be held to the penalties provided by section 102 of the Revised Statutes of the United States.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—REPORT OF SECRETARY OF STATE (H. DOC. NO 540)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, with accompanying papers, referred to the Committee on Foreign Affairs and ordered to be printed:

To the Congress of the United States:

I transmit herewith a report by the Secretary of State showing all receipts and disbursements on account of refunds, allowances, and annuities for the fiscal year ended June 30, 1937, in connection with the Foreign Service retirement and disability system as required by section 26 (a) of an act for the grading and classification of clerks in the Foreign Service of the United States of America, and providing compensation therefor, approved February 23, 1931.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 14, 1938.*

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—FOREST PROBLEM (H. DOC. NO. 539)

The SPEAKER laid before the House the following further message from the President of the United States, which was read, and, with accompanying papers, referred to the Committee of the Whole House on the state of the Union and ordered to be printed:

To the Congress of the United States:

I feel impelled at this time to call to the attention of the Congress some aspects of our forest problem, and the need for a policy and plan of action with respect to it.

Forests are intimately tied into our whole social and economic life. They grow on more than one-third the land area of the continental United States. Wages from forest industries support five to six million people each year. Forests give us building materials and thousands of other things in everyday use. Forest lands furnish food and shelter for much of our remaining game, and healthful recreation for millions of our people. Forests help prevent erosion and floods. They conserve water and regulate its use for navigation, for power, for domestic use, and for irrigation. Woodlands occupy more acreage than any other crop on American farms, and help support two and one-half million farm families.

Our forest problem is essentially one of land use. It is a part of the broad problem of modern agriculture that is common to every part of the country. Forest lands total some 615,000,000 acres.

One-hundred-and-twenty-odd million acres of these forest lands are rough and inaccessible—but they are valuable for the protection of our great watersheds. The greater proportion of these protection forests is in public ownership. Four hundred and ninety-five million acres of our forest lands can be classed as commercial. Both as to accessibility and quality the best four-fifths, or some 396,000,000 acres of these commercial forests, is in private ownership.

This privately owned forest land at present furnishes 96 percent of all our forest products. It represents 90 percent of the productive capacity of our forest soils. There is a continuing drain upon commercial forests in saw timber sizes far beyond the annual growth. Forest operations in them have not been, and are not now, conducive to maximum regrowth. An alarming proportion of our cut-over forest lands is tax delinquent. Through neglect, much of it is rapidly forming a new but almost worthless no man's land.

Most of the commercial forest lands are in private ownership. Most of them are now only partially productive, and most of them are still subject to abuse. This abuse threatens the general welfare.

I have thus presented to you the facts. They are simple facts; but they are of a character to cause alarm to the people of the United States and to you, their chosen representatives.

The forest problem is therefore a matter of vital national concern, and some way must be found to make forest lands and forest resources contribute their full share to the social and economic structures of this country, and to the security and stability of all our people.

When in 1933 I asked the Congress to provide for the Civilian Conservation Corps I was convinced that forest lands offered one source for worth-while work, noncompetitive with industry, for large numbers of our unemployed. Events of the past 5 years have indicated that my earlier conviction was well-founded. In rebuilding and managing those lands, and in the many uses of them and their resources, there exists a major opportunity for new employment and for increasing the national wealth.

Creation of the national-forest system, which now extends to 38 States, has been a definite step toward constructive solution of our forest problem. From national-forest lands comes domestic water for more than 6,000,000 people. Forage, occurring largely in combination with timber, contributes stability to one-fourth the western range livestock industry. Through correlated and coordinated public management of timber and all other resources these public properties already help support almost a million people and furnish healthful recreation to more than 30,000,000 each year. By means of exchanges and purchases the Congress has for many years encouraged additions to this system. These measures should very definitely be continued as funds and facilities are available.

The Congress has also provided that the National Government shall cooperate with the various States in matters of fire protection on privately owned forest lands and farm woodlands. The States are in turn cooperating with private owners. Among other measures the Congress has also authorized an extensive program of forest research, which has been initiated and projected; Federal cooperation in building up a system of State forests; cooperative activities with farmers to integrate forest management with the general farm economy; the planting of trees in the Prairie-Plains States—an activity which has heretofore been carried on as an emergency unemployment relief measure with outstanding success and material benefit; and, under the omnibus flood-control bill, measures to retard run-off and erosion on forested and other watersheds.

Progress has been made; and such measures as these should be continued. They are not adequate, however, to meet the present situation. We are still exploiting our forest lands. Forest communities are still being crippled; still being left desolate and forlorn. Watersheds are still being denuded. Fertile valleys and industrial cities below such watersheds still suffer from erosion and floods. We are still liquidating our forest capital; still cutting our accessible forests faster than they are being replaced.

Our forest budget still needs balancing. This is true in relation to future as well as present national needs. We need and will continue to need large quantities of wood for housing, for our railroads and our telephone and telegraph lines, for newsprint and other papers, for fiber containers, for furniture, and the like. Wood is rich in chemicals. It is the major source for cellulose products such as rayon, movie films, cellophanes, sugars of certain kinds, surgical absorbents, drugs, lacquers, phonograph records. Turpentines, rosins, acetone, acetic acid, and alcohols are derived from wood. Our forest budget should therefore be balanced in relation to present and future needs for such things as these. It should also be balanced in relation to the many public services that forests render and to the need for stabilizing dependent industries and communities locally, regionally, and nationally.

I am informed, for example, that more than $100,000,000 has recently gone into development of additional forest industries in the southeastern section of our country. This means still more drain from southern forests. Without forestry measures that will insure timber cropping there, existing and planned forest enterprises must inevitably suffer. The Pacific Northwest contains the greatest reserves of virgin merchantable timber in the continental United States. During recent years many private forest lands have been given better fire protection there, and there are more young trees on the ground. But the cutting drain in our virgin Douglas fir forests is about four times current growth, and unless existing practices are changed the old fir will be gone long before new growth is big enough for manufacture into lumber.

I recommend, therefore, study by a joint committee of the Congress of the forest-land problem of the United States. As a nation we now have the accumulated experience of three centuries of use and abuse as guides in determining broad principles. The public has certain responsibilities and obligations with respect to private forest lands, but so also have private owners with respect to the broad public interests in those same lands. Particular consideration might therefore be given in these studies, which I hope will form the basis for essential legislation during the next session of Congress, to the situation with respect to private forest lands, and to consideration of such matters as:

First. The adequacy and effectiveness of present activities in protecting public and private forest lands from fire, insects, and diseases, and of cooperative efforts between the Federal Government and the States.

Second. Other measures, Federal and State, which may be necessary and advisable to insure that timber cropping on privately owned forest lands may be conducted as continuous operations, with the productivity of the lands built up against future requirements.

Third. The need for extension of Federal, State, and community ownership of forest lands and of planned public management of them.

Fourth. The need for such public regulatory controls as will adequately protect private as well as the broad public interests in all forest lands.

Fifth. Methods and possibilities of employment in forestry work on private and public forest lands, and possibilities of liquidating such public expenditures as are or may be involved.

Facilities of those technical agencies that, in the executive branches of the Government, deal with the many phases of our forest problem will of course be available to such committee as the Congress may appoint. These technical agencies will be glad to assist the committee in assembling and interpreting facts, indicating what has been done, what still needs to be done, and in such other ways as the committee may desire.

I make this suggestion for immediate study of our forest problem by the Congress in the belief that definite action should be taken by the Congress in 1939. States, communities, and private capital can do much to help—but the fact remains that, with some outstanding exceptions, most of the States, communities, and private companies have, on the whole, accomplished little to retard or check the continuing process of using up our forest resources without replacement. This being so, it seems obviously necessary to fall back on the last defensive line—Federal leadership and Federal action. Millions of Americans are today conscious of the threat. Public opinion asks that steps be taken to remove it.

If the preliminary action is taken at this session of the Congress, I propose to address letters to the Governors of those States in which the amount of State and privately owned forest land is substantial, enclosing to them a copy of this message to the Congress and asking their full cooperation with the Congress and with the executive branch of the National Government.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 14, 1938.*

NAVAL AUTHORIZATION BILL

Mr. VINSON of Georgia. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 9218, with Mr. O'CONNOR of New York in the chair.

The Clerk read the title of the bill.

On motion of Mr. VINSON of Georgia, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Georgia [Mr. VINSON] is recognized for 6 hours and the gentleman from Minnesota [Mr. MAAS] is recognized for 6 hours.

Mr. VINSON of Georgia. Mr. Chairman, I yield 30 minutes to myself.

Mr. Chairman, by the Constitution—

The Congress shall have power to * * * provide for the common defense—

And—

to provide and maintain a Navy.

Not only does that endow the Congress with the power to provide for the common defense, with the power to provide and maintain a navy, but it lays upon us, along with that power, the ultimate responsibility to discharge it properly for the preservation of the Nation. It is not a power to be exercised recklessly, extravagantly, or vainglorously, but it is a responsibility and a duty to be accomplished soberly and conscientiously, and it is with that thought in mind that I present this bill to you for your consideration.

The makers of the Constitution recognized a navy as a necessary agent of a sovereign state. Why is it necessary to have and maintain a navy?

The Navy of the United States is maintained for two general reasons. One is the prevention of war; the other is readiness to wage war effectively so that if forced upon us, war may be brought to a close as quickly as possible with a minimum loss of men and economic resources.

The first reason is the prevention of war. The prevention of war is no less than the preservation of peace. I can imagine no finer purpose to which to dedicate every effort of this Government than the preservation of the peace of the Nation.

I am convinced that the President voiced the spirit of all America when he proclaimed that "America hates war; America hopes for peace." The peace which the American people so devoutly hope will continue to be their heritage of today and their legacy to all generations yet to be born in this Republic must be insured and guaranteed by adequate defensive measures.

I am fearful that some of us misjudge the measure by which peace may be maintained and accomplished and thereby permit our very love for peace to impair the preservation of it.

I measure my words when I say that there can be no doubt that this increase provided for in this bill will tend to better promote peace. It is as true today as in Biblical times, that "A strong man armed keepeth his house in order."

The measure of the adequacy of our defense must necessarily be the force which in this troubled world may be brought against us by a single nation. That and that alone is the yardstick to determine the strength of our Navy. The strength of our Navy necessarily depends upon the strength of the navies of other countries.

Nothing will contribute more to the peace of the world than the limitation of armaments; a limitation at such a level that every nation is adequately prepared to defend itself, but that no nation is so armed that it may with confidence of a successful outcome attack another.

The President, in his message to Congress on January 28, said:

The Congress knows that for many years this Government has sought in many capitals with the leaders of many Governments to find a way to limit and reduce armaments and to establish at least the probability of world peace.

He further said:

The Congress is aware also that while these efforts supported by the hopes of the American people, continue, and will continue, they have nevertheless failed up to the present time.

Also he said:

We, as a peaceful Nation, cannot and will not abandon active search for an agreement among the nations to limit armaments and end aggression. But it is clear that until such agreement is reached—and I have not given up hope of it—we are compelled to think of our own national safety.

The Secretary of State on July 16 in his declaration of policy of the United States said:

We believe in limitation and reduction of armament. Realizing the necessity for maintaining armed forces adequate for national security, we are prepared to reduce or to increase our own armed forces in proportion to reductions or increases made by other countries.

At the Washington Conference of 1922 this Nation led the world not only in calling the conference, but in its own sacrifice of naval strength in achieving the limitations agreed upon at that conference.

In 1927 at Geneva, in 1930 at London, and again in 1936 at London, this Nation strove earnestly to achieve further reduction of armaments.

It was convinced that as a result of the Washington and London Treaties of 1922 and 1930 that naval strengths, though limited, were so balanced that no one signatory power had sufficient strength to interfere with the rights of another signatory power without danger of being defeated in war. With the authorized balances established by that treaty lived up

to, war between any of the great powers signing it became unlikely.

Those limitations now unhappily no longer exist, save for certain restrictions of the types of vessels which may be built by some nations and others have not agreed even to those restrictions.

The world has, however, been assured by the President that the door is still open as far as this country is concerned on limitation of armaments.

I repeat, he said in his message to Congress, "I have not given up hopes of it," and I am confident that whenever the time is opportune and the psychological moment has arrived, the President will again endeavor to secure limitation of armaments.

But, however, with world conditions as they are at the present time with nations even refusing to state the nature of their naval armaments that they are now building, I cannot bring myself to believe that a conference at this moment would bear any fruit whatsoever.

When a conference is called we want it to be a success. We do not want a conference just for the sake of a conference. We want a conference that will bring about a limitation of armaments, and knowing the earnest desire of the President to bring about a reduction in naval armaments, we can leave it entirely to his judgment when the opportune time presents itself.

Therefore, Congress should not by legislation tie the hands of the President by saying that he must call a conference here and now, for with world conditions as they are now a conference is doomed to failure.

This matter should be left to the President and the Secretary of State.

I have implicit confidence in the President and am willing to leave to his judgment the determination of the appropriate time for the calling of a conference.

But, Mr. Chairman, while we hopefully and confidently await the turn of the tide once more toward the limitation of armament, and I earnestly hope that the day is not far distant when that can be accomplished, in the meantime we cannot neglect our defense.

What must we defend?

First, of course, our home coasts, in both oceans. To be strong enough to protect either coast is a large and difficult task, and one which no other country is confronted with, but in addition to a coast line of 3,800 miles in continental United States, we must protect the Panama Canal, Hawaii, Alaska, and the Virgin Islands, and Puerto Rico.

The defensive line of the United States at the present time covers approximately 12,000 miles and reaches from the Aleutian Islands, to the Hawaiian Islands, to Samoa, to the Panama Canal in the Pacific, and from the Canal to the Virgin Islands and thence to the coast of Maine in the Atlantic.

It is a line that must be held at all cost or the enemy weapons of modern warfare could inflict most serious damage on our shores.

This is not the world of our forefathers. The Atlantic and Pacific are no longer insurmountable barriers, the speed of ships has been increased; the speed, range, and reliability of planes has increased, the cruising radius of the submarines has been increased. It would take but a short time for a potential enemy to send submarines and swift aircraft carriers to our shores to lay waste our industrial centers and our principal coast-line cities. We must meet the enemy at sea and defeat him before he gets near our coasts in order to provide the protection required and expected by this country.

A weak fleet cannot hold that 12,000-mile defense line, and at the same time successfully engage the enemy at sea.

Our fleet must be strong enough to hold that line against any attacking nation. Is our present Navy, our treaty Navy now authorized under our 1934 law, strong enough?

The present treaty Navy, established by the treaties of Washington, 1922, and London, 1930, and authorized by the act of March 27, 1934, was at that time considered to be sufficient in strength to provide adequate defense against attack by any single power, and not sufficient in strength to carry an attack to their shores.

In other words, with the treaty Navy, Japan could not attack us, nor could we attack Japan, with any hope of success, and likewise Great Britain could not attack us nor could we attack Great Britain with any hope of success.

The statesmen of Great Britain, the United States, and Japan, after long deliberation by their delegations, fixed the treaty ratio for the size of the navies at 5–5–3.

These ratios were assumed to provide a correct and adequate provision for defense against attack by any one of the treaty powers against any other.

Great Britain and Japan have not only built up to the prescribed ratio, but since the expiration of the treaty have expanded their building programs far beyond the original treaty limits, while on the other hand we have never yet reached our ratio. Great Britain and Japan since the expiration of the treaty have expanded their navies while we have not.

The present building programs of Japan and Great Britain have completely upset the 5–5–3 ratio.

Mark my words, had the Washington and London treaties remained in effect it would have been unnecessary for us to come before the Congress with this building program. The existing authorization would have been sufficient.

If this bill is enacted, we will be able to reach the ratio of 5–5–3. This will give us a navy of sufficient strength to prevent or make unlikely a successful attack against our shores or against our insular possessions.

The proposed Navy is barely adequate to provide such a defense. It would not under any conditions be sufficient to protect us on both oceans, but it is expected that against one power, if the 5–5–3 ratio is adhered to, we would be confident of success in protecting ourselves.

The increase authorized in this bill will furnish the minimum national defense necessary to attain our national security and preserve our Republic. To be fully prepared for eventualities in this peace-loving Nation does not create the danger of war.

Let me impress this one fact upon you: We are not and do not propose by this increase to build a navy for the purpose of attacking foreign shores. This is strictly a defensive program. Let everyone thoroughly understand we are not building a navy for aggression. We do not covet one foot of soil of any other nation. This building program is solely for the purpose of affording adequate defense for the continental United States and its insular possessions.

We have no desire to police the world. We are not building the Navy to get entangled in any alien quarrels. This bill is not here for the purpose of building a navy to make China or Japan or any other nation safe for democracy. It is here for the purpose of insuring peace for America. [Applause.]

I repeat our only object in this bill is to provide protection for these United States of America in order that we may preserve the peace of this country.

The Secretary of State has repeatedly stated, both orally and in writing:

> That we have no alliances against or understanding with any other nation, nor are any contemplated.

The Secretary of State has repeatedly stated that:

> We have no understanding or agreement, expressed or implied, for the use of our Navy in conjunction with any other nation.

Time after time the Secretary of State has stated:

> We have no understanding or agreement with any nation that our Navy or any part of it will police or patrol or be transferred to any particular water or any particular ocean.

We are building a hemisphere navy for the Western Hemisphere.

Admiral Leahy, ranking naval officer, stated before the committee "that the Navy had no foreign commitments"; "that it had no thought of any assistance in the problems of any other nations"; "that there are no understandings

regarding assistance to be given or received"; that "there had been no talk of giving or receiving assistance." [Applause.]

He further stated:

> The Navy expects to solve naval defense problems that may confront the United States in the Navy's traditional way without alliances.

He forcibly pointed out that:

> The Navy expects to stand on its own feet in providing protection to the United States and it expects to succeed.

In view of the traditional policy of no alliances or entangling commitments, which policy is heartily approved by every American citizen, it makes it imperative for us to have a strong navy, a navy second to none, so we can be in a position to paddle our own canoe in these troublesome times, and defend this country without depending upon assistance from any other power. [Applause.]

Recent political developments in Europe forcibly impress upon us the wisdom of a policy of no alliance or entangling commitments.

In view of Japan's refusal to put her cards on the table by making known her building program, and in view of what has happened in England a few days ago, and in view of Great Britain's territorial possessions and investment of over a billion dollars in China, and in view of the fact that there existed for a great many years an offensive and defensive Anglo-Japanese alliance, we may soon witness history repeating itself, all of which should drive home to us the absolute necessity of having a strong Navy, so this Government can protect its people standing alone. [Applause.]

This is no militaristic campaign; no aggressive movement, but solely an insurance for peace for this country.

No doubt the question will be asked during this debate, "Who are we going to fight?" I answer it by saying that we are not building this Navy against any particular nation or group of nations, but we are building this Navy to afford this country protection against aggressive action by any other power. [Applause.]

We are endeavoring to defend the United States against an attack from any direction.

This program is an insurance policy for peace for the American people. While the insurance will ultimately cost a billion dollars, what is a billion dollars to insure peace to the men, women, and children of this Nation?

Even with this large expenditure it is cheap insurance, for surely the peace and security of this country is worth more than a billion dollars, and nothing will contribute more to guarantee to the people security and peace than a defense as provided for in this bill. [Applause.]

In the debate on the adoption of the rule last Friday the gentleman from Wisconsin [Mr. O'MALLEY] said, "millions of Americans would be proud to lay down their lives in defense of our shores."

I have no doubt that they would. But this bill is to prevent the very necessity of their doing so. This bill is to provide a Navy which will defend the United States at sea without a single shell or bomb falling upon its territory, without a single foreign soldier landing upon our shores.

The gentleman from Michigan [Mr. MAPES] said, "Why bring anxiety and fear to so many of our citizens?" It is not to bring anxiety and fear to our citizens now that we seek this authorization, but it is to prevent a real and crushing anxiety and fear if our Navy is left inadequate to defend the country.

Let no one for a moment think that this is a blueprint proposition or a paper authorization. It is the first step in the construction of a Navy adequate to defend the United States against possible attack.

The President, in his message, stated that he would ask for a deficiency appropriation for the laying down of two additional battleships and two additional cruisers during the calendar year 1938.

Mr. Chairman, the skies are clear internationally as far as we are concerned, though cloudy elsewhere throughout the world. No man may say when our skies, too, may be overclouded and when the storm may break upon us.

If we are unprepared by lack of action today, a heavy responsibility will rest upon those of us who forestall that action. It is today that we must consider the size of our Navy of tomorrow, for navies cannot be built in a day.

Mr. Chairman, when the history of these days and the achievements of this Democratic administration come to be written there will stand out in golden splendor the achievements of the State Department, under the guidance of our great Secretary of State, Cordell Hull. [Applause.]

I know that some of you are trying to make political capital out of this bill. I know that some of you are crying out at the top of your voice, "What is our foreign policy?" but let me say to you that never before in the history of any administration has the State Department kept the people so well informed as to what the country's foreign policy is.

You, of course, recognize that the foreign policy of a nation is necessarily dependent upon that of other nations of the world, and, recognizing that the policy of other nations change, such as in Europe recently, as different situations arise; therefore, you would expect to find the policy of the United States necessarily likewise changing to meet developments; but, sir, such is not the situation. Contrary, however, to such an expectation you find that the policy of the United States is singularly fixed, has been singularly certain, and is singularly direct and unwavering.

In no uncertain terms our great Secretary of State, on July 16, 1937, announced the following policy:

> This country constantly and consistently advocates maintenance of peace.
>
> We advocate national and international self-restraint.
>
> We advocate abstinence by all nations from use of force in pursuit of policy and from interference in the internal affairs of other nations.
>
> We advocate adjustment of problems in international relations by processes of peaceful negotiation and agreement.
>
> We advocate faithful observance of international agreements.
>
> Upholding the principle of the sanctity of treaties, we believe in modification of provisions of treaties, when need therefor arises, by orderly processes carried out in a spirit of mutual helpfulness and accommodation.
>
> We believe in respect by all nations for the rights of others and performance by all nations of established obligations.
>
> We stand for revitalizing and strengthening of international law.
>
> We advocate steps toward promotion of economic security and stability the world over.
>
> We advocate lowering or removing of excessive barriers in international trade.
>
> We seek effective quality of commercial opportunity and we urge upon all nations application of the principle of equality of treatment.
>
> We believe in limitation and reduction of armament.
>
> Realizing the necessity for maintaining armed forces adequate for national security, we are prepared to reduce or to increase our own armed forces in proportion to reductions or increases made by other countries.
>
> We avoid entering into alliances or entangling commitments, but we believe in cooperative effort by peaceful and practicable means in support of the principles hereinbefore contained.

To you who are crying out at the top of your voice, "what is the foreign policy", I say to you that that which I have just read is a definite and positive announcement of a part of the foreign policy. Of course, going along with it is the traditional policy of the maintenance of the Monroe Doctrine, also a defense only for the purpose of national security, and the policy of good neighbor.

I ask you, what is wrong with the foreign policy I have just stated? Wherein do you critics disagree with that policy? The foreign policy that I have quoted voices the sentiment of the rank and file of the American people. It has been that policy that has guided this country during these troubled times in the Far East for the last 6 months, and it has been that policy that has maintained peace for us.

In the hope to make political capital and to embarass the President and the Secretary of State it has been openly and brazenly charged that the President of the United States and the Secretary of State have some kind of secret understanding with the British Government. There is not a scintilla of evidence to support such a charge and I brand the same as a deliberate distortion of the truth and a perversion of the facts.

The Secretary of State has categorically denied in a letter to Senator PITTMAN that, any alliance or agreement or understanding exists or is contemplated with Great Britain relating to war or the possibility of war, or that there is any understanding or agreement, express or implied, for the use of the Navy of the United States in conjunction with any other nation, or that there is any understanding or agreement, express or implied, with any nation, that the United States Navy, or any part of it, should police or patrol or be transferred to any particular waters or any particular ocean.

No one has the temerity to challenge the sincerity or good faith of Secretary Hull in making that denial. Everyone knows that statement is absolutely true.

In the letter of the Secretary of State to our colleague [Mr. LUDLOW], he states:

> For present purposes and in express reply to your question, I may say the proposed (naval enlargement) program does not contemplate the use of any of the units in cooperation with any other nation in any part of the world.
>
> To be still more specific—

Asserted the Secretary of State—

> I may say that the policy I announced during last August is still being strictly observed; that is, that this Government carefully avoids, on the one hand, extreme internationalism, with its political entanglements, and, on the other hand, extreme isolation, with its tendency to cause other nations to believe that this Nation is more or less afraid; that while avoiding any alliances or entangling commitments, it is appropriate and advisable, when this and other countries have common interest and common objectives, for this Government to exchange information with governments of such other countries and, where practicable, to proceed on parallel lines, but reserving always the fullest freedom of judgment and right of independence of action.

These positive and unequivocal declarations of the Secretary of State should be sufficient to convince even a "doubting Thomas"; but if anyone wants to continue to see "ghosts," there is nothing that I can do to get him out of that atmosphere.

Repeated efforts have been made to make it appear that by the President's Chicago speech of last October he was embarking upon a new foreign policy.

There is not the slightest justification for any such conclusion, and by no stretch of the imagination can his words be distorted to have such an objective. Acts speak louder than words. Six months have elapsed since the Chicago speech, and we all know that not a single utterance has fallen from the President's lips or a single act of this administration has been undertaken to embark us upon a policy of aggression.

Let me say to you that long after some of the President's critics and those who are seeking to distort the Chicago speech have been relegated to the political scrap heap the boys and girls in the schools of this country will be committing to memory portions of that speech, for it speaks the voice and breathes the sentiment of the rank and file of the people of this Nation. [Applause.]

Listen to this portion of it:

> How happy we are that the circumstances of the moment permit us to put our money into bridges and boulevards, dams and reforestation, the conservation of our soil, and many other kinds of useful works rather than into huge standing armies and vast supplies of implements of war.

God knows that I had far rather stand here and advocate $1,200,000,000 for internal improvements than to be calling upon the Members of this House to authorize that amount for the purpose of building warships, but circumstances over which this Government has no control make it imperative, in order to insure the peace and security of this country, that this building program be enacted into law.

Let me read further from that speech:

> I am compelled and you are compelled, nevertheless, to look ahead. The peace, the freedom, and the security of 90 percent of the population of the world is being jeopardized by the remaining 10 percent, who are threatening a break-down of all international order and law. Surely the 90 percent who want to live in peace under law and in accordance with moral standards that have received almost universal acceptance through the centuries can and must find some way to make their will prevail.
>
> • • • • • • •
>
> It seems to be unfortunately true that the epidemic of world lawlessness is spreading.
>
> When an epidemic of physical disease starts to spread the community approves and joins in a quarantine of the patients in order to protect the health of the community against the spread of the disease.

Those who seek to distort this example forget the very next sentence. Let me quote it to you:

> It is my determination to pursue a policy of peace and to adopt every practicable measure to avoid involvement in war.

We propose to quarantine ourselves from catching the grievous disease of war, and by that method we will not become involved in any alien quarrels, and in turn will preserve peace for this country.

In other words, we apply the quarantine to ourselves, and by a strong navy the health of the community will be protected from the disease of war.

As a means of that quarantine for ourselves we shall build a fence to protect our house, our ground, or territory from war that is rife in this world.

That fence is the United States Navy, and by this building program we will make that fence impregnable, thereby protecting this country from war.

This country must be made impregnable against attack from any direction. [Applause.] We are today in a world of war. There is war in the Atlantic and war in the Pacific. There is war on both sides of us and no one can tell today which way the sparks may blow tomorrow.

Indeed, fortunate are the people of this country that this administration is committed to pursue a policy of peace and to adopt every practicable means to avoid involvement in war.

However, let no one think for a moment that such a policy indicates fear or cowardice.

We do not seek war with anyone. We do not intend to get entangled in any alien quarrels. As a democratic people we are a peaceful people. We respect the rights of other nations. We expect other nations to respect our rights.

So stands America. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. CHURCH].

Mr. CHURCH. Mr. Chairman, this bill authorizes the expenditure of $1,121,000,000 for the construction of new instruments of war and power diplomacy. It represents an addition of over a billion dollars to the $4,000,000,000 naval program already authorized by the Vinson-Trammell Act of 1934.

In other words, within the brief space of 4 years the present administration will have asked the Congress to authorize the construction of instruments of naval warfare at a cost exceeding $5,000,000,000 for construction alone. Within the brief space of 4 years the former Assistant Secretary of the Navy under Woodrow Wilson, the now President of the United States, has asked the American people to give him, as Commander in Chief of the Army and Navy, a sea force to be valued at well over $5,000,000,000.

ARGUMENT OF SELF-DEFENSE

During the course of the hearings before our committee and during this discussion here on the floor, great pains have been taken by the administration spokesmen to try to convince us and our people that this naval expansion bill is necessary for the maintenance of an adequate national defense. That is the same old argument made time and again whenever the heads of any government propose to enlarge the armed forces. It is employed in practically every legislature throughout the world in getting larger and larger appropriations. It is even employed by the dictators to keep their people from becoming restless under the burden of costly machinery of warfare.

Armaments are always alleged to be for defensive purposes only. They are always alleged to be absolutely necessary, regardless of how large they become. That is the only way governments can justify excessive armament expenditures—on the ground of necessity. And the necessity is invariably sought to be shown by building up fears, suspicions, mistrust

in the minds of the people, with visions of attacks upon them from some enemy who is ofttimes more imaginary than real.

This lies at the basis of every armament race. It is the same argument advanced in every country that has engaged in a war. Is it not true that Germany claimed she was fighting a defensive war in 1914? Was not the same contention made by the Allied Powers? Is it not true that Japan has insisted that her taking of Manchuria in 1931 and her subsequent entrance into China proper more than a year ago has been for defensive purposes?

Curiously enough, but fully understandable, every war that has been fought has been waged by both sides in self-defense. Equally curious and equally understandable is the argument of self-defense advanced in support of this particular naval-expansion bill.

And so, Mr. Chairman, let us not be deceived by this historic appeal for a bigger and bigger navy on the ground of self-defense. We cannot be so naive as to accept this proposal and that argument at its face value. Rather it behooves us to make a painstaking analysis of the bill itself, together with the events and circumstances leading up to the recommendation. That is our responsibility as Members of Congress.

BE REALISTS, NOT MILITARISTS NOR PACIFISTS

In passing judgment upon this further expansion of our Navy it seems to me we should be guided by three fundamental truths: (1) The American people do not want war, (2) the American people believe the best way to avoid war is not to become involved in foreign entanglements and conflicts, and (3) the American people believe in preparedness by maintaining an adequate national defense. With these three principles uppermost in our minds, as representing the wishes of our people, we should approach this subject.

It would be folly for us to permit our armed forces to become obsolete and inadequate. We must take care of all times that we are sufficiently prepared to defend ourselves against foreign aggression. We must be realists and not be carried away by any ideologies.

But it would also be folly for us to set about constructing a naval force beyond our defensive needs. Excessive armaments not only represent an economic loss but also become instruments of aggression. A naval force too large can be as dangerous as a naval force too small. The former encourages unnecessary activity in foreign waters and the latter invites foreign activity in our waters.

The question is, Where is the line to be drawn between necessary and excessive? Where is the point at which a navy becomes, by virtue of its nature and size, an instrument for aggression rather than solely an instrument for defense? It is by no means an easy question to answer. Yet it is precisely that question which is raised by this bill.

THIS BILL IS NOT FOR NATIONAL DEFENSE

After a careful study of the provisions of this bill, the circumstances under which it was proposed, the international situation today and our existing Navy, together with the $4,000,000,000 program authorized only 4 years ago, I am sincerely convinced that only one conclusion can be made; this billion-dollar additional authorization bill is not for the purpose of national defense. The argument of self-defense necessity is a deliberate camouflage. And to make the camouflage more complete section 9, on pages 4 and 5, was incorporated into the bill as a committee amendment.

SECTION 9 IS A DECEPTION

It is my candid opinion that section 9, wherein an attempt is made to define our naval policy, was incorporated into the bill for no other purpose than to deceive the people. This provision was designed to offset the growing protest against the bill. Our people quickly recognized that the bill before our committee meant more than defense of our shores and possessions, together with the enforcement of the Monroe Doctrine. And, after consultation with the White House, our beloved chairman hit upon section 9 as a clever way to cover up and disguise the true purpose of the bill.

LANGUAGE ALL-INCLUSIVE

Section 9 is typical of a great many provisions in various administration bills that have come before Congress in the last several years. At first blush it appears to be a step in the right direction, to have a limiting effect upon what our naval forces may be used for by the President. But upon analysis it becomes clear that it is anything but limitation. On the contrary, the language is all-inclusive and can be interpreted to mean anything the administration desires to have it mean.

I would like to read the entire first paragraph of this section and then call your attention to two particular phrases:

SEC. 9. It is declared to be the fundamental naval policy of the United States to maintain a navy in sufficient strength to guarantee our national security, not for aggression, but to guard the continental United States by affording naval protection to the coast line, in both oceans at one and the same time; to protect the Panama Canal, Alaska, Hawaii, and our insular possessions; to protect our commerce and citizens abroad; to insure our national integrity; and to support our national policies.

You will carefully note that by the language of this section purely national defense is not declared to be our fundamental naval policy. True, it sounds like an admirable statement to the effect that our Navy will never be employed except in self-defense. But I call your special attention to these words:

To protect our commerce and citizens abroad * * * and to support our national policies.

Can it be honestly said that those two phrases make it the purpose of this bill to expand our Navy solely for national defense? Finer language cannot be found. And, Mr. Chairman, no one can probably find any language which could be broader.

PROTECTION FOR COMMERCE AND CITIZENS

As stated in our minority report, on its face that is quite a worthy purpose for which our naval forces may be employed. On its face it appears to be a declaration of policy to which every patriotic American would willingly subscribe. But, Mr. Chairman, does that mean we are to call out our fleet, at the risk of becoming involved in a war, to supply protection to those interests who insist upon carrying on trade in "war zones" established by belligerents? When, let us say, our armament manufacturers have no moral or legal right to be operating as traders in "war zones," is this great Navy to be employed to give them full protection against every possible contingency and under any possible circumstances?

Our present Navy, certainly together with that already authorized and not yet constructed, is sufficient to afford legitimate American commerce and citizens abroad with reasonable protection. American commerce and citizens abroad are entitled to reasonable protection, but by the Neutrality Act of 1937 the American people declared that we are not to supply unlimited protection to those who insist upon trading and living in "war zones."

I believe all of us could well reflect on the words of Dr. Charles A. Beard, an outstanding American historian, who stated to our Committee on Naval Affairs:

From long travel and study in the Orient, I have come to the conclusion, and I will say it here as emphatically as I can, that the whole of the Orient from Siberia to Singapore is not worth the bones of one American doughboy today.

And I might add that if you would read Section 1, The New Pacific, of the book entitled "American Foreign Relations," published at Yale University in 1930 by the Council on Foreign Relations, you will be impressed by the smallness of American investments and trade in China. We could well direct our attention to the trade to be developer on our own continent to the south of us.

TO SUPPORT OUR NATIONAL POLICIES

The second broad, all-inclusive phrase in the declaration of naval policy of section 9 to which I would direct your special attention is to support our national policies. That can mean practically anything at all. What is our national policy, and who determines it?

Congress enacted the Neutrality Act, and the President has absolutely refused to invoke it. The President's decision, I suppose, represents our national policy. If the President, who is also Commander in Chief of the Army and Navy, has decided to quarantine Japan in collective action with Great Britain, that becomes our national policy. If the President has an understanding with Great Britain, which has large investments in the Far East, that is in effect our national policy, which section 9 of this bill declares our great Navy is to support.

I think one who reads this section of the bill with sufficient care will conclude that it defeats the very purpose for which it was ingeniously designed. Rather than confining our naval policy to one of purely national defense, as it is represented to the people to accomplish, it really declares that we are prepared to employ the full force of a large navy to intervene in foreign entanglements and conflicts.

NEW BATTLESHIPS AUTHORIZED

The second feature of this bill, which shows beyond any doubt that it is not a purely defensive measure, is section 1, paragraphs (a) and (b). I call your special attention to these two paragraphs.

The bill states:

> The authorized composition of the United States Navy in under-age vessels is hereby increased by the following tonnages:
> (a) Capital ships, 105,000 tons, making a total authorized under-age tonnage of 630,000 tons.
> (b) Aircraft carriers, 30,000 tons, making a total authorized under-age tonnage of 165,000 tons.

In the language of the layman, paragraph (a) authorizes the construction of three new battleships at a cost of about $75,000,000 each. Be not deceived by the apparent innocence of the authorization. It should be emphasized again and again that we are not simply to have three new battleships. No, Mr. Chairman; we are to have much more than that.

THIRTEEN NEW BATTLESHIPS ALREADY AUTHORIZED

It should be kept in mind that we will soon have four new battleships actually under construction. They have already been authorized, and even without this bill the Navy has authority to construct nine more within the next 5 years. In other words, Mr. Chairman, by 1943 the Navy can construct 13 new battleships. I repeat, with all the emphasis I can command—without this bill the Navy can construct within the next 5 years 13 new battleships.

If this bill passes, with its 3-ship increase in the battleship category, the Navy Department will have authority to construct a total of 16 new battleships within the next 5 years. I repeat, Mr. Chairman, in order that all of us will clearly understand just what is proposed here; with this bill there will be authority to construct 16 new battleships by 1943.

THIRTY-ONE BATTLESHIP FLEET

If a careful analysis is made of this bill and the existing authorizations, together with our existing number of modern battleships, you will discover that it is possible for us to have a fleet of something like 31 battleships. This fact our people must understand. Once it is understood there will be a great rebellion against every Member of Congress who casts his vote in favor of this bill.

The proponents of the bill contend that 13 of these new battleships already authorized are really replacements. They place great emphasis on the words "replacement" and "overage." It is a clever argument and truly deceptive.

But, Mr. Chairman, when a new battleship is constructed to replace one that is overage, it must not be forgotten that the replaced battleship is still in existence. Under the terms of this bill the replaced battleship is retained. It is not just so much scrap. On the contrary, the evidence before our committee indicates that they can be modernized and improved, in keeping with more recent developments in battleship construction. As stated in our minority report "replacement" is a misnomer. We should not be deceived by it. Let it be distinctly understood what this "replacement," "under age," and "over age" terminology means. Let it be distinctly understood that with this bill and existing law it is possible to have a fleet of 31 battleships, 16 of which will be entirely new and 15 of which can be modernized and made practically new.

BATTLESHIP INSTRUMENT OF AGGRESSION

It is pertinent to ask, what is the nature of a battleship? If you make a study of the various disarmament conferences and naval strategy, you will readily conclude that a battleship has always been considered an instrument of aggression. They have never been considered anything else. Their main function is that of battle—to seek out the enemy and destroy him.

The function and purpose of a battleship can probably be best explained by quoting the words of Admiral William D. Leahy, Chief of Naval Operations, in his testimony before our committee:

> All of the capital ships of the United States are battleships. That type combines the greatest concentration of fighting strength and power of survival possible in one hull.

I also call your attention to the response the admiral made to a question propounded by my friend and colleague from Maine [Mr. BREWSTER]:

> Mr. BREWSTER. What is the cruising radius of battleships in general?
> Admiral LEAHY. About 15,000 miles.

I do not think it necessary to press this point further. The majority of the Naval Affairs Committee admit in their report that the battleship is an instrument of aggression. Your attention is called to the language on page 8 of that report:

> The fighting strength of a battleship is a combination of offensive power and the power of survival.

Are we so naive as to believe for 1 minute that a potential fleet of 31 battleships, with a cruising radius of 15,000 miles, is a navy for self-defense? Are we so naive as to believe the majority can argue for this bill on the ground that it is necessary for our national defense when they ask us to authorize the construction of three more battleships which they admit to be designed for offensive purposes and which are designed for operation thousands of miles away from home?

AIRCRAFT CARRIERS

Paragraph (b) of section 1 authorizes the construction of two aircraft carriers. This particular armament is likewise used to seek out the enemy. It can be classified as an instrument of aggression when accompanied by the battleships, but if the number of battleships is limited the aircraft carrier becomes, in my judgment, an instrument of defense.

Personally, I would not offer objection to this particular provision. It is recognized that we have the Monroe Doctrine to enforce, as well as provide protection to our shore line. And I can appreciate the value of an aircraft carrier for such a purpose, whereas I cannot appreciate the necessity of building up a great battleship fleet with a 15,000-mile cruising radius.

I am calling your attention to this particular provision in order that you may see the character of this bill as a whole. There is no question that paragraphs (a) and (b), taken together, give this measure an offensive rather than a defensive purpose.

AIRCRAFT AN INSTRUMENT OF DEFENSE

Mr. Chairman, in order to show the absurdity of the argument of the administration that this bill is for self-defense, I wish now to call attention to another interesting feature of this particular bill, wherein a definite limitation is placed on naval airplanes. Section 3 reads as follows:

> The President of the United States is hereby authorized to acquire or construct additional naval airplanes, including patrol planes, and spare parts and equipment, so as to bring the number of useful naval airplanes to a total of 3,000.

Mr. Chairman, there is one significant feature of this provision to which public attention should be called as clearly indicative of the fact that the theory behind this bill is not defense but offense. You will note that a definite limitation of 3,000 is placed on the authorization for airplanes. But,

curiously enough and certainly not without significance, under the Vinson-Trammell Act of 1934, no limitation whatsoever was placed on the number of aircraft that may be constructed. It provided that the President could procure whatever naval aircraft may be necessary commensurate with a treaty navy.

In other words, Mr. Chairman, the bill before us is not founded on the principle of national defense. It is founded on the principle of offense. It is in keeping with an undisclosed foreign policy of the President calling not for defense at home but rather for collective action in foreign parts. The emphasis is not on defensive weapons but on instruments for aggression.

POWER OF AIRCRAFT

Members of Congress may profitably study the evidence before our Committee on Naval Affairs as to the tremendous progress made in aircraft. Even though we, as individuals, may not have a complete technical knowledge of aircraft, I think our everyday observations as ordinary citizens of the United States have made us realize in some measure the rapid developments in aircraft and its possibilities for national defense.

During the whole course of the hearings on this bill great efforts were made by its proponents to emphasize great superiority of a $75,000,000 battleship over an air force. They have taken great pains to discuss the subject at length in the majority report. It seems to me, Mr. Chairman, that the administration is fearful that we will make this a defensive Navy bill rather than offensive, as it is designed. That is what I call upon this House to do.

There is no contention on my part, Mr. Chairman, that we should scrap all our battleships and substitute airplanes. The day may come when airplanes carrying powerful bombs will entirely supplant battleships. That day may not yet have arrived. But the day is here, Mr. Chairman when the people of the United States should stop building a great battleship fleet for foreign tours and begin to build bombers for defense.

SUPERIORITY OF AIRCRAFT FOR UNITED STATES

Our committee was so battleship-minded that they just could not be made to see the superior nature of aircraft for the purposes of our having a balanced defense. But I cannot but believe that the Members of the House know how helpless a battleship can become when attacked from the air by bombers. During the Ethiopian adventure the British Navy was rendered well-nigh impotent in the Mediterranean by the threat of Italian bombing.

There may be some difference of opinion as to the vulnerability of a battleship—that is, the possibility of sinking it from the air; but we should not overlook the fact that a battleship is dependent upon the auxiliary craft which accompany her, such as fuel ships, supply ships, light cruisers, and so forth. There is no question as to the vulnerability of these smaller vessels to air bombings.

You can well imagine how helpless any battleship in foreign waters would be when its auxiliaries are destroyed by an intensive air bombing. You can well imagine how vulnerable any foreign fleet would be off the coast of California, thousands of miles from its nearest base, if subjected to repeated and intensive air attacks. Even assuming the battleship should manage to keep afloat, one need not have any technical knowledge of ships to know that the attacking fleet would be practically helpless under those circumstances.

I would like to call your special attention to the testimony of Glenn L. Martin, president of the Glenn L. Martin Co., Baltimore, Md., who appeared before our committee at my request. He is an outstanding manufacturer of airplanes, being the designer and builder of the *China Clipper*, the *Hawaiian Clipper*, and the *Philippine Clipper*. His testimony shows beyond any doubt the effectiveness of aircraft in meeting and destroying an attacking enemy.

BATTLESHIP FIRE AND AIR BOMBING

Our battleship-minded Navy Department presented a great deal of testimony with a view to showing the power of a battleship in gunfire over that of bombing from the air Admiral Cook, Chief of the Bureau of Aeronautics, testified that it takes 450 airplanes carrying two 2,000-pound bombs each to equal 1 hour firing by a battleship. But when I questioned Mr. Martin on this specific statement he pointed out that it should be borne in mind that 450 airplanes can drop 900 shells, or 2 shells apiece, in 1 minute, while it takes a battleship 1 hour to deliver 900 shells.

The Navy Department made a great deal of the fact that a gun on a battleship had considerable range. But subsequent evidence developed the fact that whereas a battleship could shoot a distance of 20 miles the airplane range for the same shell delivery would be 200 miles. Moreover, when we consider the function of firing we must also consider these facts:

First. A battleship can fire in only one direction at one time.

Second. After a battleship gun has fired about 200 times, the battleship must go back for the gun to be rerifled.

Third. Airplanes will make 10 round trips from the base to the target while the battleship is making the same round trip once.

Speed and mobility are two extremely important factors in warfare. The element of time cannot be overemphasized. I think it can be said that range of fire involves also a consideration of how quickly one can get within striking distance of the target. But, Mr. Chairman, these factors seemed to have received little consideration by our committee, which had determined that battleships represent practically the only strong weapon.

QUESTION OF PARITY

We have heard much, and we will hear still more while this bill is pending in Congress, concerning the question of parity. Calculated to appeal strongly and persuasively to the latent fear of our people, the proponents of the bill continue to emphasize the importance of the 5–5–3 ratio and the battleship construction proposed by Japan. They would have you believe we are in danger because of the growing disproportion in the United States battleship force and other powers.

The fact is no nation in the world has a navy superior to that of the United States. If we simply proceed to carry out the $4,000,000,000 program of naval construction authorized 4 years ago no nation can even approximate any ratio of superiority. Admiral Leahy himself stated that it would take a 2 to 1 superiority for the United States to enter upon an overseas expedition with any reasonable prospect of success. If that is true for the United States, is it not true to even a greater extent with respect to any foreign power which would dare to enter into the Western Hemisphere to engage the United States in warfare?

There is a great deal of confused thinking in connection with this matter of parity or ratio of superiority. Congress should bear in mind that the term "parity" may be used in two senses. As employed in naval technique it presupposes equal battle odds. It seems to mean that if we take the tonnage, gunnage, age, speed, armor, and all such factors entering into fleet strength, this particular unit is equal in battle to that particular unit.

But, Mr. Chairman, the meaning of the term "parity" in the field of policy is not the same as the meaning of the term in naval technique. Are there not such factors as geography, wealth, population, natural resources, merchant marine to be considered in measuring a nation's naval strength? Is it not a well-known fact that national armament strength and policy are dependent upon material resources? Is it not a fact that it takes more than boats to win a war? And so, I trust we will not permit ourselves to become confused in our thinking when we listen to our naval technicians talk about parity. They are talking about battle odds. As Members of Congress we should give the term "parity" a larger meaning, and that is the ability of the United States to defend itself and the Western Hemisphere.

In comparisons of our naval forces with that of Great Britain it must not be forgotten that we are practically a geographic unit, whereas Great Britain is a world empire

which she must defend on seven seas. In comparison of our naval forces with that of Japan it must not be forgotten that we have immense resources within our borders, whereas Japan is almost completely dependent upon importations from abroad for raw materials. Is not a nation dependent upon commerce inferior in armament strength to a nation largely self-sufficient although there is parity as spoken of by our naval technicians?

NOT NATIONAL DEFENSE, BUT POWER DIPLOMACY

It should be evident to anyone who seriously studies all these factors entering into our existing and authorized naval construction strength that this bill is not designed as a defensive measure. The bill itself, as I have already indicated, emphasizes instruments of aggression and disclaims instruments of defense. There are many, many things which give an air of unreality to all the arguments advanced in support of the bill.

Has anyone been able to explain satisfactorily why the Navy Department has never found it advisable to keep its construction program up to the $4,000,000,000 authorization under the act of 1934? Has anyone been able to explain satisfactorily why the Navy Department did not ask for full appropriation to carry out the Vinson-Trammell Act program when we passed the Navy Department appropriation bill on January 21, 1938? At that time the Congress granted substantially every request made by the Navy Department.

No, Mr. Chairman; it was not the inadequacy of our national defense that prompted the President of the United States to submit his message to Congress on January 28, 1938, recommending the enactment of this bill for the construction of instruments of aggression. It just doesn't make sense. There is only one explanation and that is that the President of the United States recommended this bill upon the theory of power diplomacy and upon a basis of secret understandings with Great Britain. Nothing could be clearer than that the President desires this bill for the sole purpose of implementing his undisclosed foreign policy based on the doctrine of collective security and the employment of power diplomacy in the Orient, to be carried out in cooperation with Great Britain.

WHY ALL THE SECRECY?

Mr. Chairman, I wish to say here, with all the emphasis I can command, that the facts and circumstances surrounding the introduction of this bill point to the inevitable conclusion that the American people are being made pawns in a great international chess game which the President is playing. Like all international chess games, which sooner or later involve us in a war, every move is kept in the shadows of secrecy. This bill is a part of the game, and once that becomes clear to the American people every Member of Congress who votes for this measure will regret the day he did so.

Examine closely the chain of events, the language of the President, the situation in Great Britain, the nature of this bill—reflect for a moment on all the circumstances under which this proposal comes here and you will realize that the American people are being deliberately deceived. You will realize that we are departing from a policy of nonintervention to a policy of collective action. You will realize we are discarding the American policy of open diplomacy for a policy of secret diplomacy.

First. In 1937 we passed the Neutrality Act which reaffirmed the doctrine of nonintervention in foreign conflicts by placing restraints on American trade and travel in war zones. It will be recalled that the President opposed the effort made in Congress to make the act mandatory rather than discretionary. He did not want his hands tied. He was given the discretion desired. No one believes China and Japan are not at war.

Is it not significant that the President has not invoked the Neutrality Act of 1937? I ask for an explanation. The American people are entitled to know why.

Second. On October 5, 1937, the President declared in substance in his speech at Chicago that the so-called peace-loving and democratic nations should join in a quarantine of disturbers of the peace.

Is it not significant that the President employed that language and refused to explain what he meant at his press conference? I demand a full explanation. The American people are entitled to know what he meant.

Third. On January 21, 1938, we passed the Navy Department appropriation bill, at which time the Department did not request funds to carry out the entire existing naval authorization program; but on January 28—7 days later—the President recommended this additional authorization.

Is it not significant that the Navy Department could not explain to our committee what extraordinary change of position took place within this brief period? Can it be that the President had entered into an understanding with Great Britain and his recommendation to Congress was based on that secret understanding? I demand an explanation. The American people are entitled to know what happened to cause that peculiar change in policy.

Fourth. On January 28, 1938, the President submitted his naval message to Congress. In that message he said: "Specifically and solely because of the piling up of additional land and sea armaments in other countries, in such manner as to involve a threat to world peace and security, I make the following recommendations to Congress."

Is it not significant that the President recommended this bill because of "a threat to world peace and security" and he did not say anything about a threat to American peace and security? Did he not thus reaffirm the quarantine doctrine and imply a collective-action policy? I demand an explanation as to why world security necessitates this naval expansion and not American security. The American people who fight these wars are entitled to know.

Fifth. On February 4, 1938, I asked Admiral William D. Leahy, in the committee hearings what Capt. Roy E. Ingersoll, of the Navy Department, was doing in London and as to whether his conversations with the British were in connection with the quarantine matter. I chanced to know that Captain Ingersoll was in London under the name of "Mr. Smith."

Is it not significant that the admiral refused to answer the question, although he admitted Captain Ingersoll was in London? He indicated that he might give the committee the information in executive session but he never did so. That requires an explanation.

Sixth. It is a historic fact, recorded in the proceedings of every disarmament conference, that Great Britain has viewed with apprehension any extensive naval-construction program by the United States.

Is it not significant that the London newspapers spoke of the enthusiasm with which the British Government received the news of the Chicago quarantine speech and later of the introduction of this bill? Can it be that the officials of Great Britain realize that they have a secret understanding with the President of the United States for collective action?

Seventh. Navies are always considered an instrument of diplomacy. They are often employed to make a show of strength and to indicate by gesture a governmental policy.

Is it not significant that some of our ships should recently join with the British fleet in a celebration at Singapore in the Far East?

Eighth. After our hearings, which are printed, were closed, the Washington Post of Tuesday, March 8, 1938, page 2, carried the following item:

UNITED STATES ARRANGEMENTS

Winston Churchill, a member of Britain's World War cabinets, told of "excellent arrangements" which have grown up with the United States.

He said that because of these arrangements, and the fact that the United States Navy was not "being allowed to fall behind" British expansion. "We are entitled to measure our naval power against the power of European countries. We therefore are in a far stronger position at sea relative to any navy in Europe today or to any likely combination of navies in Europe than we were with the larger fleets we had in 1914."

CONFIDENCE VOTE EXPECTED

He did not explain what he meant by "arrangements" with the United States.

On the same day, March 6, the press carried a story to the effect that Lord Robert Cecil and Walter Runciman in separate visits to the White House and Sir Ronald Lindsay, the British Ambassador, are reputed to have negotiated an understanding with the President on behalf of Great Britain, "an alleged informal war alliance," whereby—

Great Britain and the United States would cooperate in meeting any threat to the peace of either, they would take a united stand against the spread of fascism and communism, that they would build navies complimentary to each other and that Britain would defend the common interest in the Atlantic Ocean while America would stand guard in the Pacific.

Mr. Chairman, a month before those two items appeared in the public press, I had on February 9—page 2154 of the hearings—read to the committee the following release:

LONDON, February 9, 1938.—"Great Britain has assured the United States of support in the event of direct action in the Far East," Prof. Gilbert Murray, chairman of the League of Nations Union, said today in an address to the National Liberal Club.

"I have reason to believe on good authority that we have given the American Government assurance that we are ready to support them in any action which they may take facing any risk," Professor Murray said.

"The trouble is," he continued, "that it was a confidential communication of the Government that most people here do not know of and the great American public does not know it or believe it for a moment."

He said it would be impossible for Britain alone to attempt to prevent the Japanese invasion of China and added:

"We could go in with America, and I think I may say there is reason to believe it is perfectly certain that if we went in with America, Russia would be on our side to support us."

Ninth. Repeated requests have been made in Congress by Senators BORAH and JOHNSON of the President to state whether he has an understanding with Great Britain.

Mr. Chairman, notwithstanding the assertion of our distinguished chairman who preceded me, while the Secretary of State made a reply, is it not significant that the President never personally made any response and he has repeatedly refused to answer the same question at his press conferences?

Mr. Chairman, all these facts and circumstances have but one meaning. The President of the United States has taken upon himself to adopt the doctrine of collective security, and this bill is nothing more nor less than a part of his secret program of power diplomacy based on a secret understanding with Great Britain. The American people desire to remain on friendly terms with Great Britain; but the American people do not wish their sons to be fighting wars in foreign waters, as a result of any policy of alliances or understandings. We well remember how we became involved in the World War.

Mr. Chairman, I measure my words when I say that this administration is making pawns of the American people in a great international chess game. I will not be a party to such a procedure.

DISARMAMENT CONFERENCE

Our naval policy is but a part of our foreign policy. They are not something altogether separate and independent. The Congress of the United States is the policy-making body. I call upon the Congress to adopt a resolution declaring it to be the desire of the people, expressing their wishes through their representatives here, to initiate a disarmament conference. Let us by definite action and not by lip service indicate to the world before we enter into any armament race and add impetus to it by the enactment of such a bill as this, that we wish to end this growing militarism and are prepared to strive for disarmament.

We endeavored to have a provision of that character written into this bill by the committee. The committee chairman vigorously opposed such action. Our chairman employed the argument that it would embarrass the President if we, the Congress, urged him to initiate a disarmament conference. That argument is pure nonsense.

The only possible embarrassment it would be to the President would be in connection with his secret doctrine of collective security and power diplomacy in accordance with a secret understanding with Great Britain.

On the contrary by such action we would be giving weight to any call the President of the United States may make for a disarmament conference. It would indicate to the other countries that it is the earnest wish of the American people that we stop the armament race. It would indicate that the President will receive the full support of the people in negotiating disarmament conferences leading to peace.

You will recall that it has long been a matter of complaint on the part of foreign governments that even though they enter into certain treaties with the President of the United States who carries on foreign negotiations, they can never be certain such agreements would be ratified by the United States Senate. The enactment of such a provision as I have indicated would be an expression to the other governments that the President truly represents the American people and their wishes in disarmament negotiations.

CONCLUSION

Mr. Chairman, this is one of the most important bills to come before us at this session. Many of us do not perhaps appreciate its importance. If it is adopted, it means we are leading our people into war.

I trust I have demonstrated to your complete satisfaction that this is not a national-defense bill—first, because section 9 declares a contrary purpose, and second, because the terms of the bill emphasize instruments of offense, such as battleships, rather than instruments of defense, such as airplanes, notwithstanding the fact that we already have authorized a Navy program making our Navy superior to any other.

Not being a national-defense bill, what is its purpose? I believe I have presented sufficient evidence to show that it is based on the Wilsonian theory of collective security which the President has taken upon himself to pursue.

Mr. Chairman, I will always vote to provide for a navy for defense. The CONGRESSIONAL RECORD shows that I have always voted for the Navy Department appropriation bills that have come before us each year. Not once have I opposed these bills to keep the United States prepared.

But, Mr. Chairman, I will not vote for this bill as it is now written. I will not vote for any measure of this character until the President explains exactly what he intends to do and comes out into the open. I will not vote for a measure which points to our becoming involved in foreign conflicts. I will not be a party to this secret game of international chess now being played by this administration, making our people mere pawns. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. MAVERICK].

Mr. MAVERICK. Mr. Chairman, I ask unanimous consent to revise and extend my own remarks and include therein certain excerpts.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

STAY AT HOME, MIND YOUR OWN BUSINESS, AND STAY OUT OF WAR

Mr. MAVERICK. Mr. Chairman, first I want to thank the chairman of the Naval Affairs Committee for giving me this generous amount of time and compliment him on the very able speech he delivered on this floor. I think he made one of the best speeches I have ever heard from this floor.

However, I do not agree with what he said. But patriotic men can differ, and he has a right to his opinions which he has expressed well.

The gentleman said, among other things—

A strong man armed keepeth his house in order.

I believe it would be a good thing if we would rewrite that this way: "A man who stayeth at home with his gun and mindeth his own business stayeth out of trouble." [Laughter and applause.]

A BAD INSURANCE POLICY—FOREIGN AND BANKRUPT

The gentleman from Georgia also stated that this was an insurance policy and it only costs a billion. I do not care how much it costs if it is necessary, or any good. If it

costs $5,000,000,000 I would be for it if I thought it was right, but it is the wrong kind of insurance policy, and it is one that is taken out in a sort of foreign bankrupt corporation.

I do not believe it is even good national defense.

The gentleman spoke of aircraft and carriers coming to this country. So why do not we have coast defense?

COAST DEFENSES BUILT AROUND SPANISH WAR—OBSOLETE

We have in this country a coast defense built just after the Spanish War, with practically none built since.

It is nowhere near sufficient.

What this Nation needs is the right kind of national defense and to stay at home.

WHY NOT HAVE A DISARMAMENT CONFERENCE?

Another statement the gentleman made was that this administration favors a disarmament conference. The Navy cannot build what is authorized at this time and, certainly, we could take a chance on a disarmament conference because it cannot do any harm, because the Navy cannot even get started by the first of the year. This huge authorization is therefore a threat, and not a necessity.

Mr. Chairman, I believe in the strongest type of national defense and I am willing to spend the money for it, but let us consider the kind of psychology now being used. They are talking about what Hitler did, just as they were talking in 1914 about what the Kaiser did. The Kaiser and Hitler. It is the same old stuff, except it is Hitler instead of the Kaiser.

SECTION 9—BY IT A PETTY OFFICER CAN GET US INTO WAR

I want you to go back home tonight and read this bill carefully. Read section 9, because any enthusiastic midshipman, any chief petty officer, any sailor who has had too many drinks—much less an admiral—can get this country into war on account of the wide power of foreign policy surrendered by Congress to the Navy. I hope that at least this section will be cut out. It will bring us only trouble.

Mr. Chairman, this debate was started by talking about how Stalin wanted this bill and how Stalin was behind the opposition to this measure and how the pacifists are opposed to it. Communists and pacifists! Again, this is the same old stuff. Why, I have been attacked by Earl Browder, the head of the Communist Party, because I am opposed to naval expansion! Part of his speech was quoted in the New York Times.

The Communists are in favor of this bill, but I do not want to take any advantage of that. The Communists have a right to be for or against a bill. But it must be understood that they are for it because they are internationalists. I merely want to mention it to dispose of the "red" issue, which ought not to be a part of this debate one way or the other.

By unanimous consent, however, I offer an article from the New York Times, which gives the position of Mr. Browder, for anyone who cares to read it. It is as follows:

[From the New York Times of March 13, 1938]

NAVY BILL OPPONENTS ASSAILED BY BROWDER—COMMUNIST SUPPORT OF NAVAL INCREASE CITED BY MAVERICK IN HOUSE SPEECH

WASHINGTON, March 12.—A denunciation of Representative MAVERICK, of Texas, and other Representatives who have fought against the pending naval expansion bill was contained in a speech made at Chapel Hill, N. C., by Earl Browder, head of the Communist Party of America.

Following a speech yesterday on the floor of the House, Mr. MAVERICK said that he had received numerous communications from Communists attacking his position, namely, that an increase was absolutely unnecessary to this Nation's well-being and that the bill was "lopsided and overgrown."

"I want to tell you that nearly all the Communists of this country are in favor of a naval increase," Mr. MAVERICK said in his speech.

"Every one of the Communists I know is in favor of the bill and the reason is they think we are going to take our Navy over there and fight Japan and get Japan out of China, because that is a menace to Russia. But I am not getting up a new 'red' scare."

In the Chapel Hill speech of March 3 Mr. Browder summarized much of the arguments which have reached Mr. MAVERICK since he began his attacks against the big Navy bill.

Mr. Browder said that Mr. MAVERICK had been "poisoned" by isolationist doctrines, even to the point of withholding his congratulations to the Spanish Republic on February 2, when several Representatives and Senators sent greetings to the Cortes.

"And in fighting the huge naval appropriations," said Mr. Browder, "this is done by emphasizing a hundredfold precisely that condition which furnishes the chief influence behind these huge expenditures, namely, the conviction that in a hostile and war-mad world the United States can cooperate with and trust no other nation, people, or group, nor even trust its own President to follow a real peace policy."

MISGUIDED AMATEURS, NAMELY, THOSE WHO DO NOT AGREE TO NAVY BILL

I now want to mention a portion of the Naval Affairs Committee majority report. They refer in their majority report to the people who do not agree with them on the matter of battleships. Such as disagree with them are termed "misguided and misinformed amateurs." In other words, if you do not agree with the majority of the Naval Affairs Committee you are a misguided and misinformed amateur.

I do not know whether those gentlemen call themselves professionals or not.

I do not know whether that makes the minority members of their own committee amateurs by not agreeing, or whether it means that the majority just take anything the admirals give them blindly.

I do not know what it is, but I think that character of argumentation is extremely poor, and somewhat out of place. Whenever a war is in the air you have to talk about the Kaiser or state that this fellow is ignorant and does not know what he is talking about, or he is some sort of amateur.

THE POLITICAL SCRAP HEAP—NOBODY KNOWS WHO IS NEXT

The gentleman from Georgia also talked about those people who are going to be put on the political scrap heap because they oppose the President. Maybe I have said something like this on the floor, and I do not particularly criticize the gentleman from Georgia, because I think he is doing a good, conscientious job, but I get a little tired of Democrats talking about how you are against the President because there were some Democrats—not mentioning any names—who fought the President bitterly on the minimum-wage bill, and several others.

We will all have to admit that every member has opposed the President now and then. Since the question has come up about the political scrap heap, I want it known I am going to vote my convictions. And since politics has been brought up, I want to say to the Democratic Party that this time we are up against a real issue. This is no push-over. There is not any question about it.

WHAT HAPPENED IN 1918? WE DEMOCRATS GOT BEAT

Let our minds go back to 1918. In 1918 the President of the United States, during the time we were in a war, issued a statement in which he said that he wanted only Democrats elected to the Congress. The result was that there came into the next session of Congress 21 more Republicans.

Bear in mind this happened in 1918 before the armistice, during war.

Then in 1920, because the people of the United States were sick of war and sick of international entanglements and sick of the League of Nations, there was an overwhelming defeat of the Democratic Party and 63 additional Republicans came to the Congress at that time.

I was not here during 1918. I was in France; but I believe that the elections of 1918 and 1920 showed the underlying deep feeling of the American people that they wanted to stay completely out of war and foreign entanglements. This was my President, Woodrow Wilson, and I do not want to criticize him.

WOODROW WILSON'S APPEAL

I merely put this in the RECORD from a factual viewpoint. He said to the American people:

> If you have approved of my leadership and wish me to continue to be your unembarrassed spokesman in affairs at home and abroad, I earnestly beg that you will express yourselves unmistakably to that effect by returning a Democratic majority to both the Senate and House of Representatives.

That resulted in the Republicans making a gain of 21 seats. Then he said there was no reason for undivided counsel, and he also said that any defeat of his would be interpreted on the other side of the water as a repudiation of "my leadership."

MR. PITTMAN DEFENDS LEAGUE OF NATIONS

Then Mr. PITTMAN rose on the floor and he said that the Republican Party was opposed to the reduction of armaments and the League of Nations. Then he said "I stand for both," which was the position of the Democratic Party.

GOD PITY THE REPUBLICANS—AND DEMOCRATS?

Mr. PITTMAN ended up his speech in this way:

God pity the Republican Party; God pity the Republicans who have got to have these men constitute themselves as their leaders.

It was predicted by many Democrats that all of the Republicans were going to go to the political scrap heap if they dared vote against the President of the United States. What was the result? An overwhelming majority for the Republican Party.

PHRASES, SYMBOLS, TO WORK UP THE PEOPLE

Oh, it is the same old thing; the same old thing of using words and phrases and symbols to get the people worked up, and I cannot see any sense in it. We talk about how badly we need national defense.

Look at it from a comparative viewpoint:

Everyone knows who served in the World War that literally there is no comparison whatever between the National Guard of 1918 and what it is now. We have an organized National Guard, we have an excellent Reserve, and we have an excellent, first-class Army.

TENDENCY IS AWAY FROM HOME INTO WORLD AFFAIRS

What are we doing?

I am still talking to Democrats.

Our whole tendency—and I ask you to think of a few things that have happened lately and a few things that we have said—is away from home affairs into international affairs.

WHERE IS OUR DEMOCRATIC PROGRAM?

Where is our Democratic program?

Where has it gone?

Nobody seems to know.

Where is the fight on big business and big monopolies, where is the investigation of monopolies, what about the wage and hour bill, and what about that bill that would create seven T. V. A.'s? It looks as if we will not even have one T. V. A. if we go on as it is now.

All of these things have been subordinated to international affairs, and the Democrats have a duty to the people of the United States to do something for the people that live within the United States. [Applause.]

OUR PRESENT NAVY IS AN EXCELLENT ONE

Why this huge Navy?

The present Navy we have is an excellent one.

The chairman of the Committee on Naval Affairs has brought plenty to vote for before this. On January 21 we passed the biggest Navy bill since the World War days. Everybody seemed to be satisfied. The Democratic leadership was satisfied, the public was satisfied, the Committee on Naval Affairs was satisfied, but 7 days later we were told that we had to have a 20-percent expansion of the Navy.

I have read all of the testimony. I have read word for word everything that was said except by a couple of boys, who did not make any difference, and it seems to me there are just about two reasons for it.

THE MESSAGE AND THE MYSTERIOUS 5–5–3

One of them is the Presidential message and the other is this mysterious 5–5–3.

The Presidential message said, specifically and solely, because of other countries, and because of dangers to world peace and security we need a 20-percent expansion in the Navy.

Then when the admirals came forth to testify from their high bridge, they talked about how we had to defend the Philippines and Guam.

They orated about world politics. But when this bill came up the Philippines and Guam were cut out and all this talk about international politics and world politics was cut out, and everything that was said before was gone, and there was talk about national defense, an entirely different viewpoint than the original one.

MORE OF THE 5–5–3 AND SOME FALSE COMPARISONS

I want to talk about the 5–5–3 ratio. I have never yet been able to find exactly why that 5–5–3 ratio should be.

I have never found why we should have a ratio for a navy beyond the seas when we should not have a ratio for our guns to protect our coasts and to protect our country at home. If we are going to go by ratio we might as well come out and say that we should have an Army of twenty-five or thirty million men because Russia has an army of 18,000,000 men; and we might as well say that we should have an army of 4,000,000 men because Japan has two and a half million.

In other words, this ratio thing is not altogether true; it is a mumbo-jumbo of words.

COAST LINES—OURS, 3,800; ENGLAND'S, THE WHOLE WIDE WORLD

One of the admirals testified—I think Admiral Leahy—that the coast line of England was 1,800 miles and that of the United States 3,800 miles. I want you to look at this great globe of the world. Here I want to show you the difference in the problem of the United States of America and the problem of England. [Large globe displayed.]

On this globe before me you can cover the United States of America with your hand—and it is a big globe, 25 inches in diameter. They say England has a shore line of only 1,800 miles. That is an entirely false comparison.

The coast line of England is that of India, much of Africa. Look! Look! The Mediterranean, Borneo, Australia, New Zealand, and Canada.

The coast line and the defense of England is all the blue water—the seven seas—that you see there. That is not our blue water.

PROBLEM OF ENGLAND ENTIRELY DIFFERENT FROM UNITED STATES

They are protecting sea lines; and their problems of defense, their problems of livelihood as a nation, are entirely different from those of the United States of America. The United States of America is the place we want to defend, not all the oceans of the world where we are going to get ourselves in trouble.

I now refer to section 9 of this bill. Section 9, in my opinion, is one of the most dangerous pieces of legislation that has ever been offered in the United States Congress. It starts out by stating that it is declared to be the fundamental naval policy of the United States to maintain a navy in sufficient strength to guarantee our national security, and so on, and sounds very pious.

ENTIRE TEXT OF SECTION 9—KILL IT

In order that all will understand section 9, I insert it, as follows:

SEC. 9. It is declared to be the fundamental naval policy of the United States to maintain a Navy in sufficient strength to guarantee our national security, not for aggression, but to guard the continental United States by affording naval protection to the coast line, in both oceans at one and the same time; to protect the Panama Canal, Alaska, Hawaii, and our insular possessions; to protect our commerce and citizens abroad; to insure our national integrity; and to support our national policies.

It is further declared to be the policy of the United States that an adequate naval defense means not only the protection of the Canal Zone, Alaska, Hawaii, and our insular possessions but also a defense that will keep any potential enemy many hundred miles away from our continental limits.

The United States looks with apprehension and disfavor upon the general increase in naval building throughout the world, but it realizes that no single nation can reduce its naval armament without jeopardizing its national security, except by common agreement.

That, in the event of an international treaty for the further limitations of naval armament to which the United States is signatory, the President is hereby authorized and empowered to suspend so much of its naval construction as has been authorized as may be necessary to bring the naval armament of the United States within the limitations so agreed upon, except that such suspension shall not apply to vessels and aircraft then actually under construction.

Anybody who has any sense, any brains, knows that the Navy is to protect us; we know that already. It is like a Klansman going out and saying he is for the virtue of

womanhood. When they asked me to join I told them I had been for the virtue of womanhood all the time and that I did not have to write it down myself or see it written down in order to be for it.

I want to analyze this section word for word—as much as I can in the time allotted. It contains platitudes, obvious statements, and other words that are contradictory, and still others that will get us in trouble.

IT IS FOREIGN AND NOT NAVAL POLICY

In the first place, this section is foreign policy and not naval policy. It puts the foreign policy of this country in the hands of the Navy. It makes it so that if something happens in a foreign country, some midshipman or some petty officer can create an incident and get us in war.

It states that we must have many things—for one, a navy in both oceans at the same time. Let me point out to you what this means. It was testified in the hearings that it would cost $3,200,000,000 to build this extra Atlantic Fleet. So if you could add this up, $2,000,000,000 already authorized—$600,000,000 worth of ships being built at the present time—this bill authorizes $1,200,000,000 more. And if this policy is carried out, they will be coming up later for $3,200,000,000 more, and say, "Why it is in the bill you passed." In other words, there is no limit to this thing.

"TO PROTECT OUR CITIZENS AND COMMERCE"

Referring to section 9 again, it states "to protect our citizens and commerce." This is nothing but foreign policy.

THE NEUTRALITY ACT SAYS DIFFERENT

What does it mean? Whatever it means, one thing is sure—this Congress gives up all its powers of fixing foreign policy and has taken them away from the President and State Department and handed them to the Navy, because the head of the Navy could say, for instance, having 39 warships (as we have now) in China:

"Somebody slapped a woman."

Yes, sir; somebody slapped a woman, and, therefore, we have got to go to war and kill a million men or so.

TESTIMONY OF GENERAL HAGOOD—IMPORTANT AS TO SECTION 9

Let me read you some of the testimony of General Hagood. The naval policy, section 9, was explained by the various members of the committee, and then the chairman of the committeee said to General Hagood:

What do you say to this policy?

And General Hagood—he is known as one of our best generals and citizens—General Hagood said:

I hate to say it, but I do not know what it means.

Then the chairman, apparently horrified, asked:

Then, you do not know what naval policy is?

And General Hagood answered:

The statement you have just read I cannot understand, because it used general terms and has no definite meaning.

JAPAN IN THE GULF OF MEXICO? NO; NOR AMERICA IN CHINA SEA

Then General Hagood continued:

The Army said one thing and the Navy said another.
We cannot protect our commerce in the sea of Japan or the sea of China any more than Japan can protect its commerce in the Gulf of Mexico.

Let us think about that.

Suppose Japan started sticking her nose in the Gulf of Mexico or down in southern California; we would kick her out; and we ought to kick her out; but also we ought to mind our own business. [Applause.]

Mr. Chairman, I want to conclude by quoting the gentleman from Minnesota [Mr. MAAS]. He asked General Hagood:

Do you believe that it is practical that the Navy should be for the purpose of carrying out our national policies?

And General Hagood said:

I do not know what is meant by "national policy"; so, I cannot say yes or no.

NAVY HAS NO MONOPOLY ON NATIONAL INTEGRITY

I call attention to the fact that the Navy has no monopoly on the national integrity.

It is not superior to the other branches of the country or the other departments of our Government. The State Department is a part of the Government, the Army is a part of the Government, and this business of turning all this over to the Navy is an absolutely preposterous thing that will surely get us into war.

"MANY HUNDREDS OF MILES AWAY"—MEANS TROUBLE

What is the policy expressed in here? Let me read a little more. It says here that we want to have a navy which in effect can attack the other navy many hundreds of miles away from our continental limits.

That is a matter of psychology.

It is a matter of idea, and the idea is to have something that can go a long way out and clear across these blue waters, if necessary, and shoot them down away from here. That is another thing which will get us into trouble.

That is another thing that ought to be taken out of the bill whether it passes or not because it gives every overenthusiastic admiral, every fellow who wants to stand on a high bridge and hear the guns roar, the opportunity to get this Nation into trouble.

SECTION 9 A GOOD SERMON—WHY NOT FOLLOW IT?

Then it says that the United States looks with apprehension and disfavor upon the general increase in navy building throughout the world but we realize no single nation can reduce its naval armament without jeopardizing its national security except by common agreement. That is mostly a good sermon.

Why do we not then have an international armament conference?

Let us have an international armament conference and go into this thing.

Mr. SCOTT. Will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from California.

Mr. SCOTT. Would it do any good to have a disarmament conference if there were no chance of disarmament? What is the use of having this kind of disarmament conference?

Mr. MAVERICK. There might be some chance in a disarmament conference.

There are several reasons for that.

One is you cannot get the present naval program started within 2 years anyway. In the meantime we might as well confer.

Another is if we failed we would not do any harm.

The third reason is that Japan has said she is willing to abolish capital ships and airplane carriers.

Mr. SCOTT. Does not Japan base that statement upon her first statement that she would insist on parity with the Navy of the United States? Would the gentleman grant parity to Japan and allow her the same number of ships as the United States?

Mr. MAVERICK. I think this parity question is largely nonsense because we have granted Japan parity so far as the army is concerned. In fact, she has an army 10 or 15 times as big as ours, but still we have good and sufficient national defense.

May I ask, would you grant parity to Japan in her great military forces? That is the answer to the question, because this parity stuff is all nonsense.

What we want to do is provide enough ships and men to defend our own country, and not break our jawbones on mysterious ratios like 5–5–3.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. In reference to when this building program will start, may I call the gentleman's attention to the President's message, in which he stated it was his intention to send a message to Congress as soon as this bill

passed asking for two additional battleships and cruisers. It says:

> And the Congress authorize and appropriate for the laying down of two additional battleships and two additional cruisers during the calendar year 1938.

So do not become confused that this is a paper proposition.

Mr. MAVERICK. What does the gentleman mean by the statement "paper proposition"?

Mr. VINSON of Georgia. This a proposition to build ships and the President will ask for a sufficient appropriation as soon as this bill becomes law.

Mr. MAVERICK. That makes it worse because it shows we are going to have this enormous campaign started right now.

I call attention to the fact that in the hearings it was shown that the prices of warship materials have gone up from 95 percent to 245 percent. All of this profiteering is going on right now.

Mr. THOM. Will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Ohio.

Mr. THOM. I would like the gentleman to answer specifically the inquiry of the gentleman from California. Are you willing to grant Japan parity with England and the United States in naval strength?

Mr. MAVERICK. I do not see why I should answer that question. That is the same as sort of asking me, "Have you quit beating up your wife?" I do not know whether we can "grant" or refuse to grant Japan anything——

Mr. THOM. Let us wait a moment.

Mr. MAVERICK. Oh, I want enough ships to defend our shores if it takes 10 times more than Japan or one-tenth as many. But I say frankly to the gentleman, if Japan has parity with the United States, I do not think this country will be in the slightest danger, and I will tell the gentleman why.

What is the reason for the 5–5–3? The answer is that England has to have, by proportion, 5 ships, 2 at home and 3 over in Chinese or far eastern waters. If we have so many ships, we keep part of them in Chinese waters. In that way Japan is covered by both England and America. That is the answer to the parity proposition.

There is just not any sense to it.

Mr. BOILEAU. Will the gentleman yield?

Mr. MAVERICK. I yield to my friend the gentleman from Wisconsin.

Mr. BOILEAU. If Japan should have a navy equal in size to ours, the naval experts claim if they were to come from Japan to our waters, they would lose about 30 percent of their efficiency, so we would still be a lot better than they would be, even if they had parity.

Mr. MAVERICK. If Japan had parity, she still could not do anything. I think the testimony is she would have to have a navy three times as big to even attack. Japan cannot even catch up with us in building.

Mr. PETTENGILL. Will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Indiana.

Mr. PETTENGILL. The thing that will determine my vote on this bill will be the meaning given to the word "quarantine" in the President's Chicago speech. The gentleman from Georgia [Mr. VINSON] stated that he interprets that speech to mean "quarantining the United States," but as I read the President's Chicago speech, he did not talk about quarantining the United States, but had in mind quarantining some foreign nations.

Mr. MAVERICK. I did not want to bring this up, but if you will look at the definition of the word "quarantine," you will find it means that you quarantine somebody else.

You do not quarantine yourself.

When a city sets up a quarantine it quarantines a given place where a disease is prevalent. A city does not quarantine its entire self.

As far as I am concerned, "quarantine" meant international politics, and that is all it meant to me.

Mr. SCOTT. Mr. Chairman, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from California.

Mr. SCOTT. Let me go back to the original question. Would the gentleman give parity to Japan?

Mr. MAVERICK. I would not give or not refuse Japan anything in the absence of a limitation agreement. I should like to have an international armament conference and stop the naval race. As the matter stands now, we cannot give or refuse Japan parity.

Mr. SCOTT. If we went into such a conference, would the gentleman be in favor of granting Japan a ratio of 5–5–5?

Mr. MAVERICK. What is the use of having an armament conference if we are going to determine in advance what we will do? Not being a professional nor a prophet, I would not try to determine that in advance.

Mr. SCOTT. That is what Japan has done, and that is what it is necessary to do.

Mr. MAVERICK. The gentleman is trying to embarrass me and is not trying to ask a sensible question.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. Seriously, we may easily agree with the gentleman that this bill is not needed for national defense. We may go further and say we should not attempt this construction in order to protect our commerce and our citizens, and, further, that we cannot find out what the national policies are. However, the gentleman has dodged the words "national integrity." If our face is slapped, would the gentleman have us go home and stay in our own back yard? National integrity always means something, and has nothing to do with what the policies of a political party are or should be. Shall we remove section 9 and take out the phrase "national integrity"?

Mr. MAVERICK. The gentleman did not hear my statement correctly.

It is presumed by every decent, intelligent citizen in the whole world that the Navy, the Army, the State Department, and the Congress of the United States will defend our national integrity. That is obvious; that is the duty of every branch of government, every citizen. I oppose cluttering up a bill with pious and meaningless phrases that will only get us in trouble.

Mr. GIFFORD. Is this bill needed to protect national integrity?

Mr. MAVERICK. I do not believe so; no.

Mr. GIFFORD. This is a problem we want to solve.

Mr. MAVERICK. I thank my good friend from Massachusetts, and I assure him I do not believe it is needed for that purpose.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from California.

Mr. GEARHART. A moment ago when the gentleman stated he wanted a navy adequate for the defense of continental United States, did I correctly understand him by that to mean that he now repudiates the obligation the United States has assumed under the Monroe Doctrine to defend all the countries?

Mr. MAVERICK. Oh, no! Oh, no! I would like to answer that question. But let me state that Mexico and the countries of Central and South America, as well as the United States, are comparatively better off from an armament point of view than they have ever been in their national history.

We are better able to protect ourselves, and there is less necessity for this naval construction.

Mr. GEARHART. The gentleman has not answered my question.

Mr. MAVERICK. I am not only in favor of the Monroe Doctrine but in favor of equality of all American nations, and that we stand together against the world. If the forces of any European country ever set foot on South America or Mexico, I would be willing to vote for war. Does that answer the gentleman's question?

Mr. GEARHART. Does it not follow as a natural sequence that you must have a Navy adequate to defend the Monroe Doctrine?

Mr. MAVERICK. Yes; but I believe we can do it with the Navy we now have.

Mr. GEARHART. The gentleman then means something more than just defending the continental United States?

Mr. MAVERICK. I believe our primary obligation is defending our own country.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Wisconsin.

Mr. BOILEAU. I believe in the Monroe Doctrine, but I do not believe we should take over the expense of maintaining an Army and Navy large enough to defend the countries in South America to the extent they do not need to have any armament of their own.

Mr. MAVERICK. I agree with the gentleman. I do not believe we ought to maintain a Navy for Brazil and the rest of those countries. They should do their part. But if they need help I am willing that this Nation render aid and let Europe and Asia know they must not put their political or military feet anywhere in the Americas.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. MAVERICK. I yield to the gentleman from Illinois.

Mr. DIRKSEN. I have two questions I want to ask the gentleman. First, is the gentleman alarmed at the possibilities of aggression contained in this bill?

Mr. MAVERICK. No; I am not particularly alarmed about aggression, but the aggressive tendencies of this bill. I am alarmed about our going abroad and mixing in aggressive affairs and getting in trouble. I do not believe we want anybody else's property. This battleship craze, plus the expression of policy, plus some recent events, plus the fact we need coast defense, makes me think the bill is bad.

Mr. DIRKSEN. I submit to the gentleman this is the very issue we fought out on this floor on the 10th of January in connection with the so-called Ludlow amendment, and the gentleman from Texas voted against the amendment.

Mr. MAVERICK. Your concept of issues and mine may differ. Anyhow, you said you were going to ask a question and not offer pious advice. As for the Ludlow amendment, I voted against it because I thought it was wrong. The reason I voted against it is that it was just like this section 9. I did what I thought was right, and besides it was my business.

I hope every Member of Congress will think about this bill a long time before he votes in favor of it. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from Texas [Mr. DIES].

Mr. DIES. Mr. Chairman, there are some who want to shape their actions and conduct upon the basis of what the world should be and not upon the basis of what it is. There are many who want to formulate domestic and foreign policies upon idealistic conceptions and upon visionary schemes and fail to take into account the fundamental problems that confront the world.

I believe it can be said truthfully that the situation which now confronts the world is perhaps more critical and more serious than at any time since the World War. Europe is divided into armed camps. Germany, Italy, and Japan are better prepared today than they were prior to 1914. The recent conquest of Austria, in which Germany in a very short period seized possession of that country and overnight ended its political independence as a nation, should convince any of us that Germany is better prepared in every sense of the word today than it has been at any previous time. I am one of those who believes that neither Germany, Italy, nor England, nor any other European country, has any intention of invading the United States. I do not fall for the propaganda that is distributed by war agitators and factories making munitions of war or by anybody else.

Nevertheless there have been so many marvelous strides in the field of armament that no man today can predict how far airplanes may be able to travel tomorrow. No man can predict what a war-maddened nation may undertake to do in the next few years; at least, this much we know. Those nations which have failed adequately to prepare themselves, those nations that have made the fatal blunder of not maintaining their defensive armament at all times have suffered the consequences of their neglect.

It therefore seems to me in view of the situation which now faces Europe, in view of what I consider to be an inevitable war between nations that are straining at the bit, with millions of well trained, highly intelligent, and mechanized armies, with a degree of discipline within their midst unparalled in the world, with all the modern implements of warfare and with the probability, if not the certainty, of a European conflagration the like of which has never been witnessed in the history of the world, I do think that although we may reluctantly agree to it, and may dislike the necessity at this time of entering upon a program which will require money that we do not have and further jeopardize our credit, nevertheless we are compelled to do so, for we have a definite obligation. We have an obligation not only to defend our entire coast lines, but likewise to defend the South American countries. To do this we must have an adequate navy.

Certainly, none of us believes we should neglect adequate preparation on the waters and depend largely upon standing armies or coast defenses, for the same amount of money devoted to naval preparation will enable us to meet the enemy before it ever reaches our shore. This being true, the question is, what is an adequate navy?

I have always been inclined to take with a grain of salt the prophecies or opinions of admirals and generals. War is their trade, and it is only human that they should exaggerate the necessity of their business; but, after all is said and done, upon whose advice may we depend unless it be those that we pay to become experts upon the subject? This is, after all, an authorization bill. We are hopeful that an international agreement to limit the size of navies may be entered into before it is necessary to carry out this program.

This is not a question of politics; this is not a question of partisanship. The national defense has always been considered a nonpartisan issue.

Mr. Chairman, as I have said, we must take the world as we find it. In order to defend democracy and defend our own national integrity, we must be prepared to do so. As to what is sufficient preparation is always a debatable subject. Certainly I do not believe I am qualified to pass definitely upon that question. I do know this: A large part of the resources of other countries is now being devoted to the building up of huge armaments on sea and on land. If I had my own way about our foreign policy, it would be a very simple one. It would simply be to stay on our own shores, to mind our own business, and to be prepared to defend our integrity and our own institutions.

Mr. LUCKEY of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. DIES. No; I have only a few minutes.

Mr. LUCKEY of Nebraska. Is it not a fact that the Scandinavian countries have neither an army nor a navy, and yet they stayed out of war when the war was right in their front yard, and today they have the highest civilization in the world?

Mr. DIES. Their situation is wholly different from ours.

Mr. LUCKEY of Nebraska. Sweden has the largest iron ore deposits in Europe.

Mr. DIES. I know the gentleman is perfectly sincere, and I am not one of those who enthusiastically supports this increase in the Navy, but I do know this. We must take into account the world situation. Democracies are falling all over the world and dictators are rising. The dictators have behind them disciplined and well prepared armies to carry out their will. [Applause.] I do not believe that if the question had been submitted to the people of Austria, the people of Austria would have voted for union with Germany. I believe that if Hitler had not known that fact, he would have submitted to the plebiscite, but knowing as

he did that the people would not approve it, he did what every other dictator has done.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. DIES. Yes.

Mr. GEARHART. Does the gentleman think that Hitler would have done this to Austria if Austria had been as well prepared as Germany was?

Mr. DIES. I certainly do not believe that. I mention that incident only for the purpose of illustrating the necessity of democracies being prepared. Also, I am opposed to these racial groups in our midst who are constantly parading their sympathy for Russia or Italy or some other foreign country. They ought to realize that they are here in America, and that they are or should be Americans first, last, and all the time. [Applause.] I have absolutely no sympathy for the propaganda and efforts being made in our midst to alienate large groups of our people in order that those groups may propagandize in behalf of some foreign country to gain the help of America in the next war. I do not know what will be the policy of Congress, but I know what my own policy will be. I do not feel under any more obligation to go to war in defense of England than I do to go to war in defense of any other country. I believe that the greatest contribution that we can make to the peace and happiness of the world is to remain on our own shores, defend our own institutions, and give our moral support to all freedom-loving people wherever they may be. We should evacuate Americans when they are in war zones, but tell them that they cannot expect America to send a million men to fight and die in defense of American money invested abroad. [Applause.] I say that would be my national policy, but I do not agree with those who say that the President of the United States or Secretary Hull should enunciate that doctrine. I believe our policy is best expressed in the language of George Washington, and that we should always be prepared to lend our moral aid in support of freedom-loving people wherever they may be.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. DIES. I yield to the gentleman.

Mr. BOILEAU. I agree with the gentleman on national defense, but the gentleman has referred to the German-Austrian situation. It seems to me that that is a good illustration of the fact that a navy is not always the best defense and perhaps Austria would not be in any better shape if she had had a large navy.

Mr. DIES. To my mind, so far as the United States is concerned, I prefer a navy to a large standing army. So far as I am concerned I would rather spend my money for a strong navy so that the enemy can be met outside of continental United States, backed up with a sufficient reserve force of trained men who can be quickly mobilized into an efficient army.

Mr. BOILEAU. But the gentleman will agree that if Austria had had an adequate air corps and had been disposed to fight, she probably could have stopped that invasion.

Mr. DIES. I am seriously alarmed by the triumphant march of dictatorships throughout the world. To my way of thinking, with the exception of France, England, and the United States, the rest of the world is now in the deadly grip of dictatorship. From Russia, dictated to by Stalin, all powerful, cruel, and brutal, on to Germany, the great masses of those people today are controlled not by a majority government, but by a minority government. I believe that the greatest danger that faces us today in the United States is not from any foreign power. I am not so foolish as to say that in my opinion our destruction will ever be brought about by foreign nations, but I do believe that a democracy to succeed must impose upon itself self-restraint and moderation.

Excesses, immoderation, and disorder lead to conditions that encourage dictatorship. Democracy is a growth in the individual. It is something in the heart and soul and mind of a people. It cannot be achieved by militarism. Democracy, if I might so express it, is only possible among a people who are capable of restraining their emotions, their feeling, a people sufficiently intelligent and patient to work out their problems in a sane and practical way, who refuse to yield to the excesses of the many or the selfishness of a few. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, in 1903 I listened to a great American, the late Theodore Roosevelt, make the dedicatory speech at the Dewey Naval Memorial Monument in Union Square in San Francisco. As Assistant Secretary of the Navy, as President of the United States, as citizen and patriot, he preached the doctrine of preparedness and the necessity of an adequate Naval Establishment. I quote from his speech:

> It is eminently fitting—
>
> Said he then—
>
> that there should be here in this great city on the Pacific Ocean a monument to commemorate the deed which showed once for all that America had taken her position in the Pacific. To dedicate the monument would be an empty and foolish thing if we accompanied it by an abandonment of our national policy of building up the Navy. Applaud the Navy and what it has done. That is first class. But make your applause count by seeing to it that the Navy is so built up that the men of the next generation will have something to applaud also.
>
> The Nation must have physical no less than moral courage; the capacity to do and dare and die at need and that grim and steadfast resolution which alone will carry a great people through a great peril. Diplomacy is utterly useless when there is no force behind it. An ignoble peace is even worse than an unsuccessful war. We ask for an armament fit for the Nation's needs, not primarily to fight but to avoid fighting. Peace like freedom is not a gift that tarries long in the hands of cowards or of those too feeble or too short-sighted to deserve it, and we ask to be given the means to insure that honorable peace which alone is worth having.
>
> There is no more utterly useless and even utterly mischievious citizen than the peace-at-any-price, universal arbitration type of being who is always complaining either about war or else about the cost of armaments which act as the insurance against war. In the present stage of civilization a proper armament is the surest guaranty of peace and is the only guaranty that war, if it does come, will not mean irreparable and overwhelming disaster. The huckster or pawnbroker type is usually physically timid and likes to cover an unworthy fear of the most just war under high-sounding names. The large mollycoddle vote * * * consists of the people who are soft physically and morally or who have a twist in them which makes them cantankerous and unpleasant as long as they can be so with safety to their bodies. In addition, there are the good people with no imagination and no foresight who think war will not come, but that if it does come armies and navies can be improvised. I abhor unjust war; I believe that war should never be resorted to when or so long as it is honorably possible to avoid it. I advocate preparation for war in order to avert war, and I should never advocate war unless it were the only alternative to dishonor. There is no surer way of courting national disaster than to be opulent, aggressive, and unarmed.

The necessity for an adequate Navy is more apparent today than it was when Theodore Roosevelt uttered these words. It is the best method by which the peace of this country can be guaranteed. I recognize that many well-meaning people sincerely believe that a large Navy has a tendency to lead us into war. With this reasoning I cannot agree. I yield to no Member of Congress in my desire for peace. I demonstrated this fact when I signed the so-called Ludlow petition. The motive of the distinguished gentleman from Indiana [Mr. LUDLOW], in presenting that petition was to keep the United States from participating in a foreign war between foreign governments. It was not directed against adequate national defense. As evidence of this, I quote the following from a letter sent by Mr. LUDLOW to each signer of his petition:

> Now that the smoke has cleared away, I want to express, perhaps in a crude, but certainly in a sincere way, my deep appreciation of your valuable and helpful cooperation in a cause in which we are both deeply interested—the right of the people to vote on the question of participation in foreign wars.

While I still subscribe to this policy, at the same time I firmly stand for preparedness.

Never again will the Army and Navy of this country be sent overseas to fight the battles of foreign countries. Crystallized public opinion, which is stronger than any administration, will never again yield to honeyed words and catch phrases, such as: "Save the world for democracy," and by

such a token plunge the United States into a foreign war. There are those who maintain that the people of the United States were equally positive before the World War—that no influence, no matter how great, could lead this country into that conflict—and they cite our final entry into it as an example of what may be expected again, particularly if we have a strong naval establishment. A strong naval establishment will keep us at peace.

What happened in 1917–18 will not happen again. The grim visage of that war has been before us every day since the armistice was signed. When will the people of this Nation forget the 39,362 American soldiers—the flower of the country—who were killed in action and the most of whom lie buried today in Flanders Fields? When will the American people forget the 305,937 other American youths who died from service-connected disabilities as a result of this war? When will we forget the other thousands of shell-shocked veterans still confined—20 years later—in psychopathic hospitals throughout the entire United States?

Who will say that the terrible depression through which we and the world have been passing for the past 7 years is not a direct result of the World War? Mr. Chairman, it has been carefully estimated that when this country has paid its last obligation, including the last payment to World War veterans and their dependents, that the World War will have cost the people of the United States $100,000,000,000.

In the face of these facts, it is absurd to say that a Navy sufficiently strong to properly defend this country from any foreign foe is a threat to the peace of the Nation. [Applause.]

Mr. PHILLIPS. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. SWEENEY].

Mr. SWEENEY. Mr. Chairman, first let me pay a tribute to the chairman of the Committee on Naval Affairs and to his hard-working committee. I believe them to be good Americans, prompted by a desire to do the right thing. Since I came to Congress I have always supported every national-defense program. For reasons hereinafter stated, I shall support this authorization for increased naval armaments.

I rise at this time, however, to discuss our foreign policy and to ask the support of the committee for the Kniffin amendment, which will be presented by my colleague [Mr. KNIFFIN] of Ohio. This amendment, you will recall, was defeated in committee, but will be offered again when the bill is under consideration under the 5-minute rule. It defines the naval frontiers of the United States as follows:

> In order to further effectuate the nonaggressive naval policy of the United States the naval frontier of the United States is hereby defined as extending from Bering Strait to the western end of the Aleutian Islands, to the Hawaiian Islands, to American Samoa, to Panama, to the Virgin Islands, and to the eastern extremity of the State of Maine.
>
> The naval forces of the United States shall be employed to maintain said frontier inviolate against any foreign foe, but in their operations shall not go beyond the limits of the Western Hemisphere, excepting when on friendly visits, except in the event of military attack upon the United States or any of its territorial possessions and except in case of the violation of the historic policy of the United States as expressed in the Monroe Doctrine.

Let me call attention now to a warning that has been quoted frequently from the time this country first became a republic, a portion of the Farewell Address of George Washington.

His address is read here in the House of Representatives every year on the anniversary of his birth. I wish to God it was read every day, at least this portion of the address that I am about to quote, that we might have some sense of our responsibility as Members of Congress and our duty to guard the interests of the United States of America. George Washington, in admonishing us against entangling alliances with foreign powers, said:

> Against the insidious wiles of foreign influence (I conjure you to believe me, fellow citizens) the jealousy of a free people ought to be constantly awake, since history and experience prove that foreign influence is one of the most baneful foes of republican government.

Despite the fact that as a nation we do not have the isolation of Washington's day, and despite the fact that we lead the world in trade and commerce, I believe Washington's advice is just as sound today as it was at the time it was first uttered. Every time we have ignored the counsel of Washington and engaged in secret diplomacy with Great Britain, we have found ourselves in serious trouble. There is at large today a lot of propaganda, and I believe truthful propaganda, indicating that we have secret agreements with Great Britain that our Navy is going to be used as a spearhead to protect the financial interests of Great Britain in China; it is reputed that she has an investment of approximately $4,000,000,000 against our investment of $800,000,000 in the Orient. Where there is smoke there is fire. Despite the denial of the poker-faced diplomats in our State Department, we have the word of Winston Churchill—

> That we have excellent arrangements with the United States.

This distinguished British statesman used this exact language last week in London in discussing a proposed parallel naval policy with this country. His remarks have not been denied to date by anybody of authority in official Washington.

We have the word, as our distinguished friend, the gentleman from Illinois [Mr. CHURCH], said, of Prof. Gilbert Murray, of Oxford, admitting that they have secret agreements with the United States effecting a joint naval policy.

How long is Uncle Sam going to be the sap of the world?

British propaganda, and I say it deliberately, is the most dangerous propaganda we have in this country. It was here before the last World War. It caused us to turn away from Washington's advice and plunge into the great World War, a thing we had no business to do. It cost us the lives of 115,000 of our best American youth, and left us with 250,000 wounded. It has cost us to date about $50,000,000,000. The same kind of British propaganda that was here before the last World War is here again. I ask the Members of this Congress who have time for leisure reading to read the life and letters published in two volumes of Walter Hines Page, our British Ambassador, before the war and during the war. Mr. Page, who was more British than the British themselves, has left to posterity an indictment of the secret intrigue; yes, the treasonable conduct of an American diplomat at the Court of St. James before we went into and during the last World War. I ask you to read those two volumes and get a true picture of our secret diplomacy abroad and at the Nation's Capital, for it is the same today as it was then. Witness the recent attack upon Boake Carter, distinguished author, newspaperman, and radio commentator. Today I introduced a resolution asking this Congress to investigate and preserve the rights of this American citizen who is attacked by some supergovernment because he dared to express himself on the question of our foreign policy.

Early in February, so it is reported in the newspapers, our roving ambassador, Mr. Norman Davis, met in secret meeting in New York City with some of the General Staff and some of the heads of the departments of this Government to arrange and procure the control of the radio, the newspapers, and other instrumentalities in the event of another war, and expressed their bitterness that Mr. Boake Carter dared to exercise his constitutional right as an American citizen to criticize our foreign policy. They are even going so far as to question the legality of the visa by which he entered the United States. Mr. Carter has been in this country 16 years.

His father, an Irishman, was in the consular service of Great Britain. His mother was half Irish. He is a full-fledged American citizen and has been such for the last 4½ years. This is just another sample of what British propaganda can do in this country. His news column appeared in the Washington Times up to last week when Mrs. "Cissy" Patterson, owner of that newspaper, saw fit to throw it out last Friday, March 11. It is pertinent to ask the reason. I ask you to give us support to stop this baneful influence that would dare go so far as to attempt to take a man's livelihood from him by trying to reach his commercial sponsor in order to get him off the air.

Mr. Chairman, if we will just have the intestinal fortitude to put into this bill an amendment defining what are our naval frontiers, we will vitiate every secret agreement that may be now in existence with Great Britain or other foreign powers. I ask the Members of the House to show your courage when the time comes and support the Knutson amendment. We might as well take this opportunity to declare our own foreign policy and destroy British propaganda in this country before we are involved in another world war.

I am going to ask the Congress to go further and single out for investigation some very formidable agencies in this country who are working constantly in the interest of Great Britain. Ever since the day of the surrender of Lord Cornwallis at Yorktown there has been a steady movement to bring back a union of Great Britain and the United States. Millions of dollars are spent annually in this country to crystallize public opinion, to subsidize the papers and the radio in the interest of Great Britain whose policy of imperialism has been a curse to the earth, a policy that has caused more bloodshed than the policy of any nation since the dawn of civilization. The gentleman from Texas [Mr. MAVERICK] told you what a tremendous territory she is forced to protect.

Why, she owns half of God's world and yet she is still embarking on a policy of imperialism. She never will stop. She has been aided and abetted by our State Department under every administration. I am not criticizing the present administration alone; it was done under Woodrow Wilson's administration in a big way. Mr. Woodrow Wilson was obsessed with the idea that he ought to be king of the world, an obsession put in his brain by the gentleman I referred to before, Ambassador Walter Hines Page. He met his defeat at Versailles, and what a crushing defeat it was for an American President. He was like putty in the hands of those British diplomats. The same type of diplomats are right here in Washington today, and they are going to be here for a long time to come if we do not stand upon our own feet and expose their purpose. We can defend our own frontiers. We have the stamina, the resources, and the manpower to do this. We do not have to be going around the world serving as a policeman to protect the British pound nor the American dollar abroad. This whole problem of war, with few exceptions, after all, is a money proposition encouraged by the international bankers, who make wars and profit by wars. Mr. Chairman, we have a war at home, a domestic war in our own land, a war of depression, with millions of people hungry and unemployed. Our capitalistic system is all upside down and we have not yet found a panacea to bring about a solution of the problem. Let us keep out of foreign wars.

This authorization before the House is to increase by 20 percent our naval armaments, and the total estimated cost is $1,121,546,000. That is a lot of money. If this vast sum could be utilized to stamp out illiteracy, promote education and culture, lessen the scourge of cancer, syphilis, and other disease, wipe out unsanitary tenements, what a blessing to our Nation it would be, and to humanity in general. Although we condemn this lavish expenditure of money for war defense, we must be realistic and practical enough to appreciate it is our only insurance policy in the face of modern-day conditions existing in a world mad in its race for increased armaments.

I repeat the danger of this Nation being embroiled in foreign affairs will be materially lessened if we bring to task those responsible for the vicious propaganda that I have referred to today on the floor of this House. A resolution sponsored by me is now before this House providing for an investigation of subversive propaganda sponsored by the Carnegie Endowment for International Peace, the English Speaking Union, and the Sulgrave Institution. These agencies have millions of dollars at their command, and they are constantly engaged in the business of proselyting in the interest of Great Britain in the United States. The late Andrew Carnegie who made his money in the steel business in the United States, and who is remembered primarily because of the bloody Homestead strike in his efforts to crush organized labor, was a strong believer in British imperialism. In 1893 he published a book called Triumphant Democracy, in which he said:

> Time may dispel many pleasing illusions and destroy many noble dreams, but it shall never shake my belief that the wound caused by the wholly unlooked for and undesired separation of the mother from her child is not to bleed forever. Let men say what they will; therefore, I say that as surely as the sun in the heavens once shone upon Britain and America united, so surely is it one morning to rise, shine upon, and greet again the reunited state, the "British-American Union."

The objective of these agencies is to bring about the dream of Andrew Carnegie, and to strengthen Great Britain in her policy of imperialism. It is sheer mockery to hear men on this floor of Congress reiterate the sentiment expressed by the paid agencies of Great Britain in America that we are the last of the two democracies and should, because of our common language, stand together. A partnership with Great Britain, a nation who holds in subjection millions of people who by every law of God and man should be free and independent, and who would have succeeded in securing their autonomy except for the cruel, crushing, military tactics of the so-called mother country, is no legitimate union. She can in no sense be claimed an exponent of democracy.

I trust that I may soon place in the hands of every Member in the House a copy of this resolution, and appeal to their fine sense of American patriotism to join in this movement to terminate once and for all a subversive influence that has cost us more in blood and money than any other influence heretofore registered by any other nation.

I repeat what I stated at the outset, that I believe in the strongest national defense possible. It is also my earnest belief that the Executive and those who are responsible for the safety and future of the Republic will in letter and spirit follow the sound advice of the first President of the United States in keeping aloof from the intrigue and influence of foreign powers.

I trust my conviction may be affirmed and sustained when I cast my vote for insurance for my country—the strongest naval defense possible.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 13 minutes to the gentleman from Maine [Mr. BREWSTER].

Mr. BREWSTER. Mr. Chairman, I want first in the very brief time allotted me to pay tribute to the patriotic purpose of the chairman of the Naval Affairs Committee and others who have labored with him throughout these sometimes weary weeks and I trust that he will recognize that on our part no partisan purpose animates our discussion of this bill. May I say further that if the chairman of the Naval Affairs Committee were in a responsible position in our executive departments today, I should be very much less concerned about the implications of the authority with which we are here concerned. [Applause.]

THE PROGRAM NOBODY KNOWS

I have had occasion to learn throughout these discussions in recent weeks something of the intricacy of this naval problem to which I shall seek to address myself, and talk for a moment of ships and of "the program nobody knows," with apologies to the gentleman from New York [Mr. BARTON].

FOUR-BILLION PROGRAM

We are now engaged in a $4,000,000,000 naval program—the greatest in the history of any nation in the world. In the past 5 years under the skillful guidance of the chairman of the Naval Affairs Committee, and in accordance with the law which he himself drafted, we have started the construction of 141 naval ships and have already expended upon that program $1,441,000,000. Seventy-two ships are now under construction and it will cost $600,000,000 to complete those ships. Two billion dollars will be required for ships already authorized—including 13 battleships of whatever size the United States naval experts may deem desirable. The 13 battleships now built or authorized will cost in excess of

$1,000,000,000—besides $1,000,000,000 more of lesser ships already authorized.

This program has steadily lagged behind. The controversy seems not to be what is adequate but what we shall now build. We hear a good deal about whether we shall have a defense in the water or in the air; that is, whether it shall be in the sea or in the sky. But so much of this program we are considering here is neither in the sea nor in the sky. It is simply in the blueprints. This is simply bluff. Why do we not build the ships already authorized before we authorize more?

Why should this Congress be troubled and why should the world be menaced with a purely theoretical increase in naval power?

YEAR 1916 AGAIN

We say, "What harm will it do?" We believe in the sincerity of our own purpose for defense. Let me remind you that 22 years ago this spring a billion-dollar increase in our naval program was brought to the floor of the House under the same assurance—that it was the way to keep America out of the wars that were then troubling the earth. Within a year after that authorization was issued America was plunged into that holocaust of war. This does not prove that we would not have gone into the war if we had not built the tremendous Navy we then started, but it certainly proves that that Navy was no guaranty against the involvement which so inevitably resulted.

We ask that in these momentous times America keep its head. This is no time for the people of America, isolated as we are between these two great oceans on our east and on our west, to forget the unique position we occupy in being able to maintain the peace we all so much desire. The chairman of the Committee on Naval Affairs said this program was sought to preserve the peace of this Nation. With that object every American will agree; but I find other suggestions in authoritative circles, including those who will administer whatever program we may pass.

COME OUT OF CHINA

Last September the President announced at a press conference that every American should come out of China, and with that policy I am sure we will all agree. However, within 2 days afterward the State Department said it was impossible to get out some of the people, because the utilities in Shanghai and other places must continue to operate, and they were in some instances under the control of Americans. The State Department said oil ships were going up the Yangtze and we could not expect all that commerce to be abandoned in a moment.

QUARANTINE

In October came the quarantine speech, which stated that collective security was the only way to preserve civilization. Here again I do not challenge the sincerity of those who advocate that view. I am happy to hear the gentleman from California [Mr. SCOTT] openly and honestly espouse the proposition that the democracies of the earth should get together to establish peace throughout the world. This is the doctrine implicit in all the discussion from the quarantine speech at Chicago on through the utterances of the Secretary of State at Ottawa, and on through all the discussions of recent days. I believe the more quickly and the more frankly this issue is recognized the more quickly America's mind may be rightly made up.

FOREIGN POLICY

The endeavor of the chairman of our committee to write into this measure a policy guaranteeing that the American Navy shall stay at home is immediately wrecked upon the clauses that we shall "defend American commerce and citizens abroad" and "shall defend our national policies," which, as he declared, were laid down by the President.

DEFENSE ZONE

What has all this to do with ships? Out of all the discussions of the past 25 years it stands out as clearly as the day that America is uniquely situated to defend itself. Every naval expert agrees that in operating 3,000 miles across the ocean any navy loses 40 to 60 percent of its efficiency. The 5–3 ratio of which we hear so much was simply and solely designed to put America upon an approximate equality with Japan in Asiatic waters for the defense of the Philippines. I have quotations from Admiral Bristol and Admiral Jones, in charge of our Navy and our conferences, which establish that fact beyond a doubt. On the other hand, any navy that comes over to us loses half its efficiency. Thus, as Admiral Jones pointed out, the 5–3 ratio over in Asia means we are on an equality with Japan but if Japan should seek to come to our shores the ratio would not be 5–3; it would be 5–1½. In that great twilight zone between what is adequate for our defense and what is essential for our activity overseas in any measures of quarantine lies the scope of this discussion.

AMERICA SECURE

Every bit of technical evidence we have had has assured us that, in the words of the chairman, there was no nation on earth able successfully to attack the United States today. If we go forward with the program that authorized the building of $4,000,000,000 worth of ships—the program authorized under the Vinson-Trammell Act—there is no question that no power on earth will be able successfully to attack the United States.

THE SINGED CAT

But you say, "Why not play safe?" We played safe in 1916 and started a billion-dollar increase in our Navy, and what was the result? This is no time for America to rock the boat. Every American desires that we be adequately prepared, and looks to the Congress to see that this purpose is carried out, but in my judgment a large majority of the American people are equally determined that America shall engage in no more crusades overseas to make the world safe for democracy or to embark upon collective security to crush the brigand dictator nations. As certainly as we do that we are doomed. We do not desire that American boys shall be buried in foreign lands, either to serve the interests of any other nation or to make the Yangtze River safe for Standard Oil tankers. This is not the purpose of the Navy America should have. As certainly as the American people understand that issue, in my judgment, there is no doubt as to the answer they will return.

ADEQUATE DEFENSE

We ask you to give adequate preparation to our Navy, but not to authorize a program which can exist only in the imagination of the admirals, and which is to be carried on for an indefinite time to come. We ask you to devote the energies of this Congress and the appropriations of this Congress to carrying out the admirable and the adequate program drawn up under the guidance of the chairman of our committee, and yet only half complete. [Applause.]

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I notice in the minority report this statement:

> Under the Vinson-Trammell Act of 1934 a $4,000,000,000 program of naval building was authorized. At no time has the Navy Department found it advisable to keep their construction program up to that authorization. Today it lags far behind.

Would the gentleman elaborate on that statement for just a moment?

Mr. BREWSTER. The Navy Department has not asked the Committee on Appropriations for the funds. We inquired about that and found that almost without exception the Committee on Appropriations had given the Navy Department what it asked. We have just passed within a month a bill appropriating $552,000,000 for the Navy, which is the biggest naval appropriation in peacetime the country has ever known.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 5 additional minutes to the gentleman from Maine.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I have received a great many inquiries for a definition of national defense. Will the gentleman give me his definition of that expression?

Mr. BREWSTER. I thoroughly believe in a Navy second to none, but second to none in the Western Hemisphere. I do not care for a Navy that is adequate to go either to Asia or to Europe and match any navy over there. If the gentleman will read the evidence and consider all the aspects, he will find that within that broad zone there is ample scope for American defense.

Mr. TREADWAY. Does the gentleman draw a distinction between American defense and national defense as compared with international defense?

Mr. BREWSTER. I do. When I say "national defense" I mean defense of the Western Hemisphere.

Mr. TREADWAY. That would include the Monroe Doctrine?

Mr. BREWSTER. Yes; that is why I say Western Hemisphere.

Mr. TREADWAY. This question seems to have been scattered broadcast because I have had numerous letters from constituents as well as from people outside of my district asking for a concrete definition of the expression "national defense."

Mr. BREWSTER. I draw my line at the words of this act that we are considering here where it refers to "commerce and citizens abroad." I am not willing to have American boys die overseas either to promote Standard Oil sales or Electric Bond & Share sales or that tourists may travel at their pleasure. I say let them come back here and starve with the rest of us.

Mr. TREADWAY. In other words, the gentleman limits national defense to the Western Hemisphere?

Mr. BREWSTER. Yes; I do.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. I yield.

Mr. MAAS. If I understood the statement of the gentleman correctly, he said that no one could invade this country or could successfully attack our Pacific coast. Did the gentleman make that statement?

Mr. BREWSTER. I did not. I said Admiral Leahy so testified.

Mr. MAAS. I would like to take issue with the gentleman on that. He did not so testify.

Mr. BREWSTER. Well, the gentleman will have an opportunity to take issue later on.

Mr. MAAS. I simply wanted to get that straight.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. BREWSTER. I yield to the gentleman from Michigan.

Mr. MICHENER. As a matter of fact, we cannot determine what is proper national defense unless we know what our national policy or our foreign policy is?

Mr. BREWSTER. Right.

Mr. MICHENER. Do I understand that this bill attempts to clarify or to lay down a national foreign policy for this Government?

Mr. BREWSTER. The chairman of the committee has very frankly and very fairly written into this bill as an amendment a definition of our naval policy in relation to our foreign policy, and in that he states that one of its purposes is "to protect our commerce and citizens abroad." When you vote for that you give a blank check to the President of the United States to use our Navy for any purpose or for any embroilment with any country anywhere upon the face of the earth.

Mr. MICHENER. Does the gentleman believe our country should abolish its traditional policy, first, as to freedom of the seas, and, second, in support of the statement that where American commerce goes our flag goes, and where our flag goes American commerce goes? These are both policies——

Mr. BREWSTER. The gentleman is misinformed. If the gentleman will read the decision of the United States Court of Claims in the Nicaragua case and in the Cuban case he will find that the United States Court of Claims has very clearly laid down our policy. The court quotes a letter sent to Senator Sumner by Hon. William H. Seward, then Secretary of State, that no person is to be protected in a war zone and that he stays in a war zone at his own peril. We injured, seriously, a French citizen in Nicaragua in an undeclared war and our court told him he was simply out of luck. When we undertake to say that our citizens, including Standard tankers, may take oil up the Yangtze to the Chinese Government, we are simply violating every principle of our policy for a century and a half, and we have no business there. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from California [Mr. SCOTT], a member of the Committee on Naval Affairs.

Mr. SCOTT. Mr. Chairman, this Navy bill is in itself very closely connected with our foreign policy, and the debate on the bill this afternoon has very closely linked the Navy bill with the question of exactly what the position of the United States is in the world; just what kind of Nation have we become in the family of nations?

There have been speakers here this afternoon who have urged upon the United States complete isolation from the family of nations. If a disturbance is created, get out; if a disturbance arises stop your commerce in any part of the world where a continuation of that commerce might lead to some endangerment of our peace. Withdraw, concede, retire, give up. Is this our desire?

How far are we to continue a policy like this? Until the encroachment comes next door? I know that is the popular thing to say that the American Navy has always been used in China to protect Standard Oil boats. Yes; Standard Oil boats are over there, but so do we have other commerce in China, so do we have other commerce with Japan, and so do we have other commerce that has to traverse seas that are in that part of the world where warfare now exists.

Are we going to withdraw from the entire field, as far as our foreign policy is concerned, as far as our national interests are concerned? Our domestic economy here depends to a very large extent—and I think there is no question about this—on the continuance of our foreign commerce. If we were to withdraw every time a little difficulty starts, I think that in the world today we would have to withdraw our commerce from nearly every nation, because nearly every nation is in at least an unsettled condition today, Japan, China, Russia, Germany, Italy, Spain, Austria, Czechoslovakia, all of them.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. SCOTT. Yes.

Mr. BREWSTER. Does the gentleman not realize that there is something a little anomalous in our selling 2,000,000 tons of scrap steel to Japan and then building a billion-dollar navy to lick Japan? Why do we not keep the billion dollars at home?

Mr. SCOTT. Oh, certainly, I would be eager to stop the exportation of scrap steel to Japan. I have introduced a resolution for the purpose of stopping shipments of that kind to Japan. I have gone further than that and asked for an embargo on Japan as an aggressor nation. But the gentleman surely would not say that because we should not send scrap iron to Japan, we should not trade with other countries, would he? If you will carry this idea to a logical conclusion and say we will be sufficient to ourselves, and if you do bring everybody back from Europe and from the east to starve with you, very well, go to the inevitable end of that policy and say that we will not trade with the rest of the world, but you must be ready to pay the price for it in your domestic economy and your national-defense program.

Mr. BREWSTER. And will the gentleman please read the statement of a commander in the United States Navy that the Western Hemisphere can be entirely sufficient unto itself, with the United States Navy here?

Mr. SCOTT. Oh, at one time China decided she was entirely sufficient unto herself, and built a wall around herself, but I should never advocate that policy for the

United States. I can understand why an isolationist would support this bill, but I will be blessed if I can understand how an isolationist, like the gentleman, can oppose it.

Mr. BREWSTER. I said the Western Hemisphere.

Mr. SCOTT. And I should not build it around the Western Hemisphere. We must continue our business with the rest of the world. We must continue our commerce with the world. The gentleman knows, as well as I do, that we cannot be in this world and not be of it. The gentleman knows that a policy of isolation is entirely impossible, for no matter how much he or those who might be in control of the Government want to isolate ourselves, we could not do it. In the second place, if we are one of the nations in the world, then we are interested in the peace conditions in the world. I do not believe there is anybody who will make the statement, with the possible exception of perhaps my genial friend from Texas [Mr. MAVERICK], that the peace of the United States and the security of the United States are not directly affected by the conditions of the peace of the world and by war in other parts of the world. We may like to say that we are not interested in what Hitler may be doing in Austria; that we are not interested in the number of times that Mussolini may break treaties; that we are not interested in what Hitler intends to do to Czechoslovakia.

We may like to say our security does not depend upon the peace of the world; but I think in making a statement of that kind there would be the same disregard for fact that the gentleman was guilty of earlier in his address to the House this afternoon. Just as soon as war breaks out any place in the world the gentleman knows and I know that it affects the United States of America; that it has its effect upon our domestic economy, upon our financial program, and our own national security.

Mr. MAVERICK. The gentleman does not mean that I said that?

Mr. SCOTT. The gentleman said that to me in answer to a question on this floor. "Does the fact that there is war now existing in Europe affect our national security and our peace here in the United States?" was the question; and the gentleman said "No."

Mr. MAVERICK. Mr. Chairman, I do not think it affects us to the extent of causing us war, because we have sufficient national defense and we are a long way off.

Mr. SCOTT. Very well; but it does affect us, and it has an effect upon our domestic economy and our security, and it becomes more serious as it spreads. Is it not spreading over the entire world more and more all the time? It is impossible to say that the action of Hitler in Austria and that the action that everybody knows comes next, in Czechoslovakia, is not a menace to the peace of the world. Czechoslovakia has notified the world that if Hitler attempts what he did in Austria it will mean war, a general European war. Let me ask this question: It may be academic, but I have always wondered what would have happened had Germany won the World War. It is perfectly academic, but it may not be an academic question in the next 5 years. Compare the ambitions of the Kaiser with the ambitions of Hitler. I think that Hitler is more ambitious than the Kaiser ever was. I think he sees himself as a world dictator. He is making a playboy of Mussolini, as far as his ambitions are concerned, as he moves to the accomplishment of what has always been the German dream of Mittel-Europa. Only one thing can come as a result, and that is a clash between the German Empire and France and Great Britain. If that happens again, as it did in 1914, what would the United States do about it?

You say we are entirely separated from it, we will stay out of it. I wonder if we could? Those who have insisted that we maintain a program of isolation that says we do not want friends in the world, we do not want to make friends in the world, we do not want to be friends with anybody else in the rest of the world, must say at first: "Oh, we will stay out of it." Where would we be if France and Great Britain lost to Germany?

What are the chances of Hitler today as compared with the chances of the Kaiser in 1914 to defeat France and to defeat England; and what would be the implications for the United States? We say in the United States that the only thing that prevented the Kaiser from defeating Britain, that the only thing that prevented him from defeating France, was our entry into that war and you say we would not do it again. Where would we be if there were no British Navy in the Atlantic Ocean? We went into that war, we said, to make the world safe for democracy; and just as soon as we finished the military part of it we quit, and we are beginning now to pay the price of that quitting. Have we done anything among the community of nations of the world to maintain the thing we said we had accomplished by winning the war? Did we do anything at all in an active way to preserve the peace of the world? No. We returned to normalcy. We adopted negative policies as far as world affairs were concerned. We adopted the Kellogg Pact, which was a negative instrument. In our foreign policy we reiterated our belief in the Monroe Doctrine, which was a negative policy, in the maintenance of world peace. Those were not positive actions in the way of maintaining the peace of the world. We went into that war to make the world safe for democracy. When the war was over we stepped out, and what do we have today? Exactly the same condition that we faced then. I say that we now are faced with the same question we were then—that of the German Army on the verge of defeating Great Britain and France. Senator BORAH says there will be no war in Europe because nobody will fight Germany. When will Hitler stop?

If that happens, Mr. Chairman—and there is a much better chance of it today than there was then—European resistance will not be of the same kind, and neither will they be able to resist with the things they have at hand. Germany can defeat Great Britain. Then, give Germany control of the English Channel, give Germany control of France, as she has taken control of Austria—and undoubtedly will take control of Czechoslovakia—give Germany control of the Atlantic Ocean, and where does it put the United States? This Navy bill is a big bill, but it will be larger if Great Britain and France are defeated by Hitler.

In addition to that you have the moves in the Far East, and just think for a moment what that means. The "Son of God" in the beginning agreed with us on a 5–5–3 naval parity. He said that that ratio was adequate so far as the Japanese Navy was concerned, but today those who are asking for disarmament are met by the Japanese statement: "We will not attend a disarmament conference unless you tell us beforehand that you will give us parity as far as the navies of the world are concerned." Why do they want parity today if they did not need it in 1922? Does anybody think that the Japan of today is the Japan of 1922? At one time Japan signed an agreement that she would respect the territorial integrity of China; she signed an agreement that she would renounce war as an instrument of national policy; and she broke both. When she took Manchuria, she said that that would be enough, but just as soon as an incident occurred in some far portion of the world, Japan said: "Now is our chance to take China." Now she is trying to do it. Where will she stop? Aggression feeds upon aggression.

Suppose Japan should win in China; suppose that Japan were able to subjugate the entire Chinese Nation, and you had that on one side of our country, and Europe, under the control of Hitler, on the other side. It would put us between a dictator who does not know what it means when you speak of humanity or sanctity of treaties, and on the other side China under the control of the Japanese Army, men who send planes over a defenseless country to destroy defenseless people, not soldiers, not combatants, but women and children. It puts us in the peculiar situation, Mr. Chairman, to use the words of Livingstone Hartley, a writer on this subject—it makes us the ham in an international sandwich. I do not look upon this situation with pleasure. I sometimes

wonder whether we are going to be faced with the necessity of taking care of that situation ourselves by ourselves.

You have said, this Congress has said, some say the people have said, that we do not want to have anything to do with European countries; we do not want friends. Men get up here and attack this bill because they hate England; they do not want us to have friendship even between the United States and England. People say we are always pulling the chestnuts of England out of the fire—do you not know that we have chestnuts in the world, too, that are just as much in the fire as England's are? How about using England to pull some of our chestnuts out of the fire? We are the biggest nation in the world; we are the richest nation in the world; we are the most powerful nation in the world. What do we do to maintain the peace of the world? We shrug our shoulders and say we are sufficient unto ourselves. Why is it not possible for the United States to have friends abroad?

Why cannot the nations who believe in international democracy cooperate to prevent the military aggrandizement of the international autocracies?

Why is it not possible for the United States to have friends abroad? We have the same interest in the Pacific Ocean that England has in the Pacific Ocean. We paid dearly once to maintain the open door in China. It seems to me it would be little less than common sense to say, "Sure, England, we are perfectly willing for you to help us maintain our national interests in the Pacific Ocean." If those interests are the same, why cannot we cooperate? Why is any cooperation on our part always denounced as pulling England's chestnuts?

Mr. KNUTSON. Will the gentleman yield?

Mr. SCOTT. I yield to the gentleman from Minnesota.

Mr. KNUTSON. How many billion dollars did it cost us 20 years ago to be a good friend of England?

Mr. SCOTT. What did we get out of it 20 years ago?

Mr. KNUTSON. We did not get a thing. England has played us for a sucker every time we sit down at a table with them. She grabs the chips and gets out.

Mr. SCOTT. I cannot subscribe to the gentleman's statement. In the Washington Conference we got an agreement with Japan that she would not fortify any of her possessions in the Pacific Ocean. We prevented a naval race between ourselves, Great Britain, and Japan. We got an agreement that Japan would be satisfied with three ships to our five. We got an agreement that she would respect the open-door policy in China. Today she has broken all of them. We are faced with the situation of not having friends to help us out. We will have to do it all by ourselves, and you gentlemen who are insisting that we withdraw from the world and be sufficient unto ourselves will have to pay a bill far greater than this appropriation in order to build a bigger navy to handle the situation for ourselves by ourselves. You cannot do it. [Applause.]

Mr. KNUTSON. We are willing to assume that responsibility.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. COLE].

Mr. COLE of New York. Mr. Chairman, I regret deeply that the chairman of the Naval Affairs Committee in his presentation of this very important measure did not take the time to explain it to us fully.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. I shall endeavor to do so when we consider the bill under the 5-minute rule.

Mr. COLE of New York. Mr. Chairman, it occurs to me that we might give the measure much better judgment if we knew what it contained and what it did not contain rather than to try to picture it from a purely emotional standpoint. That is all the chairman's introductory explanation of this measure amounted to, anyway.

If the justification for this measure is based entirely on emotion, then it should have been passed a month ago, signed by the President at the White House and be on the statute books now. We all love democracy. We all abhor dictatorships. We all want to see our Nation defended. But this measure must be considered by something more than a deep sense of patriotism.

I regret too that the chairman saw fit to attach to those of us who oppose this measure the charge of playing politics on such an important instrument. I am willing to admit that every other member of the committee leaves politics on the doorstep when he considers national defense. Since the chairman of the Committee on Naval Affairs has brought politics into this discussion, I cannot help but bring myself to make the statement: if you go beyond emotion and if you do inquire into this measure, you will see that it is nothing more than a political measure.

This is not a navy for defense purposes. This is not a navy to protect the Monroe Doctrine. This is not a navy to give employment to our people. This is a navy designed either to bluff the other nations of the world or give our own people something else to talk about. [Applause.] That is a rather serious statement. Having said I do not want to bring politics into this, what is the reason for the statement? I am sure the chairman of the Committee on Naval Affairs does not care to leave any false impression, but he did make the statement that we never reached the ratio to which we were entitled under the treaty limits. Bear in mind that, so far as the consideration of this measure is concerned, we are not dealing with the ships we now have. We are not dealing with the ships that are now being built. We are dealing with authority under the law for the Navy Department to ask for more ships. This is simply an authorization bill; so we must compare it with previous authorization measures.

Since I am not a veteran of many years in my membership on the Committee on Naval Affairs, if I make any statement or cite a figure which is incorrect, I trust the chairman of the committee will correct me, because I do want to have it right.

With regard to whether our Navy has been authorized to build up to treaty limits or not, may I bring to your mind the act of 1934, sponsored under the name of the present chairman of the Committee on Naval Affairs, which authorized our Navy to be greater than the limits of the 1930 disarmament conference. Not only did it authorize our Navy to come up to those limits and a trifle beyond, because of the fact that England and France had exercised the escalator provision with regard to submarines and destroyers, not only was the Navy authorized to be built up to treaty limits, but the Navy Department is also authorized to replace ships as they become overage. As specified in the treaty, a battleship reaches overage when it has seen 26 years of service, but we can start building for an overage ship 3 years prior to the expiration of the 26 years. Therefore, for all practical purposes we can start replacing ships that are 23 years of age.

Mr. Chairman, if this measure is so important, if there is such a great emergency that has suddenly come upon us as one of the great nations of the world, that we should authorize these three new battleships, I ask you to inquire of the proponents of this measure why, then, has the Navy Department not asked for the three battleships they now have authority to build? [Applause.] We had one battleship become overage in 1935, two in 1937, and four in 1939. Right today we could be building seven battleships, not limited to 35,000 tons, but limited only by the discretion of the engineers in the Navy Department. The only limitation that exists so far as the size of the battleships we can now build for replacement purposes is the Panama Canal. As I stated, we could be building seven battleships today and an additional replacement ship is authorized for 1940, 1941, 1942, 1943, two additional for 1944 and 1946.

Mr. MAAS. Will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Minnesota.

Mr. MAAS. Why does the gentleman say that the only limit is the Panama Canal when we still have the 1936 treaty that limits us to 35,000 tons? That limit prevails until the treaty is abrogated.

Mr. COLE of New York. That limits us to 35,000 tons until we have reason to believe that another nation not a signatory is building a ship larger than 35,000 tons and we are informed that Japan is building one of nearly 43,000 tons. All we have to do under the treaty is to tell England and France that we no longer want to build 35,000-ton battleships, we want to build 45,000-ton battleships, and upon receipt of acknowledgement of that notice we have authority to go ahead.

Mr. MAAS. Is it not true that is predicated upon a nonsignatory nation building a ship larger than 35,000 tons?

Mr. COLE of New York. Any signatory to the treaty has a right to do that if a nonsignatory builds beyond 35,000 tons.

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Illinois.

Mr. CHURCH. Has not the notice under the escalator clause gone forward to the other nations?

Mr. COLE of New York. I have had no information that it has, although I have had strong intimation that it has gone forward.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Was any evidence brought out at the hearings to show that our present program is not sufficient to protect the continental United States, Hawaii, and the Panama Canal?

Mr. COLE of New York. The question of what is sufficient is so indefinite that I am not going to undertake to enlarge upon it except to say that my own notion of adequacy is that the ideal naval situation is one of two possibilities: Either we have no battleships and nobody else has any, or we have a Navy equal to the combined strength of all the other navies in the world. These are the two ideal situations, but we must arrive at a means, so the only other possibility is that we have a navy equal to the largest navy in the world and we can have such a navy. Look at the tables that have been placed in the hearings you have before you and see whether or not, if the Navy Department had exercised the authority for construction it now has, our Navy would not be equal in strength to that of Great Britain.

The chairman has stated that the President intends to make a special request for two more battleships and two more cruisers if this bill is adopted. If that is so, and if it is necessary that we have these four new capital ships, why is it the Navy Department has not made a request to have those funds placed in the 1939 supply bill, which still rests in the other end of the Capitol? The real reason they have not built the extra three battleships they now have authority to build is that they could not build them if they wanted to, because we do not have facilities to build them.

Mr. LAMBERTSON. Mr. Chairman, will the gentleman yield for a question?

Mr. COLE of New York. I yield to the gentleman from Kansas.

Mr. LAMBERTSON. Nothing would be lost, then, if we were to postpone this question until the opening of the next Congress?

Mr. COLE of New York. Not a thing would be lost. Bear in mind that over the period of the next 8 years, from now until 1946, we have authority of law to replace every single battleship we now have. Eight years from now we can have or can have started 30 battleships.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. That is also true of everything else in the Navy.

Mr. COLE of New York. As far as replacements are concerned, they could all be replaced.

Mr. VINSON of Georgia. We can replace submarines, destroyers, and cruisers, as well as battleships.

Mr. COLE of New York. As they become overage.

Mr. VINSON of Georgia. Because the act of 1934 authorizes their replacement.

Mr. COLE of New York. The gentleman is correct.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Wisconsin.

Mr. BOILEAU. Is not such replacement going to cost about as much money as our taxpayers can pay, without putting on them this additional burden?

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 5 additional minutes to the gentleman from New York.

Mr. COLE of New York. Why do I say we cannot build these ships? We have three navy yards on the Atlantic coast. The Navy Department has stated none of these ships will be built on the Pacific coast, so we are limited to three Atlantic navy yards. One of these yards has just one battleship way and each of the other two has two ways. Thus, there are ways for the construction of five ships at the same time. If the Navy Department were to exercise the authority it now has for the construction of battleships and the Congress were to appropriate the money, the first battleship authorized under this bill could not be started until 1947, 9 years from now, and yet they say we face such a tremendous emergency. Oh, yes; it will be said we have a provision in the bill for authorizing the acquirement of additional facilities as they may be needed, but bear in mind this provision was not in the bill when it was submitted to the Congress and it was not in the measure when the hearings on the bill were begun. The provision was suggested by the Navy Department, which brings one to the conclusion that this program did not originate in the Navy Department. If it had, what answer would they have had to the charge they had not already used up their existing authority? To be sure, if we built new battleship ways and constructed new navy yards there would be no limitation to the number of warships we could build.

Let me go on to the other categories. We have built up or are building up to the treaty limits in aircraft carriers and cruisers. Perhaps there is some justification for a request for additional authority in these categories. The Navy now has authority to construct 52,000 tons of destroyers and this bill calls for 38,000 tons. In other words, the Navy has authority right now to build more destroyers than this bill would authorize. The bill authorizes an additional 13,000 tons of submarines and the Navy Department now has authority to build 10,000 tons. These figures include the 1939 supply bill.

I cannot get away from the notion that if this is so much of an emergency that we must have these additional ships in all categories, why has not the Navy Department gone before the proper committee in the other branch of this Congress and requested funds for them? There must be some reason. The only reason I can find is that they know they cannot build these ships. This is why I say I have been brought to the irresistible conclusion that this bill is offered either as a bluff to the other nations of the world or for the purpose of distracting the attention of our own people from their present economic distresses.

My principal criticism of the measure is in regard to battleships, but another criticism is the failure or refusal of the committee to include a provision which would give congressional approval to the idea of a disarmament conference. [Applause.]

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Connecticut.

Mr. PHILLIPS. Will the gentleman tell us which of the aggressive nations of the world today it is whose word is good and that lives up to its treaties?

Mr. COLE of New York. I know there were eight or nine nations in the world that did keep their word from 1923 until 1936, thereby saving those nations and our own taxpayers millions and millions of dollars, and I have no reason

to disbelieve that if these same nations entered into a new agreement they would not adhere to it.

Mr. PHILLIPS. Does the gentleman believe Japan has recently kept its word and its treaties or that Italy has or that Germany has?

Mr. COLE of New York. I can only use the words of Admiral Leahy, who said that the signatories to the 1936 naval treaty did keep their word. Japan, of course, is not a signatory to that treaty and consequently she need not be expected to conform to the treaty provisions.

[Here the gavel fell.]

Mr. BREWSTER. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. COLE of New York. I simply want to enlarge just briefly on the idea of another disarmament conference. A suggestion was made in committee that at the end of the declaration of policy inserted by the chairman in which he states he deplores this great international armament race and abhors it and also states that the only way it can be stopped is by an agreement, an amendment should be added to that very paragraph to the effect that the Congress would welcome and support an international conference on the limitation of naval armament. It was rejected on the ground it would embarrass the President.

I am very happy to publicly announce that there is one measure on which I can support the President and avoid him embarrassment. It does not require him to call a conference, it simply indicates to the world that the representatives of the people favor the idea of a conference, and who is there to say it is not more logical that a conference or an effort at least for a conference be made before this race goes on, rather than to wait until after the race has started and millions and millions of dollars have been spent for ships, and then have a conference.

This bill puts us 20 percent beyond not our present naval strength but 20 percent beyond our treaty strength, and these naval races, of which we are as much a party as any other nation of the world, always end in one of two results—either in a war or in the scrapping of the people's money. Oh, they will say that the bill contains a provision that none of these ships can be scrapped in case of a later disarmament conference. Of course, you know and I know that whatever we may write into statutory law, we have no effect in limiting the provisions of future treaties. Once a treaty is made, 10 years from now or 8 years from now, it can scrap all the ships we then have, new and old.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. Yes.

Mr. MAAS. Does the gentleman contend that the United States itself ought to call such a conference at this time?

Mr. COLE of New York. I see no reason why not. [Applause.]

The State Department has looked with disfavor upon our calling a disarmament conference, because it might jeopardize our efforts and embarrass us. If we can avert participation in a future war 3 or 5 or 10 years from now, or if we can avoid spending millions and millions of dollars on battleships, later to be scrapped, all for the great price of a little embarrassment, I say it is well worth the embarrassment.

Mr. MAAS. It is not embarrassment to the State Department, but it may be an embarrassment to the security of this country; and does not the gentleman realize that if we call a conference and sponsor it we will have to offer the conferees some sacrifice, and we have nothing left to offer? We made that once in 1922, and does the gentleman think we won that conference?

Mr. COLE of New York. I certainly think we did win that conference. [Applause.]

Mr. MAAS. In 1922?

Mr. COLE of New York. In 1922, even though we did scrap some ships then built.

Mr. MAAS. We had the greatest Navy in the world then, did we not?

Mr. COLE of New York. I make that statement for the reason that from 1922 to 1934, 12 years, we had peace in the world so far as competition in naval armaments were concerned and saved untold millions of dollars by adopting and adhering to the treaty.

Mr. MAAS. And we let the dictators prepare for the war they are making today, did we not?

Mr. COLE of New York. We talk about Japan expanding with her great naval construction program. Do you know what she has done? Do you know the thing that has alarmed us so much? After the 1936 treaty was outlawed or rejected she started a program for the replenishment of her Navy in April of last year. We started our replenishment program back in 1934 so far as authorizations are concerned.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield.

Mr. VINSON of Georgia. They had already brought their navy up to treaty strength and our program of 1936 was simply to bring our Navy up to treaty strength.

Mr. COLE of New York. They brought their navy up to treaty strength in the lower category of ships. This new program of Japan, so far as I am informed, has to do only with capital ships.

Mr. VINSON of Georgia. Does not the gentleman know that Japan and England both are now building, and have been ever since the treaty expired in 1936, far beyond the treaty ratio, and that this is the very reason this bill is before this House?

Mr. COLE of New York. I say if the Navy Department exercised the authority it has under the law now, even with the increase of Great Britain and Japan in battleships, the ratio would still be the same. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Colorado [Mr. MARTIN].

Mr. MARTIN of Colorado. Mr. Chairman, even if I thought this bill is just a bluff, as the gentleman from New York [Mr. COLE] said, who has just taken his seat, I would be for the bill still, because you cannot bluff unless you have the cards in your hands, and we certainly have not got them. Mr. Chairman, I have become habituated, when a question of national defense is under consideration, to a reasonable amount of twisting of the British lion's tail. Any fight over the national defense without twisting the lion's tail would virtually not be a fight at all, but this is the first time that I can remember that partisanship has been brought into a debate over the national defense. I remind those gentlemen on the left who are clamoring to have our nationals and our warships and soldiers pulled out of China because, they say, they are only there to protect Standard Oil, that it was the Republican Party that put the Army and the Navy in China, and put them there to protect the Standard Oil Co., and they have been kept there so long that they have become an institution. It was also their party that laid the Philippine white elephant on Uncle Sam's doorstep, the worst danger spot for this country on the map of the world, and they paid Spain $20,000,000 for it in addition. I also remind them that it was their party that established dollar diplomacy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I have not the time to yield. They established the slogan that the flag follows the dollar, and for 30 years they had the marines chasing American dollars all over the West Indies and Central America. I might also remind gentlemen on the Republican side that people who live in glass houses should not throw stones.

Mr. Chairman, it is a strange new doctrine falling from Republican lips that the declaration of policy in section 9 of the bill, "to protect our commerce and citizens abroad," must be stricken out. This is enough to make a man pinch himself to see if he is awake and in the Congress of the United States. It is enough to make John Paul Jones turn over in his grave. After that you can expect anything.

Mr. Chairman, in the present welter of controversy, not unmixed with hysteria, with regard to the proposed naval program, it is reassuring for one to have some views which have stood the test of time, by which one may orient himself.

My views regarding the naval requirements of the United States are not prompted by the present unholy alliance between three militaristic powers, or upon what happened to Ethiopia, or the present Japanese raid on China, or even the projected Japanese naval base in Mexico. These successive developments merely sustain long-held views, or rather convictions, as to the proper and necessary naval policy of this country. We may be only indirectly concerned with what Japan is doing in Asia, or Germany is doing in Europe, or Italy is doing in Africa, but we are directly and vitally concerned with what any of them is doing or contemplate doing in the Western Hemisphere.

When the present naval controversy began to rage, I recalled the fight over naval increases in the second session of the Sixty-second Congress, and I got out the old RECORD and went over it to see what light it might shed on the present controversy and what guidance it might give me, because then, as now, the fight was waged around the question of a navy for offense or defense and what constitutes a navy adequate to the needs of the country. Big navy versus little navy is an old issue. We have had it ever since we have had a navy and we will probably have it so long as we have a navy.

For 5 or 6 consecutive years prior to the second session of the Sixty-second Congress, the laying down of two new battleships a year had been authorized, but the tide was rising against a big navy. The Democratic Party was in control of the House and held a caucus on the question of battleships, and passed a binding resolution against the authorization of any battleships by that session of Congress, and this action was sustained by the House.

I may say in anticipation that that resolution accounts for my vote of "present" on the passage of the bill, carrying no battleships. I was one of thirty-odd members in the caucus who voted for two battleships, and under the binding rule, a vote of "present" was all that was left me.

In looking over the roll call by which the House voted down a motion to recommit the bill with instructions to report back one first-class battleship, I noted that among 14 Democrats answering "present" was the name of our very able floor leader, Oscar W. Underwood. He was one Member of this House who did not remain to reach the speakership, but who is well worthy of the niche he occupies above the Speaker's station.

When the item of battleships was reached for consideration under the 5-minute rule, or rather the place where battleships should have been, it was agreed that the matter, being of great importance, should be given 1 hour of time. I was accorded 5 of those precious minutes, which help me to locate and justify myself now with respect to the question of an adequate Navy, and I take the liberty of quoting myself in the debate on that occasion:

> According to my way of reasoning, a Navy is either adequate or inadequate, measured by the power and the responsibility of the Nation. I can conceive of no other practical test. This is one case where, in my judgment, a half loaf is not better than no bread. A weak Navy would provoke, not prevent, trouble. Either we should have and maintain a first-class Navy or none.
>
> Standing here as the dominant and responsible power of one-half the world, our duties and liabilities in the Western Hemisphere are vast and growing, and we must be in a position to meet them.

The truth of that observation is much more apparent now than it was 25 years ago. At that time, waving the Monroe Doctrine appeared to be all the defense needed by the Western Hemisphere. Now, the infiltration of Central and South America by the three imperialistic powers of the world, working together, with new philosophies of government as obnoxious to the genius of our people as communism, is giving cause for grave concern. It is by no means certain that upon this country will not fall the burden of preserving by force the status quo in this hemisphere.

This is no new thought to me. I have thought for many years that it was inevitable, but not on so many fronts as now. Now, the fall of Brazil into fascism and the renewed activities of the Nazi power in that great empire, almost as large as the United States, while Japan extends and intensifies her activities in Central America and along the Pacific coast, deposits the question on the doorstep. It is significant of the persistence of a national policy, that after a lapse of more than 20 years, Germany has renewed her policy, interrupted by the World War, of the economic and cultural domination of Brazil.

If the Western Hemisphere requires the protection of a navy, it requires the protection of a strong navy, and only one nation can furnish it. That nation is the only first-class power in the Western Hemisphere, in one-half of the world. It stands in the middle of the Western World, with its outposts in Alaska, in Hawaii, in Panama, in Puerto Rico. It has everything but an adequate navy to meet this great and inescapable responsibility, and we debate whether we shall have it while lesser nations build armies and navies to spread their imperial rule in the world, including our world.

To be adequately prepared to meet this vast responsibility we must be able to go beyond our 4,000 miles of coast line and the Panama Canal. The situation goes far beyond that. Possible use of the American Navy must encompass the American Continent, with two coast lines reaching almost from the Arctic to the Antarctic. The idea of a Navy which could only function efficiently from Alaska to Panama and from Puerto Rico to Hawaii, is just befuddling one's mind with futile speculation. It must encompass the waters of the hemisphere.

Mr. Chairman, if there are threats on our horizon, we have ample time to meet them. There need be no mad haste. The sources from which these threats come now have their hands full. They may bog down where they stand, but one thing is certain, unless they are wrecked by the enterprises in which they are now engaged and other ambitious enterprises on their agenda, there is no limit to their programs, and in the very nature of these powers there can be none.

It is said that the British Government of the moment hopes to appease the Fascist powers. They cannot be appeased. They dare not be appeased. They have set out on an endless road on which to stop would spell disaster. They must go from aggression to victory, and from victory to aggression. Repose would be fatal.

We need not go to China or Ethiopia for object lessons in unpreparedness. We can rest our case on England. England, wearied and exhausted by the World War, stopped naval development. Now her navy is inadequate. So, menaced by the Fascist powers, she starts feverishly a naval program at the staggering cost of seven and one-half billion dollars and seeks, while she builds, to make peace at any price with fascism.

England's plight affords us another object lesson. When the labor government came into power in England following the World War, it took a view of preparedness similar to that being taken by the opposition to this naval program, and which resulted in the present low state of the British defenses. But when Italy invaded Ethiopia the Labor Party demanded action, and now they want to add Germany to Italy. They want war with fascism rather than peace at the price of democracy. But England—mark this—England, to fight a war in defense of democracy, must take the offensive. Chamberlain looks at his inadequate war forces and makes terms as best he can.

Mr. Chairman, we are not a militaristic nation; we are not an imperialistic nation; we are not an aggressor nation. This is the only nation which would have given Cuba her liberty, and which would have voted the Philippines their independence. This is the only nation which returned to China its share of the Boxer indemnity. This is the only nation which refused mandates and reparations after the World War. This administration has attested its good

neighbor professions by deeds. For the first time in nearly 40 years there are no American troops in the West Indies and Central America. The flag no longer chases the dollar. We seek, and our record proves it, neither the political nor economic domination of any people beyond our own borders.

But we must be prepared to defend this status, and preparation for defense cannot begin at the 3-mile limit. I could never understand the philosophy that the way to keep out of trouble is to be unprepared to meet it, to crawl in a hole and pull the hole in after you. It has been my philosophy that the surest way to keep out of trouble is to be so ready the other fellow cannot start. He will know how ready that is, to the last gun, the last man, and the last dollar. His spies are everywhere and his blueprints are always down to date. He infests the land and swarms our coasts. I could furnish some particulars, but it would serve no useful purpose. The State Department and the Army and Navy are not asleep. They have only too many particulars. I assume we can all agree that the activities along the Pacific coast from Alaska to Panama are not motivated by fear that this country contemplates an attack on Japan. For what, then?

For years there has been a not reassuring prevalence of opinion among observers and commentators on trends in the Orient that when Japan has completed her program on the Asiatic mainland and consolidated her gains and gotten under her control the economic resources which the program will make available, she will face this way; she will face the question mark overhanging the Pacific. The issue will be the domination of the Pacific, the greatest and richest of the seven seas, and the real goal of Japanese ambition. There is only one nation which can prevent, and which must prevent, in the Pacific, a repetition of what began first in Korea, was followed up in Manchuria, and is now reaching its climax in China proper.

The future will be as inexorable as the past. Mere seeking to dodge the issue will not escape it. There is much counsel that we get out of China, boots and baggage. Conceivably there could be a situation in which it would be the wise policy to scuttle and run. The difficulty is to find a stopping place. If, having decided to run, you could fix your own stopping place, it might be the wiser policy, but if the other fellow decides to fix it for you, you may find him on your heels when you get home. To those well-meaning people who think that if we have to fight again we will pick the ground, I commend consideration of the first battleground of the Spanish-American War. It is some 7,000 miles from the place they have in mind for the start of the next one.

Mr. Chairman, while I have voted in every Congress for every appropriation for the national defense, I have made another equally consistent record with which that record may appear to be in conflict. I have favored every peace movement in the world throughout that time. I favored the Hague tribunal and the League of Nations and the World Court. I favored the 33 peace treaties negotiated by Bryan when he was Secretary of State and the nine-power pact guaranteeing the political and territorial integrity of China, and the Kellogg-Briand Pact outlawing war, and voted for the Neutrality Acts of the Seventy-fourth and Seventy-fifth Congresses. I believe that Woodrow Wilson will yet be acclaimed the supreme figure of the World War, and that his 14 points, administered by a world peace agency, will yet be the chart to guide the international relationships of the world. My soul enthuses over these ideals as it cannot enthuse over armies and navies.

At the same time I realize that we live in a world of grim realities, not idealities. We live in a world in which international friendship is a diplomatic myth. We live in a world in which, when you tell people you are too proud to fight, it goes over their heads, but when you bid them "good morning" with a 16-inch gun they get you the first time. They respect nothing but superior force, and they misinterpret a will to peace as a fear to fight.

The Members who opposed naval expansion in the Sixty-second Congress dreamed dreams. You have only to reread their speeches. Every argument made in that debate against naval expansion was proven fallacious by subsequent events, and not very long subsequent; but I apprehend they were not any more fallacious than the arguments being made now against the proposed naval program. The Hague tribunal would set up an international court of arbitration, and these international questions would be amicably thrashed out around the council table. We should expand the interchange of peaceful commerce among the nations instead of expanding the Navy. This view, in almost the same words, has been voiced in the last few days by a leading opponent of the naval program at the other end of the Capitol. We intended to invade no other nation, no other nation would dare invade us.

How pitifully these hopes have turned to ashes in the light of the awful events since 1912. Just 6 years later we had 2,000,000 men in Europe. How pale those dreams of peace in the light of the world conflagration of 1914–18 and the lurid fires now burning in the world. Every effort toward world peace a failure. Every peace treaty only a scrap of paper. Every peace agency discredited.

As for us, we have washed our hands of the whole sorry mess. We would not cooperate with all the nations of the world, and we will not cooperate with one nation. We not only join perforce the universal race for armaments, but we lead in the race for isolation. We elect to stand alone. I would that the United States, England, and France, the remaining great democracies, might stand together to preserve not only peace, but democracy, in the world, but the administration which would advocate any such policy would be destroyed.

Very well, then, let it be isolation. I can do nothing about that. I have no voice in that, but I have a vote. A nation which elects to live alone, but whose interests touch all shores and penetrate all lands, must be able alone to defend itself on all fronts. I can and will cast that vote for that defense, for a navy kept abreast of the best, with a margin of safety in case of doubt. That is my idea of an adequate navy.

The only reassuring objection I have heard to such a program is that we have such a navy now. Opponents of the proposed naval program say that we are being misled as to the present status and capacity of our Navy as compared with those of other nations, and that we now have the most effective Navy in the world. A minority of 3 out of 25 on the Naval Affairs Committee make the claim. I hope they are right; and to make sure they are right I am supporting the bill.

Mr. CHURCH. Four, not three—and one from the gentleman's side.

Mr. MARTIN of Colorado. Well, they need company.

Mr. Chairman, if I must guess between a navy that may prove too large, and one that may prove too small, I am going to play safe. If we are short, it takes 3 years to build a battleship. If we get too many we can sink them in 3 days. We know how. In 1922 we scrapped 755,000 tons of ships as against 803,000 tons for England and Japan combined. Total dollars sunk: United States, $277,696,000; England and Japan combined, $276,733,000. New ships scrapped: United States 11, England 0, Japan 4.

The other powers will have new and powerful capital ships whether we do or not. We know they are building them. If they have them, we must. If bigger ships and guns are to be built by others, America, too, can build them. And when they are built America can fight them.

Mr. Chairman, I come now briefly to the question of the proper composition of a modern navy. Aside from the much more threatening developments against the security of the western world than existed in 1912, there is just one new issue regarding the composition of a navy, and that is, the value of capital ships—first-class battleships—in war.

The question of the value of capital ships is raised by the development of the airplane. It is a real question. It is the only question involved in naval expenditures which has given me real concern. When I saw the first flash in the press

that a recommendation would be made to this Congress for the construction of two new battleships at a cost of $60,000,000 each, and which recommendation has already been translated into law at this session of Congress, the question occurred to me of what use such ships would be. Would they play the effective role which would justify such an expense, or would they have to be bottled up and protected by antiaircraft guns and airplanes?

Mr. Chairman, the question of the composition of a modern navy, of what types of craft it should be composed, how it should be balanced, is a large order for the lay mind. If the lay mind is competent to design a properly balanced navy, it could go on and perform the same service for the Army and its combat equipment, and also enlighten us as to what we need of the various types of fighting aircraft. Not having the requisite knowledge myself, I must leave it largely to that arm of the national defense which must be responsible for the performance of the Navy and answer for it with their lives. These authorities claim that the first-class battleship is still the basic unit of the Navy, around and upon which all the auxiliary forces on the water, under the water, and over the water are built.

In this connection I recently talked with a friend who was a former naval officer and in charge of the sinking of one of the new battleships in the execution of the folly of 1922, when, as Will Rogers so aptly said: "We sank our ships and England sank her blueprints." This officer said that, although the ship lay there a helpless target, it was a tough job; but he added that had it been in action, with its own complement of submarines, cruisers, destroyers, torpedo boats, and antiaircraft, it would have been much tougher.

I do not want to be understood as minimizing aircraft in future warfare. There is no pride of opinion involved in my mental processes regarding the composition of a navy. We invented the fighting iron ships of the sea and the airships, too. It is perfectly all right with me if it develops that the air can lick the water.

It has been and is my position that we should develop a strong and balanced national defense, capable of taking the offensive in an emergency, in every branch of the service, on sea and land and air, including research and experiment in improving existing instrumentalities or creating new ones. If the Navy is out of balance, as claimed by the "cornfield" sailors on the minority report, then strike a balance by building up the weak spots, not pulling the strong ones down. The bill to draft the boys who are to fight the next war is already on the calendar. If they must fight, we must see to it they are not sent unprepared, as they were to the last war.

Mr. Chairman, I may appropriately conclude with my closing sentence in that long-gone debate. I quote:

I want to say in conclusion that no political party can afford to incur the distrust of the country with reference to the national defense. The national sense of honor is a tinder box, needing only the spark of danger to explode it, and the Nation will cry with one voice, "Are you ready?" and if we are not ready, then God help the party or the policy responsible for lack of readiness. The people will not.

[Applause.]

Mr. BREWSTER. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. TINKHAM].

Mr. TINKHAM. Mr. Chairman, I wish to say to the members of this committee that I am convinced that the United States is marching to poverty, to dictatorship, and to war. I am now going to discuss the march to war. During the 23 years I have been a Member of the House I have voted for every naval and military appropriation. I cannot vote for this bill. My familiarity with foreign events and foreign affairs during many years forbids it. Over a period of 49 years I have been to Europe 26 times. As a Member of this House, I went through the turmoil that preceded the last war. I then stood here in the midst of the propaganda and lies which led us to the bloody fields of Europe. I now understand the betrayal of the United States which occurred at that time. It is disclosed by official documents, by autobiographies and biographies, by private and intimate papers, and by other publications. First, I am opposed to this bill, because it is not a naval bill.

It is a foreign-policy bill. It is, in my opinion, a war bill and nothing else. To prove that it is a war bill, to prove that a sinister secret diplomacy is now directing American foreign policy, that there are collusive political engagements between the United States and Great Britain, and to confute the statement made here today by the chairman of the Committee on Naval Affairs that the United States has no understanding with Great Britain concerning the use of the American Navy, let me read a dispatch which I regard as of the greatest moment and significance. It is a copyrighted United Press dispatch dated at London, March 7:

Winston Churchill, a member of Britain's World War Cabinets, told of "excellent arrangements" which have grown up with the United States.

He said that because of these arrangements, and the fact that the United States Navy was not "being allowed to fall behind" British expansion, "we are entitled to measure our naval power against the power" of European countries.

"We therefore are in a far stronger position at sea relative to any navy in Europe today or to any likely combination of navies in Europe than we were with the larger fleets we had in 1914."

Here is the record of the Right Honorable Winston Churchill: Under Secretary of State for the Colonies, 1906–8; president, board of trade, 1908–10; Home Secretary, 1910–11; First Lord of the Admiralty, 1911–15; Minister of Munitions, 1917; Secretary of State for War and for Air, 1918–21; Chancellor of the Exchequer, 1924–29; long a member of the British Parliament.

In the light of these statements by Mr. Churchill, how can it be denied that the United States has arrangements with Great Britain?

Furthermore, Mr. Churchill states that these arrangements mean in effect the pooling of the British Navy and the American Navy.

I say that if such excellent arrangements have been made, then the United States is already committed to participation in the next war, which seems already on the horizon. I say that if we vote for this bill in the face of these statements made by Mr. Churchill, we are subscribing to those arrangements and to United States' participation in the next war. I say more than that; I say that he who is responsible for such arrangements, whether he be President of the United States or Secretary of State, is disloyal to the United States and is traitorous.

Mr. CHURCH. Mr. Chairman, will the gentleman yield.

Mr. TINKHAM. I yield to the honorable Representative.

Mr. CHURCH. Is not the gentleman familiar with the fact that the President has never denied that there is an arrangement; that the Secretary of State has, but that the President has not?

Mr. TINKHAM. They are one for all intents and purposes. The President is responsible for any statement made by the Secretary of State. The Secretary of State is the President's agent.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. TINKHAM. I do.

Mr. BOILEAU. As I recall it—I have not the statement here before me—the Secretary of State denied that there are any secret agreements in any sense. I do not think he denied there having been an excellent arrangement.

Mr. TINKHAM. Here are statements by the Secretary of State. What other statements he may have made I do not know.

A New York Times dispatch dated at Washington, February 8, reported that the Secretary of State had sent the following letter to Senator PITTMAN, chairman of the Committee on Foreign Relations:

FEBRUARY 8, 1938.

MY DEAR SENATOR PITTMAN: My attention has been called to Senate Resolution No. 229, introduced by Senator JOHNSON of California on January 5 (calendar day, February 7), 1938, and ordered to lie on the table.

Under the terms of the proposed resolution the Secretary of State is requested, if it be not incompatible with the public interest, to advise the Senate in response to three inquiries.

For your information, and for such use as you may desire to make thereof, I desire to state to you very definitely that in response to point (a), which reads "whether or not any alliance, agreement, or understanding exists or is contemplated with Great Britain relating to war or the possibility of war," the answer is "no"; in response to point (b), which reads "whether or not there is any understanding or agreement, express or implied, for the use of the Navy of the United States in conjunction with any other nation," the answer is "no"; with regard to point (c), which reads, "whether or not there is any understanding or agreement, express or implied, with any nation, that the United States Navy, or any part of it, should police or patrol or be transferred to any particular waters or any particular ocean," the answer is "no."

Sincerely yours,

CORDELL HULL.

These statements by the Secretary of State are utterly incompatible with the statement of Winston Churchill that excellent arrangements have been made with the United States.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. TINKHAM. I yield.

Mr. VINSON of Georgia. In connection with the statement of the Secretary of State denying that statement which the gentleman just read, what does the gentleman have to say about this statement from Admiral Leahy, head of the Navy?—

The Navy has no thought of obtaining assistance from any other nation. It has no thought of giving assistance in the solution of the problems of any other nation. It has no foreign commitments. There are no understandings regarding assistance to be given or received. There has been no talk of giving or receiving assistance.

I ask the gentleman if he has not confidence in the integrity of these public officials of the United States; and does he come before the House now and say that these statements are false and that there is, as a matter of fact, some agreement between this Government and Great Britain?

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield the gentleman from Massachusetts 3 additional minutes.

Mr. TINKHAM. In the light of the statements made by the Right Honorable Winston Churchill, I am frank to say that I do not believe what has been stated by the admiral or by the Secretary of State. For 5 years both the President and the Secretary of State have been dominated by Great Britain and controlled by British policies.

Mr. VINSON of Georgia. The gentleman has not a scintilla of evidence with which to back up his statement. On the contrary, he has a positive declaration from public officials of this country denying any such statement; yet the gentleman stands on the floor of this House and challenges the honesty and integrity of the statement of these public officials and relies upon a newspaper article.

Mr. TINKHAM. The decision rests with this committee. I have given the evidence.

Mr. VINSON of Georgia. I do not think the gentleman has given any evidence to convince anyone except the gentleman himself, whose mind is beclouded on this subject.

Mr. BOILEAU. Will the gentleman yield?

Mr. TINKHAM. I yield to the honorable Representative from Wisconsin.

Mr. BOILEAU. May I say that as far as the Navy is concerned it would not have an agreement. No one assumes that Admiral Leahy might be in on the secret, and the Secretary of State has not denied that arrangements have been entered into.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. TINKHAM. I cannot yield to the honorable Representative further.

Mr. FISH. Will the gentleman yield?

Mr. TINKHAM. I yield to the honorable Representative from New York.

Mr. FISH. When Mr. Eden was Foreign Minister for Great Britain he made the statement only 1½ months ago that he was in constant contact with the highest American authorities and they had agreed to parallel action.

Mr. TINKHAM. Yes.

Mr. FISH. Not to concerted action but to parallel action. The Secretary of State has never denied that statement.

Mr. VINSON of Georgia. And the Secretary of State reserves the right for independent action in connection with the parallel action.

Mr. FISH. It is all a quibble about words.

Mr. TINKHAM. The Secretary of State has stated repeatedly that he intends to confer with governments and, where practicable, to proceed along parallel lines. He gives no explanation of what he means by "parallel lines," nor does he indicate how it is possible to proceed along so-called parallel lines without having some understandings, commitments, agreements, or tacit assurances of mutually agreeable action.

The President has asserted repeatedly that certain nations should be "quarantined," that aggressor nations should be restrained, that treaty-breaking nations should be punished, and that collective action for world peace was his objective.

These professed objectives of the President and the Secretary of State plainly envisage a belligerent United States foreign policy. Aggressive and belligerent action by the United States is the purpose of this bill.

I am introducing a resolution in the House today providing that a committee be appointed to investigate and to disclose (1) the extent to which the Department of State is dominated and controlled by the British Foreign Office, (2) the character of the intrigue or collusive political engagement which apparently has been entered into with Great Britain, and (3) the extent to which the American Neutrality Act has been violated.

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, I confess my state of mind must be the same as that of a great many Members of this House who at least at this moment do not know definitely whether they are going to vote for or against this bill. In the casual conversations in which I have participated in the Chamber this afternoon I have observed there are others beside myself whose mind is in a state of abeyance for the moment as to the merits, purposes, and objectives of this bill. Under those circumstances I do not know that I can offer any particular light. May I say that there has been a lot of discussion of collateral aspects of this measure but not so much light on this bill?

I am wondering whether or not the issue has been resolved. I have tried to resolve it for my own part, and I will give you the benefit of that thought for whatever it may be worth. I remember with profound respect that great philosopher Thoreau, who in my judgment ranks equal to Emerson and in some respects was greater, made the observation that for every hundred men who were hacking at the branches of evil you have one who strikes at the root. That is a perfectly sound observation as it fits so many of these controversial things that are dished up in public life.

Mr. Chairman, I wonder if we have gotten to the roots of this thing. Sometimes the roots or the real issue is so distasteful and so disagreeable and sometimes it has so many possibilities of political repercussion, that we fail to state it. I know I have been guilty of that on occasions myself.

In my judgment the issue has not as yet been stated, insofar as it relates to the doubts that now assail many Members as to this measure. In my humble opinion, the issue involved in this controversial bill is the views and policies of the President and what he is going to do in projecting this Navy into the scheme of things. Nothing more. Nothing less. I make that statement without reproach to the President. But how can you escape that conclusion? Here comes the committee under the able leadership of that charming gentleman from Georgia who states the case. The committee says that since there is a great turmoil in the world, and since our defensive establishment probably is at this moment inadequate, there are two basic reasons why we ought to build up a great Navy, or, at least, expand our present forces. Our colleagues on this side make their case

on three propositions. First, that we do not need any expansion. They state the whole story forcefully and succinctly on the last page of the minority report.

First, we do not need it because we now have authorized ships that have not been built; that we have no navy-yard facilities with which to build ships if we do authorize the construction of more of them; that we are well defended and cannot be attacked at the present time. That is the first reason.

The second one is that probably the battleships are finding their way into an archaic class of instrumentalities of warfare and that combat planes have not been dealt with equitably in this bill.

The third point is that there is the possibility of aggression if these instrumentalities are placed in the hands of the President, because an augmented Navy might be an incentive to war.

Those are the basic propositions set forth and I believe they constitute the case against this bill. Of course, the case for the bill is simple enough. But is that the issue? In my judgment it is not. I deem it safe to say after casually visiting with many Members that they feel perturbed over the purposes to which the President might use an expanded Navy in his capacity as Commander in Chief and, if that be true, then the President's viewpoint becomes the issue.

The issue has been stated in certain terms of the bill. Why was any concession made to those who insisted that there ought to be a statement of foreign policy? That does not belong in the bill. I fancy my good friend, the gentleman from Georgia, can have that amendment stricken out of the bill, because I doubt whether it is germane. It is a committee amendment and it may be left out of the bill when it comes on for final passage because any Member, whether a member of the committee or not, could make a point of order against that section.

If we assume to offer any amendments to what is contained in the bill at the present time and the committee amendment is stricken because of a point of order, then there is nothing left except the skeleton of the bill. But why was that concession made? As a matter of fact, it does not belong here, but the very fact the concession was inserted is indicative that people are a little alarmed as to what may be done with this huge Navy. I say frankly if I had been chairman of the Committee on Naval Affairs I never would have made the concession if I wanted a Navy bill. I would have fought it out on very simple, yet sharply drawn lines, instead of making the concession. Does it not indicate a recognition that people are a little alarmed about the views and policies of the President and what he might do with a greater Navy?

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman with pleasure.

Mr. VINSON of Georgia. I may say to the gentleman the declaration of naval policy is identical with what has been the policy from time immemorial.

Mr. DIRKSEN. Has the gentleman ever written it into a bill he has sponsored?

Mr. VINSON of Georgia. I will say a declaration of policy was written into the bill of 1916 providing for a building program.

Mr. DIRKSEN. This kind of a declaration?

Mr. VINSON of Georgia. Oh, no; not this kind of a declaration.

Mr. DIRKSEN. No; and it never has appeared in the House since I have been a Member.

Mr. VINSON of Georgia. Congress has the authority to define a naval policy. I am merely laying the question on the doorstep of the House for its Members to determine whether they want to define a naval policy in accordance with what has from time immemorial been the policy.

Mr. DIRKSEN. Will not the gentleman also felicitously admit that he recognizes people are alarmed about what is going to happen in the field of foreign affairs?

Mr. VINSON of Georgia. Not at all.

Mr. DIRKSEN. And that this constitutes a concession to that apprehension and alarm?

Mr. VINSON of Georgia. That was not the intent at all.

Mr. MAVERICK. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. I will yield in a moment.

Let us look at how this alarm has been built up. In September 1937 from the yacht in Florida waters, at the press conference to which my friend alluded, it was stated that the nationals would have to come out of China or remain there at their peril. Then there came the concession from the State Department that same day that some of these people had to remain there in order to take care of the commercial pursuits in which we had an interest. This was in September 1937. Then in October 1937, on that beautiful bridge on the Outer Drive in the Queen City of the Middle West, Chicago, the President stood and dedicated the bridge; and threw this bombshell into the contemplation of the whole country when he made that quarantine speech, beautifully done in metaphor, if you please, so you could not take the words and say, "Well there is the affirmative case," and yet, unmistakable in its import. That was in October.

Then we come along a little bit later and what do we have? The *Panay* incident with motion pictures of that affair which may or may not have been an exact reproduction of what happened over there and may have been released for propaganda purposes to fire the imagination of the people.

Mr. MAAS and Mr. SCOTT rose.

Mr. DIRKSEN. I cannot yield at this time.

Then came January 10, which was described as a historic day. It was a historic day, the day when the President's message was read from this Well, the day when you could have cut the tension in this Chamber with a knife, the day when the pressure was on, the day when we mustered 188 votes in behalf of the Ludlow amendment. That is the day on which we tried to solve the question of aggression. What else was involved? In view of the things that were happening, we were afraid the President was going to use the instrumentalities of this country to project us into a situation in the Orient that probably would spell the march of young American soldiers down to the bivouac of the dead. Yes; aggression was involved. My friend here, the gentleman from Texas [Mr. MAVERICK], who was the sixteenth signer of the Ludlow petition, sat in the conference with us but voted against us on January 10.

Mr. MAVERICK. If the gentleman will yield, I did not sit in on the conference with you.

Mr. DIRKSEN. Did I not see the gentleman in the caucus room? I am pretty sure I did. We got 188 votes. The vote was 209 to 188. There we were seeking to draw the issue very sharply. The mental impulses, the international outlook of the President of the United States, and the prospects of action by him were the issue, nothing more and nothing less. You can whack at the branches all you please, but that is what was alarming the people, and that is what has been giving concern to the people and their representatives for sometime.

There are many men in this Chamber like myself. I want to vote for this bill. I have never voted against an appropriation bill or an authorization bill for the Army or the Navy. I do not want to be in the position of standing against our having adequate forces, but I believe I am articulating and expressing the feeling of fear and apprehension that is in the minds of many of the Members sitting in the Chamber this afternoon; they do not know, with all respect to the President of the United States. He is my President just as he is yours, and I owe allegiance to him as the Chief Executive of this Nation just as you do. Under those circumstances, why does not the President dispel the misgivings that are entertained by the country and by many Members of Congress as to the limits to which he would go in employing this Navy in international affairs. Therefore I believe I am going to think seriously about this

Kniffin amendment which is intended to draw a line from the Bering Sea to Hawaii, the Panama Canal, and then along the eastern coast line and within those limits confine the activities of our first line of defense, except in the case of good-will missions. Probably it should include South America and the implications of the Monroe Doctrine.

It would constitute a kind of policy which, if adopted, would confine some of these international activities, and this will be an assurance to the people of this country. [Applause.]

I am not insensible to the rebuttal that might be made against the argument which I advance. It could be said, for instance, that none of the vessels authorized by the pending bill could be built under the present administration because shipyard facilities are lacking and other authorized vessels have not yet been built. If so, it but emphasizes the force of the argument made in the minority report that there is no emergent need for this pending legislation. But that argument would discount the existence of private yards and the possibility of subsequent legislation to use all available private shipyards for the building of naval vessels.

It might be said that it requires 4 years to build a battleship, and that this program is therefore aimed entirely at future needs. If so, more time might then be taken before this legislation is enacted. It might be said that there is no danger of collective action on the part of our country in view of the break-down of the League of Nations and the virtual renunciation of the League by the Chamberlain government. If that be so, then there should be no hesitation on the part of the President to clearly state his purposes to the people of this country.

In the absence of a statement by the President in respect of foreign policy that means something more than the blanket statement which appears in section 9 of the pending measure, I trust that language can be fashioned and inserted in the bill which has the purport of confining our activities to the Western Hemisphere and enunciating the sensible doctrine of minding our own business.

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. BIGELOW].

Mr. BIGELOW. Mr. Chairman, I would rather extend most of my remarks in the RECORD than take the time of the Committee at this late hour.

We are all patriots here, and we are all trying to do the best we can for our country. There used to be a German motto in one of our cafes in Cincinnati that read:

> Man often drinks too much, but never enough.

I suspect the supernavy people often get too much navy, but never enough.

I have made up my mind to vote for this bill on one condition, that an amendment can be placed in it which will entirely satisfy me this Congress has succeeded in declaring a naval policy, and that our Navy is going to be used for defense only.

An American red Indian said to a swanky Boston audience that he could not say, as they did, that his ancestors came over on the Mayflower, but he could say that some of his ancestors had been on the reception committee. [Laughter.]

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. BIGELOW. I yield.

Mr. VINSON of Georgia. Let me call the gentleman's attention to the message of the President on the very point he raises:

> It is our clear duty to further every effort toward peace, but at the same time to protect our Nation. That is the purpose of these recommendations. Such protection is and will be based not on aggression but on defense.

The President has already assured the gentleman from Ohio that this is not an aggressive measure, but strictly a defensive proposition to this country.

Mr. BIGELOW. Yes; but may I say to the gentleman of the committee it does seem to me proper that the policy should depend not upon the will of one man, even the President of the United States, but upon the law of this Congress.

Mr. VINSON of Georgia. And, if the gentleman will yield further, the declaration of policy is written in the bill, where it is stated that it shall not be for aggression.

Mr. BIGELOW. I understand that.

Mr. MAVERICK. And it is written also in the bill that this Navy is to keep the enemy many hundreds of miles away from the continental limits of the United States, and also that it shall be in both oceans at one and the same time, which would cost an additional amount of $3,200,000,000.

Mr. VINSON of Georgia. The gentleman has not read the declaration of policy correctly; the statement is "to guard the continental United States by affording naval protection to the coast line in both oceans at one and the same time."

Mr. MAVERICK. In both oceans at one and the same time.

Mr. VINSON of Georgia. And may I read further from this declaration in the message of the President:

> We cannot assume that our defense would be limited to one ocean and one coast and that the other ocean and the other coast would with certainty ever be safe.

A further declaration of policy with reference to national defense is in the President's message:

> Adequate defense means for the protection not only of our coasts but also of our communities far removed from the coast; we must keep any potential enemy many hundreds of miles away from our continental limits.

Mr. MAVERICK. Does the gentleman think that keeping any potential enemy many hundreds of miles away from our continental limits at a cost of $3,200,000,000 is the kind of policy he believes in?

Mr. BIGELOW. No; the reflection I have given the matter only indicates to me that we need more protection in the bill than that.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. BIGELOW. I yield.

Mr. BOILEAU. The gentleman from Georgia said that the policy in this bill and the policy to which the gentleman from Texas refers meant that we should have protection in both oceans at the same time. I wonder if the gentleman has any idea what fleet we now contemplate—the Pacific or the Atlantic Fleet?

Mr. VINSON of Georgia. May I say to the gentleman that as far as defense and security of the Atlantic seaboard are concerned today, insofar as the Navy is involved, it depends entirely upon the performance of the European nations.

Mr. BOILEAU. But Admiral Leahy states that all the fleet should be kept together.

Mr. VINSON of Georgia. When we have a ratio of 5–5–3 the Navy will then be sufficient to accord defense on both oceans at one and the same time.

Mr. BOILEAU. That is not the testimony of Admiral Leahy.

Mr. VINSON of Georgia. Oh, of course, it is.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. BIGELOW. I yield.

Mr. BREWSTER. I understand the gentleman is for the defense of America?

Mr. BIGELOW. Yes.

Mr. BREWSTER. I would like the gentleman's opinion on whether the words which are in the bill with respect to the declaration of naval policy, using the Navy to protect our commerce and citizens abroad, can come under any conception of national American defense?

Mr. BIGELOW. No; I prefer what has been referred to here as the Kniffin amendment to the language in the bill.

Now, if I may proceed, as I have said, I do not really want a Navy, I want a rattling good reception committee on this side.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. BIGELOW. I cannot yield further.

Mr. Chairman, I am not a pacifist. I confess that I am not that good a Christian. I would step on cockroaches. I would take a club to rattlesnakes; and if any spurred boot from

Europe or Asia were set on American soil, I would be a murderer.

But I was opposed to America going into the last World War, and I am opposed to America going into the next world war. All wars are wicked except wars that are honestly in self-defense or in defense of innocent victims. We fought in the last world war for the secret treaties, which treaties are now bearing their fruit in the next world war.

Greeks at the pass of Thermopylae were glorious. So are Italians at Brenner Pass. But Italians in Ethiopia, or Germans in Czechoslovakia, or British in India, or Japs in China are all alike to me. They are like Americans in the Philippines. Only, thank God, Americans are coming out, while the rest of the armies are going in or, being in, propose to stay.

I deny that England and France are democracies. They are the world's greatest empires. They hold at bay sullen subjects the globe over. One difference between British imperialism and Italian imperialism is that Italy is less hypocritical. Italy makes no professions of democracy, while England boasts of liberties for herself which she denies to others. I do not want to see Americans bamboozled into fighting Japs in China to tighten England's grip on India.

I am not a little American, but I want America to be as moral as she is mighty.

Now, coming to the subject of the Navy, naval strength depends upon where your navy is required to fight. Your navy would not be much good fighting where Noah's navy landed, on some Mount Ararat. First of all, you have to land your navy in the water. But in what water? Right here is the crux of this debate. For what waters, gentlemen, are you building your navy? In whose waters and in whose wars are you proposing to fight? If the enemy we really have in mind is Japan, and if we are going to fight Japan, not in her waters but in ours, then for that fight we now have a navy two and a half times as powerful as that of the enemy. But if our naval base is going to be, not Los Angeles, America, but Singapore, India, why stop with a demand for a paltry one billion?

Newspaper rumor has it that we now have at Singapore, not 3 ships, but 26. If 26 of our ships, or only 3, are at Singapore, I would like to know why? Citizens of a democratic Republic have a right to ask such questions. We have a right to know where our Navy is going and on what errands. Now, this I say, the only place I want American land forces to fight is on American soil, and the only place I want our Navy to fight is in our third of the two oceans.

I will vote for this bill on one condition—if the bill is amended to put a mandate on the President and the State Department and the admirals, to keep our Navy in our own waters. Put such a mandate in the bill and I will vote for it, although I will continue to say that it is a foolish waste of money.

Four years ago we authorized a four-billion naval-expansion program. We have not yet built up to that. Why, then, ask for another billion now? That is like a public-utility monopoly in Cincinnati, which demanded a 60-year extension of its franchise when it still had 40 years to run. "Sufficient unto the day is the evil thereof." The Navy specifications for Bibles must have demanded the deletion of that text. Without this bill we already have authorized the addition to our Navy of 94 new fighting craft, which are now building or yet to be started. Even if we make this authorization of another billion dollars, we will have another Congress, and probably still another, before they could get at any of this additional building. Then why not wait and see if things will not cool off?

Mark you, we had just voted to the Navy over a half a billion dollars. Nothing was said until they got this one-half billion and then they sprang this little surprise. Obviously, the super-Navy people, make hay while the sun does not shine. When war clouds are heavy, and the fears of people can be played upon, is the time for the admirals and the munitions makers to rush through naval bills. But the Congress should be on guard against being rushed.

Let us not be jittery old maids. But if we must spend another billion on our jitters, let us, in the name of the taxpayers whose money we are spending, dictate what our naval policy is to be. Let us make sure that this supernavy shall stay in our own front yard. Europe for Europeans. Asia for Asiatics. America for Americans. That is the naval policy that I want to see implemented. With the 94 more ships already ordered I think that we now have enough Navy to implement this policy. I do not want a navy—all I want is a rattling good reception committee.

I am not worried about the power of our Navy to defend us. What worries me is what there is going to be to defend. Instead of giving our Navy more to fight with, would it not be better to give them more to fight for? If we just must spend the money why not spend it trying to really do something for those 40,000,000 of ill-housed, ill-fed, and ill-clad?

I want a citizen army that will stay at home and fight for their own homes, no parade army, but one that will fight in overalls and shirt sleeves, for home and country. I want to invest nothing in the glory and glamor of war. I would rather buy shoes and milk for little children than gold braid for one unnecessary admiral.

The world is not ready for collective security. The best place for all navies is at the bottom of the sea. The nations are lunatics to starve their people to build battleships, and spend their bread on idle armies with all their boom and blare, when they might have plowshares for swords, and harvests in place of hate.

I want America to keep a standing offer to all the world to disarm all armies, to scuttle all navies, to dissolve all imperialisms, and proclaim democracy and peace the world over.

Until the Hitler conscripts arrived, Austria was praying this pitiful prayer: O Lord, permit us to live as free men in a free land. That is the prayer of all peoples: Permit us to live as free men in a free land.

If it were only possible, I would answer that prayer with the thunder of a thousand dreadnaughts levied at the despots of the slave states who blaspheme against all the sanctities and all the hard-won humanities of our modern world.

But we cannot shoot peace and democracy into men. We tried that 20 years ago. We ended that crusade farther from our goal than when we started. We have no hope that we should do better again.

The world is waiting for our vote on this bill. By this vote we shall be speaking, speaking in actions louder than words. What shall we say to the world? Shall we boast to them that our Navy is bigger than theirs, that we have the money, and are determined always to keep our Navy bigger than theirs? Shall we tell them that we are going to have a Navy for frightfulness and that they had better beware of our wrath? Is that the Christian message that we are going to send our brothers over the earth?

The noblest and kindest gesture to a troubled world that we could make would be to defeat this super-Navy bill. That would be tantamount to saying:

"Neighbors and friends: Your naval race is a race to bankruptcy. We will not join in such a race. We have no fear of you. We want you to have no fear of us. While the world is war-crazed we will keep a navy, but we will keep it at home. And when you are sick of your wars, let us know, and we will help you bind up the wounds of humanity and join the nations in the pursuit of peace." [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. HEALEY].

Mr. HEALEY. Mr. Chairman, I am sure we have all listened with a great deal of interest and much sympathy to the very idealistic address just made by the gentleman from Ohio [Mr. BIGELOW] who preceded me. I have spent a great deal of my time in this Congress working for measures to improve the condition of the industrial and agricultural workers of this country, and I would like to see these large appropriations go toward improving our domestic conditions, which are so critical at the present time. But,

like one gentleman who preceded me this afternoon, I believe the time has come when we have to face realities. Those powers that are in possession of modern war machines do not hesitate for even a formal declaration of war before taking what they want. Indeed, the very success of their ventures depends upon the swiftness and the suddenness of their attack and its timing. While democracies in their supreme desire for peace have hesitated and wavered militaristic powers have taken fullest advantage of their unpreparedness to destroy the independence of weak and helpless nations.

I am going to go along with this bill because I believe the preservation of our democracy and of our institutions depends upon our having a strong and adequate defense. Our first line of defense is the Navy. We ought to have a navy second to that of no world power. I am not prepared to discuss the technicalities of naval construction, and I have heard little discussion during the debate on that point; but it seems to me that, with the high-speed programs of rearmament that have been going on in other nations for such a long period, we cannot hope to be in a position to cope with these modern war machines unless we supplement our armament by the passage of this bill. For the protection of our people, our long coast line, our insular possessions, and our obligation to defend the Monroe Doctrine, we require a navy adequate and strong enough to assume these duties. We have had glimpses of the devastation of modern warfare. We know today that noncombatants are not safe. We know that this warfare attacks cities and rains death and devastation upon the infirm, the aged, and helpless women and children. Our first line of defense should be impregnable enough to check any attack hundreds of miles away from our shores—a navy efficient in every component part. Battleships, cruisers, destroyers, submarines, airplane carriers, airplanes, and all auxiliary services ought to be up to the most modern requirements. Regrettable though it is that we have to divert this immense amount of money to this protection, it seems but cold logic that this country ought to be able to sustain a navy that will defend our coast line and our coast cities from sudden attacks. The best way that we can prevent our youths from being slaughtered in war is to have a defense strong enough to turn away the eyes of avarice of any aggressive nation.

This bill provides for armament. How about the manpower that is necessary to complement the ships that are provided for in this bill? Have we ever stopped to take stock of the great devastation of our manpower, of the youth of our country during the days of depression? We know that in the World War when the youth of our country were summoned for the draft, one-third of them were turned away as being physically unfit to serve. How far has that extended during these days of depression? We know that in England where they have tried to accelerate recruiting, it has been necessary to establish camps for large numbers of young men who are physically unfit to pass enlistment examinations and to feed them five or six meals a day in order to build up their bodies so that they may be able to pass an examination for recruitship in the British Army and Navy. To what extent does that problem exist in this country because of the ravages of unemployment?

Mr. LUCKEY of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. HEALEY. Yes.

Mr. LUCKEY of Nebraska. Would it not be a good idea if some of these moneys instead of being used for armaments and munitions were used to take care of the one-third of our people who are ill-clothed, ill-housed, and ill-fed?

Mr. HEALEY. The gentleman knows of my efforts to try to get legislation through this Congress that would take care of that situation in some part at least.

Mr. LUCKEY of Nebraska. Is it not a fact that the Scandinavian countries, which have no standing armies, which have no navies, are today the best off of any countries in the world so far as economic and social conditions are concerned?

Mr. HEALEY. I do not think their situation is comparable to ours. I think our situation is entirely different.

Mr. PHILLIPS. Is not the philosophy the gentleman from Nebraska is proposing exactly the philosophy followed by China? And look where the Chinese are today!

Mr. LUCKEY of Nebraska. That is a different thing. China was weakened by England and France years and years ago.

Mr. HEALEY. Mr. Chairman, I cannot yield further.

Mr. Chairman, I am firmly of the belief, and that is why I am supporting this bill, that under present conditions no country on the face of the earth can remain supine in the confidence that she will be free from attack. I believe, therefore, that as a matter of insurance we ought to have a Navy adequate to protect our citizens by meeting and checking any attack hundreds of miles off our shores. Although the only determining question before Congress is whether our national defense requires the enactment of this bill, nevertheless an incident of its passage will be the provision of a large amount of employment. And we should guarantee that this employment will be distributed as widely as possible to relieve to the greatest degree the unemployment situation. It will overtax the facilities of all our navy yards and much of the shipbuilding, therefore, will have to be constructed in private shipyards. I shall offer an amendment to this bill when the time comes providing that all of this shipbuilding be let under the terms of the Public Contracts Act, the so-called Walsh-Healey Act, which provides that contracts of the Government shall be let only to those who observe the conditions of that act.

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 2 additional minutes to the gentleman from Massachusetts.

Mr. HEALEY. The fabrication of the material necessary to go into this armament will unquestionably be performed by skilled mechanics; the shipbuilding itself in private yards will be performed by skilled mechanics. The wage provisions of the act, therefore, will undoubtedly not apply to them, but the hour provisions will, and the hour provisions mean an 8-hour day and a 40-hour week with time and a half for overtime. I believe that the employment to be furnished by this bill ought to be distributed as far as possible so that it will have the best possible effect on the relief of unemployment in this country. All construction under this bill ought to be performed on a 40-hour-week schedule. By doing this we can spread the benefits of the employment to flow from this bill. I hope that the Members will support me in writing into this bill the terms of that amendment.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, I extend my thanks to the chairman of the committee for the courteous way in which he conducted the hearings, especially in his treatment of those who opposed his position on this question. We were given full and open opportunity for discussion, and at no time were we subjected to any harassment that would at all embarrass us in expressing our views. I for one appreciate this courtesy and wish to thank him for it.

WHAT PRICE PEACE?

The next world war is in the making—now. The decision to get into that war or to stay out should be made now. I assume that every right-thinking man and woman in this country wants to stay out of that war if it is humanly possible to do so. Therefore the question that confronts us is, What price peace?

VAST ARMAMENTS NO GUARANTY

President Calvin Coolidge said in a speech to the American Legion in Omaha in 1925:

No amount of armament ever kept a country out of war or insured it victory if war comes.

In the World War Germany had the greatest army ever produced by any one country, yet it did not keep Germany out of the war, nor did it insure victory. Great Britain had

the greatest fleet any country in the world ever possessed, yet that fleet did not keep it out of the war, nor did it insure victory. Time and again the world's greatest general, Napoleon, had the most superb army the world had ever seen in his day, and yet it did not keep him out of war nor did it insure victory.

The whole question of peace or war for this country lies in the hands of its President. If he wants war, he can bring about the so-called international incidents that will involve his country in war. If he wants peace, he can avoid those incidents and keep his country out of war. President Roosevelt said in his Chautauqua speech on August 15, 1936, that—

> No matter what neutrality legislation is passed, it will all depend upon the President and the Secretary of State as to whether we shall go to war if war shall come abroad.

COLLECTIVE SECURITY

The League of Nations was an idealist's dream that failed to take into account realities of history. Today the League of Nations is discredited and no longer a potent argument, but the leagueites have now shifted their ground to a new policy, known as collective security. This latter phrase merely means, according to their suggestion, that the democratic countries of the world should unite against the Fascist countries of the world to preserve democratic ideals.

Let us analyze this proposition: Twenty years ago we entered the World War to make the world safe for democracy, and as a result of that war we find less democracy on the face of the earth today than there was before the World War was fought. It is my honest conviction that our democratic institutions would not survive the strain of another world war. Everyone of us would be regimented from sunrise to sunset. Rules and regulations would be set forth to tell us what we could eat and when, what we could wear, what shows we could see, what we could read in the censored press and what we could hear over the censored radio. Fascism, stark and real, would dominate every man woman, and child in our country. I believe our people would not tolerate such a condition for very long and, as a result, we would have internal dissension, disorder, and strife, and it must be remembered that communism thrives on dissension, disorder, and strife. In such a condition communism makes vast strides, and the result would be a struggle between communism and fascism in this country. Whichever won, the people would lose. Whichever survived, democracy would be a lost and a hopeless cause.

If we joined a group of other nations for collective security, what nations should we select? Usually we are told Great Britain and France, because they are peace-loving nations and uphold democratic ideals. There is also a large group of our people that believe we should include Russia. For the sake of the argument, let us assume that we had done so in January this year, would we now change our group and include Italy because Great Britain discarded Eden and has opened friendly negotiations with Mussolini? Undoubtedly there would be a division of opinion among our people just as there is in England on that subject; and what if tomorrow or the next day Great Britain entered into an agreement with Japan for the partition of China, and as a part of the deal with Japan, Great Britain obtained vast concessions to her rich opium traffic in that unhappy country? Should we then acquiesce and consent to such an agreement? Undoubtedly the vast majority of our people would be opposed to it. Let me put another example: Suppose France has a revolution and becomes a fascistic state and suppose Germany kicks out Hitler and again becomes a republic, should we nevertheless adhere to our collective security program and keep France and shut out Germany? As far as the governments of Europe are concerned, there is no guaranty that any of them are lasting, and that the situation 5 years from now will be the same as it is today. In fact I am firmly convinced that it will not be.

What, then, is the best policy for our people to pursue? Personally, I have felt that the national policy which we have followed for 150 years and which has made us the strongest and richest nation in the world has been a successful one and should be adhered to. It was laid down by Washington in his Farewell Address when he said:

> Against the insidious wiles of foreign influence, I conjure you to believe me, fellow citizens, the jealousy of a free people ought to be constantly awake, since history and experience prove that foreign influence is one of the most baneful foes of republican government. * * *
>
> The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible. So far as we have already formed engagements, let them be fulfilled with perfect good faith. Here let us stop.

It was repeated in Thomas Jefferson's first inaugural address when he said:

> Peace, commerce, and honest friendship with all nations, entangling alliances with none.

And it has been adhered to by President after President with one exception—Woodrow Wilson in 1917. The frightful cost of that mistake ought not to be repeated, and I believe that our best safeguard against repeating it is to keep our noses out of European intrigue and European diplomacy and to mind our own business. The Scandinavian countries pursued such a policy successfully in the World War, and they are among the outstanding democracies of the present day. If anything, they are more democratic today than they were 20 years ago. Therefore they have gained by their policy, and I believe with the vast expanses of the Atlantic and Pacific Oceans protecting us, that our people are geographically much better situated than the Scandinavian countries, and can, therefore, be aloof from European storm and strife more successfully than those nations which are close at hand.

COMPLETE ISOLATION NOT NECESSARY

Supporters of the vast Navy program argue that we live and move as part of a great world, and cannot isolate ourselves from contact with the rest of the world. The program which I advocate does not contemplate a Chinese Wall idea. It merely says that if two crazy men, living across the street from each other, start shooting, it is common sense to stay out of that block. Our trade with countries other than the belligerents need not be interrupted. We could sell our goods to Canada, to Mexico, to Central America, and to South America just the same as always, and they in turn could sell to us. In fact, it might be a good thing to build up our trade with our neighbors in the Western Hemisphere.

Let us examine our market for a moment. The United States has about 80 percent of the automobiles used in the world. It has more than one-half of the radios, telephones, bathtubs, and a host of other modern conveniences. This shows the high standard of living in the United States and the world purchasing power of the people of our country as compared with the people of the world generally.

In simple terms, all this means is that the people of the United States furnish a much greater market than the 500,000,000 people of Europe or the vast millions of Asia. Hence it is better to maintain a normal economic set-up at home even at a loss than to indulge in hectic war prosperity which completely dislocates the economic stability and in the end results in dismal and destructive depressions. These depressions, if prolonged for a decade, tear down the standards of life and ruin the advancement of an entire generation.

WAR ON THE ATLANTIC

The chances of a war on the Atlantic are extremely remote. The only nations that could be interested in such an adventure would be Italy and Germany, and in both cases such a probability is very remote. Hitler's interest lies to the east and south of Germany, while Mussolini's is in the Mediterranean and its outlets. Furthermore, the combined fleets of Germany and Italy would not be powerful enough to attack us after a journey of 4,000 miles, because the experts tell us that a fleet loses 40 percent of its effectiveness after 3,000 miles from its base. In addition neither of these dictators has the ships, the men, the money, or the supplies to wage such a war for any length of time. We must also remember that if they failed their countries would be bankrupt and they would lose everything. Such an adventure would be a

sure failure, and dictators must be successful or their day is over.

HOW ABOUT THE PACIFIC?

Japan is the only nation that might be considered a possibility, and Japan does not want to fight us. At present her war in China is such a great financial burden that it cannot be maintained indefinitely. Even if and when she is victorious, her financial problem will still be a huge one, because she will have to maintain a large military establishment in conquered China, which will greatly outweigh her gains.

Her costs in Manchuria are much greater than her benefits, while in China the differences in these respects would be even greater. Japan's resources are very limited. Already there is powerful opposition to the present militaristic policy. That opposition will increase with the passing of time, the increase of taxes, and the ever-swelling casualty lists.

Japan's Navy does not compare with ours. How, then, could it cross 6,000 miles of ocean, lose 40 percent of its efficiency, land on a hostile coast, and successfully invade us? Even if she overcame all these obstacles, how could she hold any territory she might win? Six thousand miles from her shores, how would she supply her men with fresh troops, with food, with artillery, and with ammunition?

WHAT IS THE MEANING OF THIS?

I heard the well-known John T. Flynn say in a public speech that it was designed to furnish work for the unemployed, only the administration did not admit that it was done for that purpose. As a method of furnishing employment for those out of work it has many objections. It would be much better to make a direct appropriation for unemployment and to scatter it throughout the country than to concentrate it at a few shipyards. The cost of this program is enormous. If we should add 1 percent to every Federal personal and corporation income tax, gift taxes, and inheritance taxes we would realize a gain, on the 1937 basis, of approximately $220,000,000 a year. Inasmuch as our proposed naval expansion, in the bill we are considering, will cost five or six times that much, it would take 5 or 6 years of such special tax to pay for it; and when you stop to consider that the regular naval appropriation carries $550,000,000 for the coming year, during that 5 or 6 years we would have some $2,750,000,000 additional, assuming it remains as it is today.

WHERE DOES ALL THIS MONEY GO?

Someone stands to represent an enormous harvest from this vast public expenditure. Let us examine the record and see if we can discover from past experience what the future will bring in connection with these costs.

This bill is a muntion makers' dream. It is a gift of millions to the Shipbuilding Trust, to the Big Three—Newport News, New York Shipbuilding, and Bethlehem Steel. It is enough to make all our efforts to hold down monopoly prices seem ridiculous and laughable.

I want to call attention first to the fact that a Wall Street broker, Joseph Kennedy, the recent head of the Maritime Commission, was even shocked by the high-handed high-binding of these companies, bidding on merchant ships, which are considered part of the Navy. He was asked by reporters what he thought of these bids, and replied: "There are ladies present, and so I cannot tell you." Bids for small freighters averaged $2,736,000, while the same ships are being built in Belfast for $900,000, a third of the cost. These are his figures, his testimony. The prices per ton were jacked up enormously, he said, over bids submitted in December 1937 for oil tankers. What made the difference? Why were prices suddenly so much higher? Why, because they smelled the big money coming. The supernavy bill had been introduced in the meantime, and all shipyards knew they would have plenty of work. Mr. Kennedy went so far as to suggest that we may have to build these merchant ships in foreign yards.

But listen to his testimony in the Senate. He said of the bids on the merchant ships—naval auxiliaries:

If they were not collusive, the result was the same as if they had been.

Then he was asked:

Are we not likely to run into precisely this situation when this new navy is built?

He replied:

I should think it would be much worse.

He was asked:

So these estimates for $800,000,000 for battleships didn't mean a thing if this sort of bidding is to persist?

Mr. Kennedy replied:

Quite.

He was asked what was the cause for the increase in bids, and said:

I cannot find that labor is getting any particular amount of this money. Nor are materials high enough to justify any such prices.

Senator CLARK, who was on the Munitions Committee, remarked:

I have run across evidence of this combine in other matters. In the present situation you can buy from them or not at all. Isn't it more or less of a sit-down strike?

Mr. Kennedy replied:

That is the result. I do not know whether that is the promise, but that is the conclusion.

Is not this fair, open, explicit warning that we are hereby solemnly resolving to make a gift of millions to some of the most expert highbinders on record?

If you want more evidence, look at the little amendment slipped into the regular Navy bill; and repeated in this one, that the Secretary of the Navy is free to discard the old rule of dividing the ships 50–50 between the navy yards and the private yards. Now he can put them all in the private yards on any excuse. And you can be sure the private yards, with all their friends, will put on the heat. This is further open warning of a munition-makers' holiday of a kind not seen in this Nation since the World War.

If you want more evidence of what these private companies want for their help in defending us against the various war scares, look at the testimony of Admiral DuBose on page 609 (p. 2549) of the hearings. Before the yards are as jammed as they will be now—before the war scare and the supernavy were ever thought of, these private yards bid on last year's two battleships. One bid, he said, was not good. The others bid as follows:

Bethlehem Steel Co	$49,870,000
New York Shipbuilding Co	47,829,994
A total of	97,699,994

In contrast the Government navy yards bid:

New York Navy Yard	$37,265,000
Philadelphia Navy Yard	36,789,000
A total of	74,054,000

The savings on the two ships was $23,645,994, an average of $11,827,997 per ship. But now these navy yards are crowded. The three new battleships will, presumably, go to the private yards; and if the Government is not soaked three times $11,828,000—$35,484,000—for the pleasure, I will miss my guess.

Further evidence is right before our eyes in the testimony of Admiral DuBose, the Chief Naval Constructor (Hearings, p. 671), that he saw no objection to granting these 1937 ships to private yards if their costs were 6 to 8 percent above the navy yards. That was before the rush. With this rush of new building I am sure the admiral will be prevailed upon, in the name of national defense, to raise the ante to 20 percent at least. That was the difference between navy yard building and private building on the 1927 cruisers—22 percent. On the (Munitions Committee report 944, No. 1, pp. 156–157) 1929 cruisers it was 15 percent. Again we may expect to find these shipbuilders saying they were "perfectly amazed" as they did before when they found that they had made 35 percent profit on the *Augustin*—now in China—and the *Houston*, and 23.1 percent on the aircraft carrier *Ranger*.

I note that the bill authorizes the Secretary to use some money to extend the navy yards, but I am betting that the Ship-Building Trust will see to it that very little is spent for that purpose. Two years ago the Senate Munitions Committee had Interstate Commerce Commission engineers examine the needs, and they reported that for an expenditure of $23,600,000 the navy yards could be expanded to take care of all the ships for a naval race like the present one. The fact that the Navy made no move to get this money seems to me to indicate the chances of having the navy yards expanded now—yet this figure of $23,600,000 is exactly the saving on building the two 1937 ships in navy yards.

We had, in fact, received 3 years ago open warning of what would happen to prices and excess profits whenever there was a rush of work in the yards. The Munitions Committee report on naval shipbuilding is full of admissions to that effect. Admiral Robinson was asked whether it was not a fact that when there was a lot of work the shipbuilders would frankly say that they were putting up the prices because of it. He replied:

> There is no question about that (Naval Rept., p. 154).

He was asked about the testimony of Mr. Powell, president of the United Drydock Co. that—

> When there is a lot of business, the margin goes up.

Admiral Robinson testified—

> I think that is unquestionably correct.

The whole record is full of evidence of collusion and profiteering.

Of course I am aware that we are supposed to be limiting naval profits to 11.1 percent of the actual cost. But here is Admiral DuBose testifying that since that law went through no reports have been made to the Navy or, as far as he knows, to the Treasury Department, to show whether a single penny has ever been returned.

And we do know that the whole bunch of naval contractors and shipbuilders got together to rig the accounting system so that no profits would be shown. At that meeting the president of Sperry Gyroscope stated:

> If the shipbuilders, boiler manufacturers, and electrical manufacturers act in accordance with uniform rule, it will be so strong that I think the Income Tax Bureau would have a hard time resisting it (Naval Rept., p. 324).

We are back to the days described by a shipbuilder's lobbyist some years ago when another naval appropriation bill went through. He reported that—

> The morning after the bill went through every east-coast yard had its representatives in Washington with their tongues hanging out and all teeth showing ready to fight for their share of the plunder, and the only thing that stopped the west-coast yards from being here was the fact that they couldn't come bodily by telegraph.

The willingness of Navy officials to let the shipbuilders get away with murder is evidenced by the fact that Admiral Land, now Chairman of the Maritime Commission, went to great extent in helping them out. He went around to the Naval Affairs Committee of Congress to tell them that the shipbuilders were really working for charity. It was one of the most amazing performances a responsible military officer has undertaken, whether out of pure friendship or for other reasons. This admiral showed the congressional committee figures that showed that the New York shipbuilders had made only $943,460 profit on the cruiser *Chester*. A little later the Senate Munitions Committee asked the company to present information on its profits on that cruiser, and the company itself reported that they had made a profit of $2,946,706. It was a little error of $2,000,000, or about 70 percent. When things like that happen you can understand why some of us are a little inclined to doubt the absolute and complete wisdom and accuracy of our naval experts.

This bill provides for approximately $977,546,000 for ships. The evidence that the yards are crowded, and will be crowded, is complete. The likelihood of a navy, one of whose leaders did the above favor to the private shipbuilders, giving the navy yards even a 50–50 break, seems to me unlikely. It seems more than unlikely also because of the amendment which gives the Secretary the right to put all the ships in private yards. Let us say that, because of the crowded navy yards and this rush, at least two of the three battleships will go to private yards—a gift of $23,600,000. The rest of the money, about $827,000,000—other than for battleships—will be divided among the public and private yards. If the private yards get as little as 60 percent, or $496,000,000 of this money, we can count certainly on 8 percent, but more likely 15 or 20 percent greater cost than in navy yards, a gift of another $40,000,000 or $50,000,000 excess to the Shipbuilding Trust. Add to this the gift of $23,600,000 for battleships, and all this rush for a super-Navy boils down to a gift of something between $64,000,000 to $74,000,000 to this trust.

I wish to announce that when the appropriate time comes I wish to offer the following amendment:

> Section 7, page 5, line 6, add the following: "*Provided, however,* That all contracts for the private construction of the vessels authorized in sections 1 and 2 of this bill shall provide that the total cost to the Government of the construction in such private yards shall not exceed the cost of construction of such vessels in naval yards by more than $2,000,000 per battleship, $1,500,000 per airplane carrier, $1,000,000 per cruiser, or $300,000 per destroyer or submarine."

I shall also offer an amendment to submit this entire appropriation to a vote of the people at the fall elections of 1938.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. SAUTHOFF. I yield.

Mr. VINSON of Georgia. The gentleman knows, does he not, that they cannot make any such profits as he has suggested in his statement, because they are now restricted by law to 10 percent.

Mr. SAUTHOFF. How much have they given back?

Mr. VINSON of Georgia. I may say to the gentleman that the Treasury Department has not finished an accounting of any one of the shipbuilders. All over 10 percent must go back.

Mr. SAUTHOFF. And what is more, they never will. The shipbuilders never have returned one single solitary dime. The investigation of the Munitions Committee showed that there were plenty of admissions they had profited in excess of 10 percent but had not returned one single solitary dime.

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I move the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. O'CONNOR of New York, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a speech I made before a joint session of the legislature of South Carolina last Thursday.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. O'TOOLE. Mr. Speaker, I ask unanimous consent to address the House at this time for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. O'TOOLE. Mr. Speaker and Members of the House of Representatives, the invasion of Austria by the peace wrecker and treaty destroyer, Hitler, is a more infamous piece of work than his nation's betrayal and invasion of

Belgium in 1914. A few days ago the German rapist extended to the little nation the hand of trust which was accepted by the gentle Austrian people who in their weakened condition thought they had found a friend. Their simplicity may best be judged by the fact that they completely forgot the record of he that extended the hand. A record that included every crime known to man from arson to murder. A record that included the abolition of the civil, religious, and political rights not only of minorities, but also of majorities and the imposition not only of the will of the dictator but also his personally created god upon those who were so unfortunate to be under his domination. Once the Austrian people relaxed on the strength of Hitler's promises then his true character came to light and they found the hand was clothed in steel and that they, one of the oldest civilized nations no longer existed, but were merely an annexation of the Nazi state.

This new German war lord does not believe in honest dealings between nations nor does he recognize the sanctity of treaty or obligations. In fact, sanctity is a word unknown to his heart or brain. Dishonesty is his most revered article of vocabulary.

Today the world stands as it did in those momentous days of July 1914, on the brink of a volcano that threatens to devastate the world. The volcano has been brought to life by this twentieth century Nero. He has perpetrated one uncivilized act after another until today the world, revolting against his deceit, cruelty, and thirst for power, is on the brink of war.

Are we going to stand by and allow this juggernaut to wipe out small defenseless friendly nations? Are we going to allow him to create a world whose principles are the antithesis of democracy? Are we going to permit this assassin of nations to wreck all plans for world peace?

We are not. The United States will never recognize diplomatically or in any other way Germany's control of Austria. America's great war President, Woodrow Wilson, backed by the wishes of the American people, insisted at Versailles upon the rights of small—even if defeated—nations to exist and to their continued security.

The United States must now take the lead and call together those nations of the world that are still civilized and formulate plans that shall cause Germany to forego her avaricious dreams and relinquish Austria, or if Germany refuses, plans that will bring her to her knees.

Until such time comes we must suspend diplomatic relations with the offending nation, for if we continue to recognize her as a civilized power we are giving implied recognition to the righteousness of her international policy which we, as a nation, believe to be barbarious. [Applause.]

EXTENSION OF REMARKS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a short editorial from the Boston Post.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CLASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a speech made by myself today before the Committee on Reciprocity Information.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mrs. JENCKES of Indiana, for 2 weeks, on account of business.

To Mr. BUCK, for 1 day, on account of illness.

To Mr. THOMPSON of Illinois, for 1 day, on account of illness.

EXTENSION OF REMARKS

Mr. HEALEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial that appeared in the Boston Herald.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MARTIN of Colorado. Mr. Speaker, I ask unanimous consent to extend the remarks I made today in Committee.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent that all Members of the House may have 5 legislative days after the conclusion of the consideration of the pending bill to extend their own remarks in the RECORD on the bill.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 3554. An act authorizing the appointment of an additional judge of the District Court for the Northern District of Alabama; to the Committee on the Judiciary.

S. 3655. An act amending section 312 of the Agricultural Adjustment Act of 1938; to the Committee on Agriculture.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 8466. An act authorizing the city of Rock Island, Ill., or its assigns, to construct, maintain, and operate a toll bridge across the Mississippi River at or near Rock Island, Ill., and to a place at or near the city of Davenport, Iowa.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1077. An act to amend the act creating the Federal Trade Commission, to define its powers and duties, and for other purposes.

BILL PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 8466. An act authorizing the city of Rock Island, Ill., or its assigns, to construct, maintain, and operate a toll bridge across the Mississippi River at or near Rock Island, Ill., and to a place at or near the city of Davenport, Iowa.

ADJOURNMENT

Mr. VINSON of Georgia. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock p. m.), the House adjourned until tomorrow, Tuesday, March 15, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House at 10:30 a. m., Tuesday, March 15, 1938, to resume hearings on H. R. 7230.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds at 10:15 a. m., Tuesday, March 15, 1938, on H. R. 9434 and H. R. 9816. Room 245, House Office Building.

COMMITTEE ON THE POST OFFICE AND POST ROADS

There will be a hearing before Subcommittee No. 7 of the Committee on the Post Office and Post Roads at 10 a. m. Tuesday, March 15, 1938, on H. R. 9290 (star routes). Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10:30 a. m. Tuesday, March 22, 1938, on bills in behalf of post-office substitutes. Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10 a. m. Wednesday, April 6, 1938, on bills in behalf of custodial employees in the Postal Service. Room 213, House Office Building.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization on Wednesday, March 16, 1938, at 10:30 a. m., in room 445, House Office Building, for the public consideration of several private bills.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on March 17, 1938. Rebuttal witnesses.

Supplement to notice dated Tuesday, March 22, 1938:

For the past few days there has appeared in the RECORD notice of a hearing before the Maloney subcommittee of the Committee on Interstate and Foreign Commerce to be held on Tuesday, March 22, 1938, regarding S. 1261, through rates. This hearing has now been postponed indefinitely.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m. each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON THE CENSUS

The Committee on the Census will hold hearings in room 312, House Office Building, Tuesday, March 15, 1938, at 10:30 a. m., on H. R. 9659.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1124. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on a preliminary examination of Great Peedee, Lynches, Little Peedee, and Waccamaw Rivers, S. C., authorized by the Flood Control Act approved June 22, 1936; to the Committee on Flood Control.

1125. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on reexamination of Quincy Bay and Willow Slough, Ill., requested by resolution of the Committee on Rivers and Harbors, House of Representatives, adopted February 1, 1937; to the Committee on Rivers and Harbors.

1126. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on reexamination of Carquinez Strait at and near Benicia, Calif., requested by resolution of the Committee on Rivers and Harbors, House of Representatives, adopted April 30, 1936; to the Committee on Rivers and Harbors.

1127. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on a preliminary examination of Sabino Canyon, Pima County, Ariz., authorized by the Flood Control Act approved June 22, 1936; to the Committee on Flood Control.

1128. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on a preliminary examination of Souris (Mouse) River, N. Dak., authorized by the Flood Control Act approved June 22, 1936; to the Committee on Flood Control.

1129. A letter from the Acting Secretary of the Navy, transmitting the draft of a proposed bill to amend subsection (c) (8) of section 601 of the Revenue Act of 1932, as amended, to provide for the elimination of a tax upon the importation of coconut oil and articles, merchandise, or combinations containing coconut oil wholly of Guam or American Samoa production or produced from material wholly of Guam or American Samoa growth or production; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. HEALEY: Committee on the Judiciary. H. R. 5690. A bill to amend the Longshoremen's and Harbor Workers' Compensation Act; with amendment (Rept. No. 1945). Referred to the Committee of the Whole House on the state of the Union.

Mr. HILL: Committee on the Public Lands. H. R. 8203. A bill for the inclusion of certain lands in the Kaniksu National Forest in the State of Washington, and for other purposes; with amendment (Rept. No. 1946). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROBINSON of Utah: Committee on Public Lands. House Joint Resolution 281. Joint resolution to validate certain conveyances made by the State of Wisconsin notwithstanding certain provisions in the act of August 22, 1912 (37 Stat. 324); with amendment (Rept. No. 1947). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mrs. JENCKES of Indiana: A bill (H. R. 9843) authorizing an appropriation for entertaining the Third International Goiter Conference in Washington, D. C.; to the Committee on Foreign Affairs.

By Mr. PALMISANO (by request): A bill (H. R. 9844) providing for the zoning of the District of Columbia and the regulation of the location, height, bulk, and uses of buildings and other structures and of the uses of land in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. PATTERSON: A bill (H. R. 9845) for the relief of postal substitutes; to the Committee on the Post Office and Post Roads.

By Mr. COFFEE of Nebraska: A bill (H. R. 9846) to regulate interstate and foreign commerce in seeds; to require labeling and to prevent misrepresentation of seeds in interstate commerce; to require certain standards with respect to certain imported seeds; and for other purposes; to the Committee on Agriculture.

By Mr. TREADWAY (by request): A bill (H. R. 9847) providing for the establishment of a national system of health insurance; to the Committee on Interstate and Foreign Commerce.

By Mr. HARLAN: A bill (H. R. 9848) to require that horses and mules belonging to the United States which have become unfit for service be destroyed or put to pasture; to the Committee on Expenditures in the Executive Departments.

By Mr. McREYNOLDS: A bill (H. R. 9849) to make the appropriation for the Foreign Service buildings fund as contained in the Second Deficiency Appropriation Act, fiscal year 1935, available for additional purposes; to the Committee on Foreign Affairs.

By Mr. LEMKE: A bill (H. R. 9850) to extend for 2 additional years the 3½-percent interest rate on certain Federal land-bank loans, to provide a 4-percent interest rate on such loans for the period July 1, 1940, to June 30, 1941, and to provide for a 4-percent interest rate on Land Bank Commissioner's loans for a period of 2 years; to the Committee on Agriculture.

By Mr. SUTPHIN: A bill (H. R. 9851) providing for the examination and survey of Cedar Creek, Ocean County, N. J.; to the Committee on Rivers and Harbors.

By Mr. STEAGALL: A bill (H. R. 9852) granting a pension to needy widows and dependent children of World War veterans; to the Committee on Pensions.

By Mr. ARNOLD: A bill (H. R. 9853) authorizing the construction of a reservoir on Embarrass River, above Newton, Jasper County, Ill., for flood control, and for other purposes; to the Committee on Flood Control.

By Mr. O'NEILL of New Jersey: A bill (H. R. 9854) to provide for an extension of time, not in excess of 2 years, for making payments of principal on mortgages held by the Home Owners' Loan Corporation; to the Committee on Banking and Currency.

By Mr. O'TOOLE: A bill (H. R. 9855) to amend the act authorizing the conservation, production, exploitation, and sale of helium gas; to the Committee on Military Affairs.

By Mr. SWEENEY: Resolution (H. Res. 436) providing for the investigation of an attack on the constitutional right of Boake Carter, an American citizen, and for other purposes; to the Committee on Rules.

By Mr. TINKHAM: Resolution (H. Res. 437) directing an investigation of (1) the extent to which the Department of State is dominated and controlled by the British foreign office, (2) the character of the intrigue or collusive political engagement which apparently has been entered into with Great Britain, and (3) the extent to which the American Neutrality Act has been violated; to the Committee on Rules.

By Mr. SWEENEY: Resolution (H. Res. 438) to investigate British propaganda in the United States; to the Committee on Rules.

By Mr. O'TOOLE: Concurrent resolution (H. Con. Res. 40) to withdraw recognition of German Reich; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Rhode Island memorializing the President and Congress of the United States to consider their resolution dated January 1938 with reference to House bill 3134, concerning tax on fuel oil used for heating and the generation of power; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND: A bill (H. R. 9856) for the relief of John P. Shorter; to the Committee on Claims.

By Mr. BOLAND of Pennsylvania: A bill (H. R. 9857) for the relief of Henry Bowden; to the Committee on Military Affairs.

Also, a bill (H. R. 9858) for the relief of Ambrose J. Murray; to the Committee on Military Affairs.

By Mr. BROOKS: A bill (H. R. 9859) for the relief of Victor H. Todaro; to the Committee on Claims.

By Mr. CLASON: A bill (H. R. 9860) for the relief of August Helberg; to the Committee on the Civil Service.

Also, a bill (H. R. 9861) for the relief of John J. McCauley; to the Committee on the Civil Service.

Also, a bill (H. R. 9862) for the relief of F. H. Childs; to the Committee on the Civil Service.

By Mr. DOUGHTON: A bill (H. R. 9863) referring the claim of Sam L. Smith to the Court of Claims; to the Committee on Claims.

By Mr. FLAHERTY: A bill (H. R. 9864) for the relief of Charles J. McNeil; to the Committee on Naval Affairs.

By Mr. GAMBLE of New York: A bill (H. R. 9865) for the relief of Francesco Garuffi; to the Committee on Immigration and Naturalization.

By Mr. HAMILTON: A bill (H. R. 9866) for the relief of Arthur C. King; to the Committee on Invalid Pensions.

By Mr. ROBSION of Kentucky: A bill (H. R. 9867) for the relief of William Solomon; to the Committee on Military Affairs.

By Mr. SHANLEY: A bill (H. R. 9868) for the relief of Harry J. Somerville; to the Committee on Military Affairs.

Also, a bill (H. R. 9869) for the relief of Austin L. Tierney; to the Committee on Naval Affairs.

By Mr. STEAGALL: A bill (H. R. 9870) granting a pension to Mary L. Morris; to the Committee on Invalid Pensions.

By Mr. SUTPHIN: A bill (H. R. 9871) granting a pension to James Gray; to the Committee on Pensions.

By Mr. SWEENEY: A bill (H. R. 9872) for the relief of the Martin Printing Co.; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of the rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4414. By Mr. ANDREWS: Resolution adopted by the Association of Towns of the State of New York, protesting against the enactment of the Parsons bill (H. R. 8327) for further water diversion of the Great Lakes; to the Committee on Rivers and Harbors.

4415. Also, resolution adopted by the National Furniture Warehousemen's Association and Allied Van Lines, Inc., in joint national convention at Santa Barbara, Calif., on January 27, 1938, having to do with the provisions of the Social Security Act; to the Committee on Ways and Means.

4416. By Mr. BEITER: Petition of the Association of Highway Officials of North Atlantic States, approving the construction of arterial transcontinental highways; to the Committee on Roads.

4417. Also, petition of the Association of Towns of the State of New York, opposing the enactment of the Parsons bill (H. R. 8327), or any other act or legislation that would permit the waters of the Great Lakes to be diverted and thus materially affect the natural flow thereof into the Niagara River, the Falls, and the St. Lawrence River; to the Committee on Rivers and Harbors.

4418. By Mr. CRAWFORD: Petition of Edward G. Dean, of Saginaw, and approximately 500 residents of Saginaw, Mich., urging support of the train-limit bill (S. 69); to the Committee on Interstate and Foreign Commerce.

4419. By Mr. CURLEY: Petition of the American Communications Association, New York City, opposing the consummation of the proposed merger between the Postal Telegraph and the Western Union; to the Committee on Interstate and Foreign Commerce.

4420. Also, petition of the Great Falls Mill and Smeltermen's Union, No. 15, opposing the Walsh bill (S. 2108) and the Dies bill (H. R. 6143) to change the bargaining status of the National Labor Relations Act; to the Committee on Labor.

4421. Also, petition of the Economists National Committee on Monetary Policy, New York City, opposing the Patman bill (H. R. 7230), providing for Government ownership of the 12 Federal Reserve banks; to the Committee on Banking and Currency.

4422. By Mr. FLAHERTY: Memorial of the Legislature of the State of Massachusetts, memorializing Congress in favor of a bill providing for the granting by the Federal Government of pensions to certain blind persons; to the Committee on Pensions.

4423. Also, memorial of the Legislature of the State of Massachusetts, memorializing Congress and the United States Tariff Commission in favor of excluding boots, shoes, leather, leatherboard, textiles, and wool and fur felt hats and hat bodies from any reciprocal trade agreements; to the Committee on Ways and Means.

4424. Also, petition of the Chamber of Commerce, Chelsea, Mass., urging an increase in the tariff or duty of certain foreign-made products imported into the United States, in order to prevent serious injury to industries in this country whose products are in direct competition; to the Committee on Ways and Means.

4425. Also, petition of the Draper Bros. Co., Canton, Mass., urging an increase in the tariff or duty of certain foreign-made products imported into the United States, in order to prevent serious injury to industries in this country whose products are in direct competition; to the Committee on Ways and Means.

4426. Also, memorial of the Legislature of the State of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Ways and Means.

4427. By Mr. FORAND: Resolution of the Rhode Island General Assembly, memorializing the Congress of the United States in opposition to House bill 3134, the so-called Boland bill, imposing a tax on fuel oil; to the Committee on Ways and Means.

4428. By Mr. HAMILTON: Petition of Charles Forney, of Princess Anne County, Va., concerning and requesting an investigation of the Tennessee Valley Authority; to the Committee on Military Affairs.

4429. By Mr. LUTHER A. JOHNSON: Petition of Hon. Wayne R. Howell, R. W. Knight, Cleo G. Miller, J. C. Jacobs, R. S. Daniel, and G. H. Brown, of Corsicana, Tex., favoring amendment of the Wagner-Peyser Act, in order for the United States Employment Service to be in a position to request adequate appropriations to enable it to supervise State employment offices and to operate the veterans' placement service and the farm placement service; to the Committee on Labor.

4430. Also, petition of H. D. Colquitt, F. C. Cretcher, Clyde F. Peek, F. L. Triplett, J. A. Foster, Jack Triplett, H. E. Chiles, H. M. Cliett, John Pauling, G. S. Pulliam, Louis Degner, Fred T. Basham, Mrs. W. W. Porter, and Judge Perry Shipley, all of Hillsboro; J. G. Coman, C. E. Herod, and W. K. Boyd, of Mexia; Albert Degner, T. M. Kay, and G. C. Cannamore, of Irene; J. B. Fike, Mart; S. H. Alexander, Bynum; and Will Bond, Groesbeck, all of the State of Texas, favoring amendment of the Wagner-Peyser Act, in order for the United States Employment Service to be in a position to request adequate appropriations to enable it to supervise State employment offices and to operate the veterans' placement service and the farm placement service; to the Committee on Labor.

4431. Also, petition of J. Frank Miller, deputy legislative chairman, Department of Texas, Veterans of Foreign Wars; Andres G. Stelle, adjutant, Post No. 22, American Legion, Corsicana; Pat H. Ramsey, general secretary, Young Men's Christian Association, Corsicana; and Dr. Hubert B. Love, president of Lions Club, Corsicana, all of the State of Texas, favoring amendment of the Wagner-Peyser Act, in order for the United States Employment Service to be in a position to request adequate appropriations to enable it to supervise State employment offices, and to operate the veterans' placement service and the farm placement service; to the Committee on Labor.

4432. By Mr. IZAC: Resolution of Branch 9, Fleet Reserve Association, urging enactment of House bill 8041, to readjust the allowances of retired enlisted men of the Army, Navy, and Marine Corps; to the Committee on Military Affairs.

4433. Also, resolution of Branch 9, Fleet Reserve Association, urging the enactment of House bill 9285, now No. 638 on the Union Calendar of the House of Representatives; to the Committee on Pensions.

4434. By Mr. KEOGH: Petition of the Hauch Manufacturing Co., Brooklyn, N. Y., concerning the Borah-O'Mahoney Federal licensing bill (S. 3072); to the Committee on Banking and Currency.

4435. Also, petition of Schroeder & Tremayne, Inc., New York City, concerning the anti-chain-store legislation; to the Committee on Interstate and Foreign Commerce.

4436. Also, petition of the Babcock & Williams Co., New York City, N. Y., concerning the compulsory licensing bill (H. R. 9259); to the Committee on Ways and Means.

4437. Also, petition of the Gotham Advertising Co., New York City, concerning the Executive reorganization legislation; to the Committee on Government Reorganization.

4438. Also, petition of the Association of Towns of the State of New York, Albany, N. Y., concerning the Parsons bill (H. R. 8327); to the Committee on Rivers and Harbors.

4439. By Mr. LAMNECK: Petition of Daniel Verbance and 114 other employees of the Federal Glass Co., Columbus, Ohio, urging Congress to work for an adequate tariff so that the American glass workers will be secure in their jobs; to the Committee on Ways and Means.

4440. By Mr. MEAD: Petition of the National Furniture Warehousemen's Association, submitted with accompanying letter from the O. J. Glenn & Son Co., of Buffalo, N. Y.; to the Committee on Ways and Means.

4441. By Mr. O'CONNELL of Rhode Island: Concurrent resolution of the State of Rhode Island in general assembly, memorializing the Congress of the United States of America to defeat House bill 3134, introduced by Representative BOLAND of Pennsylvania, seeking to place a 1 cent per gallon tax on fuel oil used for heating and the generation of power; to the Committee on Ways and Means.

4442. By Mr. PFEIFER: Petition of the Association of Towns of the State of New York, Albany, N. Y., opposing the Parsons bill (H. R. 8327); to the Committee on Rivers and Harbors.

4443. By the SPEAKER: Petition of the Birmingham Sunday School Council of Religious Education, Birmingham, Ala., petitioning consideration of their resolution with reference to House bill 9391, concerning conscription of material and human resources of this country in time of war; to the Committee on Military Affairs.

SENATE

TUESDAY, MARCH 15, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, March 14, 1938, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (S. 1077) to amend the act creating the Federal Trade Commission, to define its powers and duties, and for other purposes, and it was signed by the Vice President.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Bulow	Frazier	Hitchcock
Ashurst	Burke	George	Holt
Austin	Byrd	Gerry	Hughes
Bailey	Byrnes	Gibson	Johnson, Calif.
Bankhead	Capper	Gillette	Johnson, Colo.
Barkley	Caraway	Glass	King
Berry	Chavez	Green	La Follette
Bilbo	Clark	Guffey	Lee
Bone	Copeland	Hale	Lewis
Borah	Davis	Harrison	Lodge
Bridges	Dieterich	Hatch	Logan
Brown, Mich.	Donahey	Hayden	Lonergan
Brown, N. H.	Duffy	Herring	Lundeen
Bulkley	Ellender	Hill	McAdoo
McCarran	Norris	Russell	Truman
McKellar	Nye	Schwartz	Tydings
McNary	O'Mahoney	Schwellenbach	Vandenberg
Maloney	Overton	Shipstead	Van Nuys
Miller	Pittman	Smathers	Walsh
Milton	Pope	Smith	Wheeler
Minton	Radcliffe	Thomas, Okla.	
Murray	Reames	Thomas, Utah	
Neely	Reynolds	Townsend	

Mr. MINTON. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Texas [Mr. CONNALLY], the Senator from Kansas [Mr. MCGILL], the Senator from Florida [Mr. PEPPER], the Senator from Texas [Mr. SHEPPARD], and the Senator from New York [Mr. WAGNER] are detained from the Senate on important public business.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

AIR-MAIL CONTRACT OF NATIONAL AIRLINES SYSTEM

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interstate Commerce Commission, transmitting, pursuant to law, a copy of the decision by Division 3, dated March 5, 1938, in Air Mail Docket No. 33, National Airlines System, Rate Review 1935–36, touching the profits being derived by or accruing to National Airlines System, contractor of air-mail route No. 31, from the rate of compensation paid to it for the transportation of air mail by airplane on that route, which, with the accompanying document, was referred to the Committee on Post Offices and Post Roads.

FINDINGS OF FACT AND CONCLUSION IN CERTAIN COURT OF CLAIMS CASES

The VICE PRESIDENT laid before the Senate a letter from the Chief Clerk of the Court of Claims, transmitting certified copies of findings of fact and conclusion in the following cases referred to the court by the Senate under the Judicial Code, which, with the accompanying documents, was referred to the Committee on Claims:

Henry W. Bibus against The United States.

George H. Custer against The United States.

Headley Woolston against The United States.

Nellie Savage, executrix of the estate of John Henry, against The United States.

Samuel Henry against The United States.

A. Myrtle Hensor, executrix of the estate of Charles W. Hensor, against The United States.

Annie Ulrick, widow of Martin Ulrick, against The United States.

Edward B. Duffy, administrator of Harry B. C. Margerum, deceased, against The United States.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Virginia, which was referred to the Committee on Commerce:

Senate joint resolution memorializing the Congress of the United States to provide for the construction of a highway bridge across the York River from Yorktown to Gloucester Point

Whereas a highway bridge across the York River at Yorktown would be of benefit, not only to the people of Virginia but to the traveling public in general, many of whom come from various parts of the United States to visit historic places, and for other purposes: Now, therefore, be it

1. *Resolved by the senate (the house of delegates concurring)*, That the Congress of the United States be, and it is hereby, memorialized to take such appropriate action as may be necessary and proper to provide for the construction of a suitable highway bridge across the York River between Yorktown and Gloucester Point; and be it further

2. *Resolved*, That the clerk of the senate be directed to forward a copy of this resolution to the President of the Senate of the United States, to the Speaker of the House of Representatives, and to each Member of the Congress of the United States from Virginia.

The VICE PRESIDENT also laid before the Senate a telegram from the Hudson County Committee for Labor Defense and Civil Rights, Jersey City, N. J., stating that "In view of the notable work of the Senate Civil Liberties Committee in exposing terroristic methods and violations of civil liberties, and the great need for such an investiga-

tion in Jersey City, we ask that the Senate appropriate sufficient funds for it to complete its present investigation and undertake similar activities here," which was referred to the Committee on Education and Labor.

He also laid before the Senate a resolution adopted by Local Union No. 298, United Brotherhood of Carpenters and Joiners of America, of Long Island City, N. Y., favoring the enactment of the joint resolution (S. J. Res. 127) memorializing the Honorable Frank F. Merriam, Governor of the State of California, to grant to Thomas J. Mooney a full and complete pardon, which was referred to the Committee on the Judiciary.

He also laid before the Senate a resolution adopted by Local No. 50, United Federal Workers of America, of Washington, D. C., protesting against the enactment of the so-called May bill, being the bill (H. R. 9604) to prevent profiteering in time of war and to equalize the burdens of war and thus provide for the national defense, and promote peace, which was referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a petition from the Yorktown Heights (N. Y.) Parent-Teachers Association, praying for the enactment of the bill (S. 153) to prohibit and to prevent the trade practices known as compulsory block-booking and blind selling in the leasing of motion-picture films in interstate and foreign commerce, which was ordered to lie on the table.

Mr. MALONEY presented resolutions adopted by the Association of Highway Officials of North Atlantic States, favoring the enactment of legislation for the construction of arterial transcontinental highways, with the first link to be located between Washington, D. C., and Boston, Mass., which were referred to the Committee on Post Offices and Post Roads.

Mr. WALSH presented a resolution adopted by the City Council of New Bedford, Mass., protesting against the enactment of legislation imposing a Federal tax on fuel oil, which was referred to the Committee on Finance.

REPORT OF A COMMITTEE

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs, to which was referred the bill (S. 3352) for the relief of W. Cooke, reported it with an amendment and submitted a report (No. 1499) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BILBO:

A bill (S. 3663) to authorize the purchase of originals or copies of portraits of former Chief Justices and Associate Justices of the Supreme Court of the United States, and the present Chief Justice and Associate Justices thereof, for the new building occupied by the Supreme Court of the United States, and for other purposes; to the Committee on the Library.

By Mr. BYRD:

A bill (S. 3664) for the relief of Robert James Allen; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 3665) authorizing the Administrator of Veterans' Affairs to restore the veterans' facility at Fort Harrison, Mont., to its former capacity; to the Committee on Finance.

By Mr. ELLENDER:

A bill (S. 3666) to amend the Agricultural Adjustment Act of 1938; to the Committee on Agriculture and Forestry.

By Mr. COPELAND:

A bill (S. 3667) granting a pension to Elia Rodde; to the Committee on Pensions.

By Mr. SMITH:

A bill (S. 3668) to amend the Agricultural Adjustment Act of 1938; to the Committee on Agriculture and Forestry.

By Mr. JOHNSON of Colorado:

A bill (S. 3669) granting an increase of disability compensation to Richard M. Cleary; to the Committee on Finance.

By Mr. THOMAS of Oklahoma:

A bill (S. 3670) for the relief of S. A. Rourke; to the Committee on Claims.

A bill (S. 3671) granting a pension to D. F. MacMartin (with accompanying papers); to the Committee on Pensions.

By Mr. GUFFEY:

A bill (S. 3672) for the relief of Fae Banas; to the Committee on Claims.

(Mr. KING (for himself and Mr. BRIDGES) introduced Senate Joint Resolution 276, which was ordered to lie on the table, and appears under a separate heading.)

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY

Mr. KING. Mr. President, I ask unanimous consent on behalf of the Senator from New Hampshire [Mr. BRIDGES] and myself to introduce a joint resolution and that it lie on the table. A little later I will ask to have it read.

There being no objection, the joint resolution (S. J. Res. 276) to create a special joint congressional committee to investigate the administration of the Tennessee Valley Authority Act of 1933, as amended, was read twice by its title and ordered to lie on the table.

The joint resolution introduced by Mr. KING (for himself and Mr. BRIDGES) is as follows:

Resolved, etc., That there is hereby established a special joint congressional committee (hereinafter referred to as the "committee") to be composed of five Senators, to be appointed by the President of the Senate, and five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. A vacancy in the committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as the original appointment. The committee shall select a chairman from among its members.

SEC. 2. It shall be the duty of the committee to make a full and complete investigation of all phases of the administration of the Tennessee Valley Authority Act of 1933, as amended. The committee shall report to the Senate and House of Representatives, as soon as practicable, the results of its investigations, together with such recommendations as it deems advisable.

SEC. 3. The committee, or any subcommittee thereof, shall have power to hold hearings and to sit and act at such places and times, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to have such printing and binding done, and to make such expenditures, as it deems advisable. Subpenas shall be issued under the signature of the chairman of the committee, and shall be served by any person designated by him. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpena, or to testify when summoned, under authority of this section. The expenses of the committee, which shall not exceed $50,000, shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers approved by the chairman of the committee.

SEC. 4. The committee shall have power to employ and fix the compensation of such officers, experts, and employees as it deems necessary in the performance of its duties, but the compensation so fixed shall not exceed the compensation fixed under the Classification Act of 1923, as amended, for comparable duties. The committee is authorized to utilize the services, information, facilities, and personnel of the departments and agencies in the executive branch of the Government.

SEC. 5. All authority conferred by this joint resolution shall expire on the completion of the report and its submittal to the Senate and House of Representatives.

REST-ROOM ATTENDANT

Mr. COPELAND submitted the following resolution (S. Res. 252), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the attending physician at the Capitol is authorized to employ a rest-room attendant to be paid from the contingent fund of the Senate at the rate of $1,440 per annum until the expiration of the present session of Congress. Such attendant shall be attached to the office of the attending physician and shall possess such qualifications as he may deem desirable.

AMERICA'S VIEW OF THE AUSTRIAN CRISIS—ADDRESS BY SENATOR SCHWELLENBACH

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD a radio address delivered by Senator SCHWELLENBACH on March 13, 1938, on the subject of the Austrian crisis, which appears in the Appendix.]

WHICH WAY OUT OF THE RECESSION—ADDRESS BY SENATOR SCHWELLENBACH

[Mr. MINTON asked and obtained leave to have printed in the RECORD an address delivered by Senator SCHWELLENBACH on Sunday, March 13, 1938, on the subject, Which Way Out of the Recession? which appears in the Appendix.]

BALANCED ABUNDANCE FOR FARM AND CITY—ADDRESS BY SECRETARY OF AGRICULTURE

[Mr. HERRING asked and obtained leave to have printed in the RECORD a radio address delivered by Hon. Henry A. Wallace, Secretary of Agriculture, on March 7, 1938, the subject being The New Farm Act: Balanced Abundance for Farm and City, which appears in the Appendix.]

WHEAT AND CORN PROVISIONS OF AGRICULTURAL ADJUSTMENT ACT OF 1938

[Mr. POPE asked and obtained leave to have printed in the RECORD a digest of the wheat and corn provisions of the Agricultural Adjustment Act of 1938, which appears in the Appendix.]

PHILIPPINE-AMERICAN RELATIONS—ADDRESS BY HON. PAUL V. M'NUTT

[Mr. MINTON asked and obtained leave to have printed in the RECORD a radio address by Hon. Paul V. McNutt, High Commissioner of the Philippines, on Monday, March 14, 1938, on the subject Philippine-American Relations, which appears in the Appendix.]

HISTORY OF AMERICAN LEGION, BY THOMAS M. OWEN, JR.

[Mr. CLARK asked and obtained leave to have printed in the RECORD a brief history of the American Legion, by Thomas M. Owen, Jr., national historian of the American Legion, which appears in the Appendix.]

DRAFTING WEALTH AS WELL AS YOUTH—EDITORIAL FROM ENID (OKLA.) NEWS

[Mr. LEE asked and obtained leave to have printed in the RECORD an editorial from the Enid (Okla.) News of February 25, 1938, entitled "Drafting Wealth as Well as Youth," which appears in the Appendix.]

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. WALSH].

Mr. BARKLEY. Mr. President, I wish very briefly to discuss the amendment which is now before the Senate upon which the Senate is to vote at 2 o'clock. In opposing the amendment I wish to say in the outset that I appreciate the sincerity of the Senator from Massachusetts [Mr. WALSH], who has offered the amendment. I am glad to pay him the tribute of devotion to the cause of civil-service reform in the United States, and I share that devotion with him to a very large extent, if not completely. I wish also to say that what I shall urge in opposition to the amendment is not to be interpreted in any way as a criticism of the Civil Service Commission, which the bill proposes to abolish and in its place to set up a civil-service administrator.

I entertain for the members of the present Civil Service Commission the highest personal esteem. The Chairman, Mr. Mitchell, I have known ever since he came here as a member of the Commission, as its Chairman, and I have for him the highest regard, personally and officially. There is no finer and abler or more devoted woman in America to the public interest than Mrs. McMillin, who is also a member of the Commission. I do not know Mr. Ordway, the other member, so intimately as I know the other two members, but I have, in an official way, observed his conduct, and I have nothing except the highest esteem for him and for the Commission as a whole. So there is nothing personal, and there could not be anything personal, in my attitude on the amendment offered by the Senator from Massachusetts. I try to look at this matter from the standpoint of efficiency and responsibility.

We are living in an age of administrative advance, not only in government but in business. In this age of complexity, of intertwining and intertangling of all sorts of business and political relationships, there is not a large business enterprise in America or in the world which has not been seeking in recent years to simplify its administration, and fix responsibility upon somebody for the conduct of its business. The Government of the United States is the largest business in America, if not in the world; and one of the objects of this measure, upon which the committee has spent many months of careful thought and dispassionate consideration, is to simplify and coordinate and make more efficient the operation of the Government of the United States.

Not only is that true of this bill, not only is an effort being made here to simplify and make more efficient the Government of the United States, but from the highest down to the lowest form of government in this country over a period of years the trend has been in the direction of simplification and the fixing of responsibility. I remember the days of the old city council, made up of a board of aldermen and a board of councilmen. I have seen, in the past quarter of a century, in many large and small cities of America, the advancement from the councilmanic form of government to the commission form of government, made up in most cases of a commission of three, in order to make the city government more efficient and more responsive and more responsible. Even from the commission form of government we have seen the trend go still further in the selection and adoption of city managers who do not make the laws but who administer the laws that are enacted by the legislative branches of every city government where there is a city manager.

We have seen the same tendency in county governments. Years ago I happened to be county judge in the county in which I live, the county judge being not only a judge but an administrative officer. He was more or less a general manager of the financial affairs of the county in the State of Kentucky, under our laws. He had a fiscal court made up of the justices of the peace, eight of them in the county in which I live; and the last act of my administration as judge of that county was to submit to the people a vote on the question whether they desired to have three commissioners to administer the county, or to continue the eight members of the fiscal court under the law of the State, and by an overwhelming majority they voted to change the form of their county government, and to have three commissioners instead of eight.

Not only has this been true in counties and cities, but it has been true in the States. We have had an agitation in this country for what we call the short ballot, by which is meant the reduction in the number of elective officers, the reduction in the number of commissions, and the creation of individual responsibility in the heads of departments and consolidated agencies of the States; and all these consolidations and all these changes have been in the direction of centralization of authority and of responsibility in the interests of efficiency.

So it is not strange that this greatest of all business enterprises in the United States, the Government of the United States, should follow the same direction, the same line of thought, the same trend, in an effort to fix responsibility and to advance efficiency by being able to point the finger of responsibility at some one person at the head of a department or an agency, and hold that one responsible for its administration.

Mr. President, the administration of civil service in this country or in any country or in any State is largely a routine matter that is more or less automatic, and in my judgment can be more promptly and more efficiently executed by a single administrator than by any commission of three, however able or however devoted it may be to the service of the public.

Reference has been made in this debate to the creation of a civil-service dictator. We hear a great deal about fascism and dictatorship and anti-nazi-ism and all that, be-

cause in Europe one or two dictators have assumed the right to abolish the legislative branches of the Government and to set up their own will in the place of the will of the people. I see no more of a parallel between that situation and the reduction of the number of administrative heads of a Civil Service Commission in the United States than I see between the color of my garments and the state of my appetite or my ability to consume food. If we are afraid of a civil-service dictatorship, why are we not afraid of an Attorney General dictatorship, because we have only one Attorney General, or a war dictatorship, because we have only one Secretary of War, or a labor dictatorship, because we have only one Secretary of Labor, or an Executive dictatorship, because we have a single President instead of a Commission, which was under serious consideration in the Constitutional Convention, which finally decided in favor of a single head of the Nation instead of two or three?

I have been here a good many years, longer than I sometimes like to admit publicly, because one of the issues in the coming campaign in my State is how long I have been in Congress. I am not ashamed of the number of years I have served here. I am not unwilling that it shall be admitted, so far as that is concerned, but I have been here a good many years, though not so long as my able and devoted friend from Arizona [Mr. ASHURST], for whom, as he knows, I have a profound affection, not only personally but from the standpoint of ability and devotion to the public service. In all those years I, like every other Member of the House or of the Senate, have been besought by Government employees or by applicants who have thought they have received unjust treatment at the hands of the Civil Service Commission or a department, and I have tried to be as responsive to those complaints as any Member of the House or Senate, but when any applicant complains about the grade he has been given by the processes of the Civil Service Commission, I have invariably found it more effective and more satisfactory to take up the matter with the Board of Examiners, through the Chief Examiner, than to do so through any member of the Commission or all the members of the Commission, because after all the Board of Examiners determines what grade shall be received by any applicant for a civil-service appointment under the Government of the United States.

We do not in this bill abolish the Board of Examiners. The same process of examination will be followed under this bill that has been followed heretofore; for, after all, under the present law and under this bill it is the President of the United States who makes the regulations and rules under which the Civil Service Commission is governed. So hereafter we shall have the same opportunity and the same advantage in taking up any complaints of our constituents with the civil-service set-up here through a single head, or the Board of Examiners, or the Chief Examiner, or anybody else in the civil-service administration that we enjoy under the present system.

Reference has been made here to the fact that the President has the power of removal of the present Commission, which we all agree he has, and that he will have the power of removal of the administrator. It is very generally agreed that in the absence of such conditions as those which existed when an attempt was made to remove Mr. Humphrey from the Federal Trade Commission—where he occupied a semi- or quasi-judicial position, and in the act creating the Federal Trade Commission Congress had specifically provided that the members of the Commission could be removed only for cause—the President would not be handicapped in the matter of removing a Civil Service Commissioner or a civil-service administrator.

It is not my conception of the duties either of the present Commission or of an administrator that he or they would perform any quasi-judicial or legislative functions. Under the Constitution the appointment of all officers is an Executive function. The Civil Service Commission, or a civil-service administrator, or a civil-service administration is only an agency of the Executive, although created by Congress, of course, like all other offices, legislative and administrative, are created by some act. Whether we call it a commission, or administrator, or administration, it is a sort of machinery set up to enable the President himself to carry out his constitutional function in making appointments to the civil service or to the civil employment of the United States Government.

I do not think it need bother any of us whether any President might remove a Civil Service Commission. We know what has happened in the past. When there was a change in the administration there was usually a change in the Civil Service Commission, so that it has been to some extent a political body.

Let us assume that the President would have the power to remove the administrator. We are providing a term of 15 years. We are providing that the administrator shall not be appointed by reason of any partisan political considerations. It might be said, and it would be true, that no one can inject his eyes into the brain or the heart of any President to determine all the phases of an appointment, and all the angles and all the things which influence him in appointing any man to a given office; but we are trying to protect this long-term appointee by providing that he shall not be appointed by reason of his political affiliations. That does not mean that any Republican President would have to appoint a Democrat in order to comply with that suggestion. It does not mean that any Democratic President must appoint a Republican administrator in order to comply with the law. It means that the party affiliation of the administrator shall not be the determining factor in deciding whether he shall be appointed or not.

I think it is worth something, even if it is nothing more than a gesture, for Congress to write into the law, for the guidance of any President, that in setting up an administrator who shall preside over the machinery which tests the qualifications of men and women for public office something else besides mere partisan politics shall enter into the situation.

Let us assume that any President can remove the administrator after he is appointed, as he can remove the Commission now. We are undertaking by our legislative declaration to say that this is a 15-year job. There may be Members of the Senate who object to that long term, and I think there might be legitimate objection urged against it, because it is always conceivable that some man, however high he may stand, or however dignified he may be, might ultimately turn out to be the wrong man for the place, and it would be regrettable if no one had the power to get rid of an incompetent or bad appointee over a period of 15 years. But I dare say that no President, at the beginning of any administration or any change in political control of the United States Government, would dare remove any such man for political or partisan reasons, or for any other reason except reasons which would appeal to the sense of justice and fair dealing of the public toward the man who is removed.

I do not therefore entertain the fear that any President, whatever may be his politics, is going to remove the administrator as a matter of partisanship, or as a matter of caprice, or for any reason which cannot be justified in public opinion.

Mr. President, the Senator from South Carolina has so fully covered the trend of which I spoke at the beginning, toward the concentration of responsibility in order to bring about more efficiency with regard to the action of States, that I do not deem it necessary to reiterate or repeat what has been said; but it is a significant fact that in 1937 five of the American Commonwealths who set up the merit system in determining the method of making public appointments provided for a single administrator rather than a commission. The fact that it may not have worked well in Tennessee or in some other State is no argument against the law itself.

Mr. BYRNES. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Kentucky yield to the Senator from South Carolina?

Mr. BARKLEY. I yield.

Mr. BYRNES. With reference to the question whether or not it works well in Tennessee, I may say to the Senator that the junior Senator from Tennessee [Mr. BERRY] informs me that under the Tennessee law, which was enacted February 3, 1937, it was provided that it should not become effective until 1938. So there has been no test of the merit law in Tennessee.

Mr. BARKLEY. I am glad to have that information. I was not aware of the fact that the law postponed its operation.

I was about to say that if a single administrator, under the Governor of any State, should violate the law or should be guilty of desiring to use it for political purposes, he could do the same thing under a commission system, and it might even be worse under a commission than under a single man, upon whom the public had its eyes fixed and at whom it had its fingers pointed in the administration of the merit system, because when there is a commission of three or five or any other number it is always easy for any one of the commissioners to point his finger at his colleagues and say, "I did not do this, but it was voted over me," whereas it is more difficult for any single administrator to escape responsibility on his own account.

Mr. POPE. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. POPE. With reference to concentrated control, so far as the executive offices are concerned, has it not been the observation of the Senator that in the matter of executing or carrying out duties divided responsibility is very likely to create the very difficulty the Senator points out? In my own State a few years ago the more progressive groups in the State adopted a commission form of government law as applied to cities, so that in my own city, of which I was mayor for 4 years, there was for several years a commission form of government under which five men took over the executive departments. The law did not work well, because there was jealousy and constant bickering between the five, so that they were called "five little mayors." One councilman would be at the head of the fire department, another at the head of the park department, the mayor himself was at the head of the police department, so that there were five different heads of departments. Conditions became so bad that the law was repealed, and I do not think that anyone in the State, even among those who were most ardent advocates of the commission form of government in cities, would have the law back on the statute books. So observation of what happened in my State leads me to believe that whenever responsibility is divided in executing the law there are almost invariably enmities and jealousies and difficulties between the heads of departments.

Mr. BARKLEY. Mr. President, the Senator is correct; and, as I have said, even in cities where they have had the commission form of government they have gone even further and adopted a system under which they have a city manager, who is, in effect, a general manager of the business of the city. So far as I have been able to investigate that matter, in 99 out of a hundred cases the city government has been found to be more efficient, more responsive, more prompt, and there has not been discovered any injury to the public service by reason of concentrating responsibility in one man instead of having it in half a dozen.

Mr. POPE. Mr. President, will the Senator yield further?

Mr. BARKLEY. I yield.

Mr. POPE. When our commission form of government law was repealed we adopted, in effect, the city-manager form of government—that is, the mayor was made the city manager and the members of the city council were purely advisory and legislative in their duties. Having worked for 4 years in that sort of a government I found that it worked satisfactorily. The mayor gets the advice of the others, and yet the mayor has the power to execute the law. So, in effect, we adopted the city-manager form of government.

Mr. BAILEY. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. BAILEY. Is the drift of the argument now that we ought to abolish all the boards and commissions and have just one man in charge of each activity?

Mr. BARKLEY. No; that is not the argument; not even the trend of it.

Mr. BAILEY. Is not that the suggestion?

Mr. BARKLEY. No; I made no such suggestion.

Mr. BAILEY. I thought the Senator had.

Mr. BARKLEY. We are dealing with the Civil Service Commission, not with any other board.

Mr. BAILEY. But is it not urged that one man would run that better, and that one man would run the Federal Trade Commission better, and so on?

Mr. BARKLEY. No; there is a difference. I would not approve any measure which provided for a one-man Interstate Commerce Commission, or a one-man Communications Commission, or a one-man Federal Trade Commission, or a one-man Power Commission, because those commissions are agencies set up by Congress in the performance of the duty of Congress to regulate commerce among the States. They are quasi-judicial and quasi-legislative. They are quite different, I say to my friend the Senator from North Carolina, from a commission which is created merely to aid the President in determining how he shall perform his Executive duty of appointing people to office, in the way of testing their qualifications. One is an Executive function, the others are legislative and judicial, and the only reason, of course, as the Senator and we all know, why the Interstate Commerce Commission was set up, and why the Federal Trade Commission, and the Power Commission, and the Communications Commission, were set up under the authority to regulate commerce among the States and with foreign governments, was the knowledge that Congress itself could not do that. It has neither the time nor the opportunity to gather the facts which would enable it to fix railroad rates or practices by statute, or to fix rates for communications across State lines, or to do the things which are enjoined upon the Federal Trade Commission, as the agency of Congress, in attempting to keep the channels of interstate commerce unchoked in order that business might go forward and progress.

I draw a very clear distinction between that function which is quasi-legislative and quasi-judicial and the function of the Civil Service Commission, which is neither, but is only an agency to help the Executive to decide who is best qualified to be appointed to public office.

Mr. BAILEY. But, Mr. President, on the basis of the distinction which the Senator draws, he advocates that all Executive activity should be administered by one man instead of by a commission. I should like to know if that would be the policy.

Mr. BARKLEY. I do not think the Senator has a right to draw that conclusion from what I have said.

Mr. BAILEY. Let me say to the Senator that with respect to the civil service the intent of the whole policy respecting the civil service was to take the Government employees out of politics, and the law provides that the Board shall be a bipartisan Board. We cannot have that condition with one man. We cannot find a bipartisan man.

Mr. BARKLEY. I realize that the theory was that it should be bipartisan, and it is a very beautiful theory on paper.

Mr. BAILEY. Does not the Senator realize that that was the object in mind at the time of the establishment of the Board, due to the necessities existing?

Mr. BARKLEY. Yes; but I do not think it is a necessity now, because gradually from year to year, regardless of administrations, the tendency has been to take the appointments that are covered into civil service out of partisan politics.

It is true that when the present administration came into power, when a great emergency existed and the situation had to be dealt with almost overnight, it was physically impossible for the Civil Service Commission to have gone through the routine necessary to certify qualified appointees in all the emergency agencies, and therefore we have at the

outset exempted many of them from the civil service, but I hope that all of them will ultimately be covered into the civil service, not without any test, not by a blanket order regardless of qualification but that they will be put to a test which will be genuine as to their qualifications, and that after they have gone through that test they may not again be subject to the whims of politics or partisanship in deciding whether they shall remain on the pay roll of the Government of the United States.

Mr. BAILEY. At the same time I remind the Senator that he is advocating the abandonment of the bipartisan theory of administration.

Mr. BARKLEY. No; I do not think so, I will say to the Senator, because I think we have gone forward sufficiently in the civil-service administration so that there is no greater danger of a single administrator, in the performance of his duty undertaking to control the result of examinations than there is for the present Civil Service Commission to do it. The Civil Service Commission does not appoint anyone. It is not an appointive body. It is only a certifying body. It goes through the necessary minutiae of details and examinations, and all that, to determine who is qualified. When the Commission has made up an eligible list it certifies to any department that has a vacancy the names of the three highest on the list. It may be possible that the appointing body in the department may have the power to exercise some personal preference or favoritism as among those three, but it is not done on the part of the Civil Service Commission, and it will not and cannot be done on the part of the civil-service administrator.

Under a single administrator there will be the same kind of examinations, or if not the same kind, probably an improved kind, because we have all had the experience that in the case of certain types of examinations that have been held in the past the test of qualifications of certain applicants for office seemingly had no real connection with the office to be filled.

However, the same automatic routine with respect to examinations held in the field or the examinations of the papers when they reach Washington, and their grading and determination according to the merits of those papers, will be gone through with that which is gone through now.

In my judgment neither a commission of three nor one administrator has any legal, political, or moral right to interfere in any way with the impartial grading of papers that are before the Commission or before the civil-service administrator in determining who may be appointed to office.

Mr. BAILEY. If I understand the force of the Senator's argument, we have after 50 years so developed the civil service that it has become automatic and partisan proof, and therefore we can put in one man at the will of the President. That is a great tribute to the civil service. Why change it?

Mr. BARKLEY. My theory is that, even if a commission of three was necessary at the beginning in order to get the civil service started, its machinery has become so well understood and so automatic that it is no longer necessary to maintain a commission of three, when one administrator, I believe, can act more promptly and with greater responsibility than can a commission of three.

Mr. BAILEY. If the Senator is sure of that, I should like to ask why the bill still contains a provision for an underlying nonpartisan board.

Mr. BARKLEY. That is not entirely different from the part-time boards that are set up in the States. In the State of Michigan, for instance, where they have a single administrator——

Mr. BAILEY. The Senator is arguing that the thing is automatic; that we do not need it any more.

Mr. BARKLEY. Of course, advice is always valuable. We do not always take it, even when it is good. It is not in the interest of partisanship, as I conceive it, for a part-time commission, nonpartisan in character, to be set up which may advise the administrator and aid him in the working out of any routine matters, and not matters of policy, because it is not a policy-making board. Instead of having a commission, the members of which are in service all the time, drawing annual salaries, we provide for the establishment of a small board, which will meet periodically, or whenever it may be necessary, in order to act as a sort of a representative of the public in any way that it may be necessary to advise and counsel with and aid the administrator in the performance of his duties.

Mr. BAILEY. So, the Senator now says that we do need representatives of the public of a bipartisan character, and we need them for the purpose of advice. Why would not the advice of three people be better than the advice of one?

Mr. BARKLEY. I do not quite get the application of the inquiry.

Mr. BAILEY. The board now is conceived of in the argument as being advisory, and it is conceived that there is a necessity for it. The Senator is advocating a plan for one man's advice. I am advocating a plan for three, as we now have it.

Mr. BARKLEY. The one man is not simply an adviser. He is an administrator.

Mr. BAILEY. Yes.

Mr. BARKLEY. The board which it is proposed to create will be an advisory board. If the Senator objects to that, I should be willing to consider whether or not the provision ought to be retained; but I do not believe that in the administration or the execution of the law, in the certification of applicants for office to a department in Washington, three men can do it any more promptly or more efficiently or more satisfactorily than can one man, because, after all, these things are sifted from the very bottom up through all the various grades until they get to the top, and when they get to the top they are more or less automatically referred then to the various departments that have the power of appointment.

Mr. BAILEY. Let me say to the Senator that three persons can represent two parties or three parties. Three percans can represent three points of view. Three persons can outlast one another. One is appointed for 2 years, one for 4, one for 6 years. There is an element of continuity, an element of representation, an element of conference, and an element of check. None of those elements would be there if we should have only one administrator.

Mr. BARKLEY. If we are to assume that the Commission is made up of persons who in their individual capacity are engaged in some sort of political skullduggery and that each member ought to be watching some other member of the Commission who is engaged in some sort of political skullduggery, the Senator is correct. But I am arguing, and I certainly hope that the assumption is not without foundation, that whether it be a commission of three or an administrator of one, they will be unreservedly and with single-minded devotion to their duty interested in advancing the cause of civil-service reform and justice in the appointment of persons to the executive branches of our Government.

Mr. BAILEY. I will say to the Senator we do not have five men on a board or six just on the basis of one preventing another from engaging in skullduggery.

Mr. BARKLEY. The argument has been made in the Senate that the minority member of a commission of three representing the party not in power is in a position to watch the two who are in a majority on the commission, who in most cases have been appointed as a new administration has come into office, and inasmuch as these changes have gone on from time to time, I suppose it may be theoretically correct to say that politics may have played some part in their appointment.

Mr. BAILEY. The whole theory of the civil service was that there was too much politics played in appointments; therefore we would have a bipartisan board to prevent political play. That does not imply an attitude of suspicion of skullduggery, but only an attitude of caution by way of having three members, two of whom represented different points of view. When the Senator makes the argument that we are proceeding on a theory of skullduggery I think he is begging the question.

Mr. BARKLEY. The word "skullduggery" may be a little too strong, but if it is thought that a minority member ought

to be there in order to watch the majority member, the suspicion is created that something might go on that is wrong, because these commissions are not made up of policy-making men. The rules for their conduct are laid down by the Chief Executive. They follow those rules. They are responsible to the Chief Executive. I agree that in the beginning, when everything was a matter of patronage, and the spoils system prevailed, the Civil Service Commission was inaugurated in order to get away from the spoils system. The advocates of civil-service reform have had a long, hard fight, and have traveled a long road from the beginning of the civil-service conception of our public service up to the present time. I believe the present Commission is as completely nonpartisan as it is possible for any commission of high-minded men and women to be. Even if they wanted to favor some Democrat or some Republican in a contest for an appointment, I do not believe they could do it without everybody in the Commission knowing it; and I do not believe a single administrator could do it, either.

Mr. BAILEY. The Senator has paid a high tribute to the Civil Service Commission. He says it is as completely nonpartisan as such an institution could be. That being so, and the Commission having developed for 50 years, why disturb it? That was just the goal at which we aimed.

I should like to say to the Senator further that his argument for excluding minority representation, on the basis that minority representation exists only for the purpose of preventing skullduggery, is very badly founded. The very character of this Republic is conditioned on minority representation. It was always intended that the minority, whatever it was, should be represented in the Congress and everywhere else throughout the Government.

Mr. BARKLEY. There are variations of that theory. I realize that minorities are represented, and ought to be represented, in all processes of government. But if the Senator's theory were carried to its logical conclusion, we ought to have three Secretaries of War, so that there would always be one in the minority. We ought to have three Secretaries of the Treasury, so that there would always be one to watch the other two. We ought to have three Attorneys General, because the two in the majority might not always be willing to perform their duties as they should, and the minority member would be there to watch the other two.

Mr. BAILEY. Since the Senator has undertaken to reduce my argument to an absurdity——

Mr. BARKLEY. No; I have not. I am trying to reduce it to its logical conclusion.

Mr. BAILEY. Following out the Senator's argument, we ought to have three senior Senators from Kentucky, and three Presidents of the United States. If the Senator is satisfied with his argument by way of reducing my argument to an absurdity, I am satisfied by way of having reduced his argument to an absurdity.

Mr. BARKLEY. There could not be three senior Senators from Kentucky, unless all three of them were born on the same day, or elected on the same day.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. BARKLEY. I will yield in a moment. I stated a while ago that in the Constitutional Convention which framed the Constitution the question was discussed whether we should have a single Executive or a commission. The commission idea was discarded in favor of the single Executive, on the theory of fixed responsibility.

I yield to the Senator from New Jersey.

Mr. SMATHERS. If I may make a suggestion, at the present time we have three senior Senators from the State of Kentucky in one.

Mr. BARKLEY. I thank the Senator for that compliment. I sometimes do meet myself coming back, which reminds me that there are at least two. [Laughter.]

Mr. BAILEY. I wish to thank the junior Senator from New Jersey for having reduced the Senator's argument to an absurdity.

Mr. BARKLEY. I am sorry the Senator from North Carolina has spoiled the compliment paid me by my friend from New Jersey, who is also from North Carolina, a State from which my ancestors also came.

Mr. BAILEY. If the Senator will permit me, I desire to pay him a genuine compliment. He is a very able Senator and a very faithful Senator. He deserves the high place of leadership in which his party has placed him, and I am one of the Senators who hope he will remain here, not only for 6 years, but for 12 years, 18 years, or more, and that he will stay in the position of leadership. That is not absurd. That is a genuine compliment.

Mr. BARKLEY. That is the best speech I have heard lately. [Laughter.] I thank the Senator for his compliment.

Mr. President, I have taken more time than I intended. I do not wish to occupy the whole time allotted before the vote is taken on this amendment. I have no personal interest in it one way or the other. It is always regrettable to vote anybody out of office. It is always unpleasant to abolish any commission or any office to which one's friends have been appointed, and which they occupy. But looking at this matter from the standpoint of efficiency, from the standpoint of fixed responsibility, and from the standpoint of trying to reorganize and coordinate our Government, not only in the interest of economy but in the interest of efficiency—which, after all, is economy—much as I regret to oppose the amendment offered by my good friend the Senator from Massachusetts [Mr. WALSH], for whose legislative ability and for whose character I have the greatest respect, I hope this amendment will not be adopted.

Mr. CAPPER. Mr. President, it is not my intention to enter into a discussion of this entire measure to give to the President such extensive and comprehensive power to reorganize the executive departments, except that I want to make it plain that I believe the powers proposed are entirely too broad, and amount to an almost complete surrender of the powers and duties imposed upon the Congress by the Constitution.

I particularly want to voice my protest against the provision to replace the Civil Service Commission by a one-man administrator, completely under the domination of the White House.

I am for civil-service reform. I believe in extending the merit system of appointment and promotion in the civil service.

But this proposal, as it came from the committee, looks to me more like a program to destroy the civil service than to promote the merit system in the civil service.

I believe that a board of three is better qualified to administer the civil service than is a single administrator. I feel that the amendment proposed by the Senator from Massachusetts [Mr. WALSH] has the merit of removing the commission from White House domination, whereas the original proposal practically would make the administrator the chief patronage dispenser for whatever administration happened to be in power.

I cannot and will not support any proposal which carries such a complete surrender of the powers and duties of Congress as is proposed in the pending measure. If the administration is insistent upon its passage, I at least can vote, and shall vote, to improve it as much as possible by amendments.

The PRESIDENT pro tempore. The clerk will state the pending amendment.

The LEGISLATIVE CLERK. On page 8, beginning with line 20, it is proposed to strike out all down to and including line 9 on page 10 in the following words:

SEC. 201. (a) There is hereby established in the executive branch of the Government an organization to be known as the Civil Service Administration (hereinafter referred to as the "Administration"), at the head of which shall be a Civil Service Administrator (hereinafter referred to as the "Administrator"), who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of 15 years and shall receive a salary at the rate of $10,000 per annum. The Administrator shall be selected without regard to any political affiliations, shall be a person specially qualified for the office of Administrator by reason of his executive and administrative qualifications, with particular ref-

erence to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law.

(b) The Administrator shall appoint a Deputy Civil Service Administrator, subject to the civil-service laws, and his salary shall be fixed in accordance with the Classification Act of 1923, as amended. The Deputy Civil Service Administrator shall perform such functions as the Administrator may prescribe, and shall act as Administrator in the absence of the Administrator or in the event of a vacancy in that office.

(c) The United States Civil Service Commission and the offices of Civil Service Commissioners are abolished, and all functions vested in such Commission are hereby vested in the Administration. The records, property (including office equipment), personnel, and unexpended balances of appropriations of such Commission are hereby transferred to the Administration.

(d) The Administrator is authorized to delegate to any officer or employee of the Administration any functions vested in the Administrator or the Administration by law, and to make such rules and regulations as may be necessary to carry out any of such functions.

(e) The Administrator shall cause a seal of office to be made for the Administration, of such device as the President shall approve, and judicial notice shall be taken of such seal.

Mr. BURKE. Mr. President, I was interested in the statement of the Senator from Kentucky [Mr. BARKLEY], in which he paid a high compliment to the present membership of the Civil Service Commission. The Senator said that, in his judgment, each one of the three members of that Commission was competent and fully determined to carry out the purposes of the act, and to do everything such a Commissioner should do.

When the Senator made that statement, I was reminded of a statement which I heard the senior Senator from Arizona [Mr. ASHURST] make a few days ago. In the course of his argument the Senator from Kentucky paid a very glowing tribute to the senior Senator from Arizona. The Senator from Arizona said, in reference to a certain piece of legislation, that he was reminded of the old saying that a failure to show necessity for a change is conclusive proof that there should be no change in the law.

I think what our friend from Kentucky has said has demonstrated rather conclusively that there is no pressing need for a change in the composition of the administrative body enforcing the Civil Service Act. As the argument has progressed in reference to this feature of the bill, it has seemed to me that the proponents have put themselves in a very difficult position.

On the one hand the Senator from South Carolina [Mr. BYRNES] told us that the Civil Service Commission does not have any important duties to perform; that there is a Chief Examiner, who does practically all the work; that there is a board of review, which looks after the examinations; and that the Commission does not really have anything in particular to do. Then we go on a little further, and we hear that this body, with such important duties to perform, by the very nature of its composition, is inefficient, and that if the work of this great governmental agency is to be carried on as it ought to be, in the interest of efficiency we must have a single administrator instead of three.

The two arguments do not go together very well. We cannot, on the one hand, say that the Commission has nothing but routine duties to perform and, on the other hand, say that the need for efficiency demands a single administrator.

I think the proponents of this measure must recognize that they are now placed in a very difficult situation. Under the proposal in the bill before us the three-member Commission will be replaced by a single administrator, but there will be set up also an advisory board. The extreme weakness of such a board and the great difficulty it would have in doing anything worth while have already been completely demonstrated. I am addressing my thought only to this phase of the matter. The proponents of this measure recognize, by their very eagerness to set up an advisory board, that there is something in addition to ordinary administration involved in this part of the bill. As a matter of fact, at the present time, with the three-member Commission, we have a Chief Examiner, who, as the senior Senator from Massachusetts [Mr. WALSH] pointed out yesterday, is, in effect, and in everything but title, the real administrator. He himself, single handed, performs all the routine duties. We have been told this Commission ought not to be bothered with such duties, and that a single administrator could do so much better.

But we already have in this system a Chief Examiner who does all that work, and then we have the Commission itself which serves as the advisory body, to which the six or seven hundred thousand Federal employees look as their last refuge. I see no advantage now in doing away with the system under which we have a three-man Commission and a Chief Examiner who does the administrative work and reports to the Commission. I think it would be a mistake to reverse that system and provide for a single administrator and a purely advisory committee. It seems to me it would not be in the interest either of efficiency or of good government.

I am sure that many Senators have heard from some of the six hundred or seven hundred thousand employees who look, as I have said, to the Civil Service Commission as their last refuge and hope. In my opinion the suggestion which was made earlier in this debate is an entirely reasonable one. Some light comment was made on the fact that the women employees of the Government feel that they would be better served by a commission than by a single administrator and that they are entitled to have representation on the Civil Service Commission. I think there is merit in that contention. I also think that when the American Federation of Labor says, as it has said very often in past years, that organized labor should be represented on the Civil Service Commission, there is merit in their contention. I do not believe that any of these great groups of our citizens would be pleased or satisfied if they were to be told, "Well, you can have representation on an advisory board," a board that will have no powers, no duties, no authority of any kind, and might, as a matter of fact, just as well never be brought into existence.

I am sure that the Senator from Kentucky and all other Senators who have taken part in this discussion, and who will vote their convictions on the pending question in a few moments, desire to make the civil-service system more effective. My own firm conviction is that we can do that far more effectively by adopting the amendment offered by the Senator from Massachusetts.

Mr. DAVIS. Mr. President, I spoke in behalf of the merit system on March 9 because I am convinced that if this bill is passed reorganization will be placed in the hands of those who have openly expressed their favor for the patronage system. We have come to the "parting of the ways." The abandonment of the civil-service merit system, and the substitution of the patronage system would mean the loss of jobs for thousands of civil-service employees at a time when unemployment is mounting daily. I am opposed to the proposal to abolish the Civil Service Commission for the purpose of setting up a one-man administrator. Such a procedure would threaten to advance the Nation one more step toward one-man government, to which, I am sure, the American people are resolutely opposed. I am certain that the problems of reorganization can be worked out within the framework of the present administration of civil service, and I am eager to have such reorganization in the interests of economy and the further extension of the principles of the merit system.

Mr. President, I shall not vote for this bill in its present form, because I regard it as a threat to the principles of social security, stabilized employment, and the property right which a worker has in his job. If there is failure under the present Civil Service Commission to provide the efficiency and dispatch in the performance of duty which the needs of the Government require, the law provides that any Civil Service Commissioner may be removed at the will of the President. I am not suggesting that there has been such failure. There are those, however, who are calling for a single administrator because they make charges of inefficiency against the Commission. If there is any validity in their point of view, the Chief Executive should not fail to discharge his duty. The President is charged with responsibility of requiring a competent administration on the part of the Commissioners under the law as it now stands. It should be observed that prior to

1933 the charges now made against the Commission were not considered worthy of attention.

Mr. President, in my judgment, the quickest and best solution of the important problems of personnel administration will be found in granting to the Civil Service Commission an adequate appropriation with which to carry on its work. Reference to the printed hearings before the subcommittee of the House Committee on Appropriations on the independent offices appropriation bill for the fiscal year 1939 discloses the fact that we are faced with the spectacle of the Bureau of the Budget, an agency of the Chief Executive, denying the Civil Service Commission's plea for adequate appropriations, while at the same time the President's Committee on Administrative Management is condemning the Civil Service Commission for its reputed failure to perform its functions competently.

Mr. President, I question if any thorough-going attempt has been made under the law as it now stands to effect the improvements which we all desire. Until such an effort shall be made under the present system, I am opposed to attempting to set up a new one.

Mr. LEWIS. Mr. President, I make bold to address myself for a moment to the argument which has been advanced as I have listened to it during the last few minutes. I mean the one against the proposal to provide a single administrator in lieu of the present Civil Service Commission.

Mr. President, when the civil service was first suggested it was not regarded as a system which was understood. A distinguished citizen of the name of George William Curtis, not unknown in the history of New York, was supposed to be the projector of the system. For a long time, sir, it was regarded as an attempt merely to assure officers of faithful service who would not be subject to dismissal by those who might come into power politically.

A former President of the United States, Theodore Roosevelt, was put in charge of some form of civil-service administration of a nature that will be remembered in connection with the law which was enacted. Since those days, as the Senator from Kentucky a moment ago wisely observed, many changes have occurred, and we have now reached a point that whatever should be done in connection with the civil service is really judicial in its application and in its spirit.

It is said, sir, that a commission consisting of three members should be retained because, as my eminent friend from North Carolina [Mr. BAILEY] suggests, there should be one of the minority. What minority? An eminent Senator from Wisconsin, the senior La Follette, a distinguished leader and highly esteemed citizen of America, represented for a considerable length of time one political element that could be called Republican, but was designated as Progressive Republican. At the same time one of the old order of Republicans, Mr. Penrose, who has now passed to heaven, was a distinguished Senator from Pennsylvania. If an appointment had been tendered a gentleman of the minority, would it have been intimated that the then distinguished Senator from Wisconsin would have accepted the gentleman presented for the minority by Mr. Penrose as a minority representative?

Then, sir, what makes a minority? May I come a little closer home? The able Senator has referred to Dr. White, a late member of the Commission. Dr. White was from my city; he was assumed to be a Republican. He was from the Chicago University in the city of Chicago. The mayor of that city advocated his appointment to the Civil Service Commission upon the theory that it were well to have one on that Commission who was schooled in the science of what is called civil service and who was a member of what has been designated here as the minority. So this gentleman, Mr. President, was promoted to the city of Washington as representing the minority on the national Civil Service Commission. Have you forgotten, sir, that the distinguished gentleman had changed about in his political views? He had supported Mr. Franklin Roosevelt for President of the United States. He was pleased to assert such truth. He could no longer support those who previously were members of the party to which he was allied.

Our honorable friends, Senators on the other side—particularly one who is now absent from us for a little while, the Senator from Maine [Mr. WHITE]—legitimately contended that this gentleman, Dr. White, a member of the Civil Service Commission, was not a minority appointee. How could he be, asked the eminent Republican Member? True, he could be designated as a minority appointee, but he supported Mr. Roosevelt as the other members of the Commission supported Mr. Roosevelt. Therefore where was there any minority in this designation? Upon that, as my eminent colleagues recall, the matter rested. Dr. White was finally accepted on the theory that he had been an educator and student of the system of civil service in a great educational institution. Therefore, when we come to discuss what is a minority, we are confronted in these days with the fact that we have two or three political parties fairly well organized. I deplore to confess and profess here in this tribunal at this time that in coming Presidential contests we will see six different candidates for the Presidency, three of them representing the now recognized parties and three representing parties that will arise in the meantime, taking on the form of political organization. Therefore, if we are going to discuss the question of minority, we are back again to the famous inquiry in Pontius Pilate's day when it was asked about this man Christ not having spoken the truth. "Well," asks Pilate, "what is truth?" So the question will still remain, what is a minority? Therefore, sir, we are confronted again with the same sort of inquiry.

Now, sir, let us take the position of my eminent friend from Nebraska. I refer to my distinguished friend the junior Senator from that State [Mr. BURKE], whose leadership in great matters of Government legislation from the court bill to now entitles him to be known as "the oracle from Omaha." [Laughter.] My beloved friend asserts that this single individual as official in control would be a very bad result, because the whole power would be combined in his hands. I take him back to Nebraska, and I bring him before a tribunal where he has honored himself as counsel in several instances with able arguments and esteemed virtuous positions known to the law. In Omaha there is but one Federal judge, as the district United States judge. He sits in that court as a Federal judge. He is the trial Federal judge, and he has about him his advisers. Some of them are called, if you please, sir, masters in chancery. Some of them are called referees; but while the judge is the head of the tribunal, he has about him the same form of counselship which our eminent friend from Nebraska would intimate stands as something of an obstruction in the way of what would be called a single control by a single mind as to this civil-service head.

Mr. CLARK. Mr. President, will the Senator from Illinois yield to me?

Mr. LEWIS. I yield.

Mr. CLARK. It seems to me that for almost the first time in a lifetime of acquaintance with the Senator from Illinois in this instance he is using an extremely faulty analogy, because the Senator will recall that while the single judge sometimes sits individually, and frequently as a matter of routine sits individually, in the most important matters confided to the jurisdiction of the lower courts the statute has wisely required that not one Federal judge but three Federal judges shall sit in the disposition of such cases.

Mr. LEWIS. I beg to call the attention of my able friend to the circumstance that he has overlooked the fact that these are not the ordinary causes; that when the constitutionality of an act of the legislature of a sovereign State is brought into question, instead of allowing one Federal judge to assume himself to be powerful enough to dispose of the question, we have created what is called a three-man court, to use the words of the law, and three judges sit. This is in order that the question may be determined as against that sovereignty with something more than a single judgment. In that case there are three judges; but, sir, that does not

alter the fact that in the cases which are tried in the ordinary course of things there is but one judge. Appeal may be taken from him later, after conclusion of the matter, to a higher tribunal; but at the time the cause is being heard there is but one judge, although he has the right to listen to his masters in chancery and likewise to appoint his referees.

Mr. CLARK. Mr. President, if the Senator will permit me one word further——

Mr. LEWIS. I yield again.

Mr. CLARK. Again the Senator's analogy seems to me faulty, because while there may be a single judge trying the case in the first instance, as in the first instance before the Civil Service Commission at the present time a matter may be heard before the Chief Examiner, nevertheless an appeal lies to a circuit court of appeals, which consists of several judges, never less than three; and in a proper case an appeal may be taken to the Supreme Court of the United States, where it will be heard, not by one judge sitting as high commissioner or exercising arbitrary power but by nine judges.

Mr. LEWIS. But if the man we are seeking to appoint, an honorable man to sit as administrator, should do something that appeared to be in violation of the statute or in violation of regulations, an appeal could be taken from him directly to the President of the United States, and for all purposes of parallel, the appeal is provided just the same as my honorable friend from Missouri indicates.

Mr. SCHWELLENBACH. Mr. President——

Mr. LEWIS. I yield to the Senator from Washington.

Mr. SCHWELLENBACH. I call the attention of the Senator from Missouri to the fact that insofar as the administrative duties of the operation of his court are concerned, the judge always acts solely and individually, and does not rely upon a three-judge court; and there is no appeal from his decisions on the purely administrative operations of his office as a judge.

Mr. LEWIS. That I have tried to make clear. I could not have elucidated it more forcefully or more clearly than the Senator from Washington does; but I am merely answering the statement which is being made as if there were something novel, original, revolutionary, in having some one person of authority preside over a matter that is at all times semijudicial, as this new office under these new conditions certainly will be.

I have but one other observation to make.

Mr. BURKE. Mr. President, will the Senator yield for a question?

Mr. LEWIS. I gladly yield to my friend.

Mr. BURKE. On yesterday the distinguished Senator from Illinois propounded an inquiry to the Senator from South Carolina [Mr. BYRNES] as to the purpose and function of the advisory board, what it was really to do; and the tone of voice which the Senator from Illinois used very clearly indicated to me that he had very grave doubts at the time whether any really worthwhile purpose and function would be or could be performed by the advisory board. I am wondering whether the Senator from Illinois has seen a great light, and now understands fully what the advisory board is to do.

Mr. LEWIS. I answer my friend that having very clearly in my mind a viewpoint of what the board is to do, I sought confirmation of my view from the Senator from South Carolina [Mr. BYRNES], who, upon the subject of this kind, naturally would afford a great light; and that I was pleased to follow, as additional illumination to that which I already possessed.

Mr. President, I conclude by saying that I cannot see the force of the reasoning which my able friends are adopting here to dispute the wisdom of reposing this power in a single individual, who will have authority, and there likewise will be recourse from his ruling, as provided in the bill.

And now may I invite your memory for a moment? When the establishment of the Civil Service Commission was suggested, it was to be composed of five members, my distinguished colleagues, not three. Our esteemed associate in this honorably body, my distinguished friend the Senator from Missouri [Mr. CLARK]—then the young Parliamentarian—who was then the adviser of the House of Representatives as he now continues to be the adviser of the Senate—will recall that I was then an humble Member of that rather truculent House of Representatives. The contention was made that the imposition of such an obligation of five would be onerous, that the number of members proposed was so great that it would be so burdensome as to be useless. The contention was strongly made that there should be a single head, but, if you recall, it was said such head should be a judge. It was desired to have a judicial head. It was while the matter was pending in that form that finally there came the conclusion, on the suggestion made by my able friend from North Carolina and likewise my able friend from Nebraska, upon the theory of minority representation, by which the three finally came to be suggested.

So far as I am concerned, I now come back to the point that the whole matter will turn on the manner of man who is appointed to the place. If we have no confidence in the Executive, or the one who shall make this appointment, if we do not believe that he will name, under such conditions, a responsible character capable of executing the law within its terms and in accordance with its spirit, we are all wasting our time.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. LEWIS. I yield to my friend from Maryland, of course.

Mr. TYDINGS. The Senator knows that the office of Comptroller General of the United States is a one-man office. The Senator knows that in the past there have been some difficulties between the Comptroller General who, under the statute, is an independent individual, and may be removed only for cause, and certain departments of the Government. The Senator knows that since the Comptroller General completed his terms of office there has been no appointment to the place, and therefore there has been no opportunity for either the Senate or the House to exercise its part in the executive functions of the National Government insofar as confirmation and the like may be a part of those functions.

If that were to happen with a one-man civil-service board—in other words, if the Civil Service Administrator were to die, or to resign, or for any other reason a vacancy were to occur, and there were only one Civil Service Commissioner instead of three, and a period of 18 months or 2 years were to elapse—does not the Senator feel that in that event it would be well to have two other men on the board to carry on?

Mr. LEWIS. If we are to assume that should death remove a man, and that is the cause of his disposal, there will be a delay of from 15 to 18 months on the part of an Executive in deciding who should fill the place, despite the vacancy calling for it, then, of course, we come to the conclusion that the Executive is deficient, and not the unfortunate situation growing out of the vacancy.

Mr. TYDINGS. Mr. President, will the Senator yield again?

Mr. LEWIS. I yield to my friend.

Mr. TYDINGS. The Senator knows that in the case of the Comptroller General, whose function is perhaps more important than even that of the Civil Service Commission from the standpoint of the whole country, a long period of time has elapsed without the appointment of a successor, and in the meantime the Acting Comptroller General is carrying on. It seems to me there is an object lesson in that very vacancy or void, and that has inclined me to vote for three persons rather than one in the case of the Civil Service Commission. In the case of the Director of the Budget, I am advised that the same statement applies. But the point is that, while I believe that one good Commissioner probably would be better than three good Commissioners, because he would have sole authority, and if he were a man of high type he would administer the law well; but when there is one commissioner, in view of the lapse of time between the occurrence of a vacancy and the time when

another man takes his place in a highly important office, I think there is a great deal of merit in having two other high-class men who can carry on the functions properly in the interim.

Mr. LEWIS. If my able friend from Maryland, for whom we have great esteem, sees, as appears from his observations, such possibility of embarrassment, the offering by him of a slight amendment to the measure providing for the contingency in the event of the death of the administrator might meet the difficulty. It is perfectly apparent that, in the event of the death of a commissioner, there are those, as has been stated, who are in a position to carry on the routine.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. LEWIS. In a moment. To one other suggestion of my able friend let this be said: A Justice of the Supreme Court, we will say, passes away. It takes a long time to find a man properly qualified to succeed him; much delay may be had in investigating the qualities of aspirants and much effort may be spent in trying to find a worthy successor. May it not be said in connection with the appointment of a budget director that sometimes delay is caused by the desire to investigate and find the proper man to fill the position?

Mr. TYDINGS. Mr. President——

Mr. BYRNES. Mr. President, will the Senator from Illinois yield to me now?

Mr. TYDINGS. The Senator asked me a question, and I should like to dispose of it, and then I will desist.

Mr. LEWIS. I yield to the Senator from Maryland, and then I will yield to the Senator from South Carolina.

Mr. TYDINGS. There is a great deal in what the Senator from Illinois has said, but I ask him what legitimate reason there can be for the lapse of a year and a half or two years between the expiration of the term of the Comptroller General in the one instance and the failure to appoint a successor? I concede that a reasonable length of time ought to be allowed to elapse, but certainly 18 months or 2 years is a pretty long time.

Mr. LEWIS. My answer is that that does not go to the merits of the question of the appointment of an administrator or a commission. It goes to the question whether we are willing to concede that those who have the appointing power are without a real or justifiable reason for a particular delay. But that is apart from the other question at issue.

I now yield to the Senator from South Carolina.

Mr. BYRNES. Mr. President, I suggest to the Senator from Illinois, in connection with what he has just stated, that whether or not the President should have appointed someone to the office of Comptroller General of course involves an entirely different question. I do not know why the President has not made an appointment, but we do know that in February 1937 the President submitted to the Congress a proposal to make a change in the General Accounting Office, and certainly one factor which may have been taken into consideration is that legislation had been introduced abolishing the office of the Comptroller General.

With reference to the question of a vacancy occurring in the office of a single civil-service administrator, there might not be the same trouble in administration through failure to make an appointment. The situation as to the Comptroller General is, we all agree, an unusual one, but in the State of Maryland the civil service is administered by a single administrator; there is no commission at all, no advisory committee, and there has been no difficulty in Maryland so far as the information of the committee goes with reference to that matter. The situation as to the Comptroller General is an unusual one, but a similar situation might arise as to the Secretary of the Treasury or any other official. We cannot assume that if there is a vacancy the President will not promptly make an appointment.

Mr. TYDINGS. Mr. President, will the Senator from Illinois yield?

Mr. LEWIS. I yield.

Mr. TYDINGS. I think the illustration or the parallel drawn by the Senator from South Carolina is not apropos to the present discussion. First of all, because legislation is introduced to change the set-up or the status of a department has nothing to do with the creation or existence of a vacancy which now, I believe, has existed for more than 2 years. If the legislation were imminent, if it were to be acted upon, that would be one thing; but certainly there is nothing to lead us to the conclusion that a 2-year period is necessary after legislation has been recommended. It presupposes that the Congress is going to do exactly what the recommendation suggests. I cannot see the parallel, I cannot see why a vacancy which has existed for more than 2 years can be brushed idly aside because legislation has been suggested dealing with the office. In any case, it is the duty of the Chief Executive, after a proper time, in my humble judgment, to fill all vacancies which exist, and certainly a 2-year period of vacancy during which hundreds of good men could have been found to put in the place is a pretty long time. I should not like to see the civil service run for a 2-year period while no person was suggested to fill the office of administrator. If the office is to remain vacant that long, then we ought to have no commissioners but should let the underlings in the office run it permanently.

Mr. LEWIS. Mr. President, in the event there were three commissioners, and the chief should die or be displaced, and a vacancy arise, the same argument, if we had an Executive so desultory in his habits and so lacking in his sense of duty, would apply just the same as if there were only one commissioner.

Mr. TYDINGS. Mr. President, if the Senator will yield, I must take issue with him as to that. So long as two or a majority of any board continue to make its policy, it is the same as if all three of them make it. At any rate, they would be men particularly charged with the operation of the business, whereas subordinates are never particularly charged with the operation of the business, because they are only subalterns, who carry out the routine and do not make policy decisions.

Mr. LEWIS. Possibly that is true. It seems to me that where my able friend from Maryland falls into error is in giving importance to a thing merely because it has some possible application to something which might somehow, somewhere happen.

I may illustrate the application by telling him that a lady from Maryland, from his great State, who I understand was a schoolteacher and a reformer of bad customs, stepped into the State of my friend the junior Senator from Virginia [Mr. BYRD]. She was there to rescue some of the inhabitants of the benighted locality who needed restoration from the unhappy state into which they had fallen. But when she arrived in a certain small community it was discovered there was no hotel. So she went for guidance to the only man accessible. He was the postmaster, and she said, "I am here, but there is no hotel here."

He said, "No, madam; there is no hotel here."

Said she, "What am I to do? I must sleep somewhere. Where can I sleep?"

He replied, "Madam, the only thing I can suggest is that probably you can sleep with the station agent."

She indignantly exploded, "Sir, I am a lady."

"Yes; but what has that to do with it? So is the station agent." [Laughter.]

Mr. TYDINGS. Mr. President——

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Illinois yield to the Senator from Maryland?

Mr. LEWIS. I yield.

Mr. TYDINGS. The Senator's colloquy reminds me of another story, whereby I might illustrate that he is trying to justify his position on the ground that this has happened before.

There was walking down the street one day a certain Irishman whose trousers were rather highly gallused. A friend happened to notice that he had on one green and

one red sock, so, going up to Pat, the friend said, "Pat, you are dressed very unusually this morning."

Pat said, "How so?"

"Well," his friend said, "you have on one green and one red sock."

Pat looked down, and evidently had been absent-minded when he put on his socks that morning and had not noticed them, but he was witty, and he said, "Why, by golly, you are right, and the funny part of it is that I have another pair exactly like them at home." [Laughter.]

Mr. LEWIS. To that I merely add this observation: That it does fittingly apply to circumstances directing opposition to this bill. Here we have one group of individuals wholly green upon a subject and another group wholly red. [Laughter.]

Mr. TYDINGS. What I am trying to show the Senator is that he is neither green nor red, but that he is defending the maintenance of a vacancy which is all black. [Laughter.]

Mr. LEWIS. In view of the fate of the bill which I lately advocated in one form or another, the so-called antilynching bill, I have been met by my friends from the South with the assertion that they could not understand how I ever had a right to get "all black." [Laughter.]

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. LEWIS. I yield.

Mr. BYRNES. With reference to the office of Comptroller General being handled by a subordinate during this period, I remind the Senator from Illinois that the statement is not quite accurate, in view of the fact that that organization is being run by the Assistant Comptroller General, a man appointed by the President and confirmed by the Senate. The Assistant Comptroller General is appointed by the President by and with the advice and consent of the Senate. So the official in charge of that office is not a mere clerk discharging the duties of the office.

Mr. TYDINGS. Why not abolish the office of Assistant Comptroller General and let him be the Comptroller General? Why have the Comptroller General's office if the Assistant Comptroller General can run the organization? How long has the Assistant Comptroller General been running the office?

Mr. BYRNES. Not for so long as the Senator has stated; but since July 1936, when the Comptroller General resigned.

Mr. TYDINGS. Nearly 2 years.

Mr. BYRNES. Of all the appointments in the service of the Government, I know of no other where there is a vacancy at this time which has existed for that length of time, and it is not right to assume that because in one instance a vacancy is allowed to exist for that length of time, the President will permit such vacancies to exist in all offices.

Mr. BARKLEY. Mr. President, will the Senator from Illinois yield?

Mr. LEWIS. I yield.

Mr. BARKLEY. Of course, the vacancy in the office of Comptroller General constitutes an exceptional situation, for which we may partly be responsible. The President, more than a year ago, sent in his request for legislation on the subject of reorganization, which affected that office. There is nothing to prevent the statutory assistant, in the absence of the head of the Comptroller General's office, continuing to operate the department or perform the duties of the Comptroller General awaiting the action of the Congress. I am not blaming anyone particularly for the delay in the consideration of the bill, but if the President's recommendation, made more than a year ago, had been followed, no doubt this office would have been filled long ago, and it hardly operates as a precedent or parallel in any respect affecting the administrator of the civil service.

Mr. BURKE. Mr. President, will the Senator from Illinois yield?

Mr. LEWIS. I yield.

Mr. BURKE. I do not know how direct a bearing this line of argument has on the pending amendment, but in the light of the statement made by the Senator from South Carolina that he did not know of any other instance where a vacancy had been permitted to extend so long——

Mr. BYRNES. I am willing to admit there may be some, but the number is small compared with the total number of appointments.

Mr. BURKE. I wanted to call attention only to the office of the Director of the Budget. The Director of the Budget resigned long ago, and no successor has been appointed in his place. The particular thing to which I wish to direct attention is that Congress, I believe 2 years ago, passed the appropriate legislation to set up the Federal Alcohol Control Administration, with a board of three members to administer the law.

Possibly the idea that everything must be done by a one-man administrator has operated to delay the appointing power, because although 2 years have elapsed the board created by Congress has not yet been filled and the office is being run by an assistant or acting official, although Congress directed that that activity of the Government should be carried on by a board of three members.

Mr. LEWIS. I take it from the statements of the able Senator from Nebraska that there is an instance where three have been designated, and something happened by reason of which only one is called on to perform the duties of those three, but so successfully has that one performed those duties that apparently no complaint has resulted. This ought to be a commendable example to the prospect of the pending bill.

Mr. BURKE. I would question the Senator's statement only to a certain extent. If Congress in its wisdom determined that there should be a board of three I question whether there is anyone else who has a right to say, "It is being run so well by one, and that an acting one, that we will not carry out the will of Congress."

Mr. LEWIS. There may be much in that, but I am constrained to say that my able friend from Nebraska and I have been compelled to witness the great United States Senate at times conducting its important business with, on one side or perhaps both sides together not a sufficient number of Senators in attendance to echo back the voice of the distinguished educator who was addressing himself to a great question of government—and nevertheless the work of the Senate was performed in its fullness and completeness.

Mr. President, I have been taking too much time of the Senate, and I said a moment ago I would stop. I merely wish to point out the error of the conclusion reached by some with respect to the appointment of one individual as administrator, which some of my friends have indicated may result in great evil, if he were placed in charge and kept in charge and control of the disposition of the business in question.

I said I did not wish to make another speech. Senators have been very generous to me, and I would not continue longer were it not necessary to make some further remarks due to the fact that there have been several interrogations addressed to me. So I have been driven to saying a few more words. I indicate my position by an incident.

Mr. President, it is reported that a distinguished Senator of the United States lately called a newspaper office upon the telephone to announce the fact that twins had been born in his family, an event in which the Senator took considerable pride. The girl answering the telephone did not quite catch what he said, so she said to the Senator, "Will you repeat that?" "Not if I can help it," he quickly observed. [Laughter.]

Mr. President, I did not mean to repeat this address on the bill and amendment. However, I was rather driven into doing so.

I now wish to say that having presented my views as to why a single administrator would serve with completeness, I take the liberty to invite my eminent colleagues to another appropriate reflection.

My friend the able Senator from Michigan, who is giving me attention and who is being mentioned for very high office from place to place, and commendably, is a very great author, has written and published some very eminent books,

one of which is called the Ancient Grudge, than which there is no better history of all the mistakes which brought on the American Revolution and continued the hatreds. It will be recalled that in that book the author had occasion to quote Scripture. I call attention to it to show that the thing we are discussing today is not new. Hear me, Senators. It will be recalled that in the Book of Samuel it is stated that there were three who were the judges or the commissioners or the representatives of the people, and their conduct of the government was of a nature so confusing, so contradictory, and at times so unsatisfactory that the multitude met and demanded that the officials be abolished and that the people have a government with a single head, and he to be called the king. Thus it was initiated that there was in that land the single head to whom everyone could go and to whom responsibility could be attributed.

It will thus be seen that this discussion now taking place is not one that is in its nature new. We are merely repeating that which has taken place throughout all history and has been fixed in the experience of men. It is well, sirs, that we could have one in whom we could trust, in whose efficiency we could have confidence; and if the President would relieve us of all proposed difficulties, without any question it would be done when he would appoint none other than a man who he believed would be able to discharge the duties we now are considering, and this in a patriotic, efficient, and statesmanlike manner.

I thank the Senate.

Mr. LA FOLLETTE. Mr. President, I feel impelled to say a few words regarding this important question because I think it is of vital concern to the public service. I concede at the outset the sincerity of opinion on the part of those who differ on these amendments.

There is a grave need of improvement in the public service. The fate of the merit system is involved in our providing an administrative set-up which will result in securing for Government service men and women who are qualified to deal with the complex problems which grow out of modern industrialism and with which Government must be more and more concerned.

As I understand the argument of the proponents of the pending amendments, they are that we only need to extend the existing civil service and to bring under it the agencies not now covered by civil-service rules and regulations. I do not agree that such a course will achieve the objective. Every Senator who has had contact with conscientious administrators in the various executive departments, men not concerned at all with politics nor with patronage, men who are interested solely in efficiency of administration, will acknowledge that they have received numerous complaints about the qualifications and the capabilities of the persons who come through the present set-up of the civil service and are appointed to positions in the Government.

As I see it, the problem now confronting the advancement of the merit system is one largely involving administrative procedure. I contend that in view of this fact the problem now is largely a problem of administration. All persons familiar with organizational and functional activities, either in government or in business, will concede that in the exercise of administrative functions a single administrator is always to be desired rather than a board or commission.

The only justification, as I see it, for giving powers of an executive character to a board or commission is that the functions to be performed are quasi-legislative or quasi-judicial in character. In a large measure, such functions are now no longer important so far as our present civil service is concerned.

Furthermore, this problem has grown tremendously, Mr. President, since the Congress saw fit to create a civil-service commission. When the Commission was created, in 1883, it had two definite functions. One was to safeguard the civil service; to act as a sort of watchdog, so to speak, and as an advocate for the advancement of the merit system. The other function was to administer examinations and the related problems involved in procuring persons for eligible lists to be appointed in the civil service.

In 1883 there were only 13,780 persons in the civil service of the United States Government, and there were only 3,457 persons examined and only 489 appointed.

In 1937 there were 820,000 examined and 52,000 persons appointed.

I cite those figures to indicate that for many years of its history the administrative tasks of the Commission were relatively simple. Today the situation is greatly changed. Instead of a small number of employees falling into relatively simple classifications, we have the largest single employment service in the whole United States, with 500,000 of our civil servants now under the Civil Service Act, and about 300,000 more—whom I think all or nearly all concede—should come under the Civil Service Act.

Mr. President, the administrative functions imposed upon this board now are very great, and, in my judgment, they could better be discharged by a single competent administrator than by a board with divided opinions and the inevitable discussions which take place in connection with administrative problems.

Entirely too much reliance is placed by the proponents of these amendments upon the protection which a so-called bipartisan board can give against encroachments of the spoils system upon the civil-service or merit system.

In the first place, as suggested by the Senator from Illinois, party designations no longer mean much in this country. I doubt if there are more than a handful of men in the United States Senate today who if called upon to declare what their political beliefs were would be willing to rest their declarations merely upon the simple statement that they belong to one party or another.

In every case, if they were to give an adequate description of their point of view, they would have to qualify the statement that they were affiliated with one party or with the other, by indicating what kind of Democrats they were or what kind of Republicans they were. Therefore, it is no protection to the merit system to rely upon a bipartisan board, because, as we all know, it is very simple and it has been the practice of practically all administrations called upon to function in appointing men to boards designated as bipartisan to select a person from the minority party who is, in fact, in sympathy with the objectives of the appointing power.

So far as this Commission is concerned, the Commissioners, without taking into account the present Commissioners, have served for an average of 4.7 years. They are salaried officials. They are appointed by the President. They are dependent upon the President for their tenure of office; and there has been such a turnover that we have had an average length of service, without considering the present occupants of the Commissionerships, of 4.7 years. How can it be said, therefore, that this Commission has had tenure of office or that it has had continuity? As a matter of fact, we all know—at least, those of us who have been here any length of time—that these Commissioners have usually changed with the administration.

I think there is much greater likelihood of an individual appointed for 15 years, and who will have that security of tenure unless removed by the President, protecting the advancement of the merit system, than that it will be protected by a bipartisan board composed of men under salary, and who are dependent upon the Executive.

So far as the quasi-legislative functions of the Civil Service Commission are concerned, we all know that their quasi-legislative functions are strictly limited. They do not promulgate the civil-service rules. The civil-service rules are promulgated by the President of the United States.

The Commission may operate in that capacity, therefore, only as advisory to the Chief Executive. Therefore, to contend that we must have a commission to advise the President with regard to civil-service rules is, to my mind, absurd. One man can perform that function as well and as equitably, since he does not have power, as can a commission of three.

Insofar as their quasi-judicial functions are concerned, they fall into two broad, general categories. On the one hand, the Commission reviews the activities and the decisions

of its own staff and subordinates. We do not need a quasi-judicial body to review the actions of subordinates. Therefore this function can be discharged as well, if not better, by a single administrator, who can be held responsible for the actions of his subordinates and his review of their acts.

On the other hand, under very restricted circumstances, there are certain appeals by employees already in the civil service against the administrative actions of their superiors in the various departments and agencies of government which are under civil service. Employees may appeal to the Civil Service Commission, for example, on the question as to whether or not there has been a correct factual determination of the length of their service for retirement purposes under the Retirement Act; they may appeal on the question as to whether or not removal was caused by religious or political prejudices; they may appeal as to whether or not the penalties for like offenses are unequal.

However, it should be remembered that the board has no real power in regard to such appeals to it. All it may do is to make a recommendation to the administrative official who has been responsible for the decision under review in a particular case; or, if it sees fit, it may transmit a history of the case to the President of the United States for such action as he may desire to take in the premises.

For that reason I contend that it is entirely erroneous to make a comparison between the so-called quasi-legislative and so-called quasi-judicial functions of the Civil Service Commission and those exercised by the Interstate Commerce Commission, the Federal Trade Commission, or the Securities and Exchange Commission.

Mr. President, there is nothing startling or revolutionary in the proposal embodied by the committee in the pending bill with relation to reorganization of the civil service. The State of Wisconsin first enacted its civil-service statute in 1905. It was one of the first States in the Union to bring all its civilian employees under strict civil service. Down to 1929 we had the same kind of an anomalous situation that we have had in the civil service of the Federal Government since 1883. But in 1929, under Governor Kohler, a conservative Republican, the civil-service act was revised, and a personnel director, to be appointed by the Governor from a certified list on the basis of qualifications, was provided. The personnel board was then continued, but was relieved of the administrative functions. In essence this is the proposal now under consideration here.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. WALSH. Am I correctly informed that there are two members of the commission in Wisconsin?

Mr. LA FOLLETTE. There are three. My point is, however, that their administrative functions were taken away from them in 1929. I contend that a more efficient service has resulted. The person appointed as personnel director in 1929 has served under every Governor since that time, regardless of his political affiliations. I contend that there is no ground for apprehension that a man appointed to this important post on the basis of qualifications, and confirmed for a 15-year term by the Senate, will be removed without just cause by the present President or by any succeeding President. In my opinion, any President would require that there be adequate grounds before any such action should be taken.

If we should have in the future a President who was determined to wreck the civil service, my contention is that he could do it as easily, if not more easily, under the commission form of administration, whose three members he could appoint, and who could divide the responsibility, as he could under a single administrator, who would have a 15-year tenure.

I believe it is of vital importance, as I said at the outset, that we should do more than simply extend the existing civil service. With the problems with which government is now confronted in this industrial age, it is essential, if the Government service is not ultimately to break down and become demoralized, that we not only extend the merit principle but that we improve the type and training of the personnel who come into the service, in order that they may be equipped to deal with the complex problems of our present-day society. I believe firmly that the proposition embodied in the bill as it comes from the committee will prove to be a great step forward in the extension and improvement of the merit system. I hope the amendments offered by the Senator from Massachusetts [Mr. WALSH] will be defeated.

Mr. McNARY. Mr. President, I am in receipt of a telegram, which I ask unanimous consent to have read at the desk.

The PRESIDING OFFICER. Without objection, the telegram will be read.

The Chief Clerk read as follows:

WASHINGTON, D. C., *March 14, 1938.*

Hon. CHARLES L. MCNARY,
United States Senate, Washington, D. C.:

In behalf of the officers and members of the American Federation of Government Employees, whose petition is wholeheartedly supported by the American Federation of Labor, I sincerely and earnestly request you to oppose the substitution of a single administrator for the bipartisan Civil Service Commission by voting for the Walsh amendment to section 201 (a) of Senate bill 3331, generally known as the Byrnes reorganization bill. We believe such action essential to the preservation of the merit system.

CHAS. I. STENGLE, *President.*

Mr. WALSH. Mr. President, I have refrained from making any argument today because I feel that the Senators who had not heretofore had an opportunity to discuss the bill should have the right-of-way. The issue was made clear in the debate of yesterday. Before the time expires, however, I desire to put into the RECORD some data which I have.

The impression has gone forth that the States have been rapidly moving from commissions of three to single administrators. The Senator from Wyoming [Mr. O'MAHONEY] a few days ago wrote to the Civil Service Commission asking for the facts. This information shows, I am sorry to say, that the Senator from South Carolina was misinformed when he stated, with respect to several of the States, that the civil service is now under the jurisdiction or control of administrators. Out of 15 States, only 3 have a civil-service administrator; and some of those States have advisory boards which the administrator is obliged to consult. I am putting into the RECORD information from the Civil Service Commission, which has made an investigation in view of statements which have been made on the floor of the Senate.

I also offer for the RECORD a statement by William C. Deming, former President of the United States Civil Service Commission, in which he takes a position in favor of three commissioners; also a communication from the Civil Service Commission of Colorado.

The PRESIDING OFFICER. Without objection, the matter offered by the Senator from Massachusetts will be printed in the RECORD.

The letters and other statements submitted by Mr. WALSH are as follows:

STATE CIVIL SERVICE COMMISSION,
DENVER, COLO, *March 12, 1938.*

Hon. DAVID I. WALSH,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I am enclosing a copy of letter this day addressed to Senator JOHNSON as well as a duplicate thereof addressed to Senator ADAMS, of Colorado, conveying my views with respect to the proposed readjustment of the Civil Service Commission. I most heartily agree with what you have said in your address found in the RECORD for March 2.

Sincerely yours,

STATE CIVIL SERVICE COMMISSION,
FRANK MCDONOUGH, Sr., *President.*

MARCH 12, 1938.

Hon. ED. C. JOHNSON,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have just completed the reading of the address of Senator WALSH, of Massacusetts, found in the CONGRESSIONAL RECORD of March 2, beginning near the foot of page 2682, concerning the proposed reorganization of executive departments, particularly with respect to the abolishment of the United States Civil Service Commission and the proposal to appoint a single administrator therefor.

Our commission is engaged in a hearing which is taking all of our time and so I am only able to write to you a brief letter of

commendation for the position taken by Senator WALSH. My experience upon our Colorado State Civil Service Commission confirms my belief that a commission of three persons can perform the functions of the office much better than a single individual. I am in hearty accord with all that Senator WALSH has said. He goes into the subject so thoroughly that it would be a mere duplication of my thinking to attempt to treat the subject in detail.

I am not aware that the particular title of the bill has yet come to vote, but I sincerely hope that you and your colleague will vote to retain the present system.

There is an organized propaganda emanating from Washington favorable to the idea of a single head for Civil Service and their activities have caused some of the States which have just recently adopted civil service to accept the single-headed idea. That idea seems to be in line with much of present-day thinking which assumes that greater wisdom may be found in one mind, but I am inclined to the conviction that a commission of three persons, and one of them a woman, which is precisely what Senator WALSH advocates, is the most practical plan.

I wish that I had time to further express my view but am unable to do so and desire this letter to be in your hands at the earliest possible date.

With cordial personal regards, I am,

Sincerely yours,

——— ———.

MIAMI BEACH, FLA., *March 13, 1938.*

Hon. BURTON K. WHEELER,

United States Senator, Washington, D. C.

DEAR SENATOR: I am enclosing copy of an article I have submitted to the Washington Post and the New York Times, in relation to the proposed change in the set-up of the Civil Service Commission.

Like yourself, I feel deeply about this matter, and it seems several hundred thousand civil-service employees are also disturbed.

Whether the Post and Times publish the article in whole or in part, I am inclined to think it would be helpful if you could get the entire statement into the RECORD.

Very sincerely,

WILLIAM C. DEMING.

William C. Deming, former president of the United States Civil Service Commission, and former publisher of the Wyoming Tribune Leader at Cheyenne, issued the following statement in Miami, where he is spending the winter:

Pending in Congress is the reorganization bill which would give the President greater powers than all of his predecessors combined exercised in the executive department.

Section 2 reads:

"Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the function thereof, is necessary to accomplish any of the purposes set forth in section 1 of this title, he may by Executive order:"

The bill then proceeds in much detail, with a few reservations and exceptions, to practically remake the executive branch of the Government.

My attention has been drawn to the proposal that a single civil-service commissioner shall replace the present nonpartisan or bipartisan board of three Commissioners.

From its inception more than 50 years ago, under President Arthur, both the Republican and Democratic Parties have been represented upon the Commission. Among distinguished members was Theodore Roosevelt, who, until his death, retained a keen interest in the progress of the merit system, and much attachment for the organization which administers the classified civil service.

President Wilson not only promoted George R. Wales, a Vermont Republican, who was chief examiner, to membership upon the board, but he appointed Helen Hamilton Gardner, of Virginia, the first woman member.

Upon the death of Commissioner Gardner, President Coolidge, who had made no changes in the Commission, appointed Miss Jessie Dell, a civil-service employee of ability and much experience, as Mrs. Gardner's successor. Miss Dell was a Democrat from the State of Tennessee.

President Hoover continued the Commission as it stood, including myself as president.

At the present time Mrs. McMillan, of Tennessee, who was chosen by President Franklin Roosevelt to supersede Miss Dell, is serving with credit to herself and to the Commission.

If the President's proposal prevails, in the natural course of events, men will, for the most part, occupy the high position of Civil Service Commissioner, notwithstanding the large percentage of women in the service.

Moreover, with changing political administrations, undoubtedly there would be a change in the commissionership, as in most other administrative offices.

I served on the board from March 1923 to July 1, 1930, when I resigned. The only changes made during my incumbency were in case of death or voluntary resignation.

It is not exaggeration to say that both branches of Congress up to this time have felt, and now feel, that the Civil Service Commission is a thoroughly unbiased board. They may not always agree with its judgment, but they give it credit for being honest and conscientious in the performance of its duties.

Presidents have treated the Civil Service Commission with the greatest deference, and usually leaned backward in order to prevent any suggestion of interference.

I served under three Presidents—Harding, Coolidge, and Hoover—and never once did any one of them direct the Commission to decide a question in any given manner. Even Executive orders making appointments were comparatively few.

I recall that men like Senators King, of Utah; Sheppard, of Texas; the senior La Follette, of Wisconsin; and the elder Lodge, of Massachusetts; Representatives Hamilton Fish and La Guardia, of New York, representing almost every shade of political opinion, had business before the Civil Service Commission. There was evidence that each and all had confidence in the organization, individually and as a whole.

I doubt seriously whether any such attitude would follow if there were only one Civil Service Commissioner or administrator and that Commissioners were changed from time to time for political reasons.

The entire wholesome reaction of Congress and the public toward the Commission, if the proposed modification succeeds, doubtless would suffer. Distrust and criticisms, I fear, would follow, and that is too much to pay for a theory that one Civil Service Commissioner would be more efficient than three, especially when a President has the selection or removal of any or all in his own hands.

It was my observation that the conferences and discussions of difficult problems by three Commissioners acted as a brake against hasty action. Furthermore, that hearings of appeals and complaints by applicants, their representatives or attorneys, by three Commissioners made for confidence in the board's decision.

I recall no scandals in the United States Civil Service Commission.

Why destroy a present safety valve in an organization that has in its hands the vital interest of nearly a half million classified employees?

Someone has said, "If there were no supreme being, it would be necessary to invent one." Even faith must have an anchor.

There is a fine psychological point in that statement, and much the same state of mind obtains now toward the Civil Service Commission, because it is bipartisan in its personnel, and the employees and the public have confidence in its independence. They regard it as something above and beyond politics.

President Roosevelt has made some very valuable suggestions as to the extensions of the merit system, and the opportunity for so doing is very great.

I fear, however, that he has accepted wrong advice when he proposes to substitute a single administrator for the present board of three Commissioners.

In more than 50 years there have been comparatively few turnovers in the Civil Service Commission, which is the best evidence that the politicians have regarded it as outside the scope of their activities.

This is one place where it is wise to let well enough alone.

The Civil Service Commission is a quasi-judicial organization, and the laws and rules are susceptible, as most laws and rules are, of various interpretations. New questions are continuously arising. Unquestionably in this case the judgment of three people is better than one, no matter how gifted he or she may be.

The strongest argument, however, in favor of the status quo is that in a half century of history the Civil Service Commission has created for itself a high regard and respect on the part of the employees, the public, and both political parties.

Such a heritage should be jealously guarded against both suspicion and attack.

STATEMENT CONCERNING THE CIVIL-SERVICE LAWS OF THE STATES

There are 15 States which have civil-service laws to govern employment of State employees, namely: Arkansas, California, Colorado, Connecticut, Illinois, Kansas (no appropriation), Maryland, Massachusetts, Maine, Michigan, New Jersey, New York, Ohio, Tennessee, and Wisconsin.

Of these 15 States only 3 have a single civil-service administrator instead of a civil-service commission or board. These three are Connecticut, Maryland, and Tennessee.

Connecticut has an advisory board composed of heads of 10 of the operating departments of the State government who, of course, are available for consideration of the work of the civil-service administrator all the time and not on a quarterly basis.

Maryland has a single commissioner of employment who was retained in office during the four or five terms served by Mr. Ritchie as Governor of Maryland, but who resigned upon the election of Governor Nice.

Tennessee is one of the five States which within the past year and a half or two years adopted civil-service laws. Its law has been in effect more than 1 year, and an Arkansas newspaper recently pointed out that although the Tennessee law had been on the books for more than a year no examinations had been held and no eligible registers established, whereas in Arkansas, which has a civil-service commission of three members, competitive examinations had been held for 26 different kinds of positions and eligible registers established containing the names of more than 3,600 persons.

The States which have had civil-service commissions or boards for several years have usually designated their chief executive

officer as chief examiner or chief examiner and secretary. The States which have recently adopted a merit system under civil-service commissions or boards, such as Arkansas, Maine, and Michigan, designate their chief executive officer personnel director; but his authority and power are subordinate to the commission and are virtually the same as are vested in the chief examiner or chief examiner and secretary under the older civil-service commissions.

ARGUMENTS AGAINST THE SINGLE ADMINISTRATOR

The single-administrator plan, as proposed for the Civil Service Commission, is experimental. It is entirely contrary to the ideals which have prevailed in the past respecting the handling of governmental personnel.

In all the countries of the world where employees of the Government are selected through competition, a commission has charge of their selection. It is so in Great Britain, which is often held up as a model; and it is so in France, and other continental countries. There are hundreds of similar commissions among the cities and States in the United States.

The only nation that has ever made an experiment with a single administrator is Australia, and Australia's experience was so disastrous that after a year or two of the administrator, they went back to the commission system. To quote Dr. Lewis Meriam:

"It was the autocracy of the one-man personnel administrator that wrecked that plan when it was tried in Australia. The degree to which the one-man administrator there attempted to control the officers responsible for actual operations resulted, after parliamentary inquiry, in the substitution of a three-member board for the one-man autocrat."

There are 15 States which have civil-service laws to govern employment of State employees, namely: Arkansas, California, Colorado, Connecticut, Illinois, Kansas (no appropriation), Maryland, Massachusetts, Maine, Michigan, New Jersey, New York, Ohio, Tennessee, and Wisconsin.

The States which have had civil-service commissions or boards for several years have usually designated their chief executive officer as chief examiner or chief examiner and secretary. The States which have recently adopted a merit system under civil-service commissions or boards, such as Arkansas, Maine, and Michigan, designate their chief executive officer personnel director, but his authority and power are subordinate to the commission and are virtually the same as are vested in the chief examiner or chief examiner and secretary under the older civil-service commissions.

So far as it has been ascertained, all cities in the United States which have the competitive system have a commission, although it is quite true that in all except the larger cities these commissioners as a rule do not give their full time to the work because that is not deemed necessary.

The bipartisan three-person commission to select civil servants is based on the belief that thus politics in such selections could be avoided. It has worked satisfactorily in the great majority of cases. Even should there be inclination in that direction by the majority members of a commission, there is no opportunity for them so long as the minority member is there to know what is going on. There would be many opportunities if there was such an inclination and no minority member. Therefore, a bipartisan commission assures absence of political favoritism. It could be absent under an administrator, but no one except the one man would be sure of it, and the public could only guess. If the competitive civil-service system is to retain public confidence, not only must the work of the Commission be free from political favoritism, but the public must have confidence that it is.

Civil-service commissioners, particularly those of the dominant party, have at times to resist strong political pressure. It is easier for them to resist that pressure because there is a minority member who must know what is done. Admitting that the men who would be appointed as administrator through the years would be able to resist such pressure, it would be much harder for an individual to do so than it is for three.

The political phase of the proposed reorganization seems most important, but other duties of the Commission apparently make advisable a membership of three rather than one. The present civil-service law is broad in its terms, gives the President power to make rules for carrying the law into effect and much discretion in working out details. Generally speaking, changes in the rules are proposed because of experience within the Commission, and resultant recommendations made to the President. Under the law and rules, the Commission has power to make regulations and enforce them. There is no appeal from the decisions of the Commission except to the President. Through the years the Commission has built up, as a result of its decisions, a code of interpretation of the law and rules that are governing, so far as the staff is concerned, and guiding for the Commission; that is, the Commission alone may make a new interpretation; or it may find that the former interpretation did not fit a particular case and take such action as seems wise for that individual case. For such duties a Commission of three seems better.

Rights and interests of employees and prospective employees in all departments of the Government rest in the hands of the Commission as a whole. Questions concerning such rights and interests are studied individually and then come before the Commission. These decisions involve questions of examination, apportionment, reinstatement, physical condition, veteran preference, classification, retirement, misconduct, political activity, and others.

Let us take a classification case as an illustration. It would involve the allocation and, therefore, the salary of an employee. It is passed upon first by the Commission's Classification Division. If the employee is dissatisfied with the decision, an appeal may be had to the Commission's Board of Appeals and Review. If there is a difference of opinion between the Classification Division and the Board of Appeals and Review on any case, that case comes to the Commission for final decision.

The Board of Appeals and Review was set up for the purpose of helping the Commission determine the facts in such cases. It has no power of final decision. That rests entirely with the Commission and, in fact, the larger part of the Commission's work rests in adjudicating cases in which the interests of the employee or the prospective employee is involved. It is true that one person could consider all such cases and arrive at a decision. His decision might be as nearly right as those of the Commission. It is important, however, that not only applicants but employees should be treated impartially, and it is also important that they are satisfied that they are being so treated. A decision made by a Commission, representing various points of view, will meet with readier acceptance. The American people are still wedded to the jury system in the administration of justice, and there is much in the personnel work of the Commissioners that involves justice to an employee or an applicant.

Mr. BYRNES. Mr. President, I ask unanimous consent to have printed in the RECORD at this point the pertinent provisions of the civil-service laws of the States of Maryland, Connecticut, Tennessee, Wisconsin, Maine, Michigan, Arkansas, California, and New Jersey.

There being no objection, the excerpts from the various laws referred to were ordered to be printed in the RECORD, as follows:

MARYLAND

The Civil Service Act of 1920 created a single civil-service administrator known as the State employement commissioner. There is no commission. The following are the pertinent sections of the statute:

"State employment commissioner

"3. There shall be appointed by the Governor a person of ability and integrity who shall be known as the State employment commissioner, and who shall hold office for a term of 6 years and until his successor shall qualify. The term of the first commissioner appointed under the provisions of this article shall begin on October 1, 1920. Any vacancy shall be filled by the Governor for the unexpired term. The Governor may remove the commissioner for official misconduct, incompetency, or neglect of duty. The commissioner shall receive a salary of $5,000 per year."

"Rules

"4. It shall be the duty of the commissioner to carry out the provisions of this article, and to make, with the approval of the Governor, such rules as he deems necessary or proper to that end. Such rules may, with the approval of the Governor, be abolished, added to, changed, or amended, and all such rules shall have the force and effect of law."

"Classification of employees

"7. Subject to the approval of the Governor, the commissioner shall establish classes and classify therein all positions in the classified service, and shall, from time to time thereafter, as may be necessary, establish additional classes and classify therein new positions created, and may combine, alter, or abolish existing classes. Each such class shall embrace all positions similar in respect to the duties and responsibilities appertaining thereto and the qualifications required for the fulfillment thereof, and shall be given a classification title indicative of the character and rank of the employment. The classification title thus prescribed shall be observed in all records and communications of the commissioner, comptroller, and treasurer. Employees shall assume the classification titles of their respective positions. Any change in the duties of a position, if material, shall operate to abolish it and create a new position which shall be classified under this section."

CONNECTICUT

The 1937 Civil Service Act of Connecticut creates a personnel department headed by a single director. There is no civil-service commission but an advisory personnel committee is established.

The following are the pertinent sections of the act:

1937 supplement to the General Statutes, State of Connecticut, title XVI, chapter 105a, pages 216–217, section 425d: "Personnel department: There is established a department to be known as the personnel department. The administrative head of said department shall be the personnel director. Said director shall be in the classified service and shall be appointed by the Governor, with the advice and consent of the senate and selected from a list of persons provided by the advisory personnel committee. He may be removed from office, upon not less than 10 days' notice in writing by the Governor, for misconduct, incompetency, or neglect of duty, and a statement of the reasons for such removal shall be filed by the Governor with the advisory personnel committee."

"SEC. 427d. Advisory personnel committee established: There shall be an advisory personnel committee consisting of 10 members, to be appointed by the Governor from the administrative heads of

departments of the State government. Said committee shall advise and assist the personnel director in the formulation of rules and regulations to be promulgated from time to time for the administration of the merit system and in the establishment and maintenance of procedure and technique relating to personnel administration."

TENNESSEE

In Tennessee the act of February 10, 1937, established a division of personnel in the department of administration. The department of administration is headed by a commissioner of administration responsible to the Governor. A State personnel director, appointed by the commissioner of administration with the approval of the Governor, is made administrative head of the division of personnel. There is no civil-service commission and no advisory board.

Pertinent sections of the law are as follows:

"SEC. 2. *Be it further enacted*, That there be created a division of personnel in the department of administration. The administrative head of the division shall be known as the State personnel director who shall be appointed by the commissioner with the approval of the Governor, and shall be a person thoroughly experienced, trained, and skilled in the methods and techniques of public personnel administration on the merit-system basis. The director may be removed for due cause by the commissioner, provided that copies of a written statement of the reasons for such removal be given to the director and to the Governor, and that such a written statement shall be made a public record.

"SEC. 3. *Be it further enacted*, That the director shall appoint all necessary employees and incur necessary expenses for the administration of this act and within the limits of the appropriation therefor by the general assembly in the budget bill.

"SEC. 4. *Be it further enacted*, That the director shall have the power and duty:

"(I) To prescribe rules and regulations for the administration and execution of this act, which rules as approved by the commissioner and Governor shall have the force and effect of law. Due notice of the contents of such rules and regulations shall be given to appointing authorities and shall be printed for public distribution.

"(II) To prescribe, amend, and enforce rules for employment tests; to formulate registers of eligibles; to certify persons qualified for employment; to administer and execute the appointments, transfers, demotions, promotions, suspensions, lay-offs, reappointments, sick and special leaves, leaves of absence, resignations, hours of service, vacations, and dismissals of employees; to devise and administer employee service ratings; to develop employee welfare and training programs.

"(III) To establish and maintain a roster of all of the officers and employees in the State service, showing for each such person the date of appointment, the title of position or positions held, and initial rate of compensation and all changes thereof, and such other data as deemed desirable and pertinent.

"(IV) To check all pay rolls or other compensation for personal services, or supply the proper data to the director of accounts for checking pay rolls or other compensation for personal services before they may be lawfully authorized for payment.

"(V) To establish, administer, and execute a classification plan for the State service.

"(VI) To recommend to the commissioner and Governor a compensation plan for all positions in the State service and to administer such compensation plan as approved by the commissioner and Governor. Such a plan shall be based, as far as practicable, on prevailing wages paid in public and private service within the State.

"(VII) To make such investigations pertaining to personnel, salary scales, and employment conditions in the State service as may be requested by the commissioner, the Governor, or by the general assembly. To require the attendance of witnesses and the production of books, papers, public records, and other documentary evidence pertinent to any such investigations."

WISCONSIN

In Wisconsin, civil service is administered by a personnel director appointed by the Governor. There is also a civil-service board of three members, whose duties are confined to issuing civil-service rules, hearing appeals, and making investigations. All administrative functions are vested in the director of personnel. The following are the pertinent sections of the State code:

"16.01. Bureau of personnel; director of personnel: (1) There is created within the executive department a bureau of personnel. The administrative head of such bureau shall be appointed by the Governor, subject to chapter 16. He shall be paid such salary as may be fixed by the Governor, within the salary ranges for the position established pursuant to section 16.105.

"(2) When a vacancy occurs in the position of director of personnel the members of the personnel board shall forthwith appoint an examining committee of three members to conduct an examination for the position in the manner usually followed and prescribed by chapter 16 for all other positions. Two of the members of the examining committee shall be active examining heads of civil-service commissions in cities or counties of a population of more than 300,000 or of a State civil-service or personnel commission. The examining committee shall certify a list of successful candidates to the members of the personnel board, who in turn shall submit the top three names to the Governor, who shall make the appointment. The Governor may remove the director of personnel with the approval of the personnel board.

"16.03. Personnel board; appointment, term, office: (1) The personnel board in the bureau of personnel shall consist of three members, who shall be appointed by the Governor by and with the advice and consent of the senate for terms of 6 years, expiring on the 1st day of July or until their successors have been appointed and qualified. The board shall elect one of its members as chairman of the board.

"16.05. Duties of personnel board: The personnel board shall:

"(1) After a public hearing prescribe and amend rules for carrying into effect the provisions of sections 16.01 to 16.30, on the recommendation of the director of personnel. All rules so prescribed shall be subject to the approval of the Governor, and they may, from time to time, subject to like approval, be added to, amended, or rescinded. However, if the Governor takes no action on a rule or amendment submitted to him within a period of 10 days from the date of its submission, then the rule or amendment shall become effective as though approved by the Governor. Notice of the contents of such rules and of any modifications thereof shall be given in due season to appointing officers affected thereby, and such rules and modifications shall also be printed for public distribution.

"(2) Keep minutes of its own proceedings and other official actions: All such records shall, subject to reasonable regulations, be open to public inspection. Examination and roster or pay-roll cards and minutes of board proceedings shall be kept and preserved. All other records, including correspondence, applications, and examination or test material may be destroyed after 6 years.

"(3) Make investigations concerning all matters touching the enforcement and effect of the provisions of sections 16.01 to 16.30, and the rules and regulations prescribed thereunder concerning the action of any examiner or subordinate of the bureau of personnel and any person in the public service, in respect to the execution of said sections.

"(4) Approve the biennial report prepared by the director and submit the same to the Governor on June 30 in each even-numbered year, including therein any suggestions it may approve for the more effectual accomplishment of the purposes of sections 16.01 to 16.30.

"(5) Hear appeals from any action taken by the director in any matter arising under sections 16.01 to 16.30, upon the application of any interested party."

MAINE

The Maine civil-service law of 1937, chapter 221 of the Public Laws of 1937, provides for a State personnel board of three members and a director of personnel. The administrative functions are vested in the director, and the board is charged with making rules and conducting investigations.

The following are the pertinent sections of the State law:

"SEC. 3. Powers and duties of the personnel board: (1) The personnel board shall have the following powers and duties:

"(a) To appoint a personnel director as provided in section 4 of this act.

"(b) Upon recommendation of the director and after a public hearing, and subject to the requirements of this act, to prescribe or amend rules and regulations relative to: (1) Eligible registers; (2) classification of positions in the classified service; (3) compensation plan; (4) examination for admission to the classified service; (5) promotion in the classified service; (6) provisional emergency, exceptional, and temporary appointments; (7) probationary period; (8) transfer; (9) reinstatement; (10) demotion; (11) suspension, lay-off, and dismissal; (12) leave of absence, resignation, hours of service, vacations, and sick leave; (13) personnel records; (14) in service training; (15) service ratings; and (16) certification of pay rolls.

"(c) To make investigations and report its findings and recommendations in cases of dismissal from the classified service as is provided in section 16.

"(d) To make investigations either at the direction of the Governor or the legislature, or upon the petition of an employee or a citizen, or of its own motion concerning the enforcement and effect of this act; to enforce through the director the observance of its provisions and the rules and regulations made thereunder.

"(e) To receive, review, and transmit to the Governor the annual report of the director. The report of the director may be supplemented by any additional comment, criticism, or suggestions for the more effectual accomplishment of the purposes of this act that the board may care to submit.

"(f) To keep full and complete minutes of its proceedings, which shall, subject to reasonable regulations, be open to public inspection.

"(2) The rules and regulations provided for in this section shall be in effect and have the force of law upon the approval of the Governor and council.

"(3) In the course of any investigation under the provisions of this act, each member of the board shall have the power to administer oaths and to subpena and require the attendance of witnesses and the production thereby of books, papers, public records, and other documentary evidence pertinent to such investigation. In case of the refusal of any person to comply with any subpena issued hereunder or to testify to any matter regarding which he may be lawfully interrogated, the superior court in any county on application of any one of the members of the board or of the director, when authorized by the board, may issue an order requiring such person to comply with such subpena and to testify, and any failure to obey such order of the court may be punished by the court as a contempt thereof.

"SEC. 4. Director of personnel: There is hereby created a director of personnel. Within 60 days after this act goes into effect the State personnel board shall appoint a director of personnel. The director shall be, at the time of his appointment, a person thoroughly familiar with the principles and experienced in the methods and techniques of public personnel administration on the merit basis. His tenure of office shall be at the pleasure of the appointing board, and he shall receive such compensation as shall be fixed by the board with approval of the Governor and council.

"SEC. 5. Powers and duties of the director: The director of personnel shall have the power and duty to administer and make effective the provisions of this act, and the rules and regulations of the personnel board as herein provided."

MICHIGAN

The 1937 Civil Service Act of Michigan, State enrolled Act No. 141, provides for a commission of three members and a personnel director in charge of the executive and administrative functions. The following are the pertinent sections of the State law:

"SEC. 5. State civil-service department. There is hereby created a State civil-service department. The administrative head of such department shall be appointed by the Governor in the case of the first appointment to the office and thereafter, whenever a vacancy exists in the office, the appointment shall be made by the commission, and shall be known as the State personnel director. The State personnel director shall be, at the time of his appointment, a person thoroughly familiar with the principles and experienced in the methods and techniques of personnel administration on the merit basis. He shall be paid such salary as may be fixed by the legislature, not to exceed $7,500 per annum.

"The director shall hold his office during good behavior and effective performance of his duties as determined by the Governor.

"SEC. 6. Powers and duties of the commission and of the director:

"(1) It is the intent of this act that the executive and administrative functions of the department be vested exclusively in the director.

"(2) It shall be the duty of the commission:

"a. To prescribe and amend rules and regulations for the administration and enforcement of this act: *Provided, however,* That no rule shall be made requiring applicants for positions in the classified service to submit photographs for the purpose of identification: *Provided further,* That no rule shall be made which would subject an applicant for a position in the classified service to discrimination as to race, creed, or political affiliations. Due notice of the contents of such rules and regulations shall be given to appointing authorities and such rules and amendments shall be printed for public distribution.

"b. To adopt such classification plans as may be deemed necessary.

"c. To approve such compensation plan and rules for its administration as may be deemed necessary, and to establish hours of service, vacations, and sick leaves.

"d. To make investigations either at the direction of the Governor or the legislature, or upon the petition of an employee or a citizen, or of its own motion concerning the enforcement and effect of this act; to enforce through the director the observance of its provisions and the rules and regulations made thereunder.

"e. To receive, review, and transmit to the Governor the annual report of the director. The report of the director may be supplemented by any additional comment, criticism, or suggestions for the more effectual accomplishment of the purposes of this act that the commission may care to submit.

"f. To keep full and complete minutes of its proceedings, which shall, subject to reasonable regulations, be open to public inspection.

"(4) It shall be the duty of the director:

"a. To attend all regular and special meetings of the commission.

"b. To appoint, subject to the provisions of this act, all employees of the State civil-service department and to supervise and direct their work.

"c. To establish and maintain a roster of all of the officers and employees in the State service, showing for each such person the date appointed or employed, the title of the position or positions held, the initial rate of compensation and all changes thereof, and such other data as he deems desirable and pertinent.

"d. To administer and make effective the provisions of this act relating to the preparation and administration of classification and compensation plans; the preparation of eligible registers; the certification of persons qualified for employment; the rating of employees' services; the conduct of programs of employee training; working conditions affecting the health and safety of employees.

"e. To make annual reports on the operations of the State civil-service department, to be submitted to the commission not later than the 1st day of September of each year."

ARKANSAS

Act 15 of 1937, approved February 4, 1937.

Section 2 provides for a commission of three members appointed by the Governor.

Section 4 provides the duties of the commission, which consist primarily of making civil-service rules and hearing appeals.

Section 6 provides for a personnel director, as follows:

"It shall be his duty:

"(1) To attend the regular and special meetings of the commission, to act as its secretary, and to record its official actions.

"(2) To appoint and discharge, subject to the provisions of this act, all employees of the State personnel division, and to supervise and direct their work.

"(3) To prepare and recommend rules and regulations for the administration of this act, which shall become effective after approval by the commission as provided in this act; to administer such rules and regulations, to propose amendments thereto.

"(4) To establish and maintain in card or other suitable form a roster of officers and employees in the service of the State.

"(5) To ascertain and record the duties and responsibilities appertaining to all positions in the classified service and classify such positions in the manner hereinafter provided.

"(6) To make a study of the rates of compensation being paid for each class of positions in the classified service, and after consulting other departments, to prepare a report to the commission recommending a schedule of compensation for each class of positions with a minimum rate, a maximum rate, and such intermediate rates as may be necessary and equitable. He shall, under the rules and regulations adopted and approved as herein provided, administer the compensation plan for employees in the classified service within the limits fixed by law and subject to the appropriation of funds.

"(7) To provide for and formulate tests to determine the relative qualifications of persons who seek employment in any class of positions and as a result thereof establish employment and reemployment lists for the various classes of positions.

"(8) When a vacant position is to be filled, to certify to the appointing authority on written request the name of the three persons highest on the reemployment or employment list for the class.

"In the event more than one position is to be filled to certify to the appointing authority on written request the number of names requested and three additional names, highest in the reemployment or employment district for the class.

"If there are no such lists, he may authorize provisional or temporary appointment pending the establishment of such employment list for such class.

"(9) To establish the length of working tests, which shall be not less than 6 months and not more than 1 year, to enable the appointing authority to determine whether new officers and employees are able and willing to perform their duties satisfactorily; and provide for the method of removal or transfer of such officers and employees whose work or conduct during such period is unsatisfactory.

"(10) To provide the manner of fixing hours of work, checking attendance, establishing training courses, and handling annual, sick, and special leaves of absence, with or without pay.

"(11) To establish records of performance and a system or service ratings to be used in recommending increases and decreases in salaries within a class, in promotions, in determining the order of lay-offs and reemployment and for other personnel activities.

"(12) To keep such records as may be necessary for the proper administration of this act.

"(13) To provide a system for checking pay rolls, estimates, and accounts for payment of salaries to employees in the classified service, so as to enable the commission, upon satisfactory evidence thereof, to certify or cause to be certified that the persons whose names appear thereon have been regularly employed in the performance of the duties indicated at the compensation rates and for the periods for which compensation is claimed, or are on authorized leave, before payment may be lawfully made to such employees.

"(14) To make investigations concerning the administration and effect of this act and the rules made thereunder and report his findings and recommendations to the commission.

"(15) To make an annual report to the commission.

"(16) To perform any other lawful act required under this act or required by the commission which may be necessary to carry into effect its purposes and spirit."

CALIFORNIA

The California State Constitution provides for a civil-service board of five members appointed by the Governor, and for an executive officer who shall perform the functions vested in the board.

The following is the pertinent section of the State constitution:

"Article XXIV

"Sec. 2. (c) The board shall appoint and fix the compensation of an executive officer who shall be a member of the State civil service and not a member of the board.

"Said executive officer shall perform and discharge all of the powers, duties, purposes, functions, and jurisdiction hereunder or which hereafter by law may be vested in the board except that the adoption of rules and regulations, the creation and adjustment of classifications and grades, and dismissals, demotions, suspensions, and other punitive action for or in the State civil service shall be and remain the duty of the board, and a vote of the majority of the members of said board shall be required to make any action with respect thereto effective."

NEW JERSEY

In New Jersey there is a civil-service commission of four members and a single executive officer known as the chief examiner and secretary.

The following are the pertinent sections of the Civil Service Act of 1908, as amended by chapter 176 of the Laws of 1930:

"1. Purpose: The purpose of this act is to provide a modern personnel system for positions included in the State classified

service and for the application of correct business principles in the creation and abolition of positions, the classification of authorized positions on the basis of the duties and responsibilities of the incumbents, the development, adoption, and administration of equitable compensation schedules for each class of positions, and the selection, certification, appointment, regulation, and tenure of persons holding such positions.

"2. Meetings and duties of members of the civil-service commission: The members of the civil-service commission shall hold regular meetings at the State capitol at least once each month, except August, at a time fixed by rule, and may hold such additional meetings at the State capitol or elsewhere in the State as may be required in the proper discharge of their duties upon the call of the president or the chief examiner and secretary. Notice in writing of the time and place of any special or other meeting shall be given to each member of the commission and to the chief examiner and secretary. Three members of the commission shall constitute a quorum at any regular or special meeting.

"It shall be the duty of members of the civil-service commission as a body:

"(1) After public hearing as defined herein to adopt and amend rules and regulations for making effective the provisions of this act.

"(2) After public hearing as defined herein to approve, modify, or reject such classification and compensation plans for the State classified service, or any part thereof, together with rules for their administration, as may be presented by the chief examiner and secretary after a thorough survey of the personnel and departmental organization included in such plan or plans.

"(3) To make investigations either on petition of a citizen or of its own volition concerning any matter touching the enforcement and effect of this act, to require observance of its provisions and the rules and regulations thereunder.

"(4) To hear appeals, either sitting as a body or through one or more members designated by a majority of the commission to hear such appeals, of persons in the State classified service sought to be removed, demoted in pay or position, suspended, fined, or otherwise discriminated against contrary to the provisions of this act, to render decisions thereon, and require observance of such decisions as herein provided.

"(5) To hear and determine appeals respecting the administrative work of the department including appeals from the allocation of positions, the rejection of an applicant for admission to examination, and the refusal to certify the name of an eligible, as referred to the commission by the chief examiner and secretary.

"(6) To make such investigations as may be requested by the Governor or the legislature and to report thereon.

"3. The qualifications, appointment, compensation, and removal of the chief examiner and secretary: The chief examiner and secretary shall be in the classified service and shall not be removed except in accordance with the procedure prescribed in section 33 of this act. If so removed, he shall be entitled to a summary review of the action of the commission making such removal on application to any justice of the supreme court. In case a vacancy in the position occurs or is anticipated, the civil-service commission, or a special board of examiners designated by it, shall hold competitive tests and establish an employment list for the position of chief examiner and secretary in accordance with the testing procedure and principles prescribed in this act. Following the establishment of such a list the civil-service commission shall appoint a chief examiner and secretary in accordance with the procedure prescribed in sections 23 and 24 of this act. Any person hereinafter appointed as chief examiner and secretary shall, at the time of his appointment, be thoroughly familiar with the principles and methods of personnel administration generally recognized by those in charge of employment work for large public and private employers and skilled in personnel administration. He shall be of good repute in his business, profession, or occupation, and known to be in sympathy with the systematic application of merit and good business principles in the handling of personnel matters in connection with positions in the public service that are nonpolitical in character. He shall hold no other public office or employment. His compensation shall be as provided in the annual appropriation law.

"4. Duties of the chief examiner and secretary: The chief examiner and secretary shall be the chief executive officer of the civil-service commission and, except as otherwise provided in this act, shall direct and supervise its administrative work. It shall be his duty:

"(1) To attend the regular and special meetings of the civil-service commission, to act as its secretary, and to record its official actions.

"(3) To establish and maintain a roster of the employees in the State classified service, showing for each such employee the title of the position held, the rate of compensation, and every change in his status, including increases and decreases in pay, changes in title, transfers, sick or annual leave with pay, and other facts which he may consider desirable and pertinent.

"(4) To ascertain and record the duties, responsibilities, and authority appertaining to all positions in the State classified service and to classify such positions in the manner hereinafter provided.

"(7) In the manner hereinafter provided, to test and pass upon the qualification of applicants for appointment to or promotion in the State classified service, and to establish employment and reemployment lists for the various classes; upon requests from appointing authorities or indication of the need for additional employees, as evidenced by the presence of temporary employees or request for the authorization for a temporary or provisional appointment in any class, to certify the names of persons eligible for employment, promotion, or reemployment; to devise, install, and administer service-rating systems and training courses; to arrange for and pass upon transfer; to regulate annual sick and special leaves of absence, hours of work, attendance, and payments for overtime in accordance with the provisions of the rules and regulations established as aforesaid; and to see that lay-offs, demotions, suspensions, removals, retirements, and other separations are made in accordance with this act."

The PRESIDING OFFICER. The hour of 2 o'clock having arrived, under the unanimous-consent agreement the question is on the amendment offered by the Senator from Massachusetts [Mr. WALSH].

Mr. BARKLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Pittman
Ashurst	Dieterich	King	Pope
Austin	Donahey	La Follette	Radcliffe
Bailey	Duffy	Lee	Reames
Bankhead	Ellender	Lewis	Reynolds
Barkley	Frazier	Lodge	Russell
Berry	George	Logan	Schwartz
Bilbo	Gerry	Lonergan	Schwellenbach
Bone	Gibson	Lundeen	Shipstead
Borah	Gillette	McAdoo	Smathers
Bridges	Glass	McCarran	Smith
Brown, Mich.	Green	McKellar	Thomas, Okla.
Brown, N. H.	Guffey	McNary	Thomas, Utah
Bulkley	Hale	Maloney	Townsend
Bulow	Harrison	Miller	Truman
Burke	Hatch	Milton	Tydings
Byrd	Hayden	Minton	Vandenberg
Byrnes	Herring	Murray	Van Nuys
Capper	Hill	Neely	Walsh
Caraway	Hitchcock	Norris	Wheeler
Chavez	Holt	Nye	
Clark	Hughes	O'Mahoney	
Copeland	Johnson, Calif.	Overton	

The PRESIDING OFFICER. Eighty-nine Senators having answered to their names, a quorum is present. The question is on the amendment offered by the Senator from Massachusetts [Mr. WALSH].

The amendment of Mr. WALSH proposes, on page 8, beginning with line 20, to strike out all down to and including line 9, on page 10, in the following words:

CIVIL SERVICE ADMINISTRATION

SEC. 201. (a) There is hereby established in the executive branch of the Government an organization to be known as the Civil Service Administration (hereinafter referred to as the "Administration"), at the head of which shall be a Civil Service Administrator (hereinafter referred to as the "Administrator"), who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of 15 years and shall receive a salary at the rate of $10,000 per annum. The Administrator shall be selected without regard to any political affiliations, shall be a person specially qualified for the office of Administrator by reason of his executive and administrative qualifications, with particular reference to his actual experience in, or his knowledge of, accepted practices in respect to the functions vested in that office by law.

(b) The Administrator shall appoint a Deputy Civil Service Administrator, subject to the civil-service laws, and his salary shall be fixed in accordance with the Classification Act of 1923, as amended. The Deputy Civil Service Administrator shall perform such functions as the Administrator may prescribe, and shall act as Administrator in the absence of the Administrator or in the event of a vacancy in that office.

(c) The United States Civil Service Commission and the offices of Civil Service Commissioners are abolished, and all functions vested in such Commission are hereby vested in the Administration. The records, property (including office equipment), personnel, and unexpended balances of appropriations of such Commission are hereby transferred to the Administration.

(d) The Administrator is authorized to delegate to any officer or employee of the Administration any functions vested in the Administrator or the Administration by law, and to make such rules and regulations as may be necessary to carry out any of such functions.

(e) The Administrator shall cause a seal of office to be made for the Administration, of such device as the President shall approve, and judicial notice shall be taken of such seal.

Mr. BARKLEY. On that question I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. HALE. On this vote, my colleague [Mr. WHITE] has a pair with the senior Senator from Texas [Mr. SHEPPARD]. If

present, and voting, my colleague would vote "yea," and I understand the Senator from Texas, if present, would vote "nay."

Mr. NYE (after having voted in the affirmative). On this question I have a pair with the Senator from Florida [Mr. PEPPER]. I understand if he were present he would vote "nay." I, therefore, withdraw my vote.

Mr. LEWIS. The Senator from New York [Mr. WAGNER], who is absent on public business, is paired with the Senator from Kansas [Mr. MCGILL], who is absent for a similar reason. I am advised that if present and voting, the Senator from New York would vote "yea," and the Senator from Kansas would vote "nay."

The Senator from Florida [Mr. ANDREWS], the Senator from Texas [Mr. CONNALLY], the Senator from Florida [Mr. PEPPER], and the Senator from Texas [Mr. SHEPPARD] are necessarily detained on important public business.

The result was announced—yeas 38, nays 50, as follows:

YEAS—38

Austin	Copeland	Holt	O'Mahoney
Bailey	Davis	Johnson, Calif.	Shipstead
Borah	Donahey	Johnson, Colo.	Townsend
Bridges	Frazier	King	Tydings
Bulow	George	Lodge	Vandenberg
Burke	Gerry	Lonergan	Van Nuys
Byrd	Gibson	McCarran	Walsh
Capper	Gillette	McKellar	Wheeler
Caraway	Glass	McNary	
Clark	Hale	Maloney	

NAYS—50

Adams	Duffy	Lewis	Radcliffe
Ashurst	Ellender	Logan	Reames
Bankhead	Green	Lundeen	Reynolds
Barkley	Guffey	McAdoo	Russell
Berry	Harrison	Miller	Schwartz
Bilbo	Hatch	Milton	Schwellenbach
Bone	Hayden	Minton	Smathers
Brown, Mich.	Herring	Murray	Smith
Brown, N. H.	Hill	Neely	Thomas, Okla.
Bulkley	Hitchcock	Norris	Thomas, Utah
Byrnes	Hughes	Overton	Truman
Chavez	La Follette	Pittman	
Dieterich	Lee	Pope	

NOT VOTING—8

Andrews	McGill	Pepper	Wagner
Connally	Nye	Sheppard	White

So Mr. WALSH's amendment was rejected.

The PRESIDING OFFICER. The bill is still before the Senate and open to further amendment.

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY

Mr. NORRIS. Mr. President, I ask unanimous consent for the present consideration of Senate Resolution 251.

I desire to say to the Senator from South Carolina [Mr. BYRNES] that I do not want to delay the work of the Senate on the reorganization bill. If the resolution will take any time, I shall not press it.

Mr. BYRNES. Mr. President, if there is to be no debate upon the resolution, I shall have no objection to the request; but if there is to be debate, I submit to the Senator from Nebraska that we ought to go along with the pending bill.

Mr. NORRIS. I agree with the Senator, if there is to be debate.

The PRESIDING OFFICER. The Senator from Nebraska asks unanimous consent for the present consideration of Senate Resolution 251.

Mr. MCNARY. Mr. President, in view of the joint resolution introduced today by the Senator from Utah [Mr. KING] and the Senator from New Hampshire [Mr. BRIDGES], I feel certain that there will be some discussion. I observe that those Senators are absent at the moment.

Mr. BRIDGES entered the Chamber.

Mr. NORRIS. The Senator from New Hampshire [Mr. BRIDGES] is here now.

The PRESIDING OFFICER. The Senator from Nebraska asks unanimous consent for the present consideration of Senate Resolution 251. Is there objection?

Mr. BRIDGES. Mr. President, the senior Senator from Utah [Mr. KING] today introduced, on behalf of himself and myself, a joint resolution along the line of the proposals pending in the House of Representatives, due to the fact that we understand the House of Representatives is to make an investigation of the T. V. A. situation in any event, and resolutions to that effect have been submitted in the House.

Yesterday, when this matter was up, the distinguished Senator from Kentucky [Mr. BARKLEY], the floor leader of the Democratic Party, mentioned the possibility of the appointment of a joint committee to investigate the T. V. A. After making inquiries, the senior Senator from Utah and I introduced this joint resolution, which provides for a full and comprehensive investigation of the T. V. A. by a joint committee. At this time I raise the point that the Senator from Utah [Mr. KING] is not present; but if the Senate is to make an investigation, and the House also is to investigate, there will be a duplication of effort unless we provide for a joint investigation. For that reason the joint resolution was introduced; and for that reason, until I know more about the situation, I shall object to the request of the Senator from Nebraska.

Mr. NORRIS. Mr. President, I submit another unanimous-consent request.

The PRESIDING OFFICER. The Senator will state it.

Mr. NORRIS. I ask unanimous consent that at the conclusion of the consideration of the unfinished business the Senate proceed to consider Senate Resolution 251.

The PRESIDING OFFICER. The Senator from Nebraska asks unanimous consent that at the conclusion of the consideration of the unfinished business the Senate proceed to the consideration of Senate Resolution 251. Is there objection?

Mr. BYRNES. Mr. President, I certainly shall not object; but I ask the Senator from Nebraska whether or not the resolution calls for the expenditure of money from the contingent fund of the Senate.

Mr. NORRIS. It does.

Mr. BYRNES. If so, under the rule of the Senate the resolution must be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. NORRIS. It does not necessarily have to go there first. I concede that it will have to go there at some time.

Mr. BYRNES. If the Senator will consult the rule, I am sure he will find that the resolution must go there.

Mr. NORRIS. I think so, too, but not necessarily first.

Mr. BYRNES. It must go there before consideration.

Mr. MCNARY. Mr. President, the requirement to which the Senator refers is not a rule of the Senate but is a statutory declaration; and the resolution must go to the committee, of course, before action can be had upon it.

It is my desire that as soon as the present business is finished we shall take up the calendar. I think that should be done; and, of course, in that event the resolution would come up in its regular order. I should not want to see any arrangement made at this time with regard to legislative procedure in the future. Therefore, I think we had better wait until we finish the consideration of this bill before a new order is made; and I shall object.

Mr. NORRIS. Mr. President, I submit another request for unanimous consent.

The PRESIDING OFFICER. The Senator from Nebraska will state it.

Mr. NORRIS. I ask unanimous consent that Senate Resolution 251 be now referred to the Committee to Audit and Control the Contingent Expenses of the Senate, with instructions to report in not more than 5 days.

The PRESIDING OFFICER. The Senator from Nebraska asks unanimous consent that Senate Resolution 251 be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, with instructions to report in not more than 5 days. Is there objection?

Mr. MCNARY. Mr. President, I have no objection if that request is coupled with the same declaration in regard to the joint resolution introduced today. Both of the resolutions cover the same subject matter; and if one is to be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, both of them should be so

referred, because that is a condition precedent to the consideration of either of them by this body.

The PRESIDING OFFICER. The Chair will state that the resolution introduced today by the Senator from Utah and the Senator from New Hampshire is a joint resolution, and, as the Chair understands the rule, does not have to be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. BARKLEY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BARKLEY. If the resolution referred to by the Senator from Nebraska should be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, would or would not that committee have power to amend it in any way it might see fit?

The PRESIDING OFFICER. The Chair understands that under the rule the Committee to Audit and Control the Contingent Expenses of the Senate would have no power to amend the resolution as to its merits but only as to the amount of money which might be authorized to be expended from the contingent fund of the Senate.

Mr. BARKLEY. That is my understanding. Therefore, I propound this inquiry: If the resolution should be reported by the Committee to Audit and Control the Contingent Expenses of the Senate in its present form, except as to an authorization of expenditure, would the resolution then be subject to amendment on the floor of the Senate?

The PRESIDING OFFICER. The resolution, when reported by the Committee to Audit and Control the Contingent Expenses of the Senate, would be subject to amendment or any other motion in the Senate, just like any other resolution.

Is there objection to the unanimous-consent request of the Senator from Nebraska?

Mr. BRIDGES. Mr. President, until I have an opportunity to consult with the senior Senator from Utah [Mr. KING], I object. I assume that after conferring with him I shall not have any objection, but I desire the privilege of talking with him first.

The PRESIDING OFFICER. The Senator from New Hampshire objects.

Mr. NORRIS. Mr. President, I was simply trying to ascertain whether the Senator from New Hampshire wanted an investigation or whether he wanted a mud-slinging proposition. Having reached the conclusion that it is the latter, I have nothing further to say. I shall have to take my chances when the consideration of the pending bill shall have been concluded.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. WHEELER. Mr. President, I have just entered the Chamber, having come here directly from the White House. I have sent to my office for an amendment which I intend to offer as soon as my clerk returns with it, which will be in just a few moments. I do not know whether or not there are some other amendments to be offered.

Mr. McNARY. Mr. President, will the Senator from Montana state whether his amendment is the one which requires an affirmative vote by the Senate before an Executive order may become effective?

Mr. WHEELER. It is.

Mr. McNARY. Is there any difference between the amendment to which the Senator refers and the one which was printed a few days ago?

Mr. WHEELER. Yes. I now have the amendment here.

Mr. President, the other day I offered and called to the attention of the Senate an amendment to the pending bill, providing, among other things, that before any reorganization or abolishment of a department should go into effect, the Congress of the United States should have an opportunity by joint resolution to pass upon the matter. Objection was raised to the amendment I suggested on the ground that if the amendment should be adopted, nothing would be accomplished, and that any reorganization proposal which the President sent here would not be adopted.

In view of that statement on the part of some Senators, I am about to send to the desk a new amendment; but before doing so I desire to read the amendment for the benefit of the Senate.

The amendment is as follows:

On page 7, line 3, strike out "effective date" and insert "approval."

On page 7, line 6, beginning with the words "and shall", strike out all down to and including line 14, and insert in lieu thereof the following: "but shall not become effective until after the enactment of a joint resolution specifically approving such Executive order. Any such joint resolution shall provide for the approval of such Executive order as a whole, without modifications, and shall contain no other provisions. If any such joint resolution providing for the approval of any such Executive order is introduced in either House, it shall at once become the special order therein, and that House shall proceed to its consideration, without reference to a committee; and, not later than 1 hour after that House meets on the tenth calendar day (Sundays excepted) after the day on which such joint resolution was introduced, a vote shall be taken in that House on the question of the passage of a joint resolution approving such Executive order. If any such joint resolution is passed by one House, it shall be sent to the other House, and that House shall immediately proceed to its consideration, without reference to a committee. Not later than 1 hour after that House meets on the tenth calendar day (Sundays excepted) after it has received such joint resolution, a vote shall be taken in that House on the question of the passage of such joint resolution."

The PRESIDING OFFICER. The amendment of the Senator from Montana will be received and printed.

Mr. WHEELER. Mr. President, I understand that since I spoke a few days ago the junior Senator from South Carolina [Mr. BYRNES] has offered an amendment to the pending bill, which has been adopted, and which, if I am correctly informed—although it is difficult for me to follow it in the bill—strikes out on page 3, line 2, the words "or the functions thereof", this taking away from the President the right to abolish functions. Am I correct as to that?

Mr. BYRNES. Mr. President, three or four of the amendments I have offered made plain the purpose of the bill, that the President should not have the power to abolish functions. Subdivision 3, on line 7, is stricken out, and the bill as it now stands provides that the President may abolish an agency whenever all the functions of such agency have been transferred to another agency. Subdivision 3 is stricken out entirely. That is the section to which the Senator directed his remarks the other day. The amendment necessitated two or three other changes, and they have been made.

Mr. WHEELER. That is my understanding.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER (Mr. HATCH in the chair). Does the Senator from Montana yield to the Senator from Idaho?

Mr. WHEELER. I yield.

Mr. BORAH. Did the amendment of the Senator from South Carolina affect subdivision 4 in any respect?

Mr. BYRNES. Subdivision 4 might be affected. There is a question whether it is remedied by the language on the succeeding page. But I have an amendment, which my clerk informs me has not been offered, but which it is my intention to offer, to make that section accord with the other sections of the bill, eliminating the power to abolish functions. I have the amendment in my hand at this time. The purpose is to have the amendment offered as a new subdivision on line 12, page 3, so that it will read:

Nothing in subsection (a) shall be construed to authorize the President—

And then the amendment will follow—

to abolish any function transferred to any agency or agencies.

That completes the amendments with reference to the question of functions.

Mr. BORAH. Then the Senator leaves in the bill subdivision 4, which authorizes the President to "prescribe the name and the functions of any agency"?

Mr. BYRNES. Yes; that is left in the bill subject to the amendment to which I have referred, which makes plain that it will accomplish what the Senator has in mind. I will be glad to submit the amendment to the Senator in a few minutes.

Mr. WHEELER. Mr. President, with reference to abolishing functions, that power, as I understand, has been eliminated from the bill. I wish to call the attention of the Senate, however, to subdivision (4), which provides that the President may "prescribe the name and the functions of any agency affected by any such Executive order, and the title, powers, and duties of its executive head."

I take it that the word "prescribe" means that the President may add a new name to any of the bureaus, and that he may prescribe the functions of the new bureau which is created by the consolidation of any agency affected by the Executive order as well as the title and the powers of the new agency and also the duties of its executive head. So it would seem to me that, as a matter of fact, the President would have the legislative power to prescribe the name and the functions of the agency affected by such Executive order and the title and the powers and the duties of its executive head. In other words, if he is given the power to prescribe the duties and the powers he is given the power to legislate under that particular subsection.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRNES. I know the Senator has not before him the amendment to which I have referred. I think the Senator will agree that the amendment would cure the situation of which he complains. By the language of the amendment the President would be prohibited from abolishing any function transferred to any agency or agencies. So that the President could transfer a function from agency A to agency B, and agency B would then administer the existing law.

Mr. WHEELER. I understand that.

Mr. BYRNES. But the President could not abolish any function of agency A.

Mr. WHEELER. I understand that.

Mr. BYRNES. He could change the agency which was administering existing law, but he would be prohibited from changing existing law.

Mr. WHEELER. I have to differ with the Senator there. Of course, while the President would not have the power to abolish functions, he would have the right to prescribe the name and the functions of any agency. If we give the President the power to prescribe the functions of an agency, we give him legislative power. If I know anything about the English language at all, when one is given the power to prescribe the powers and the duties and the functions of an agency, he is given the power to create certain functions in that particular agency.

Mr. BYRNES. Mr. President, I know the Senator is sincere about that, but I call his attention to two things. Beginning on line 12, page 3, there is a proviso:

> Nothing in subsection (a) shall be construed to authorize the President—

Then several duties are itemized.

Mr. WHEELER. Yes.

Mr. BYRNES. If the Senator will turn to clause (6) on page 4, he will find that the President cannot "create or establish any new agency to exercise any functions which are not expressly authorized by law in force on the date of enactment of this act."

Mr. WHEELER. I understand that.

Mr. BYRNES. The amendment to which I have called the attention of the Senate will further provide that the President cannot abolish any law. He cannot, therefore, prescribe any function or give to any new agency any function which is not authorized by law; and there is a specific prohibition that he cannot abolish any function.

Mr. WHEELER. It seems to me that there is a vagueness with reference to these two provisions. In one it is stated that the President can prescribe the name, that he can precribe the functions. What does the Senator mean when he says that the President can prescribe functions, and what does he mean when he says that he can prescribe the powers of the new agency?

Mr. BYRNES. If the power is given by the Congress to an agency, agency A, we will call it, and in the consolidation of the organization it is transferred over to agency B, when the functions and duties are transferred the President may prescribe the functions which are provided for by existing law which shall thereafter be administered by agency B to which agency A is transferred. He cannot authorize the execution of any function not authorized by law, and he cannot abolish any function now authorized by law. He can only prescribe that agency B shall hereafter exercise the functions previously exercised by agency A.

Mr. BORAH. Mr. President, will the Senator from Montana yield?

Mr. WHEELER. I yield.

Mr. BORAH. I wish to ask a question to see if I have followed the Senator from South Carolina correctly. Subdivision (4), in which I am interested, provides that the President may "prescribe the name and the functions of any agency." My understanding is that the Senator is proposing an amendment which will provide that no functions may be prescribed by the President except those functions designated by Congress.

Mr. BYRNES. That is correct. Further, in order to make certain that he carries it out, the amendment to which I have referred provides that he cannot abolish any function, he cannot create a new function, he cannot prescribe for the administration of a function not now authorized by law.

Mr. WHEELER. I call the Senator's attention to the language used. In subdivision (4) on page 3 it is stated that the President may prescribe the name and he may prescribe the functions of any agency affected by such Executive order, and he may prescribe the title and he may prescribe the powers and he may prescribe the duties of its executive head.

The Senator has eliminated the right to abolish functions since we discussed this matter a few days ago, but in clause (6) it is provided that the President may not create or establish any new agency to exercise any functions which are not expressly authorized by law in force at the date of enactment of this act.

Mr. BYRNES rose.

Mr. WHEELER. If the Senator will pardon me just a moment—while the President may not create a new agency for the purpose of exercising any functions which are not created by law, he may, under the pending bill, if the language remains as it is, prescribe new functions in an old agency.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRNES. An amendment has already been adopted which remedies that situation. That thought occurred to me, and I drew an amendment which is exactly in accordance with the Senator's views, and it is one of the committee amendments which was adopted unanimously yesterday, changing the language. Instead of providing for the creation or establishment of any new agency, it reads "to authorize any agency," whether new or old.

Mr. WHEELER. Let me have that language again.

Mr. BYRNES. If the Senator will take his pencil it will be easy for him to substitute after the designation "(6)" the words "to authorize any agency," before the words "to exercise any function." I do not want to leave any doubt, or leave it subject to the interpretation that an old agency could do it any more than the new agency.

Mr. WHEELER. I am glad to have the Senator clarify that point. However, I did not understand from the Senator's statement made a moment ago that that had been done.

Mr. President, if I catch the Senator's idea correctly, that narrows the issue down, then, to the question of whether or

not we want to let the present President of the United States or any other President have the power to transfer an agency or part of an agency from one department to another department without the Senate having opportunity by vote to pass upon that question. When I speak of the President of the United States I am not doing it in the sense of criticism at all, because I do not think that he is to be criticized by reason of the wording of the bill.

Mr. BORAH. Mr. President, I am somewhat at a loss with respect to the present situation. I had intended to make some remarks on this subject. I want to be sure that there is occasion for doing so.

Mr. BYRNES. I send the amendment to the Senator's desk.

Mr. BORAH. I shall not interrupt the Senator until I can have an opportunity to look over the amendment.

Mr. WHEELER. As I said a moment ago, if I interpret correctly what the Senator from South Carolina has said, the issue is narrowed down to the question of whether or not the Congress wants to turn over to the President the power to transfer any agency or any part of any agency, as he sees fit, without submitting the question to the Congress and giving it the opportunity to give or withhold its approval. When we do anything like that we are in effect saying to the President, "We are delegating to you our legislative functions, and we are doing it without making it necessary that the Congress of the United States shall approve your action."

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. VANDENBERG. I think the Senator is too generous in his interpretations. While it is now impossible for the President directly to abolish a function, nevertheless by transferring a function to a hostile bureau he can have the net effect of abolishing a function.

Mr. WHEELER. Of course.

Mr. VANDENBERG. If the Senator will permit me, I want again to give a beautiful example of the danger. I suggested it 2 days ago in a colloquy with the Senator from Nebraska. I call the Senator's attention to the Federal Deposit Insurance Corporation, which is exercising a fundamental banking function in the United States at the present time, and it is utterly of paramount importance that it shall not be disturbed in any fashion whatsoever.

The maintenance of the Federal Deposit Insurance Corporation is essentially a matter of discretion in its management. If the management is hostile, the effectiveness of Federal bank deposit insurance disintegrates in proportion. The Federal Reserve Board is not unduly friendly to bank-deposit insurance. The head of the Board, I think, is rather definitely hostile. If Federal bank deposit insurance were transferred from its present independent, safe, stable base to the control of the Federal Reserve System, Senators will comprehend the possibility at least that the functions of Federal Reserve insurance will have been jeopardized.

That is not all. The management of the Federal Deposit Insurance Corporation holds the power of life and death over the State banks, because, while a national bank must belong to the System, a State bank belongs only by sufferance of the management of the System. Any such bank which is not admitted is obviously in jeopardy of not surviving the shock. Therefore the control of this discretion finally becomes the control of the question whether the dual banking system shall be maintained. I submit to the Senator that no such power should rest with any single executive administrator, particularly when Congress has set down the basic rules under which Federal Deposit Insurance Corporation is operating.

Mr. WHEELER. I thank the Senator. I was going to come to that matter later. I have in my hand a letter which was sent to me, and probably to all other Senators, giving an example of just what could be done if the proposed change were made. The letter is dated March 9 of this year, and was sent to me by the American Legion. It reads in part:

> The reorganization bill is now before the Senate for debate. In it there are certain agencies of the Government specifically excepted from its provisions, but apparently most anything can happen to the Veterans' Administration.
>
> All of the difficulties pertaining to the administration of the laws affecting veterans were traceable in the beginning to the fact that responsibility was at first distributed amongst a half-dozen different departments of the Government and then under the Treasury Department. Finally the Veterans' Administration was created by law and from then on we knew definitely with whom we were dealing. Repeatedly the statement is made that this is one of the largest and most important departments of the Government. It should be kept separate.
>
> 1. If the reorganization bill should be passed and the Veterans' Administration again placed under one of the existing Cabinet officers—or if it should be split up and its work distributed around amongst various departments of the Government—we will have nothing but trouble for years to come. We have gone all through this grief and as a result we have one agency upon which and to which the Members of Congress can place their finger on all matters dealing with veterans or their dependents, and for this reason alone it should be placed amongst the class of "excepted" agencies.

I call the letter to the attention of the Senate because under the proposed change in the bill the Veterans' Bureau, or one division of the Veterans' Bureau, could be placed under some other branch of the Government. One division of the Veterans' Bureau could be placed in one branch of the Government, another division in another branch of the Government, and yet another division in some other branch of the Government. I assume, however, that the President is not going to do such a thing.

Similar action could be taken with respect to the Bureau of Public Roads. My attention has been called to the fact that already Congress has appropriated money for the Bureau of Public Roads. That Bureau is ready to let contracts in California and in my own State, and all over the West, but it has received an order not to go ahead. I am told upon very reliable authority that an order has been issued to the Bureau of Public Roads not to go ahead and let contracts for the purpose of building roads.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BARKLEY. I am not familiar with the order to which the Senator refers, but there is nothing unusual in the President's suggestion to any of the bureaus that they let up on expenditures for a while. Of course, that has nothing to do with the reorganization bill. The Bureau of Public Roads is already in the Department of Agriculture, where I have no doubt it will remain. The order issued, as suggested by the Senator from Montana, with which I am not familiar, would not be an isolated case. The suggestion was made last fall to the Reconstruction Finance Corporation and to many other agencies to go slow in making commitments in order to keep expenditures down as much as possible. So it does not seem to me that the mere fact that the President asked the Bureau to hold up on contracts can have any bearing upon the supposition of a transfer of the Bureau of Public Roads from the Department of Agriculture to some other department of the Government.

Mr. WHEELER. I am not so contending.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BORAH. In order to understand exactly the situation we are now in, may I ask the Senator from Montana and the Senator from South Carolina if the President desired under the authority now provided in the bill to transfer the Forest Service to the Interior Department would he have the power to do it?

Mr. WHEELER. Absolutely. He would have the power to take the Reclamation Bureau out of the Interior Department and place it in the Department of Commerce.

Mr. BORAH. He would also have the power, would he not, to abolish the Forest Service, if he so desired?

Mr. WHEELER. I do not think he would have the power to abolish it.

Mr. BYRNES. To the first suggestion I would agree. To the other I would not.

Mr. WHEELER. He would not have the power to abolish it.

Mr. BORAH. He would not have the power to abolish anything?

Mr. WHEELER. He would not have the power to abolish anything.

Mr. BYRNES. He would not have the power to abolish anything unless the functions had been transferred to another agency.

Mr. WHEELER. Yes.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. AUSTIN. At this point I should like to have a question answered in order to understand more clearly the position of the Senator from Montana. Is it his understanding of the effect of the amendment proposed by the Senator from South Carolina that if it should be adopted it would take out of subdivision (4) only functions transferred and would leave with the President the power to prescribe the functions of any agency not affected by a transfer order?

Mr. WHEELER. I should think so. I think the Senator is correct in that regard.

Mr. VANDENBERG. If the Senator will permit another question, let us see if the President cannot actually abolish the Forest Service, to which the Senator has referred. After he transfers its functions and amalgamates them with some other bureau which carries a different name and is in another department, where they may be totally subordinated, and may ultimately be disintegrated, he may abolish the Forest Service.

Mr. WHEELER. The effect, of course, would be to abolish it.

The Forest Service has been functioning for years under the Agricultural Department. The Indian Office has been functioning for years under the Interior Department. Other bureaus have been functioning under other departments of the Government. The Congress has said that it wants to continue the Forest Service in the Department of Agriculture. We have said that we want the Indian Office to remain where it is.

It has been said that the functions of a department cannot be abolished. Someone once said, however, "I do not care who enacts the law, if you will let me execute the law."

Take the case of the Reclamation Bureau, which affects everybody in the West: We know, as a matter of fact, that certain Cabinet members have been opposed to reclamation. They have openly said so, and we know they are opposed to it. Suppose the President should say, "I want to take the Reclamation Bureau and put it under the Department of Commerce," or "I want to put it in the Treasury Department," or "I want to put it under the Secretary of Agriculture," who is not sympathetic to reclamation: We in Congress would have nothing to say about it.

All I am proposing by my amendment is that when the President sends his reorganization plan to us, and when the Democratic leader introduces a joint resolution approving it, that joint resolution shall be immediately taken up in the Senate, made the special order of business, and that within 10 days' time the Senate shall vote on it, and that similar action shall be taken by the House. Such a provision entirely eliminates any argument about the impossibility of getting any reorganization because of a filibuster. It entirely eliminates any talk about how Congress will act, because under the proposed amendment the matter is made a special order of business, and must be voted upon in 10 days.

I am trying to preserve in the Congress of the United States the right to say whether or not these transfers shall be made. I cannot for the life of me understand why any Senator or Representative should want to give up the powers of the Congress, and say to the President, "You may take the Bureau of Reclamation and juggle it around, and put it in any department you choose," or "You may take the Veterans' Bureau and put it in the Interior Department," or "You may take the Veterans' Bureau and put it in some other department," and leave the Congress helpless to say whether or not it approves what is done.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. McNARY. When the Senator read his amendment I was reminded of the amendment I discussed on Friday, offered by the Senator from Alabama [Mr. BANKHEAD]. I think the language the Senator now incorporates in his amendment is similar to that of the Bankhead amendment.

Mr. WHEELER. No.

Mr. McNARY. In the amendment offered by the Senator from Alabama he proposes that after the resolution has been introduced it shall be before the Senate for 10 days and 1 hour.

Mr. WHEELER. That is correct. My amendment is similar to the Bankhead amendment, with one exception. The Bankhead amendment provides for the circulation of a petition and obtaining the signatures of 25 percent of the Members.

Mr. McNARY. I appreciate that. I am only saying that it is similar in one particular; namely, as to the amount of time given to the Congress to debate the proposition.

Mr. WHEELER. No; I propose to allow 10 days for debate.

Mr. McNARY. The Bankhead amendment allows 10 days and 1 hour.

Mr. WHEELER. That is correct.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BORAH. As the Senator knows, and as all western Senators know, there has been an effort in certain quarters for the past 2 or 3 years to transfer the Forest Service to the Interior Department. That is a matter in which the entire West, and forestry people everywhere, are greatly interested. As I now understand the bill, while the President could not abolish the Forest Service, or any other bureau or agency, he might transfer the activities of any such agency to the Interior Department, and thereby accomplish that which I think 90 percent of the people who are in any way associated with the Forest Service are opposed to.

Mr. WHEELER. That is correct.

Mr. BORAH. So we would have a situation in which the President might transfer the Forest Service to the Interior Department; and if we vote for this bill as it is, we are voting away our power to protect the Forest Service in case it should be transferred.

Mr. WHEELER. That is entirely correct. As I pointed out the other day, the stockmen, the cattlemen, and the sheepmen have written many letters protesting against the transfer of the Forest Service from the Department of Agriculture to any other department.

Mr. BORAH. It has been said in private conversation that there is no such intention.

Mr. WHEELER. Yes.

Mr. BORAH. But, of course, that statement is no protection whatever to those who are interested in the matter. The mere oral statement that there is no such intention is no protection against such a thing happening.

Mr. WHEELER. Not only that, but nobody is responsible for the statement which has been whispered around. If the President should transfer the Forest Service, what could we do about it? The President could say, "I never made any such statement." We do not know whether the statement was ever made by the President or not. Even if he did make such a statement, and even if he fully intended to maintain that position, certainly he has a right to change his mind. After a study of the whole situation, if pressure were brought to bear by some of the department heads, he might say, "Gentlemen, I have changed my mind about it," and then transfer the Service.

That identical situation prevails with reference to the Bureau of Reclamation.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. CLARK. In connection with the Forest Service, the Senator will recall that in a hearing before the House Committee on the Public Lands last year the Solicitor for the Interior Department stated that he had been officially designated by the Secretary of the Interior, in an order published in the Department, as the only representative of the Interior Department to appear before congressional committees. He openly stated that it was the intention to transfer the Forest Service from the Department of Agriculture to the Department of the Interior. That is a matter of public record. There never has been any denial of it from any quarter whatever. I further call the attention of the Senator from Montana to the fact that that very recommendation was contained in the Brownlow committee report.

Mr. WHEELER. I thank the Senator.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BYRNES. The Senator agreed with the statement of the Senator from Missouri. I wish he would point out in the report any such statement.

Mr. WHEELER. I did not make the statement.

Mr. BYRNES. But the Senator agreed with the statement. It is not in the report.

Mr. WHEELER. That is only one illustration. Let me say to the Senators from the West who are interested in different bureaus in the various departments that the bureaucrats in the departments are the ones who are doing the work upon this particular bill; and if Senators want some bureaucrat in one of the departments who has never been in the State of California in his life to deal with these various matters, that will be the result if the bill is enacted into law. That is not an absurd statement, because, as a matter of fact, when the Solicitor of the Interior Department was appointed to deal with western affairs, to deal with reclamation, with the Indians, and with the conservation of oil and other great natural resources, he had never been on an Indian reservation. He had never set foot in the State of California or in the State of Montana. I doubt whether he had ever been west of Chicago. If the Senator from California [Mr. McADOO] and other Senators from the West wish to see placed in the hands of some of these bureaucrats the right to set forth what shall be done in the future with the various departments of government which so greatly affect the economic life of our country, of course they are at liberty to support the bill.

It is said, of course, that the President will not do any of these things. From whom is he going to get his advice? As I pointed out the other day, it is a physical impossibility for him or for any other President to know all the problems of the West. We have a Secretary of the Interior from the city of Chicago. We have a Solicitor from the city of New York. We have a Commissioner of Indian Affairs who had been a propagandist for Indians but who had never been in close touch with them except through his work. We have an Assistant Commissioner of Indian Affairs who previously had never had anything to do with Indians in his life and did not know anything about them.

Those of us who have had to deal with the Indian Office know how employees in the Indian Office have been selected. We know how those who were formerly interested in social work in the city of Chicago, or in the city of New York, or elsewhere, have tried to deal with the Indian problem as though it were a problem like that of clearing up the slums in the city of Chicago or in the city of New York.

I feel very deeply about this question because of the actual experience which we in the West have had in dealing with these matters. I am not trying to prevent any consolidation of departments in the Government service. I am simply saying to the Congress that before such consolidations go into effect we should exercise the right, which the Constitution of the United States says belongs to us, to say whether or not we approve the proposed consolidations. I am seeking by my amendment to provide that when the consolidation plan comes before Congress it shall not go into effect until such time as the Congress, by joint resolution, approves it.

Who is going to introduce such a joint resolution? Certainly any President of the United States can have introduced a joint resolution approving his action. The Democratic leader would be in duty bound to do it, and when he does it, then I provide by my amendment that 10 days and 1 hour shall be allowed within which to debate it, and after the expiration of that time, then, automatically, a vote is taken on the question. The joint resolution goes to the other House, and in 10 days after it goes to that body they must take a vote upon it.

No one can contend for a moment that my amendment seeks to destroy the right of the President of the United States to reorganize the executive departments. No one can say that the amendment seeks to obstruct the President of the United States with reference to reorganization; no one can say that it represents an effort on the part of the Congress of the United States to block and fight the President of the United States.

We are saying to him, "Go ahead; we agree with you that there ought to be consolidations, that there ought to be coordination in the departments, but the Congress of the United States wants to reserve to itself some power of determination." Members of the Congress know how the activities of the different departments affect their respective States; they know the problems of the States much better than can bureaucrats know them; and the Congress ought to be able to say whether or not a given proposal for reorganization or consolidation shall be approved by it.

Take, for example, the T. V. A. in the State of Tennessee. Under this bill the President of the United States, if he saw fit, could take a part of the powers of the T. V. A. and lodge them in the Commerce Department; he could take part of them and transfer them to the Treasury Department; he could take other functions of the T. V. A., or all the functions of the T. V. A., and put them under some bureau which might be extremely unfriendly to the view Congress had in enacting the T. V. A. legislation. Is that what the Congress of the United States wants to have occur? Is that the power the Congress wishes to grant the President? It is inconceivable to me that intelligent men in the Congress of the United States should desire to vest such power in any single individual. I say this without any reflection upon the President, because I think the present President of the United States probably knows the problems of the West as well as any President we have had in recent years; but he cannot know how the management of the Indian Office, for instance, affects the economic life of the Indians of the State of New Mexico; it is humanly impossible for him to know how the Reclamation Bureau affects the economic conditions of the people in the various irrigation States. He will have to turn such matters over to some bureaucrat.

I cannot conceive the President of the United States would object to an amendment of the kind I have proposed being made to the pending bill. I cannot conceive of his wanting to do otherwise than to have any plan which may be adopted by him submitted to the Congress, inasmuch as he would know that the Congress would have to take a vote on it within 10 days' time after its submission to either branch of the Congress.

I have referred to the Veterans' Bureau. Those in authority there can speak from experience.

They are in position to know that when functions properly belonging to them were scattered among other agencies it resulted in a break-down in the execution of acts of Congress, until all such matters were consolidated in one department. Now, they are fearful that if we pass this proposed legislation some of the functions of that agency will be transferred to some other department.

Something was said here yesterday with reference to the people of the United States being jittery about conditions. Congress has been denounced from one end of the country to the other because it has been said that we have advocated turning over the powers that belong to the Congress

to the executive branch of the Government. At this particular time when they have an example of what is taking place in Germany and in Austria where power has been concentrated in one man, is it any wonder that the uninformed person should be jittery about conditions that exist throughout the world and fearful lest the Congress of the United States give up the power which belongs to it?

Mr. DAVIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Pennsylvania?

Mr. WHEELER. I yield.

Mr. DAVIS. I should like to inquire of the Senator whether or not under this proposed legislation the President could transfer the Railway Mediation Board to the Department of Labor and make it a part of the Division of Conciliation?

Mr. WHEELER. There is no question about it at all. He could take some of the functions of the Department of Labor and transfer them to the Department of Commerce.

Mr. DAVIS. Could he abolish the United States Compensation Commission and assign the duties of that Commission to one or the other departments of the Government?

Mr. WHEELER. Certainly. He could abolish the functions of that agency by transferring them to some other department which might be antagonistic to the policy which was in the mind of the Congress.

Mr. BYRNES. Mr. President, the Senator does not mean, does he, that the President could abolish the functions of an agency?

Mr. WHEELER. He could abolish the functions of an agency so far as that agency is concerned, because he could transfer the functions of that agency to another one and thereby abolish the functions of its officers.

Mr. BYRNES. Oh, no.

Mr. WHEELER. Oh, yes.

Mr. BYRNES. I thought the Senator had agreed with me about three-quarters of an hour ago as to the specific provision against abolishing any functions.

Mr. WHEELER. I understand that, but has the Senator read what the definition of a function is?

Mr. BYRNES. I have not only read the definition according to the standard dictionaries but also according to the law dictionaries.

Mr. WHEELER. Very well. What is the function of a department? I am not arguing on general principles; I use the term "function" in the strict and narrow sense, and when the head of a department is abolished certain functions which the head of the department has been performing as an individual are abolished.

Mr. BYRNES. Oh, no. Does the Senator think if I am performing the duties of a Senator that if I am abolished my successor will not continue to exercise the duties of a Senator?

Mr. WHEELER. No; not at all. I am simply saying that the Senator's functions would be abolished.

Mr. BYRNES. Yes; but somebody else would perform them. In the case submitted to the Senator by the Senator from Pennsylvania, if someone else performed the duties, the powers, and rights and privileges would be exercised——

Mr. WHEELER. By someone else.

Mr. BYRNES. Yes; by someone else.

Mr. WHEELER. I agree with the Senator. I said I was using the term "function" in its very narrow sense as applied to a particular individual.

Mr. BYRNES. Oh, that is a different matter.

Mr. WHEELER. What I mean to say is that when functions are transferred from the Labor Department to the Commerce Department, it may have the effect of abolishing some functions of the Department because they may be put under a head who is antagonistic to the very law itself.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. Yes.

Mr. BONE. I take it that a fair comparison would be designating the able Senator from New Hampshire [Mr. BRIDGES] to perform the functions of the T. V. A. Board of Administration. Does that illustration fairly and adequately represent the Senator's point of view?

Mr. WHEELER. Certainly. What is the fight over the T. V. A. now? The Senator from Nebraska at first did not want the Senate of the United States to investigate the T. V. A., while others wanted the investigation conducted by a Senate committee. Why did not the Senator from Nebraska want the investigation to be conducted by a Senate committee originally? They would perform exactly the same functions that would be performed by the Federal Trade Commission, or vice versa. The Senate of the United States would perform the identical functions under identically the same kind of a resolution, but the Senator from Nebraska, in effect, said, "I do not want it to go before the Commerce Committee because the make-up of that committee is such that the T. V. A. probably would not get a fair deal before them." To me, that is one of the best illustrations.

Take any investigation that is proposed by the Senate of the United States. When a resolution for an investigation is offered, the result depends upon how the investigation is going to be carried on; it depends upon the personnel of the committee. So, likewise, whether or not the Department of Labor, or the Reclamation Bureau, or the Public Roads Bureau, or the Indian Office is to be administered depends to a large extent upon whether or not the control of those agencies is placed in the hands of a personnel that is friendly to the particular operation.

Mr. BONE. And one that Congress will trust.

Mr. WHEELER. Yes; one that Congress will trust, as the Senator suggests.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. DAVIS. The State Department has for a long time been very anxious to take over the Immigration Bureau and the Naturalization Bureau. Laboring people who are very much interested in immigration and naturalization, for certain reasons, do not want the State Department to take over those bureaus. Under this bill, however, the President would have the power to assign both the Immigration and Naturalization Bureaus to the State Department, which is the last place they ought to be when there is a question of labor at stake.

Mr. WHEELER. That is exactly correct. I am not going to question whether or not the power ought to be there, but certainly the President has that power under the bill.

Mr. DAVIS. That is the question I am raising.

I should like to make a further inquiry, if the Senator will permit me to do so.

Mr. WHEELER. Certainly.

Mr. DAVIS. The United States Compensation Commission has under it some 5,000,000 persons, including longshoremen, Federal employees, W. P. A., C. C. C., and civilian employees, for whom it adjudicates compensation.

Mr. WHEELER. Yes.

Mr. DAVIS. It has under its jurisdiction the seamen, the longshoremen, and all the personnel of the civil service. If it is desired to do so, the duties of that Commission may be assigned to some one man under a bureau head, and the Commission may be entirely abolished, may it not?

Mr. WHEELER. There is no question at all about it. As I pointed out when the Senator from Tennessee [Mr. MCKELLAR] was out of the Chamber, part of the powers of the T. V. A. might be taken away from it and put under some Cabinet officer who was unfriendly to it.

Mr. BONE. Mr. President, will the Senator yield?

Mr. WHEELER. Yes; I yield.

Mr. BONE. I think perhaps we are now reducing this matter to more simple and more understandable terms, and that we received some little assistance from the questions of the Senator from Pennsylvania, who asked whether it would be advisable to make those changes. As I understand the proposal of the Senator from Montana, it is simply that if a change like that is made, the order shall come back here, and we shall say whether or not we approve it.

Mr. WHEELER. That is correct.

Mr. BONE. Is that reducing the amendment to its lowest common denominator, its simplest terms?

Mr. WHEELER. That is correct.

Mr. BONE. In other words, the President may do anything the bill permits in the way of transferring these functions to some other department, but in the last analysis it cannot be accomplished until Congress says "yes" and puts its O. K. on it.

Mr. WHEELER. That is correct; and I have limited my proposal so that the Congress of the United States would have to vote on the question within 10 days after a joint resolution was introduced by the Democratic leader or anybody else; and after the joint resolution passed one branch of the Congress it would have to go over to the other branch, and they would again have to vote on it within 10 days' time. So, as I say, we have completely eliminated the ground for the argument which was made by the distinguished Senator from South Carolina [Mr. BYRNES] the other day, when he said that if my amendment should be adopted we should never get a reorganization at all. Furthermore, it seems to me I have eliminated the basis of all the fears that were expressed the other day on the part of Senators who are fearful that the Congress itself has not either the common honesty or the integrity or the ability to pass within a reasonable time upon orders of this kind.

Mr. DAVIS. Mr. President, will the Senator further yield?

Mr. WHEELER. I yield.

Mr. DAVIS. My reason for questioning the Senator with reference to the possible transfer of the Bureau of Immigration is because, if it should be transferred, more than likely it would go to the State Department, and then the question of the oriental exclusion laws would again come up.

Mr. WHEELER. Yes.

Mr. DAVIS. And I know there are some persons in the State Department who have been very friendly to the proposal to give a quota to Japan and to China.

Mr. WHEELER. I think that has been true for a long time.

I do not want to take a great deal of the time of the Senate in arguing this matter, because I presented it the other day; but I do wish to come back to the point I started to discuss a moment ago when I was interrupted, namely, that since there is so much criticism of the Congress of the United States for delegating its powers to the executive branch of the Government, and since there is the fear I have described on the part of some persons—which I think is unwarranted, but which nevertheless is there and cannot be changed—I think it would be a very bad thing from the psychological standpoint for the Congress to make a further delegation of power at this particular time, when a certain form of hysteria is sweeping over the United States. I think it would be a wholesome thing for the Congress to say to the country, "We are not giving up all of our power;" to say to all those who are affected—to labor, to the veterans, to the farmers who are affected by reclamation and irrigation projects, to the cattlemen and the sheepmen in my State and throughout the West, "We are going to see to it that your interests are protected to the extent that we are not going to let something happen to you which will be extremely detrimental to the economic interests of the people of the Western States." What is proposed not only affects labor, but it affects the veterans, and it affects every class of individuals in the United States. In my humble judgment we have not any right to delegate that power to any individual; and it seems to me under the Constitution of the United States we have not any right to turn over that power to the President of the United States and let him legislate upon these matters, and not retain in the Congress itself at least the full power of passing judgment on whether or not the Executive orders which may be issued are proper.

Mr. President, I sincerely hope the amendment will be adopted.

PROTECTION OF ALASKAN SALMON FISHERIES

Mr. BONE. Mr. President, a few days ago I addressed the Senate about the situation in the Bering Sea, in Bristol Bay, and Alaska as it was affected by the operation of Japanese fishing vessels and vessels sent out by the Japanese Government for the purpose of exploration and determination of certain facts with relation to the salmon run.

The following day the press carried the story that the American Government and the Japanese Government were about to compose their differences arising out of that situation and that we were to look forward immediately to a satisfactory solution of that vexatious problem—a problem, indeed, very vexatious for the Pacific Northwest, because it so vitally affects the welfare of many persons engaged in the salmon-fishing business.

Today in the Washington Post appears a press dispatch by the Associated Press from Tokyo which says:

JAPAN'S FISHING PACT WITH UNITED STATES STRIKES SNAG

TOKYO, Tuesday, March 15.—An eleventh-hour disagreement over an undisclosed point today delayed settlement of the Alaskan fishery problem between the United States and Japan.

A reliable source said the negotiations would be reopened "on a totally new basis."

Mr. President, I was impelled to say what I said the other day to my brethren of the Senate because I felt then, as I feel now, that in the last analysis the Japanese Government probably would find some reason which seemed to it legitimate for refusing to compose the differences which existed with regard to the Alaskan fisheries on a basis which would be acceptable to American interests. I very much regret it. I can only express the hope that these differences will be ironed out.

The situation there is so critical that I am fearful that any interruption, such as is suggested by this press dispatch, may merely lead to more and deeper and graver misunderstandings.

I want the Members of the Senate to know that the Japanese Government probably has in mind some thought of demanding from this Government a treaty arrangement under which the Japanese Government will claim, by some asserted right, a portion of the salmon run originating in American rivers. I desire to suggest to my brethren here that, so far as the people of the Northwest are concerned, that would be anything but a satisfactory solution of the matter, because, in my judgment, the fishermen of the Northwest and the persons who are responsible for the salmon runs in American rivers are not going to accept placidly and peacefully a solution of the kind which was arrived at in connection with the sealing operations on the Pribilof Islands. In my judgment, that is precisely what the Japanese Government wants. I wish to say now that, in my judgment, it will be utterly unacceptable to the fishing interests of America.

PHILIPPINE INDEPENDENCE

Mr. McKELLAR. Mr. President, 3 years ago I was a member of a commission which went to the Philippine Islands to examine into conditions there relative to the freeing of the islands. A bill for that purpose had already been enacted, and why we were sent there at that time I hardly know; but we were. When we came back I made a report which was published at the time, and printed in the RECORD at the time, and is now in the RECORD, in which I very earnestly opposed the grant of freedom to the Philippines. There were many reasons for that which I shall not go into in detail at this time. I thought primarily it would be wholly inimical to the best interests of the Filipinos themselves, and hurtful to their own economic interests. Indeed, I thought it would be ruinous to their own economic interests; and if it is ever done, it will prove, in my judgment, to be utterly subversive of their best economic interests.

I so reported. I believe the Senator from Vermont [Mr. GIBSON] and I were the only members of the Commission who did so report. I do not recall positively about that, but I made a report to that effect at the time. I also thought Philippine independence would be very hurtful to American interests. We occupied a very peculiar attitude toward the Filipinos; and to turn them loose meant, as I believed, turning them loose to become the prey of any stronger power which might desire to take them over. For those reasons, principally, I opposed independence for them at that time.

Mr. President, I served in the House of Representatives many years ago with Mr. Quezon, who is a brilliant and splendid man, in my judgment, and who, of course, is devoted to the interests of the Filipino people. I do not hesitate to say that at all. I think he is one of the most gifted men I know. I have great admiration for him.

At the time to which I have referred Mr. Quezon was wholly opposed to the views I entertained. He wanted the Filipinos freed at the earliest possible moment, and in that apparently he had the majority of the Filipinos for him. Therefore, I noticed with a great deal of interest the following article in the Evening Star of this afternoon:

QUEZON ASKS STAY IN MOVEMENT TO FREE PHILIPPINES—AGREES WITH MCNUTT THAT WORLD EVENTS BRING NEED FOR STUDY—WANTS COUNTRYMEN TO HAVE FINAL CHOICE—GOLD STOCKS RISE IN MANILA AFTER WASHINGTON AIR TALK OF COMMISSIONER

MANILA, March 15.—President Manuel Quezon today agreed with High Commissioner Paul V. McNutt that the question of Philippine independence should be reexamined in the light of recent disquieting world events.

The dapper executive, who has advocated immediate independence, concurred after listening to a broadcast from Washington, D. C., in which Mr. McNutt urged that American sovereignty should remain in the islands.

Under the Tydings-McDuffie Act, the Filipinos are guaranteed independence in 1946. Mr. McNutt asked immediate cooperation of Filipino leaders and Americans in a "realistic reexamination of their long-range interests and our own."

URGES FREE CHOICE

President Quezon agreed to this in a statement, but stipulated that the Filipinos should be left "a free choice" in the final determination.

During a trip to the United States last year he created a political furore here by advocating immediate independence for the islands, accompanied by economic guaranties.

(In his National Radio Forum speech, arranged by the Star and broadcast by the National Broadcasting Co. here last night, Mr. McNutt predicted that "if our flag comes down, the Philippines will become bloody ground and the center of war within war for a generation."

The High Commissioner of the Philippines spoke on the eve of his departure for the islands after reporting to President Roosevelt and other administration officials on conditions in the Pacific.)

GOLD STOCKS RISE

The immediate result of Mr. McNutt's speech was a rise in gold stocks here and the expression of one businessman, former Judge Guillermo Guevara, that he was "100 percent behind McNutt's ideas."

Cabinet members were glum and uncommunicative. They agreed, however, that if the United States Government adopted the Commissioner's suggestion, the American flag would wave over the islands long after 1946.

Some assemblymen opposed the idea of deferring independence.

President Quezon said he thought Mr. McNutt's presentation of facts as they related to Philippine-American relations was unassailable. He said while in the United States he made speeches on their relations in substantially the same terms.

Mr. McNutt advocated allowing the Filipinos domestic autonomy and giving them "the best trade deal we can without injuring our domestic producers."

WELFARE OF BOTH COUNTRIES

"If this study results in a policy favoring a permanent political and economic relationship with the Philippines, it shall be, I trust, because the Filipinos want it and because it is in aid of our national purposes. America will not impose her sovereignty by force upon any people. The enduring safety and welfare of both countries are to be the paramount considerations.

"It is my conviction that they are not far apart and that they can be harmonized—harmonized for the salvation of the Philippines, for the larger interests of America, and for the peace of the Pacific."

President Quezon said "no reasonable person * * * can find fault with the proposition of the Commissioner that a reexamination of the whole question should be undertaken at once."

In conclusion, Mr. President, I wish to say that I am very happy the President of the new Filipino Republic takes the position he has announced. I think it is the wisest position for him to take, having the interests of the Filipino people in mind. I believe that by all means, if they know where their true interest lies, they will never abandon the present unusually fortunate situation in which they find themselves, namely, an association which gives them the protection and the benefit of such an alliance as that now existing between them and the American Government. That is worth more to them than any alliance they could have with any other nation in the world. They have already been tremendously benefited by it. They have been brought from a low scale amongst the nations and made a great people, and if they continue their relationship with the American Republic they will grow stronger and better, and the time will come in the future when they can maintain an independent government. That time has not yet arrived, however, and will not arrive soon, in my judgment, because if they should be made entirely independent they would simply become a prey to the ambitions of neighbors who would take them over.

Mr. President, I ask unanimous consent to have printed in the RECORD the views which I have prepared, to which I have referred, together with the views of the junior Senator from Vermont [Mr. GIBSON], who also presented an independent report.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

[Senate Document No. 57, 74th Cong., 1st sess.]

INVESTIGATION OF CONDITIONS IN THE PHILIPPINES

Report of Senator KENNETH MCKELLAR as a member of the special committee appointed June 16, 1934, to investigate conditions in the Philippines

To the PRESIDENT OF THE SENATE:

As a member of a special committee, appointed at the request of the President in pursuance of a resolution of the Philippine Legislature asking that a committee or subcommittee visit the Philippines and make an investigation and report to the Congress on the subject of possible "inequalities or injustices" of the Tydings-McDuffie Act, approved March 24, 1934, I beg to state that in company with Senator TYDINGS (chairman), Senator MCADOO, and Senator GIBSON, I visited the islands, and, with them, made as thorough an investigation of the conditions in the islands as possible in the time at our command. Not agreeing in all respects with the other members of the committee, I desire to submit a separate report. It is proper to say that Senator CARL HAYDEN, of Arizona, was also a member of the committee, but he visited the Philippines last summer, and has already made a report of his findings.

VISIT OF THE COMMITTEE

Our committee left Los Angeles on November 14, 1934. We stopped at Honolulu, and stayed in Hawaii 4 or 5 days. Then we went to Yokohama, where we landed on November 22. We drove to Tokyo, and, after spending 2 days there, took a train, going through what is known as industrial Japan, sometimes called the heart of Japan, and rejoined our ship at Kobe. From there we went to Shanghai, stopping over a day and night; then to Hong Kong, where we spent a day and night.

We landed at Manila on December 9. We spent some 3 weeks in the Philippines. We visited the four largest islands in person, taking the evidence of all aggrieved persons who desired to be heard, making inquiries from all possible sources, receiving memorials from various citizens, corporations, public and quasi-public bodies, conferring daily with leaders, talking informally with all classes of people, Filipinos, Americans, and any others who wished to be heard. I think we obtained a very good picture of the economic, social, financial, and political condition of the islands.

Specifically, we visited in person the islands of Luzon, Panay, Negros, and Mindanao.

During our stay we had the most efficient and cordial aid of the present Governor General of the islands, Gov. Frank Murphy, and of his entire and most efficient staff. It is due Governor Murphy to state here that he is making a splendid Governor of the islands. He has become a great student of Filipino affairs, is popular with all classes of people, is able, alert, courageous; and so far as I could see and learn, no one is better posted concerning the islands and their problems than is he.

We also had the active aid and advice of Gen. Frank Parker, commander of our armed forces in the islands. He is a very energetic, well-informed, and capable officer. Admirals Upham and Allen also gave us most courteous aid, and were most helpful in furnishing us information and advice.

The president of the Philippine Senate, Manuel L. Quezon—well known in the United States, where he served long and faithfully in Washington as Delegate from the islands—is a fine man, able, gifted, eloquent, and with the most remarkably delightful personality. He gave us every aid and help in his power. Messrs. Osmeña, Roxas, Alunan, Paredes, and many other able Filipino leaders, as well as judges of the supreme court—among whom were Judge Thomas A. Street, an American, and Chief Justice Avanceña, a pure Filipino—were most helpful and courteous. They gave us much information.

We also talked several times with General Aguinaldo, the Filipino leader prior to and during the Spanish-American War. Although General Aguinaldo is no longer a young man, he is still powerful and helpful. We had the benefit of his views. We also conferred with leaders in business, in banking, in professional life, in agriculture, in education, in newspaper work, and in every walk of life.

Practically all those whom we consulted wanted Philippine independence; but all, or practically all, expressed the greatest fears in the event of independence on three important subjects:

One was the fear of economic collapse if the Filipinos should not secure a trade agreement under which they could indefinitely sell their products free of duty in America after their independence was granted.

A second fear was of outside aggression. In other words, if given independence without an army or a navy or an air corps, and admittedly being unable financially to build up a military defense strong enough for their protection, they greatly fear the islands would be overrun and taken over by a stronger military and naval power.

A third fear is that the islands could not stand the export tax levied under the Tydings Act for the payment of their unpaid bonds which the United States Government had substantially and morally guaranteed.

HISTORY AND PRESENT CONDITIONS OF THE PHILIPPINES

The Filipino people are Malays. How long they have inhabited the islands is not definitely known, but some of them were there probably many hundreds of years ago. In 1570 Legaspi, acting for Spain, took over the islands, and for about 329 years after that time the islands were under the absolute control of Spain. When they were taken over there were about 500,000 people in the islands. Incidentally, the islands themselves are something more than 7,000 in number. Spain ruled the Filipinos until 1898—as I stated before, a period of 329 years—and when the Spanish rule ceased there were about 6,700,000 people in the islands.

Spain gave them little except the Christian religion. She did give most of them that. Theirs is the only Christian nation in the Far East. According to the census of 1918, there were about 9,500,000 Christians in the islands. The remainder were either Moslems or pagans. At the present time the Christians compose about 91 percent of the population, the Moslems about 4 percent, and the pagans about 5 percent.

Prior to the Spanish rule the Portuguese, the English, the Chinese, the Japanese, and the Dutch had severally attempted to obtain control of the islands; but, with the exception of the Chinese, their stay left little impression. The Chinese have always traded in the islands, and are still among their leading merchants and traders, though they are now being rapidly supplanted by the Japanese. Apparently, Spanish control was never beneficial to the Filipinos. During that occupation they gained little in moral fiber, in education, or in wealth. They were constantly revolting against Spanish rule, and had been engaged in a revolution led by General Aguinaldo shortly before Dewey sank the Spanish fleet in Manila Bay, May 1, 1898. Just prior to Admiral Dewey's celebrated victory, however, the Spanish Government had made a treaty with General Aguinaldo by which peace was restored, and the Spanish Government paid to General Aguinaldo the sum of $400,000 to compensate the Filipinos for certain losses and to restore good feeling.

It is proper to say at this point that the members of the committee, during their recent visit, were entertained by General Aguinaldo in his home at Cavite. The general is about 65 years of age, looks about 45, and is a quiet, modest man. He has a lovely family and home, and was most cordial and hospitable to us. He is tremendously interested in immediate Philippine independence. He does not want to wait at all, and is willing to take independence on the chance of being able to protect the islands, both economically and from being overrun by other powers. General Aguinaldo frankly stated, however, that he realized the danger from both sources. The day we were at his home 5,000 of his old soldiers were present, dressed in uniform, and they marched in front of the house for our benefit. It was said that they came from all parts of the islands voluntarily, and at their own expense, to take part in the parade. It is also fair to state that General Aguinaldo made a good impression on the committee.

Returning to the Filipinos and their questions generally, the great body of them are Malay, speaking some 60 dialects. Attempts have been made to divide the Filipinos into tribes. I do not believe this can be done. They all look much the same, whether Tagalog, Moro, or Igorrote. So far as my unpracticed eye could discern, they all looked alike, being much the same in build, in color, in habits, and in customs. They are for the most part a quiet, gentle, hard-working, and worthy people. I believe they are probably the most enlightened of all the Malays, certainly the most so of all those I saw, and I visited several Malay countries. Since American occupation, nearly 37 years ago, they have evidently made real progress in wealth, in standards of living, in education, in population, in the development of their natural resources, and in their ambitions and ideals of life. Certainly this is true of the better classes of their population. Under American direction and control, and especially since the Jones Act passed in 1916, giving them a virtual autonomy of government with an American Governor, they have done well in the conduct of their Government. It is true that this in a measure was due to the leadership and guidance of the Governor General and the stabilizing influence of the able mixed supreme court.

The great body of the Filipinos—the farmers, the laborers, and the ordinary run of the people—apparently take little interest in government. On the other hand, they have some very able and constructive leaders who compare favorably with the leaders of other nations. They have some excellent and substantial businessmen, though most of their business is done by Chinese, Japanese, English, Americans, or meztizos. They have able and ingenious lawyers, some remarkably bright and active newspaper men, skillful doctors, and members of other professions. Under the leadership and inspiration of America they have acquired an excellent school system, fairly good schoolhouses, good teachers, some colleges, and quite a number of learned and literary men, some of these very able and gifted. Under the impulse of American precept and example they are making considerable headway in education. Their standards of living are much higher than those of any other eastern people. I visited, personally, many public schools, and know that they are doing very well in education. The teachers were usually Filipino women, with Filipino men superintendents, and English was taught. In more than a dozen schools the children sang songs like America and Philippines, My Philippines, to the tune of Maryland, My Maryland.

In agriculture, however, the Filipinos are proceeding along lines of centuries ago. They plow with carabao. They do not even use horses and mules in their fields, much less agricultural machinery. They dig and grub, often knee-deep in water, planting rice grain by grain. After it has matured they reap it stalk by stalk, and then, in many cases, thresh it out with their feet. Rice is their principal crop.

For the most part the people live in villages composed of the most rickety kind of bamboo houses, with no sanitation, and necessarily very damp during the heavy rains of the rainy season. The people pay little attention to rain, however, and when their clothes get wet they let them dry on their bodies. They live principally on rice and fruits. Sugarcane is grown principally by the large planters or by the native farmers in the old way and turned over to the large planters or mills on a share basis. Coconut groves are everywhere. As the Filipinos are overwhelmingly farming people, it is seen that this portion of them, living and digging as they do, cannot be much concerned in governmental affairs. Twenty-nine percent of the people are engaged in domestic or personal service. These figures are taken from a recent book by former Senator Hawes. Thus, quite three-fourths of the people are so situated that it is impossible for them to take much part in government, and, so far as I could tell, they are unfitted to do so. Former Senator Hawes, on page 69 of his book, says that 11 percent of the people are engaged in professional occupations. While I think this figure is high, this class constitutes the ruling class, and I should say its members are fitted for self-government, other things being conducive thereto. The remainder of the people are little concerned in public affairs of any kind.

In connection with agriculture, it should be said that the Filipinos export 60 percent of all they raise, and 86 percent of this 60 percent goes to America free of duty. It is seen, therefore, how absolutely dependent these people are on the tax-free markets in America. They sell in our markets about twice as much as they buy from us, their sales being largely of sugar, copra, tobacco, and hemp.

The islands are very rich in natural resources, and at this time the common people—and, indeed, all of the people—seem to be unusually prosperous. In my judgment, they will be as long as they have free American markets in which to sell their sugar, copra, tobacco, and hemp.

The lands are most productive. Their sugarcane compares favorably with the sugarcane of Hawaii, Java, or any other sugarcane-raising country. Their coconuts are as good as or better than the coconuts of other countries. Their hemp is world-famous. They have 45 sugar factories, or "centrals," as they are called in the islands. On the island of Negros there is almost an aristocracy of wealth, due to the large number of sugarcane factories and rich cane plantations. These growers and manufacturers pay good wages, keep up their lands and properties in fine style, and apparently their tenants and sharecroppers are a happy and prosperous people. The leaders of the island of Negros, such as Mr. Aluman, well known in Washington, are powerful and influential men. In a somewhat less degree the same thing is true of the sugar plants and factories and coconut groves of Luzon and Panay.

On account of a typhoon we did not see Cebu; but our information is that this island, like Negros, is one of the most prosperous islands in the group. We went by Mindanao, and its coconut groves are truly wonderful. We did not see Basilan; but we were told that the rubber plantations on this island, which is just south of Mindanao, have been very successful.

In Luzon gold is being mined most successfully in large quantities, $11,000,000 worth having been mined in 1934. It is said that the next year's output is estimated at $17,500,000. The gold mines are literally booming.

The forests of the Philippines contain enormous quantities of the finest timber, it being estimated that on Government lands alone there are now more than 8,900,000,000 feet of splendid timber.

The surrounding waters are full of the finest fish, although, strange to say, the Filipinos import fish. All of these waters, however, are thickly dotted with Japanese fishing vessels.

Within a radius of 2,000 miles of Manila there live 650,000,000 people; within a radius of 2,500 miles there live 910,000,000 people; and within a radius of 3,000 miles there live more than a billion people—indeed, more than half the population of the world. What a center of trade and commerce these islands could be made!

WHAT AMERICA HAS DONE FOR THE ISLANDS

After taking over the islands in our treaty with Spain, we paid Spain the sum of $20,000,000 for them.

The pacification of the islands several years after Dewey's fleet sank the Spanish fleet cost 4,165 good American lives.

The occupation and pacification of the islands from May 1, 1898, to June 30, 1902, cost, in money, $190,000,000.

Since pacification, the expenditures of the United States Army and Navy in the Philippines are estimated at $614,000,000.

The total cost to the United States, including the departments of the Government which have made expenditures in the islands, from the date of occupation to June 30, 1934, is approximately $835,000,000.

In addition to this, the balance of trade has always or practically always been against us and in favor of the islands, and in recent years this balance of trade has cost American consumers about $30,000,000 per year.

The Tydings Act wiped out all these implied obligations. We have never taxed the Filipinos a single cent, except the recent excise tax on copra and oil, and under the law taxing them these taxes go to the Philippine government. We have never made a cent out of the islands; and yet, under the Tydings Act, we turn over to the Filipinos every dollar of our property in the islands except a naval station, and will ultimately, of course, turn that back also. We have been generous to the Filipinos beyond comprehension; and yet we are asked to enter a trade agreement which will continue after their national independence, and under which the American people will continue to tax themselves for the purpose of keeping the Filipino people prosperous and successful indefinitely.

It may not be accurate to say that these are the richest islands in all the world, or the most fortunately situated; but certainly the statement is within the bounds of truth that there are no richer or more valuable islands on the face of the globe, and none better situated so far as trade and commerce are concerned. Americans who have not been to the islands cannot visualize their possibilities. Filipinos who have not studied their economic or political problems—and some seven-eighths of them have not studied these questions—cannot overrate the mistake they are likely to make by overturning the present political and economic set-up.

It is important, therefore, for both Filipinos and Americans to weigh most carefully these problems. The Filipinos are at the parting of the ways. The action now taken will either cause them to continue to be a progressive, prosperous, happy, and contented people, or it may cause them to revert to their unhappy state before America took them over and instituted among their people the most altruistic and unselfish course ever adopted toward a subject people at any time in the world's history.

It should here be said that from the beginning of our occupation of the islands our leaders have continually promised the Filipinos a greater and greater degree of independence, and eventually national independence. The American people generally have felt that as soon as the Filipinos showed themselves capable of self-government they would be given independence. The Congress, in the Jones Act, gave them the largest measure of self-government. At the present time more than 98 percent of the employees of the Philippine government are Filipinos. The American Government now retains sovereignty, a Governor General, a Vice Governor, an insular auditor, and a slight majority of the members of the supreme court. These act as stabilizers and as instructors and helpers. The Filipinos, however, are not satisfied with present conditions, and want America to get out of the islands entirely and give them immediate, complete, and national independence.

In 1933 Senator Hawes secured the passage of what was known as the Hawes-Cutting Act, giving the Filipinos an independent government.

THE HAWES ACT

This act (Public, No. 311, 72d Cong.) became a law on January 17, 1933. It was entitled "An act to enable the people of the Philippine Islands to adopt a constitution and form a government for the Philippine Islands, to provide for the independence of the same, and for other purposes."

The act provided for the election, by or before January 17, 1934, of delegates to a convention to draft a constitution for the government of the Commonwealth of the Philippine Islands. This constitution was required to be republican in form, and to contain a bill of rights, as well as certain provisions governing relations with the United States pending the complete withdrawal of the sovereignty of the United States over the islands, which was to occur 10 years after the inauguration of the new Philippine government. Meanwhile, provision was to be made for absolute religious toleration; property of the United States, and property used for religious, charitable, or educational purposes was to be exempt from taxation; a limit was to be placed upon the indebtedness of the islands; existing obligations were to be assumed by the new government; English was to be taught in the public schools; certain important acts were not to become law until approved by the President; foreign affairs were to be under the direct supervision and control of the United States, which was permitted "to maintain military and other reservations and armed forces" in the islands, and to call upon the military forces of the new government when required; the decisions of the island courts were to be subject to review by the Supreme Court of the United States; the United States was to be allowed to intervene to maintain constitutional government, protect life, property, individual liberty, etc.; and citizens and corporations of the United States were to have equal rights in the islands with Philippine citizens and corporations.

After the approval of the new constitution in the Philippine Islands it was to be submitted to the President of the United States, who was to determine whether or not it complied with the requirements of the act. If he decided this question in the affirmative, an election was to be held by the Filipinos in which they were "to vote directly for or against the proposed constitution." In case of a favorable vote, duly certified to the President, he was to issue a proclamation announcing this fact; and upon the issuance of this proclamation the new Philippine government was to come into existence. Thereupon all the property and rights of the United States in the Philippines (except certain military and other reservations) were to become the property of the new government.

After the inauguration of the new government, trade relations between the two countries were to be "as now provided by law, subject to the following exceptions":

Annual quotas were provided for the importation into the United States, free of duty, of certain important Philippine products, the excess above the quotas to pay the same rates of duty as like articles imported into the United States from foreign countries. These quotas were as follows:

Refined sugars, 50,000 long tons.

Unrefined sugars, 800,000 long tons.

Coconut oil, 200,000 long tons.

Manila and similar yarn, twine, cord, cordage, rope, and cable, 3,000,000 pounds.

Provision was made for allocation among Philippine producers in case the importations into the United States exceeded the quotas.

The importation of the above products was to be free to the amount of the quotas. All other products—and this is most important—were to continue to enjoy free and unrestricted entry into our markets.

An export tax for the benefit of the Philippines was provided for on articles coming into the United States free of duty, this export tax beginning during the sixth year after inauguration of the new government at 5 percent of the United States tariff rates on such articles coming from foreign countries, and increasing by graduations to 25 percent in the ninth year after inauguration of the new government; this export tax to be placed in a sinking fund for the purpose of paying, with other available moneys, the bonded indebtedness of the Philippines and their political subdivisions.

Pending complete withdrawal of the United States—

(1) Amendments to the Philippine constitution were to be submitted to the President for approval, and he was to have authority to suspend the operation of any act of the new government which was likely to result in failure to fulfill its contracts, or to pay interest or principal of the bonded indebtedness of the islands, or to impair their currency, or to violate international obligations of the United States.

(2) The chief executive of the new government was to make annual reports of its operations to the President and Congress of the United States, and other reports upon request.

(3) The President was to appoint a high commissioner to the Philippines, who was to be the representative of the President in the islands, have access to their records, be furnished information requested by him, and make annual reports to the President and Congress, and other reports upon direction of the President.

(4) The new government was to designate a resident commissioner to the United States, who was to have a seat in the House of Representatives, with right to debate, but without right of voting.

(5) Cases from the Philippines were to be subject to review by the Supreme Court of the United States as formerly.

(6) An annual quota of 50 persons was provided for immigrants from the Philippines to the United States, and for immigration purposes they were to be considered a foreign country.

(7) There was to be no obligation on the part of the United States to meet interest or principal of the bonds of the Philippine government or its political subdivisions issued after the taking effect of the act and during continuance of United States sovereignty, but they were not to be exempt from taxation by the United States.

On the Fourth of July following the expiration of the 10-year period from the inauguration of the new government the United States was to withdraw completely from the islands (except as to land or property redesignated by the President as military or other reservations), and to recognize the independence of the Philippine Islands as a separate and self-governing nation, provided the new constitution made provision for the equitable settlement of questions of property rights between the two countries and their citizens, for the assumption by the new government of the debts incurred by the islands during the sovereignty of the United States, and for the discharge by the new government of obligations assumed by the United States under the treaty of peace with Spain which ceded the islands to the United States.

Section 11, a very important one, requested the President of the United States at the earliest practicable date, to enter into negotiations with foreign powers with a view to the conclusion of a treaty for the perpetual neutralization of the Philippine Islands if and when their independence should have been achieved.

After the complete independence of the Philippines, their products imported into the United States were to pay the same duties as those paid by the products of other foreign countries, provision being made for a conference between the two countries for the purpose of formulating recommendations as to future trade relations between the two countries.

The Philippine Legislature met and rejected the Hawes Act, and national independence seems for the time to have been given up.

THE TYDINGS ACT

This act (Public, No. 127, 73d Cong.) was approved on March 24, 1934. It was entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes."

The act followed in all substantial respects the provisions of the Hawes Act, being for the most part word for word the same, with certain transpositions which do not affect the substance of the act.

Instead of not later than January 17, 1934, the time within which delegates to the constitutional convention might be elected was fixed at not later than October 1, 1934.

Another difference was that while section 10 of the Hawes Act provided for the retention after independence of "such land or property reserved under section 5 as may be redesignated by the President of the United States not later than 2 years after the date of such proclamation," viz, the proclamation of withdrawal, section 10 of the Tydings Act provided for the retention after independence of "such naval reservations and fueling stations as are reserved under section 5," and provided for negotiations between the two governments after independence for the settlement of questions relating thereto.

REASONS GIVEN FOR REJECTION OF THE HAWES ACT

The reasons given by the Philippine Legislature for rejecting the Hawes Act are thus stated in the Annual Report of the Chief of the Bureau of Insular Affairs for the fiscal year ending June 30, 1934:

"The Philippine Independence Act (Public, No. 311, 72d Cong.), known as the Hawes-Cutting Act, enacted January 17, 1933, was rejected by a concurrent resolution of the Philippine Legislature on October 17, 1933, which declined to accept the act because 'in the opinion of the legislature the law does not satisfy the national aspirations nor does it safeguard the welfare of the Filipino people or the stability of the social, economic, and political institutions of their country'; and because of specific objections to provisions of the act relative to immigration, military, and other reservations, powers of the high commissioner, and trade relations between the islands and the United States. The act lapsed on January 17, 1934, 1 year after its enactment by Congress.

"The Philippine Legislature, in the concurrent resolution rejecting the Hawes-Cutting Act, also named a legislative committee to come to the United States and 'express to the Government and people of the United States the objections to the said law and the reasons therefor, and petition the President and the Congress of the United States for changes therein or the enactment of such new legislation as will fully satisfy the aspirations of the Filipino people to become at the earliest practicable date a free and independent nation, under conditions and circumstances that will not imperil the political, social, and economic stability of their country.' This committee arrived in the United States in November 1933, and for the next several months directed its efforts toward securing the enactment of further independence legislation along lines that would be more acceptable to the Filipino people."

The report also says regarding the Tydings Act:

"The Philippine Independence Act (Public, No. 127), enacted by the Seventy-third Congress, and commonly known as the Tydings-McDuffie Act, was approved by the President on March 24, 1934. Under the provisions of section 17 the act became effective upon its acceptance by the Philippine Legislature on May 1, 1934. The Philippine people are now carrying out the further steps provided in the act, the initial one being the election of delegates to a constitutional convention. This election was held on July 10. At the time of writing this report, the convention, which assembled on July 30, 1934, is engaged in drafting the constitution for the government of the Commonwealth of the Philippine Islands.

"One of the provisions of the independence act that became immediately effective upon its acceptance was that contained in section 8 relating to immigration of Filipinos to the United States which places them on the status of aliens as regards entry into the United States, and allots to the Philippine Islands a quota of 50 for each fiscal year."

NO "INEQUALITIES" OR "INJUSTICES" IN THE INDEPENDENCE ACTS

The two independence acts have been summarized in detail because of their great importance in this connection. In large part the language of the acts themselves has been used in the summarization.

No fair-minded person reading this summarization, or the acts themselves, and considering them in the light of the history, geography, and economic condition of the islands, can come to the conclusion that there are any substantial "inequalities" or "injustices" in them.

It must be remembered that at the time of the passage of each of these acts, and for a number of years theretofore, there had been a growing demand in the United States, largely because of the beet-sugar interests in Western States, that this country should withdraw from the islands, refrain from assuming any responsibility for their future protection or welfare, and require all Philippine importations into the United States to pay exactly the same rates of duty as the products of any other country. Many in this country believed that we had made a great mistake in ever assuming sovereignty over the islands. The difficulty of defending them in case of war with a maritime nation and the ever-increasing competition of Philippine products with those of continental United States were urged, among other things, as imperative reasons for taking at their word the Filipino leaders who demanded independence, summarily withdrawing from the islands, and, in fact—though it was not so stated in words—abandoning them to their fate in a world where other nations were likely, for their own benefit, to take advantage of the helpless condition of the islands.

Instead of yielding to these demands and consulting only the welfare of the United States, this country has accepted many heavy responsibilities during the time which is to elapse before complete independence. It has given the products of the islands free access to the markets of the United States, the richest in the world, save for a few products as to which quotas are established. It has sought in every way possible to act for the real welfare of the islands instead of taking the easy course of immediate and complete withdrawal.

So far, therefore, from charging the United States with seeking to inflict upon the Philippines "inequalities" or "injustices" in the legislation granting independence, the Filipino leaders should be, and I believe many of them are, sincerely grateful for the unexampled liberality of this country in dealing with their nation. If there be some minor matters requiring further adjustment between the two countries, the United States unquestionably will lend an attentive ear to their presentation, and will be glad to do what equity and justice require; but it is my conviction, after careful study of both the acts and the facts and circumstances concerning independence, that it is wholly unfair and inaccurate to allege that any substantial "inequalities" or "injustices" are contained in the Tydings Act which ought to be cured by amendment if the Filipinos insist on national independence.

The Tydings Act was not only agreed to by the Filipinos before its passage but on the floors of both the House and the Senate their Resident Commissioners privately urged its passage. The "injustices and inequalities" are all against the United States and not against the Philippines.

We find upon investigation that the Filipino leaders are still not satisfied with the act. They desire to have stricken from it the export-tax provision, by which tax it is proposed that the Philippines shall pay, before final independence, the remaining $51,500,000 of Philippine bonds on which the United States is morally obligated by way of security. In my judgment, to do this would be totally and wholly unfair to the United States, and would end by our making a gift of that sum to the Philippines.

Next, the Filipino leaders want the economic provision changed or added to so that the Philippines may continue to have a free market in America for their sugar, copra, hemp, and other products after final independence. In my judgment, to do this would be without precedent in all history, would be unfair and unjust to the beet-sugar producers of the United States, and would be unfair to Cuba, Hawaii, and Puerto Rico. It is true that these leaders say if the islands had to pay our tariff taxes on sugar even in part it would bring about the economic annihilation of the islands. I am sure they are correct in this contention; but the answer to it is that they cannot have their cake and eat it, too.

Upon our return we came through the island of Java, which is perhaps the largest sugar-raising district in the world. Its production in recent years ran up as high as 3,000,000 tons per year. Holland, which owns the island, has had to fix a quota production, and this year that production is limited to 500,000 tons, because Java can find no adequate market for her sugar.

Because of high standards of living and high labor costs, the Philippine Islands cannot compete with Java in raising sugar or in raising coconuts. Hence, it is almost certain that without free American markets the Filipinos must quite raising sugar and coconuts, revert to rice raising only, and necessarily to lower standards of living.

As I look at the situation about the Philippines, what will it profit the Filipinos to obtain national independence if, at the same time, they make uncertain their economic welfare and possibly bring about their ruin? High standards of living, and bumper crops sold in a free market at high prices, bringing prosperity and happiness to all their people, are far better than a weak fling at national independence, or even a local dictatorship. Especially is this true when the Filipinos are now enjoying such an excellent local self-government—the first they have ever enjoyed—and an independence and freedom, I venture to say, which is not enjoyed to a greater extent by any people on the face of the globe. When the free market of the Philippines are gone, when their balances of trade are no longer favorable, attendant want and poverty will come, and their so-called national independence will fade out as a dream which failed to come true.

Again I say, they are independent now—more independent than perhaps half the peoples of the world.

AMERICA'S OCCUPATION OF THE PHILIPPINES

Since we bought the islands over 36 years ago, no country in the history of time has ever been governed more altruistically or more generously than America has governed the Philippines. We have never sought to profit by them in the slightest degree. We have governed them with an eye single to their advancement and their betterment physically, morally, financially, governmentally, and in every other possible respect. We have disregarded the enormous cost to ourselves in performing what Americans believe was a trust. We desired to set an example of a great Government's

treatment of a dependency. Our course has always been determined by what was to the best interests of the Filipino people. In my judgment, Americans still feel that way. After the most careful examination of the facts and the most careful thought as to their conditions, I am convinced that this great experiment which we have been making for over 36 years, and which has already done such wonderful things for the Filipino people, will all be destroyed and pass away as "a tale that is told" should the Philippines insist upon the bargain that has already been made, giving them national independence at this time.

Such are the facts. In view of them, what will happen if the Tydings Act goes into force unamended?—and I see no possible grounds on which it could be amended as the Filipinos desire to have it amended. As I have shown, we have already been the most generous Nation toward them in all the history of time.

CONSEQUENCES OF INDEPENDENCE

If the Tydings Act goes into effect, I sum up what will happen:

The United States will withdraw from the Philippines, bag and baggage, and leave the Filipinos to defend themselves or to be taken over by some stronger power. We cannot, without running great risks, keep a naval station there for the protection of the islands. One of these risks is war with some foreign country. Another is having the Filipinos themselves contend that inasmuch as they have allowed us to have a naval station on the islands, it is our duty to defend the islands for all time.

If the Filipinos are given national independence there will be no need or justification for the retention of a naval station when our country has no interests there to protect.

All Americans and American interests in the islands will be left to shift for themselves under a new Philippine government, or under whatever foreign government may take over the islands.

America will give up, before the task is done, one of the greatest and most altruistic and most successful experiments ever made in the government of a dependent people.

America will leave in the lurch a people she promised to protect.

She will permit her wards, the Filipino people, to commit economic suicide.

She knows, and the Filipino leaders know, that the granting of so-called national independence by our Government will mean simply a change from benevolent and successful government by our country to an arbitrary and oppressive rule by some other powerful nation.

The atttude of Japan toward the Philippines cannot be accurately stated; but the bald fact is that 15,000 or more Japanese are in Davao now, and they virtually control that Province. Japanese merchants and fishermen and agents are all over the islands and are constantly increasing in power and influence. Should Japan not take over the islands, the withdrawal of the United States means that they will be easy victims of the rapaciousness of any other nation that may want them, as, confessedly, the Filipinos are not able to organize, maintain, and support an army or a navy or an effective air corps.

I voted for Mr. Bryan in 1900 on his platform of anti-imperialism. I thought our purchase of the Philippines in 1898 was a mistake. Had I been in the Senate when the treaty came up for ratification I no doubt should have voted against the treaty. I have always supported Philippine autonomy to the last degree possible. I supported the Jones Act in 1916. That act has been a success. When the Hawes Act and the Tydings Act were before the Senate, with little study or consideration of the problems involved, I voted for both, believing the statements made on the floor that the Philippines were ready for independence. From this it can be seen what my views were when I went out to visit the Philippines last fall. My visit to the islands has conclusively convinced me that national independence is not now best for the Philippine Islands.

While the Filipinos have done well in managing their affairs under American guidance, they cannot at this time successfully govern themselves as a wholly independent nation. They have no semblance of a navy now, and because of their financial situation they are not now, and will not be for many years, able to build a navy. Even if they had one, they could not build it large enough to protect themselves. It is true that they have a Philippine constabulary; but this is necessary for purely domestic purpcses, and could not be organized into an army sufficient to protect them. They have no air corps, and, of course, are not able to build one. In the present condition of international affairs, in my judgment, immediately after becoming independent the Philippines will be taken over by some other nation.

But there is another reason, even more compelling, why the islands should not have national independence at this time. It is the economic reason. The new government, to be a success, must have the funds necessary to run it. At the present time the Filipino people are absolutely dependent for their success and prosperity on the free markets in America for their sugar, copra, and cordage; and these free markets they cannot hold, or even expect to hold, with complete national independence.

In this situation a new independent national government could not live, and the Filipinos would soon be either in revolution or under the dominion and control of some other nation, and perhaps both.

While these are the two main reasons against independence at this time, there are others. The first of these is the lack of sufficient education and experience on the part of the masses of the people to enable them to govern themselves. They never have governed themselves. Probably 60 percent, perhaps more, of the people about 10 years of age cannot read or write, even with all the encouragement in educational matters they have received from the United States, and all the progress that has been made by them.

The Filipinos confessedly are not ready for a democratic or republican form of government. In their draft of the new constitution, which was shown to me, they specifically admit this by providing for a dictatorship. Of course, the new constitution would not provide for a dictatorship if their leaders did not know, as every well-informed person must know, that a dictatorship would be necessary. Indeed, from my observation and information, it is the only practicable form of government they could have at this time even if outside aggressors let them alone.

Since writing the above, I have been informed that Senator Quezon, after learning of my report, has had that provision of the constitution as drafted and passed, stricken out.

To give the Filipinos complete national independence now would be to cause the complete loss of all they have gained during the 36 years of American occupation; and I believe no one familiar with the situation will deny that they have gained much.

POSSIBLE ALTERNATIVES

It was claimed by some of their leaders that the Filipinos can accept the Tydings Act and obviate the economic difficulties in this way: The United States having fixed a quota of 950,000 tons of sugar for the Philippines under the Costigan Act, it is urged that that provision of the act supersedes the Tydings Act pro tanto; that the provision of the Costigan Act referred to probably will remain in full force after complete independence, and that under that provision the 950,000 tons of sugar will continue to come in free under the new national government.

Certainly there was no such intention on the part of Congress in the passage of the Costigan Act. I do not believe the Costigan Act will have that effect. No suggestion of such a purpose was made at the time of its passage. If it should have that effect, however, it is certain that the Congress will change it when the Filipinos become nationally independent. To take any other course would be unfair to our own other sugar-producing territories, unfair to the beet-sugar sections of the United States, and exceedingly unfair to Cuba. Incidentally, I may mention the fact that under the Costigan Act, Cuba's quota is fixed at 1,950,000 tons, but those sugars do not come in free. Cuba pays the tariff taxes provided by law, and, of course, the Philippines also will pay the tariff tax when they are similarly situated.

It was also claimed that the export provision of the Tydings Act must necessarily be repealed. Certainly it is not an "injustice" or an "inequality." On the contrary, that provision is absolutely necessary in the event of the national independence of the islands. Not to have it would not only be unfair and unjust to the bondholders who took the bonds on the faith of the United States standing behind them, but to repeal it would be just to make a gift of some $51,500,000 to the Filipinos. The United States will have to stop playing Santa Claus some time.

TYDINGS ACT ACCEPTED

The Filipinos, however, have accepted the Tydings Act as it is. Congress gave them the privilege of accepting it, and that matter is ended. In my opinion, the United States is bound by the Tydings Act and its acceptance. So are the Philippines bound. Under that act the last vestige of right we have in the Philippines is the right to retain a naval station, which we may or may not use.

I recommend that by an independent joint resolution the President be authorized to convey any such right to a naval station to the Philippines immediately upon their becoming nationally independent, if they persist in taking that step. We should either get out of the Philippines entirely or we should stay there with full power to protect and defend the Filipinos and the American residents in the islands. We should let the Filipinos know now that if they obtain national independence it is not our duty and we do not propose to protect them with our Army, our Navy, or our Air Corps, and that if they have a national government of their own we are not going to treat them differently economically than the way we treat Cuba and other independent nations.

IF INDEPENDENT THE PHILIPPINES MUST ACCEPT THE RESPONSIBILITIES OF INDEPENDENCE

We must not directly or indirectly lead the Filipinos to believe that after giving them complete national independence we are going expressly or impliedly to agree to defend them with our Army, our Navy, or our Air Corps; nor must we for a moment let them believe that in order to sustain their national independence and to keep their people prosperous we are going to give them free markets in America.

I am informed that a majority of the committee is in favor of entering into a trade agreement with the Philippines now providing that Philippine sugar to the extent of 950,000 tons shall be allowed to come into the United States for the transition period of 10 years and thereafter until the agreement may be abrogated. Most emphatically, I cannot recommend such an agreement. As already stated, such an agreement would be unfair to our beet-sugar interests, to Hawaii, to Puerto Rico, and to Cuba, whose position is like that of the Philippines. Cuba pays these tariff duties now, and when the Philippines become nationally independent they will have to do likewise.

Again, to make such an agreement so long in advance would be a gross injustice to the American people generally. As a matter of law, it is doubtful whether such an agreement can be made before complete national independence of the Philippines; but, for the present, the legal point may be dismissed. The merits of the case forbid our making such an agreement. If the Filipinos, after all we have done for them, want to take a chance on paddling their own canoe by becoming nationally independent, that is their responsibility, not ours; and it is our duty to look out after our own interests. We certainly have been generous to them in the past, and we have never exploited them to the extent of one penny. We should now tell them, if they want to leave us, that we wish them well and that we shall be glad to trade with them and deal with them as we do with other free and independent nations.

SUGGESTED AMENDMENTS TO THE TYDINGS ACT

My opinion is that in seeking independence now the Filipinos are making a monumental mistake. If I were advising them, I should tell them to come before the Congress and ask for amendments to the Tydings Act (a) leaving sovereignty in control of the United States; (b) leaving foreign relations, army, navy, and air affairs entirely to the United States; (c) leaving tariff and immigration entirely to the United States; (d) providing for a supreme court divided in membership as now; (e) putting restrictions on the new government's grants of public property and franchises and its issues of bonds. This would give their new government an impregnable position and fix a guaranty of both its political and economic stability. Then I should advise them to leave the present constitution, with certain amendments, to make it accord fully with the Tydings Act.

It may be objected that this plan would not give the new government much to do. Quite the contrary is true. In the first place, it would give the Filipinos a president who would be a native—and probably the first president would be Mr. Quezon. As president he would perform all of the duties that the Governor General now performs, except as to the powers above reserved. These reserved powers would be performed by the High Commissioner representing the President of the United States and the Government of the United States.

In the next place, the plan outlined would furnish a defense of the islands that no native government could possibly give. It would settle, in the interest of the Filipinos, the economic questions heretofore referred to which are so vital to their prosperity and even to their life.

VIEWS OF ELPIDIO QUIRINO

Still it may be contended that reservation to the United States of the powers mentioned would not leave much for the Philippine government to do. Such a claim is untenable. I have recently read Economic Problems of the Philippines, published in 1934 by the Philippine Economic Association, with a preface by Elpidio Quirino, its president. This is a most interesting work from the Philippine point of view. In this work the following are stated as some of the functions over which a new Philippine government would have control and jurisdiction:

Survey and subdivision of public lands.
Colonization of public lands.
Education, including vocational education.
Rural problems.
Forests and forest resources.
Mines and minerals.
Manufacturing and industries.
Fisheries.
Labor and population.
Domestic trade.
Transportation and communications.
Banks and credit facilities.
Public finance.
Post offices and post roads.
Taxes.
Animal resources.
Monetary system.
Public expenditures.

In all these matters, and many others, the new government would be supreme, independent, and wholly self-governing. The State of New York is not any more independent, or free. The new president would have his hands full in handling these and related problems. As showing how important and beneficial such a division of powers would be to the Philippines, I quote the following from Economic Problems of the Philippines:

"Foreign trade constitutes the basic foundation of the Philippine economic system. The decline of foreign trade would inevitably cause the collapse of, or create a serious disturbance in our present economic structure.

"The greatest development came after 1909. In that year the free trade between the United States and Philippines was established. The United States Payne-Aldrich Tariff Act of 1909 provided that all articles grown, produced, and manufactured in the United States were to be admitted free of duty into the Philippine Islands without any restrictions. Free entry was also to be given to Philippine products in the United States market with certain restrictions, most of which were removed later by the Underwood tariff of 1913.

"The total foreign trade of the islands increased immediately from ₱124,000,000 in 1908 to ₱181,000,000 in 1910, the year after the free trade was established, this increase continuing steadily during the succeeding years.

"In 1912, the end of the second decade of American rule, Philippine foreign trade had reached the value of ₱467,587,387, or an increase of 254 percent over what it was at the beginning of that decade. Exports increased from ₱69,848,674 in 1909 to ₱270,388,964 in 1918, while imports for the same years rose from ₱62,168,838 to ₱197,198,423. The share of the United States in the total trade of the islands increased from 32 percent in 1909 to 63 percent in 1918. In 1909, 21 percent of the total imports of the islands was supplied by the United States, while 10 years later this amount had increased to 60 percent. The United States took 42 percent of the total exports of the islands in 1909 and 66 percent in 1918.

"In 1933, the United States took 86 percent of the total exports of the islands, the rest being distributed in small quantities among European and far eastern countries.

"Thus Philippine exports are now dependent almost entirely upon the United States market. The United States takes 99.9 percent of the islands' export of sugar, 66 percent of copra, 46 percent of tobacco, and almost all of the exports of coconut oil, and embroideries. Because of the concentration of the islands' development on lines of production intended to supply the American market, the production of articles for local consumption and for export to other countries has been largely neglected.

"Influence of free trade: It is, therefore, seen that the present free trade with the United States has been the great stimulating force in the development of Philippine commerce during the last 25 years. This special arrangement has caused the trade of the islands to flow mainly in the direction of the United States market. More than 80 percent of our total exports now go to the United States, and it is estimated that 88 percent of our exports to the United States is dependent upon the free trade. In other words, about 70 percent of our total exports at present exists only because of our free-trade relations with the United States.

"The Far East is the world's greatest potential market today, and every commercial nation is desirous of gaining a strong and permanent foothold in this market. America is in the far eastern trade to stay. Its trade in the Far East has attained considerable proportions, representing in value at present about $1,000,000,000 a year. In 1930, it reached $2,407,553,000. This trade represents nearly one-fourth of the total foreign trade of the United States. In 1932 it was exactly 23.18 percent. American trade with the Far East far exceeds that with South America and the former evidently holds more attraction and a brighter promise as a field for trade expansion. The United States has built up a big mercantile marine for service in the Pacific trade, and thus the factor of distance is not a serious hindrance to the continuation of Philippine-American commercial relations.

"The value of the Philippine market in the United States is now well known to American commercial interests. The Philippines is today the ninth best customer of the United States. It is among the principal outlets for American textiles. In 1932, the United States sold in the Philippine market $9,880,718 worth of cotton textiles, representing about one-fourth of the total cotton-goods exports of the United States for that year. American manufacturers of iron and steel, automobiles, radio, farm implements and machinery, and various lines of hardware, wheat flour, mineral oils, paper, and other articles and products of the United States also have a good market in the Philippines. Certainly, the United States would not so willingly relinquish her hold of this valuable market.

"During the 10-year period from 1885 to 1894, the value of the total Philippine-American trade was ₱122,415,204, of which ₱113,628,388 was the value of our exports to the United States and ₱8,786,816 was the value of our imports from that country.

"It is interesting to note in this connection that even in those early years preceding the period of American administration, our exports to the United States far exceeded our imports from her. For the 10-year period mentioned, we exported to the United States goods 14 times more in value than what we imported from her. This has, therefore, been the general condition of our trade balance with America throughout the past, with or without the free trade. Our principal exports to the United States then were sugar, hemp, leathers, tobacco, and indigo, while the most important articles imported from the United States were mineral oils, coal, canned goods, wheat flour, and iron and steel manufactures.

"In return for whatever tariff concessions or favors the United States will grant to our exports, the Philippines could also extend to selected American products entering our market such amount of protection or preferential treatment as may be found necessary to place the trade between the two nations on a reciprocal basis.

"It is therefore imperative that changes be made in the act. Fortunately the administration in Washington is disposed to give a fair hearing and full consideration of such necessary changes. President Roosevelt himself, in a special message to Congress, which led to the approval of the Tydings-McDuffie Act, stated that as regards the economic provisions of the law any imperfections and inequalities that exist 'can be corrected after a proper hearing and in fairness to both peoples.'

"The following changes should be secured:

"1. Complete elimination of subsection (e), section 6, providing for the imposition of an export tax during the last 5 years of the Commonwealth.

"2. Amendment of subsections (a) and (e), section 6, by increasing the 800,000-ton limit of sugar to 926,000 long tons, as was

recommended by the President of the United States to Congress, and raising the limitation of cordage from 3,000,000 to 5,000,000 pounds.

"3. Amendment of subdivisions (5), (9), and (10) of subsection (a), section 2, so as to give full autonomy in tariff and fiscal matters to the Philippine Commonwealth government so that the proper steps may be taken during the transition period to remedy existing inequalities in our foreign trade and to prepare for the gradual adoption of a permanent tariff and fiscal policy for the future independent government.

"4. Amendment of section 13 by fixing the time for the conference between representatives of the United States and the Philippines to formulate policies for future commercial relations between the two countries to at least 2 years instead of 1 year before the advent of complete independence. This will give more ample time to readjust our trade relations with the United States.

"As has been pointed out, our export trade has been the main support of our material prosperity. Unless timely measures are adopted to insure the continuance of at least a substantial portion of our present trade with the United States and to develop more extensively our other markets in Europe and the Far East, there is going to be a radical decline in the levels of income of the population and a corresponding drop in the general standard of living.

"2. We should secure changes and amendments of the economic provisions of the Tydings-McDuffie law to (a) eliminate the export tax, (b) increase the sugar limitation to 926,000 long tons and the cordage limitation to 5,000,000 pounds, (c) give full autonomy in tariff and fiscal matters to the commonwealth government, and (d) set the time for the United States-Philippine trade conference to 2 years prior to the advent of complete independence."

From these statements it is seen that there is no dispute about the economic situation in the Philippines. In asking for full, complete, and absolute national independence now, they themselves admit that it will ruin them; and they simply are hoping, like Mr. Micawber, that "something will turn up" to save their national and economic life.

VIEWS OF MANUEL QUEZON

I also quote from the Honorable Manuel Quezon (after the passage of the Hawes bill) as follows:

"In all sincerity, I must confess I am deeply apprehensive over the effects that the immediate termination of free trade with America will have upon our economic and social life. Especially do I feel thus because of the present world depression. The barring from the American market of the products of industries which were created and stimulated under the shelter of a protective American tariff cannot but affect our commerce. And consequently there will be lowering of wages and reduction in the income of the government, which is already being curtailed by the present depression. In a word, I am of the firm belief that with a sudden and abrupt termination of free trade with America, there will be created here a situation of extreme difficulty for the people and the government of the Philippines. And it is not just to impose on us this hardship."

Again, Mr. Quezon says:

"And right here I want to say that I am more interested in securing the enactment of legislation beneficial to our country, that would definitely settle the Philippine question in line with our national aspiration, even though it did not grant immediate, complete, and absolute independence, than in all the speeches and prospects about immediate independence, however brilliant and sincere, if, after all, nothing will come out from it."

I now quote from Senator Osmeña:

"A grant of independence will not require radical changes in the structure. Unless other forms of government were attempted, all that would be needed would be the election of a new executive."

COMPARISON WITH NEW YORK

There are about 14,000,000 people in the State of New York, substantially the same number as are in the Philippines. Probably 95 percent of the people over 10 years of age in New York can read and write. Practically all of them take the greatest possible interest in politics and government. There are probably no richer, no better educated, no more intelligent, no more capable people on the face of the earth than the citizens of New York. They are as free and independent as any people who have ever existed, yet they do not control their foreign affairs, nor do they have their own army, their own navy, or their own air corps for their protection. They do not fix their tariffs or their immigration laws, though the greatest part of all immigrants and goods come into our country through the ports of New York. If we are going to make an independent nation out of the 14,000,000 people in the Philippines, probably 60 percent of whom over 10 years of age cannot read or write, why should we not by the same token make an independent and separate nation of New York with her 14,000,000 people? We should, of course, make the Philippines a self-governing and an independent people; but why should we give them powers and responsibilities greater than those enjoyed by the people of New York? I cannot see any justification in reason or experience for such a course, after having given the matter most careful thought, study, and my best examination.

VIEWS OF FORMER SENATOR HAWES

Former Senator Harry B. Hawes has written a book on the Philippines. He is a most earnest advocate of complete national independence of the islands; and yet he has this to say:

"But I wish to set down that I favor, and to the best of my abilities I will further, the independence of the Philippines on terms and conditions which will cause the least disarrangement in the economic relations between the United States and the islands" (p. 311).

This is good sense. We all know that at the present time complete national independence will not only cause a rupture of the economic relations now existing between the two countries, but it will probably cause a complete cessation and break-down of those relations. Why should we take a course so fraught with danger to the islands? They now have law, order, and justice, all meted out by themselves. They have a material well-being which they never had before in all their history. They have a greater independence and security than they could ever possibly hope to have either under a dictatorship, as provided in their constitution, or under the control of a foreign nation.

CONCLUSIONS AND RECOMMENDATIONS

I conclude and recommend as follows:

1. That inasmuch as the Tydings Act has passed, proposing complete national independence, and has been accepted by the Philippine Legislature, as provided in the act, no other course is open to us than to complete the transaction, providing the conditions specified in the act are fully met.

2. Filipino leaders were in Washington when the act was passed. They urged its passage as meeting their approval. It was one of the most generous acts of one people toward another ever recorded in history. I find in the act no injustices or inequalities toward the Filipinos.

3. The act, in directing the President to convey to the Philippine government all property of the United States, expressly says "except such naval reservations and fueling stations as are reserved under section 5." If the Filipinos insist upon full compliance with the Tydings Act, I recommend that no naval or fueling stations be retained, as such retention would likely involve us in further claims of protection, or other international complications. My opinion is that the United States must either stay in the Philippines with full sovereignty, or get out entirely.

4. An examination of the proposed constitution (a copy of which was shown me) clearly demonstrates that it is not in accord with the Tydings Act. I call attention to the following proposals in the constitution which are at war with the act, or are so far out of harmony with it as to fail to follow its requirements:

(a) There is a provision in the Tydings Act that English shall be taught in the public schools. In one section of the constitution it is provided that English shall be taught only in the primary schools. In another section the constitution gives the legislature the right to choose one of the native dialects or languages. This provision shows a plain intention to disregard the requirements of the Tydings Act regarding the English language.

(b) The Tydings Act further provides that the property rights of citizens or corporations of the United States shall be acknowledged, respected, and safeguarded. The constitution provides that the legislature shall have the right to sequester large estates and divide them among Filipino citizens.

(c) The Tydings Act requires that the constitution shall provide for a government "republican in form." This expression has a distinct meaning, viz: That the new government shall be a republic patterned after the Government of the United States. The new constitution so provides. Since writing the above I understand this provision has been stricken out. The truth is that the Filipinos are not ready for a republic and they know they can give themselves no kind of government other than a dictatorship; nor do I believe any other kind of government is intended, or will be had.

5. The Filipinos desire a trade agreement by which they can sell their products in America free of tariff duty. They cannot have such an agreement until the 10 years have expired, because they are in no position to make a contract; but, without regard to the legal situation, the United States should not bind itself 10 years in advance of national independence as to what kind of trade agreement it will make with the Philippines. Such an agreement would not be fair to the sugar growers in continental United States; it would not be fair to the sugar growers in Hawaii or Puerto Rico; nor would it even be fair to the sugar growers in Cuba, whose position is similar to that of the Philippines. It would be unthinkable to make such an agreement 10 years before it is to go into effect. The Filipinos now have an excellent sugar quota, just as our own people have, and they are entitled to no better treatment than our own people.

6. I desire to warn our Filipino friends that they are making a great mistake in asking for complete national independence after a period of 10 years. I suggest to them that they petition the Congress to amend the Tydings Act by reserving to the United States sovereignty control of foreign affairs, army, navy, and air matters, tariff and immigration, leaving the power of review of the Supreme Court as it is now, and leaving to the United States the final determination as to issuing bonds and creating debts. They can well afford, and so can we, to leave the presidency as provided for under the new constitution, and to leave with the Philippine Government control over all other matters.

In view of the present condition of political and economic world affairs, this is the most inopportune time imaginable for the Filipinos to have granted to them complete national independence.

CONCLUSION

In closing, I desire to say that I have never been treated more hospitably, more courteously, or more kindly than I was by the Filipino people on the occasion of my recent visit to the islands. The Filipinos are naturally a kind and hospitable people. Their leaders are my friends, and some of them have long been so. I feel the greatest interest in them, in their country, and in their aspirations. I went to the islands earnestly desiring to help them in those aspirations to be a separate, free, and independent nation. After seeing the situation, however, after studying their problems, after talking to their leaders and their people, I am convinced that it is to their best interest at this time to become a completely self-governing local political entity, like one of our own States, but that it is wholly unwise and probably will be ruinous to them to separate themselves as an independent nation. Under the Tydings Act, of course, the matter has gone so far that it is now in their power to have national independence at the end of 10 years; but to persist in their present proposal, in my judgment, will result in bringing them nothing but economic disaster and ruin, and almost beyond a doubt political disaster as well. This course I cannot recommend.

The conclusions I have stated are those to which I am conclusively persuaded by the logic of the facts as I found them. I have discussed this subject solely from the standpoint of the Filipinos and what is best for them. I have scarcely referred to what is best for the United States. My best judgment is, however, that for the Philippines to separate from the United States, and become an independent national entity, would be hurtful to both peoples.

The attitude of the Filipinos in this matter is proof of the old saying that "almost anyone can stand adversity, but few can stand prosperity." Our Filipino friends have everything to make them free, independent, prosperous, and happy. Still, they are not satisfied. Apparently they are unable to stand the prosperity which is now theirs in so large and generous a measure, and which has been received at our hands.

KENNETH MCKELLAR.

[Senate Document No. 57, part 2, 74th Cong., 1st Sess.]

INVESTIGATION OF CONDITIONS IN THE PHILIPPINES

Report of Senator ERNEST W. GIBSON as a member of the special committee appointed June 16, 1934, to investigate conditions in the Philippines

To the PRESIDENT OF THE SENATE:

The Special Committee to Conduct Hearings and Investigations in the Philippine Islands was appointed by the President of the Senate upon the suggestion of the President of the United States, contained in his communication of June 16, 1934. The committee arrived in Manila, December 9, 1934, having taken advantage of brief stops while en route to study economic conditions in Hawaii, Japan, and China.

The committee, during the course of its Philippine investigation, visited several of the more important islands, conducted hearings, talked with officials, received hundreds of memorials, interviewed peoples of all classes, and conferred at length with responsible members of the Philippine Legislature and the constitutional convention. Other outstanding leaders of the Filipino people were also consulted. The committee had the assistance of our able and efficient Governor General and his staff, as also that of the commanding general of the Department of the Philippines and of the commander of the Asiatic Fleet. The newspapers, trade organizations, civic groups, and those splendid American pioneers who have been powerful factors in building up the Philippines were also most cooperative and helpful.

The chairman of the committee addressed the people through the constitutional convention, setting forth the political and economic problems of independence as viewed by the members of the committee and warning them of the dangers they must face and the problems they must solve upon assuming an independent status.

The author of this report traveled several hundred miles through the island of Luzon, visiting many provinces and barrios, where he conferred with officials, came into contact with the common people, and observed economic conditions as they affect the great mass of the Filipino people, in order that he might form an opinion concerning the effect of independence, under the terms of the Tydings-McDuffie Act, upon the economic life of the Filipinos themselves.

It may not be amiss to call attention, briefly, to some outstanding facts concerning the Philippines.

The archipelago extends a thousand miles north and south, off the coast of Asia. The most northerly island is less than 100 miles from Japan (Formosa) and the most southern but a few miles from British Borneo and the Dutch East Indies. The geographical situation places the islands between great powers contending for the trade of the Orient and athwart the lanes of trade which supply the needs of more than half the peoples of the world. There are over 7,000 islands in the Philippine group, more than 6,000 of which have an area of less than a square mile each. Over a thousand of them are large enough to cultivate and to sustain human life. The largest of the islands is Luzon with an area of 40,814 square miles. Mindanao comes second with an area of 36,906 square miles. The total area of the archipelago is 114,400 square miles, larger than 15 countries of Europe and of 10 countries in the Americas. The coast line is twice as long as that of continental United States. The population is over 13,000,000, having nearly doubled since the American occupation. The population density is only 111 to the square mile as against 433.3 for Japan proper and 290 for the populous provinces of China. It is estimated that the Philippines could support a population of 60,000,000.

The Filipino people are of Malayan stock; other peoples found in the islands are principally Chinese, American, and Japanese, the latter being scattered throughout the islands and also grouped in a settlement at Davao which maintains direct commercial relations with Japan.

There are several major languages in use, with some 60 or 70 modifying dialects, each spoken by a fraction of the population. Spain failed to establish a common language, which is so essential to national unity, and the United States has not been altogether successful in its efforts to do so, although the advance of the English language has been greater than that of Spanish during 300 years of the rule of Spain.

RESOURCES OF THE PHILIPPINE ISLANDS

The Philippine Islands is one of the richest dependencies in the world—a land of opportunity. It is one of the few sections that have been relatively free from the effects of the depression. The country is rich in natural resources. The Philippine forest reserve is enormous. It is estimated that at the present time it can produce 486,000,000,000 board feet of timber of commercial importance, and, in addition, second growth offers an inestimable future supply. The Government owns 97.5 percent of the total forest area, and the annual net income from timber royalties is about $400,000. The industry produces large quantities of lumber of local consumption as well as for export. In 1933 over 172,000,000 board feet of lumber were manufactured and more than 460,000,000 board feet of logs were cut.

The Philippine Islands is also rich in minerals, containing deposits of gold, silver, copper, lead, zinc, iron, manganese, chromium, coal, salt, sulphur, and building and monumental stone.

Gold has been found in all sections. It is estimated that the value of gold produced in 1934, by methods not wholly up to date or efficient, was more than $12,000,000, and it is estimated further that the 1935 production will be $18,000,000. Prediction is made by experts that the Philippines will soon become one of the great gold-producing areas of the world. The capital invested in the mines is largely of American and foreign origin.

Copper is found in rich pockets running from 10 to 20 percent and in some cases as high as 40 percent.

There are several important deposits of iron. The Calambayunan and Larap deposits consist of almost pure massive or granular hematite with traces of magnetite and carries an average of 60 percent iron. The Surigao deposit runs about 52 percent iron and is estimated to contain 500,000,000 metric tons of ore.

The most extensive deposits of war material in the world in the form of chromium are found in the Philippine Islands, some of which carry approximately 40 percent of chromium oxide. Since the world's supply is limited, the great importance of the deposit cannot be overestimated. Millions of tons of high-grade, low-cost chrome ore are available. Coal is mined in a substantial quantity, as is asphalt, absestos, gypsum, and sulphur.

The value of the 1,500 fish-meat edibles obtained off the coast of the islands is enormous; local consumption is valued at about $50,000,000 annually. Fishing in insular waters is largely in control of the Japanese; of the 104 commercial fishing boats registered, 62 are of Japanese ownership. The value of Philippine farm products is more than $142,000,000 annually.

The islands are rich in everything that is naturally coveted by grasping nations, and the location of the Philippines places them in the center of the political and economic struggle of some of the great imperialistic countries of the world.

POLITICAL BACKGROUND

The people of the Philippine Islands have been under the control of many countries. They have been, in turn, subject to the Asiatic control of Hindu-Malayan empires, to control by China and Japan, to European control by Portugal and Spain, and to American control. Spain gained ascendancy in 1565 and exercised administrative control for years through Mexico, then known as "New Spain." Spain continued in power until 1898, although Portugal, the Netherlands, and England made attempts to overthrow her. Each of the nations ruling the Philippines has stamped its influence on customs, business, law, religion, language, and the life of the country. The Filipinos have been a dependent people for more than 500 years.

American control began upon the occupation of Manila August 14, 1898. Philippine Archipelago was ceded to us by Spain under the Treaty of Paris and the United States paid $20,000,000 for the transfer of sovereignty, for lands, and to remove claims by the Government of Spain.

The Supreme Court, in considering the situation created by the treaty, said in 183 U. S. at 176, 180:

"By the third article of the treaty Spain ceded to the United States 'the archipelago known as the Philippine Islands.' * * * The Philippines thereby ceased, in the language of the treaty, "to be Spanish." Ceasing to be Spanish, they ceased to be foreign country. They came under the complete and absolute sovereignty and dominion of the United States, and so became territory of the United States over which civil government could be established. * * * The Philippines were not simply occupied but acquired, and having been granted and delivered to the United

States by their former master, were no longer under the sovereignty of any foreign nation. * * * Spain granted the islands to the United States, and the grantee in accepting them took nothing less than the whole grant."

The situation of the Government with respect to the acquisition of territory added since the Republic was organized was set forth by the Supreme Court in the Nineteenth Howard (U. S. 393, 448):

"It (Louisiana Territory) was acquired by the General Government, as the representative and trustee of the people of the United States, and it must therefore be held in that character for their common and equal benefit; for it was the people of the several States, acting through their agent and representative, the Federal Government, who in fact acquired the territory in question, and the Government holds it for their common use until it shall be associated with the other States as a member of the Union."

This decision makes it clear that, generally speaking, sovereignty rests with the United States Government as agent for the people. Chief Executives, however, have indicated that our control over the Philippines would be only temporary and that we would eventually establish a stable government and then withdraw. Congress, in the act of October 1916, declared this to be the purpose of the United States. The right of Congress to alienate the sovereignty of the United States over land and peoples to which it has become attached is, to the author of this report, extremely doubtful. It is a question which must eventually be determined by the highest court of the land.

THE WORK OF OUR COUNTRY

The United States established a stable government and proceeded to develop the islands by building roads, schoolhouses, and hospitals; establishing a system of public education; teaching sanitation, educating nurses, physicians, and surgeons; and instructing in the art of practical agriculture. We reformed the judicial system; we provided towns with modern sewer systems and with pure-water systems. We encouraged business and raised the standard of living in the islands over 200 percent above that of peoples of neighboring countries. Under our protection they were left undisturbed during the World War.

In short, we did everything to make the government of the Philippines the helpful servant of its people. We built on the splendid foundations of the American Republic. The history of the world does not reveal another such example of unselfish work and sacrifice in behalf of a dependent people. In contrast with the world's colonial powers, we have never commercialized our rule nor encouraged private concerns to control and direct the business of the people. We have given to individual initiative the same opportunity that obtains on our mainland, and to the people we have offered as great a measure of freedom as we enjoy at home.

The Filipino people have insistently demanded the fulfillment of our promise of independence and have sent commissions to the United States to secure action. Congress, to carry out that promise, passed what is known as the Hawes-Cutting bill. This met with opposition from a powerful political group of Filipinos and was eventually rejected by the Philippine Legislature. Another mission came, and as a result of conferences the so-called Tydings-McDuffie Act was passed. The act was signed by the President, approved by the Philippine Legislature, and is now the law that fixes our future relations.

The Independence Act provides, among other things, for the adoption of a constitution to be approved by vote of the Philippine people (which is the only plebiscite given them); this constitution has been duly certified by the President. It also provides for trade relations during the period of the Commonwealth government, and eventually for complete severance of control by the United States.

Such a severance means that the Philippines must support its own army, navy, diplomatic and consular services, finance its own government, and find markets for products grown and for goods manufactured, because the free-trade markets with the United States, which the islands have enjoyed for 25 years, will be closed except upon payment of the same duties now paid by other countries. In securing these markets the Filipinos must compete with other oriental countries where the scale of living is much lower and the prices paid for labor only a fraction of that now paid in the Philippines.

TRADE

Our trade with the Philippines is an important factor to be considered in a survey and estimate of the situation, and in determining our future relations. The story of its growth is a remarkable one. In 1900 our share in the combined export and import trade was 11 percent; in 1933, 78 percent; in 1901 the United States supplied 12 percent of Philippine imports; in 1930 to 1932, 64 percent. In 1901 we absorbed 18 percent of the total exports of the islands; 82 percent in 1930 to 1932; and 89 percent during the first 6 months of 1934.

The Philippines ranked ninth in importance as a market for our goods in 1933, taking more than Belgium, Mexico, Argentina, Spain, Brazil, Australia, or Cuba; more than our combined exports to Norway, Sweden, Denmark, and Switzerland; more than to Brazil and Colombia combined, or Switzerland, Colombia, Honduras, Haiti, Guatemala, Costa Rica, El Salvador, and Nicaragua. Of animal and vegetable products, which are composed largely of manufactured farm products, we sold more than to Cuba or the combined sales to Japan and Italy or to Sweden and Denmark, or to Norway, Switzerland, Spain, New Zealand, and the Union of South Africa combined.

The Philippines were 60 percent more important as a market for American textiles than Cuba; 30 percent more important than Belgium; and more important than Argentina, Colombia, and Mexico combined.

As a consuming market for American goods the Philippines occupied the following ranks in 1933: Thirteenth for wood and paper products and for new metallic minerals; twelfth for machinery and vehicles (surpassing Italy, Germany, Australia, and China, and equaling Switzerland and Soviet Russia combined); eighth for metals and manufactures except machinery and vehicles (exceeding the trade of Brazil, and equaling that of Italy and Sweden combined); fifth for chemicals and related products (exceeded only by Canada, the United Kingdom, France, Germany, and Japan); second for wheat flour, canned fish, and cotton fabrics by the pound; first for milk and cream, both condensed and evaporated; for cotton cloth, colored, bleached and unbleached; for galvanized iron and steel sheets; for ready-mixed paints.

The Philippines take 32 percent of our exports of colored cotton cloths, 52 percent of our bleached cotton cloth, 23 percent of our cotton fabrics by the pound, and 57 percent of our evaporated milk and cream.

In 1933, of the imports into the islands the United States supplied 63 percent of the cotton goods, 74 percent of the iron and steel, nearly three-fourths of the wheat flour, half of the meat and dairy products, 80 percent of the automobiles, 88 percent of the mineral oils, and 69 percent of paper and its allied manufactures. Only eight countries purchased more of our products than the Philippine Islands and no country purchased more of Philippine products than the United States.

All of the industries interested, especially producers of dairy products and the producers of cotton throughout the South and the manufacturers of cotton goods throughout the North, must be directly interested in the solution of the present-day Philippine problem.

And that is not all. The Philippine market must be considered in connection with other markets of the Pacific area; China and India are in a period of industrialization. While this will tend to supply some of their needs, yet industrialization has always raised buying power and increased demand. These countries will increase their demands for cotton, wheat, and foodstuffs. The United States should be in a position to claim its share in their markets.

The Philippine Islands hold the key to our Pacific trade. The Far East is the world's greatest potential market today. America should be in the far-eastern trade to stay, for its trade has attained considerable proportion, representing in value, at present, upward of $1,000,000,000 a year. This is nearly one-quarter of the total foreign trade of the United States, and exceeds that of South America.

When we consider, however, the entire exports of the United States, we find that the Philippines take only about 3 percent of our entire exports, while the United States takes over 80 percent of exports from the islands. So, it follows that we can get along without their market, but the Philippines cannot get along without ours.

THE TYDINGS-M'DUFFIE ACT

The Tydings-McDuffie Act, with which we must specifically deal, provides for changes in the trade relations that will materially affect the volume of imports from and exports to the islands. Quota restrictions and export taxes are to be applied during specific periods under the commonwealth government. Full independence is provided for in 10 years, and means a complete break of the economic and political bonds which have united us. The Philippine Islands will then assume the status of a foreign country, and will be treated exactly as any other foreign country, unless some new arrangement by way of a trade agreement is entered into.

Prior to the establishment of the Commonwealth government no change in trade relations is made by the Independence Act. The Jones-Costigan Act fixing the sugar quota does, however, work some change, and so does the imposition of an excise tax on the first processing of oils, equivalent to 3 cents per pound on oil pressed from Philippine copra. This gives Philippine copra a 2-cent preference as compared with the 5-cent rate on coconut oil originating in other countries.

In the period of the Commonwealth government two changes appear. During the first 5 years of that government, duty-free quotas are imposed upon the amounts of sugar, coconut oil, and cordage which may be imported into the United States. For sugar the limit is 50,000 long tons of refined sugar and 800,000 long tons of unrefined. The duty-free quota for coconut oil is 200,000 long tons, and for cordage 3,000,000 pounds. Shipments in excess of the quotas will pay full duty after the inauguration of the Commonwealth government. These are the only restrictions aside from the export taxes during the sixth and successive years of that government. Except for these restrictions, free trade will continue to prevail.

During the second 5 years of the Commonwealth government provision is made for a new type of restriction in the form of a progressive export tax to be collected by the Philippines on all shipments to the United States of insular products, provided such products cannot enter the United States free of duty when imported from other countries. Shipments of sugar, coconut oil, and cordage, under the quotas already mentioned, are included in this provision. These export taxes are fixed at 5 percent of the United

States tariff rates for the sixth year of the Commonwealth government and increase 5 percent each year until they reach 25 percent in the tenth year. The principal commodities affected are sugar, coconut oil, desiccated coconut, cordage, cigars, embroideries, hats, and buttons.

The object of this tax is to afford the Filipino people an opportunity to adjust themselves to the new conditions they must face after independence, and to provide for the payment of the bonds of the Philippine government and its subdivisions; bonds, which, though not guaranteed by this Government, yet were sold by us and therefore bear our implied approval.

After independence becomes a fact then all Philippine goods must bear the full rate of duty. The act provides, however, that before the time fixed for independence a conference shall be held for the purpose of making recommendations as to future trade relations.

FILIPINO OBJECTIONS

Filipino leaders have never fully assented to the economic provisions of the Tydings-McDuffie Act. They take the position that they acquiesced only because of a reliance on statements made by the President that if imperfections and inequalities exist they could be adjusted through a conference. They believe, and rightly, that the provisions of the act jeopardize the success of any independent government they may set up and will result in a collapse of their social and economic structure. They object to the quotas, to the export-tax provisions, and claim that the period within which economic adjustments are to take place is too short. They object to a discontinuance of the free-trade relations after independence is achieved and ask for full trade and tariff autonomy during the Commonwealth period.

In the words of Manuel L. Quezon, president of the Philippine Senate, a most able leader, and who more than any other man controls the situation:

"In order that the government of the Commonwealth might be safe and assured of success, it is necessary that all economic provisions be amended."

He called for elimination of the provisions of the Tydings-McDuffie Act imposing the export tax for higher quotas, and for a permanent agreement as to trade relations with the United States, which, of course, means continuance of free trade with the islands. He apparently accepts the theory that the closing of American markets strikes a deathblow to the economic life of the Philippines.

The specific amendment to the Tydings-McDuffie Act to accomplish the Filipino demands may be enumerated as follows:

(1) Elimination of subsection (e) of section 6, providing for export taxes;

(2) Amendment of subsections (a) and (c) of section 6 raising the sugar and cordage quotas;

(3) Amendment of section 2 (a), 5, 9, and 10 so as to give full autonomy in tariff and fiscal matters to the Philippine Commonwealth government.

(4) Amendment to section 13 changing the time for the conference to formulate for future commercial relations to 2 years before complete independence. These amendments cover practically all of the trade provisions of the Independence Act.

In other words, the claim is made that each and every trade provision of the Tydings-McDuffie Act is unjust and unfair both severally and in anticipated collective effect. All of these objections are based on the fear of a prospective collapse of their social and economic structure following a closing of American markets and a return of the great mass of Filipinos to oriental standards of living. To these objections may be added, the Tydings-McDuffie Act does not give the full measure of independence expected, and that no final plebiscite is given the Filipino people in which to voice their direct and free approval of independence itself.

POLITICAL QUESTIONS INVOLVED IN INDEPENDENCE

Thus far we have dealt with economic provisions and objections naturally arising thereunder. In addition there are certain political questions which must be considered. These are well stated in a recent study and are suggested here for the consideration of the Congress:

(1) Can an independent Philippine government maintain internal peace? Would internal political strife create international complications?

(2) What will be the responsibility of the United States, if any, in preserving Philippine neutrality?

(3) After independence, will the islands be forced into closer political and economic connections with any other country, and would such a situation become a disturbing factor to the peace of the Pacific?

(4) Will the infiltration of other races prove a serious political problem?

In connection with these political questions it is well to consider the rapidly changing conditions in the Pacific. The following matters deserve special attention. The rise of an ambitious power to commanding influence guided toward its assumed destiny by able statesmen; the so-called "Asiatic Monroe Doctrine"; the fight for trade; the infiltration of Japanese into the Philippines; the placing of Japanese merchants in all parts of the islands—picked men with special knowledge of the vernacular and customs of the people; the establishment of the Japanese colony of 15,000 at Davao; the fact that Japanese corporations have acquired control of land by various methods and title to thousands of acres of land, either in fee simple or by leasehold rights—apart from sublease rights acquired from Filipinos; and that Japan by subsidizing college professors, is pursuing the old policy of our public utilities, and is carrying on a propaganda program with the object of ingratiating herself into the good will of the Filipino people. Japan, in fact, is moving in as we are moving out.

Some Filipinos claim that the Philippines would be safer under independence in dealing with Japan than under American sovereignty. This is an untenable proposition.

In considering the whole situation in the Orient, it may be well to bear in mind the interest of Great Britain, and what may be done to protect her position. England, in the event of our final withdrawal, will not suffer any other nation to block her lanes of trade or endanger her free passage to Australia and to her many bases in the East. England does not willingly surrender a right she has won, or give up a foot of territory under the British flag. As a measure of protection her budget for military purposes is being materially increased. The situation created by our withdrawal may bring Japan and Great Britain face to face in the Philippines with a common problem. English diplomacy is not wholly altruistic as to objectives. A solution may force a secret treaty to delimitate spheres of influence and control the trade of the Philippines. The only safe way to judge the future is by the past; we cannot forget the secret treaty which was uncovered in the negotiations leading up to the Treaty of Versailles.

The effect of Japanese influence on our trade is already becoming apparent. The figures show some losses in our exports to the Philippines, particularly of cotton goods. In this commodity the Japanese supplied 52 percent of the quantity of Philippine imports during the first 10 months of 1934, as contrasted with 23.5 percent in 1933. During the same period, imports of cotton cloth from the United States fell from 67 percent to about 41 percent.

OTHER QUESTIONS RAISED BY THE TYDINGS-M'DUFFIE ACT

There are imperfections in the Tydings-McDuffie Act that directly affect our people. The justice of the act lies in the fact that it carries out any promise of independence that may bind us. The injustice lies in the fact that its provisions will cause us to lose a position of influence in the East and render it difficult to carry out any consistent far eastern policy.

It will gain for us the reputation of deserting a problem before its solution.

It will help to turn back our race movement for the first time in its history.

It will make America, once the hope of Christendom, the leader in the retreat of the white man.

It will put us in a position of leaving a people we have promised to help at the mercy of grasping imperialistic nations, unless and until a neutralization treaty can be negotiated—an idle dream.

It may operate to lose for us one of our best markets.

Under the terms of the act we are required, in effect, not only to give up the islands but to give them a bonus coupled with their independence. We are required to make a tremendous financial sacrifice in the form of reservations, lands, hospitals, and other property involving many millions of dollars. It is true, however, that we will also be relieved of our annual expenditures in the islands.

There are certain fiscal problems brought to the Filipino by the Independence Act. The costs of government will be increased because of the necessity of performing services performed heretofore by the United States. Government income will be curtailed. Taxation must increase. Will the Filipino accept the additional burden? Will it be possible for the government to maintain present standards of service? If not, what will be the result in the present state of world relationship?

In dealing with the economic situation we can change the quotas, the export taxes, and the 10-year time limitation. We can amend the law so as to permit the negotiation of a trade agreement during the Commonwealth period; or negotiate a trade agreement effective after full independence is achieved; or, Congress can reduce duties, from whatever country imported, on certain articles which are of special interest to the Philippines. It must be borne in mind, however, that no trade agreement can become operative during the Commonwealth period without further legislation, and that trade agreements, under existing law, can be entered into only with foreign countries. In any trade agreement we must meet the situations created by 30 recent treaties containing the most-favored-nation clause, and by the Cuban trade agreement.

It may be observed that so far as the political situation is concerned we have enacted the independence law. It is my opinion it should not have received the sanction of the Congress in its present form. I voted for it and now tender my regrets for having done so. But it has been approved by the Philippine Legislature and constitutes an obligation which we cannot ignore. The economic provisions of the Tydings-McDuffie Act can be changed and the imperfections in inequalities adjusted. Even the political setup can be changed, but this must be done upon the initiative of the Philippine people. We Americans are bound by what we have done. All of the Filipino leaders know the dangers that confront them, but, with the present political control, few will back a proposal for a change in the political part of the act. The situation affords an acid test of Filipino statesmanship of the present day.

Our course has been correct. The Filipino people have been warned of the direct effect of the Independence Act in clear and unmistakable language by the chairman of the committee in his address before the Philippine Constitutional Convention. This

has already been set forth in the CONGRESSIONAL RECORD of February 12, 1935.

I have only the good of the Filipine people at heart. I cannot divest myself of the firm conviction that the Filipinos would be far better off if they had some form of independence under American sovereignty, but it is up to them to say whether or not they wish to go along with us. The decision is theirs to make.

Theodore Roosevelt once said:

"The time will come when it will be wise to take their own judgment as to whether they wish to continue their association with America or not. There is, however, one consideration upon which we should insist. Either we should retain complete control of the islands or absolve ourselves from all responsibility for them. Any half and half course would be both foolish and disastrous. We are governing and have been governing the islands in the interest of the Filipinos themselves. If, after due time, the Filipinos themselves decide that they do not wish to be thus governed, then I trust we will leave; but when we do leave, it must be distinctly understood that we retain no protectorate over the islands and give them no guarantee of neutrality or otherwise; that, in short, we are absolutely quit with responsibility for them, of every kind and description."

President Coolidge in his letter to Governor General Wood of the Philippine Islands well stated some of the necessary requisites for self-government by saying:

"The ability of a people to govern themselves is not easily attained. History is filled with failures of popular government; it cannot be learned from books; it is not a matter of eloquent phrases. Liberty, freedom, independence are not mere words the repetition of which brings fulfillment. They demand long, arduous, self-sacrificing preparation. Education, knowledge, experience, sound public opinion, intelligent participation by the great body of the people, high ideals—these things are essential. The degree in which they are possessed determines the capability of a people to govern themselves."

Expressing about the same thought, President Wilson, in appraising our relations with the Philippine people, said:

"But we cannot give them self-government. Self-government is not a thing that can be 'given' to any people, because it is a form of character and not a form of constitution. No people can be 'given' the self-control of maturity. Only a long apprenticeship of obedience can secure them the precious possession, a thing no more to be bought than given. They cannot be presented with the character of a community, but it may confidently be hoped that they will become a community under the wholesome and salutary influences of just laws and a sympathetic administration; that they will after a while understand and master themselves, if in the meantime they are understood and served in good conscience by those set over them in authority."

It has seemed to me sufficient in the performance of my duty as a member of the special mission to set forth facts concerning the Philippine situation, and state what can be done, for the information and guidance of the Congress, and not attempt to make a recommendation as to what should be done.

It may be well for the Filipinos to consider the dominion form of government with complete independence as to internal affairs under the Commonwealth government with their own selected chief executive.

They may also consider statehood in a modified form that would give them complete freedom and independence, admitting the Philippines to the Union with two Senators, and a limited number of Representatives.

This last plan may involve an amendment to the Constitution.

If our 35 years of control and example has not been in vain they are prepared for such a State; if prepared for independence, as we concede by the enactment of the Tydings-McDuffie Act they are, then they are prepared to be an integral part of the Union, surely better prepared than the Dutch East Indies to be an integral part of the Kingdom of the Netherlands.

Another plan worthy of consideration is for the Filipino people to go forward with the Commonwealth government and within the 10-year adjustment period, if they find changes in the political set-up are needed, to apply for a change and cooperate with us in making out the problem of the mutual well-being of both peoples. Another solution worthy of serious consideration is for the Filipinos to proceed indefinitely under a Commonwealth government set-up.

But these are only possible solutions, and suggested for what they may be worth.

However, if any recommendation is required in this report then I suggest that the Filipino people, before the end of the Commonwealth period, request a revision of the political as well as the economic features of the Tydings-McDuffie Act, and that America be requested to retain its sovereignty. Small states must rely for their security on a strong nation or enter into intrigues with other small nations, intrigues which endanger the peace of the world. It is increasingly difficult for them to sustain their civil governments against increasing costs.

There could well be a balance of trade by the use of the tariff power, both by this country and by the Philippines, and by nationalizing the shipping between the two markets. If the two people strike an agreement to share American sovereignty, and put off to a remote future the separation arranged for under the Tydings-McDuffie Act, it would, in my opinion, inure to the benefit of both nations. If the Tydings-McDuffie Act is carried out the small Philippine state will be a disturbing factor in the Far East.

In my opinion, it is vital for the Philippines and its resources that our liberal sovereignty should remain, and in this is our own security, for if we abandon them we may become involved in their struggle to survive, and in the struggle that will be precipitated in the Far East.

It is essential, too, it seems to me that the free institutions set up by America in the Philippine Islands should be continued because the final influence of those institutions would be the general redemption of all Malaysia. This powerful buffet is very important in the future. It will develop slowly, still it will develop surely.

In other words, we should have a state policy in the Far East based on our own democracy, and pursued independently of any other state policy even with the friendliest nations. This is the only safe ground for America in that quarter of the world.

In the event that no political change is made then a trade agreement may be advantageous, both to the United States and to the Philippine Islands, but the road leading to such an agreement is not free from pitfalls.

As previously stated, we have given Cuba exclusive and preferential concessions shared by no other foreign country. Our trade relations with the Philippines are excluded from the Cuba trade agreement of 1934. But it may be argued that the assumption of independent status by the islands would bring the provisions of any trade agreement we may make into conflict with our Cuban agreement. It may be said, too, that any trade agreement, especially with respect to sugar and coconut products, would be unfair to the other sugar and coconut-producing sections of the world. Then, too, the "most-favored-nation clause" in our 30 commercial treaties provides that the products from a foreign country will receive in the ports of the United States the same treatment as given to the most-favored nation.

These difficulties indicate that there must be a full, minute, and complete study made of the whole trade situation, and we should see to it that such a commission is set up immediately to provide the necessary information if we proceed in our relations with the Philippine Islands on the basis of trade agreement alone.

This report should not be construed as a criticism of the Filipino people or their leaders. They have struggled legitimately to actually realize that which is inherent in every human being, a desire for a greater measure of liberty and freedom and the right to govern themselves.

In addition to the well-being of my own country my aim is the well-being of the Filipino people, that they may go forward through the years of the future to a safe and secure position among the nations of the world.

They are a gentle, home-loving, hard-working people who are entitled to protection against the grasping imperialistic nations in the midst of which fate has placed them. America should see her duty clear not to desert them in an hour of danger. I am thinking of the Moros of the south, of the Bontocs and the Igorots of the north, of the man in the rice field, of the farmer and the laborer, and all those who toil long hours for a meager existence. And I join, for them, in a fervent prayer to God that He may save the Philippine Commonwealth and deliver these people from the fate of falling to the level of the living conditions of the Orient.

ERNEST W. GIBSON

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. BORAH obtained the floor.

Mr. McNARY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Johnson, Colo.	Pittman
Ashurst	Dieterich	King	Pope
Austin	Donahey	La Follette	Radcliffe
Bailey	Duffy	Lee	Reames
Bankhead	Ellender	Lewis	Reynolds
Barkley	Frazier	Lodge	Russell
Berry	George	Logan	Schwartz
Bilbo	Gerry	Lonergan	Schwellenbach
Bone	Gibson	Lundeen	Shipstead
Borah	Gillette	McAdoo	Smathers
Bridges	Glass	McCarran	Smith
Brown, Mich.	Green	McKellar	Thomas, Okla.
Brown, N. H.	Guffey	McNary	Thomas, Utah
Bulkley	Hale	Maloney	Townsend
Bulow	Harrison	Miller	Truman
Burke	Hatch	Milton	Tydings
Byrd	Hayden	Minton	Vandenberg
Byrnes	Herring	Murray	Van Nuys
Capper	Hill	Neely	Walsh
Caraway	Hitchcock	Norris	Wheeler
Chavez	Holt	Nye	
Clark	Hughes	O'Mahoney	
Copeland	Johnson, Calif.	Overton	

The PRESIDING OFFICER. Eighty-nine Senators having answered to their names, a quorum is present.

Mr. BORAH. Mr. President, I desire to address myself to one feature of the pending bill which in a sense may be a rather narrow issue, but it is a very important one. It may well be used as an illustration of a principle going much further than the particular matter which I am to discuss.

There has been a movement in influential quarters for the last several years to transfer the Forest Service to the Interior Department. We have had ample warning that in all probability that will be done. The report which was made by the Brownlow committee recommended the transfer. The President sent the report to Congress with his tacit approval. In addition to that, influential members in the administration have urged the transfer.

The people of the West, and the people generally who are particularly concerned about the Forest Service, are very much opposed to the transfer. The opposition does not go, as has been stated in some quarters, to the personality of Mr. Ickes, the Secretary of the Interior. That certainly does not affect my attitude toward the proposal. That would not be my objection at all. But those who have been in the Service, and those who have been connected with the Service, feel that there has been worked out a long line of rules and regulations and understandings which a transfer would practically annul or abolish. They would have to build them over again. It has been a very difficult and intricate accomplishment, a matter worked out largely by experience, by trial and test, and trial again.

Mr. President, if the pending bill should be enacted as it is now written, including the amendments which have been offered by the able Senator in charge of the bill, the President would have the power to transfer the Forest Service to the Department of the Interior. I have no reason to assume, in view of what has happened, and the views which have been expressed, that that will not be done.

On the other hand, I would have reason to assume that it will be done. If I should vote for the bill as it is now, therefore, I would be in a measure voting for the transfer, or if not voting for the transfer, I would be placing myself in the position, after having full knowledge of the wishes of those concerned with it, where I could not have any voice with reference to the transfer. I would separate myself from the power to serve the constituents whom I in part undertake to serve, and with the full knowledge that I was voting it away under circumstances in which that would be likely to be done which they did not desire to have done.

Mr. President, aside from the question of whether we have the power to authorize such a thing or not, whether this is not a delegation of power clearly and distinctly, I feel that I ought to consider it as a practical proposition, because I agree with the view that it ought to remain under the Department of Agriculture. The bill as it now is, including the amendments of the Senator in charge of the bill, reads:

> The President shall have power to transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency.

There has been some discussion as to what limitation has been placed upon the President with reference to the question of prescribing the functions, which I accept as stated by the Senator in charge of the bill. But it leaves the power completely in the hands of the President to transfer this Bureau to the Department of the Interior. I presume there can be no question about that. And it seems to me that there can be little question, in view of what has been said and the recommendations made, that that is what will occur—that the Bureau will be transferred to the Department of the Interior.

I do not feel that that ought to be done without the order coming back to Congress for its approval. In many respects there is no service of the Government of greater moment than that which the Forest Service is performing, and for us to authorize the transfer of that bureau without having any voice whatever in saying as to whether it is wise to do or not, seems to me to be surrendering a primary function devolving upon the Congress.

Mr. President, I am speaking with a great desire to see changes made in the organization of the Government. I take it that most everyone must entertain that view. But, as stated by the able Senator from Washington [Mr. SCHWELLENBACH] a few days ago, it is presumed that the executive department will perform effectively and wisely its duty as the executive department, and I accept that view. But it is also presumed and ought to be presumed that the legislative department will wisely and faithfully perform its duty in regard to this matter. Therefore, when the President makes his recommendation for transfer it is not to be presumed that if it comes to the Congress, the Congress will not act, and act wisely, in regard to it. Certainly I at least do not want to go on record as saying that the Congress is no longer capable of exercising sound judgment with reference to a matter of such importance as this.

Mr. President, in the matter of the reorganization of the Government there is wide room, and necessarily so, for the cooperation of both branches of the Government. There is the duty which the Executive ought to perform, and there are the duties which the administrative departments ought to perform. Their judgments must be had in regard to the matter.

When it comes to the question of policy, as to whether or not a bureau should be transferred, whether it is wise to do so or whether it is in the interest of the country to do so, the legislative department of the Government ought to be consulted. The question of policy should remain in and be exercised by the Congress.

The only theory upon which it can be said that it ought not to be consulted is the theory that it is not capable of performing its duty in a proper way. I feel that it is a matter of policy and a very important one, and I myself do not desire to surrender it wholly to the executive department.

In other words, there is a part of the service to be performed by the executive, there is a part of the service to be performed by the legislative, and there is no reason, to my mind, why that part which belongs to the legislative department should be surrendered completely into the hands of the executive department.

In any event, should this bill be passed as it is now written, and if the transfer is made, and my constituents should say to me, "How did this happen?" I would have to say that with my eyes open and fully informed I deprived myself of the power to serve in the capacity to which they elected me.

That sentiment is spreading pretty rapidly in this country, Mr. President. There will be much discussion about the period in which we are living, after the immediate cause of our disturbance is past, and I will venture to say that one of the anomalous things which will be difficult to explain will be how the Congress of the United States persisted in voting away the obligations which were imposed upon it by the Constitution of the United States and the obligations which the constituencies expected it to perform when its Members were elected.

Under Mr. Hoover's administration—and I give this by way of illustration—when the proposal was made that he be given power to increase or decrease tariff rates 50 percent, it was claimed to be a mere direction of administrative power. It seemed to some of us at the time that it was a clear delegation of legislative power, and it was opposed upon that ground. But it was argued that it was for a limited time, that certain things ought to be done, and that the Executive was better equipped to do them than was the Congress.

I believe that was the first time in my service in Congress when I ever heard it earnestly argued that the Congress of the United States was not fit to perform the duties imposed upon it by the Constitution. But the power was granted, and it remained in the Executive, and continued to be lodged there, and is there yet.

When the present administration came into office legislation was sought to extend the power not only to the control of domestic tariff duties but to the making of tariff agreements between the nations. That power at the time was also limited for 2 years, I believe, but it has since been extended, and in my opinion, under the present thought prevailing in the country, it will continue to be extended.

Senators, there is at the present time pending the question of whether or not we shall have a treaty with Great Britain. Let us pass by for the moment whether it is wise or unwise to rearrange these tariff duties, and let us pass by for the time whether or not the policy which is being pursued by our able Secretary of State is wise or unwise. I do not wish at this time to discuss that. I have no criticism to offer. But the portion of the country in which I live is deeply concerned over the question of changing these tariff rates. Our people may be wise or unwise in their contention. They certainly have a right to be heard, under the rules and regulations and principles embodied in our Constitution. My mail is filled from day to day with letters from businessmen, mining men, and others who will be affected, asking me to see when it reaches the Congress of the United States that their interests are protected.

Mr. President, I have no power to protect their interests. It has been delegated away. It has been surrendered to another department of the Government. It was surrendered by the body which had imposed upon it under the Constitution the very obligation which it is now unable to fulfill. If there was anything that the framers of the Constitution well understood in regard to the question of revenue, it was that it should be held to originate in the House of Representatives, the body closest to the people; and they never dreamed for a moment that it would be placed beyond the control of the legislative body of the country.

Nobody will ever know, until that treaty is signed, sealed, and delivered, what its terms are. Not a citizen of the United States affected will know by what terms he is to be bound until he is bound. Notwithstanding any previous discussions, which I understand, of course, when it comes to framing the treaty, writing the duties, and providing the details, no one will know the details until the treaty is signed, sealed, and delivered. That situation is not true with reference to any other nation which is signing these treaties. It is not true of Canada. It is not true of Great Britain. We are the only nation whose people or whose constituents are to be bound without any knowledge whatever as to what the details of the treaties are.

I cite the trade agreements as an illustration, Mr. President. The responsibility is upon us. The President of the United States is not exercising any powers in usurpation, unless we call the law which we passed usurpation. The President is not assuming to exercise powers which we do not give him. He is exercising the powers which a Congress seems willing to surrender to him. I say that the responsibility is upon us in this body to determine whether or not we are willing to undertake to perform the duties which have been imposed upon us by the Constitution under which we live. And so it will be in this case.

Again, the people of the West are greatly concerned. Again they are asking that their Representatives in Congress and their Senators protect their interests; and unless the amendment of the Senator from Montana, or some amendment upon the same principle, is accepted, we shall be placing ourselves in a position where we cannot serve the people who send us here.

At the present time I speak of "an Executive" and not "the Executive," because we are transferring power here and establishing a principle which will apply to any Executive, although the power is expressly limited in time under the terms of the bill.

This matter was before the Senate when Mr. Hoover was President. This same principle was discussed, and I said at the time:

> I think the tendency of such a measure as this is to relieve Congress from its duty—and it has a very serious and solemn duty in regard to this matter—and undertake, as it were, to "pass the buck" to the President of the United States. * * *
>
> In the first place, I doubt whether we have that power. It seems to me the delegation of legislative power. In the second place, I think the Congress has a responsibility about this matter, and I do not favor the passage of any measure which will relieve Congress of its great responsibility.

I shall not ask the indulgence of the Senate to read any further, but I call attention to the fact that by one step after another, one move after another, year by year, we are shearing ourselves of the responsibility which belongs to us, said to be the greatest deliberative body in the world. I have never joined in such a step. I desire to be agreeable, but I cannot be agreeable to the extent of surrendering the obligations of the Congress.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. BARKLEY. The bill, as it is before the Senate, gives the President until July 1, 1940, to bring about reorganizations, regroupings, transfers, and so forth, not only among the different departments, by transferring one bureau from one department to another, if he should do so, but also to group these one-hundred-and-thirty-odd independent agencies which are in existence, not in any department. The bill does not require the President to do all that in one order. He may do it in many orders. He may treat each independent agency in a separate order and transfer it to some department. If he did that, there would be one-hundred-and-thirty-odd separate orders, transferring these agencies to some department, in addition to all the orders he might issue separately transferring bureaus from one department to another. How long would it take Congress to act upon those separate Executive orders transferring bureaus and agencies from where they are to where they probably ought to be?

Mr. BORAH. Mr. President, it is altogether probable that a great many of the Executive orders would be acted upon almost pro forma. It may be that some of them would require time. But let me say to the Senator that if a matter requires time, it is because of its importance.

It is because men sent to this body have convictions in regard to the question, and wish to present them. I have known of very few bills which did not receive great benefit from long consideration; and the bill now before us is the finest illustration I know of. If this bill had been passed as it was proposed, the only decent thing Congress could have done would have been to resign and go home, and turn their salaries back to their constituents.

Mr. BARKLEY. I do not know what the Senator means by the bill "as it was proposed." If the Senator means the bill as drawn by the late Senator Robinson, and as he introduced it originally, I would not agree with him. If he is referring to a tentative draft of a bill drawn by the President's committee, which draft was drawn merely to see how it would look, and which was never officially considered by the committee and never introduced, of course that is a matter of opinion. But I do not think the Senator's castigation of the bill would apply to the bill introduced by the late Senator Robinson.

Mr. BORAH. Of course, I had in mind what is called the tentative bill, which was drawn merely to look at.

Mr. BARKLEY. Yes.

Mr. BORAH. It is evident that those who drew it never took a look at it.

Mr. BARKLEY. It was looked at, but never introduced. It ought to be said, in fairness to the President's committee, that they never expected that bill to be introduced. They did not expect it to be used, except as the basis of discussion of the report which they made. They stated frankly before the committee that it was never their expectation that the tentative bill would be passed by the Congress.

Mr. BORAH. I can contribute my commendation to the committee in all sincerity. I think they have done excellent work. But let me call attention to one provision in the bill as it comes to us, which says that the President may prescribe the functions of any agency affected by the Executive order. Mr. President, that provision was a clear, broad,

comprehensive delegation of legislative power. It would have given the President of the United States absolute legislative power to prescribe the functions, duties, and obligations of all these vast departments. That, of itself, in my opinion was a very serious objection to the bill as it came to us.

Mr. BARKLEY. I can understand that if the President were to accomplish this reorganization in one comprehensive, complete order transferring everything, or doing whatever he did in one order, it would be easy for Congress, under the proposal before us, to pass upon the question promptly. And yet the undesirability of accomplishing reorganization in an omnibus order would be illustrated by the fact that there might be an objection to some part of it which would cause Senators to vote against it as a whole, whereas they might vote for most of it if sent to Congress separately. But while much of it might be pro forma, if sent to Congress separately, as the President has the power to do, over a period of 2½ years, if Congress saw fit to debate every one of the Executive orders to the extent to which it could be debated, the whole session of Congress would be consumed in passing upon orders of reorganization, without the consideration of any other duties which might be incumbent upon the Congress.

Mr. BORAH. Mr. President, a democracy is a peculiar institution. It does move slowly, and it necessarily moves with great deliberation. It cannot do things after the fashion of Hitler. It cannot move quickly, as Mussolini does or did. He is moving with greater reflection and deliberation now. A democracy moves slowly in order to present the views of the masses whom we represent. I would infinitely rather take some time and obtain the judgment of those whom we represent than to move with the celerity which we are witnessing in other parts of the world.

Let me say further to the Senator from Kentucky that, as he knows, and as everyone knows, democracy is now under challenge throughout the world. Unless we are willing to defend the methods of democracy, unless we who are enjoying it are willing to take its drawbacks as well as its advantages, unless we are to be patient with our system and make it work, it will finally transpire that the greatest enemies of democracy will be those who are themselves constantly denouncing democracy while living under it.

Mr. BARKLEY. I appreciate fully the fact that democracy is challenged throughout the world, and I in my very small way am willing to make my contribution to meet that challenge wherever it raises its head and especially to meet that challenge in America. But one of the things which it seems to me will preserve democracy is for democracy to be efficient, responsive, and ready to serve the people.

I do not think there is any question of democracy or autocracy involved in simply authorizing the President to transfer a bureau from one department to another. That is only a detail of administration which does not involve particularly the question of whether we are in favor of democratic government or autocratic government.

Mr. BORAH. These things, Mr. President, which seem small items in the beginning, are all moving, it must be confessed, in one direction, and that is toward the centralization of power. As I said a moment ago, I do not want to be placed with those who are constantly saying that the President of the United States is usurping power. I say the responsibility is here with you and with me. If we do not surrender the power, the President of the United States will never for a moment assume to usurp it.

Mr. BARKLEY. Granting all that, Congress has set up more than 130 of these agencies which are not now anywhere except floating around outside the confines of any department. Congress could have allocated them to some department at the time it set them up, but it did not do so. They have been set up by Congress without allocation; they are loose and disjointed. If the Congress had exercised its power at the time it created them to put them in the proper departments, would that have been any more autocratic than now to say that the President may shift them from one department to another as an executive function?

Mr. BORAH. I have about as much faith in Congress with reference to the question as affecting the departments as I have in the Executive in view of the fact that I think Hoover suggested 40 different commissions, bureaus, and agencies, and I think the present President of the United States has suggested some 60. The sentiment in favor of bureaucratic government is not confined to the Congress of the United States. It would take us most of our time if we were called on from year to year to abolish those agencies which we have set up at the suggestion of the executive department.

Mr. BARKLEY. I have no lack of faith in the Congress, and I would have been perfectly willing for the Congress to have allocated and fixed the situs of all these agencies when they were created, but that was not done. Congress could have done so, just as it did in the case of the Housing Authority. We had a contest on the floor as to whether the Housing Authority, created by the bill passed at the last session and finally enacted during the present session, should be an independent bureau or should be put in a department, and on a roll call by a very close vote we decided to put it in the Interior Department instead of leaving it as another addition to the number of independent floating agencies. Congress, in my judgment, was wise in doing that. It might have done it with respect to all the agencies that have been created, but it did not see fit to do so. Now we have this confusion and chaos on our hands. Admitting its ability and its patriotism and its desire to do the job and that it could do it well, I do not believe now, in view of the complexities of our Government and the multiplicity of problems with which Congress must deal, that Congress has now the time or the physical power to go back and retrace all its steps and do what it might have done from the beginning but did not do.

Mr. BORAH. The Senator is making a strong argument against the unworthiness of the legislative department of the Government of the United States.

Mr. BARKLEY. No; the Senator cannot interpret my remarks in that sense, because they imply no reflection upon the worthiness of Congress or its ability to do the work. All I am pointing out is that the Congress did not do it at the time it set up the agencies.

Mr. BORAH. The Senator might as well say that Congress granted power to the President for 2 years but he did not do a single thing; he never made a move.

Mr. BARKLEY. He made a few moves; he did not make as many as might have been made, but he moved.

Mr. BORAH. Not in regard to this matter.

Mr. BARKLEY. He was certainly not stationary during the 2 years and a half.

Mr. BORAH. He did not move with regard to this matter.

Mr. BONE. Mr. President——

Mr. BORAH. I will yield to the Senator in a few moments.

Mr. BONE. Very well.

Mr. BORAH. When the Senator was out I called attention to the fact that the entire West, not only the West but the people generally who are interested in the Forest Service, are fearful that it may be transferred to the Interior Department.

Mr. BARKLEY. I was in at the time the Senator mentioned that, and if all the Senator's fears are as groundless as that one, then, I think the whole basis for his argument falls to the ground.

Mr. BORAH. Why should the Senator say that?

Mr. BARKLEY. Because I have no idea that the Forest Service will be transferred from the Agricultural Department to the Interior Department or anywhere else.

Mr. BORAH. But if it should be transferred, what position would I be in?

Mr. BARKLEY. There are many "ifs" in the world; the world is full of them. I suppose if the Japanese Government should deliberately sink a battleship of the United

States Navy in Asiatic waters that we would probably do what we did when the battleship *Maine* was sunk in the waters of Cuba, but we are hoping that those "ifs" and those conditions will not materialize.

Mr. BORAH. I am not proposing to transfer to Japan authority to do anything.

Mr. BARKLEY. The Senator does not have to do that; they are assuming a good deal of authority.

Mr. BORAH. I do not want to be placed in the position of supporting a measure under which the President of the United States would be able to do that which my constituency does not wish to have done; and the President of the United States has indicated his sympathy with the movement.

Mr. BARKLEY. Which movement?

Mr. BORAH. To transfer the Forest Service.

Mr. BARKLEY. On the contrary, the President has indictated not only his lack of sympathy with but his opposition to it. I have not heard of the President indicating that he was going to transfer the Forest Service from the Department of Agriculture to the Department of the Interior.

Mr. BORAH. Has the Senator heard that he is opposed to it?

Mr. BARKLEY. I am not at liberty to reveal as to that.

Mr. BORAH. That is where I am left.

Mr. BARKLEY. But I would be willing to bet my head against the hole in a doughnut that it is not transferred.

Mr. BORAH. The comparison is not fair. [Laughter.]

Mr. BARKLEY. Of course, I may not be offering much odds against the hole in the doughnut but that is the most valuable thing I have.

Mr. BORAH. But, seriously, the Senator is asking for a vote on a proposal to transfer to the President the power to do that which the people whom I represent very much desire not to have done.

Mr. BARKLEY. I appreciate all that and I——

Mr. BORAH. If I am called upon to vote for this bill——

Mr. BARKLEY. As I hope the Senator will.

Mr. BORAH. In the interest of reorganization, and I vote away the power of this body, of which I am a humble Member, to have any say about it at all, I do not see how I could protect myself with any degree of self-respect by saying to those whom I represent that the Senator from Kentucky was willing—I will not mention the wager which he mentioned—to say he believed that it would not be done.

Mr. BARKLEY. I hope the Senator will not minimize the odds that I am offering.

Mr. BORAH. I understand that.

Mr. BARKLEY. The same situation, of course, pertains with reference to other bureaus. I have been called upon, for instance, by the Smithsonian Institution, which enjoys the respect of us all and which we all wish to preserve, to offer an amendment to exempt it from the possibility of being transferred or allocated to some department. The Bureau of Biological Survey, in the Department of Agriculture, is also anxious about the situation. It is easy to work up a sort of fear on the part of some bureau of a department that they are going to be transferred. If we undertake to exempt one bureau of a department from the power of the President to transfer it, although the chances are a hundred to one that it will not be transferred, then we have the question of whether we are going to say by law that any special bureau that happens to be our pet shall not be even considered as possible of transfer though the President has no intention of touching it.

Mr. BORAH. I am not asking for any special exemption; I think that would be unwise. I am asking that the Congress of the United States have a say in regard to such matters. Now I offer my apology to the Senator from Washington and gladly yield to him.

Mr. BONE. The Senator has almost covered the ground which I wanted to cover by a question suggesting the possibility, if not the probability, of the Bureau of Forestry being transferred to the Department of the Interior. It may be it might not occur, but I am not going to repel the thought that possibly it might, because I know in discussing some of the problems of the Pacific Northwest involved in a proposed park there was a suggestion that practices involving the performance of the functions of some of the departments ought to be drastically modified; and, as the Senator from Idaho points out, if that were done by Presidential fiat, with no chance to change it here, the people of our State would wonder why we did not exercise some judgment in having something to say about the changing of those functions. I take it that what is now proposed is that each of these suggested changes will come down here individually, so that we can say "yes" or "no" and be responsible for the particular change. I think there is much merit in the suggestion. I take it that the people of my State are no different in their ordinary reactions from the people of any other State, and they have asked me repeatedly why a certain item is contained in one of the reciprocal-trade agreements? Well, of course, the answer is obvious. It is there because power was given the State Department to formulate the set-up of the agreement, and it came down here, as the Senator indicates, "signed, sealed, and delivered," so there is not anything much that can be done about it.

Mr. BORAH. I have addressed my attention particularly to the Forest Service because I wanted an illustration; but the principle applies generally to the bill, and I think the Congress of the United States ought to have power to exercise its judgment with reference to the transfer of these important divisions.

Mr. GLASS. Mr. President, the Congress of the United States does not exercise the power which the Constitution imposes. The Senator was discussing the trade treaties. The Constitution of the United States says that the President "shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur."

Mr. BORAH. We have undertaken to delegate that power away.

Mr. GLASS. We have delegated it away. We have not only undertaken to do it, but we have delegated it away. The Senator will remember that Patrick Henry came within 17 votes of defeating Virginia's ratification of the Constitution of the United States because it did not provide that the House of Representatives, the body nearest to the people, should participate in the approval or rejection of treaties with foreign governments. I wonder what he would think if he were alive today and found that the Senate has distinctly repudiated its constitutional powers, and turned them over to a minor officer of the Government to do with as he pleases, and we do not know anything about what is contemplated until it has been done.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BORAH. I yield to the Senator from Kentucky.

Mr. BARKLEY. The same thing has been going on ever since 1792. It is not a new thing. Beginning even then, Congress authorized the President, acting as its agent, not to write revenue laws, not to make treaties in the real sense of the word, but, as an agent of Congress in the regulation of commerce, to enter into agreements with other nations to facilitate trade. Time and time again, from that time until now, Congress has authorized the President, not for revenue purposes, not for the real treaty-making purposes contemplated in that section of the Constitution, but as an agency of Congress, to regulate commerce with foreign countries, to do the very thing the President of the United States is now doing.

Mr. GLASS. To say that the Congress formerly did that does not justify the Congress in doing it today. I say to the Senator from Idaho that I am a little amazed that he should complain that people will think we have no ability. We have confessed over and over again that we have not ability to do things which the Constitution charges us with doing.

Mr. BARKLEY. There is a good deal of difference between ability and availability.

Mr. BORAH. The position which the Senator from Kentucky takes, that these former delegations of power are similar to the present delegation of power, is not borne out by the facts. The Congress at different times has delegated to some person in the executive departments the power to do administrative things; to do things which would finally receive the approval of Congress, or which Congress gave them authority to do under certain specific rules and regulations; but no such power as this was ever granted prior to this time.

Mr. BARKLEY. Of course the power granted under this act is different from former powers granted only in its extent. The principle is the same. Frequently this sort of thing has been done in tariff bills which were passed by Congress, and it has sometimes been required that the action be brought back for the ratification of the Senate. More frequently, though, the President has been authorized, as the agent of Congress in the regulation of commerce, to enter into trade agreements without ever bringing them back to Congress. The Senator will not deny that statement.

Mr. BORAH. Yes; I do deny it. I most emphatically deny it, if the Senator is using the words "trade agreements" in the sense in which they are used in the act we are now discussing. What we did upon different occasions was to designate what our agent, the President, could do.

For instance, under the Dingley law, I think it was, we authorized the President, upon ascertaining a certain state of facts, to declare that state of facts, and upon his declaring the state of facts, the law we had enacted went into operation, which is a wholly different thing.

Mr. BARKLEY. But the Senator will not deny that on former occasions Congress has authorized the President to go much further than that. Congress has authorized the President, when in his judgment it was to the interest of American trade, to enter into agreements with other countries with respect to that trade without the requirement that those agreements be brought back to the Senate for ratification.

Mr. BYRNES. Mr. President, I think the Senator from Kentucky [Mr. BARKLEY] is correct in stating that this is not a new proposal on the part of Congress.

On February 14, 1903, the Congress enacted into law the provision for the establishment of the Department of Commerce and Labor; and the Congress then authorized the President to—

> Transfer at any time the whole or any part of any office, bureau, division, or other branch of the public service engaged in statistical or scientific work, from the Department of State, the Department of the Treasury, the Department of War, the Department of Justice, the Post Office Department, the Department of the Navy, or the Department of the Interior, to the Department of Commerce and Labor.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BYRNES. No; not until I finish my statement.

As a result of that authority, and pursuant to it, the President transferred various scientific bureaus, taking them from this department and that department, without ever sending his orders of transfer back to Congress, because the Congress had not provided that they should be sent back.

As late as the administration of President Coolidge he utilized the authority of the statute of 1903, creating the Department of Commerce and Labor, to make two of the changes contemplated in the Brown committee's plan.

In 1925 President Coolidge transferred the Patent Office and the Bureau of Mines from the Interior Department to the Department of Commerce. The order of transfer was never sent back to the Congress. There was no provision that it should be done. It was never contemplated that it should be done.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BYRNES. When I finish this statement I will yield.

During the administration of President Wilson we enacted the Overman Act. It is true that we were at war at the time. Nevertheless, we gave to the President the power to coordinate or consolidate bureaus. Under that act, President Wilson issued 24 Executive orders. Many of those orders affected the War Department, the War Trade Board, the War Industries Board, and so forth, and transferred bureaus from one department to another without ever sending the orders back to the Congress.

In addition to that, an investigation which has been made shows that there have been 1,314 grants of legislative authority to the President and to the executive departments and independent agencies. One hundred and twenty-seven legislative powers have been granted to the Secretary of Agriculture alone. In every Congress it has been done. There never has been a provision that the orders should be sent back to the Congress.

The Senator from Idaho [Mr. BORAH] is afraid that by reason of the delegation of power, one service of the Government in which he is particularly interested may be transferred.

Mr. WHEELER. Mr. President, before the Senator goes to that branch of the discussion, will he yield to me?

Mr. BYRNES. Yes; I yield.

Mr. WHEELER. Let me call the Senator's attention to the first instance to which he referred. In that case the Congress of the United States delegated specific powers, mentioning the specific bureaus which should be transferred.

Mr. BYRNES. Oh, no!

Mr. WHEELER. Oh, yes!

Mr. BYRNES. I must object that that is not the fact.

Mr. WHEELER. If the Senator read the act correctly, that is what happened. Statistical bureaus and others were mentioned.

Mr. BYRNES. Statistical or scientific bureaus.

Mr. WHEELER. All right. The President was permitted to transfer statistical or scientific bureaus; but in that case the Congress of the United States laid down specifically a certain definite thing that should be done.

Mr. BYRNES. That is true.

Mr. WHEELER. In this instance it is proposed to turn loose all of the bureaus in every department, to be transferred at will.

Mr. BYRNES. Mr. President, I shall proceed to argue that question with the Senator.

The statement has been made that fear is entertained as to the Forest Service because of the report of the Brownlow committee. There is no justification for that fear. What the Brownlow committee reported was that there should be a department of conservation. Even that committee proposed nothing more than that the department of conservation should be authorized to administer the public lands, parks, territories, and reservations, and enforce the conservation laws with regard to public lands and mineral and water resources except as otherwise assigned.

After the committee considered this bill, and in view of the fact that those who were particularly interested in forestry believed that the establishment of a department of conservation might hereafter be construed by the President as an intimation that in the opinion of the Congress the Forest Service should be transferred from the Department of Agriculture to the Department of the Interior—I did not then believe, and do not now believe, that there would have been any justification for the fear—because that fear was entertained, I offered an amendment in the committee, and there was stricken from the bill the provision to which the officials of the Department of Agriculture objected, and the provision to which the officials of the Forest Service objected.

When that was done, the Secretary of Agriculture issued a statement which was placed in the RECORD by the Senator from Idaho [Mr. POPE]. In that statement, the Secretary of Agriculture said:

> The governmental reorganization bill as it stands in S. 3331, as reported, is, in my opinion, a long step forward toward making democracy an efficient agency for the general welfare. I hope that all those who have been especially concerned about agriculture and conservation in governmental reorganization will give it their wholehearted and vigorous support.
>
> Under the bill as reported to the Senate there is no implication requiring or inducing any further consideration of the trans-

fer of any agricultural functions from the Department of Agriculture to any other department. In the term "agricultural" I would include among others the functions of the Forest Service, the Bureau of Biological Survey, and the Soil Conservation Service.

Subsequently the Senator from Idaho made a statement similar to that made by the Senator from Kentucky today.

Mr. President, I know that those who are opposed to reorganization can appeal to one Senator who is interested in forestry and say, "This may give to the President the power to transfer the Forest Service in which you are interested," or say to another Senator who is interested in an entirely different subject that he may transfer the Reclamation Service, or that he may transfer the office of the Comptroller of the Currency, appealing to each Senator's particular hobby.

What is the fact? The power to transfer the Forest Service was in the President of the United States, the present President of the United States, from March 3, 1933, for 18 months. Was the Forest Service transferred? No. Then why conjure up today the fear that the man who had the power to transfer for 18 months but did not transfer would now proceed to do something which the Secretary of Agriculture, certainly interested in the Forest Service, says he had no fear will be done?

I ask if that is a reason for support of this particular amendment. Let us look at the amendment.

The amendment provides, in substance, that after an order is signed by the President it shall be sent back to the Congress, and in Congress a vote must be had upon the joint resolution; and if either House fails to adopt the joint resolution, the order shall be null and void. Provision is made for a vote on a day certain, and that provision is made by statute.

We hear much about the Constitution of the United States. The Constitution provides that each House may determine the rules of its proceedings. Acting under that authority, the Senate and the House of Representatives, respectively, may make their own rules. No provision in the statute can take away the constitutional power of either House to amend its rules.

The Senator from Montana wants to provide in an amendment that if an order is returned to the Congress on the tenth day at the eleventh hour or the thirteenth hour there shall be a vote, which is in direct contravention of the Constitution, which the Senator worships as much as does any man in all the Nation.

Suppose we enacted into law a statute providing that the House must vote on a given day on a joint resolution specifically approving an Executive order in its entirety, and the House of Representatives the next day, through its Committee on Rules, adopted a rule providing that any joint resolution having to do with an Executive order should be considered just as all other joint resolutions are considered, should be subject to amendment or be voted upon in 60 days or in 90 days. Will anyone say that a mere statute could deprive the House of the right to exercise its constitutional authority? Could any act of the Congress prevent the Senate from adopting its own rules, a right given it by the Constitution?

Adopt this amendment and next week, I say, the Senate can provide that a reorganization order coming from the President shall be considered just as any other joint resolution is considered in this body, and no man will question the accuracy of the statement that it would be pursuant to the Constitution and that any statute to the contrary would be in violation of the Constitution.

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from South Carolina yield to the Senator from Kentucky?

Mr. BYRNES. I yield.

Mr. BARKLEY. It would not even be necessary for the Senate to adopt a different rule from that set out in the joint resolution, because, in my judgment, to the extent to which the joint resolution contravened the rules of the Senate already made by it under the constitutional authority conferred upon it, it would be in violation of those rules, and the Senate might continue to proceed under the rules already adopted, which put all joint resolutions, all bills, and all measures of that sort, in the same category with respect to their consideration.

Mr. BYRNES. Mr. President, I am in accord with the view of the Senator. I was arguing the question in its most favorable aspect, because I thought it would be argued that the action of the Senate on the resolution was equivalent to an amendment of its rules at that time.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. WHEELER. The answer is perfectly simple, it seems to me. Each House is voting to amend its rules. Each House is adopting its rule, saying, "This is the rule we are adopting, and this is what we are going to abide by."

Mr. BYRNES. I just stated that I knew that argument would be made, and I have in advance stated that nothing could stop the Senate of the United States from the next day adopting a different rule, even if the Senator from Montana were right in the position he takes. Under the Constitution the Senate has the right to make its own rules, and the Senator from Montana will not contend that that cannot be done.

Mr. BARKLEY. Mr. President, will the Senator yield further?

Mr. BYRNES. I yield.

Mr. BARKLEY. The House of Representatives adopts a new set of rules at the beginning of each Congress. It is not bound, in the consideration of business, by the rules which have previously been in force.

Mr. BYRNES. Of course not. I proceed now to a consideration of the amendment. What does it provide? It provides that the Congress, pursuant to the Constitution, shall pass a joint resolution in the two Houses. The Constitution provides that a joint resolution shall be presented to the President of the United States for approval. Whenever it is presented to the President of the United States for his approval and is approved by him, it becomes an act of Congress, and Congress is through with the measure. Congress has used its discretion, and passed upon the wisdom of the law.

The bill provides that the order shall become effective 60 days after issuance. The Wheeler amendment provides, however, that when an order comes to the Congress, if a joint resolution shall be introduced, but if one House of the Congress shall not approve it, then the act of the Congress is repealed by the action of one of the two Houses of the Congress.

We must either give to the President the power or withhold the power. Whenever the President approves the joint resolution there is nothing left except the question as to the execution of an act of Congress, in the form of the pending reorganization bill, which becomes an act upon the approval of the President of the United States.

Whenever it is sent back there can be but one possible argument made, that by this method of legislating in violation of the Constitution we pass a bill pursuant to the provisions of the Constitution in House and in Senate, send it to the President, and the President may send it back, and it must again pass the Senate and again must pass the House and go to the President the second time for his signature in order to become law.

Some Member of the Senate could offer an amendment to the amendment of the Senator from Montana providing that if the joint resolution should be adopted and should be sent to the President the joint resolution should not be effective until it was sent back to the Congress and remained there for 60 days, during which time the Congress could again act upon it. But that is not the Constitution of the United States. The Constitution of the United States provided that when a measure is passed upon by the House and Senate and is approved by the President it is an act of Congress.

We may delay the date of the execution of the act of Congress, or the administration of it, for 30 days or 60 days or 90 days, but we cannot send it back to the Congress for them a second time to say, "We want to consider whether this is wise of not," or to amend it, or to change it, because if we do, then we have not done anything the first time we acted except to extend an invitation to the President of the United States to submit a recommendation for consideration by the Congress, and under the Constitution the President has the power today to make recommendations to the Congress of the United States without any invitation being extended to him with limitations placed upon it by the Congress, such as this amendment proposes.

Mr. MALONEY. Mr. President, will the Senator from South Carolina yield?

Mr. BYRNES. I yield.

Mr. MALONEY. Is the Senator contending that the adoption of the so-called Wheeler amendment would in itself be a violation of the Constitution?

Mr. BYRNES. Yes; because it would give to one House of the Congress the power to repeal something which is law if the standards are in accordance with the law, and if there is a proper delegation of power. It is an act of Congress when the President signs it, and there is nothing left but the question of the date when it shall become effective, when it shall be carried into execution, and it cannot be sent back to the Congress for a determination by the Congress as to the wisdom of the law which it passed the first time.

Mr. MALONEY. The Senator maintains that the House and the Senate have no right, by the adoption of the amendment, to amend their own rules?

Mr. BYRNES. Neither House can affect the right of the other to amend its own rules, because the Constitution provides that either House may make its own rules. I knew the Senator from Montana would argue that, by the action in adopting the amendment, to that extent the Houses would amend the rules, but I say it is not possible to take away from the Senate the right the next day to adopt a rule entirely contradictory of the first rule.

Mr. MALONEY. That is perhaps true, but I do not see how the Senator can insist that the amendment in itself would be a violation of the Constitution.

Mr. BYRNES. I must say that I have already stated my opinion on that point and have passed on to the other question, the delegation of power. If there is a delegation of power, then the power has been delegated, and the Executive has nothing to do but perform the Executive act, or to determine certain facts, as was done in the Hampton case, which was referred to by the Senator from Idaho, in the tariff case, and in other cases.

All that the Executive can do is to find facts, apply them to the law which is set forth in the act, and when he does that the Executive is through.

Mr. MALONEY. Does the Senator insist that we cannot delegate powers with reservations?

Mr. BYRNES. We cannot delegate power of this kind, which becomes law upon finding of fact, and then withhold it. If we do withhold it, I contend that then we are doing nothing but extending an invitation to file a recommendation. If it is not law, then it is only an invitation to file a recommendation, at which time we will determine whether or not it shall become law.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BARKLEY. If I understand the Senator's idea correctly, it is that the President could now send us a recommendation for reorganizing all the departments and allocating every independent bureau, and ask Congress to approve it, which would repeal and modify existing law upon that subject.

Mr. BYRNES. That is correct.

Mr. BARKLEY. If this amendment were adopted, we would by statute authorize the President to do what he already can do, but we would reserve the right to approve it or disapprove it when he sends it to Congress.

Mr. BYRNES. That is really what I believe it amounts to. If it were constitutional, then the effect would be only to invite the President to submit a recommendation with respect to regrouping agencies, at which time the Congress would exercise its discretion as to whether or not it would approve it, except that the amendment, as I understood it, provides that Congress must approve the action specifically and without making any change in it. Then that point brings to issue the question of violation of the constitutional provision requiring that each House shall determine its own rules.

Mr. WALSH. Mr. President, as I understand the Senator's position, it is that the Congress can delegate to the Executive a large portion of its powers, subject to the limitations and restrictions defined and set forth by the Congress, but it cannot constitutionally permit a review by the Congress of the action of the Executive. Is that the Senator's position?

Mr. BYRNES. Substantially.

Mr. WALSH. I do not pose as a constitutional lawyer, but I think we are moving at a rapid rate in a dangerous direction if we can delegate powers without any power of review.

Mr. BYRNES. The standards must be such as are held to be sufficient. I refer to an act which was passed in June 1932. It was amended March 3, 1933. Later it was amended March 20, 1933.

I wish to refer to the case of *Isbrandtsen-Moller Co.* v. *United States* (14 F. Sup. 407). The Shipping Board had been abolished and the functions of the Shipping Board were transferred to the Department of Commerce. That action was in question before the court. The court, passing upon the standards, said:

> The result was to abolish a Board whose existence was dependent upon the will of Congress and to delegate to the Department of Commerce the same powers and duties the Board had possessed. This seems in accord with correct standards as to delegation of authority to act within proper limits prescribed by the Congress.

The court quoted a number of famous cases. They held in the Swayne & Hoyt case that the standards set forth seemed to be sufficient. These standards were used by the late Senator Robinson, of Arkansas, in drafting the bill originally. They were used in almost the identical language here used in the effort to bring the bill within these decisions.

Mr. President, I wish to make a further statement with reference to the so-called Wheeler amendment. In discussing this matter I have been endeavoring to be frank. If the Senator is correct, and the amendment is not unconstitutional, then it amounts to nothing but an invitation to the President to do something which he not only has the right to do, but which the Constitution says he shall do by way of submitting to the Congress "such measures as he shall judge necessary and expedient." The Constitution uses the word "measures" which he feels should be enacted into law.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BARKLEY. Let us assume that the President did not provide for a reorganization by a single order comprehending all the departments, and all the independent bureaus, but should reorganize piecemeal, as is contemplated, during the 2½ years; how long would it take, even under this statutory cloture, which it amounts to, for the Senate and the House to vote upon the separate orders reorganizing the Government departments?

Mr. BYRNES. Mr. President, I repeat that if the contention of the Senator from Montana be correct, and the action he proposes is constitutional, it amounts to nothing but an invitation to the President to send a message to the Congress; and, so far as I am concerned, I say that then we may just as well strike this section out of the bill, because there would be nothing left but an invitation to the President to do something which he now has a right to do. We

may as well be frank and honest about it. It would be asking him to send a recommendation, but to do so under all the limitations we have put on him, whereas today he can do it without any limitations, without complying with any of the standards that have been set.

I repeat that if I were opposed to the bill, I would do just what those who are opposed to it are doing. If I wanted to influence a Member of the Senate from the West I would say, "Under this bill the President of the United States may take the Reclamation Bureau and put it in another department." If I wanted to influence a southern Senator I would create a ghost hovering over the Soil Conservation Service. So far as I am concerned, I have never been excited about such statements.

I am not speaking particularly about the Reclamation Service because I know nothing about it, but I believe we can take one bureau away from Constitution Avenue and put it over on Pennsylvania Avenue, and I do not believe the Nation would suffer as a consequence. I cannot become excited over the fate of the American people if we were to take one bureau, abolish a few jobs in it by reason of efficiency resulting from such transfer, and combine it with another bureau.

Why this fear now? In 1932 I could vote, and others who are now Members of the Senate could vote, to confer this power upon a Republican President. No one believed that it would be abused. No one thought that great harm would be done. Great harm was not done. On March 3, 1933, we passed a bill to give this power to the President. It contained the exact language of the pending bill before it was amended, before we removed the provisions about which Senators have complained. That bill did not even exempt any of the independent agencies. That bill was passed to give the power to whom? To the same man who would exercise them now. President Roosevelt had that power for 18 months. Did he abuse it? No man will say so.

When Senators say, "Of course, the Congress would have no power to review," we must be fair. The very purpose of the provision that the President's action shall not become effective for 60 days is that the Congress may have an opportunity to review it.

If any President undertook to do something which amounted to an abuse of discretion, if a President regrouped, transferred, or consolidated powers which the Congress did not want to have transferred or consolidated, during those 60 days the Congress could enact a joint resolution disapproving that action, and preventing it from going into effect.

Senators say, and properly so, "That would mean that the President could veto it, and the Congress would have to pass it by two-thirds vote." Yes. If the President ever did anything under this proposed grant of power that would amount to an abuse of discretion, not two-thirds but three-fourths of both Houses of Congress would exercise their right to veto it, and it would never go into effect. If he does not do anything of that kind, but merely in the interest of economy and efficiency regroups some bureaus, the Congress ought to be in favor of it, because he will be doing something that the Congress for more than 50 years has found it impossible to do for itself.

Mr. ADAMS. Mr. President, earlier in the day I voted against the amendment of the Senator from Massachusetts [Mr. WALSH] rather contrary to my own inclinations. I did so because I wished to follow the wishes of the administration upon a matter concerning which they had seen fit to set out the details in the bill. It was a reorganization, the details of which were set forth in the bill. I was entirely willing to subordinate my own judgment upon this matter to that of the committee, and to that apparently of the Executive, and instead of placing the power in three men, place it in one.

The further delegation of power now under consideration lacks those specifications. The inquiry I make is, Why not have the orders of the President returned to Congress for approval? If Congress approves the reorganization suggestions, whether it be en masse or whether it be piecemeal, no one can complain. Congress will have approved, and the plan will have become effective. If the orders are returned and Congress disapproves, then the changes should not be made. In other words, the entire power which is involved in reorganization is legislative power. We are delegating to the President the power to make a reorganization for certain purposes and under certain conditions.

We specify the standards to be applied. We do not delegate any legislative authority. We cannot delegate legislative authority. We delegate the authority to do certain things in fulfillment of our legislative powers. We say to the President, "You may reorganize departments. You may change bureaus from one department to the other."

The Congress created the departments. The Congress specified their functions. The Congress specifies the salaries; and now objection is made because the Congress, which created the departments, asks that the agent of Congress—and that is what the President is in carrying out a reorganization plan—shall make a report to the Congress, and before the reorganization plan becomes effective Congress shall act upon it.

I do not think the Senator from South Carolina, who has given the utmost consideration to this subject, argues the matter with entire soundness. That is merely my own judgment. It is my opinion that Congress may delegate authority and provide that the authority so delegated may not be exercised except upon some condition. Those of us who sit upon the Appropriations Committee know that thousands of times we appropriate money to become available only if some other act is done. We may say that a certain agency of the Government shall be given authority to do a certain thing upon a condition, and the authority may not be exercised until the condition is fulfilled.

The question discussed in the opinion of Mr. Mitchell, the former Attorney General, is quite different. In that case the delegation was complete, and the Congress by its act was seeking in effect to repeal the delegation; but the Attorney General very properly said, "You cannot repeal a complete delegation except by a complete act of Congress."

In my judgment we have the power to say to the President, "You may, if you will, transfer the Geological Survey to the Department of Agriculture," specifying the standards, and then to say, "You shall report to the Congress the transfer, and it shall not be effective unless one or both Houses of Congress concur." In other words, the delegation of authority is that "You may do certain things." The delegation is to make the recommendation. The condition is that the transfer shall not be effective until a certain act has happened.

The Wheeler amendment provides that reorganization plans "shall not become effective until after the enactment of a joint resolution specifically approving such Executive order. In my judgment Congress has a perfect right to say that an Executive order in reference to an administrative matter shall not become effective unless approved by Congress; and it may well be that by enacting such a statute we are merely extending an invitation to the Executive to make recommendations to us. It may be so defined. If that is what the Congress wishes to do, the Congress has the right and the power to do it.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. ADAMS. Certainly.

Mr. WHEELER. Under the bill as it is today, the President is directed to notify us. Why should he notify us at all if he makes the reorganization and it is complete without being passed upon by the Congress? Why should he send us any notice? Under the pending bill, all the President has to do is to notify us that he has done it, a certain thing, and we cannot do anything about it. Why go through the process of having the President notify us that he has done a thing of this kind?

Mr. ADAMS. Mr. President, my own theory is based merely upon the one premise that regardless of what preceding Congresses may have done, regardless of practices,

this Congress has the right to legislate as it pleases. It has the right to make certain delegations, to make those delegations conditional, and to provide that reorganizations shall not become effective until the conditions are complied with. We may make a delegation, saying to the President, "Your Executive order shall not be valid unless it receives the unanimous approval of the Republican Members of the United States Senate." We may specify any condition which we see fit to specify, whether it be sound or unsound. It is for the Congress to attach any condition it sees fit upon the delegations which the Congress makes.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. ADAMS. Certainly.

Mr. SCHWELLENBACH. Does the Senator think the 75th Congress has the power to bind the 76th Congress as to the method of voting and the time of voting upon a joint resolution?

Mr. ADAMS. Of course not.

Mr. SCHWELLENBACH. Is not that the proposal of the Wheeler amendment?

Mr. ADAMS. I will say to the Senator from Washington that I am interested only in the first sentence of the Wheeler amendment. The first sentence is the qualification which is to be put in. The first sentence of the Wheeler amendment provides:

> But shall not be effective until after the enactment of a joint resolution specifically approving such Executive order.

Personally I should stop at that point. I should not be concerned with the question whether or not we can affect the rules and regulations. If the conditional clauses are not valid, as is contended, they may be dismissed.

Mr. SCHWELLENBACH. The Senator from Colorado does not contend, does he, that the second provision, fixing the time for voting, has any validity whatsoever?

Mr. WHEELER. Let me say to the Senator that I think we can convince even the Senator from Washington that it has validity, because the Congress of the United States has done that very thing, even today. My attention was called to the fact that when the Senator from Nebraska asked for unanimous consent to have a resolution taken up which carried a provision with reference to the contingent fund, it was said that could not be done, because the law required the bill to go to the Committee to Audit and Control the Contingent Expenses of the Senate. The situation before us is exactly the same. If the provision in the amendment is unconstitutional, then the other provision referred to is unconstitutional.

Mr. ADAMS. I have examined the amendment of the Senator from Montana only very hastily. I copied the first proviso of it. I think, however, that if the Congress wishes to say that the President's recommendation shall not be valid unless the House votes by a certain time, or shall not be valid unless the Senate votes by a certain time, unless that condition is complied with the Executive order will not be effective. I shall not argue the question as to the right of Congress to change the rules of another body. I am merely contending that the Congress has the right to attach conditions with respect to the effective date of its own legislation.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. ADAMS. I yield.

Mr. BYRNES. With reference to the request for unanimous consent earlier today by the Senator from Nebraska, the request was that the Senate, by reason of its constitutional right to make its own rules governing the payment of money out of its own contingent fund, should consider a resolution without complying with the statute requiring that the resolution be submitted to the Committee to Audit and Control the Contingent Expenses of the Senate. The proposition was to give to a rule of the Senate, or an action of the Senate, a position superior to that of a statute.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. ADAMS. I yield.

Mr. CLARK. The fact remains that the necessity for reference to the Committee to Audit and Control the Contingent Expenses of the Senate is regulated not by a Senate rule but by statute. The same situation exists with regard to certain printing statutes. In certain cases the rules of the House have been superseded by statute.

Mr. ADAMS. Mr. President, reiterating what I have said, my view is that the Congress should specify the conditions in the legislation. Surely some phraseology can be devised to make the conditions effective.

Mr. SCHWELLENBACH. With respect to the analogy to which the Senator from Montana and the Senator from Missouri have referred, to carry their argument to its logical conclusion, it would mean that we would not have a right to repeal the statute. Certainly so long as the statute is on the books it remains in effect; but the provision of the Wheeler amendment is tantamount to saying to the next Congress, "You must vote in a certain way, and your rules must be thus and so."

Mr. ADAMS. The Senator has no doubt, has he, as to the right of Congress to fix the conditions which must be complied with before legislation shall go into effect?

Mr. SCHWELLENBACH. No; I have no doubt as to the portion of the amendment to which the Senator from Colorado has referred, but I certainly have the most serious question as to the other part.

Mr. ADAMS. I have no concern with the other matter.

Mr. BYRNES. The Senator makes no distinction between a bill or joint resolution—which becomes an act of Congress upon approval by the President—which places a condition upon the date of its effectiveness, requiring that the action taken come back to the Congress for further exercise of discretion by the Congress before the act shall become effective, and an act of Congress which does not require the exercise of further discretion by the Congress as to the wisdom of its first action.

Mr. ADAMS. Going back to an earlier argument of the Senator from South Carolina, two things are involved. Of course, the Congress may not nakedly delegate legislative authority. The Congress may only delegate authority to be exercised providing it lays down standards so that in effect the agent to whom the power is delegated is acting for Congress and as Congress directs, under certain prescribed conditions. We say to the President, "In order to promote efficiency and to attain certain other standards which we have laid down you may issue an Executive order for certain reorganizations or consolidations." That is the part of the statute in which we delegate the authority. Then we add to that, "provided that you, in the exercise of the delegated power, shall make a return to Congress of your Executive order, and the power which we have delegated to you is conditioned and shall not become effective until one or both Houses of Congress shall have approved it."

It may be, as is suggested, that we are saying to the President in the initial statute that it is our opinion that he ought to reorganize the departments and then, by asking him to send his order back to us, we are reserving the power to pass upon the matter again. It is within our powers, however, if we see fit to do it; and it seems to me that for us to vest in the President naked unlimited powers to reorganize and then be told that we have not the right or that it is not wise for the bodies which create the functions and which create the officials to exercise the final voice upon that matter, is something we ought not to concede, as was said on the floor earlier in the day by the Senator from Idaho [Mr. BORAH].

Mr. WALSH. Mr. President, will the Senator give me some information?

Mr. ADAMS. If I have it.

Mr. WALSH. Is it not a fact that some years ago some such authority as that which is being delegated to the Executive in this bill was delegated by the Congress to President Hoover?

Mr. BYRNES. Mr. President, I can answer that question. That was done on June 30, 1932.

Mr. WALSH. Very well. Is it not also a fact that under that law President Hoover issued an Executive order, seeking to consolidate the Land Office with the Department of Agriculture, and that the matter was submitted to Congress,

and that one branch of the Congress refused to approve his action? If the language requiring that submission to Congress was similar to the language which is used in the amendment of the Senator from Montana [Mr. WHEELER], under the contention now made, the action of Congress was null and void and unconstitutional, and the Executive order of President Hoover is now in operation.

I should like to inquire from the Senator if there was any difference between the language of the authority granted to President Hoover and the language contained in this amendment.

Mr. ADAMS. If I may say so to the Senator, I have purposely sought to avoid any consideration of prior statutes or anything going before, and have based my contention upon the powers of Congress today.

Mr. WALSH. But that act confirms what the Senator has been repeatedly saying in this discussion, namely, that there are conditions which Congress may impose which have to be respected.

Mr. ADAMS. I will say to the Senator from Massachusetts that it all goes back to the fact that the creation of all these departments rests upon Congress. The Constitution of the United States created the offices of President, Vice President, and Justices of the Supreme Court. Every other officer of the United States and the functions of every officer other than those depend upon acts of Congress. We create them; we specify their functions, their duties, their salaries; and they are absolutely subject to the control of Congress. If the offices are consolidated, it is an exercise of legislative power. They cannot be consolidated in any other way. If they are consolidated by an act of the President, by an Executive order, it is because the Congress has delegated to the President, upon certain conditions, authority to make the consolidation. The Wheeler amendment merely suggests that we add a very proper and very appropriate further condition that when we grant general authority to make consolidations, and do not know of what they may consist, we ask the President to send the orders of consolidation back here, and we provide that they shall not become effective unless the two Houses of Congress shall approve them.

That really covers what I wanted to say. In addition, I desire to repeat what the Senator from Idaho [Mr. BORAH] said today. I have sat on the Appropriations Committee and on other committees; and it seems that of all the Federal agencies, of all the Federal departments, the Congress is the only one that does not grasp for more power. Every other agency of the Government is grasping for power; but, somehow, the Congress is continually seeking to rid itself of power. As was pointed out this afternoon by the Senator from Idaho, we have already sought to rid ourselves of parts of the taxing power and of the treaty-making power. Now it is sought to rid ourselves of the power to specify the agencies which shall conduct the very things we have provided for, and shall administer the statutes we have passed.

I come back to ask the one question: Why should not Congress be consulted? Why should not Congress pass upon these reorganizations, which are necessarily congressional in their essence?

Mr. BARKLEY. Mr. President, it had been hoped by the author of the pending amendment and the other Senators that we might vote upon the amendment this afternoon, but it is evident that we cannot do so. I have consulted him and other Members and the minority leader; and, as a result, I desire to propose a unanimous-consent agreement that not later than 2 o'clock tomorrow the Senate shall proceed to vote on the pending amendment, and any amendments offered to it.

Mr. JOHNSON of California. Mr. President, I am compelled to object.

Mr. BARKLEY. May I inquire of the Senator from California whether he would agree to fix any hour for voting?

Mr. JOHNSON of California. No; I am not interested in the hour. I am interested simply in permitting a general debate. I know full well that if we fix 1 o'clock or 1:30 or 2 or 2:30 as the hour for voting, some Senator will take up the major part of the time. So far as I am concerned, I think we shall get through just as quickly by not having a time limit as by having a time limit.

Mr. BARKLEY. I appreciate the Senator's suggestion. I have canvassed the situation, and have found only one or two other short speeches to be made. I thought I was liberal in proposing an hour as late as 2 o'clock; but I have not any dogmatic desire to fix an hour. I therefore withdraw the request.

The PRESIDING OFFICER. The request is withdrawn.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. WALSH, from the Committee on Naval Affairs, reported favorably the nominations of sundry officers for promotion in the Navy.

Mr. KING, from the Committee on Finance, reported favorably the nomination of Margaret M. McQuilkin, of Salt Lake City, Utah, to be collector of customs for customs collection district No. 48, with headquarters at Salt Lake City, Utah. (Reappointment.)

Mr. HUGHES, from the Committee on the Judiciary, reported favorably the nomination of Arthur G. Jaeger, of New York, to be United States marshal for the eastern district of New York, vice Robert G. Lindsay, now serving under a court appointment.

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state in their order the nominations on the calendar, with the exception of the one passed over.

DEPARTMENT OF JUSTICE

The legislative clerk read the nomination of Thurman W. Arnold, of Connecticut, to be Assistant Attorney General.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

THE JUDICIARY

The legislative clerk read the nomination of Harry C. Blanton to be United States attorney for the eastern district of Missouri.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES PUBLIC HEALTH SERVICE

The legislative clerk read the nomination of James A. Crabtree to be surgeon in the United States Public Health Service.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That concludes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 7 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 16, 1938, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 15 (legislative day of January 5), 1938

ASSISTANT ATTORNEY GENERAL

Thurman W. Arnold to be an Assistant Attorney General.

UNITED STATES ATTORNEY

Harry C. Blanton to be United States attorney, eastern district of Missouri.

PUBLIC HEALTH SERVICE

James A. Crabtree to be a surgeon.

HOUSE OF REPRESENTATIVES

TUESDAY, MARCH 15, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Holy, holy, holy, Lord God Almighty, the giver of all that makes life blessed, we thank Thee that Thy goodness abides through every change. How wonderful is the habitation of the soul! Thou hast made us a little lower than the angels; Thou hast crowned us with glory and honor; we praise Thee for this immortal inheritance. We pray Thee that we may not be conformed to this world, but may we be transformed by the renewing of our minds that we may prove what is that good and acceptable and perfect will of God. Heavenly Father, let the day be one of good tidings, and may joy and brotherhood have a place in all our hearts. Forgive us if we have been amiss in our gratitude toward our privileges and opportunities. Work in us sincere repentance and incline our wills to keep Thy law and lead us to see the vanity in a selfish life. Through Jesus Christ our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS

Mr. FITZPATRICK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement I made yesterday before the Committee for Reciprocity Information on the proposed trade agreement with Great Britain.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RIGNEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement I made before the Committee for Reciprocity Information.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

TRADE AGREEMENT WITH THE UNITED KINGDOM

Mr. PIERCE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

Mr. PIERCE. Mr. Speaker, the Committee for Reciprocity Information is holding hearings preliminary to negotiation of a trade agreement with the United Kingdom. This involves the question of possible duty reductions by the United States on wool manufactures and semimanufactures. Since the United Kingdom is not an important original supplier of raw wool, there is no proposal to reduce the duties on that product, but the effect of proposed reductions on woolen and worsted products will be immediately and disastrously felt by western producers of the raw wool. We of the Northwest are therefore greatly concerned over this proposed amendment, and western Members, including myself, have been appearing before the committee making common cause with the eastern manufacturers of woolen and worsted fabrics. We feel that any concession on the manufactured product will immediately react on the price of raw wool, and any reduction in wool prices will be reflected in reduction of sheep and lamb valuations, reacting in turn on the prices of other meat animals. A further effect of lowering the duty on manufactured goods is likely to be unemployment for many thousands of those now working in the woolen mills, which will be injuriously affected if they are forced into competition with labor in the United Kingdom, which is paid 20 to 25 cents, in comparison with 55- and 60-cent labor in the United States. I therefore desire to set before my colleagues some of the facts in regard to the important sheep industry of Oregon.

Before localizing my remarks I should state for the benefit of those who have not given the matter attention that the duties on woolen manufactures and semimanufactures contain two separate elements. First, a specific duty which is intended to compensate for the duty on raw wool; and, second, an ad valorem duty of 50 percent or more, which is intended for protection to the domestic wool-manufacturing industry. As I understand it, any proposed reduction in the duty on wool manufactures for the benefit of the United Kingdom would be concerned with that part of the duty which represents protection to the manufacturers of wool. We produce the raw material but we must have a firm home market for that raw material or the value immediately goes out of it, and the whole sheep industry will suffer a blow which it can ill afford to face at this time.

VALUE OF THE TARIFF BARRIER

Many years ago a tariff barrier was erected against imports of foreign wool, and behind this barrier there has grown up a vast sheep industry. In the 11 Western States this industry has been carried on with varying degrees of success and failure for the half century in which I have been intimately associated and connected with it. Had it not been for the barrier that gave advantage to the American-grown wool over the foreign wool, there would have been no prosperous sheep industry in our range country. In this range country good wages have been paid. Sheep raising, in a certain sense, is a specialized business, and it requires extreme care and intelligent, hard work to be a successful sheepman. No question but what sheep can be raised cheaper in New Zealand and South America than they can be raised in the United States. It is the tariff barrier that enables the American sheepman to get more for his wool than he would if raw wool could be imported freely.

IMPORTANCE OF THE SHEEP INDUSTRY

In the Pacific Northwest the sheep industry yields approximately 11 percent of the total agricultural income, including wheat and lumber industries, upon which the Northwest is largely dependent, as it produces a considerable part of all of the wheat grown in the United States and has the greatest stands of timber. In 1935, 10,666 Oregon farms reported sheep. Farmers throughout the western part of the State have small bands, but in the grazing section of eastern Oregon there are many great sheep ranches with large holdings, often running into thousands of animals owned by an individual operator.

The magnitude of the whole industry in our country is shown by the latest figures of the Department of Agriculture, which estimated for 1937, pulled wool to the amount of 433,359,000 pounds. The Bureau of the Census reported a consumption for 1937 of 517,977,000 pounds. In order to present a full picture and to explain somewhat our immediate concern over the situation, I quote herewith from a statement recently made by the Pacific Wool Growers in a brief in opposition to any reduction in tariff rates on woolen goods:

From 1922 to 1930 the annual average importation from all countries of woven piece goods composed wholly or in chief value of wool amounted to 9,748,000 pounds, according to the National Association of Woolen Manufacturers. Based on the fact that every 100,000 pounds of wool piece goods results in our domestic mills using 330,000 grease pounds less domestic wool, this figure shows that these importations displaced American-grown wool in the domestic market to an extent of 32,168,400 pounds of grease wool. In 1936, 4,500,000 pounds of woolen piece goods were imported, which displaced wool grown by American producers to an extent of 14,850,000 pounds of grease wool. In 1937, based on the figures for the first 10 months, the importations of foreign piece goods for the full year should approximate 6,000,000 pounds—which would take the American wool growers' market to an extent of approximately 19,965,000 pounds of grease wool. The importation of woolen and worsted piece goods in 1937 was practically double what it was in 1935 and over 40 percent greater than it was in 1936.

It does not appear that a reduction in tariff rates on wool items is necessary in order for Great Britain to sell substantial quantities of woolens in this country. British exports of woolen and worsted fabrics to the United States were 24 percent greater during the period January to October 1937 than during the first 10 months of 1936. During this same period British exports of those fabrics to other countries increased only 5.3 percent over 1936. Importations of wool blankets in 1936 showed an increase of more than 300 percent over 1935 and during 1937 showed a further increase of over 40 percent as compared with 1936.

From this it appears evident to us that the present duties on manufactures of wool are not proving adequate to protect the American manufacturer, and this, in turn, means that to this degree American wool producers are losing their market for domestic wool.

NATURE OF THE SHEEP INDUSTRY

The sheep business is peculiarly hazardous, and being subject to weather conditions, disease, and rapid rise and fall of prices, it has wrecked many fortunes. I know of no business that lends itself less to mechanization, for the machine has not been, and cannot be, made that will feed sheep or care for the baby lambs. It takes now, has always taken, and will always take, a large proportion of intelligent hand labor. Within the shelter of the tariff barrier this industry has grown up in the 11 Western States, and the price of wool forms a very important part of their income. There is very little salvage in the old ewe. After a short breeding season of perhaps 4 years on an average, very little can be realized either directly or indirectly from the old ewe. The greater part of the income is from the lambs and the wool, and both are threatened by this proposed agreement.

SHEEPMEN DEPEND ON HOME MARKET

Behind the barrier which has made this business, and which certainly involves many millions of dollars, it has been absolutely necessary to protect the manufacture of woolen and worsted goods. If the manufacturer of woolen goods is not well cared for behind the barrier and tariffs are not made high enough to keep out the foreign importations, then it is entirely useless to keep out the raw product, for the simple reason that the sheepmen of the United States cannot sell their wool in the world's markets where prices are lower than in this country and will probably ever be so. If the Reciprocity Committee should recommend that the tariff be lowered on woolen and worsted goods, remember the effect of that decision will be to lower the tariff on raw wools. The basic duty today is 34 cents per pound of clean content. It will, in effect, be lowered in just the proportion that the tariff is lowered on manufactured woolens or worsted. They are Siamese twins. Our sheepmen are entirely dependent on a protected home market for the sale of their wool. Catastrophe to the woolen manufacturers of the United States will ruin the sheep industry of the 11 Western range States.

MAINTAIN AMERICAN STANDARDS OF LIVING

It is true that workers in the woolen and worsted mills of the United States are paid higher wages and live on a better scale than workers in factories in other countries. It is true that the men who raise the raw wool also have a higher standard of living. The sheep herder in his lonely mountain camp eats better food than is provided in foreign countries, he draws higher wages, and often in his tent at night, coming through the ether he picks up, through his radio, the world's news to break the loneliness of his nightly vigil. But why should he not? For more than a century America has been built on the assurance of that higher plane of living. Should we think now of surrendering it, just because we desire to increase foreign trade? Who, I ask in all seriousness, wants to lower the standard of American living? For whose benefit would it be done? Would it be for a few importers? Is it to be done that we may sell a few more typewriters or automobiles in foreign lands? True, we want world peace; we want world friends; we want to have world trade increase; but not at the expense of our own industries and our own households.

The time has come when we should look after our own. We cannot reform or make over this mad war-crazy world. As we need foreign articles, let us be able to buy them with our own products of which we have a surplus. Let us continue our efforts to control the production of our farms and factories, so that surpluses may not wreck the home market for the products of farm or factory. Yes; if we have to do so, let us learn to live within our boundaries and care for our own. The Reciprocal Tariff Act gives those who make the decisions economic and political power beyond trade matters and makes them practically the arbiters of our foreign relations.

Oh, I am well aware of the fact that the foreigner must sell to us if we buy from him, and we do want to sell to him in quantity our surplus apples, wheat, cotton, and tobacco. The time has come, however, when we must look facts squarely in the face, and refuse to break down the barrier if it is going to result in a lower standard of living, if it is going to wreck financially a portion of our people. So we of the West who are pleading for the sheepman, unite with the wool and worsted manufacturers of the United States in asking for a continued protection behind the tariff barriers under which we have learned to live.

FINANCIAL CONSIDERATIONS

Sheepmen have incurred debts and obligations that can be paid only by keeping the barriers well up. During the last 6 months the feeders of lambs have suffered serious losses, which show up now in the price of range sheep. Buying power seems to have gone out from our people. It is probably safe to say, though I have no accurate figures, that the prime ewe of the 11 western range States is not worth more today than $6.50, and it is also probably safe to say that the mortgage on that ewe has an average of about $5. In other words, a 20-percent fall in the price of wool and lambs would jeopardize 75 percent of the sheep loans in the United States.

The Tariff Committee, as one arm of this Government, must consider the fact that the United States Government, through the Production Credit Associations, has lent sheepmen millions upon millions of dollars supplied by the Intermediate Credit Banks, and that this money would be in jeopardy if there is a fall of 20 percent in the value of wool and lambs. Such a reduction in value will wipe out the equities of thousands of sheepmen who have struggled for a lifetime to build up business.

We should not forget, either, that only last Saturday, March 12, the Department of Agriculture released a statement that the Commodity Credit Corporation was prepared to advance $50,000,000 to stabilize the wool-production industry of this country. The loans will be reasonably secured, but an amount of money may be loaned on each pound of wool which will, in effect, stabilize prices. I am quite well aware that the Secretary of Agriculture has stated that it is not a price-fixing measure, but nevertheless the sheepmen or the cooperative borrowing money on wool, with no recourse, will consider that the amount lent will be the minimum price of his wool. The negotiators should not jeopardize this Government money by tariff favors to other nations.

I remind you again of the fact that any reduction of the tariff on woolen and worsted manufactured goods affects the price of the raw material. I do not think anyone today seriously considers that the manufacture of woolen or worsted goods is a closely controlled monopoly. Substitutes, like rayon, silk, cotton, would quickly spell the doom of any organization which undertook to monopolize the business. I believe it is safe to say that it is highly competitive.

AGRICULTURE UNDER RECIPROCAL-TRADE AGREEMENTS

I am now serving my third term in the Congress, representing the Second District of Oregon, that being two-thirds of the area of the State, or all that part of the State lying east of the crest of the Cascade Mountains—the grass region of the State. When the bill creating the right to make reciprocal-trade agreements was proposed in the Congress, I studied very carefully the probable effect of the proposed agreements, particularly upon the producers of the country I represent. When the bill was under consideration in the lower House, I spoke in behalf of the pending legislation, and because its idealism appealed to me I supported it. I watched with more than ordinary interest the progress of the trade agreements. In the Seventy-fifth Congress, it was proposed to renew, for a period of 3 years, the right of the Department of State to continue to make further reciprocal-trade agreements. As a result of my study and observation, I had become convinced that the trade agreements would continue to operate detrimentally to American agricultural interests. I arrived at that conclusion with much reluctance, and only after a study of the effect of the treaties already made. I was confirmed in my belief that the American market belongs to the American farmer as well as to the American industrialist. No doubt the 130,000,000 inhabitants of

the United States constitute the greatest possible market in all the world for agricultural commodities. I have become thoroughly convinced that the great pressure for trade agreements on the part of the foreign countries will continue to be for the lowering of the tariff barriers on agricultural products from those foreign lands. What the foreigner wants from the United States is an open market for his agricultural products as well as for manufactured articles.

I deeply regret that this extraordinary method of the revision of the tariffs by way of the roundabout road of trade agreements has, in many instances, resulted so disastrously to American agricultural interests. There is simply no answer to be made to the statement that those representing the United States in these trade agreements have not at all times properly safeguarded American agriculture. The tariff on cattle from Canada was lowered and cattle came across the border, and they filled the places that would have been filled from American cattle yards, had it not been for that increased importation. The livestock men of the Northwest feel that they were traded off in the interests of the automobile manufacturers and other industrialists of the Northeast.

I do not think there has been any conscious disposition to favor one industry at the expense of another, or any conscious sectional bias, but pressure from industrial groups is strong and industrial sections are better represented here, numerically, than is the more sparsely settled West. I ask for full consideration of the requirements of western agriculture.

It cannot be repeated too often that the prosperity of this country rests upon the prosperity of agriculture. Constituting one-third of the Nation, buying freely when they have the money, absorbing industrial goods when the opportunity is afforded, American farmers must be allowed to receive in money, or its equivalent, not only the cost of production but a reasonable profit added thereto, if prosperity is again returned to this Nation. We have not again sunk to the business level of March 1933, neither is the present depression over. Imports of agricultural commodities already prevent the attainment of any parity price structure in the United States. A further deepening of the depression can be avoided and a further impetus given to recovery by giving the farmer more nearly parity prices for his products.

A FAIR-TRADE PROGRAM

I am fully aware of the evils which will result from a policy of isolation, and that we ought not to cut ourselves off from the world's business. This is perfect in theory and sounds well, but we are living in a world involved in horror which neither you nor I nor this Nation can materially change. Suppose we break down our tariff walls and we say, "Bring in your Japanese manufactured goods"; and we say to Czechoslovakia, "Bring in your shoes, no tariff walls here any more than in the Panama Zone"; we say to the wheat farmer of the Argentine, "Bring in your wheat and corn." What will be the result? Our price levels will fall. No question about that. The American farmer cannot produce wheat as cheaply as they produce it in the Argentine; neither can we produce wool nor raise cattle as cheaply. Neither can New England, with all her skill, manufacture as cheaply as they do in Japan, where labor receives but a few cents a day. Any lowering of the tariff walls puts us into immediate competition with their cheap labor.

It is my hope that this fact-finding committee will, in the future, find such facts as will cause those who really make the trade agreements to lower tariffs only on such commodities as are not produced here in quantity, or produced at such high cost as to retard reasonable consumption, or those produced under monopolistic conditions which allow the American manufacturer to fix an arbitrarily high price. And, then, it has been my hope that those who make the trade agreements will demand in return for privileges real benefits for all classes of American producers, including our farmers. If we are going to have these trade agreements, let us be good "horse traders" and demand also a full value and full reciprocity when we lower the barrier.

ARTHUR E. MORGAN

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, I take this time to state to the House of Representatives that the people of the State of Ohio are very much interested in the investigation of the T. V. A. They are militant in their insistence that this investigation be made by Congress and not by any commission. They maintain that one operating department of the Government should not be called upon to investigate another occupying a similar status. The Congress is elected by the people and is responsible to the people. It should be responsive to the people.

Dr. Arthur E. Morgan, the chief executive officer of the T. V. A., is a distinguished Ohioan. He was selected by the President of the United States to be Chairman of this great T. V. A. experiment because of his demonstrated ability as an engineer capable of handling gigantic projects. The people of Ohio demand that before the President takes any steps that will in any way reflect upon Dr. Morgan he should know the facts. They also insist that a fair and impartial hearing could not be had before any one man who had all of the powers of a prosecuting attorney and jury and a court with the power to fix sentence.

Following the great flood of 1913, which brought death and destruction into the Miami Valley, one of the most fertile valleys in the whole world, the people of that section sought to defend themselves against all future floods of that kind. They sought the services of Dr. Morgan. He so impressed himself upon the people of that section that they chose him to be president of a highly respected college known as Antioch College, at Yellow Springs, Ohio. This college is located practically in the Miami Valley.

Dr. Morgan entered upon this engineering work in the Miami Valley with the result that the great Miami conservancy district has now been operating for about 20 years. It has given complete satisfaction, far beyond the expectation of its best friends. This great work called for engineering genius of the highest order. Dr. Morgan supplied that call. This great work also called for executive capacity of the highest order. Dr. Morgan supplied that call. This great work also entailed the expenditure of millions of dollars. Dr. Morgan set up the organization that spent this money, and it was spent without a breath of scandal or a suspicion of dishonesty.

So strong is the feeling in favor of Dr. Morgan in that section that the Dayton, Ohio, Chamber of Commerce, which is a large city located in the Miami Valley, and suffered terrible loss of life and damage in the 1913 flood, have adopted resolutions in which they praise the high character and the great engineering capacity of Dr. Morgan. This chamber of commerce bases its resolutions of praise and confidence upon an editorial published in the Dayton (Ohio) Herald of March 9, 1938. Without printing this editorial in detail or reciting these resolutions in detail, I will say that the editorial is especially well written, and the substance of it follows its caption very clearly. Its caption is as follows: "But These Things We Do Know." After reciting the facts of his work in the Miami Valley, this editor says:

> The people of this community know that Arthur Morgan is an honest, capable, and intelligent executive. They know that he is an able engineer. They know that he is a stickler for truth, integrity, and fair dealing. They also know that he is a first-rate Christian gentleman whose word is as gilt-edged as his bond.

I have steadfastly maintained for some time that the T. V. A. should be investigated. My suspicions have been justified by recent events. From the beginning I have insisted that these T. V. A. matters should be investigated by an impartial committee of Congress. I am sure that the almost unanimous sentiment of the American people is that this in-

vestigation should be made by Congress. I do not know Dr. Arthur Morgan personally, although I have seen him. I know nothing of my own knowledge of the fine qualities which his neighbors seek to ascribe to him; but as a fellow Ohioan, I owe him the duty of seeing to it that he gets a fair trial. As a Congressman who participated in the legislation setting up the T. V. A., I have a profound interest in the subject. As one who loves justice, I maintain that this matter should be investigated impartially and completely, so that justice might be done and that the American people be advised fully of what has been done. [Applause.]

TENNESSEE VALLEY AUTHORITY

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein some figures on the T. V. A.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. ALLEN of Illinois. Mr. Speaker, we are all pleased to see that because of constant pressure by Members of Congress, the press, and the people generally throughout the country, Congressman MAVERICK and the President have finally decided to investigate the Tennessee Valley Authority. Facts concerning the T. V. A. have been wrongfully kept from Members of Congress, from the press, and from the people generally. Many of us believe that when the investigation is completed we will find that agency the most corrupt, the most inefficient, of any department in the history of our Government. I have received consent to have included in my remarks some figures that I have compiled relative to the huge pay roll of white-collared workers and their salaries. The table and the pay roll is most astonishing. I think the taxpayers are entitled to be enlightened as to where their money is going—not for the purpose, as given on the floor of the House, but to hordes of political appointments. In the main these thousands of pay-rollers do very little work for their large salaries. It demonstrates a complete spoils system.

ENGINEERING STATISTICAL TABLES

Table showing number, distribution by professional classification, and salaries of engineers employed by the Tennessee Valley Authority for fiscal year 1937

[Compiled from the Tennessee Valley Authority annual report]

	Employees	Salaries
Sanitary engineers	9	$27,400
Chemical engineers	28	82,000
Chemical engineering aides	1	1,800
Electrical engineers	129	412,800
Highway engineers	36	93,600
Hydraulic engineers	88	272,950
Civil engineers	94	311,700
Agricultural engineers	7	20,900
Architectural engineers	3	8,900
Structural engineers	115	333,300
Mechanical engineers	56	170,600
Chief engineers	3	20,900
Construction engineers	25	131,850
Cost engineers	28	79,600
Material engineers	25	80,700
Design engineers	4	23,600
Erosion engineers	15	37,000
Fuel engineer	1	4,600
Field engineers	20	68,600
Industrial engineer	1	3,300
Mapping engineers	8	20,300
Mining engineers	4	12,300
Office engineers	20	69,400
Power and plumbing engineers	3	11,800
Project planning engineers	5	39,250
Rate, specification and valuation	10	32,200
Engineers	7	25,800
Engineering aides	313	596,200
Draftsmen	257	500,700
Ceramic engineer	1	6,000
Total	1,316	3,498,250

STATISTICAL SUMMARY

Table showing occupational break-down and group salaries of 3,134 of the white-collar and professional employees of Tennessee Valley Authority for the fiscal year ending June 30, 1937

Group title	Employees	Salaries
Group I. Educational, training, library, etc	106	$232,385
Group II. Health, safety, sanitary section	91	259,810
Group III. Accountants, accounting clerks	174	383,360
Group IV. Abstractors, appraisers, land buyers	75	211,920
Group V. Chemists, chemical engineers, etc	78	192,400
Group VI. Electrical engineers and foremen	129	412,800
Group VII. Highway and bridge engineers	36	93,600
Group VIII. Hydraulic engineers	88	272,950
Group IX. Legal staff	36	153,300
Group X. Civil engineers	94	311,700
Group XI. Property, purchasing, store, supply	137	295,010
Group XII. Research division	31	70,720
Group XIII. Draftsmen	257	500,700
Group XIV. Administrative	51	177,400
Group XV. Agriculture and forestry	63	232,200
Group XVI. Architects and architectural engineers	18	61,000
Group XVII. Structural engineers	115	333,300
Group XVIII. Personnel and placement employees	64	168,340
Group XIX. Construction and material engineers, etc	187	583,930
Group XX. Comptroller, coordinator, pay roll	23	68,920
Group XXI. Mechanical engineers	56	170,600
Group XXII. Clerks, clerk-stenographers, etc	487	830,340
Group XXIII. Miscellaneous engineers, engineering aides	444	1,052,250
Group XXIV. Field superintendents and miscellaneous white-collar workers	219	628,410
Group XXV. Switchboard operators	43	84,800
Group XXVI. Reservoir and dredge employees	20	53,460
Group XXVII. Transportation and navigation (annual basis only)	15	44,320
Total (28 groups)	3,134	7,659,925

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. VOORHIS. Mr. Speaker, there never has been an enterprise undertaken by any government in all the history of the world in an attempt to break the grip of any great monopoly on the people that has not been attacked roundly by the defenders of that monopoly. No true friend of the Tennessee Valley Authority objects to an impartial and thorough investigation of that agency, but I am positive if people will look back into the history of enterprises of this kind they will find to be true that attacks such as are being made now on the Tennessee Valley Authority have been made in the past, and that we need have no fear. The public power enterprise in the Province of Ontario was attacked in exactly the same manner. Five hundred thousand dollars was spent by that Province in the investigation of the matter, and that enterprise was found to be as clean as a hound's tooth. I have every confidence the same thing will happen in this case.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. Mr. Speaker, in reply to the gentleman from California [Mr. VOORHIS], I may say I do not understand why all the more liberal and more radical Members of Congress who supported the T. V. A. are always apologizing for it. Why have they not from the beginning and why do they not now come out and demand an investigation and see that no guilty man escapes. They should have taken the lead in demanding this investigation and not have it forced upon them or attempted to block it. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by printing a statement made yesterday before the Committee for Reciprocity Information in regard to the proposed British trade agreement.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. WIGGLESWORTH. Mr. Speaker, I also ask unanimous consent to extend my own remarks in the RECORD on the treaty recently concluded with the Government of Czechoslovakia, and to include therein a short article recently published in this connection.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. SNELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter received this morning with reference to the economic condition of the dairy farmers in the United States.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HOUSTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement by the Director of the National Youth Administration of Kansas.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein the text of a short bill introduced by me.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. GRAY of Indiana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including therein a letter written by Robert L. Owen to the President of the United States, expressing his views regarding the cause and the remedy of the present depression.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

EXTENSION OF REMARKS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an address by Charles F. Darlington, Jr., Assistant Chief of the Division of Trade Agreements of the Department of State, delivered at Amsterdam, N. Y., on March 11 on the subject of Labor, Foreign Trade, and Trade Agreements Program.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

NAVAL AUTHORIZATION BILL

Mr. VINSON of Georgia. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain vessels, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of H. R. 9218, with Mr. O'CONNOR of New York in the chair.

The Clerk read the title of the bill.

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. Chairman, during my three terms as a Member of this body I have attempted at all times to proceed along the lines of propriety in connection with any utterances which I might make in the well of this House. Only infrequently have I spoken in this body. I trust that never have I worn out my welcome speaking upon any pending resolution or measure which might be before the membership of the House of Representatives of the Congress of the United States. I come today only because of a deep feeling which I have personally upon the implications which are found in the pending legislation. I may say at the very outset that I oppose this bill with a real reluctance and a certain sense of personal hesitancy in connection with the measure which is now before us. I say this, first, because I have, during the years which I have served here, failed on no occasion up until today to favor appropriations for either the military or the naval forces of the United States Government. Secondly, I say this because I have the highest personal admiration for the integrity and the sincerity of the able chairman of the House Committee on Naval Affairs, Mr. VINSON of Georgia; but putting aside my real reluctance on account of my past record in voting for naval appropriations and putting aside also my personal feeling of regret at not now being able to follow the chairman and the members of his committee, I feel that in the few minutes which I have I should speak as far as I can, with all of the depth of sincerity which I really feel, upon the subject which is now before us. [Applause.] I hesitated long hours before I asked the permission of the chairman of the committee to allow me a small amount of time in connection with the consideration of this bill. I have given this matter very careful consideration and conclusions were arrived at only after study.

May I now direct your attention to the reasons I feel very strongly today relative to any opposition in connection with the authorization for the naval program now before us?

It has been said recently in the press, and in fact, during this debate, that those who oppose the expenditure of huge additional sums for battleships and who favor a more adequate increase of our fighting forces in the air are amateur strategists. Of course, I realized this assertion would be hurled at anyone who would come here to speak from that angle on the pending bill.

May I call the attention of the members of the Committee to what happened some 20 or more years ago in connection with the way warfare was waged in that struggle which we too well know about in its implications to mankind? Even in the World War we heard the rumblings of the beginning of a new type of warfare in connection with the prosecution of armed conflict. We know even back in those days, and some of you were closer to it than others, of the fear which was engendered into the hearts and minds of those citizens who resided in the city of London from the standpoint of possible air raids. That was, I repeat, some 20 years ago, when the efficiency of aircraft was in its infancy in connection with armed struggle between nations.

Now, let us come up to the present and let us see what happened in London only a few hours ago. We do not find this initial fear of aircraft which yesterday existed and the attack which the bombers might make upon that city, but we find the entire British Kingdom aroused and frightened and taking prompt steps to combat any possible air attack which may come in connection with any present or future conflict.

This morning's Washington Post, in a screaming eight-column front-page headline of black-faced type, states:

> Britain asks 1,000,000 men to volunteer in air defense.

This is not the sort of headline which we would have read about 20 or more years ago in connection with British preparation for war.

May I also read from the Associated Press dispatch upon which the headline is predicated. I find these words spoken by Sir Samuel Hoare:

> The more disturbed is continental Europe, the more urgent it is for us to make every possible preparation against a most dangerous form of modern warfare.

I repeat, "a most dangerous form of modern warfare" is the language used by the gentleman I have quoted.

Then last evening in the Star we find this six-column front-page headline:

> Britain acts to guard against air raids.

And, because of the importance of certain sentiments, I must read you a part of that dispatch:

> Sir Samuel Hoare, the Home Secretary, tonight called for 1,000,000 air-raid precaution workers as a part of Britain's answer to the threat of military pan-Germanism in Central Europe.

Understand that, Members of this House; and this in a country which has always prided itself upon its naval forces.

The call was the first step in a new national effort to prevent—

And get these words—

any knock-out blow to Britain from the air. Sir Samuel, broadcasting to the nation, swiftly backed Prime Minister Chamberlain's announcement in Commons of a review of British rearmament plan in the light of Germany's absorption of Austria.

Then, let us get the exact quotation from the Home Secretary. He says:

I do not believe in a knock-out blow if a proud and courageous people like ourselves is prepared to meet it.

Then the story goes on, and without objection, I should like to include the following paragraphs from that dispatch in my remarks:

EVERY PRECAUTION URGENT

Declaring that what has happened in Central Europe should add a sharp point to his call, Sir Samuel said:

"I'll say nothing to suggest we are on the brink of war, * * * I'll only say that the more disturbed is continental Europe, the more urgent it is for us to make every possible preparation against a most dangerous form of modern warfare * * *.

"If the enemy knows we are prepared, he will also know that ruthless air attacks only strengthen our resistance and he will think many times before he launches them."

He declared Britain must prove to the world its system of voluntary effort is the best.

APPEALS TO MEN OVER 30

"Free men can give better discipline, if they make up their minds, than anything produced by authority," Sir Samuel said.

He addressed the appeal largely to "men over 30," declaring the Government considered younger Britons "would want to take part in active defense" of the nation.

Under Britain's elaborate air-raid precautions, the volunteer workers would be wardens who would be trained in instructing the public on protection for attacks.

They also would take part in street patrols, man ambulances, do rescue and repair work, and fight fire in time of an emergency.

Here we read of the need for a million volunteers, mostly men under the age of 30, to fight the possible air raids upon Great Britain, particularly the metropolis of London, in connection with future wars. And again today we read a dispatch from Madrid which states:

ITALIAN AIRPLANES RAVISH OLD SPAIN—LOYALISTS DESCRIBE HAVOC IN LAND ONCE PART OF ROMAN EMPIRE

MADRID, March 15.—Ancient Spain is being devastated, a Government communique said today, by a twentieth century Italian army.

Italian troops and German and Italian planes took part in the insurgent capture yesterday of Alcupiz, in eastern Spain, 45 miles from the Mediterranean, the Government declared.

PLANES SPREAD DEATH

While the troops struck directly against the city, the Government related, the planes spread death and confusion over a dozen coastal towns.

Almost hourly the planes swung along the main Barcelona-to-Valencia highway, now the most dangerous 250-mile stretch for Government convoys.

SHORTEST ROUTE TO SEA

Reus Tortosa suffered particularly heavy damages from the aerial raiders, who today directed their efforts to protecting the infantry advance from Alcaniz, designed to cut Government Spain in two and isolate Catalonia from the remainder of Government territory.

Yes, we are charged, those of us who appear here against battleship folly, with being amateur strategists when we come into this Well and speak about the continued waste of public funds in the authorization for expenditure of items like $230,000,000 or $240,000,000 for the construction of three new battleships, when another appropriation, passed recently in this House, for three new battleships has not yet been put into effect. "Amateur strategists," of course, is the charge hurled against all who speak against the continued expenditure of public funds upon floating palaces, which are in reality floating targets in the war of tomorrow. I say, with all the sincerity which I possess as I appear before the members of this Committee, that certainly there are great changes in the methods by which modern warfare is prosecuted. Gentlemen will remember reading as I remember reading history, that in the days of the French and Indian wars, when Braddock and forces of British troops, brilliantly attired, marched in phalanx and mass formation against the French frontiersmen and Indian fighters. George Washington himself had complained bitterly again and again to Braddock that that sort of formation as he led his troops into wilderness battle would meet with certain defeat, but Braddock, proud of English troops, with their formations of the battles of yesterday, continued to prosecute such a war, and he prosecuted, not to victory but to defeat. From behind trees the frontiersmen mowed down the British.

When Braddock called for aid, did he bring up another general from the British Army to continue the fight by such a method as they had been fighting on the broad plains of Europe? He did not. He called for the consultation and aid of George Washington, who had told him of his bad method of prosecuting the war in that instance. I simply bring it to your attention to let you know once again that which you are acquainted with, and that is the fact that today we must realize that there are changes taking place in the prosecution of war, and we cannot continue as an American Nation to sponsor such appropriations for a large Navy which is outmoded in connection with any possible warfare which America would engage in tomorrow.

The bill authorizes three more battleships and there is today no building of the three already voted. We find that the bill limits aircraft for defense, and we find also that the bill seems to give unlimited discretion to the President in connection with our prosecution of further foreign affairs. I wish I might not feel today as I do in this matter, but I am certain that behind the sincerity of the actual language of the bill itself there is written into the measure by innuendo and by reading between the lines that which just as surely as I stand here today starts America on a drift toward war.

Now, in conclusion, I feel, as you feel, America must not be today just a war-evading nation, but America must be a peace-preserving and a peace-promoting nation. There should be written into legislation at this time that which would give the American Republic the power to go into conference and try, through naval disarmament policies, to bring about peace instead of war. I realize that nothing that I have said here today, or anything that other opponents have said here, will ultimately change the result. But I would not be true to my trust, and I know I shall have certain opposition because of what I have said, if I did not bring more than my vote into effect on this bill. I would be derelict in my duty if I did not bring my voice into play against this measure. Let me quote:

VICTORY

I call no fight a losing fight
If, fighting, I have gained some straight new strength;
If, fighting, I turned ever toward the light,
All unallied with forces of the night;
If, beaten, quivering, I could say at length:
"I did no deed that needs to be unnamed;
I fought—and lost—and I am unashamed."

—*Miriam Teichner.*

I have spoken of no personalities in connection with this matter, of no bad faith which might be fostered, but I have spoken only because of my deep feeling on the subject now before us, realizing, as I stated before, that we who fight this bill should fight it upon an honest plane. After the result is tallied and we know that authorization is given, we can then feel that we have nothing to regret. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. WADSWORTH].

Mr. WADSWORTH. Mr. Chairman, it is not in a spirit of elation that I rise to discuss this measure. It is not in a spirit of elation, I assume, that the members of this Committee greet its appearance on the floor, for our consideration. Would that measures of this kind should be forever unnecessary. This is a grim, grim world. We in America are not the masters of world events. True, in recent years a very, very large section of our people have hoped and indeed believed that we could persuade the world to our way of thinking.

We have made many an effort in that direction, and the country must now be told that we have failed. It does not lie in my mouth, nor do I think it lies in the mouth of any Member of the American Congress, to denounce unduly the

character of another people, to denounce unduly the motives of other governments; but it is incumbent upon us to analyze those motives and to come to a clear understanding of just where the world is going. As clearly as I can I have reached such an understanding. It is not, of course, all-comprehensive, and I am fallible, as is every other human being; but I cannot avoid the conclusion that force today is ruling the world, whether we like it or not. Would that it were otherwise! We as a Nation have never supported that philosophy. [Applause.] However, I think no sensible man will deny that such is the case. Recent events are staring us straight in the face. It is incumbent upon us to shape our course in such fashion as to make this generation of Americans and future generations in this beloved country safe. [Applause.] Safe; safe against this force. [Applause.]

Our thoughts naturally go back to the Treaty of Versailles and the World War. I cannot agree with some of my colleagues on both sides of this Chamber that America did a wrong thing in participating in the World War. I think she did a fine thing. She helped to win a military victory. We won the war, but at Versailles we lost the peace. [Applause.] That was the pity! When I say "we" I mean the Allied and Associated Powers. That was the pity! For that treaty contained provisions utterly impossible of fulfillment. The provisions and conditions imposed upon the conquered sowed the seed, in my humble judgment, for what is going on today. We took no part in the imposition of those conditions either in the seizure of territory, the lining out of new boundaries, the treatment of racial minorities, or the imposition of reparations. We elected, I think wisely, to stay out of it all. We bear no responsibility for what has occurred as the result of the distress in which millions of people in Europe found themselves. Free institutions have been overturned in nation after nation, and multitudes in their desperation have given their allegiance to what we call dictators. Undoubtedly desperation was in the first instance responsible for the perishing of free or parliamentary government and the substitution therefor of dictators. Dictatorial governments are on the march seeking new fields to exploit. It is not merely a political philosophy that urges them on, it is not merely racial; perhaps we would not be far wrong if we made up our minds that way down deep underneath it we find the pressure of populations driven to distress and seeking outlets.

I think it can be said that the Japanese aggressions in China are due fundamentally to the pressure of population in the Japanese islands, an industrial population seeking an outlet. We may not like the methods, but it is not the first time in the history of the world that such things have happened; and if middle Europe is to be united under one government, dictatorial in character, not hesitating to use force in seeking outlets, expansions for its people, we shall see another example of what is now going on in China, except on a much, much larger scale; and we shall not be the master of that event. We have elected, wisely I think, to stay out of it all; but eventually expansion of peoples, led by dictators believing in the exercise of force in the achievement of their aims, will reach the Western Hemisphere. Just as sure as we are sitting here in this Chamber, eventually the Western Hemisphere will be reached and influenced if this terrible march of force goes on; and when it reaches the Western Hemisphere, it reaches us. [Applause.]

I look upon this bill as representing a realization of that grim, grim fact, as an indication that we are learning that we must be masters of our own destiny; and, after all, the destiny of this country is a most precious thing.

People in perfect good faith suggest that this measure, for example, should contain provisions limiting the operation of the American Fleet. Attempts have been made to draw lines across oceans, up and down coasts. I make no attempt to judge of the effect of such limitations were trouble to break out in Asia or Europe, because I cannot visualize such limitations, the American people being as they are today and as I know they will be tomorrow; but when it comes to making any line of demarcation dividing the Western Hemisphere into sections into one of which we may go in defense of ourselves and into the other of which we may not go, I dissent. [Applause.]

No two wars ever start from exactly the same seed, nor do hostilities commence in exactly the same manner. I cannot agree with that school which teaches that the best way to defend the destiny of America and the only proper way is to line the seacoast with guns and dare an invader to approach. The history of nations shows upon innumerable occasions that the defense of a people may have to be carried on 1,000 miles from their home [applause] or 5,000 miles from their home. Our children and our grandchildren may live to see the day in which in its own defense America may, off the coast of Brazil, fight the first naval battle of a war brought against her by an aggressor. [Applause.]

That would be just as truly an act and battle of defense as if it were fought in the Narrows of New York Harbor. Unless I misjudge things, I cannot escape the conclusion that our Navy must be strong enough to protect this hemisphere. No one else is going to protect it for us. We do not ask anybody to do it for us. The gentleman from California [Mr. SCOTT] made that very clear yesterday. He thinks we should make friends in order that someone in the future will help us defend the Western Hemisphere. I would agree to that if the implications did not go much further and the making of friends, as he phrases it and as he and I both mean it, did not drag us out of the Western Hemisphere into events and places in which we do not belong. But, having taken this course—and we have taken it as a national policy—we alone must defend this hemisphere. We must do it effectively. In order to do that we have got to have a strong navy; in fact, a stronger navy than we have now and stronger even than the Navy already authorized.

The day I am painting may never come. People may say that no European or Asiatic country will attempt to gain a lodgment in South America. I wonder. Those regions are today, with certain exceptions, the greatest in area of what we might call the semideveloped regions. They may tempt people to the exercise of force in order to gain expansion. No; the day may not come when a European or Asiatic power seeks a lodgment in this hemisphere, but who in 1913, or even on July 1, 1914, would have ventured to guess that within 4 years thereafter 2,000,000 American soldiers would be in France?

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. WADSWORTH. Mr. Chairman, we cannot be sure about the future. You cannot always measure it by the past. The race is in a state of flux. There are elements guiding it, pushing it, or forcing it along. They have come to the surface with a greater degree of power than we have ever known in our day. Perhaps we have never read of it except in the days of Napoleon or in the days of Alexander. It may be halted next year; it may be halted 5 years from now or it may not be halted for two or three generations. But so long as this bitter thing goes on, I insist that America must be able to defend herself. [Applause.] The cost of defense, if adequate and successful, is infinitely less than the cost of failure and defeat. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 30 minutes to the gentleman from Nebraska [Mr. LUCKEY].

Mr. LUCKEY of Nebraska. Mr. Chairman, I want to express my appreciation to the chairman of the Committee on Naval Affairs for the courteous and fair way he has conducted the hearings and also for the fair way in which he has allocated the time to those who are opposing this measure.

Mr. Chairman, this bill, H. R. 9218, is far more than a simple authorization to increase the present authorized strength of our Navy by 20 percent. This bill, if passed, marks a definite and deliberate step—not toward peace but toward war. It will mark a definite and deliberate plunge into the battle for leadership in the greatest armament building race in world history. It will mark out a 5-year naval

building program of not $1,000,000,000 but $5,000,000,000. I do not mistrust the peaceful intentions of our great President, nor do I challenge the truth of his expressed desire for continued peace. But I do seriously challenge the reasoning of those Presidential advisers who have sponsored this measure as being either necessary or advantageous. Coming at this time, when Europe and Asia are in a state of turmoil and readjustment, this measure is fraught with implications of tremendous and far-reaching importance. It opens the way for American involvement in foreign struggles which are purely Asiatic or purely European. This is the most momentous question before Congress because in it we decide whether we will remain on the broad pathways of peace or follow the tortuous passages that can lead only to war.

WE NEED ADEQUATE NATIONAL DEFENSE

Before entering into my discussion of this bill I wish to clearly state my position toward national defense. I am not a pacifist and never have been one, unless a pacifist is one who is opposed to unnecessary and unjust wars. I am opposed to unnecessary and unjust wars—wars that are not wars of actual national defense. This country is worth defending against any foreign foe with our lives, our property, our capital, and our national resources, and we should be prepared to carry out that defense. Until human intelligence and enlightened self-interest devise plans and machinery for adjusting international differences we must have armies and navies to defend our homes. We have to deal with realities. Adequate national defense is a necessity.

According to the sponsors of this bill this measure is designed purely for national defense. Just what do we mean by an adequate national defense? I subscribe to the national-defense aims set forth by Gen. Johnson Hagood in his recent book, We Can Defend America. I quote:

> First, the world's best navy—in our own waters.
> Second, the world's best air corps—in our own air.
> Third, the world's best army—on our own land.

My colleagues of the House of Representatives, there is no Member of this body who will go further than I will to bring about an achievement of those aims. This big-navy bill that we now have before us can by no stretch of the imagination come within the scope of providing the best navy in our own waters.

The advocates of this big-navy bill have based their case upon fundamental arguments, every one of which can readily be disproven by existent facts and by the testimony of the very experts who have appeared in support of this bill. The arguments that have been advanced in behalf of this unprecedented naval building program are essentially as follows: First, that these authorizations are necessary to carry on a further strengthening of our Navy; second, that an attack upon this country and its territorial possessions is both imminent and possible; third, that this big navy is necessary because of existing world conditions that endanger our national security; fourth, that this big navy is necessary to carry out our foreign policy; fifth, that this big navy is designed purely for defense and cannot in any way be considered as being an offensive building program; sixth, that this big-navy building program will provide relief through the creation of jobs for our unemployed. Now, let me analyze these six points in the light of the evidence brought forth in the numerous and voluminous writings of technical naval and military experts in recent years. It is impossible for the general public or an individual Member of this body to keep pace with current writings on these subjects, and only those who have closely followed the armaments situation, world affairs, and naval treaties in the last few years can even more than scratch the surface of the material available.

NAVAL BUILDING—A WORK-RELIEF FALLACY

Of all the arguments that have been advanced in behalf of this bill, the one that it will provide jobs for our unemployed is the easiest to answer. For that reason, I want to dispose of it first. With considerably more than 10,000,000 of our people unemployed and with more than one-third of our population ill-fed, ill-housed, and ill-clothed, creation of jobs is important. However, the expenditure of billions of dollars on naval building will not make any appreciable dent in our unemployment. It can only sap the strength of our Treasury and divert from human relief the funds necessary to provide jobs. On pages 150 and 151 of the hearings, Admiral Leahy testified that very little of the proposed building could even be started in the next 24 months. Therefore, this new program would create few, if any, additional jobs in the next 24 months.

President Roosevelt decided sometime ago to abandon the heavy works program because it was too expensive and did not furnish enough employment. For that reason the P. W. A. was closed down. As we debate this here in Washington, the C. C. C. camps throughout the country are being reduced in numbers for reasons of economy. Ship construction has one of the highest materials costs and lowest labor costs in the heavy building industry. You cannot find a naval construction expert in the whole country who would recommend this building program as a work-relief proposition.

WHY SET A SECOND GOAL WHEN WE HAVE NOT REACHED THE FIRST ONE YET?

Why this sudden demand for a bigger navy? Is it true, as the advocates of this bill maintain, that these new authorizations are necessary to strengthen our naval forces? The utter ridiculousness of such a belief is apparent to anyone who will examine the present strength of our Navy in comparison with the strength that is already authorized and which could be built up without the passage of this bill. If we already had all the naval strength allowed under present laws, or if we even had plans for the building of a navy up to the standards set by existing laws, there might be some merit in asking for an additional increase. Actually we now have neither in existence or planned a navy anywhere near the strength or size of present authorizations. Yet we are asked to set a still higher goal than the one which the Navy Department has not seen fit to even seek. We are playing the part of the small boy who has eaten his fill and has still before him far more than he could either eat or would be good for him, but he insists on refilling his plate just because the opportunity for so much food may not occur again in a long time. Our eyes are often bigger than our stomachs, and it might be well for this country to eat what it now has before it before ordering more.

In 1921 we called the Washington Conference to limit naval armaments and at that time we established treaty limits beyond which navies should not be developed. In the years following we made no effort to build up to the strength provided in that treaty. In 1934 we passed the Vinson-Trammell Act authorizing a definite strength for our Navy. Since the passage of that act our Navy Department has not seen fit to even ask for the ships that would give us a Navy equal to the strength authorized by law. Right now, under the terms of the Vinson-Trammell Act of 1934, we could have a Navy composed of the following tonnage in under-age ships:

	Tons
Capital ships	525,000
Aircraft carriers	135,000
Cruisers	343,770
Destroyers	190,000
Submarines	68,298
Total	1,262,068

As of February 16, 1938, we had an actual under-age tonnage of 862,160 tons, or 399,908 tons less than we have authorized under present laws. On that date we had commissioned, but not yet completed, 18 ships with a tonnage of 63,035 tons. That still left us 336,873 tons short of the authorizations of the Vinson-Trammell Act of 1934. That additional tonnage could be built right now, as could any tonnage that would replace ships becoming over-age, and could be done without any new authorizations. Yet we are asked to authorize an even greater amount.

Under the terms of the London Treaty of 1936 ships become over-age and can be replaced when they reach the following ages:

Capital ships, 26 years.
Aircraft carriers, 20 years.
Cruisers, 16 to 20 years, depending upon date laid down.
Light surface vessels, 16 years.
Submarines, 13 years.

It is worth while at this point to remember that there is no limit upon modernizing ships as they become over-age. A battleship, for example, can be modernized at an approximate cost of $10,000,000 and can be retained in inactive status pending a national emergency without being considered in the limitations placed upon naval strength by the London treaty. Ten battleships have been modernized already.

The Vinson-Trammell Act of 1934 authorized a $4,000,000,000 building program. The Navy Department has not seen either the need or the desirability to keep its building program up to the specifications established in this act. Year after year the Navy Department experts have appeared before our Appropriations Committee to submit their estimates and needs. In none of those years did they claim that a Navy of the full strength authorized was a necessity. As recently as December of last year and the first weeks of January of this year the Navy Department officials appeared before our Appropriations Committee to present their needs for the coming year. The same men appeared on behalf of the Navy Department in support of those appropriations as have appeared before the Naval Affairs Committee in support of this proposed increase. Less than 21 days separated their testimony on the two bills. As late as January 7 they foresaw no need for the proposed building program, yet the President's message of January 28 urged the additions and the admirals reappeared to demand its enactment as a matter of urgent necessity.

To get a complete picture of the next 5 years' building program let us see just how much building could be carried on with and without this additional authorization. Our naval experts have testified that they cannot keep up to present authorizations with the facilities now at hand, but we might as well see what actual program lies ahead of us.

BATTLESHIPS

We have under construction two battleships at a cost of $150,000,000. Under existing authorizations we could, in the next 5 years, build nine more at a cost of $675,000,000. This bill authorizes the construction of another three battleships at a cost of $225,000,000. We have appropriated part of the funds for the two under construction, but will need to make some additional appropriations for those two ships before they are completed. Admiral DuBose, Chief of Construction, testified that present shipbuilding facilities would not permit the building of all these ships unless considerable sums were spent on improving and building up naval yards. The nine ships that we could build in the next 5 years, plus the three authorized under this bill, would cost $900,000,000. Modernization of the nine present ships that would become over-age would add another $90,000,000. Appropriations to complete those now under construction and to improve the naval shipbuilding yards would swell the 5-year total to far more than a billion dollars. That includes only battleships.

DESTROYERS

Right now we have 35 under-age destroyers and we are building 49 new ones. Under existing authorizations we could have 126 such vessels. We could have 42 more destroyers without any additional authorizations, and if none of the present under-age destroyers became over-age during the next 5 years. The Navy Department has no plans under way for the building of our full destroyer strength as now authorized, yet they ask us for an authorization to increase the total by 23. A destroyer costs about $7,500,000 to build at current prices. If no appropriations were asked to complete the 49 under construction at the present time, we could under the proposed program build $486,000,000 worth of new destroyers in the coming 5 years. If we were to modernize any of those destroyers now under age, and if we allow for any appropriations to complete those now being built, we would have a 5-year destroyer program of more than half a billion dollars.

AIRCRAFT CARRIERS

We now have three aircraft carriers and have three more which are being completed. Under existing law we can have only six such craft. Under the proposed increase we could build two additional aircraft carriers at a cost of about $60,000,000. We do not know how much more we will have to appropriate to complete those now under construction, so we can just leave the aircraft-carrier item at $60,000,000.

CRUISERS

At the present time we have 17 heavy cruisers that are under age, and we have one that is appropriated for and under construction. Due to limitations on the construction of such types of naval craft, no new heavy cruisers can be built or are sought under the pending bill. We have 10 light cruisers, and we are building nine more at this time. Under the 1934 act we could have 19 such vessels. That limit will be reached when those now under construction are completed if none of those now under age become over age before that time. At least seven of these now under construction will require some additional appropriations before they reach full fighting strength. The bill before us authorizes nine more cruisers. Each of these cost, at current prices, $20,000,000 or thereabouts. That would make a 5-year total of $180,000,000 for this type of craft, exclusive of replacements of existing vessels and completion of those already laid down. Conservatively, we can place the cost for 5 years at $200,000,000.

SUBMARINES

We now have 22 under-age submarines although we could have, under the 1934 act, forty-seven. We have nine under construction now, and the Navy Department has neither asked for or considered building submarines up to the full extent authorized. Right now, without any new authorizations, we could build 25 submarines. The pending bill provides for an increase of 9 submarines, making a 5-year total, exclusive of replacements, of 34 submarines. Each submarine at current prices costs $5,500,000; total for the thirty-four would be $187,000,000. Taking into consideration appropriations for the completion of those now under construction, plus replacements, the 5-year program for submarines would amount to over $200,000,000.

The five classifications of ships which I have given by no means constitute a navy. I have not made any reference to auxiliaries, mine sweepers, mine layers, torpedo boats, light surface craft of all kinds, airplanes, and other essentials of a well-rounded and well-balanced navy. Time does not allow a detailed examination of the costs and present condition of our Navy in those categories. What I have shown is that if we pass this bill we will be authorizing a 5-year building program in capital ships, aircraft carriers, cruisers, destroyers, and submarines of more than $2,000,000,000; and that if the Navy is to be well rounded in other craft and in air equipment the cost will run as high as $4,000,000,000.

WHAT CAUSED THIS NEW DEMAND?

This sudden demand for a bigger Navy by the very naval experts who 3 weeks before the President's message saw no need for such a building program leaves one to wonder about the reasons for the change of views. Much ado was made about the reported building of superbattleships by the Japanese. Was it these rumors that caused this sudden change of policy by our naval experts? That is a ridiculous assumption upon the face, because it is disproved by all the known facts. Our Chief of Naval Operations, Admiral Leahy, testified before the committee that the only information the Navy Department had in regard to the superbattleships Japan is supposed to be building were taken from newspaper stories appearing in the European press. Our intelligence service and liaison officers had been able to find out nothing about such building. The admiral further stated that the

newspaper report came from the Italian press. Here is what is remarkable about the whole thing. The article referred to appeared in Mussolini's personal newspaper, Il Popolo, in December before the naval experts appeared before the Appropriations Committee on the 1939 Navy Department appropriation bill. They had the newspaper story at that time, yet they took no alarm over it and made no request for either superbattleships or for a navy of full authorized strength. Now the thing is used for a war scare.

In regard to this change of policy, part of Admiral Leahy's testimony is worthy of repetition. I want to quote a brief passage from the hearings, as follows:

Mr. MAAS. If this increase is so urgent as it would appear from your testimony that it is, why was the program delayed? Why was it not brought in with the regular appropriation act? Why is it being brought in now?

Admiral LEAHY. I am not accurately informed in regard to that. Presumably information received after the preparation of the Navy's budget for 1939, which was prepared several months ago, indicated to the President the necessity for an increase in the authorized Navy. Presumably he did not have that information at the time the 1939 Budget was prepared.

From the admiral's testimony there are two, and only two, possible implications. The first is that this demand for an increased navy comes not from the naval officers and is not based upon their beliefs, but that it comes from the President and the foreign policy making branch of Government, the Department of State. I do not wish to consider such an implication at this time but will revert to it later when discussing foreign policy under the proposed bill. The second implication in the admiral's statement is that changed world conditions in the last month or two have made imminent a possible attack upon this country by some foreign foe and thus have made necessary the increase in our Navy. If this is true, what change has come about in world affairs that makes attack seem imminent? What nation is preparing to spring upon us? What nation or nations could possibly attack us across the thousands of miles of ocean barrier that separates us? Those questions must necessarily be answered if we are to have any clear conception of what naval strength we may need to defend our country and its territorial possessions. That is particularly true in view of the often repeated statement that this is a navy for defense only. Will the attack come from Asia or Europe, or where will it come from?

THE NIGHTMARE OF INVASION

Japan is the only naval power in the Orient and she is now engaged in a desperate struggle against China. In addition to that fact, she has at her very doorstep a traditional and powerful enemy—Soviet Russia—whose interests and natural spheres of interest coincide with those of Japan. Russia and Japan are rivals not only for trade but also for territory, and Russia has made no effort to mask her antagonism toward Japan. The present Sino-Japanese war has taken a terrific toll on the resources of the Japanese and the war is not over. No responsible student of far eastern affairs can imagine Japan turning her eyes away from her natural spheres of interest in the Far East to carry on an attack against the richest and most powerful nation in the world lying more than 6,000 miles across the waters. No one familiar with the far eastern situation would consider Japan as likely to attack the United States and thus leave her forces divided against a Russian attack on her back. Not even the most foolhardy nation would attack a far more powerful nation upon her own ground unless there was a considerable prospect of success.

The nightmare of foreign invasion is based largely upon too much eating of propagandist doctrines as they emanate from the pens and mouths of our economic imperialists, shipbuilders, munitions makers, quack patriots, jingoists, and professional newspaper sales experts. A war against this country could not be won by one air raid or a series of air raids, or by one naval attack or a series of naval attacks upon our harbors. It would take an actual occupation of our country by an enemy force to bring about a victory over us. Every nation on earth realizes this and none of them would carry on punitive raids against our cities, our sea coasts, and our territorial possessions unless they planned to actually occupy the territory attacked and make it a base of war operations. Our fleet could engage another fleet on the high seas and be entirely destroyed, but we would not be defeated because we have the material resources and the capital to build our fleets anew. A city or several cities could be attacked from the air, but we would still be far from being defeated. To actually defeat us they would have to come over here and defeat us right where we are strongest—on our home ground—and where they are the weakest because they are thousands of miles away from their sources of supplies, both human and material.

THE DANGER OF JAPANESE ATTACK

Our naval officials regard the Japanese as our potential enemies and for that reason concentrate our sea forces in the Pacific. Let us survey our insular and other possessions in the Pacific. Nearest to Japan we have the Aleutian Islands and Alaska. The approach to the Aleutians and Alaska from Japan is guarded 80 percent of the time by dense fogs which make military operations nearly impossible. In addition we have military and air bases from which to operate our defense forces. If those bases are not strong enough at the present time they can be strengthened, and that strengthening is not considered in the present bill.

In the far Pacific we have the island of Guam. It is a tiny island of less than 206 square miles without resources to support a naval or military base. It is located right in the middle of the Japanese mandated islands and could readily be attacked by planes operating from the Japanese controlled islands. Guam is located 5,063 miles from San Francisco and more than 4,000 miles from our nearest naval base at Pearl Harbor in the Hawaiian Islands. From a defense standpoint we would have no possibility of defending Guam even if we had twice the Navy we would have under the present bill. However, from the defense standpoint Guam offers little in the way of a rich prize to any power who might be casting about with covetous eyes for more island possessions. Certainly Guam would never be made the cause of a war between Japan and this country. The game would not be worth the cost. Scattered around over the broad expanses of the Pacific we have a number of tiny islands which have been claimed through the efforts of the Navy Department in past years. In fact, two such tiny islands we have just claimed and are now engaged in a friendly dispute with Great Britain over them. These tiny islands are practically worthless from either an economic or defense standpoint. For example, Wake and Midway Islands are nothing more than small coral reefs capable of supporting no kind of a military garrison and having no possibilities of development as naval bases. Japan has a host of similar islands that she cannot use, and she would hardly declare a war on us to get a few more.

The next point of possible attack is the Hawaiian group. The principal island of that group is Oahu, and upon that island we have our greatest naval base—Pearl Harbor, and our strongest Army post—Schofield Barracks. The island of Oahu, both because of the strong defense bases we have erected, and because of the natural terrain, is impregnable. To attack the Hawaiian Islands Japan would have to cross 3,300 miles of ocean from its nearest naval base. Naval experts have repeatedly stated that a fleet loses 40 percent of its efficiency by the time it travels 3,000 miles from its base. To attack Hawaii the Japanese Fleet, which is far smaller than our own, would have to meet our fleet and air forces operating from land bases. Even after defeating our fleet, if that were possible, they would have to land troops on a heavily fortified island manned by a large garrison. As long as we continue to keep Pearl Harbor as our greatest naval base, and as long as we continue to keep Schofield Barracks as our greatest Army post, Hawaii is safe.

The scaremongers have talked about Japan attacking the Panama Canal Zone. Here are the difficulties that lie ahead of such an attack. The Canal Zone is fortified and has an air base as a part of its protecting force. If additional fortifications are needed and if the air base at Coco Solo is

weak, it should be strengthened, but that is not a matter coming under the naval bill we are discussing. It is 8,000 miles from Japan to the Panama Canal. Our great naval base at Pearl Harbor lies directly between the two points. A Japanese fleet leaving its home base would have an effective strength of only 60 percent when it reached Hawaii and our fleet there, and if the Japanese fleet could evade our Navy at sea it would have an effective strength of less than 30 percent when it reached the Panama Canal Zone. In this weakened condition it would have to face our defense forces located in the Canal Zone plus our naval strength from the mainland which would be sent down to protect the Canal Zone.

THE 5–5–3 RATIO FOR DEFENSE OR OFFENSE

Before leaving the Pacific it is worth while to look into the matter of relative naval strength between Japan and the United States. Our present naval strength exceeds that of Japan on an 11 to 7 ratio. In addition, we have our naval base at Pearl Harbor to base a fleet almost halfway to Japan. Admiral Leahy testified that our own Navy could not travel across 6,000 miles of ocean and attack Japan with any reasonable assurance of success. How then could a far smaller Japanese Navy cross the same ocean and attack us?

Lately we have heard a great deal about the 5–5–3 naval ratio established at the Washington conference. We are told that we need to have a bigger Navy now because Japan has exceeded the 5–5–3 ratio. When the Washington conference was called in 1921 the actual ratio between Japanese, American, and British Navies was about 5–5–3. At that time we had the Philippines which we were bound to protect and defend. The 5–5–3 ratio was one figured out by naval experts as about the ratio that would keep one naval power from being able to attack another naval power. To protect the far-off Philippines we had to have a ratio of 5 to 3 with Japan. Our admirals seem to have overlooked that point when they now tell us that we need to have a 5 to 3 ratio with Japan to keep her from attacking us, while the same ratio makes it impossible for us to attack Japan. The same ocean lies between us no matter which one does the attacking.

THE DANGER OF ATTACK FROM EUROPE

If the attack that our big-navy advocates fear is to come from Europe, the Navy Department is strangely remiss in its duties when it keeps almost our entire fleet in Pacific and Asiatic waters. Possibly they do not fear a European attack; and if one looks over the European situation, he will see good reason for such a state of mind. In the first place, the only European powers that have a navy worth considering are Great Britain, France, Italy, and Germany. Germany, Italy, and France all have navies far inferior to our own. All three have enemies near at home against whom they must continually be on guard. None of them would consider sending a fleet against this country. If all three chose to join together in an attack upon us, they would still lack both sufficient naval strength and sufficient merchant tonnage to carry on operations. Great Britain is the only naval power with a sufficiently strong navy to attack us, and even then we would have a superiority when operating from our own shore bases. Everyone realizes that there is no danger of attack from Great Britain, and everyone knows that we are on the best of terms. However, the scaremongers continue to have a fear; so we must, I suppose, regard Great Britain as a potential enemy. She has a colonial empire scattered all over the globe which she must protect. To protect her colonial empire she has to divide her naval strength to keep part of it in the Mediterranean, part of it in Asiatic waters, and part of it in the Atlantic Ocean and North Sea. To attack this country, Britain would have to mass her fleets, thus leaving without naval protection her world-wide colonial empire, and would have to project her fleet and armies into the Atlantic, while leaving her own coast and territory unprotected from possible foes in Europe.

THE DIFFICULTIES OF FOREIGN INVASION

Those who have not studied the voluminous writings and reports on naval operations and the landing of expeditionary forces can scarcely realize the utter impossibility of carrying out an invasion across thousands of miles of ocean barrier against a well-armed, rich, and powerful nation having coastal fortifications and a navy of great strength.

Scaremongers have cited the Japanese invasion of China as an example of what a militarist power could accomplish in the way of an invasion against this country. They have cited the example of the Japanese Navy bombarding Chinese cities and of the Japanese Navy landing troops and supplies in war-torn China. Actually, there is a great distinction between a Japanese invasion of China and a Japanese invasion of either our country or any of our territorial possessions. Admittedly, any nation having a coastal frontier is weak unless it has a navy and unless it has well-equipped coastal fortifications. But you must remember that you cannot put a battleship on the land to protect yourself from an attacking party that comes by land.

China had neither fortifications nor navy to prevent the landing of troops from the water. In addition, Japan did not have to rely upon landing troops from ships to carry on her campaign against China. As a matter of fact, the Japanese invasion of China was a land invasion operating from a previously established and well-developed land base in the puppet Japanese state of Manchukuo. The Japanese Navy has been used in Chinese rivers only because the land armies had already gained control of those rivers or because the rivers had no fortifications that made impossible the use of warships. Japan, on starting her invasion of China, had at her command ports with ample dockage, railroads, and other essentials required to land large numbers of troops and huge quantities of supplies. In addition, Japan had a friendly welcome awaiting her troops and supplies at those ports. Any nation attempting to invade our country would have none of those assets. On the contrary, she would have to meet our Navy and air forces before her ships could get close to our ports; then she would have to meet and overcome the attack carried on from our coast-defense stations and from our military forces. All these defense forces would have to be met before they could land a single man.

There is only one example in modern history of an attempt to land troops on a hostile shore. That is the ill-fated Gallipoli campaign of the World War. The British, in order to secure control of the Dardanelles, decided to send an expeditionary force of 30,000 men. Trouble arose immediately over the service of supplies. Each transport had to be made self-sufficient for the voyage. A base somewhere near the proposed landing place had to be selected. The British at first decided to use the port of Alexandria as a base, because it had all the equipment and facilities necessary to handle such an expeditionary army. The port of Alexandria was found to be too far from the zone of military operations, and so they decided to use Mudros Bay, in the Lemnos Islands. Mudros Bay was big enough to accommodate the fleet but lacked dockage and other facilities. However, it did have the advantage of being only 55 miles from where the British wanted to land their troops. Great Britain had absolute control over the seas, and no opposition was made to the establishment of the advance base in Mudros Bay. Finally, when all was ready, they started the invasion by crossing the 55 miles of ocean. The rest is history. Shore defense sunk three proud battleships and wreaked havoc with the invading forces. After terrible sacrifice of life had been made a landing was established. The military campaign started and was prosecuted for some time. Difficulties in keeping the troops supplied and the hardships of operating at so great a distance from the home base caused the abandonment of the Gallipoli campaign.

The bogey of invasion can well be quieted in the breasts of those who are so greatly alarmed over the possibility, if they will only study the wartime records of our own American Expeditionary Forces. We entered the World War as the ally of the powers controlling the seas. To transport our troops and supplies we had available the combined tonnage of our allies plus the tonnage we were able to provide for ourselves. We seized all the German ships in

our ports when the war broke out, we leased and borrowed ships from neutral nations, we diverted our merchant tonnage from its ordinary tasks to be used for military transport, and we built new ships. No German fleet roamed the seas to intercept our transports, and we had all our allies' war vessels plus those of our own to convoy our transports and protect them against submarine attack. When they arrived in Europe they entered French and British ports, where there was every possible facility awaiting to help unload them. There were no coastal fortifications to be overcome. The British and French welcomed our troops and supplies with open arms. In spite of all those things, the best we could do in December 1917, 8 months after we entered the war, was to send across 49,515 men. By April of 1918 we had increased our record to 118,642 men in 1 month. In July of 1918, after more than a year in the war, we reached our peak and were able to send 306,500 troops across the Atlantic in the 1 month. Even then we were fortunate in that we sent almost wholly an infantry army. We used our allies' cannons and airplanes, and most of our heavy equipment we borrowed from them.

In the month of July 1918, when we sent 306,500 men to France, we used 403,000 tons of shipping to carry them. In the same month we used 1,350,000 tons of shipping to carry supplies. The War Department in 1919 published a report by Leonard P. Ayres titled "The War With Germany: A Statistical Summary," which gives all these figures. Even the Ayres report fails to show properly the impossibility of any country being able to send an army across either the Atlantic or Pacific of sufficient strength to defeat us because it does not show how far we missed being able to supply our own troops in France, due to a shortage of merchant ships. General Dawes, in charge of the service of supplies during the World War, and later Vice President of the United States, testified before a Senate committee in 1919 in regard to the difficulties we had in keeping our troops supplied. I want to quote a brief passage of his testimony as it appears in the Army hearings, United States Senate, 1919, pages 1707–1708. I quote:

> Owing to the lack of shipping facilities from the United States, it was possible for the American Expeditionary Forces to secure, during the first 7 months of its existence, less than 500,000 ship-tons of material from the United States. * * * It was necessary, during that same time, for us to secure from France, which was largely stripped of supplies, and from Europe over 2,000,000 tons of supplies. During the 19 months, I think it is, from June 1917, when we first landed, to December 31, 1918, it was possible to ship from the United States to our Army only about 7,600,000 ship-tons of supplies, whereas the Army secured for itself, under emergency over there, 10,000,000 tons of material and supplies during the same period.

That was the testimony of the man who actually had charge of our wartime shipments and is not the fanciful dreaming of a swivel-chair tactician.

Upon the basis of our wartime experience it has been figured that it would take 3,600,000 tons of shipping to carry an army of 300,000 men across the ocean with sufficient supplies to allow them to operate. The average merchant vessel has a displacement of about 6,200 tons. At that rate it would take 580 transport ships to carry 300,000 men across the ocean with the supplies necessary to put them in the field. In addition, the invader would have to provide an armed convoy for those merchant vessels big enough to defeat our fleet, guard from submarine attack, and protect the merchantmen from attack from the air. Those transports would be unarmored and would be easy prey for our air forces. After all those difficulties had been overcome the invaders, with their vast armada, would have to overcome our coastal defense, our air fleets working from nearby land bases, and our military machine which would be ready to prevent the landing. The invaders would find a population not ready to hold out welcoming arms, but ready to fight to the last ditch to keep them from landing on our shores.

The efficiency of an invading force decreases every mile as it leaves its home base, while the efficiency of a defending force is proportionately increased as it works closer to its own base. The invading army which the scaremongers envision would meet our defense forces at the time when we were the strongest and they were at their weakest. For those of you who have any real interest in the efficiency of coastal defenses I wish to quote a brief passage from the work of the British naval expert, Hector Bywater. It is found on pages 249 and 294–295 of his book, Sea Power in the Pacific. I quote:

> Guns mounted on shore are on an unsinkable and steady platform, where they can be provided with unlimited protection and accurate range-finding devices. Guns mounted on board ship are on a sinkable, unsteady platform, their protection is necessarily limited, and methods of range finding afloat cannot be brought to the same degree of perfection as on shore. The shore gun of equal power has therefore a great advantage over the gun mounted on shipboard, an advantage which is increased if the former be mounted on disappearing carriages, as are the seacoast guns of the United States. * * *
>
> Guns mounted ashore in emplacements protected by massive armor and concrete are almost impossible to put out of action, and * * * their fire can be directed with extraordinary precision even at the longest ranges. An equal degree of accuracy can never be attained when firing from a ship. During the Great War coastal bombardments were reduced to a fine art in the Dover patrol, yet, according to Admiral Bacon, the mathematical chance of hitting a lock gate at Zeebrugge—a larger target than would be offered by a gun mounted ashore—assuming absolutely accurate aiming, was once every 67 rounds. But since aiming from a ship at sea can never be quite accurate, the chances of making even this limited number of hits from a moving platform are substantially less than the mathematical calculation would suggest. At the same time the formidable nature of fire from heavy-caliber guns mounted ashore was repeatedly demonstrated in the operations off the Belgian coast. On one occasion the monitor *Lord Clive* was heavily shelled by the German batteries at ranges between 18,000 and 22,000 yards, the salvos falling with uncanny precision and several direct hits being made. It was found subsequently that the German 12-inch and 15-inch guns could make very straight shooting up to 32,000 yards. The new American 16-inch 50-caliber gun at full elevation would have a range of 45,000 yards, and a single hit from its 2,100-pound shell, descending at a very steep angle, might prove fatal to the largest battleship. A limited number of these weapons, so mounted as to command the line of approach * * * would probably suffice to keep the strongest fleet at a respectful distance. * * *

A NAVY NOT FOR DEFENSE BUT FOR OFFENSE

As long as we maintain a Navy at the present strength there is no nation on earth that can invade our country. If we would build up our Navy to the full strength already authorized, but which has never been attempted, we could rest doubly sure in the knowledge that foreign invaders could obtain no foothold. If we strengthen our coastal fortifications and complete the modernization of our Army which we now have begun, we can rest secure in the knowledge that we can protect ourselves. Improved coastal fortifications and a modernized army will give us national defense, but they will not improve our strength for operations all over the face of the globe. This bill that we have before us is designed for only one thing—for America to accept the role of international policeman. It far transcends the role of America as protector of the Western Hemisphere. We already have authorizations to increase our Navy to a point far beyond any strength ever planned by our Navy Department, yet we want to increase even that far-distant goal.

The advocates of this big Navy constantly maintain that it is intended only for national defense. Defense of what? Is our conception of national defense one of policing the world, of enforcing collective security by sending our ships and our boys to far-off wars in order that the world may be made safe for those who have already seized all the territory upon the globe for their national enrichment? Are we to project ourselves into the struggles of Europe in which we have, and can have, no material interest? Are we to attempt a seizure of the European balance of power at a cost of hundreds of billions of dollars and the loss of thousands of lives? Are we planning to dictate the forms of government for the peoples of Europe and Asia after we have established the principle of independence and the establishment of the right of self-determination? Those are the very questions that we are deciding here today.

The testimony of naval experts ever since the World War shows conclusively that the Navy demanded by this bill is

not one of national defense but one of offense. That naval testimony shows that this bill is designed to give us not a Navy to protect ourselves from attack but one enabling us to carry on naval and military operations in Europe and Asia. It is designed to give us a Navy sufficient in strength to allow us to play the role of the international policeman.

This big Navy bill goes far beyond the limits of the so-called treaty Navy. It goes far beyond the 5–5–3 ratio established at the Washington Conference. Admiral Leahy, testifying before the Naval Affairs Committee, stated:

The so-called treaty Navy established by the Treaties of Washington, 1922, and London, 1930, and authorized by the Vinson-Trammell Act, was at that time considered to be sufficient in strength to provide adequate defense against attack by any single naval power, and not sufficient in strength to carry an attack to their shores. The Navies of Great Britain, the United States, and Japan were by these treaties fixed at a strength of 5–5–3.

Now remember, at the time of the Washington and London Treaties we were obliged to defend and protect the Philippines from any foreign invasion. Since then we have granted the Philippines the freedom they so ardently sought, and by that act we have reduced our defense line 4,800 miles. Our actual defense needs are far different today than they were in either 1922 or 1930. It is a peculiar fact that our naval experts today talk about the 5–3 ratio with Japan as being one which would allow another nation to defend itself but which would make it impossible for one nation to carry on operations against the other in her home waters. Those statements do not bear out the testimony in previous years of a great many of our naval experts. Through the years since the Washington Treaty was signed our naval experts have repeatedly testified that a 5–3 ratio with Japan would give us a fleet sufficient in strength to meet Japan in oriental waters upon an equal basis but which would leave Japan on a 1½–5 ratio if she sought to attack us at home. Today we are being asked to go far beyond even the 5–3 ratio.

Admiral Hillary P. Jones, chairman of the executive committee, General Board, United States Navy, America's technical expert at the Geneva Conference, testified before the subcommittee of the Committee on Appropriations of the United States Senate, Sixty-ninth Congress, second session, 1927, pages 125 to 126, that with a 5–3 ratio Japan's strength in any attempted attack on the United States would actually be 1½–5. I quote:

Admiral JONES. I personally think that the arrangement made in the Washington Conference with Japan in regard to our bases, and so forth, in the western Pacific, the 5–3 ratio with Japan virtually amounts to a 5–5 ratio, so far as we are concerned.

Senator HALE. How do you mean?

Admiral JONES. In any campaign in those waters, with their bases close by, and our inability to have bases west of the Hawaiian Islands, that would bring the strength of Japan practically to a parity with us.

Senator HALE. If we had a navy five-thirds of the strength of Japan's Navy, and it were used in Japanese waters, the two navies would be substantially on a par?

Admiral JONES. Practically a par.

Senator HALE. And instead of being 5–3 it would be 5–2 or 5–1½.

Admiral JONES. Something less; that is my personal feeling about it.

In 1929 Secretary of the Navy Wilbur, testifying before the subcommittee of the House Committee on Appropriations (Hearings, p. 51), pointed out that the 5–3 ratio made us equivalent in Japanese waters to the Japanese fleet. He said:

In other words, taking our battleships, for instance, as a whole or in our home waters, and they are superior to the Japanese battleships, not only from the ratio of 5–3 but more than that, because of their distance from base. On the other hand, it is believed that with our lack of bases our battleship fleet in Japanese waters would be about equivalent to the Japanese fleet because of their proximity and our distance from base. It was on that theory, as I understand it, that Japan yielded us superior tonnage; we have yielded on the question of the establishment of bases in the Philippines. I state that because sometimes that obvious qualification or reservation is not noted or recognized.

Appearing before the Committee on Foreign Relations of the United States Senate, Seventy-first Congress, second session, on treaty limitations of armaments, Admiral Bristol testified that a 5–3 ratio with Japan made it possible for an American fleet to operate in far eastern waters. On pages 115–116 of those hearings you will find his statement as follows:

If any difficulties should arise between Japan and the United States that might result in war or even threatening war, the United States would necessarily have to carry the campaign into the waters of Japan. * * * I think with the ratio of 5–3 and with the fleet that the General Board has recommended that we would have an equal fleet with Japan in a campaign.

Before the same Senate committee Admiral N. M. Taylor stated as follows:

In case of war in order to protect our interests in the Far East, it would mean the establishment of a strong naval force in that area. That means the transportation of the fleet with all its supplies across 7,000 miles of ocean * * *; it means the transportation of a very large and very cumbersome force across the Pacific. With the 5–3 ratio it was possible.

Now remember that all those statements were made when we were obliged to defend the Philippines and when our naval policy was based upon a campaign of defense of those islands.

The big Navy bill that we now have before us authorizes the construction of a fleet far greater than the 5–3 ratio with Japan, which our naval experts have so consistently maintained would give us equal strength in Japanese waters with the fleet of Japan, and which would give us a 5–1½ superiority should the Japanese fleet attempt to engage us in our own waters. This big Navy proposed in this bill can, by no stretch of the imagination, be considered as a defense Navy only.

WHAT FOREIGN POLICY DEMANDS THIS SUPERNAVY

Our President, our Secretary of State, and some of our naval officials have stated that no agreement, alliance, or plan of united action between this country and Great Britain has been agreed upon. That is undoubtedly a complete and exact statement of the case. Yet when the President submitted the big Navy request to Congress the press of Great Britain hailed it with unbounded rejoicing. Dispatches from London read as follows:

LONDON, January 28.—Britain was quick tonight to catch the significance of President Roosevelt's call for the vast expansion of the United States Navy. * * * It was almost as if Britain had won a war victory. For Britain calmly assumes that every new American battleship, every cruiser, destroyer, and airplane helps to safeguard the security, not only of the United States but of Britain and all peacefully intentioned nations.

Other London papers envisaged the day when the American fleet would be strong enough to police the Asiatic waters leaving Britain's fleet to be concentrated in the Atlantic and Mediterranean.

The great British naval base at Singapore has now been completed and formally opened. Less than 5 days ago high British authorities announced that the facilities of the Singapore base had been offered to the United States Fleet. Our Navy thus secures a parallel action base right in Japan's backyard. The Singapore base will accommodate the largest fighting craft afloat. Britain and the United States acting together in the Far East, using Singapore as a naval base, can dominate the Orient. By building this supernavy and by accepting the British offer of Singapore we not only cast ourselves in the role of the policeman, but we grab for the gun and the club that goes with the role.

OUR NAVAL POLICY

Section 9 of this bill defines what is supposed to be our naval policy. If this section had been deliberately designed to leave us as free a hand as can be imagined no better wording could have been found. This section declares that our naval policy shall be:

First. To maintain a Navy sufficient in strength to guarantee our national security, not for aggression, but to guard the continental United States by affording naval protection to the coast line, in both oceans at one and the same time.

Second. To protect the Panama Canal, Alaska, Hawaii, and our insular possesions.

Third. To protect our commerce and citizens abroad.

Fourth. To insure our national integrity.

Fifth. To support our national policies.

This bill states that we are to maintain a Navy sufficient to protect both our coast lines at one and the same time. Admiral Leahy and others testifying before the Naval Affairs Committee repeatedly stated that the Navy Department did not propose in this measure the creation of a two-fleet Navy. They repeatedly stated that the Navy Department had no plans for dividing the fleet now stationed in the Pacific. The inference is that we can depend on Great Britain to defend the Atlantic while we clean up in the Pacific.

This section of the bill specifically provides that we shall maintain a Navy sufficient in strength to protect not only Alaska, Hawaii, and the Panama Canal Zone, but all of our insular possessions. That establishes a defense line as far west as the tiny island of Guam. Guam lies in the midst of the Japanese Pacific islands, 4,000 miles west of our naval base at Pearl Harbor. A worthless island from an economic and strategic standpoint is not worth using as a defense line. Guam cannot provision or supply a fleet and the only harbor is valueless for a battle fleet engaged in war operations. The protection of all our island possessions includes our coral reefs that the Navy Department has been able to pick up either by its own efforts or through the services of the Department of Commerce. If we are to establish a defense line, let us establish one that we can defend, one that keeps us within the Western Hemisphere, and one that keeps us out of the Far East, where we have no interests to merit such an intervention. By establishing a western defense line from Alaska and the Aleutian Islands to the Hawaiian Islands and then east to the Panama Canal Zone, we can establish a line that will give us far more national security and which will remove us from the controversies of the Far East.

This naval policy section of the bill states that our Navy is to protect our commerce and citizens abroad. That can mean everything or it can mean exactly nothing. If our policy is to use our Navy in evacuating nationals from war zones and to protect our commercial interests from piratical or other outlaw attacks, then it is a fine policy. If our Navy is to be used to protect our nationals who insist on staying in war zones, and if it is to be used in protecting our commerce by convoying it through zones of belligerent operations, then the policy can be nothing more than one which will draw us into other peoples' wars.

This naval policy section states that our Navy is to insure our national integrity. No one questions that part of the bill. Our national integrity has not been challenged since the War of 1812, when the British landed troops on our shores and engaged us in a military campaign.

The crowning glory of the policy section is the statement that our Navy is designed to "support our national policies." As a statement of national defense aims that is the crowning achievement of this bill. We follow what is known as a day-by-day foreign policy. We do not have a long-range foreign policy. Our policy shifts and changes, not only from administration to administration, but often during the incumbency of one administration. Under this section of the bill our Navy is to be used to carry out the plan of parallel action with the British that so many fear, join in an action for collective security, make the world safe for democracy and vested interests, or to do anything under the sun that this or any other later administration may decide is our national policy on any given day.

Of course the bill states that this is not a Navy for aggressive purposes. If you will but turn through the pages of history from the days of the Pharaohs in Egypt to the present time you will not find one single war that was an aggressive war. No country in history has ever waged a war that they claimed was a war of aggression. Germany during the World War fought a defensive war according to her officials and popular beliefs. France, England, and the Allies all fought a defensive war. Recently when Mussolini invaded Ethiopia he stoutly maintained that it was not a war of aggression. Even now the Emperor of Japan, according to his story, is not engaged in an aggressive war on China. Every nation justifies its every war upon the grounds that it is a war of national defense.

As we debate this bill Europe is in a state of upheaval. A new chapter in the ever-recurrent European struggle for supremacy and for the balance of power is being written. There are those who will tell you that the present European shifting in the balance of power makes necessary this naval expansion bill. If their views are correct just what in that upheaval makes it the particular business of the United States? Why should we be asked to go over there and straighten out their family quarrels? Why should we project ourselves in the European struggle for power when all those nations already owe us great sums of money we loaned to them the last time we went over there to make the world safe for democracy?

It was Thomas Jefferson, the founder of the great Democratic Party, who in 1792 said:

> We surely cannot deny to any nation that right whereon our own Government is founded—that everyone may govern itself according to whatever form it pleases and change these forms at its own will.

I am opposed to this bill because: First, it is unnecessary from the standpoint of actual national defense. Second, it places this country in the leadership of the world armament race. Third, it intensifies international rivalries instead of encouraging good will among nations. Fourth, it propels us into Asiatic and European power policies in which we have and can have no real interest. Fifth, it weakens our national defense by extending our defense line rather than contracting our defense line to the Western Hemisphere.

[Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from Ohio [Mr. KNIFFIN].

Mr. KNIFFIN. Mr. Chairman, I have asked for this time so I may discuss but two phases of the pending measure.

I have spent some time at sea making submerged runs in submarines and riding on destroyers, light cruisers, heavy cruisers, and superdreadnaughts, and I have flown in naval aircraft. I regret I am unable to follow some of my good friends in the belief the battleship no longer has a vital place in a well-planned fleet. I believe it has.

Since coming to this House I have supported every measure for national defense by land, sea, and air. I favor air defense, and I would go further than is provided in this bill. I would build two or three rigid lighter-than-air ships, because I do not believe we have yet ascertained the military value of ships of that character.

Moreover, I do not believe a bomber can yet conquer a capital ship. I believe in a direct conflict between navies, when heavy and light cruisers are plunging into the sea and destroyers are rolling over, when the oil of submarines is rising to the surface as the result of the use of depth bombs, when swift carriers are running to cover, and when the air is filled with airplanes and fragments of airplanes tumbling from the skies like snowflakes, the almost invincible superdreadnaughts will continue to angrily belch forth their thunderous and deadly fire, inflicting terrifying punishment upon the enemy. This is my view, because the sturdy dreadnaughts are built and equipped to do the greatest damage and to put up the most stubborn resistance.

I believe, too, that as long as we have navies and a use for navies, due regard should be had for a proper ratio of those fighting fortresses. They are all-weather instruments. They can go anywhere at any time, cutting their noses through heavy, rolling seas to hold a position when other ships must stay at their bases on account of weather conditions.

The other phase of the bill I desire to discuss is to be found in section 9, the so-called policy section. We have listened to the profoundly interesting and elucidating remarks of the gentleman from New York [Mr. WADSWORTH]. Early in his remarks I thought he was finding fault with an amendment which I shall offer, but later when he emphasized again and again the fact our interests are in the Western Hemisphere, I thought perhaps he was speaking in favor of the principle at least of the amendment I shall offer.

I dislike to find myself somewhat in disharmony with my able and estimable chairman, of whom I am so very fond,

on the question of policy. And I hesitate to present my views as against his superior knowledge because he is the best-informed man in this country on naval subjects. His policy section does not go far enough, however. Moreover, I am opposed to some of the language in it because there is intense confusion in the minds of our people as to why we are to authorize this additional naval strength, especially as we are not an empire and do not want to be one.

Until a short time ago few Americans realized we maintained a fleet of more than 40 fighting ships in Chinese waters. Since this realization has been driven home by the succession of dangerous incidents in China involving our ships and soldiers there has been an increasing demand by the people of the United States that we get out of there.

What do we intend to defend? What trade treaties are we risking war to maintain? To what extent will we share policing of the world? To these questions the American people demand an answer because aggression is on the march throughout the Eastern Hemisphere. When other countries see us arm heavily they will act on the risk and increase their armaments.

The first essential of peace in international affairs is the clarity of the Nation's policy. The policy of the Monroe Doctrine has not been violated because the world has known for more than 100 years that we meant it. It was definite, too.

Somehow we have become more or less committed to a dangerous aggressive policy. This has taken place quietly during the past 40 years without the knowledge or approval of the American people. I am not charging President Roosevelt or Secretary Hull with having brought about this condition because it was inherited by them.

The only way for us to keep out of another war is to keep our ships out of it. All of this talk that we must send our Navy 10,000 miles from home to fight a defensive war is palpably absurd. The only reason we ever send men overseas is to defend somebody's investment.

In order to invade our shores another nation would have to land at least a million men here all at one time, together with supplies and other things. No navy on earth could carry fuel enough to cross an ocean, do material injury to us, and return home. Of course, no air squadron in the world could carry fuel and bombs enough to cross the ocean, attack us, and return home. Moreover, if nobody is going to come over here to attack us, why on earth should we sail across the seas to kill others just to protect somebody's investments? Anybody who sends money to Europe or Asia as an investment should assume the risk. The theory that the United States should follow its nationals into dangerous places when by so doing the peace and safety of our country are endangered is unsound and indefensible. It is abominable.

Judging from the way things have been drifting, the task of keeping America out of the next big war rests with the masses unless the Congress will rise to the responsibility which the Constitution enjoins upon it and make rules for the government and regulation of the Navy.

Everybody concedes the right of a person to keep a good watchdog to guard his home, but nobody concedes the right of that person to send his dog far away from home to intimidate or bite someone.

We should build up our national defense on the basis of our frontier and not somebody else's. Why not be for America first? The testimony before the committee indicates we are in greater danger of war at this time than at any time since the last one. After studying the results of the last conflict we ought to be practical about this matter. The results of our contribution to the last war are now self-evident. If we are closer to war than we were 25 years ago, it is because a condition has been permitted to develop slowly, contrary to the wishes of the American people.

Our defensive forces are scattered all over. Nowhere are we properly protected. Our forces in Asia are there defending interests that belong largely to Europeans.

I shall offer an amendment when this bill is read. The amendment I shall offer will provide a bulwark of defense for the United States. All of the testimony shows that even with this large increase in naval strength we could not win a war in Asia or Europe, so why meddle any longer? We should look after our own frontier and make it impenetrable. My amendment will do that very thing, and, too, it will amount to a guaranty that the United States will not become involved. The will of the great majority of our people should not be longer ignored. A strong navy and no more foreign entanglements is what our people want.

We should be the first nation in the world to practice what we preach, because we are best situated to do so. We can and must set a new example to the world—one that is honorable and just and one that indicates clearly we will look after our own peace and our own business and will not fight any more unless some nation looking for trouble seeks to penetrate our frontier, in which event we will be prepared to blow them out of water.

We will tell the world where our frontier is and just what we intend to do about it—maintain it inviolate against any foreign foe. We will tell them, as President Monroe did, but we will write it into the law of the land so officials and unofficials not chosen by the people cannot misstate their will. The people of this country will no longer stand for unofficial ambassadors slinking about creating fear and perhaps attempting to tie us up with foreign war plans.

We are not interested in defending any empire. Despite this fact, we are at the present time participating in the defense of empire interests. The adoption of my amendment will result in a speedy return trip of our so-called Asiatic Fleet, which less than one-half of 1 percent of our people knew anything about until the *Panay* was sunk.

The presence of our forces in Asiatic waters stands as a constant menace to our peace and is strictly contrary to our traditional policy, the policy upon which we have reared this great Nation.

The adoption of my amendment will be proof to the world that we have no thought of attacking any nation. Moreover, it will have a wholesome effect upon the attitude of the people toward the Navy, as they, who pay for the Navy and its maintenance, are strongly opposed to its further misuse. We have come to a place where they really want to know for what it is to be used, and they are in dead earnest. [Applause.]

Mr. SCOTT. Mr. Chairman, will the gentleman yield?

Mr. KNIFFIN. I yield to the gentleman from California.

Mr. SCOTT. Would the gentleman advise the United States to give up what is commonly referred to as the open-door policy in China?

Mr. KNIFFIN. I would advise the United States to give up the open-door policy in China when the maintenance of the open-door policy in China jeopardizes the peace and safety of 130,000,000 of us here in America. [Applause.]

Mr. WITHROW. Mr. Chairman, will the gentleman yield?

Mr. KNIFFIN. I am pleased to yield to the gentleman from Wisconsin.

Mr. WITHROW. What does the gentleman believe this Nation would do if Japan, for instance, should station four gunboats in the harbor of San Francisco, ostensibly for the purpose of protecting Japanese interests in the United States? How would the people of this Nation feel, and what would we do if such a situation should arise?

Mr. KNIFFIN. We would use our naval forces, take shotguns, or any other available means necessary to eliminate such a condition.

Mr. WITHROW. Is it not fair and reasonable to assume that other nations feel the same way when we station our gunboats in their waters?

Mr. KNIFFIN. There can be no question about it. If we insist upon our policy of the Monroe Doctrine in the Western Hemisphere, why deny the right of a similar policy to those in the Eastern Hemisphere? [Applause.]

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I congratulate those who can make up their mind readily in this matter. The few

words I shall speak, I hope, will express the views of some of us who are still doubtful. I pray that I may keep an open mind for at least a day or two longer, but after the most persuasive speech of the gentleman from New York [Mr. WADSWORTH] perhaps we ought no longer hesitate to support the bill. However, I wonder if many of us are yet fully convinced? I sometimes fear the influence that the gentleman from New York [Mr. WADSWORTH] has upon me, I admire him so much, and I recognize his great ability. But he did not particularly discuss the measure now before us. He made strong declarations with reference to the Monroe Doctrine, and many of you who applauded his statement must keep in mind that because of the Monroe Doctrine it might become necessary to build this supernavy.

With dictatorships over much of South America and with the sympathy and open hearts, many of those nations seem to have for the doctrine of dictatorships, I sometimes wonder if they wish us to interfere.

However, if we are building a navy for South American countries, that is one thing. If, as the chairman of this committee says, we are building a navy for the continental United States only, or as the gentleman from Texas [Mr. MAVERICK] says, to protect merely this country over which he placed his hand on the map, that is quite another thing. But we of the doubters want to know the necessity for this huge expense at this particular time.

We wish to be extremely careful that we are not bluffed, as the gentleman from New York [Mr. COLE] stated, and our attention diverted from our very, very serious domestic difficulties. It is an old method of governments thus to divert attention when critical conditions exist at home. Our attention was indeed diverted in October by the "quarantine" speech. It came as a bombshell to the people of this country. The President also said, on August 15, 1936:

> No matter what neutrality legislation is passed, it will all depend upon the President and Secretary of State as to whether we shall go to war, if war should come abroad.

So these are the two individuals that we must consult in order to know our real national policy.

The President practically said that a certain nation ought to be quarantined. Great Britain said, "Good; you go to it and we will back you up, but you make the first move." That was 5 months ago and nothing more happened. I suppose he may have said, "Consider yourself quarantined." One boy said to another, "I will smash your jaw if you say that agin." The other replied, "Well, consider it said agin"—"Well, consider your jaw busted." [Laughter.]

If only a war of words is to be indulged in we want to know it. On July 16, 1937, Secretary Hull stated the foreign policy of this Government, and it was placed in the RECORD yesterday by Mr. VINSON. He advocates this and that—anybody can advocate—"We believe this, and we believe that." That is easy. "We stand for this," or "realizing the necessity," and the like, but not a word in the Secretary's statement that even hints cooperation by force.

In one case he says, "We uphold the sanctity of treaties," but in all the rest "he simply advocates" or "he merely believes"; he desires to increase foreign trade, and it is foolish of any of us not to believe that if we trade with foreign peoples, with the encouragement of our Government, our flag is not supposed to follow and to protect our own citizens and property. However, it remained for the committee itself to outline the policy, and here we have it in this bill: "It is declared to be the fundamental naval policy of the United States to maintain a navy in sufficient strength," to do what? "Guarantee our national security," and then it goes on to state: "To protect the Panama Canal, Alaska, Hawaii, and our insular possessions." It does not say anything about South America here, but it also states "to protect our commerce and citizens abroad." It now becomes apparent why they want this great navy.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. VINSON of Georgia. When you use the words "national policy," that includes the Monroe Doctrine.

Mr. GIFFORD. Probably. The gentleman from Colorado [Mr. MARTIN] on yesterday said that the Republican Party got us into a lot of troubles, but he did not mention which party got us into the World War and caused us to accept the Monroe Doctrine. Perhaps James Monroe was not a Democrat. I await your repudiation.

So we are really to protect our commerce and our citizens abroad. This sounds strange at the moment, in view of recent pronouncements relative to getting out of China. Are we really now to assure our national integrity? But the gentleman from Texas [Mr. MAVERICK] states that these are only meaningless words and that the bill might just as well have read, "I believe in the virtue of womanhood." It means a lot to me when it says, "to assure our national integrity," after all these declarations of policy by Secretary Hull. A large navy does not imply that we advocate and then do nothing about it.

How about the freedom of the high seas and the sanctity of treaties? If we simply advocate these principles, the large navy will not be needed. But this bill says, "We will protect our commerce and citizens abroad, preserve our national integrity, and support our national policies."

Plainly this navy is not for mere national defense only, as our people are being led to believe. Let us at once clarify the real purpose and decide whether these suggested national policies ought to be translated into forcible action on our part.

Certainly if more "quarantine" declarations are to be made, we need to be prepared to follow up such threats or become a joke to other nations.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. MOTT. It is true, is it not, that all rights of American citizens abroad are rights existing by virtue of treaties with those nations?

Mr. GIFFORD. There are certain rights which are probably not brought about by particular treaties. I believe freedom of the high seas would seem to be in that category. I am unable to pursue that.

Mr. MOTT. I asked the gentleman a question as to whether or not that is true.

Mr. GIFFORD. For the moment I am unable to continue that question. I should imagine that there are many rights of nations that are generally recognized, which are not particularly recited perhaps under a treaty with a particular nation, but I ask the gentleman not to divert my attention because I have just a moment more. Mr. Chairman, I am at one moment quite persuaded that I should not vote for this bill, and I am at another more quite persuaded that I ought to vote for it, and there are many of us in that situation. Our foreign policy is certainly not clear. Also, is there immediate necessity? After continually criticizing the spending of billions and portraying the danger of the vast public debt, how can I vote for these billions for building what may be an unnecessary armament and committing ourselves to its maintenance afterward? Shall we do this, under existing circumstances? If it is really needed for our safety, then I desire to vote for it even if we have to borrow more money. Other nations have indeed gone insane. "Whom the gods would destroy they first make mad." But, as they destroy themselves, are they then a menace to us? Is Japan at the present moment a menace, with her hands full in China and her finances exhausted? In conquering Ethiopia Italy's finances are exhausted. Conquered Manchukuo and Ethiopia are still, and will be for years, not a source of revenue but a great expense to the aggressors. Is it possible to believe at the moment that there is the slightest reason for this great expenditure simply for our defense? We must be convinced before voting for this bill, which certainly carries at least the threat of forcing our policies on other nations.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. KNUTSON. Is it possible that the administration wishes to take the minds of our people off the fact that there are 15,000,000 men out of work.

Mr. GIFFORD. I fear it is painfully evident that it is alike necessary and imperative for this administration to take the minds of our people off our present unhappy domestic difficulties for which it is so wholly responsible.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. DIRKSEN. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Chairman, we are in the midst of a war scare, of war hysteria, of war psychology, that has been spread throughout the length and breadth of our land. It emanates from many sources both from within and without our country, including the highest sources within the administration—the White House and the State Department—to such an extent that the peace-loving American people are inclined to look under the bed at night to see if a Jap or an Italian or a German is hiding there, ready to pounce out on a defenseless American.

I listened to the remarks of my colleague from New York [Mr. WADSWORTH]. He made an able speech. I agree with much that he had to say about national defense. I am in accord with his remarks about upholding the Monroe Doctrine, but when he says that troops are on the march in European or Asiatic nations I see no reason to believe or to fear that they are on the march to New York or Los Angeles, Buenos Aires, or Rio de Janeiro. Quite the contrary. I believe, as far as the Monroe Doctrine is concerned, we have a stronger and more powerful Navy today than at any time in the last 50 years of our country's history with which to uphold and enforce the Monroe Doctrine. The very nations that might possibly invade Latin America are now engaged in their own vicinity, Germany in Austria and Czechoslovakia, Italy in Abyssinia and in Spain, Japan in northern China and maybe next in Siberia. There is not the possibility or an iota of chance of any of those nations attempting by force to invade any country in Latin America, particularly when our Navy is 50 percent larger than Japan's and 100 percent larger than Italy's or Germany's, and when Germany has entered into a compact not to build a navy larger than one-third that of Great Britain.

There was a time prior to the World War when the German Navy was as large, if not larger, than our own. Then Germany might have invaded Latin America but not today or for many years to come. The time may come 50 years from now when we will have to arm further to uphold and enforce the Monroe Doctrine, but not under the present conditions or circumstances. The reason these arguments are advanced is to further promote a war hysteria, and create and spread a war scare as justification for a supernavy not for defense but for aggression to police and quarantine the world.

Yesterday the gentleman from Massachusetts [Mr. TINKHAM] stated what Mr. Winston Churchill had to say about an excellent arrangement that had been entered into between the United States and Great Britain. I propose to quote to you from some other English leaders who made similar statements, so that there may be no misunderstanding about the facts that seem to be disputed. Lord Plymouth told the House of Lords, February 12, 1938:

> The British Government has been in constant consultation with the Government of the United States in connection with events in the Far East. Action has been taken independently, but it has almost invariably been along parallel lines.

Again, Mr. Eden said practically the same thing in the Parliament about 2 months ago. He was then the British Secretary of State for Foreign Affairs. He said on December 21, 1937, in addressing Parliament:

> We are constantly and daily in close consultation with the Government of the United States. Over and over again we have taken either parallel or similar action, and that in itself is an indication of the closeness of such collaboration.

It is just a matter of quibbling between parallel action and concerted action. Parallel action may be very close and have exactly the same objectives as concerted action. The administration, through Secretary Hull, denies any concerted action, but does not deny parallel action; and I submit the whole thing is a quibble over words. When we enter into parallel action with Great Britain for the same objective and go along exactly the same lines it is the same thing. It is nothing but concerted action with the British Empire to accomplish the same purposes and results.

Why this fear? Why this war scare? Why this bill? This super-Navy bill translates into legislative actuality the President's Chicago speech in which he advocated concerted action to police and quarantine the world, in which he used these words, "concerted action," instead of "mere isolation and neutrality."

Why? Neutrality has been the traditional foreign policy of our country for 150 years. The declaration of neutrality toward all belligerents proclaimed by President Washington in April 1793 has become our accepted foreign policy and has been adhered to by every President since that time. Now President Roosevelt declares he wants to repudiate neutrality and have unneutrality which means a change in our traditional policy of noninterference to a policy of interference with foreign nations. What does he mean by "mere isolation." We do not stand for isolation, we are ready to enter into peace conferences, into limitation of naval armament conferences; all we propose to do is to isolate America from foreign disputes and wars. [Applause.]

In the very limited time at my disposal I urge upon the Congress, regardless of partisanship, to carry out the will of the American people and call a limitation of naval armaments conference. I am convinced that this is the will of the American people because I made a radio speech recently urging such a conference and received 7,000 favorable replies and but 23 opposed—practically unanimous. It is not a party matter. We are now launched on a mad race to build huge naval armaments. All history tells us that from the days of Greece, Rome, and Carthage, right down to the days of Great Britain and Germany in 1914 that rivalry and competition in naval armaments create hatred and hostility and eventuate in war. It always has, and always will. We are now launched on a great and costly naval-construction program in competition with Japan and in competition with Great Britain to build huge superbattleships at a cost of $70,000,000 apiece. It is the road to war. There is one way to stop it, one simple and constructive way within the power of the Members of the House without regard to partisanship. In 1921 when we had a Republican President who refused to call a conference to stop naval competition, just the way President Roosevelt refuses to call it now, the people back home put pressure on the Members of Congress to have a conference called to limit naval armaments. We were then launched on a gigantic naval armament race leading to war.

The conference was called on the demand of the people and the Congress. Mr. Hughes presided, and immediately the big-navy nations agreed to a 5–5–3 ratio, and all talk of war disappeared. Peace and good will replaced jingoism and rivalry and war. For 15 years that treaty was in effect, and we saved $250,000,000 annually; we saved $4,000,000,000 of the taxpayers' money, and we had peace instead of war. We are now faced with identically the same problem. It is again within the power of Members of Congress to insist upon the calling of such a conference.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 2 additional minutes to the gentleman from New York.

Mr. FISH. Japan, through its highest authorities, says she is ready and willing to enter into a limitation of naval armament conference. The highest British authorities say the same thing. Japan even says that she is ready to give up battleships and airplane carriers.

I submit in answer to anybody who may follow me—and I understand they will—that Japan lived up to the terms of the Treaty of Washington on the 5–5–3 basis; so did Great Britain. Every American admiral admits that the other nations have lived up to the treaty requirements. I say, in the name of peace in this country and in the world, show me one reason, one legitimate reason, why the United States of America should not enter into this peace conference to limit naval armaments, and do it now, and why we should not take the lead in calling it.

What do they say? What does the chairman of the committee say? "Oh," he says, "the time is not opportune." Maybe some time after we shall have spent these billions of dollars for destructive purposes we will enter into a conference. When do you send for a doctor? You send for a doctor when you are sick. When do you enter into a limitation-of-naval-armaments conference? Only when you are in the midst of naval rivalry and competition.

I insist that this House have an opportunity to vote up or down the one simple proposition that the President of the United States be requested to call a limitation of naval armaments conference in Washington; that there be no politics in it, that we vote this request and put an end to this mad folly of spending billions of dollars that we do not need to spend for national defense at the present time, but which we sadly need to right conditions in our own country in the midst of a serious depression.

Who will pay this bill? No one has discussed that. Who will pay for these additional billions of dollars? The rich taxpayers have been squeezed dry; you can get no more money out of those within incomes over $50,000. The people who will pay for this huge naval program, not for defense but for aggression that leads to war, are those with incomes between $2,500 and $50,000. Some of them who are in favor of this bill should know if this legislation goes through that they have got to pay the price in increased taxes. [Applause].

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 30 minutes to the gentleman from Tennessee [Mr. McREYNOLDS].

Mr. McREYNOLDS. Mr. Chairman, the President has been accused in suggesting that Congress take the action embodied in this bill, of fostering aggressive rather than defensive action. The utter falsehood of this accusation is proved by the President's utterances which are of public record.

President Roosevelt made this statement as to his foreign policy in his inaugural address on March 4, 1933:

> In the field of world policy I would dedicate this Nation to the policy of the good neighbor—the neighbor who resolutely respects himself and, because he does so, respects the rights of others—the neighbor who respects his obligations and respects the sanctity of his agreements in and with a world of neighbors.

The President said on another occasion:

> Peace like charity begins at home.

In his famous Chautauqua address of August 14, 1936, he said:

> We shun political commitments which might entangle us in foreign wars.
>
> We are not isolationists except insofar as we seek to isolate ourselves completely from wars. * * * I hate war. * * * We can and will defend ourselves and defend our neighborhood.

Of course, our neighborhood under any reasonable means of construction is not in the extreme Far East or on the other side of the Atlantic Ocean. You know this refers to South and Central America in the protection of the Monroe Doctrine.

Many citations could be made from the President's utterances of this kind. Notwithstanding these various speeches of the President on the subject of peace, and his efforts to restore peace throughout the world and avoid entangling alliances with foreign nations, many have seized upon the word "quarantine" used in the President's speech of October 5, 1937, at Chicago, lifted it from its context and choose to define it as "collective action," when in fact it has a thoroughly humanitarian meaning which does not imply hostility. I congratulate those who have advanced this idea on their power of imagination.

Let us see what the President did say at Chicago:

> It seems to be unfortunately true—

He said—

> that the epidemic of world lawlessness is spreading.
>
> When an epidemic of physical disease starts to spread the community approves and joins in a quarantine of the patients in order to protect the health of the community against the spread of the disease.
>
> It is my determination to pursue a policy of peace and to adopt every practicable measure to avoid involvement in war. It ought to be inconceivable that in this modern era, and in the face of experience, any nation could be so foolish and ruthless as to run the risk of plunging the whole world into war by invading and violating in contravention of solemn treaties the territory of other nations that have done them no real harm and which are too weak to protect themselves adequately. Yet the peace of the world and the welfare and security of every nation is today being threatened by that very thing.
>
> War is a contagion, whether it be declared or undeclared. It can engulf states and peoples remote from the original scene of hostilities. We are determined to keep out of war, yet we cannot insure ourselves against the disastrous effects of war and the dangers of involvement. We are adopting such measures as will minimize our risk of involvement, but we cannot have complete protection in a world of disorder in which confidence and security have broken down.
>
> If civilization is to survive, the principles of the Prince of Peace must be restored. Shattered trust between nations must be revived.
>
> America hates war. America hopes for peace. Therefore America actively engages in the search for peace.

If you will take into consideration what the President has said on various occasions, as quoted, and further, that part of the President's speech that I have read, in which the word "quarantine" was used, it appears to me that there is no ground whatever upon which any reasonable person can base an opinion that the President seeks to involve this Nation in aggressive warfare. To my mind this is an imaginary suspicion on the part of many who personally dislike our President, and also indicates an inclination on their part to use the future welfare of our people as an oratorical handle with which to stoop to a partisan political attack upon the occupant of the White House.

Mr. Healy, who testified before the Naval Affairs Committee against this bill, made use of this expression:

> They (the people) approve of the quarantine idea, if it is used in the proper sense—namely, that the United States keep away from areas that are infected with dangerous war diseases.

What grounds has anyone to say that it was not used in the proper sense in view of the overwhelming evidence I have furnished you?

But I am not through with this case yet. I propose to take you over to the State Department, which Department has charge of our foreign policies, and see what Secretary Hull has said and done.

At the very basis I draw your attention to the challenge to international anarchy made by Secretary Hull in his declaration of July 16, 1937, to which 61 governments in all parts of the world replied. At a time when disintegration was proceeding with precipitation in the international sphere and moral fundamentals were coming more and more to be lost from sight in a welter of irresponsible opportunism and lawlessness, it was appropriate that the American Secretary of State should ring the welkin. It was appropriate that from this source should come a program which would lead toward restored world order, provide an alternative adequate and complete to war and set forth the

minimum standards of behavior between nations which would assure order and peace.

What precisely did Secretary Hull advocate? This is important because here rather than in irresponsible fulminations which occasionally arise is the true foundation of American policy. First, he advocated national and international self-restraint as well as the revitalization of international law, and, in his opinion, these aims could best be achieved by abstention from the use of force and from interference in the internal affairs of other nations, and by the adjustment of problems of international relations through peaceful negotiation and agreement. Secondly, he favored steps toward the promotion of economic security and stability all over the world. Thirdly, while recognizing the necessity for maintaining armed forces sufficient to assure national security, he upheld the principle of proportional armament, or, in other words, that armaments might be limited and reduced by international agreement according to the actions of the other governments directly concerned. In his conclusion, Secretary Hull made it plain that this country was prepared to cooperate by peaceful and practical means in the implementation of these principles.

I believe that I can state, without fear of correction, that Secretary Hull was motivated in defining a system of conduct between nations by the profound conviction that where there is international insecurity, which breeds militarism and gangsterism, democracy does not thrive. As Secretary Hull explained in a speech made in New York on September 19 last:

> We must make our contribution toward the realization of the conditions upon which peace everywhere can be maintained or ultimately we shall have to sustain and protect ourselves amidst an outside world ridden by war and force * * *. Is it not evident that if the rule of law gives way to international anarchy the security of this country would become seriously jeopardized?

Sixty-one governments responded to the Secretary of State's initiative, many with constructive commentaries, indicating at least a substantial agreement throughout the world upon the fundamentals of international life. Certainly there was no hint of power policies here.

The first of Secretary Hull's points stressed that this country constantly and consistently advocates maintenance of peace. President Roosevelt in an address on Pan American Day in 1937 said:

> A durable peace, one that will resist the onslaught of untoward or temporary circumstance * * * demands a policy based on positive international cooperation, on mutual confidence, and on united effort in the solution of problems of common concern.

The President and the Secretary of State have given a practical demonstration of what they mean in the good-neighbor relations which they have sponsored between this country and the countries of Latin America and between the countries of Latin America themselves.

Two other principles set out by Secretary Hull had to do with international self-restraint and the revitalizing of international law. In short, it is unmistakably the belief of the present administration that the conduct which makes for good neighborly relations between individuals in a community makes for good neighborly relations between states in the international community.

As Secretary Hull explained in an address on September 1, 1937:

> Reduced to elemental terms, international problems bear a striking analogy to the private relationships of a group of human beings. There are the same instances of altruism and selfishness of complacency and jealousy, of good nature, and backbiting that we find in any normal community we are familiar with. And the individual we most admire is the one who, while not yielding his rights or allowing himself to be imposed upon or standing in judgment on his neighbor, yet goes out of his way to understand the other man's problems, to give him a helping hand, and to try to prevent quarrels from breaking out that might split the neighborhood. When translated into international affairs, the picture is not too far different, and the guiding principle of good neighborliness is the most effective contribution a man or a nation can make to the well-being of the community.

Do these sound like the words of men who are planning an aggression in the Far East, who are preparing in a devious manner known only to a few to launch this country into collective action against another country?

But this was not all. Secretary Hull's declaration continued to outline the specific methods of revitalizing the international order.

A first point laid stress on the necessity for nations to abstain from the use of force in pursuit of policy—in conformity with the principles at the basis of the Pact for the Renunciation of War as an instrument of national policy and of the inter-American declarations and treaties negotiated by Secretary Hull. A second point emphasizes noninterference in the internal affairs of other nations. A third point advocates the peaceful adjustment of international problems, which implies the respect by all nations of the rights of others and the modification of provisions of treaties, when need therefor arises, by orderly processes carried out in a spirit of mutual helpfulness and accommodation.

Surely this is an odd pronouncement for a Secretary of State to make who is contemplating power policies.

With the limitation and reduction of armaments, a further point of Secretary Hull's declaration, I have already dealt. Suffice to stress that the emphasis laid on this fundamental of American policy does not indicate that an increase of American armaments means that we are about to strike out at any nation, but rather that when the nations of the world are wearied of uneconomic rearmament, the consequence of political bickering and economic back biting, this Nation wishes to be in a position where it can negotiate on an equal footing with the other great powers and can throw the full weight of its influence into the scales on the side of arms limitation and reduction.

These points from the Secretary of State's declaration are the underlying principles of American foreign policy.

But Secretary Hull goes further, and gives a clear indication of the extent to which the American people and their Government will be willing to go to give them effect. The United States, it is made crystal clear, is resolved not to enter into entangling alliances or entangling commitments. No; the gentlemen who have drafted the minority report from the Committee on Naval Affairs do not find any succor there for their insinuation that this Government is in arrangement with the British Government to complement the American and British Fleets in Asiatic waters. No; the United States is willing to cooperate with all nations, but not with any one state to the exclusion of others. It is a collaboration based on homogeneity of conduct not on aggressive designs.

Secretary Hull, in the address of September 1, 1937, made it strikingly plain that this country is resolved to avoid being again entangled in hostilities. There could be no more positive answer to the gentlemen who read dark and devious designs into American policy than this.

As further evidence, let me point out to you press release given out by Secretary Hull on August 23, 1937, in which he made the following statement:

> From the beginning of the present controversy in the Far East, we have been urging upon both the Chinese and the Japanese Governments the importance of refraining from hostilities and of maintaining peace. We have been participating constantly in consultation with interested governments directed toward peaceful adjustment. This Government does not believe in political alliances or entanglements, nor does it believe in extreme isolation. It does believe in international cooperation for the purpose of seeking through pacific methods the achievement of those objectives set forth in the statement of July 16. In the light of our well-defined attitude and policies, and within the range thereof, this Government is giving most solicitous attention to every phase of the far eastern situation, toward safeguarding the lives and welfare of our people and making effective the policies—especially the policy of peace—in which this country believes and to which it is committed.

Not long since there was a resolution introduced in the House calling for certain information, and the third question put by the resolution was:

> For what war in 1942 or 1943 are we preparing, since this naval program cannot be completed until that time?

Secretary Hull's answer was:

I can only point out that as long as other powerful nations of the world continue to arm, this Nation must continue to prepare to defend itself, not, of course, with any specific future war in mind but in order that it may be ready to meet any exigency which might unfortunately arise.

The fourth question put by that resolution was:

What understandings or agreements have been made with France and Great Britain, or either of them, relative to future wars?

And his answer to the same was:

I refer you to my letter of February 8, 1938, to Senator PITTMAN, in which I said that there did not exist and was not contemplated any alliance, agreement, or understanding with Great Britain relative to war or the possibility of war. I may add that no such alliance, agreement, or understanding exists or is contemplated with any other foreign country.

The Secretary's reply to the fifth question put by the resolution, which was:

Does the President of the United States intend to pursue the historic policy of the United States as laid down by Washington or does he expect to depart from it as was done in 1917?

Secretary Hull said:

This Government is continuing to pursue the historic policy of the United States.

Extracts from George Washington's Farewell Address have been read into this RECORD. In his Farewell Address George Washington said:

Observe good faith and justice toward all nations. Cultivate peace and harmony with all. Religion and morality enjoin this conduct. And can it be that good policy does not equally enjoin it?

Like President Roosevelt, Washington was a firm believer and an active worker in the search for peace. But he had no illusions. He knew that the search for peace must be backed up by the respect due us. In his fifth annual address, delivered at Philadelphia on December 3, 1793, he said:

There is a rank due to the United States among nations which will be withheld, if not absolutely lost, by the reputation of weakness. If we desire to avoid insult, we must be able to repel it; if we desire to secure peace, one of the most powerful instruments of our rising prosperity, it must be known that we are at all times ready for war.

Combining these two thoughts in his Farewell Address, Washington said in 1796:

As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense by cultivating peace, but remembering also that timely disbursements to prepare for danger frequently prevent much greater disbursements to repel it.

Thus in 1796 Washington spoke. The bill that we are now considering is but the fulfillment of Washington's long-sighted warning.

To come back to the present, the Secretary of State has been criticized for his statement that our foreign policy would be along parallel lines with like-minded nations. This was correct at the time spoken in connection with a letter that was addressed to Japan by the United States, as were similar communications addressed to Tokyo by France and England.

It was in reference to this matter that the Secretary used the word parallel lines, but he certainly is not following along in parallel lines with Chamberlain's idea of conversations with Germany and Italy and France in reference to a four-power treaty. The Secretary is certainly not undertaking to have conversations with Japan relative to her own possessions in the Far East and to the ultimate extent of recognizing Japan's conquest in China, nor is he following along with Great Britain if it be correct that she is holding conversations with Japan relative to her own possessions in the Far East, and to the end that she will recognize Japan in her conquest in China, nor in the controversy that now exists between the United States and Great Britain relative to the possessions—the two islands—namely, Canton and Enderbury, situated in the Pacific Ocean.

In 1936, at the naval conference, Japan refused to participate; and there was entered into an agreement between the United States, Great Britain, and France limiting the size of any vessel, not to exceed 35,000 tons, but placing no limitation on the number any one of the signatories could build. That agreement still stands, and all these countries had information that Japan was exceeding this limitation to which they—Japan—were not a party. Inquiries were made and Japan refused to give the information, although she is in agreement with Germany and Italy, and they, of course, are advised as to the character and number of vessels she is building. If Japan wanted parity and was willing to cut down on the size of her vessels, she was offered that opportunity in the conference of 1936, in which she refused to participate.

Now, some of these gentlemen are now advocating that a disarmament conference be called by the United States at once. It is useless to do so under present conditions. Of course, if before you call it, you will agree to all the terms that the Japanese Government would desire to inflict, then it might be a success in case the other nations would agree to the same thing. But this is not a conference if it be merely called together to sign an agreement which Japan had dictated and the terms she would dictate would be such that none of the great powers could afford to agree.

It is a fundamental policy of our country to limit and reduce its armaments in joint action by international agreement. There is no need to cite at great length our record in this regard. It is well known to us all that it was the American Government which took the initiative for the Washington Conference of 1921–22 which gave the original impetus to naval limitation and reduction; that it was the American Government which sought to carry this work further in 1927; that an American delegation took an outstanding part at the London Naval Conference of 1930 and, again, of 1936; and that throughout the General Disarmament Conference, which is now in adjournment, American representatives contributed to the full extent of the possibilities to the promotion of general agreement for the limitation and reduction of arms.

No one can, and no one does, question the abiding interest of the American people and its Government in the removal of the burden of armaments. In this country virtually no voice is raised to refute the sound contentions that the economic load placed upon the peoples of the world by excessive preparation for war should be removed; that competition in armaments is a factor contributing to unrest in a troubled world; that the standard of life everywhere would be raised by the diversions of moneys spent on armaments to productive and social ends.

Accordingly, although it would like to see a very different and very neighborly world, the American people and its Government is, I am confident, sufficiently realistic in its appreciation of the situation as it actually is to wish to bolster its own security pending a reversal of policy by the principal armed powers which will offer some hope that further effort at disarmament will not be illusory.

It must be clear that armaments are no more than the thermometer which records the political and economic health of the world at a given moment. Limitation and reduction of armaments occur as a consequence of an improvement of the political and economic health. Rearmament takes place when political and economic health are lacking. In other words, in order that arms may be limited by international agreement, there must be a condition of appeasement between the nations, based upon mutual trust and confidence and concrete achievement in the political and economic spheres.

Cause, in other words, must not be confused with effect. One of the conspicuous reasons for the lack of success in recent arms-limitation undertakings was the fact that at the time the nations were striving to limit and reduce their armaments they were not adjusting their political differences and solving their economic problems. So long as nations refused to compromise their political disagreements and sought to stifle trade, insecurity was bound to prevail and result in military preparation. On the day when the nations begin to compose their differences and free their

trade from excessive impediments, internal and international conditions will begin to improve, tension will become less, security will become greater, and the demand for nonproductive military preparation will disappear.

Then will be the time to resume the talk of disarmament and disarmament conferences. Then will be the moment for another move forward. Then, in proportion to the appeasement in the political and economic spheres, will limitation and reduction of armaments take place.

In the meantime, this country, in common with every other country which ardently desires peace and the rule of law and order in the world, must, while standing firm and secure behind its own defenses, contribute where it can to appeasement through economic improvement and political good sense.

This has been the objective of American foreign policy as conducted by President Roosevelt and Secretary Hull. It is not the President and the Secretary of State who fill the air with talk, talk, talk of power politics in the Far East and the use of military forces in aggression. They leave this doubtful pleasure to those opposed to his policies while they focus their full time and all their effort on the more constructive task of promoting peace.

The fact that three American cruisers, on their way back from a courtesy visit to Australia, put in, in a routine way, at Singapore; the fact that we have now, as we have had for many years past, some ships in Asiatic waters; the fact that Americans, principally missionaries and medical men with some businessmen, who have been established in China for many years past, have not abandoned their means of existence and scuttled home fast enough, seems to have given some people room for criticism. The fact of it is that not only the United States but all of the other great nations of the world, including Japan, have had gunboats in China as protection against mobs for a hundred years or more, and at the time the *Panay* was sunk she was at that time removing some of our officials to the safety zone, and the fact that one or two of the oil boats happened to be along also taking citizens to a safety zone, in my opinion, is not worthy of criticism. We appropriated during the special session of Congress $500,000 to evacuate our citizens out of China, and this we have done in every way possible. Other nations have done no more or as much along this line to avoid trouble as the United States.

Any person, and especially a Member of the House, has the right to oppose this bill if they think we will be going into debt in building too many vessels, but I am sorry to see that they are undertaking to place it on the basis of an imaginary foreign policy. This position by Members of the House reading into the foreign policy of this Government something that does not exist leaves the impression on foreign nations that we are preparing for war and aggression and makes it much more difficult for this country to be able to aid in the restoration of peace and for the prevention of us being drawn into this conflict.

No one hates war more than I do; no one would go further to preserve peace. Never again do I want to see the flower of American manhood despoiled upon the battlefields of Europe or in America. Never again do I want to see or hear the sad cries of motherhood over the loss of her son, and if I thought or even suspected that the increase in our Navy, as provided in this bill, would even lend encouragement for war or aggression, I would oppose it with all the power that is within me. But in these troublesome times when nations are falling overnight in Europe and such conditions existing that might spread into flames, and seeing what is going on in Japan and China, I feel that the safest way to preserve our country and preserve our peace is to have a sufficient Navy to cause them to treat us with proper respect from that standpoint. For these reasons I am supporting this bill. We should have a sufficient navy to protect both sides of our country, and in doing so to preserve the Monroe Doctrine, in seeing that no foreign power acquires territory in the Central or South American countries.

The Gallup poll carried in the press last Sunday demonstrates the overwhelming public support of the President for this bill. As Representatives of the people we can do no less than to express their wish in voting for this measure.

Ethiopia, China, and now Austria stand as abject testimony of the folly of failing to be adequately prepared for any contingency. Who of you here suspected 5 years ago that the maps of Europe, Africa, and Asia would be changed as they are today? Who assumes to know what changes might conceivably be wrought upon the map of the Western Hemisphere 5 years hence?

Who among you here now will say that the blood of our ancestors spilled at Valley Forge, at Kings Mountain, at Bunker Hill, was not let that we might enjoy the fulfillment of the ideals of those who now sleep, some in unmarked graves? Who of you will stoop to partisan politics in sabotaging a measure that is designed to assure for those who will follow the continued enjoyment of life, liberty, and the pursuit of happiness assured in 1776?

Who have imposed upon our Navy the grave responsibility that there shall be no war upon our own soil? We have imposed upon our Department of State the grave responsibility that our citizens shall not engage in wars on foreign soil. The passage of this bill will do much to assure both. I close with this challenge:

Who of you dares to obstruct these broad objectives? [Applause.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. BOILEAU].

Mr. BOILEAU. Mr. Chairman, it seems to me the issue before us is whether we are going to have a Navy for defense or a Navy for aggression.

I do not presume there are any Members of this House who do not want this country to be adequately protected against any probable or likely invasion and, still, Mr. Chairman, I am sure the great masses of the American people oppose the construction of a navy if that navy is intended for aggressive purposes.

We are told by the Navy experts and by the members of the Committee on Naval Affairs that the purpose of this bill is to build our Navy up to treaty strength or the 5–5–3 ratio. I believe it is admitted that if we build the Navy that is authorized under this bill we will have a navy that approximates the 5–5–3 ratio, and I submit to the chairman of the Committee on Naval Affairs that the 5–3 ratio as between the United States and Japan is a navy large enough to carry a war over to Asiatic waters. I submit that the 5–3 ratio with Japan would give us a navy large enough to meet Japan in Japanese waters on an equal basis, and this was the purpose of the 5–3 ratio. It was not thought by those who attended that conference that we had to have a 5–3 ratio as against Japan in order to defend us from any invasion or attack, but the 5–3 ratio was agreed upon because it was determined at that time that if we had five ships to their three of every category, we would have a fair chance of beating them or a fair chance of carrying on warfare in Japanese waters in the Far East. May I ask the gentleman from Georgia if he cares to state whether or not this is his understanding of the matter?

Mr. VINSON of Georgia. Of course, the gentleman is entirely wrong. The theory of the 5–5–3 is that it so balances the Navy that the United States could not launch an attack against Japan, nor could Japan launch an attack against the United States, and that England could not carry on warfare against the United States with any success, nor could we carry on a naval engagement against England with any success. In other words, the navies were so balanced as to lessen the likelihood of war.

Mr. BOILEAU. I agree with the gentleman that the 5–3 ratio was arranged so that the United States could not attack Japan with any assurance of success. In other words, it was the ratio agreed upon as a proper basis upon which to construct navies, so that both navies would have only a fair chance of success. I submit to the gentleman from Georgia that our naval experts are of the opinion that

with a 5–3 ratio we can successfully carry on a war in Asiatic waters.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield very briefly, because my time is limited.

Mr. VINSON of Georgia. Does not the gentleman know that Admiral Leahy states that to carry on successfully a campaign against Japan would require at least three times more than this bill calls for plus the Navy we have today?

Mr. BOILEAU. That is what I wanted to have brought out, so we could have a clear understanding of the situation.

I have no bone to pick with Admiral Leahy. I think he is a fine gentleman. As a matter of fact, he was appointed to the Naval Academy from my congressional district. We do not agree upon this Navy proposition; but in December of this year, when Admiral Leahy was before the Naval Appropriations Subcommittee, he did not say we needed any larger navy than was already authorized, but in February of this year he states that we need a larger navy.

Now, the gentleman from Georgia has talked about these admirals, and I want to quote what some of these admirals said a few years ago about this 5–3 ratio. It is important, is it not, to find out what they actually thought about the 5–3 ratio when considering these treaties?

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. Not now. I want to give the gentleman the advantage of the testimony of some of the admirals.

Admiral Hough, in 1930, in testifying before the Senate Committee on Naval Affairs, was asked this question by the chairman of the committee:

> And should we become involved—as, of course, we hope we never will—in a war with Japan, what, in your estimation, would give us a parity if operations were carried on in the east—what ratio?

Admiral Hough replied:

> I believe the 5–5–3 ratio would give us a fair chance.

This means in the Far East. Before this he had been in command of the Yangtze patrol, and at that time was a member of the General Board of the Navy.

Then, at the same time, in 1930, Admiral Pringle testified before the Senate Committee on Naval Affairs, and here is what Admiral Pringle then said:

> I estimate that with the 5–5–3 ratio we would have a chance of conducting a successful campaign, but that the minute the ratio begins to be altered in favor of the Japanese our chances are reduced thereby and become less than what you could possibly call an even chance.

Then the chairman said:

> That is in view of the fact that operations would probably be carried on in distant waters.

Admiral Pringle said:

> Yes; in view of the fact, as I view it, the trouble between us would necessitate our projecting our operations across the Pacific Ocean.

This is the statement of Admiral Pringle, who at that time was president of the War College.

Then Admiral Bristol in 1930 at the same time testified before the Senate Naval Affairs Committee and was asked by the chairman:

> For operations in the Orient, what would you say our ratio with Japan should be in order to give us equal strength?

Admiral Bristol replied:

> I believe if we continue the provisions of the Washington Treaty, especially the one in regard to fortifications and naval bases, that 5–3 is a fair ratio between us.

And that is for war in the Orient, and Admiral Bristol at that time was chairman of the executive committee of the General Board of the Navy.

Admiral Jones testified to a 5–3 ratio, and I submit this evidence to show that the gentleman from Georgia [Mr. VINSON] in asking us for a 5–3 navy is not himself properly informed as to what the 5–3 navy was intended for. I do not submit my own opinion, but the opinion of these admirals.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. No; I am sorry. The chairman asked this question of Admiral Cole:

> What ratio do you think we should have with Japan in order to insure us a fair chance if operations were carried on in case of hostilities with that country in the Far East?
>
> Admiral COLE. 5–3 in all categories.

Admiral William C. Cole was then in command of the scouting fleet of the United States Fleet and had been Chief of Staff of the United States Fleet.

Then we have the testimony of Admiral Jones in 1928, when he testified before the Senate Naval Appropriations Subcommittee. Admiral Hillary P. Jones was then chairman of the executive committee of the General Board of the United States Navy, America's expert at the Geneva Conference. In 1928 he testified that with the 5–3 ratio Japan's strength in any attempted attack on the United States would actually be 1½ to 5, showing that the 5–3 ratio was not considered necessary for the purpose of defense, because actually their strength would be down to 1½ to 5.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. MAAS. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. BOILEAU. Then Admiral Jones said:

> I personally think that the arrangement made in the Washington Conference with Japan in regard to our bases, etc., in the western Pacific, the 5–3 ratio with Japan virtually amounts to a 5–5 ratio so far as we are concerned.

Then Senator HALE asked:

> How do you mean?
>
> Admiral JONES. In any campaign in those waters, with their bases close by and our inability to have bases west of the Hawaiian Islands, that would bring the strength of Japan practically to a parity with us.
>
> Senator HALE. If we had a navy five-thirds of the strength of Japan's navy, and it were used in Japanese waters, the two navies would be substantially on a par?
>
> Admiral JONES. Practically a par.
>
> Senator HALE. And if they were used in our own home waters, of course, that would reverse the situation?
>
> Admiral JONES. That would reverse it.
>
> Senator HALE. And instead of being 5–3 it would be a 5–2 or 5–1½?
>
> Admiral JONES. Something less. That is my personal feeling about it.

Then we have the testimony of Admiral Taylor given in 1930 before the Senate Foreign Relations Committee in which he said:

> In case of war, in order to protect our interests in the Far East, it would mean the establishment of a strong naval force in that area. That means the transportation of the fleet with all its supplies across 7,000 miles of ocean. * * * It means the transportation of a very large and very cumbersome force across the Pacific. With the 5–3 ratio, it was possible.

We have the testimony also of Captain Taussig in 1930 before the Senate Foreign Relations Committee. He said:

> I wish to say this from experience in dealing with this far-eastern question—that the 5–3 ratio combined with an agreement to limit the fortifications in the Far East gave us only a sporting chance for victory.

A sporting chance for victory in the Far East! Admiral Bristol again in 1930, before the Senate Foreign Relations Committee, made this statement in reply to a question propounded by Senator Walsh, of Montana:

> Senator WALSH. Another thing you told us, Admiral, namely, that if we unfortunately got into a war with Japan, we would want to seek her waters in order to end the strife.
>
> Admiral BRISTOL. Yes.

Mr. Chairman, I submit that all the testimony shows that the 5–3 ratio was intended to give us a navy strong enough to wage a foreign war in oriental and Japanese waters, with reasonable hope for success, and not merely a navy strong enough to defend us against an attack.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from Connecticut [Mr. KOPPLEMANN].

Mr. KOPPLEMANN. Mr. Chairman, there is one serious point of view which I am afraid has not been given the consideration it deserves.

This Government has gone into debt during the last several years for the only reason which can possibly justify that action. In 1933 we began spending Government funds to wage a war against the depression. The Government has continued appropriating funds not only to continue its fight against the results of the depression but equally as important, to bring about the forces of rehabilitation and recovery without which we cannot hope for a continuance of the democratic institutions of this Republic.

Along with our efforts at recovery we have made wise efforts toward reform. In many instances the full benefits of these reform measures will not be felt by the Nation and the people at large for some years to come but steadily and persistently we have been building the foundations for a better social and economic order. The prime consideration and the ultimate goal of the work we have been doing is for the preservation of democracy in the United States. To bring greater happiness and contentment to our people and to keep peace within our own borders, to that end any expenditure is justified and any burden of responsibility in the way of taxation can be rightly claimed from the people.

Moreover, we have done this without extending the tax base. Whoever is criticizing because he has to pay more taxes falls in the category of those people who were able to evade just responsibility through loopholes in taxation laws. These loopholes we have been plugging up. Hence, there are certain individuals who are paying higher taxes than they paid in the past.

Some months ago I received a letter from the Budget Bureau in response to an inquiry of mine which indicated that more than 60 cents of every tax dollar paid into the United States Treasury went to pay for past wars and for the preparation for future wars. We have a habit of preparing for and waging wars and charging it up to future generations. Today we are paying for pensions to the heirs of veterans of the Indian wars. We are paying pensions and hospitalization to the veterans of the Civil War and their dependents, and likewise to the veterans of the Spanish-American War and their dependents. Our grandchildren will be paying for the World War, and God alone knows how far into the future generations will be paying for the Navy we are building in preparation for a war which should never be permitted to occur.

If we were to prepare for war on the plea of national defense or otherwise and pay for it as we go along, the taxpayers of the United States would stop, look, and listen before they would give their consent. If, for instance, a gentleman who submits an income-tax return today calling for say $5,000 for the year 1937 and because of this big-Navy program was told he will have to pay say an additional $500 or whatever the sum may be, not next year or a generation from now, but today, there would be a hue and cry from one end of the country to the other. Men and women who have fallen for this defense baloney and say yes we do need a navy to police the world would instead be crying aloud against the imposition of any further taxes and ask why do we need this big Navy, why cannot we mind our own business and attend to our own affairs instead?

But of the 120,000,000 people in the United States, only some 3,000,000 pay income taxes. Something like 4 percent of the American population pays an income tax.

Financially burdened as we are because of internal problems, we cannot go on planning and appropriating for huge navies which are not needed to protect us internally unless we obtain new sources of revenue. We dare not tax the rich any more, hence we must take it out on the poor. Not only will we have to increase the rate of taxation, we will have to broaden the base of taxation. School teachers, factory workers, farm hands, millions of heads of families now exempt because they have dependent wives, children, and parents whom they must support on inadequate incomes—they would be compelled to pay an income tax because the United States is rearming. Stenographers, typists, mechanics, clerks—they, too, would be called upon to pay an income tax.

That means that we will be nullifying the chief work in which we are engaged, and that is to create additional purchasing power. We have said all along, and rightly so, that prosperity cannot return to this country until purchasing power is increased. So far the poor man is called upon to pay only the so-called hidden taxes. We have been fighting for wage and hour legislation for the purpose of improving the economic condition of our workers so that they in turn could have a purchasing power and in turn be able to buy more of the things that industry and agriculture produce. We have been fighting for lower utility rates so that the working people could derive greater benefit out of our natural resources. We have put through measures to make for better standards of living and in doing all this, as I said before, it has not been necessary to spread the base of taxation. We have passed a social-security law, a railroad-pension law to provide security for workers when they are no longer able to work and to take care of them during those periods when they are temporarily thrown out of employment. True, we have called upon workers to make their contribution to the social-security fund but this contribution is no more than a premium toward insurance, and a cheap premium for guaranteed insurance at that.

But, should we spread the base of taxation and soak the poor, as we will be forced to do if we continue to appropriate for an increased navy, there is going to be a serious and violent reaction against this administration. People who have been mislead by propaganda into believing that we need a big navy are going to forget about that. All they are going to remember is that they have to pay new taxes which were imposed by this administration on the masses of the people and they never had to pay such taxes before. No issue in the world affects a man so much as his pocketbook. You can depend upon it that the Republicans will take full advantage of the situation and use this issue for all that it is worth. Not the issue of defense or aggressive warfare, but the issue that the poor people of the country have to pay taxes.

It is not so much the threat of a mere political overturn that bothers me and should bother those of you who have supported the New Deal program. It is the threat of the overturn of the first broad, liberal, social and economic advance that this Nation has made since the Civil War. Not since the Civil War and slavery has there been a social issue which aroused people to take sides because human ideals were at stake. Following the Civil War we entered an era of industrial and agricultural expansion. Issues were concerned with that expansion. It was only after the dreary years following the World War that Americans awoke to the realization that there was something fundamentally wrong in our social structure and that those social wrongs were having their rotting effect upon our economic structure.

We have not sufficiently implemented the gains the country has made under the New Deal to take the chance at this stage of the game of a fundamental change in policy and administration.

I am convinced that by and large the people of the United States approve of the New Deal.

But the point I make is that the New Deal is facing its most critical period. The glamour of adventure and novelty has worn off. The New Deal is now being taken for granted by the people at large, but, because it is still in its infancy, the enemies of the New Deal think they are in a position to undermine it. They can undermine it only by undermining the confidence of the masses of the people for whom the New Deal was designed. And nothing could undermine that confidence so much as the wicked criticism persistently hammered by its enemies that this New Deal which was to lift up the working classes is in reality pressing them down under a load of taxation and consequent lower standard of living.

If it were taxation which we could defend, that would be one thing; but how can we defend taxes to pay for building

a Navy to be sent out to police the world or to fight battles which are none of our concern. And I say this fully aware of the tragedy which has been visited upon democracy in Europe. Today we cannot hope to save democracy for the world. Today we can save it for the United States and here is where our job lies.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. KOPPLEMANN. Mr. Chairman, I am very happy to yield to the distinguished gentleman from Minnesota, recognizing in him one man who sat in this Congress in 1917, the World War Congress, and with courage voted "nay," on the question of entering the World War. [Applause.] I wish there were more such men in Congress.

Mr. KNUTSON. Does the gentleman believe there is any ground for apprehension over the possibility of war with an oriental power in view of the fact that they have their hands full in the Orient at the present time and are fighting with depleted treasuries?

Mr. KOPPLEMANN. I am very glad the gentleman asked that question. Last evening I was reading the reports of the Naval Committee hearings, pages 56 and 57—if I am wrong the gentleman from Georgia [Mr. VINSON] will correct me—reading the testimony of Admiral Leahy. He said in effect to the committee that we would require a 100-percent better navy than Japan's to be able to attack Japan. The gentleman from Maine [Mr. BREWSTER] asked him if that were not true in the reverse, and he answered that it was. This 100-percent better navy than the other fellow's is accounted for for attack purposes, because a navy loses 40 percent of its potential power between the time it leaves its own shores and reaches its destination.

We have, next to Great Britain, the largest Navy in the world. It is ridiculous, of course, even to contemplate an attack from Great Britain; so, according to the testimony we are well able with our present Navy to defend ourselves, for Japan would require a 100-percent better navy than ours before she could attack us, and if we wanted to attack Japan we would have to have a 100-percent better navy than hers. Bear in mind that Japan does not have the transports necessary to bring an army over here. Bear in mind that during the World War it took us 14 months after the declaration of war to transport our Army to France. Bear in mind also that the French ports were open to us. What would have happened, how long would it have taken, if the French ports had not been open to us?

It seems to me that these facts should be constantly borne in mind by those gentlemen who preach, as I heard preached here this afternoon, the doctrine of fear, the same language that was used in 1914, 1915, 1916, and 1917. I remember those days very distinctly, and I hear those speeches over again today in this Congress. For instance, in 1932, up in the State of Maine, in good old New England, a shipbuilder had published a conversation of a Chinese gentleman by the name of Chen who claimed that Japan, in 1932, was getting ready to attack the United States. The shipbuilder got that interview published in some Maine papers owned by a Mr. Gannett—not Frank; Guy Gannett—and then wrote a letter thanking Mr. Gannett for publishing it. He then immediately sent those newspapers to Washington, to the Representatives in Congress from Maine. Included was Senator HALE, who was quoted a few moments ago in an argument. Must I elaborate more? The same sort of thing is going on today. A gentleman on this floor today raised a bogeyman, and in jittery language told us about an invasion of South America.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield for a question on a little different line?

Mr. KOPPLEMANN. I yield.

Mr. TREADWAY. I would like the gentleman's idea and definition of the language used in this bill, "national defense." I have received a good many letters asking my definition of that expression, but I have not as yet had a very satisfactory one. Would the gentleman be kind enough to give me his idea of this language?

Mr. KOPPLEMANN. I have been seeking the same information myself, but up to the present moment have not received a satisfactory answer. Very little time in this important debate has been allowed me. Let me continue with other thoughts about this big-navy bill.

In addition to all that, it is well recognized that large rearmament programs have serious economic effects. Last June, speaking before the International Labor Conference, Edward F. McGrady, then Assistant Secretary of Labor, said:

> The very existence of our civilization is threatened by the huge scale on which armaments are now being built up. Even if these terrible weapons of destruction are never used, their cost is increasing at a rate which is making their burden intolerable.

This statement was made by Mr. McGrady before the United States had entered upon its much more increased program involving the regular naval authorization bill of $553,000,000, which was passed by the House a few weeks ago and which is now pending in the Senate, and this additional Navy bill calling for an expenditure of upward of a billion dollars.

It is well to bear in mind that in 1934 the world spent almost $5,000,000,000 on armaments; in 1935, $5,400,000,000; and in 1936, well over $6,000,000,000. The figures for 1937 were very much in excess of the 1936 amount.

The worst effect will result from the fact that labor is being taken from productive enterprise to engage in the construction of destruction. Speaking at the same conference, Mr. McGrady said:

> We do know that no nation can afford the luxury of the present scale of armaments, and that all are being forced to meet this expenditure by increased taxation and heavy borrowing. This means that not only are we thus prevented from raising our standards of living but, if the armament race continues, even our present inadequate levels of living cannot be maintained. In the long run, the greater part of the cost of armaments must be borne by those engaged in productive labor, who receive less than they could and should receive for their toil. I predict that the working men and women of the world will not forever be content to stand by while civilized living is being sacrificed on the altar of armaments. No longer will they be willing to force the means of their own enslavement and their own destruction.

The United States faces the critical situation which is confronting European countries. As in Germany and Italy, we are reaching the stage where rearmament is likely to dominate the whole economic life of our Nation. And the tragedy of the whole thing, whether this equipment of destruction is used or not, is that we will have come no nearer to solving our real problems and the real problems of the world, but instead we will have increased the risk of failing to find the necessary solution.

A year ago, before this extraordinarily large increase in our armament program, as exemplified in this bill, was dreamed of, the National City Bank of New York in its monthly bulletin stated that armament expenditures not only do not add anything to the material well-being of a country but inevitably depress the standard of living of its population. That statement was based upon an analysis of our experience during the World War. It has been proven so conclusively that it needs no repeating now that the activity and industry produced by the World War was anything but real prosperity. It was instead the most reckless and disastrous expenditure of capital, labor, and credit ever known in the history of the world. It cost all nations nearly 20 years of normal development, to say nothing of the debts still remaining to be paid.

The situation today is scarcely different from the situation which prevailed during the World War. The only difference is that our armies are not in the field. Otherwise the costs of the Great War are being repeated and the deadly influences of those costs are being felt in the business life of all countries.

> It is a self-evident truth—

Said the National City Bank in its analysis of the effects of the rise in armament expenditures—

> that the disorganization of industry and trade, the violent fluctuations of prices and wages, and the resulting calamity of widespread unemployment have been, together, the principal cause of the

great depression that has encircled the world and that has been more costly than the war itself. These vast expenditures upon war preparations must have a similar influence as far as they go. * * * The revenues raised by taxation and expended upon armament might as well be thrown into the sea, so far as any lasting benefit to the mass of the world population may result.

The expansion of rearmament programs the world over is the cause of much concern and discussion. At the International Labor Conference held in Geneva last year, the director of the conference, Harold Butler, spoke of the manufacture of armament as a form of public expenditure, which could be financed out of taxation or by borrowing or by monetary inflation. He agreed that like any public-works program, it might provide thousands of workers with employment, but he pointed out the vital difference between armament and public works, in that armament mortgaged the future of a nation without making any addition to the national assets, whereas public-works projects may be eventually expected to yield a return. "In any event," Mr. Butler pointed out, "armaments must at any time represent some deduction from the national well-being," and he concluded, "When pushed to extravagant heights they infallibly involve an increasing sacrifice of the standard of living to the standard of arms."

President Roosevelt himself has said that the employment given by armament work is false employment, that it builds no permanent structures and creates no consumers' goods for the maintenance of a lasting prosperity.

We know—

Said the President—

that nations guilty of these follies inevitably face the day either when their weapons of destruction must be used against their neighbors, or when an unsound economy like a house of cards will fall apart.

Ladies and gentlemen of the House, before you vote on this measure bear in mind that war preparedness can only be bought by the sacrifice of civilized living. And the sacrifice of civilized living in the case of the American people is in effect a renunciation of the ideals which the New Deal has been striving to fulfill. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentlewoman from New York [Mrs. O'DAY].

Mrs. O'DAY. Mr. Chairman, during the discussion of this bill yesterday the gentleman from Texas [Mr. MAVERICK] said that it seemed to him we were focusing our vision on foreign powers alone and were paying no attention to conditions here at home. It is to call attention to some conditions here at home today that I am taking the floor.

We are being asked to appropriate one and a half, two, three—we do not know how many—billions for an expansion of our naval program. The men who will be called upon to man the ships built for this increased Navy will be drawn from the youth of today, will be drawn from the same young people who came down last week to Washington to ask of us Members of Congress help in facing the difficulties they have to face today. These young people are the children of men who went across the seas to fight, of men who survived the horrors of the World War. They were born and reared during the years of depression, during the aftermath of a war which brought misery, poverty, malnutrition, and illness in its train. There are about 20,000,000 of these young people today and about one-fifth of them, it is estimated, are out of employment. Many of them are on relief. There is no place in industry for them. There is scant chance of any training in vocational or technical lines, for our educational fund has been cut and the C. C. C. camps are being reduced in number.

What are these young people to do? Millions have been cut from the appropriations of the National Youth Administration, yet we are here asking for hundreds of millions with which to build battleships, the value of which is debatable, for they begin to be obsolescent even before they are finished.

I am raising my voice today in behalf of the American youth. It faces frustration now, and tomorrow it will face annihilation if this building program goes through.

None of us are so simple as to believe that if we have "a navy second to none" that it will remain peacefully and quietly defending our shores if nations on the other side of the world are engaged in destroying one another. Does the Navy forget and does Congress forget that the strength of a nation in war lies in the strength and the morale of its citizens, in its manpower, and not in the strength and number of its ships?

Mr. Chairman, we have millions of people on relief. In 1932 the Congress appropriated $3,300,000,000 for relief because of the acute need then existing. What happened? The sum of $277,705,000 was taken from that relief and handed over to the Navy.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, no party or country has a monopoly on jingoes and superpatriots.

History has a way of repeating itself, and we are now going through the same hysteria that we did 21 years ago. Then we were catapulted into the World War in order to make the world safe for democracy. Realizing that that old chestnut cannot be used again the advocates of a supernavy now want to make this country safe for the American people.

For 30 minutes I listened to the able chairman of the Committee on Naval Affairs speak in favor of the big-navy bill. The gentleman from Georgia [Mr. VINSON] is perhaps the best-posted man on naval affairs in the House. I had expected him to enlighten us as to the comparative naval strength of the great powers and the need for this further enormous expenditure which cannot become effective before 1947 unless building facilities are increased. This he could and should have done because he has all the facts at his fingers' tips. No one has ever accused Mr. VINSON of being unable to present forcefully and logically all facts pertaining to a meritorious measure. However, I was disappointed in the chairman's presentation. He dealt in generalities, waved the flag, and pulled the eagle's tail feathers. It was more on the order of an Independence Day oration. His talk was reminiscent of the days of the Sixty-fifth Congress, when we were asked to engage in a war that was to end all wars and to make the brotherhood of man an accomplished fact. At times Mr. VINSON rose to such heights of eloquence as to stir the emotions, but he left it to our imagination to visualize the need for a supernavy.

At this point I desire to insert a statement showing the relative naval strength of the big powers.

Country	Battleships	Cruisers	Destroyers	Aircraft	Submarines
United States	15	29	195	5	84
Great Britain	15	55	159	5	52
Japan	9	35	115	4	62
France	7	19	69	1	75
Italy	4	22	118	0	84
Germany	3	6	32	0	36
Russia	3	5	26	0	114

From the above it will be seen that the democracies have 37 battleships as against 16 for the autocracies; 103 cruisers to 63; 423 destroyers to 265; 11 aircraft carriers to 4; 211 submarines to 182; or an advantage all along the line. Russia is not included in the comparative figures.

Now let us see what our authorized program for the future calls for: Two battleships are now in course of construction and 11 more are authorized to be built within the next 5 years at a cost of approximately one thousand million dollars. The authorization calls for the expenditure of $4,000,000,000 all told.

That is at the rate of $4 for every minute since the dawn of the Christian era. That is what we are going to spend in the next 5 years on our Navy and in this bill they are asking for $1,000,000,000 more.

Forty-nine destroyers are now under construction, 8 more already appropriated for, with 34 more authorized.

We are building 16 submarines, 6 more appropriated for, with authorization for an additional 11.

When this program is completed America will be stronger on the sea than any other power and, with the exception of Great Britain, we will probably be stronger than any two powers.

The majority report states that the United States has the longest coast line of any naval power, 3,860 miles against 1,860 miles for Great Britain, and seeks to point out the danger to this coast line if the President's ambitious naval building program is not adopted.

They ignore the fact that Great Britain must maintain a lifeline running from the British Isles to India and Australia, besides South Africa.

The chairman failed to state that practically every harbor of any importance on either coast is heavily fortified and able to withstand any attack. In his remarks the chairman failed to mention that we have the strongest air force of any country in the world and they are as good as the best, if not superior.

The excuse for building the Panama Canal was that it would make immediately available our fleet on either coast. In the event of war our western outpost would be Hawaii, 2,091 miles southwest of San Francisco. Hawaii is 3,394 miles southeast of Japan. Military experts are in general agreement that in the case of war in the Orient we could not possibly hope to hold on to the Philippine Islands, which will become free and independent in 1945, so we do not need to worry about their defense. Neither do we need to concern ourselves with Samoa and Guam, because we would retake them at our leisure.

There is no country in the world, aside from Britain and Russia, that is so situated financially as to suggest a threat to America.

If newspaper reports are to be relied upon, Japan, after 9 months of undeclared war with defenseless China, is already sitting on an empty treasury box gasping for breath. Small wonder that the able chairman of the Naval Affairs Committee did not go into details as to the necessity for these additional armaments, and it will be recalled that he consistently refused to yield for questions from those who sought enlightenment.

Section 9 of this bill declares that it should be our naval policy to maintain a navy in sufficient strength, not only to guard continental United States, Alaska, Hawaii, and the Panama Canal but also our insular possessions. I maintain that the program already laid down is ample for the security of continental United States, Alaska, Hawaii, and the Panama Canal, but I also maintain that the American people are not willing to spend a thousand million dollars for the protection of the Philippines, Samoa, Guam, and that is what this measure proposes to do.

I am for a navy that will give us all necessary protection, but I refuse to become hysterical over imaginary dangers that only exist in the minds of munitions makers and others who would benefit in a pecuniary way from these enormous expenditures that the President proposes.

At this point I desire to incorporate some opinions expressed in the minority report by Representatives CHURCH, COLE, BREWSTER, and SHANNON, all members of the committee, who have made a careful study of this most important question, as these views are in substantial accord with those that I entertain upon the subject.

Why should Congress authorize three more $75,000,000 battleships when the Navy is not ready to build three battleships that are already authorized?

In the next 5 years there is authorization to build nine battleships as large and as powerful as the naval experts deem necessary to defend America—besides the two now building.

Whenever this authorization is inadequate for the construction deemed necessary by the Navy Department the Congress may properly and wisely consider an increase in the authorization.

THE PROGRAM NOBODY KNOWS

Under the Vinson-Trammell Act of 1934 a $4,000,000,000 program of naval building was authorized. At no time has the Navy Department found it advisable to keep their construction program up to that authorization. Today it lags far behind.

REPLACEMENT

"Replacement" is a misnomer since no old ship need be scrapped. Ten battleships have been modernized into first-class fighting weapons. New battleships need bear no relation to their predecessors, and their predecessors are not now scrapped.

FORTY DESTROYERS BEHIND

In 1934 there were only four destroyers in the United States Fleet that were not over age. Today there are only 35 under-age destroyers, although under existing law there are now authorized 126 destroyers. We are building 49. Eight are now proposed. And 34 destroyers for which authority now exists are not even proposed to be started this coming year. Yet we are now asked to authorize 23 more. Why?

SEVENTEEN SUBMARINES BEHIND

Today we have 22 submarines under age with 16 building. The pending appropriation bill contemplates starting six more this next year. Eleven additional submarines could be started this next year under existing authorization. The Department does not even propose to start these 11 submarines this next year. Yet Congress is asked to authorize nine more submarines. Why?

DIPLOMATIC, NOT NAVAL, PROGRAM

Everything indicates that this billion-dollar increase in the present $4,000,000,000 program is not a naval program but a diplomatic program. The Navy developed its program for this coming year and presented it to the Committee on Appropriations. The committee and the House have adopted that program substantially as submitted. It carries $552,000,000—the largest sum since the war—and of that amount $143,000,000 is for new construction on the 72 ships now building or the ships to be commenced this coming year.

PRESENT $4,000,000,000 PROGRAM

Under the Vinson-Trammell Act in 5 years there have been added to the Navy or are now being built 141 ships which, it is estimated, will cost the sum of $1,443,643,280. The 72 ships now building will require $586,107,367 to complete.

In addition there are already authorized additional ships which will certainly cost more than $2,000,000,000 more. The 11 new battleships alone, already authorized, will cost in excess of $1,000,000,000 at the present rate of increased cost.

These ships may be as large and as powerful and as heavily armed and armored as the naval authorities may deem advisable.

These ships may be commenced as promptly as the naval experts have indicated it would be possible to prepare the necessary shipbuilding facilities in public or private yards.

THE AMERICAN NAVY IS SUPREME IN THE WESTERN HEMISPHERE

The evidence before our committee indicated that no navy afloat today can challenge the American Navy in American waters. Most Americans do not desire the American Navy to challenge any other navy in Asiatic or European waters. Everyone concerned vigorously disavows any such intent.

TWO-TO-ONE RATIO TO ATTACK

A 2-to-1 superiority in naval power would be necessary, according to Admiral Leahy, for the United States to send an overseas expedition to Asia or Europe with any reasonable prospect of success.

Any other nation likewise would require nearly the same superiority of 2 to 1 to cross the seas and attack the United States with any reasonable prospect of success.

NO NATION CAN ATTACK US

The carrying out of the already authorized $4,000,000,000 program of naval construction will guarantee that no nation can approximate to any such ratio of superiority.

No nation other than England will even equal our naval power if we simply proceed in an orderly manner to carry out our present program and build battleships already authorized of such size and power as the naval experts deem advisable to match those of any other nation.

BRITISH NAVY

The Congress may constantly bear in mind that we are building a navy to guard the Western Hemisphere while Great Britain is building a navy to guard a world empire. This necessarily affects the character and quantity of ships that each will require.

OVERSEAS AGGRESSION

All authorities agree that there is a loss in efficiency of at least 40 percent in carrying on the operations of a fleet overseas, 3,000 or more miles from home.

This factor has been strangely ignored in considering the defense of America.

If we are going overseas we come under a similar handicap.

Are we losing our perspective? Are we again to be hip-hip-hoorayed into a position that will make us the laughingstock of the world? The President and the State Department may deny all they please that this proposed increase in naval strength is not directed at any one particular power. We know better. We know that the program is to increase our naval strength to a point where we can enforce our will in the Orient and Europe. It cannot be for any other purpose.

So far as continental United States and our island possessions are concerned, also the Western Hemisphere, our present and authorized naval strength is ample for our needs.

Plainly, we are here asked to authorize a Navy far beyond the needs of our national defense. How much better it would be if the money that is here proposed to be spent for superfluous armaments were devoted to the eradication of diseases that now afflict the human race, to liberalize the old-age pension law, and to provide hospitalization for those who are less fortunately situated.

With a national debt of almost $40,000,000,000, and which is rapidly increasing, it would seem to me that the time has come to sharply curtail expenditures rather than to greatly increase them as is here proposed. You are selling our young men and women into tax bondage that will enslave the next three generations. With each increase in taxes you diminish their chance for a job. You, of the majority, are making it harder and harder for our youth to find work. I do not propose by a vote of mine to compel the mothers of America to enter "the valley of the shadow" to bring forth children that will later be used as cannon fodder to bolster and protect the ambitious dreams of empire. To me the youth of America is too precious to use as hand grenades to protect foreign investments that are purely selfish.

We showed our lack of foresight and understanding back in 1917. Let us not repeat that unfortunate experience.

Repeatedly, proponents have sought to make it appear that opposition to this measure is based upon prejudice and hate. I emphatically deny that allegation. Our opposition is based solely on the desire to do that which is best for the American people. We want to save them from being saddled with huge and unnecessary expenditures that threaten our land with bankruptcy. If that be disloyalty to our country make the most of it.

Away with this emotional patriotism that has more relationship to mob hysteria than to statesmanship; away with this foreign policy that threatens to draw us into another war; away with this squander mania that has beggared a once proud and self-reliant people. What we need is more sanity in government and among those in whose hands the great American people have entrusted the affairs of the Nation. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 15 minutes to the gentleman from Washington [Mr. HILL].

Mr. HILL. Mr. Chairman, I fully realize the futility of any attempt to stem the tide which has set in to pass this big Navy bill in this body. Nevertheless, I must register my earnest protest against this mad folly. I will say at the outset that I will vote against this bill and, no amount of fatuistic logic will convince me to the contrary. Make no mistake about this measure. It is not a bill of defense but one of aggression and will lead us into the maelstrom of war with all its horrors and tragic results. The same propaganda, the same methods are being used today as were used in 1917 to plunge us into the World War. That was claimed to be a war of defense as this is claimed to be a preparation for defense. The same sinister forces are at work today as plied their trade in 1917 and are seemingly having the same success. Member after Member who for months past have openly declared themselves against armaments are yielding to the subtle pressure. The genial gentleman from Texas [Mr. DIES] yesterday was quite vociferous about the necessity for defense of our splendid country, but he later declared that it would not and could not be destroyed by foes from without but by foes from within its borders.

This being conceded, why this big-navy bill? At a Reserve officers' banquet a short time ago the chairman of the Senate Naval Affairs Committee, who was the principal speaker, gave the reason. He stated openly and frankly that the United States needs the raw materials we import from Asia, Africa, and Europe and would protect the transportation of these necessities. Has he forgotten that during the World War we found we did not need to depend on Germany for our dyes but could produce the material and manufacture our own dyes? Does he not know that our country is wonderfully blessed with limitless natural resources which await discovery and development? It should not be necessary to engage in another war to discover our own possibilities and material wealth.

Moreover, this bill itself says we must protect our trade and nationals abroad. In other words, we must police the world. In the first place, this would require many times the size of the proposed Navy. And in the second place, if after being warned to keep out of a war zone American trade wants to venture into that war zone for the sake of profits, I for one do not propose to risk the youth of this country and the wealth of this country for the purpose of collecting those profits.

Europe and Asia—the whole world is seething with madness and hatred. Another world war will destroy civilization. The best way to save this civilization is for the greatest, the most powerful, the most sane nation—the United States of America—to keep its head cool, to keep its feet on the ground, to refuse to join their orgy of madness, and then when their fury is spent we will have at least one firm rock, one safe harbor, from which again to start a new and better civilization. When a tornado is wreaking havoc on every hand the safest place until it is over with is the cyclone cellar.

We heard much during the World War of the imminent danger of German invasion. What a fantastic dream! The Kaiser in his madness was determined to be a Caesar or a Napoleon in Europe. He could have had no foolish idea of conquering and holding America. He would have had his hands full to police Europe and keep down rebellion within his own country. The same is true today of the upstart Hitler. The same is true of Mussolini and Stalin. Such dictators know full well the resentment and bitter hatred that rankle in the breasts of the oppressed in their own countries without harboring the illusions of crossing the Atlantic to attack a powerful country like ours. We hear much of the "yellow peril"—the Japanese menace. There is no such thing. Japan says, Asia for the Asiatics. Is that anything else but an Asiatic Monroe Doctrine? She is determined to dominate Asia and is not fool enough to consider a conquest of America, where her naval ratio would be 5–1. Of course, I do not condone either Germany or Italy or Russia or Japan. They are all mad with lust for power and aggression and greed. But it is my contention that it is none of our affair. We tried once to "make the world safe for democracy" and failed miserably. And what of our allies—our so-called friends, so feelingly mentioned by the gentleman from California [Mr. SCOTT]? Do friends refuse to pay their bills? Do friends flout the saving aid you render them in time of dire distress? Do friends refuse or fail to join you in a boycott against belligerents when it might be effective and then negotiate with dictators when the day of opportunity has passed?

We who oppose this bill—and I regret to note the number is decreasing daily—are called pacifists. If a refusal to join in the mad race of hellish warfare is to be a pacifist, I gladly accept the name.

May I remind you that the Great Pacifist who gave us civilization, yes, even the name "Christian civilization" we have gloried in, humbly stooped to accept that name of derision. May I add that if civilization is to be saved it will only come through the application of His sublime ideals, His practical wisdom, His infinite love.

They say we are cowards. At least some of us who signed the Ludlow petition did not run to cover when terrific pressure was brought to bear to prevent even an open and fair discussion of the Ludlow amendment on the floor of this body. Our opponents did not have the courage to face the facts in open debate nor to permit their constituents to be heard on so vital a question as engagement in a war on foreign soil. It was not a question of who are best able to decide this question—the Members of Congress or the people—it was a question of whether those who do the fighting and pay the bill should say whether or not they wanted to engage in a foreign war. Courage? Some of these silver-haired and silver-tongued orators may some day vote to send somebody else's son or husband or father to die on the battlefield while they are safe at home. Those of us who

oppose this big-navy bill who are too old to be drafted, will volunteer to defend our homes and loved ones in case of actual invasion. Courage? Who had more splendid courage than Bob La Follette, Sr., and George Norris who risked their reputations and endured persecution and ostracism for the sake of principle and peace? They were real heroes and, to my mind, two of the greatest Americans of recent times. It takes far more courage to fight the battles for right in peacetimes than it does to rush to the battlefront when flags are flying, bugles blowing, and glittering promises paraded before the enlisted young men.

We who oppose this big-navy bill are even termed fools easily swayed by peace propaganda or impractical fanatics who do not understand the best interests of our beloved country. I think we who supported the Ludlow amendment and oppose this measure know full well what we are doing and do not need the advice of Tammany as to what is the best for this country. And even though we might be influenced by so-called lobbyists I for my part will rather yield to peace propaganda than to war propaganda. I would rather be guided by the followers of the Prince of Peace than the followers of the god of war.

Are we such impractical men as our opponents charge? When there is a deadly gun fight down the street, is it the part of practical wisdom to insist on your inalienable right to rush down between the mad combatants? If your neighbors foolishly get into a brawl and fist fight, is it not the part of wisdom to stay out of the mess until they come to their senses and realize that after all no one wins by bravado and injustice and force?

Would a wise man turn his faithful watchdog out into the streets infested by the mad dogs of war foaming at the mouth with rabies or would he wait until they had either destroyed each other or died of sheer exhaustion? Oh, but you say you want to save the defenseless children from these mad dogs. No, you do not! You have stated time and again that it is only in defense of your nationals and your trade—your own. Do not camouflage. Moreover, we failed in 1917 and 1918 and we would fail again—nay we would be annihilated by another world war, and there is not a Member here to question that statement.

Yes, let us be practical. Let us refuse to spend $80,000,000 apiece for battleships of aggression which can be destroyed by $250,000-apiece bombing planes. Let us spend these millions in defensive aircraft, submarines, mines, and small swift vessels for coast defense. Let us be prepared to defend our coasts, our shores, our ports, including Alaska, Hawaii, and the Panama Canal against any enemy or group of enemies if they should be foolish enough to attempt such an impossible conquest. In such a program I will be with you heart and soul. Millions for real defense but not one cent for possible aggression.

Mr. Chairman and colleagues, if we have extra billions to spend beyond the cost of adequate defense and want to fight, let us gird up our loins and have the courage to go into battle against our real enemies, crime, poverty, disease, bigotry, ignorance, want, and injustice. These enemies at our very doors are far more real, far more dangerous, far more worthy of our steel. I challenge you to take up this warfare with a zeal, with a courage, with a determination that shall vanquish even these formidable foes. Then, and not till then, can we boast of real American manhood, unflinching bravery, and practical wisdom. Let us be practical and solve our domestic problems. The people of this Nation are demanding this type of statesmanship, this kind of unselfish devotion, this kind of loyal service from their representatives here in Washington.

With full faith in the future of the United States, with complete confidence in the rugged common sense of the people of this country, and with abiding assurance in the ultimate triumph of right and cooperation and peace, let us dedicate our every effort to these ends.

I listened to my colleague the gentleman from New York [Mr. WADSWORTH] this afternoon, and his speech shows that our philosophy is entirely in disagreement. He justifies our entrance into the World War. I denounce it. We had no business in the World War. [Applause.]

Look at the world today if you want the answer. Look at our own country if you want the answer as to what the World War did to us. Again I say, I denounce our entry into the World War, and I pray to God we may never make that mistake again.

May I close with Kipling's statement made at the Golden Jubilee for Queen Victoria:

> Lord God of Hosts, be with us yet, be with us yet,
> Lest we forget, lest we forget.

Mr. Chairman, we must not forget the results of the World War. We must not forget the problems demanding solution at our own doors here at home. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. O'MALLEY].

Mr. O'MALLEY. Mr. Chairman, I want to thank the Members of the House who have remained here while those of us who do not agree with provisions of this bill are giving their views upon it.

Mr. Chairman, if I may be allowed to paraphrase a famous saying of the ancients, I would begin my remarks today by the statement, "Whom the gods destroy, they first make hysterical." In a mad world fast falling under the domination of loud-mouthed men with varicolored shirts and blood-curdling slogans, a democracy, of all governments, should be the calmest and the most determined to keep its collective head and mental balance in the midst of turmoil. And in a democracy the one group which should be the calmest of all and the most insistent upon sane and contemplative discussion of vital issues should be the Congress, to set the example for the Nation and the world.

It is not necessary for me to reiterate that I am not a pacifist, never was one, and never expect to be one, to justify any opposition to the so-called naval bill now before us. I am willing, as are millions of other Americans, to sacrifice life and possessions in defense of our land, institutions, and form of government, but I am unwilling, as I believe the vast majority of our American citizens are unwilling, to raise one finger in support of any program to police the world or force democracy on other nations or join in any program which has for its purpose aggressive warfare or involvement in the quarrels of other countries.

The bill before us, although entitled "A bill to establish the composition of the United States Navy," might better and more frankly be offered to the American people labeled with the title for which it really stands, "The diplomatic bluff naval bill." Infections of some of the most virulent diseases known to mankind are sometimes carried across great oceans by the winds, and those who should be most wary of the disease of bluster and bluff which inflicts our world appear to have fallen victims of this European infection, which is the surest and quickest way to get into a fight. Theodore Roosevelt is credited with having oft quoted the old western slogan, "Never draw your gun unless you intend to shoot." The American people have the right to know before we engage in the mad armament race, before we make and draw these new implements of aggression, whom we intend to shoot or who intends to shoot us.

If this is not the "diplomatic bluff" naval bill why does it ask Congress to authorize 3 more $75,000,000 battleships when the Navy is not ready to build 3 other ships already authorized? If this is not a part of a secret, unwise, and probably British-inspired part of a diplomatic poker game, why the need for this bill when the Navy Department lags far behind the $4,000,000,000 program of naval building authorized by the Vincent-Trammell Act of 1934? If this is not a part of some mysterious future diplomatic plan being kept from the American people, why do we need this measure here and now when reliable records show our building schedule is 40 destroyers and 17 submarines behind in its program previously authorized by Congress?

If this is not a part of a program whose possibilities strike fear and terror into the heart of every mother and father of this country with a boy old enough to furnish cannon fodder, why does it go so far as to practically give into the hands of the Navy entire control of our fundamental national defense and naval policy as it does in section 9 by the addition of the authority it bestows that "a defense shall be anything the Navy or the Executive may decide is necessary to keep any potential enemy hundreds of miles away from our continental limits"?

Before we embark upon this mad armament race, before we throw our lives and our fortunes into the roaring cataracts of the war hysteria which is gripping the world, why do we fail as a responsible body of the Government to clearly define our national and foreign policy? Is this tremendous outlay of money in the face of starvation and unemployed here within our own borders necessitated because other nations who might attack us without cause have navies superior to ours? Let me quote from the hearings the answer that Admiral Leahy gives as to what other powers are doing—pages 1949 and 1950:

Mr. MAAS. We must know what these other powers are doing if we are to know what we must do.

Admiral LEAHY. I wish you would tell me what some of them are doing.

Mr. MAAS. Then how was the proportion arrived at when this bill was drawn up?

Admiral LEAHY. I have made no statement that the proportions in this bill are correct. I said that the increase which this bill would authorize will improve our relative position in regard to the other naval powers. We know definitely what Great Britain and France are doing, because they are parties to a treaty which requires them to tell us and we tell them. We know very little about what the other nations are doing. You mentioned Japan. We know practically nothing about the Japanese building program——

Mr. MAAS. In what way is our national policy endangered and by whom?

Admiral LEAHY. I have no thought that our national policy is particularly in danger at the moment.

Admiral LEAHY. We arrived at the conclusion that we need it because the other nations have expanded their navies and we have not, and it is necessary that our Navy be expanded to approach balance or keep balance with foreign navies.

* * * * * * *

Admiral LEAHY. We have not yet built up to the limits of the Washington treaty.

Is this authorization for aggression in case we become involved in the quarrel of some other nation as we did in the disastrous days of 1917 and 1918, and is there any nation now sufficiently strong to launch an expedition against us with any prospect that the expedition could gain a foothold on our shores? Let me quote some more expert testimony from page 1954:

Mr. KNIFFIN. You stated we would have to have three times our present naval strength in order to land troops on the shores of a major foreign power.

Admiral LEAHY. Not exactly. I said it would require at least three times this amount of increase of our present Navy to warrant undertaking such an expedition. I do not say that we could accomplish it with that much, and I doubt if we could with three times the increase.

Mr. KNIFFIN. Conversely, then, it would require approximately three times the strength of any foreign navy to land troops upon our shores, would it not?

Admiral LEAHY. No. The only thing that it is necessary to do in order to land troops on our shores is to destroy our fleet.

Mr. KNIFFIN. And it would be necessary for us to destroy the fleet of another power before we could land troops on their shores?

Admiral LEAHY. That is correct, unless we should have a sufficient fleet to move the fleet and the expeditionary troops together.

Mr. KNIFFIN. Assuming that that is true, no two foreign navies could land troops upon our shores at the present time.

Admiral LEAHY. Not so long as our Navy remained in existence on the sea.

Some of us fear this growing war hysteria in spite of the assurances that we are not going on any campaign of aggression. We fear it because we fear the daily deluge of propaganda, much of it supplied by that wiley and tight little island in the Atlantic, spewed forth daily by the radio and the press of this country which is filled with such honeyed but fatal phrases as "Hands across the sea," "Parallel action," "The white man's burden," "Help us police the world," and similar plays upon American emotions.

Why, even the gentleman from California [Mr. SCOTT], who hastened to assure us at the committee hearings, that while we are not going to declare war, we might be led into it, therefore we need this great and sudden increase in our Naval Establishment—page 1966.

Mr. SCOTT. I am not worried about going on any campaign of aggression. We are not going to declare war, but should we be led into it or have war declared upon us, certainly our fleet is not going to stay home and wait for their fleet to come over here.

The haste, the rush, and the sudden clamor for immediate passage for this authorization bill should give pause to those of us who feel that our duty to our constituents and our people prohibits us from allowing ourselves to be stampeded into a course that may not only be a woeful waste of the hard-earned money of the American taxpayers, but may be the first step on the horrible road that will lead us again into the maelstrom of another world war.

Why, gentlemen, we were months debating and passing a farm bill for the unfortunate agricultural citizens of this country, we have dilly-dallied, fumbled, and bungled with the relief question while little children still go hungry in the great cities of this country, and the army of unemployed grows in number each day. The Congress of the United States spent weeks on the Supreme Court issue and more weeks upon the question of "to lynch or not to lynch," and the wage-hour bill, a promise and a pledge of our Democratic Party, still gathers dust and cobwebs in the musty files of a committee pigeonhole.

Yet, here, in a radical departure from our declared policy of "millions for defense but not one penny for aggression" we are falling over ourselves to rush this bill through the deliberative channels of this House in record time. What is the object? What is the purpose? What is the unhappy need for such haste that the American people have scarcely had the time to read and digest the testimony on this bill before it shall have been forced through this House under the pressure of saber rattlers, diplomatic poker players, propagandized press, and radio "nervous Nellies." If you do not believe that this measure is being given the usual high-pressure rush act, look at the RECORD, January 28, the message of the President and the introduction of the bill. January 31 to February 28, hearings on the bill. March 4, report of the bill with amendments to the House. Not 3 months' consideration like the antilynching bill. Not nearly the time that other measures of far lesser import have been pending before the Congress for study and consideration. But suddenly this measure is rushed before us with all the fanfare and trumpetings that usually signal the stampede of an ill-informed, unhappy, and helpless people on the road to war.

Is this haste to rush this measure through the fitting climax to the fear that the American people are at last aroused to the point that they want something to say about whom we go to war with or against? A fear engendered by the near success of the Ludlow war referendum amendment, which almost passed in spite of the pressure, threat, flattery, and touching melodrama that was brought to bear even within the walls of this Chamber. Is this haste inspired by the anxiety that back in home territory this year many unfortunates will be busy explaining why an American citizen who is good enough to die for his country when Congress so decides is not good enough to have something to say by way of the ballot box as to where or when he will die?

Or is this haste inspired by the inevitable fact that we have had conversations about parallel action and cooperation with other nations about wars or the possibility of war in other parts of the world? One of the principal organs of British propaganda by way of newsprint both preceding the World War and today, in my own State, characterized my statements to the committee "that I would not be unconvinced that such conversations had occurred between British and American representatives until the State Department and the military and naval authorities of this country categorically

deny that such conversations have taken place" as "silly." I am not surprised that this war-mongering newspaper, from its record of propaganda peddling of more than 20 years ago, should resent any exposure of the fine British hand in our diplomatic and military policies.

Let me call your attention to Congressman CHURCH's questioning of conversations with British representatives on pages 2048 and 2049 of the hearings:

Mr. CHURCH. In that connection I will call your attention to two or three things I would like to have cleared up. Is Capt. Roy E. Ingersoll under your supervision?

Admiral LEAHY. Yes.

Mr. CHURCH. Will he be here to testify or can you state what reports are in your office from him as the result of his recent conversations with British representatives?

Admiral LEAHY. I will make no statement of that kind in a public hearing. I will make a frank statement to the committee in private session with the understanding that it is confidential information regarding the defense of this country. All work that is done in Captain Ingersoll's department is confidential.

Mr. CHURCH. I want to get this information as briefly as possible.

The CHAIRMAN. What department is that?

Admiral LEAHY. He is head of the War Plans Division in the Office of Naval Operations.

Mr. CHURCH. Is not the newspaper report that he did have conversations true? Is it your opinion that to have his report we should wait for an executive meeting?

Admiral LEAHY. I decline to answer that question as well.

Mr. CHURCH. I will ask the question again. I want to know if Capt. Roy E. Ingersoll was in conversations with the British, with regard to any question of quarantine. We must determine the policy of national defense and perhaps the President, apparently from information in the Secretary of State's office or your office, contemplated last October something more than this bill on its face contemplates. I ask, Are the reports from Capt. Roy E. Ingersoll in your office? I would like to have this information. I realize that on this bill your testimony has been admirable, Admiral Leahy, and confined to this bill it is an expert statement, but it is recognizing that there is no adequate defense, and we come to the question of now determining the question of the policy of the United States in national defense.

Admiral LEAHY. I have nothing whatever to do with determining the national policy. I will make categorical reply in executive session regarding matters within my cognizance, and will tell you all about it, but I may not divulge any confidential information in open session.

Of course, being mere Members of Congress, we are unable to learn the results of any executive hearing at which testimony may have been produced, but as Congressmen here representing our people, we are entitled to know if the question of the gentleman from Illinois was answered and how it was answered and why this secrecy if the American people would not resent and oppose the tenor of such conversations. Let me refer to some indication of a possible secret deal.

This is from a press release in British newspapers.

LONDON, February 9, 1938.—"Great Britain has assured the United States of support in the event of direct action in the Far East," Prof. Gilbert Murray, chairman of the League of Nations Union, said today in an address to the National Liberal Club.

"I have reason to believe on good authority that we have given the American Government assurance that we are ready to support them in any action which they may take facing any risk," Professor Murray said.

"The trouble is," he continued, "that it was a confidential communication of the government that most people here do not know of and the great American public does not know it or believe it for a moment."

He said it would be impossible for Britain alone to attempt to prevent the Japanese invasion of China and added:

"We could go in with America, and I think I may say there is reason to believe it is perfectly certain that if we went in with America, Russia would be on our side to support us."

Mr. Chairman, we propose to increase our naval expenditures by one billion two hundred million solely for defense as the proponents of the bill would have us believe, yet Admiral Leahy says in effect on page 2089 that if anything happened to our Navy, it would be impossible to prevent the landing of any enemy force in California.

Admiral LEAHY. In the absence of a navy it would be extremely difficult, if not impossible, to prevent landing of an enemy force in California.

My understanding of such an answer is that it means we are risking all our eggs in one basket; our safety and the safety of America hinges solely on the good luck that our ships do not run aground, blow up, sink, be captured, or that the enemy would be thoughtful enough to advise us as to where she will engage our Navy and promise not to launch any expeditionary force that might get around, underneath, or over our naval line. Where are our coast defenses? Where are our coastal air defense bases? Where are our long-range coast guns? Where are our trenches and battlements to prevent a landing? Where are our war implements to resist the attempt of a single foreign foot to set itself upon American soil; and if we must spend money for defense, why do we not spend it where attack can do the American people, American investment, American industry, the most harm? The defense of our own immediate shores should be our first consideration before enlarging our already large Navy. Then, if we have any excess of taxpayers' money we might well spend it on the luxury of a great overseas fleet that our naval experts say must be multiplied by three if we are to have any chance of successful attack abroad, yet deny in the same breath that other nations would have to triple their own navies to be equally successful in attacking us.

To prove that no aggressive action is contemplated, it has been stated that the currently proposed increases would have to be multiplied by three if we were to have any chance of success in an attack overseas. On this basis can the suggestion that Japan may attack us be accepted? Or is it supposed that the American people can be persuaded to fear a combined attack by the German and Italian fleets totaling 7 capital ships, 7 heavy cruisers, and 19 light cruisers, while those nations left themselves exposed to attack at home?

As for an attack by Japan, Admiral Yarnell has said that—

"The inhabitants of the Pacific coast can sleep quietly in their beds until Japan builds a navy twice the strength of that of the United States." (Hearing before Foreign Relations Committee, 1930, p. 359.)

Gen. Johnson Hagood has declared that no force able to inflict damage—

"Could come across the Atlantic Ocean, because there is no nation that has a sufficient army and at the same time a sufficient number of ships and a navy to support it." (Saturday Evening Post, November 7, 1936, article by Hagood.)

He has also said:

"America can be made safe from invasion by any military power or by any combination of powers that could reasonably be brought against it * * * by an expenditure not greater than the average cost of the Army during the 10 years preceding the depression." (P. 86, We Can Defend America, Hagood.)

Dr. Charles A. Beard, the noted historian, in testifying before the committee argues that "the poll of naval officers clearly demonstrates the unsoundness of the Mahan doctrine of sea power, but the Navy Department still puts it forward, and that now is the appointed hour to explore and get rid of it."

I have read all the available writings of Admiral Mahan that I could find. As a result of my studies, I am convinced that, even within the limits of policy, the Navy Department alone cannot properly plan the defense of the United States. Nor can the War Department. The business is difficult at best, as thousands of pages of testimony demonstrate, but it should be undertaken by a combination of the best civilian, naval, and military intelligence. A poll of naval officers has demonstrated that the majority of the admirals and captains utterly repudiate the Mahan doctrine of sea power and yet as his testimony shows, Admiral Leahy is still half entangled in it and the Navy Department still puts it forward, without any authority from Congress, as the official doctrine of the country. In my opinion, it is a dangerous doctrine and now is the appointed hour for the country to explore it and get rid of it.

I call your attention in regard to the inadequacy of any form of coastal defense or equipment which might successfully repel a landing force, the very able exposure of this unfortunate neglect of our coastal defenses to the articles of General Hagood reproduced on pages 2219, 2221, and 2222 of the hearings, which I shall ask unanimous consent to insert in this portion of my remarks in the RECORD.

[From the Seattle Star (Wash.) Saturday, September 18, 1937]

HAGOOD'S PLAN FOR COAST DEFENSE

(EDITOR'S NOTE.—This is the second and concluding installment of an article by Gen. Johnson Hagood which points out the strategic necessity of withdrawal from Asia and also outlines practical means of making the Pacific coast safe from any possible enemy.)

(By Gen. Johnson Hagood)

The Army General Staff was created in 1903 to make plans for war and it has been making plans for war ever since. It has plans

of some kind for making war against every nation on earth. This is only on the side of prudence and is what the general staff of every other army is doing.

But our General Staff is imbued with the foreign idea—we got it first from the Germans—that offense is the best defense. And for this reason we are no longer willing to sit behind a Chinese wall and say "Keep out."

We want to be "up-and-at-'em."

We have permitted our seacoast fortifications—at one time the best in the world—to go into a state of decay; and have developed an aggressive mobile army prepared—on paper—to go out as a huge expeditionary force, or to successfully combat with any foreign foe that might secure a footing within the continental limits of the United States.

We base all of our grand maneuvers upon the theory that our Navy and our seacoast defenses have been destroyed. But we do nothing to see that our forts are made strong enough to hold out.

FORTIFICATIONS ARE OLD

The fortifications of the Pacific coast with the exception of Los Angeles were laid out under a plan devised by the Endicott board in 1886. The writer was sent out from Washington, D. C., in 1907 to make some final suggestions about range finders and searchlights.

No material improvements have been made since that time.

We have subsequently installed a few guns here and there that will shoot farther than the old guns, but they can't hit anything because we have no well-developed system of using airplanes or anything else to locate the targets with sufficient accuracy to destroy them with the ammunition available for that purpose.

The airplanes are not interested in hanging around to spot targets for the seacoast forts. They have got their minds on more active operations with the huge mobile army or on going out upon independent bombing expeditions of their own.

And so, also, whatever we have got in the way of antiaircraft guns—and we have almost nothing—likes to follow around with the big circus.

Puget Sound is the world's greatest natural harbor. It is not difficult to defend. Under the old plan there were three forts—Worden, Flagler, and Casey—closing the channel across from Port Townsend to Whidby Island. Subsequent suggestions were made for the defense of Deception Pass, Bellingham Bay, and Grays Harbor. But nothing has been done about any new forts and the old forts have been abandoned or allowed to become obsolete.

Is the United States going to become involved in the Sino-Japanese war?

Answer, no!

Not if we retain our right senses, control our temper, and, no matter how great the provocation, resist the temptation to get mixed up in it.

The State Department in Washington has given it out that America will not use its Army or Navy to protect its interests or the interests of its citizens in the Far East.

This is like saying that Uncle Sam will not put his hand on an anvil to protect a red-hot nail against a sledge hammer. The United States cannot protect its interests in the Yellow Sea any more than Japan could protect its interests in the Gulf of Mexico.

It has been said in the press that it would take $40,000,000,000 to organize an expedition against Japan. The State Department says that it would take more soldiers and ships than we have or are likely to have. But it is not a question of money. It is not a question of how many ships and how many men. There are no "ifs" and "ands" about it.

It cannot be done.

A great many widely different plans have been drawn for the defense of the Philippines. None of them is satisfactory. Generally speaking they have provided for the Army keeping the flag flying until the Navy could arrive with reinforcements from the United States. But no one has ever believed that the Army could hold out. And the Navy has never been so foolish as to say that it would come out and bring the relief.

We should give up the Philippine Islands forthwith. The Filipinos are asking for it. Let them have it.

In the meantime we should make immediate plans to bring out all the American soldiers and to turn over to them their own native scouts, now on the American pay roll.

Now, Mr. Chairman, I am not against, nor have I ever been against, adequate defense for our Nation or our people. I am against any effort to hastily stampede this Nation into unwise expenditures for instruments of war that are primarily for aggression and not for defense. I am against any parallel action with any foreign nation in any quarrels with the eastern or western world on the part of the United States, and I am emphatically opposed to our modeling our military and naval policy upon the suggestion of other nations who want us to fight their wars for them and who are pouring down a steady stream of propaganda to make the world believe we are alined with them in any world program for policing the globe in the interests of British-dominated world peace and security.

The administration has had my support on its efforts to solve our domestic problems. I am alarmed and upset that the administration's reasons for this hurriedly devised, hastily impelled proposition is placed before us to vote upon, specifically and solely because of the piling up of additional land and sea armaments by other countries, and not because it is anywhere indicated that we are in danger of attack by any nation or group of nations in the world. Why are we rushing into a mad armament race, and if we need arms, why are we neglecting our home defenses in favor of the only aggressive weapons of modern warfare? We need nothing the rest of the world has. We can live and prosper without huge world trade, but we are entering the race, nevertheless, cheered on by some newspapers, more British than American, in their printed efforts to incite America to violence and war. Cheered on by horror and atrocity stories, lectures, propagandists, slogan peddlers, and the host of wily diplomatic war mongers that today infest the Nation's news and information sources and who are getting their inspiration from across the sea.

In the offices of Downing Street the titled gentlemen who believe they should propose to and dispose of the world for their own purposes, still regard these 48 sovereign States of ours as colonies, good enough to pay tribute in taxes by way of unpaid war loans and furnish the flower of our youth and manhood for defending the sources of revenue and profit that flow into the tills of the Old Lady of Threadneedle Street. As witness the United Press release of February 9 from the League of Nations, the skillfully planted propaganda in the New York Times by Mr. Krock, whom the committee, by a vote of 14 to 2, refused to subpena to discover the inspiration for the material which appears on pages 2194–2196 of the hearings, and as witness this article which is taken from G. K.'s English Weekly of January 6, 1938:

CAN WE ROPE IN AMERICA?

(H. Belloc, in G. K.'s Weekly of January 6, 1938)

The immediate practical question in English politics has nothing domestic about it; for we have in truth no domestic politics. We are so united a country that no domestic question divides us. Our poor are delighted to be managed at a profit by our rich, we are always persuaded that, if any of us suffer, the foreigner anyhow suffers a great deal more and we are quite content with the purity of our public life and the magnificence of our public men.

But in problems involving the said foreigners, and the said public men and ourselves, in matters of international relationship it is otherwise. The Irish affair, which is the most important of all, we get over by taking for granted that it is not there. Ireland is excluded from our press, and not one of us in a thousand pays the least attention to it, or to the Irish race in Australasia, Canada, America, or to the Irish religion. But what a few people do by this time appreciate, and what most people are beginning vaguely to feel is the increasing menace to our wealth. We are menaced by serious rivals who want to get hold of that wealth. One important section of our wealth is derived from tribute beyond Singapore. As money lenders (that is bankers) we have levied on the Far East a regular toll, increasing in magnitude, for nearly a hundred years. We get 5 and 6 percent and over from the labor of yellow men, who are still precariously and have long been securely in our fee. We get profits from our exchanges of goods with them; we get profits out of the insurances upon their lives, upon fire, upon trade risks; we get, or have got, direct payment in salaries from them, paid to our public-school men and whom we send out as managers and officials of every sort; we get a big slice of their taxes as payment for "accommodation," and all the rest of it. Much the greater part of this wealth, steadily pumped out of the Far East, finds its way to England and maintains a respectable proportion of our population, some in idleness, others in not very laborious ease.

The Japanese want this revenue and at the moment of writing are in a fair way to get it. They want to deflect the wealth that is now paid into our pockets as money lenders, managers, insurers, exchangers, officials, and even missionaries, into their pockets. They propose to do this by force of arms, and they have already gone a long way toward succeeding.

Now, how can they be stopped? Only by a superior force in action or by the threat of such force sufficient to give them pause. Can we do that single-handed? We cannot, because we have not sufficient strength. We have no land force available for the purpose, and sea power nowadays does not exercise the control it did 30 years ago. Even if it still could do what used to be claimed for it, we could not use it single-handed, because the attempt to do so would at once arouse an overwhelming coalition against us. The French in their present condition, though they have similar

(vastly inferior) interests in the Far East, are not to be relied upon. The hopes we had of Russian interference have failed, the international clique which still rules from Moscow, with Stalin as its vigorous figurehead, knows very well that foreign war would be the end of it.

There remains the United States.

It is commonly said up and down Europe that we can make the United States do what we like. That idea is based upon the vague and most misleading word "Anglo-Saxon," but also upon the actual and recent experience of the last 20 years. We got the United States into the Great War on our side, and, what was more extraordinary, we managed, in the debt business, to make France the villain of the piece. We have got them to feel with us against modern Italy, and we have got them to talk of ourselves as "a democracy"—which is prodigious.

Can we rope them in to fight or threaten to fight the Japanese? It is a question of the most poignant interest, and it is a question that will be answered in a comparatively short time one way or the other.

The advantages we have in the working of American opinion and policy are very great, and they have been used in the past with so much success that those who think we shall still win the trick have much to say for themselves. We are the only people of the Old World who use the same printed word, and largely the same spoken word, as the Americans. Much more important than that mechanical advantage is the spiritual advantage of a literature largely in Livingstone, a descendant of one of the first English settlers. Having no common with them and an interpretation (or myth) of general history held largely in common with them.

But much more important than any other factor is the religious factor. Vastly different as we are from the Americans we have in common with them the set of moral ideas proceeding from the men who dominated the English seventeenth century. Those ideas have, of course, been transformed in the last 200 years. You can make more out of a society for the prevention of cruelty to animals or children, or out of the word "democracy," or out of "sanitation," than you can out of the authorized version, and much more than you can out of direct Calvinism, for the latter has now got to be given diluted; but, roughly speaking, we know instinctively what will move American indignation and enthusiasm, even when it does not move our own. American opinion is inflammable, and just as we got up the cry, "To hell with the Hohenzollerns and the Hapsburgs" (which both begin with an "h"), so we might get a slogan for the Pacific.

There are obstacles in the way. The chief of these is the very large American investment in Japan. The next obstacle in importance is the realization by most Americans that we are much more interested than they are in stopping the Japanese advance, and that, if they come in, they will be coming in much more to our advantage than to their own. But those obstacles could be overcome. The mass of the American public has no experience, as we have, of modern war; its enthusiasm is easily aroused; we have already got them to feel a sort of instinctive opposition to the Italians; and the Jews and ourselves combined and in alliance have got them to oppose the third Reich.

Roughly speaking, we are about half way to our goal. Shall we be able to go the remaining half of the way and reach our goal? Shall we rope in America against Japan? That is the important question of the moment, and as this paper is free to tell the truth, the truth can be stated here in its simple and obvious terms. As things now stand, our chances are (to put it in American) about 50-50.

If we are again the dupes of English diplomacy in world affairs and in our military and naval programs, we shall have only ourselves to blame and should not again have the temerity to ask the American people to overlook our gullibility either as individuals or as a political party, as we have asked them since the disastrous departure from the policy of George Washington in 1917 and 1918. That the American people are alive and awake to the ruinous course their National Legislature is bent upon following; that they have every right to fear the entrusting of the sole war-making power to Congress and are demanding in increasing number a war referendum law which this Congress shunted aside; and that our people will shortly be demanding a similar referendum as to what kind of defense program America shall have is evidenced by the letters Members of Congress receive.

I realize that today those of us who counsel sane, careful deliberation on our defense program, who insist that our national policy shall be clearly defined, as was promised by the committee on its hearing of this bill—pages 2211, 2212, 2214—but which has not been forthcoming, are in the minority; but that we do represent the unvoiced opinions, hopes, and desires of millions of Americans, I am confident. Though we may be voices crying in a wilderness of emotion, where reason should prevail, time and events will vindicate our position, as it has always vindicated the position of Americans who have struggled to keep this country of ours from entanglement in foreign policies.

Mr. Chairman, in conclusion, I want to include with my remarks an article from World Events that characterizes this mad race to war we are urged to join by misinformed and emotional jingoes, as well as some letters received by me in the past few weeks.

"MAD ARMAMENTS RACE"

When other nations began a few years ago to crowd the air, the land, and the sea with bombing planes, conscript armies, machine guns, tanks, cannons, battleships, and submarines, President Roosevelt described this as a "mad armaments race" and a "grave menace to the peace of the world." Today, when the President urges this country to plunge into the same deadly whirlpool, we still believe that his earlier thought on the matter was right. For the proposed unprecedented peacetime expenditures for Army and Navy and Air Force are, in our opinion, unnecessary, wasteful, and exceedingly dangerous.

This vast armament program is being sold to the country on the plea of defense. Defense against whom? Defense of what? The enemy is, of course, Japan, and before long we will no doubt hear that there is a Japanese with a machine gun under every bed. Great arms programs are always put over by fear and war-scare propaganda.

What are the facts? Franklin D. Roosevelt told the country in the magazine Asia in 1923 that it was the consensus of opinion of military and naval men on both sides of the Pacific that Japan could not invade the United States and maintain an army here. No nation has ever been able to wage war when its source of supplies are more than 6,000 miles distant. This would require a battle fleet about five times greater than that of Japan and the entire present shipping tonnage of the world as transports and auxiliaries.

The effective range of a modern battleship is 1,500 miles; the maximum range of a bomber fully loaded is less than 500 miles. The minute battleship and bomber exceed these limits, the advantage goes definitely to the enemy. No wonder Lloyd's in London was ready to wager 500 to 1 that the United States would never be invaded. And Lloyd's generally bets on a sure thing.

Are we preparing to invade Japan? The project is just as futile. It cannot be done. Not only are there the 6,000 miles of ocean and the Japanese Navy, but also a ring of island outposts through which no naval forces could make their way. Admiral Sir Roger Keyes once said: "As a naval man, Japan is untouchable."

If it is our shipping that is to be protected—munitions ships, perhaps, that go into a war zone—American opinion would not support such a move. It is utterly unjustifiable to risk plunging 130,000,000 people into war merely to protect the profits of war traders.

Or does the Government propose to enter the wars of other nations "in order to save democracy"? Aside from the fact that the country is overwhelmingly opposed to such a course, there is no more certain way of destroying democracy than by going to war.

On the economic side, such arms expenditures are pure waste. They raise taxes, increase the cost of living, fatten the purses of the arms companies, and cause a general maladjustment of industry. The British experience of the last years is warning sufficient, while Germany has maneuvered herself into such a position today through armament making that it will be difficult for her to extricate herself without war or economic ruin. The Federation of British Industries, a group of powerful industrialists, warned that huge armament programs would be followed by "progressive reduction of labor and materials for civic requirements, as well as a further limitation of personal liberty and the impoverishment of living standards."

It is still time to prevent this "mad armament race."—World Events.

Mr. Chairman, until and unless our Government plays fair with the American people, American mothers and fathers, whose sons must furnish the fighting force of this Nation, by definitely and clearly setting forth what our foreign policy is to be, I cannot, in honesty to myself or my constituents, support this "diplomatic bluff naval bill" disguised as it may be under the badly moth-eaten cloak of "national defense," always provided for such travesties by armament manufacturers, international bankers, and internationally minded diplomats who are again trotting forth "Banquo's ghost of fear" before the American people as the prologue to the tragedy of America as the "Colony of Great Britain" in her conflicts with the havenots of the world.

Congressman THOMAS O'MALLEY.

DEAR SIR: Having read some of your recent statements in Congress against the big-navy plan here, I take the liberty to write to you and congratulate you most sincerely upon your courage and truthful opining on the aforementioned plan. I really regret that there isn't a larger number of your kind of Representatives in Congress; indeed, it would be better for this great Nation, its people, and destiny.

I believe that there is an existing (sh-h) agreement between the United States Government and England-France, exactly what

the United States shall do in case England, etc., are involved in war. President Roosevelt's "quarantine speech," big-navy plan, etc., all point to the road of war.

For over 50 years the English and their puppets here have been delivering propaganda about kin-stuff, hands across the sea, white man's burden, the yellow peril, help us police the world, help us in wartime, isolation and nationalism are wrong, etc. It seems that the English propagandists have been successful in many directions. Right along we keep a part of our Navy in Europe, oriental waters, etc. Such isn't United States waters, territories, etc. I predict if the big-navy plan here passes that this Government will help England more than previously, and not only police the world more with England but back her up, her empire building, gangster stuff, aggressions, and wars upon unfortunate humanity. This is the road to destruction for this Government. "Mind our own business" is not only a good policy but also a sane and sound one. Right along this country has been neglected. Today crime, unemployment, etc., aplenty.

In regard to our foreign policy, there's too much secrecy and it's a real menace to national security, etc.

It seems the United States does many things England tells this Government to do. For example, shortly after England went off the gold standard [to beat her debts] the United States went off the gold standard, too, and increased the price of gold from $20.67 to $35 per ounce, and this has been very profitable to England and expensive to the American taxpayers, also the secret so-called gentlemen's monetary agreements, trade pacts, sterilization of gold, etc.

The administration talks about a big-navy plan as giving the American people adequate protection, etc. But where is this same protection when it comes to protecting the American people from the greatest racketeers on earth, such as the arms, munitions, implements of war racketeers? There isn't any.

The administration, through its questionable stuff, has increased tremendously the costs of building battleships, etc. Really, this means a greater burden for the American taxpayers to carry and more unbearable taxes and eventually maybe collapse and bankruptcy. The administration, previously and today, is allowing considerable scrap-iron bombers, arms, munitions, and implements of war to leave the United States daily for about every nation on earth, and credit is extended. Not only this, but there's considerable secrecy in this direction. Maybe in a future war some of the war supplies leaving here now will be returned to our conscripted American boys and cities. Before our armed defenders have experienced this—as in everything, the United States is dual. It's for peace, law, order, etc., on earth, but at the same time it's for war and the supplying of nations regardless of their "isms" and Neutrality Act. Many of the inventions of war, etc., were first invented in the United States. Did the United States make an honest effort to keep them solely here for adequate defense and protection? It didn't. Why not? Because this would interfere with the plans and profits of the greatest racketeers on earth. It seems that the United States must make war more terrible and supply the nations with war inventions and supplies according to the way things have been done, and then organized propaganda from the War Department down the line cries out: "We must have a bigger Army and Navy; we are inadequately prepared for war, etc." And so goes the madness. United States will never be adequately protected until it ends the damnable things it allows to exist. My buddies died to end excessive navalism, militarism, etc. Why isn't this Government true to them and its defenders?

Sincerely,

JOSEPH MAHONEY (war "vet"),
40 Edgar Court.

NEWPORT, R. I., *March 6, 1938.*

GRACE BAPTIST CHURCH,
Milwaukee, Wis., February 20, 1938.

Hon. THOMAS F. O'MALLEY,
Washington.

MY DEAR MR. O'MALLEY: Permit me to express my deep concern over the administration's belligerent attitude in recent months. I am particularly opposed to any increase whatsoever in naval, military, or aircraft appropriations; to the Hill-Sheppard bill and any other efforts to set up a Fascist dictatorship in wartime or internal economic emergencies; to the retention of our gunboats in or near war zones; to the shipment of war munitions to any country at any time. (Congratulations on your sponsorship of the peacetime arms embargo in the last session!)

I am convinced that justice and good will are the only real defense for a nation as for individuals, that the Belgian plan for redistributing economic advantages more equitably as between the "have" and the "have not" nations should be speedily supported by the United States; that our loss of trade with belligerents would be most trivial compared with the dislocation and revolution a war in the Far East would soon create; that the tenser the international picture, the greater the moral effect of a drastic reduction of armament, restoring security and banishing suspicion and fear.

I have supported the President in the majority of his economic policies, but if he persists in bluffing Japan and presuming to police the world and boosting armaments that prompt other nations to do likewise, thus creating only more insecurity, I'm through!

Many thanks for your kind interest and your good work.

Cordially yours,

L. EARL JACKSON.

Appreciate, too, your courageous vote on the Ludlow bill. Hope some such bill will soon be pushed through.

KENWOOD METHODIST EPISCOPAL CHURCH,
Milwaukee, Wis., February 12, 1938.

Representative THOMAS O'MALLEY,
House of Representatives, Washington, D. C.

DEAR MR. O'MALLEY: I have been instructed by the members of the new Milwaukee Peace Council to urge upon you the necessity of vigorous action against the pernicious Hill-Sheppard bill and the appropriation which the President asks for his super-Navy appropriation bill. There is a widespread feeling here, among those who understand these bills, that they should be killed.

We also urge you to do everything in your power to get a clear statement from the President as to what his position is in his foreign policy. We are now getting close to a position where war is repudiated as an instrument of foreign policy, and we are earnestly hopeful that this high stand adopted by Congress will not be changed by any action which the President might contemplate.

It might be of interest to you to know that, while the present letter comes to you at the insistence of the members of the Milwaukee Peace Council as individuals, we are planning immediately a city-wide education program and action on the part of the groups of our council. The following organizations are already members of the Milwaukee Peace Council:

American Association of University Women; American Federation of Teachers, Local 252, Local 79; American League for Peace and Democracy; American Student Union; Council of Churches; Council of Jewish Women; County Federation of Teachers; Emergency Peace Campaign; Fellowship of Reconciliation; General Federation of Women's Clubs; League of Nations Association; Milwaukee Teachers' Association; Pax (Catholic youth); Woman's Christian Temperance Union; Wisconsin Federation of Teachers; Woman's International League for Peace and Freedom; Young Men's Christian Association; Young Women's Christian Association.

Please be assured that we will do everything to support you in any action which you might take looking toward the maintenance of peace. As you probably know, there is also a Wisconsin State Peace Council with auxiliaries in cities throughout the State; our plans and programs are more or less identical.

Let me thank you personally, as well as on the behalf of the Milwaukee Peace Council, for your courageous stand on the behalf of the war referendum. Believe me, we shall not forget your courage.

Very sincerely yours,

EDWIN A. BROWN.

FEDERAL COUNCIL OF THE CHURCHES OF CHRIST IN AMERICA,
New York, N. Y., February 14, 1938.

Hon. THOMAS O'MALLEY,
Washington, D. C.

MY DEAR MR. O'MALLEY: We believe you will be interested in the following recent statement of the executive committee of the Federal Council of the Churches of Christ in America:

"The executive committee of the Federal Council of the Churches of Christ in America registers its disapproval of the proposed increase of naval and military expenditures beyond the Budget already submitted for the fiscal year 1938–39, as unwarranted by any evidence thus far presented and calculated in the present world situation to stimulate the spirit of fear and unrest which is the parent of war."

This action indicates a grave concern on the part of church leaders over the armaments program which is being promoted so energetically in Washington. We hope that this concern will be seriously considered when any action is taken by Congress.

Sincerely yours,

ROSWELL P. BARNES.

GRAND AVENUE CONGREGATIONAL CHURCH,
Milwaukee, Wis., February 14, 1938.

Hon. THOMAS O'MALLEY,
House of Representatives, Washington, D. C.

MY DEAR MR. O'MALLEY: Thank you for the good work you are doing. I very much hope that your best efforts will be exerted in preventing any increase in naval and Army budgets until we know exactly what the Army and Navy are to be used for. Let's compel a definition of what we mean by defense. There is no call for our sending forces overseas to make war, and our present budgets are enough if we use them in providing defense in case of attacks.

The Hill-Sheppard bill ought not to pass, certainly not in anything like the form in which it was previously introduced.

It is the hope of many of us that Congress will work for international conferences, economic and otherwise, which will seek to adjust our difficult international problems of negotiations. If this is not done, war seems inevitable and we will probably be dragged in. Then we will be back and have to negotiate where we were at Versailles, only with billions more of indebtedness to strangle ourselves and the rest of the world.

Again thanking you, I am,

Very truly yours,

F. M. SHELDON.

NEILLSVILLE, WIS., *February 25, 1938.*

Hon. THOMAS O'MALLEY,
Washington, D. C.

DEAR MR. O'MALLEY, I was going to use a colon after my salutation but decided to use a comma instead, because I feel I'm writing to a friend and that this isn't a business letter.

Anyone who so openly condemns the assinine navy expansion caused by the greatest propagandists this world has and ever will know, the English "gang" from Downing Street, is to be congratulated for that brave stand.

I'm glad that their English campaign of education hasn't had any unfavorable effect on some of our more level-headed Representatives from a great State.

It's about time that some of our men have come to the realization that England has been saying "Let's you and him fight" once too often. The trouble is that one always goes back for more fish to the same old place he had success before. Let's hope that our Representatives won't make asses out of themselves and give Downing Street the second opportunity to cry aloud when they see an American coming, "Fish, more fish."

Your remark about the State Department was well made, and I'm here to back you up on it. The stink of some of those fish in the old fishing ground, the State Department, is getting stronger every day.

What is the foreign policy of our Government? We, who will have to offer our blood in the next war, would suggest that perhaps the State Department officers whom you refer to in the newspaper remarks be the first "buck privates" to hit the top of the line and take the chance of having their guts ripped open first.

Once more, stick to your guns. We're behind you.

Sincerely yours,

ERICH SIEVERT.

Mr. BREWSTER. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. CULKIN].

Mr. CULKIN. Mr. Chairman, to the average American familiar with history the Navy message of the President to Congress last January indicated that our country was again entering upon another adventure in world politics. Construed in connection with the Chicago speech of the President, in which by inference he vigorously assailed Japan, Germany, and Italy, the purpose of the message and the bill before us today is apparent.

He who runs may read that we are now to enter into an armament race costing in the long run many billions of dollars and possibly the lives of countless American youths. He may read that this measure and its resulting foreign policy probably spell the destruction of this Republic.

In my judgment this measure is the direct result of secret diplomacy in which this Congress and the American people have had no part. Since the beginning of civilization secret diplomacy has been the curse of the world and has sent millions of men to their death. I have made this conclusion only after an elaborate and careful examination of our foreign policy over the past 2 years. The correctness of my conclusion was definitely confirmed and corroborated by the appearance here today of the distinguished chairman of the Committee on Foreign Affairs [Mr. MCREYNOLDS]. His intense interest in the bill speaks volumes. I have no hesitancy in asserting that his remarks here today were inspired by the State Department. Everything he said made it a fair conclusion that section 9 of this bill is intended to implement and carry overseas a new foreign policy. Section 9 is intended to, and if left in the bill, will repeal the Neutrality Act and give a roving commission to our diplomats. This will implicate us in foreign affairs and eventually in war.

Nor has this procedure been without significant preliminaries. Since the passage of the Trade Agreement Act of 1934, Secretary of State Hull and that great internationalist, Professor Sayre, have been asserting that they can assure world peace by the making of tariff agreements with other countries. No doubt these gentlemen actually believe that if we but blend our economic destinies with all the other nations of the world, war will cease to be and the lion will lie down with the lamb. This pending measure is intended to further that policy. The zealots in charge of this program doubtless reason that we can shoot trade agreements into other countries if they do not take them peacefully.

FOREIGN INTRIGUE

Throughout the present situation, Norman Davis, who is really an advance agent of the international bankers, has been busy misrepresenting America and American sentiment at the various chancelleries of Europe. Many of our people have been curious and interested observers of his performances.

The House probably remembers that former Premier Paul van Zeeland, of Belgium, made a trip to this country in June of last year as the special agent of France and England. He did this after collaborating with Norman Davis, who once had the distinction of being able to borrow $50,000 on his personal note from J. P. Morgan & Co. Van Zeeland's mission was to arrange for the loaning of moneys to Germany by America through the Bank of International Settlements. Some of the gold that is buried down in Kentucky was to be earmarked for this purpose.

The White House, after it sent up various trial balloons on this preposterous performance, and refreshed its memory by reading the Johnson Act, concluded that this procedure was out of the question, so abandoned it.

Van Zeeland today is really the agent, if not on the pay roll of, France and England, and his chief objective seems to be to get some of that gold which we have stored in Kentucky and send it overseas. In brief, Mr. Van Zeeland came with a formula for world peace, with himself in the role of the conductor, and the United States paying for the orchestra.

THE BRUSSELS CONFERENCE

I wonder how many of you Members here have in mind our ridiculous performance at the Brussels Conference. This conference was called for the purpose of disciplining Japan and, perhaps, imposing sanctions on her. Both England and France sidestepped this issue there and compelled our roving Ambassador, Mr. Davis, to take the initiative on every question. The conference was simply another trial balloon sent up by the White House and the reaction of the American people was extremely hostile to the performance. Many of our people had read that Lord Halifax, who was pro-Hitler, was going to Berlin as the representative of England, and in the current newspapers of about that date, also read that France was sending a conciliatory commission to Italy.

The curious thing about it is that Halifax did go to Berlin, and while there, we are told, promised Germany a free hand in central Europe and the restoration of her colonies. The State Department and the President either did not read the newspapers of those days or they think the bulk of the American people are illiterate.

The ridiculous spectacle we made of ourselves at the Brussels Conference made the poker-faced diplomats of the world laugh until their sides ached. They are still indulging in mirth over our performances. When the President was declaiming against Fascist powers and their iniquities, both England and France were getting in bed with Germany and Italy.

The culmination came when Anthony Eden was forced out of the British Cabinet, and Lord Halifax, who had made the deal with Hitler, while our President was putting Germany on the spot, was made Foreign Secretary. The press indicates that he has been given a free hand in the dealings with Italy and Germany.

The administration's whipping boy, "Honest Harold" Ickes, was put on the radio and told the English people what an indecent plutocracy we were. He also told them about the vicious characteristics of Italy, Germany, and Japan. The speech, of course, was in the most outrageously bad taste, and the responsibility for it is directly on the plate of our distinguished President.

I am credibly informed that the President reads all of "Honest Harold's" speeches in advance. Rumor saith, that the distinguished Secretary of State, Cordell Hull, for whom I have personally the greatest admiration, was peeved at the spectacle America made of herself.

It is fair to state that the Secretary of State honestly believes that the salvation of the world can best be accomplished by trade agreements, and not by the bull-in-the-china-shop tactics of the said "Honest Harold." In any event, we have very successfully made ourselves the continued laughing stock of the world.

It would seem that this performance and resulting debacle would discourage us from further excursions into the international field. That would be a consummation "devoutedly

to be wished for." However, that is not the case, for the Secretary of State, ordinarily devoted to the peace of the world, proceeded to write a series of inflammatory notes to Japan. It was another Stimsonesque crusade.

The House remembers what occurred in 1932 when the British foreign minister left that ardent Anglophile out on the end of the limb. Stimson was then ready to plunge the United States into war in behalf of England's ill-gotten possessions in China, but Downing Street refused his invitation. The story is, that as a result of this performance, England's trade with Japan was greatly stimulated.

HULL INVITES WAR

I spoke a moment ago of the notes that Secretary Hull had written Japan. They are current history and the House is familiar with them.

The attack on the *Panay* occurred when that gallant ship was escorting three Standard Oil tankers in the actual zone of fire. This was months after the Neutrality Act had been passed by Congress in compliance with the wishes of the people, duly signed by the President, and placed on the statute books. The purpose of this act was to keep Americans out of the war zone when belligerents were at each other's throats. It is true that this power is discretionary, but the purpose of the act was obvious.

I make bold to say that the blood of the *Panay* dead is not on the head of the Congress. The President of the United States, with the Japanese, have a joint responsibility for that unfortunate incident.

The erstwhile judicial and composed Secretary of State wrote another provocative note in connection with the slapping of an American diplomat by a Japanese rookie. The fact is that the American representative was attempting to force his way into a barracks where the case of a Chinese national, a woman, was being investigated. The propaganda machine of the State Department worked overtime in whipping up American sentiment on this.

CHINA PARTITIONED LONG AGO

The air is full of discussions of the Nine Power Treaty and the Kellogg Pact. These pacts assume the unimpaired sovereignty of China, a condition that by reason of the infringement of France, Germany, and Italy, has not existed in China for more than a century. These treaties are a hollow sham, because China was partitioned long since by France, Germany, and Italy.

I do not intend to defend Japan's entry into China. I do assert that the present war in China results from the same causes that brought about the Boxer Rebellion in which we, ourselves, participated.

Japan claims that her unarmed nationals, of whom she has a number in China, were set upon by the armed forces of the Chinese Government.

THE OPIUM TRADE

I do say that the morality of Japan's entry into China is perhaps less degrading than the opium trade which was foisted upon the people of China for many years by the English Government. England's very possession of Hong Kong and the surrounding area was the result of the opium war, caused by the forced sale of opium to China by British subjects under the menace of British guns.

I recommend that the House read Pearl Buck's story of the opium trade and see if the Japanese to date have done anything as bad as that. Then for good measure, read the story of how English influence was established in India. Great Britain at present enjoys a huge trade with China, and she is fearful that Japanese penetration will take away this business. Personally, I am extremely fond of the English people, but I am not willing to shed the blood of a single American boy for the purpose of pulling her imperialistic chestnuts out of the fire. I distinguish sharply between the splendid English people and the imperialistic British Empire.

What I wish to stress now is that the alliance which the administration is attempting to bring about with the British Empire has no sound foundation in actual democracy. England is imperialistic and America is not, and, I trust, please God, will never be.

If our chivalrous purpose is to leave China to the Chinamen, let us insist that France and England get out of China. Let us insist that the age-old wrongs that England, France, and Germany inflicted upon China be righted and compensated. If we are to play the role of Don Quixote, let us espouse it in real earnest and not single out favorites for the performance.

HISTORY WILL PLACE THE BLAME

It was 20 years after the World War when the historians told us that Germany was not the aggressor, and that the propaganda which we swallowed at the time was all wrong. It will be 20 years from now before we know the real cause of the starting of the Sino-Japanese struggle. We know that Japan now claims that England and France stirred up the Chinese Government in an attack on Japanese nationals in China. She also claims that China is being taken over by the Communists. Some of the current literature on this proposition would seem to justify this contention. I suggest that my colleagues read "Red Star Over China," by Edgar Snow. China, on the other hand, insists that Japan is the aggressor, and that they are simply defending their homeland. I have great sympathy for the Chinese sufferers in their hour of distress.

Every thinking American is now certain that the President and Secretary of State intend to take a hand in the Far East. In doing this, they are going contrary to the expressed mandate of the Congress as laid down in the Neutrality Act.

Obviously, the domestic scene is palling on the President. Like Alexander the Great he is seeking new worlds to conquer. This present bill, in my judgment, is the cornerstone of his adventure into world affairs.

THE RESULTS OF THE WORLD WAR

The President thinks that the people of the United States have short memories and that they have forgotten our last excursion into internationalism. The President ignores the fact that there have been three solemn referendums on this question. In each of these, the people elected to keep out of foreign affairs.

The slogan of the second Wilson campaign was that he would keep the country out of war. The issue changed a minority party into a majority party, and resulted in Wilson's election.

Campaign pledges were soon forgotten, and within a month after President Wilson's second inauguration, we were in a struggle to save the world for democracy. Despite our efforts for free government, in which we made great disbursement of blood and treasure, there were born as a result of this war the Fascist governments of Hitler and Mussolini and the Communist state in Russia. Today there is no free thought, free press, or freedom of expression in the greater part of Europe. Europe today owes us more than thirty billions of dollars, the payment of which they have repudiated.

That, in brief, is the result of our excursion into internationalism.

The election of Harding and Coolidge turned on the League of Nations. Three times the American people have spoken solemnly on this question. The people's viewpoint on these entanglements is being ignored by the administration. The Executive and State Department have already got us to the verge of war with Japan. It is the candid opinion of many people that this mad procedure is a corollary to the trade-agreement program.

MORE SECRET DIPLOMACY

Responsible speakers in the House of Commons, including Anthony Eden, former foreign secretary, and Winston Churchill have said that the English Government has a satisfactory arrangement with the United States. From what source do they derive this assurance? Are they taking the word of Norman Davis, or is there an underground existing between the White House, our State Department, and Downing Street? I think there is, and do not believe that a Government such as ours should indulge in secret diplomacy, which is the inevitable road to war and not a function of popular government.

I believe any citizen of the United States who has read the foreign news of the past 6 months cannot arrive at any conclusion other than that this secret diplomacy does exist. Oh, I am familiar with the categorical denial of the distinguished Secretary of State that it exists, but in the procedure, in the technique and in the etiquette of diplomacy that would be classified as a white lie, and it would be within the power of the Secretary to make such a denial without violating any ethical code.

Why this sudden demand for a super navy? We are safer today than any time in our history. The able and patriotic officers who have held positions of command in our Navy from Theodore Roosevelt's time, have assured us that our Navy is sufficient to protect our coasts, and to enable us to carry on normally in world affairs. Now we are told that we need a navy as big as England's to protect the interests of America.

Why this sudden change of front on the part of these experts? It can only be explained on the theory that our statescraft requires a new naval adjustment to supplement an offensive foreign policy. The inference is plain, that in the judgment of the administration, we have burst our swaddling clothes, and are going to enter an armament race costing billions of dollars, and resulting in inevitable entanglements with the overseas nations.

SOUTH AMERICAN BOGEY

Propaganda sent out by the State Department is taking strange forms. Part of its war psychology is that we must defend South America against Fascism. You and I know that there have been more dictators in the various governments of South America since they obtained their freedom from Spain than in any other part of the world. We do not have to go abroad for Fascism. We are told that this navy cannot be built within many years. That is reminiscent of the way Mussolini and Hitler obtained power from dying parliaments. If this navy is authorized, it will be built. If it is built, it will afford an instrument of aggression in distant parts of the world, to some internationally minded President.

At this point in my discussion, let me emphasize that Japan is ready to enter into negotiations and resulting treaties with the United States on naval construction. They are ready to negotiate, but do not intend to be held up and cramped in their deliberations by the joint action of the United States, France, and England. They are quite right in this.

Hiroto, the Premier of Japan, on March 4, stated that Japan will welcome the opportunity to discuss the question of naval reduction with the United States; and that if this opportunity comes, Japan herself will propose the total abolition of capital ships.

WE ARE IMMUNE FROM ATTACK

The jingo propagandists in the Department of State, the importer press, and the press agents of the international bankers tell us that America is in danger from foreign attack. This, of course, is the height of nonsense. With Russia watching Japan, and the balance of power so delicately adjusted in Europe, is any citizen of the United States moronic enough to believe that an attack on this country is possible for generations to come?

I want to make it clear at this point that I am a strong advocate of adequate national defense. I am not a pacifist. I have voted for every Army and Navy appropriation bill since I came to this House. I voted this session for the regular naval appropriation bill which carried more than $550,000,000 for the Navy. Our present Navy, an adequate development of our coast artillery, with proper and sufficient air force, will immunize us from either attack or invasion, if indeed, there is any one competent to attack us.

I have seen it stated that to make an invasion of the United States possible, an army of 3,000,000 men would be necessary. Likewise, military experts say that under conditions of modern warfare, putting in the scale our potential strength in numbers and material, and assuming a reasonable preparedness, America is, from a tactical standpoint, further away from Europe and the Asiatic continent than she was in the time of George Washington.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Minnesota.

Mr. KNUTSON. It took us 18 months to transport 500,000 men to France, at a time when we were in our greatest vigor financially.

Mr. CULKIN. Several millions of men would be required for any European or Asiatic nation to cross the seas and get even a toehold on this continent, in view of our situation and our present resources. No intelligent American is influenced to the contrary by the patter of the propagandists.

AMERICA'S DESTINY

America's contribution to humanity must be made here on this soil. We are greatly blessed by our isolated position, and with soil, climate, and production greatly diversified. Our present commerce overseas is but 3 percent of our national production, if we eliminate intercompany relations. We are a people composed of many races, some of them not fully assimilated. To take part in foreign wars will inevitably involve dissension at home and a divided nationalism.

As I view it, our destiny is to build up our own people by education and opportunity, among other things, to give full opportunity to the marginal groups of whom our distinguished President is properly so solicitous.

The genius of America, the preservation of our institutions, are dependent upon our keeping free from entangling foreign alliances. The farmers of the Nation are against this authorization because they believe it will spell the undoing of America. Labor is against entangling alliances and war. The new races which have recently come to our shores, irrespective of their former allegiances are against mingling of our affairs with those of other nations. In fact, practically all of America, including our citizens from the crossroads and from the cities, are against this program for a super Navy. All of the people who have sons to serve as cannon fodder for this performance are opposed to this legislation.

Should a few mistaken idealists, encouraged and propagandized by the international bankers and foreign intrigue, lead us away from the ways of peace and the fulfillment of our destiny? The defeat of this bill is an initial step in keeping America in the pathway of progress and ordered development.

FAREWELL ADDRESS

Never was the concentrated wisdom of George Washington's Farewell Address more pertinent than it is today. The power and depth of his words make it a fit compass for our present course.

No one knew better than Washington the difficulties and perils of entangling alliances. In the Revolutionary War, the French had fought side by side with the colonists. France had given generously of her blood in the cause of American independence, but the attitude of the French was not altogether altruistic. They believed that with the Colonies once free, they would have a subservient political entity which would obey their behests and commands.

The House remembers Washington's experience with Genet. Grateful as he was to France, Washington foresaw the great destiny of America, and after his eight arduous years in the Presidency, he embodied in his Farewell Address a strong injunction to his struggling people to keep out of political and other alliances with the powers of Europe.

To my mind, the part of his address to which I refer applies with tremendous force to our present situation. It is especially applicable during the consideration of this bill.

Let me refresh the recollection of the House by a pertinent extract from that address:

> Europe has a set of primary interests, which to us have none, or a very remote relation. Hence, she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collusions of her friendships or enmities.

Why forego the advantages of so peculiar a situation? Why quit our own stand upon foreign soil? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, rumor, and caprice?

In conclusion, let me say that this issue, fraught as it is with the very life of our country, is not a partisan one. America today is at the parting of the ways and your vote today will determine its destiny. The distinguished President in his last pre-election speeches promised to keep us free from foreign entanglements and alliances. You and he were elected on that promise. The American people everywhere, at the crossroads and in the cities, expect you to keep the faith and vote down this authorization. If you do this you will insure the orderly, progressive development of our country, its continued life, and the advancement and promotion of free government, and the cause of humanity here on this continent. [Applause.]

Mr. BREWSTER. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, there have been few times in our history as a nation when there was greater need of keeping our heads and using good common sense than right now. I am thinking particularly of our foreign policy.

In spite of the disturbed condition of world affairs, our problems as far as national defense is concerned are relatively simple. Our geographical position has taken care of that. The existence of our great national resources further makes us less dependent upon other nations than any country in the world.

There is nothing in the world situation today which makes our problem any different than it has been during the century and a half of our existence. There is no new element today which of necessity requires any change in the traditional foreign policy of this country. There are those who contend that modern inventions, to a large degree annihilating time and space, have changed our situation from the standpoint of military and naval defense. This might be true if we assume that all advances have been made in the line of offensive warfare. The fact, however, is that defensive warfare has advanced just as rapidly as offensive warfare and the effect of every new and powerful weapon of offense has been neutralized through the invention of new means of defense.

Throughout our history the great mass of our people have believed in a very simple and direct foreign policy which may be summarized as minding our own business and maintaining an army and navy adequate for our own defense, including the enforcement of the Monroe Doctrine. That there have been temporary deviations from this policy does not in the least change the fact that in their own minds and hearts our people have consistently held to it. It is the policy which they desire that our Government follow today.

The American people as a whole are firm believers in maintaining a military and naval establishment which is fully adequate for national defense. However, by that they mean actual defense against actual enemies. They do not mean a theoretical defense built up against theoretical enemies existing only in the imaginations of those whose business it is to justify the existence of big armies and navies. There is a minority in this country today whose members think that the only way in which we can defend this country is to start a war on Japan and annihilate her before she becomes any stronger. There are those who say that purely as a matter of self-defense we ought to join with Great Britain and other nations and form an offensive and defensive alliance against nations whose political philosophy does not agree with our own.

The great bulk of the American people, however, feel that we are justified only in maintaining such an army and navy as will adequately protect ourselves and our possessions from invasion and enable us to enforce the Monroe Doctrine. If the people of this country have anything to say about it, that is the kind of a foreign policy which the majority of them will endorse.

We have today a Navy, in existence, building, and authorized, which will abundantly fulfill all demands which may be made upon it in the way of actual national defense. One would think, to hear some of the discussion which is going on, that we were a third- or fourth-rate naval power. The facts are, however, as shown in the hearings on this bill, that we have in existence, building, and authorized, the second most powerful navy in the world; and, considering our position and needs for defensive purposes, by far the most adequate navy in the world.

Up until the President's message requesting the enactment of the pending legislation it was apparently the theory of the Navy Department and the administration that the existing authorized program was entirely adequate. Indeed it must have been felt that it was more than adequate because requests for appropriations for carrying out the program have lagged far behind the building which was authorized.

What has happened to change the situation? Does this request for an additional authorization of almost a billion two hundred million dollars mean that the historic foreign policy of this country is to be changed? What other justification can be offered for it at this time? Why should a new program which for some time to come can be only a paper program be submitted now? Why, under these circumstances, should Congress be asked to commit the country to a policy which, according to all the testimony before the committee, cannot be put into effect at this time? Is it merely a bluff which we are putting up against certain foreign nations, or what does it mean? What will be its effect upon other nations and upon the question of world peace?

Up until this time no nation could justly say that we were arming against them. Likewise no nation has given us just reason to say that it was arming itself against us. But suppose we embark upon this new policy and increase our Navy to a size which every nation must know is greater than is needed for actual national defense, what is going to be the reaction? Are not they justified in feeling that we must be building a navy for the purpose of changing our traditional foreign policy and taking a more active interest in international affairs? Are not the rulers of those countries justified in telling their people that the United States has changed its national policy and is arming for aggressive warfare? Are not they going to do that and use it as an excuse for enlarging their armies and navies, and are not their people going to be justified in believing that there is something to the proposition? In other words, are not we starting a new armament race, one which if not stopped can lead only to world bankruptcy, or war, and possibly both? Oh, I know it will be said, as it has been said, that other countries have already started this race and that we must enter it in self-defense. Well, what is the situation? True, Great Britain is increasing its navy. It needs a larger navy than we do, a far larger navy. Everyone must admit that.

Furthermore, is there anyone in the United States today who seriously thinks that the British Navy will ever be used against us? But they say Japan is catching up with us. That Germany and Italy are increasing their programs. It is true that there have been some increases yet with the exception of Japan and Great Britain all other nations are so far below us in both actual and potential naval strength that there can be no possible contention that we are in any danger. As to Japan all of the figures which were submitted by our own naval experts at the hearings show that on any basis, either vessels built, those which they are building, or which are authorized, Japan does not approach the United States, and will not approach us anytime during the history of our program already authorized. The figures contained in the committee report as well as the figures placed in the CONGRESSIONAL RECORD on March 11 by the distinguished gentleman from Maine [Mr. BREWSTER] show this fact conclusively. Furthermore all the testimony of naval experts before the committee was to the effect that any fleet in foreign waters loses at least 40 percent of its efficiency. Therefore, to attack us in our own waters, Japan would not only have to have a fleet equal to our own but one almost half as large again. None of us are going to live long enough

to see a naval battle between Japan and the United States in our own waters, and if such a battle does occur, no battleship now in existence or contemplated will be there to participate in it.

Irrespective of military or naval armaments, what has a country of our vast resources to fear from nations like Japan, Germany, and Italy, all of which are lacking or at best partly deficient in the raw materials with which warfare is waged, to wit, coal, iron, cotton, and oil. Not only do these countries lack such essentials but they lack in addition the gold or international exchange with which to purchase them. The world's gold is in the hands of the United States, Great Britain, and France.

Why not postpone this new program until we complete the one on which we are already engaged? Until then this is only a paper program anyway. It does not accomplish anything in the way of security but it does commit us to a policy which has alarming implications.

This bill ought to be voted down. It ought to be voted down because we do not need it. It ought to be voted down because it can only be interpreted both at home and abroad as a change in our traditional foreign policy. It ought to be voted down because it puts us in a position of starting an international armament race. It ought to be voted down because it will give those nations now governed by dictators an opportunity to justify an expansion of their military and naval forces. It ought to be voted down because it will lead us into international misunderstandings and warfare, rather than peace and security. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Montana [Mr. O'CONNELL].

Mr. O'CONNELL of Montana. Mr. Chairman, last October, after the regular session, I had the very bitter and the very horrible experience of going to Spain and seeing what war is really like, as well as witnessing the death and the destruction occurring day in and day out in Spain.

I experienced personally an air bombing and saw how tremendously destructive air bombing can be. I saw how it laid waste the homes of poor, humble workers over there, kills, and mangles, and maims in body and in mind. I saw one of the most beautiful, modern cities in the world, Madrid, being laid waste by air bombing and by shelling.

All over Europe I met this same war hysteria. I met this same terrible feeling about war. It was talked about openly over there, and it was talked about frankly over there, that Hitler and Mussolini had a definite plan of conquest—that they planned not only the conquest of Spain, that they planned not only the conquest of Austria, that they planned not only the conquest of Czechoslovakia, but that along with Japan in the Far East, the conquest of China, and also the conquest of Russia; and that they were not content to stay merely in Europe and Asia, but by infiltration, by propaganda and by actually supplying arms and munitions of war to Brazil and other South American countries, they were supporting Fascist dictatorships in that land and were doing everything in their power to undermine democracy in the Western Hemisphere.

I know some of you will wonder, after all I have seen, why I take the position I do on this bill today, and I take the very definite position that I am opposed to a big navy, and I am opposed to a big navy because it is absolutely part and parcel of the policy of Hitler and Mussolini, and all those war-mad men over there.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. O'CONNELL of Montana. No; I do not care to yield until I have concluded my statement.

A BIG NAVY MEANS WAR

I do this because war preparedness is war psychology. As you go along to build a big Navy, Japan and Italy and Germany build a further big navy, and all you do, instead of promoting peace, is to go on and keep on promoting war. You allow this situation to exist, and you let it grow worse, and those of you on the other side who adopt the pure isolationist theory do exactly the same thing. You wrap yourselves up here at home and let the whole world go on fire. I think you are illogical when you are fighting this bill, because as long as you are an isolationist and as long as you believe in that policy, I think you ought to build the biggest navy you possibly can; but I say very definitely that instead of going along the lines of following this war hysteria and building this navy, I say that America, as the greatest nation on this globe, ought to have the courage and America ought to have the leadership and it ought to have the ability to go out and do something actively and do something positively and aggressively about putting an end to war in this world because the way to keep America out of war is to keep war out of the world.

You can very definitely do this if you will only have the courage to amend the neutrality law and apply its provisions with respect to prohibition or embargo on the shipment of arms and munitions and other materials used in warfare to aggressor nations—those nations that would invade a peaceful and helpless people. A lot of you may say this would only mean war, but take the Japanese situation, if you please. The Japanese have an oil-burning navy and they have an oil-burning army that moves only on American oil, moves on English oil, and on Dutch oil, and if these three nations or if America and England alone would have the courage to place an embargo upon Japan, this would stop her immediately because she could not go on, because she would be deprived of the wherewithal with which she now fights and she could not possibly start a war against the United States.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. O'CONNELL of Montana. No; I do not care to yield. I have only 10 minutes, and I have wanted this opportunity for a long time.

Not only this, but take the German situation. Germany proves by its very policy today that because it wants to conquer Austria, because it wants to conquer Czechoslovakia, because it wants to conquer Rumania, and because it wants to take all of southeastern Europe, it knows it must have the resources. It knows it must have the oil in Rumania and the resources of those southeastern European countries in order to function, for fear that America or England or these other countries might have the courage to declare such an embargo against her; or in the event that war is declared and they became dependent on themselves and their own allies and not on us, as they are now, they must find some other place to get these resources.

DO NOT PROMOTE WAR—EMBARGO AGGRESSORS

I think we ought to have the courage, I think we ought to have the leadership to go ahead and embargo these aggressors and to prevent the shipment of scrap iron and the arms and materials that we are shipping today. Somebody referred to the so-called neutrality policy in Spain which is actually the biggest shame and the biggest blot on America's foreign policy, because it finds the American Government supplying the arms and the ammunition and the wherewithal with which to war to Italy, Germany, and Portugal, who are fighting the legal, recognized government of Spain, while denying it to the legally, recognized government that is entitled, under the international treaty of 1902, under international law and in every other way, to the support and the help of the American Government, and at the least it is entitled to its ordinary commerce.

FEED AMERICA'S HUNGRY—NOT THE PROFITEERS

Going on to a more practical situation, I wonder where all these superpatriots, who are Budget balancers when we have a relief bill here, are today, and in the last few days I have wondered where these economy howlers are when we bring in a totally inadequate relief bill to feed these starving people of America. Where have they been yesterday and today, when we have been endeavoring to defeat a bill of this kind? I say it is folly to build battleships. I say that we ought to have some good airplanes, if anything at all, to destroy the battleships that are being built, destroy them as they destroyed one over in Spain just a few days ago when

three or four Spanish Loyalist aviators came in and destroyed the pride of Franco's fleet, just as they will destroy the American Navy or any other navy in the war that is coming.

I say that, instead of spending money so foolishly, we ought to spend it here in America by putting 14,000,000 unemployed people to work, that we ought to build dams and conserve our forests, build hydroelectric plants and help ourselves get away from the greedy power interests, and we ought to turn our eyes to the American situation first in a domestic way, and then we ought to have the power and the ability and the courage to take our position, take the place that America ought to take in order to fight these aggressors in this war by peaceful means, by legitimate means, by means that are within our power, by economic sanctions.

KEEP WAR OUT OF AMERICA

I appeal to you not to be carried away by all of this war hysteria, not to go on and build great armies and navies, because all they mean is war, or preparation for defense, and preparedness is war psychology. You are just traveling along the lines of these war-mad dictators in Europe and some day we will find ourselves enveloped in war, in which the victor will look just the same as the vanquished. I appeal to you to have common sense and courage, and to fight against this bill, and do something actively and aggressively in a real, practical way to bring peace to America and peace to the world and keep war out of America by keeping war out of the world.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. O'CONNELL of Montana. Yes.

Mr. MOTT. The gentleman spoke of embargoes as a cure for war. Suppose all of the nations of the world should embargo Japan and refuse to send any oil to Japan, how long does the gentleman think it would take Japan to invade and subjugate Borneo and the rest of the Dutch East Indies?

Mr. O'CONNELL of Montana. Of course, that is dependent upon the very thing that I say. If you take away their oil, if you take away the wherewithal from them, they cannot any more invade Borneo than they could China.

Mr. MOTT. The gentleman does not think that Japan could successfully invade Borneo and take all the wells there?

Mr. O'CONNELL of Montana. Not if an embargo was put on after the oil was taken away from them.

Mr. MOTT. Why not? They have some supply of oil.

Mr. O'CONNELL of Montana. I think they have some.

Mr. MOTT. They have enough to get their army over the short distance to Borneo and to land their army, and there will be nothing else to it.

Mr. O'CONNELL of Montana. Does the gentleman think that they would quit their invasion in China and go to Borneo?

Mr. MOTT. Oh, they could take Borneo and China on together very easily.

Mr. O'CONNELL of Montana. The oil supply in Borneo is negligible and not worth the effort, or they would have acquired it long ago.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. VINSON of Georgia. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. O'CONNOR of New York, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes, had come to no resolution thereon.

PERMISSION TO SIT DURING SESSIONS OF HOUSE

Mr. LANHAM. Mr. Speaker, I ask unanimous consent that the subcommittee of the Committee on Patents conducting hearings on the bill H. R. 9041, the trade-mark bill, may sit during the session of the House tomorrow.

The SPEAKER. The gentleman from Texas asks unanimous consent that the subcommittee of the Committee on Patents may be permitted to sit during the session of the House tomorrow. Is there objection?

There was no objection.

EXTENSION OF REMARKS

Mr. SCOTT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. MAVERICK. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection?

There was no objection.

Mr. CITRON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

RECORD IN CONGRESS

Mr. GRAY of Indiana. Mr. Speaker, I ask unanimous consent to address the House.

The SPEAKER. Is there objection?

There was no objection.

Mr. GRAY of Indiana. Mr. Speaker, I am greatly gratified that I have lived to see many of my public dreams come true. I have lived to see many of the reforms and public measures I have long hoped for and contended for carried out, accomplished, and realized, and to see the people enjoying their benefits and blessings.

And I have likewise lived to see, or been made to appreciate and realize the truth of the Bible saying, "Faith without works is dead," as well as the time-honored adage, "There is no excellence without great labor."

And there is a lesson impressed, there is a moral taught and realized, and there is a reward for men in the discharge of public duty and rendering service to mankind which more than pays or compensates for trial, strenuous labor, and sacrifice—the consciousness of duty and doing right.

Looking back through a period of 40 years, during which time I have maintained a constant interest in public affairs and taken an active part in the means and movements to bring about better living conditions for the people and more equal benefits of the Government, I am made conscious of and made to realize more than at any other time in life that all that I have tried to accomplish, or with others have accomplished, has been finally and only accomplished after long, tedious toil and labor, and after long, trying years of effort.

The following are some of the public-reform measures I have helped to bring about or accomplish, and from which I realize some pride and satisfaction, and for which some measure I have been given credit:

Pure water for my home city.
The parcel-post or mail-express service.
Electricity for farming and the farm home.
The guaranty of bank deposits.
The insurance of building and loan savings.
Public mortgage loans and lower interest.
And the next, the prevention of panics.

While there are other of these reform measures which I have led, or helped to bring about, and from which I have realized great satisfaction, and will be taken and considered as entitling me to more honor and credit, there is one, a local accomplishment, in which I take more just pride than all others.

I take more and just pride in what I led in fighting to accomplish for the people of my own home town in Indiana, in relieving them from foul and contaminated water, and in giving them a bountiful supply of pure, wholesome, crystal water, for their everyday and domestic use.

For 5 long, trying, and discouraging years, years of toil and labor, day and night, with every movement a tense strain and effort, I led or helped the people of Connersville throw off the yoke of a canal corporation forcing them to use, drink, and bathe in foul, polluted, and contaminated,

muddy water, all to make profits and dividends for the stockholders.

When I look back at these tense moments, of that almost single-handed fight, without means or money, and the moments of time snatched from my day and night work, trying to start in the law and make a living, I wonder how it was all accomplished and how I could devote so much of my time and efforts.

When I look back at the many defeats we suffered in that local contest, and when at certain times and stages it required more time, strategy, and effort to hold my discouraged friends together than to wage the fight to shut off the intake of canal water and provide a pure-water supply, I am compelled to stop and ponder even now, how the realization of duty and a just cause can bind and hold men together for long years and inspire them with courage, resolution, and will to overcome all obstacles in the way without means, money, or public prestige, and prevail over powerful financial influences.

But there is a compensation for toil and sacrifice, and I will reap my reward many years later when I go back to my home in Connersville and share with the people of my home town the blessings of pure and wholesome water for drinking and bathing and domestic use.

But there is another reform and service in which I take some pride and satisfaction in looking back over my record in Congress, and that is, the parcel post or mail express to give the people of the country express service at low and reasonable rates by using the city and rural route carriers.

I had had this service in my mind for a considerable number of years but the time was not opportune. The service could not be talked or mentioned without meeting objections, apprehension, or rebuff, as forcing the Government into private business which should be left to private express companies.

The people in the towns and cities were often compelled to wait a long time and then to pay higher charges for express, and the farmers and rural home owners in the country were being compelled to watch and wait and often to make frequent trips to the express office before finally receiving express packages, and then ultimately to pay excessive charges.

When I first came to Congress in 1911 I met DAVID J. LEWIS, of Maryland, and I found him not only prepared and ready but a rival pioneer in the cause and already in the field talking the same service that I thought I was talking about first. We had both found each other for support.

Then followed hearings, consultations, and caucuses. The Post Office Committee was apprehensive and uncertain. The chairman of the committee, Representative Moon, was open, progressive, and ready to hear, but the express companies were soon in town with a bigger lobby than the committee and soon friendly Members became afraid.

Then the private express companies began to work back in the districts, and Members were soon swamped or flooded with petitions and letters from their constituents urging them to vote against the bill, and we lost the support of many Members, but new recruits came from others in their stead.

My own district was not overlooked by the private express companies in their campaigns to defeat the obnoxious parcel-post bill. In due or proper time petitions or protests came from every merchant and retail store in my district, then the Sixth Indiana Congressional District, urging me to vote against the bill and advising me that a vote for the bill would be considered an unfriendly act.

This placed me in a serious situation; I was in Congress as a Democrat, and my district was usually or normally over 9,000 majority votes against me. And surely, with all the merchants against me, added to 9,000 voting opposing majority, my future career was fading away before me.

But I became so obsessed or absorbed in the bill, as the contest was waged in Congress, that I lost sight of or forgot the protests of all the merchants back in my district, kept on working, talking, and watching, and in my unguarded mental obsession voted for the bill to give the people the parcel-post service.

It was from this parcel-post contest and my association with DAVID J. LEWIS that I later conceived the plan of carrying electricity to the farmers of each county from the electrical generating plants in the county seats, but was not in Congress at the time of formulating the plan, and I was unable to interest either town or country people.

But when I came back to Congress in 1933, I found many Members ready to favor such rural plan, or open to the consideration of such a program, and this, coincident with the panic and recovery measures, opened the way for rural electrification to be made a part of the measures for relief and recovery.

Love's long labors are not always lost. By reason of my long and prior study of electricity and the need for the service on the farm, I was prepared to take advantage of the opportunity, beginning with the first day of consideration, and to explain the first Executive order providing for rural electrification.

As a result of my prior interest and study I was able to give prompt and full notice and explanation of the requirements to be complied with under the order. And I have the farmers in seven of my nine counties organized, already served, or waiting to be served, with electricity for their homes and farm work, and I am convinced now that I can overcome the opposition to the rural electric service which prevented organization in the other two counties.

Encouraged by my experience and knowledge, I have set as the goal of my ambition not only to carry electricity to the farmers of every county in my own congressional district but to see to it that every farm home in the State of Indiana as well is furnished with electricity for light and power.

And still taking advantage of my experience in promoting the parcel-post service, it is my purpose before leaving Congress to see that electricity comes to every farm and rural home and at the actual cost of the service, without added charges for profit and gain, and to every rural home where there is a mail box.

I have spoken in every campaign during the last 30 years; in all, have made or written a hundred speeches or articles advocating a bank-guaranty law, safeguarding bank depositors against loss of their earnings and life savings from failing banks and trust companies.

I came back to Congress in 1933, discouraged but still insisting and contending for the guaranty of bank deposits. But to my very great and agreeable surprise, I found the issue stronger with the new Members with whom I joined in a legislative bloc to hold the Congress in session until the law was enacted.

The result of this new effort made up for the long, tedious, slow 25 years of discouragement, failure, and delay, fought over again in rapid strides in a few of the last or closing days of the first session of the Seventy-third Congress—the law was passed before adjournment.

Then with the first victory for the principle, events of the movement to safeguard depositors crystallized in swift and rapid succession, carrying the same policy to building and loan associations and laws insuring savings were enacted in 1933 and 1935, and the gloom of discouragement in the past was dispelled by the accomplishments of the present.

And now Members and congressional leaders who were apprehensive or opposed the movement for 25 years are wondering about their objections, and why the law is working so well, and the people, who were listless and indifferent during the prosperous times and until the panics came are now wondering why it could not have been done before.

Then when hard times would come and earnings and income of the people failed, private money lenders, acting from fear, refused to extend the time of loans and demanded payment when the people could not pay. As a result, wholesale foreclosures followed and the people lost their farms and homes.

I had observed this occur so many times that I knew it was certain to come again whenever there was a slump in prices and wages. And I had proposed the Government take a hand and offer to take over such overdue mortgages and hold them until the crisis was over. And these are the Federal and home loans of today.

The next and greater reform or remedy for which I have long worked and contended is to safeguard the people of the country against the continued return of panics and depressions which overbalance the periods of prosperity, take away their earnings and savings, and sweep away or endanger their homes.

These panics and depressions result from leaving private bankers and speculating financiers in the secret control of the public currency, and to use the Nation's money and credit in great stock-market gambling operations, and in frenzied financial investments, diverting money from its proper use in industry.

The Constitution vests the regulation and control of currency in Congress to be exercised and administered openly instead of by private bankers and financiers to be controlled secretly for profit and gain. And we can never be free from panics until we abide by the provisions of the Constitution, and recover the control of money back to Congress.

The panic of 1929 did not come because of what the Hoover administration and Congress did, nor did this depression of 1937 come because of what this administration and Congress did. These panics came because of what they did not do, because they left private bankers and financiers in the secret control of the Nation's currency and credit.

The 1937 depression has come because the same private bankers and financiers who were in the control of the public currency under the Hoover administration and Congress have been left in the control of currency under this administration and Congress, and still remains in control of the people's money.

Unless the secret control of the public currency is taken away from private bankers and the speculating financiers and is restored to Congress where the Constitution placed its control for administration openly before the country, still another panic is certain to come—as sure as the daylight is followed by the darkness of the nighttime.

This is the one great, vital reform remaining imperative to be accomplished, the problem which must now be solved if we are to save our civilization and our institutions of peace and civil life. This problem can be solved and I propose to see that it is solved.

Panics are conditions brought on by men, and result from the relations of men, in the course and conduct of men. Panics or depressions are caused by men. They are within the comprehension of men, and they can be remedied and prevented by men.

To say that these men-made panics are an insolvable problem before men, are incomprehensible economic mysteries, is an evasion, a maneuver, an artful gesture to evade responsibility for their occurrence or is a cowardly, mental retreat.

And with this next important reform there must come another, or closely following, to safeguard further the operations of money, fixing, restoring, and stabilizing the price level. That is, some measure to prevent monopoly and the encroachment of selfish human nature from interfering with the law of supply and demand and obstructing or preventing the regulation of money.

LEAVE TO ADDRESS THE HOUSE

Mr. DINGELL. Mr. Speaker, I ask unanimous consent that after the reading of the Journal tomorrow and the disposition of business on the Speaker's table I be permitted to address the House for 3 minutes.

The SPEAKER. The gentleman from Michigan asks unanimous consent that tomorrow after the conclusion of the legislative program for the day he may be permitted to address the House for 3 minutes.

Mr. DINGELL. Mr. Speaker, I modify my request and ask to be permitted to address the House for 3 minutes after the reading of the Journal.

The SPEAKER. The Chair trusts the gentleman will withdraw that request for the present. The Chair under the request of the majority leader, has formerly refused to recognize Members to submit such requests.

Mr. DINGELL. Mr. Speaker, I withdraw the request and will resubmit it in the morning.

EXTENSION OF REMARKS

Mr. O'MALLEY. Mr. Speaker, I ask unanimous consent that in revising my remarks made in the Committee of the Whole today I may be permitted to insert certain newspaper and magazine clippings and certain letters received from constituents and other citizens.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, in connection with the introduction of a resolution calling for an investigation of what has been termed "a diversion by the Federal Treasury of social-security funds to finance New Deal spending," I desire to call attention to the fact that in the past 14 months the Government has collected more than $1,600,000,000 in pay-roll taxes, and has paid out less than $100,000,000 to those insured against the hazards of unemployment and old age.

This means that more than $1,560,000,000, taken from the pockets of workers and employers since the Social Security Act became operative, either remain in the Federal Treasury or have been paid out for all purposes for which this administration is spending money.

Today's report of the Federal Treasury shows that I O U's have been issued against $898,000,000 of the total collected, indicating that this is the amount the administration has used to meet pay rolls, build battleships, supply W. P. A. funds, and so forth. If this is correct, I believe the workers and employers of the Nation are entitled to know exactly what these funds have been used for and how they are to be repaid.

In the past 14 months more than $800,000,000 have been collected from the Nation's pay rolls to build unemployment insurance reserves. Up to March 1 this year about $41,000,000 had been withdrawn to pay benefits to eligible unemployed in the 22 States where unemployment insurance is effective.

I was amazed a week ago when I received a letter signed by all four members of the Michigan State Unemployment Compensation Commission to the effect that they had been instructed by the Social Security Commission to reduce their administrative budget for 1938 because of the lack of available Federal funds. It just does not seem to make sense. And I believe the Congress and the people are entitled to know why this budget must be cut.

It seems inconceivable that in view of the enormous amount collected, and with such a small amount paid out in benefits, there should not be sufficient funds available to meet the requirements for even the first year the law is in effect. I believe there should be an explanation, and because of this belief I have introduced my resolution for an investigation.

Workers and employees under the Social Security Act have been required to save this money for a rainy day. The paying of this money into the Federal Treasury has caused great hardship. This tax is of money that might otherwise have been used to buy the products of industry and agriculture.

It is true that the dollars collected under the Social Security Act and used to pay for the New Deal spending are credited to those individuals and States as a Federal obligation. But when this obligation has to be met it will be necessary for the Government to tax employers and workers a second time. They will be taxed to replace to the social-security fund the money already put into it.

What the Secretary of the Treasury is doing, he is doing by authority of the Congress as expressed in the law. How-

ever, the current use of this money creates an additional liability that must be paid when the time comes. The question is, how?

It appears to me that Members of Congress should interest themselves in the subject of amending this act to provide for a segregation of these social-security funds. Believing an investigation would prove an entering wedge to action to produce this change in the act, I have introduced my resolution.

Mr. Speaker, the only sound theory underlying this Social Security Act, and the theory upon which it was based, and the theory which the country understands is behind the act, is that it is an unemployment and old-age insurance to be paid from compulsory taxation, called contributions, from the wages of every worker, no matter how little he gets, and from the funds of the employer, no matter how little he makes.

There is no difference in principle between this act and the theory and practice of sick or accident insurance.

The insurance company builds up from the payments of premiums and the investment of those premiums a reserve which provides the funds to be paid to the insured when he falls ill or is injured and is unable to earn his livelihood. What would happen to any insurance company that would notify its State agent that it could not meet the requirements of its contracts in the State of Michigan because the premiums paid in over the course of the years had been dissipated in the general expenditures of the company and the policyholders left without the adequate protection for which they had paid and which they had the right to expect had been provided for them?

Why, Mr. Speaker, if any insurance company attempted to operate on any such basis as that its officers would go to the penitentiary, and properly so.

The administration has insisted upon the principle of spending these compulsory premium payments collected from employers and employees as they came in for the general purposes of government. That policy makes of this so-called Social Security Act a concealed but nevertheless actual income tax on the wages of those least able to pay.

Here in the case of the State of Michigan we have the astounding and alarming instance that in the very first demands of this present depression for a payment of this insurance which the workers and employers have out of their wages and incomes provided for, the administration admits that the money is not available to meet the obligations and instructs the Michigan commission to reduce its budget.

This is a glaring example of exactly what is going to transpire on a vastly greater scale in the future, and the danger will grow progressively with the passing of time.

With what should be an ample surplus in the United States Treasury to meet these obligations we have instead a sheaf of governmental I O U's—pieces of paper—nothing more—just pieces of paper—until such time as the administration has to come to this Congress and demand that a second tax be laid upon labor and industry in order to provide, if possible, the necessary funds to meet these obligations which have already once been paid for by the workers and the employers.

As this obligation grows with the passage of time, and as the necessity of liquidating the obligation arises in time of widespread depression, this Nation is going to be faced by such a stupendous obligation to be met by a second tax upon an already overburdened people that it is not improbable that repudiation of the obligation may well be the only way out.

Mr. Speaker, this whole situation is stenchful. It is dishonest to the last degree. It is uneconomic beyond anything this Congress has enacted into law. Technically legal in its form, this dissipation of old-age security reserves by current spending is morally false pretense perpetrated by the Government upon its citizens—workers and employers alike, who will find in their future hour of need that no reserves exist in the United States Treasury with which to meet these obligations.

I warn this Congress that unless this whole situation is properly investigated, and unless this act and its operation are made to conform with sound morals and sound economics, it will before many years constitute the blackest act ever perpetrated by this Congress to be found in the pages of our history.

If these bookkeeping reserves exist, as they do exist—merely as bookkeeping reserves—while the actual funds have been dissipated in current spending, as they are being dissipated in current spending, but one of two possible results can be anticipated. Either the obligations must be repudiated by the Government, which would constitute a barefaced robbery of wage earners and employers, or else new taxes will have to be levied which would be so stupendous as to be ruinous.

It is perfectly obvious that the current premium payments collected from the wages and earnings of employees and employers are not sufficient to meet current obligations which accumulate and grow over the years. The only way those obligations can be met is upon the same principle on which insurance companies maintain their reserves. This Congress, the workers, the employers, all the citizens of this country are entitled to know, and they are demanding to know, exactly how these funds are being diverted and dissipated, exactly how, if at all, any provisions are to be established to meet this growing obligation to the present and the future unemployed and the aged. If the administration of this act is sound and right, let a thorough investigation disclose that fact and put at ease the minds of the wage earners and the employers who are today carrying the burden of this tremendous taxation. The administration ought not to oppose such an investigation. It ought to favor it, if all is well.

If all is not well, if the administration of this act is unsound, if any portion of the act is unsound, if we are to face more instances of lack of funds and curtailment of payments, then I say to you that this Congress in all conscience ought to investigate this question and that whoever opposes such an investigation cannot justify himself upon the grounds of logic, economics, or common sense. I am tempted to say common honesty.

It is for these reasons, Mr. Speaker, that I have introduced my resolution for this investigation, and that I am now pressing for it.

This Michigan situation is a danger signal. It is a signal of grave danger. The red light has been flashed on in the operation of the Social Security Act by the United States Treasury. We dare not disregard that red light because to do so means a future crash, the proportions of which no man or woman here today can attempt to measure.

Let us, Mr. Speaker, give heed to this warning and investigate this whole situation.

ADJOURNMENT

Mr. VINSON of Georgia. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 1 minute p. m.) the House adjourned until tomorrow, Wednesday, March 16, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House at 10:30 a. m. Wednesday, March 16, 1938, to resume hearings on H. R. 7230.

COMMITTEE ON THE POST OFFICE AND POST ROADS

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10:30 a. m. Tuesday, March 22, 1938, on bills in behalf of post-office substitutes. Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10 a. m.

Wednesday, April 6, 1938, on bills in behalf of custodial employees in the Postal Service. Room 213, House Office Building.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization on Wednesday, March 16, 1938, at 10:30 a. m., in room 445, House Office Building, for the public consideration of several private bills.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on March 17, 1938. Rebuttal witnesses.

Supplement to notice dated Tuesday, March 22, 1938:

For the past few days there has appeared in the RECORD notice of a hearing before the Maloney subcommittee of the Committee on Interstate and Foreign Commerce to be held on Tuesday, March 22, 1938, regarding S. 1261, through rates. This hearing has now been postponed indefinitely.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m. each morning of March 15, 16, 17, and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Tuesday, March 15, 1938:

H. R. 2991 and S. 599. For the relief of Earl J. Thomas.

Wednesday, March 16, 1938:

H. R. 8251. To amend the act entitled "An act to amend the Communications Act of 1934, for the purpose of promoting safety of life and property at sea through the use of wire and radio communications, to make more effective the International Convention for the Safety of Life at Sea, 1929, and for other purposes," approved May 20, 1937.

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1130. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers and illustration, on a preliminary examination of Drum Inlet, N. C., authorized by the Flood Control Act approved June 22, 1936; to the Committee on Flood Control.

1131. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on a preliminary examination of Shem Creek from Hog Island, S. C., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

1132. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers, on a preliminary examination of Edisto River and tributaries, South Carolina, authorized by the Flood Control Act approved June 22, 1936; to the Committee on Flood Control.

1133. A letter from the Secretary of Interstate Commerce Commission, transmitting a copy of the decision by division 3, dated March 5, 1938, in Air Mail docket No. 33, National Airlines System, Rate Review 1935–36, touching the profits being derived by, or accruing to, National Airlines System, contractor of air-mail route No. 31, from the rate of compensation paid to it for the transportation of air mail by airplane on that route; to the Committee on the Post Office and Post Roads.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. WOOD: Committee on War Claims. House Joint Resolution 421. Joint resolution authorizing and directing the Comptroller General of the United States to certify for payment certain claims of grain elevators and grain firms to cover insurance and interest on wheat during the years 1919 and 1920 as per a certain contract authorized by the President; with amendment (Rept. No. 1948). Referred to the Committee of the Whole House on the state of the Union.

Mr. BLAND: Committee on Merchant Marine and Fisheries. House Joint Resolution 463. Joint resolution to permit the transportation of passengers by Canadian passenger vessels between the port of Rochester, N. Y., and the port of Alexandria Bay, N. Y., on Lake Ontario and the St. Lawrence

River; without amendment (Rept. No. 1949). Referred to the Committee of the Whole House on the state of the Union.

Mr. BLAND: Committee on Merchant Marine and Fisheries. H. R. 9710. A bill to amend the Merchant Marine Act, 1936, to further promote the merchant marine policy therein declared, and for other purposes; without amendment (Rept. No. 1950). Referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 9866) for the relief of Arthur C. King; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 8300) for the relief of Dr. Henry Clay Risner; Committee on War Claims discharged, and referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. PALMISANO (by request): A bill (H. R. 9873) to protect trade-mark owners, producers, distributors, and the general public against injurious and uneconomic practices in the distribution of competitive commodities bearing a distinguishing trade-mark, brand, or name, through the use of voluntary contracts establishing minimum resale prices and providing for refusal to sell unless such minimum resale prices are observed; to the Committee on the District of Columbia.

By Mr. TERRY: A bill (H. R. 9874) to amend the act entitled "An act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes," approved June 22, 1936; to the Committee on Flood Control.

By Mr. DEROUEN: A bill (H. R. 9875) to revise the boundaries of the Colonial National Historical Park in the State of Virginia, and for other purposes; to the Committee on the Public Lands.

By Mr. STACK: A bill (H. R. 9876) to provide compensation of at least $10 per month to any war veteran so wounded, gassed, or disabled as to be entitled to a Purple Heart Medal; to the Committee on World War Veterans' Legislation.

By Mr. ENGLEBRIGHT: A bill (H. R. 9877) to authorize a preliminary examination and survey of the North Fork of the Yuba River and the watersheds thereof, at the city of Downieville, and vicinity, Sierra County, State of California, for flood control, for run-off, and water-flow retardation, and for soil-erosion prevention; to the Committee on Flood Control.

By Mr. CURLEY: A bill (H. R. 9878) to fix and regulate the salaries of coal passers, firemen, fireman-custodians, assistant engineer-custodians, and engineer-custodians who are engaged in the operation, maintenance, and repair of steam boilers and mechanical equipment and the supervision of custodial work in the public schools of the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. KOPPLEMANN: A bill (H. R. 9879) to recognize the principle of paying labor for regular and emergency overtime work in the Government service in certain cases, and for the allowance for extra labor above the legal day of 8 hours performed by engineers, firemen, laborers, and mechanics while employed in the care of public buildings of the United States outside the District of Columbia certified by the Court of Claims; to the Committee on Claims.

By Mr. ALLEN of Louisiana: A bill (H. R. 9880) to amend an act entitled "An act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes," approved June 22, 1936; to the Committee on Flood Control.

By Mr. ENGLEBRIGHT: A bill (H. R. 9881) to amend section 23 of the act to create the California Debris Commission, as amended; to the Committee on Mines and Mining.

By Mr. BLAND: A bill (H. R. 9882) to permit the issuance of certain certificates under the shipping laws by inspectors of hulls, inspectors of boilers, and designated assistant inspectors; to the Committee on Merchant Marine and Fisheries.

By Mr. HENDRICKS: Resolution (H. Res. 439) authorizing the printing of additional copies of the bill H. R. 4199, commonly known as the old-age pension bill, for the use of the House document room; to the Committee on Printing.

By Mr. WOLFENDEN: Resolution (H. Res. 440) to provide additional compensation for a minority employee (James P. Griffin); to the Committee on Accounts.

By Mr. BLAND: Resolution (H. Res. 441) for the consideration of H. R. 9710; to the Committee on Rules.

By Mr. O'MALLEY: Resolution (H. Res. 442) authorizing a special committee to investigate the campaign expenditures of the various candidates of the House of Representatives, and for other purposes; to the Committee on Rules.

By Mr. SHEPPARD: Joint resolution (H. J. Res. 617) to provide relief in the flood-stricken areas in the State of California, and for other purposes; to the Committee on Appropriations.

By Mr. MAY: Joint resolution (H. J. Res. 618) to create a special joint congressional committee to investigate the administration of the Tennessee Valley Authority Act of 1933; as amended; to the Committee on Rules.

By Mr. ANDREWS: Joint resolution (H. J. Res. 619) to create a special joint congressional committee to investigate the administration of the Tennessee Valley Authority Act of 1933, as amended; to the Committee on Rules.

By Mr. WHITE of Ohio: Joint resolution (H. J. Res. 620) for the observance of the celebration of the one hundred and twenty-fifth anniversary of the Battle of Lake Erie; to the Committee on the Library.

By Mr. SPARKMAN: Concurrent resolution (H. Con. Res. 41) to create a joint committee of the two Houses to investigate the operations of the Tennessee Valley Authority; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Virginia, memorializing the President and the Congress of the United States to consider their senate joint resolution dated March 12, 1938, with reference to construction of a suitable highway bridge across the York River between Yorktown and Gloucester Point; to the Committee on Interstate and Foreign Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRY (by request): A bill (H. R. 9883) for the relief of Wendel Rauner and Katarina Rauner; to the Committee on Immigration and Naturalization.

By Mr. BOREN: A bill (H. R. 9884) to enroll certain persons on the final citizenship rolls of the Oklahoma Creek Nation or Tribe of Indians; to the Committee on Indian Affairs.

By Mr. GUYER: A bill (H. R. 9885) granting an increase of pension to Emma Clark; to the Committee on Invalid Pensions.

By Mr. OLIVER: A bill (H. R. 9886) for the relief of Alice Smith Tapley; to the Committee on Claims.

By Mr. PFEIFER: A bill (H. R. 9887) for the relief of Joseph P. Kinlen; to the Committee on Military Affairs.

By Mr. ROBINSON of Utah: A bill (H. R. 9888) for the relief of William Henry Johnston, Jr.; to the Committee on Claims.

By Mr. SECREST: A bill (H. R. 9889) granting a pension to Mary V. Wells; to the Committee on Invalid Pensions.

By Mr. STEAGALL: A bill (H. R. 9890) granting a pension to Mary L. Thomas; to the Committee on Pensions.

By Mr. VOORHIS: A bill (H. R. 9891) extending the provisions of the act entitled "An act to amend the act entitled 'An act for the retirement of employees in the classified civil service, and for other purposes,' approved May 22, 1920, and acts in amendment thereof," to A. V. Taggart; to the Committee on the Civil Service.

By Mr. WILLIAMS: A bill (H. R. 9892) for the relief of Katherine Scott, Mrs. J. H. Scott, Jettie Stewart, and Ruth Mincemeyer; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4444. By Mr. BARRY: Petition of the United Wall Paper Craftsmen and Workers of North America, protesting against the proposed reciprocal trade treaty with Great Britain, Newfoundland, the British Empire colonies, and Canada; to the Committee on Ways and Means.

4445. By Mr. COFFEE of Washington: Resolution of the Snohomish County Council, Workers Alliance of Washington, at Sultan, Wash., pointing out the lack of the people's culture in the United States and the lack of accessibility of the masses of the people to the benefits of artistic development, and therefore urging enactment by the Congress of House bill 9102 (the Coffee bill), to establish a permanent Bureau of Fine Arts; to the Committee on Education.

4446. By Mr. CURLEY: Petition of the Legislature of the State of New York, urging ratification of an amendment to the Constitution of the United States which will remove existing exemptions from taxation on personal income derived from any salary, wage, or emolument paid by the United States or any unit or agency of government within the United States, by any State; to the Committee on the Judiciary.

4447. Also, petition of the Association of Towns of the State of New York, opposing the Parsons bill (H. R. 8327); to the Committee on Rivers and Harbors.

4448. Also, petition of the Legislature of the State of New York, urging an amendment to the Constitution of the United States to permit taxation of income derived from securities issued by the United States or any unit or agency of government within the United States; to the Committee on the Judiciary.

4449. By Mr. HANCOCK of New York: Petition of employees of the Cortland Corset Co., Inc., Cortland, N. Y., opposing the Patman bill (H. R. 9464); to the Committee on Ways and Means.

4450. By Mr. KENNEDY of New York: Petition of the Association of Towns, of New York, opposing the Parsons bill (H. R. 8327), or any other act or legislation that would permit the waters of the Great Lakes to be diverted and thus materially affect the natural flow thereof into the Niagara River, the Falls, and the St. Lawrence River; to the Committee on Rivers and Harbors.

4451. By Mr. LAMNECK: Resolution of Alta L. Schick, chairman, legislative committee, Columbus Women's Auxiliary to the Railway Mail Association, and 112 members, of Columbus, Ohio, opposing the passage of the reorganization bills, and urging the passage of the amendment to the uniform-retirement law which would permit optional retirement at a lesser age than the original bill and present amendments permit, and for the restoration of grade reductions for terminal clerks, namely, House bills 8910 and 9191, respectively; to the Committee on the Civil Service.

4452. By Mr. MEAD: Petition of the Association of Towns of the State of New York, expressing opposition to House bill 8327, the so-called Parsons bill for diversion of water from the Great Lakes at Chicago; to the Committee on Military Affairs.

4453. By Mr. O'NEILL of New Jersey: Petition of the Association of Highway Officials of North Atlantic States, requesting that first consideration be extended to the traffic link between Washington, D. C., and the city of Boston; to the Committee on Roads.

4454. Also, petition of the National Furniture Warehousemen's Association and Allied Van Lines, Inc., requesting that the Social Security Act be changed so that pay-roll taxes remain at the present level until an increase is necessary to meet requirements and maintain a reasonable contingency reserve; to the Committee on Ways and Means.

4455. By Mr. PFEIFER: Petition of the Association of Highway Officials of North Atlantic States, urging the Boston-Washington link in the system of arterial transcontinental highways; to the Committee on Roads.

4456. Also, petition of the Gotham Advertising Co., New York City, concerning the executive reorganization bill; to the Committee on Government Organization.

4457. Also, petition of the Hauck Manufacturing Co., Brooklyn, N. Y., concerning the Borah-O'Mahoney Federal licensing bills (S. 3072 and H. R. 9589); to the Committee on Banking and Currency.

4458. Also, petition of the Cullen Transportation Co., Agents, Inc., New York City, urging increased appropriation for the inland-waterways program; to the Committee on Military Affairs.

SENATE

WEDNESDAY, MARCH 16, 1938

(Legislative day of Wednesday, January 5, 1938)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Tuesday, March 15, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Connally	Johnson, Calif.	O'Mahoney
Ashurst	Davis	Johnson, Colo.	Overton
Austin	Dieterich	King	Pittman
Bailey	Donahey	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Berry	George	Lodge	Reynolds
Bilbo	Gerry	Logan	Russell
Bone	Gibson	Lonergan	Schwartz
Borah	Gillette	Lundeen	Schwellenbach
Bridges	Glass	McAdoo	Shipstead
Brown, Mich.	Green	McCarran	Smathers
Brown, N. H.	Guffey	McKellar	Smith
Bulkley	Hale	McNary	Thomas, Utah
Bulow	Harrison	Maloney	Townsend
Burke	Hatch	Miller	Truman
Byrd	Hayden	Milton	Tydings
Byrnes	Herring	Minton	Vandenberg
Capper	Hill	Murray	Van Nuys
Caraway	Hitchcock	Neely	Walsh
Chavez	Holt	Norris	Wheeler
Clark	Hughes	Nye	

Mr. MINTON. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from New York [Mr. COPELAND] the Senator from Wisconsin [Mr. DUFFY], the Senator from Kansas [Mr. MCGILL], the Senator from Florida [Mr. PEPPER], the Senator from Texas [Mr. SHEPPARD], the Senator from Oklahoma [Mr. THOMAS], and the Senator from New York [Mr. WAGNER] are detained from the Senate on important public business.

The VICE PRESIDENT. Eighty-seven Senators have answered to their names. A quorum is present.

EXTENSION OF CERTAIN LAWS TO VIRGIN ISLANDS—STATEMENT OF MUNICIPAL COUNCIL

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting a statement

of the Municipal Council of St. Thomas and St. John, justifying its petition to Congress on March 7 to amend section 4 of the organic act of the Virgin Islands to provide that the laws of the United States for the preservation of the interests of navigation and commerce shall not extend to the Virgin Islands unless the President shall so proclaim, which, with the accompanying paper, was referred to the Committee on Territories and Insular Affairs.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution adopted by Sawtelle Post, No. 2, Regular Veterans' Association, of Los Angeles, Calif., favoring the enactment of the bills (S. 3503) to liberalize the laws providing pensions for veterans and the dependents of veterans of the Regular Establishment for disabilities or deaths incurred or aggravated in line of duty other than in wartime, and (S. 3505) to adjust the pay of enlisted personnel of the Army, Navy, Marine Corps, and Coast Guard, and for other purposes, which was referred to the Committee on Military Affairs.

He also laid before the Senate a resolution adopted by the Saturday Lunch Club, of Minneapolis, Minn., protesting against the enactment of legislation to enlarge the Navy, which was referred to the Committee on Naval Affairs.

Mr. HOLT presented a telegram in the nature of a memorial from O. Slack Barrett, president of the Ohio Valley Improvement Association, of Cincinnati, Ohio, which was ordered to lie on the table and to be printed in the RECORD, as follows:

CINCINNATI, OHIO, *March 14, 1938.*

Hon. RUSH D. HOLT,
United States Senate, Washington, D. C.:

Ohio Valley Improvement Association urges you to oppose vigorously that part of the reorganization bill creating Natural Resources Planning Board because provisions, sections 402 to 405 and section 501 are vague and too general. Dangerously broad authority is granted and way open for great extravagance. Such legislation should be specific. It has no place in this bill.

O. SLACK BARRETT,
President, Ohio Valley Improvement Association.

Mr. WALSH presented the following resolutions of the General Court of Massachusetts, which were referred to the Committee on Commerce:

Resolutions memorializing Congress in favor of legislation requiring all shoes imported from foreign countries to have the name of the country of manufacture stamped on the outer soles thereof

Resolved, That the General Court of Massachusetts hereby urges the Congress of the United States to enact such legislation as may be necessary to require that all shoes imported from foreign countries have the name of the country of manufacture stamped on the outer soles thereof; and be it further

Resolved, That copies of these resolutions be sent forthwith by the secretary of the Commonwealth to the President of the United States, to the presiding officers of each branch of Congress, and to the Members thereof from this Commonwealth.

Mr. WALSH also presented the following resolutions of the General Court of Massachusetts, which were referred to the Committee on Education and Labor:

Resolutions memorializing Congress for legislation, and for action to promote interstate cooperation, in respect to the removal of industrial establishments from one State to another

Whereas the General Court of Massachusetts is aware of unfair and unwholesome practices employed in encouraging the migration of industrial establishments from one State to another; and

Whereas such practices are demoralizing to high standards of wages, hours, and conditions of employment, and to the fundamental purpose of governmental function: Therefore be it

Resolved, That the General Court of Massachusetts respectfully and earnestly requests the Congress of the United States to enact whatever legislation it may deem proper, and to encourage such interstate cooperation as it may, within its power, to discourage the migration of industrial establishments from one State to another State insofar as such removals are effected by offering to said industrial establishments exemption from or abatement of taxes, free rental, light, and such other benefits, by or with the cooperation and assistance of governmental agencies, National, State, or local; and be it further

Resolved, That copies of these resolutions be transmitted forthwith by the secretary of the Commonwealth to the President of the United States, to the presiding officers of both branches of Congress, and to the Members thereof from this Commonwealth.

Mr. LODGE presented resolutions of the General Court of Massachusetts, favoring the enactment of legislation requiring the stamping on the outer soles the name of the country of manufacture of all shoes imported from foreign countries, which were referred to the Committee on Commerce.

(See resolutions printed in full when presented today by Mr. WALSH.)

Mr. LODGE also presented resolutions of the General Court of Massachusetts, favoring the enactment of legislation to discourage the migration of industrial establishments from one State to another insofar as such removals are effected by offering to said establishments the inducements of free rental, free power, or exemption from or abatement of taxes, which were referred to the Committee on Education and Labor.

(See resolutions printed in full when presented today by Mr. WALSH.)

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. VAN NUYS:

A bill (S. 3673) to amend section 4 of the Rural Electrification Act of 1936; to the Committee on Agriculture and Forestry.

By Mr. WALSH (by request):

A bill (S. 3674) for the relief of Lottie A. Abbott, the legal representative and administratrix of the estate of James D. Felley, deceased; to the Committee on Claims.

By Mr. SMITH:

A bill (S. 3675) for the relief of Chester Parker; to the Committee on Naval Affairs.

AMENDMENT TO INTERIOR DEPARTMENT APPROPRIATION BILL

Mr. WHEELER submitted an amendment intended to be proposed by him to the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

On page 98, after line 14, to insert:

"Photographic mat service: For initiating and maintaining a mat service for the reproduction in magazines and newspapers of photographs of scenery in the National Parks, $5,000."

AMENDMENT OF ADMINISTRATIVE PROVISIONS OF TARIFF ACT OF 1930

Mr. KING. Mr. President, I submit an amendment to the bill (H. R. 8099) to amend certain administrative provisions of the Tariff Act of 1930, and for other purposes. I ask that the amendment may lie on the table, be printed, and printed in the RECORD.

There being no objection, the amendment was ordered to lie on the table, to be printed, and printed in the RECORD, as follows:

Amendment intended to be proposed by Mr. KING to the bill (H. R. 8099) to amend certain administrative provisions of the Tariff Act of 1930, and for other purposes: On page 13, between lines 22 and 23, insert the following new section and renumber the present sections accordingly:

"SEC. 8. The Tariff Act of 1930 is hereby amended by adding at the end of title III the following new part:

"'Part IV. Declaratory rulings.

"'SEC. 370. Authority to issue.

"'(a) The Secretary of the Treasury is authorized to issue, whenever he deems that the effective administration of the customs laws will be promoted thereby, a declaratory ruling to determine any question (within the jurisdiction of the Secretary), including questions of fact, arising in respect of any completed or contemplated act, transaction, or event, and concerning the application of any customs laws or any accrued or prospective criminal or civil liability, or any exemption, imposed or conferred by such laws. The authority hereby conferred shall not limit or affect any power or authority to issue rulings or regulations conferred by any other provisions of law.

"'(b) Such rulings may be issued upon application made therefor or upon motion of the Secretary of the Treasury. The Secretary of the Treasury may prescribe by regulation the classes of cases or matters in which applications for declaratory rulings may be made, and the form and manner in which such applications shall be filed. No suit, action, or proceeding shall lie or writ issue (1) on account of any failure or refusal of the Secretary to issue

a declaratory ruling, or (2) to restrain the issuance of such a ruling.

"'(c) The Secretary of the Treasury is authorized to confer or impose upon the Commissioner of Customs or any other officer or employee of the Treasury Department, under such regulations as the Secretary may prescribe, any of the rights, privileges, powers, and duties conferred or imposed upon the Secretary by the provisions of this part.

"'SEC. 371. Application.

"'(a) An administrative ruling concerning the application of any customs law or any criminal or civil liability or any exemption imposed or conferred by such laws shall be effective as a declaratory ruling in the manner hereinafter provided only when designated as such by the Secretary of the Treasury.

"'(b) A declaratory ruling shall apply as such only in respect of the persons, acts, transactions, or events described or specified in the ruling, and shall be applicable in respect of a specified act, transaction, or event only if such act, transaction, or event is consummated or occurs in substantial compliance with the terms of the ruling. The Secretary of the Treasury may cause such investigation to be made as he deems necessary to determine whether there has been such compliance.

"'(c) Except as otherwise provided by law or by the terms of the ruling, a declaratory ruling shall apply with respect to acts, transactions, or events occurring before as well as after its issuance.

"'(d) A declaratory ruling shall not be effective (except as provided in subsection (e) of this section) in any case where the Secretary of the Treasury finds that there has been fraud, or misrepresentation of a material fact.

"'(e) A declaratory ruling shall be effective with respect to any act proved to the satisfaction of the Secretary of the Treasury to have been done or omitted in good faith and reliance, and in conformity with, such declaratory ruling notwithstanding that such ruling may, after such act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

"'SEC. 372. Review.

"'A declaratory ruling shall not be reviewed by any administrative or accounting officer of the United States with respect to any act, transaction, or event in respect of which such ruling has become effective as provided in section 371; and no determination by a declaratory ruling of any question of fact, if supported by substantial evidence, shall be reviewed by any judicial officer of the United States.

"'SEC. 373. Termination.

"'(a) A declaratory ruling shall be effective until terminated in any manner provided in this section.

"'(b) The Secretary of the Treasury is authorized to terminate the effective period of a declaratory ruling upon due notice being given, by publication or otherwise, at least 30 days before the termination of the effective period, but shall not terminate the effective period of a declaratory ruling (1) within 1 year after the date of issuance, or (2) within such period of time after such date of issuance as may be found by the Secretary, and stated by him in the declaratory ruling, to be the period of time which normally elapses between the dates of order and importation with respect to a class or kind of merchandise covered by the ruling, unless he finds that the ruling was procured by fraud, or misrepresentation of a material fact, or is inconsistent with a subsequent enactment by the Congress or with a final judicial decision rendered after the issuance of the ruling.

"'(c) If a declaratory ruling is determined to be erroneous, in whole or in part, by a final decision of a court of competent jurisdiction such ruling shall thereupon cease to be further effective for any purpose.

"'(d) Nothing in this part shall be construed to affect the finality of any determination which has become final pursuant to any other provision of law.'"

Mr. KING. I also ask permission to have printed in the RECORD a statement which I have prepared explanatory of the proposed amendment and showing its importance and necessity.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR KING

Several years ago I sponsored in this body the legislation which became the Declaratory Judgment Act of June 12, 1934. The value of that act, whose constitutionality has now been sustained by the Supreme Court in *Ætna Life Insurance Co.* v. *Haworth* (1937) (300 U. S. 227), is best evidenced by the scores of cases in which it has been invoked.

I have today submitted an amendment to H. R. 8099, the customs administrative bill, now pending before the Senate. The amendment supplements the Declaratory Judgment Act and represents a new attack on a grave problem. Today the businessman is not alone faced with the problem of ascertaining the laws, regulations, rules, and orders which affect his business; he must also, after he has located these multitudinous rules, determine at his peril in what manner they affect it. Frequently it is imperative for him to know the effect of a particular law upon certain acts which he contemplates. As things stand today, he cannot obtain this information in the great majority of cases until he has acted. He may, and frequently does, then discover that he has harmed himself irrevocably.

The Declaratory Judgment Act of 1934 designedly left outside its scope a large area of activity. Under its provisions the proceedings must be adversary. There must be an actual controversy appropriate for judicial determination. The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a future or hypothetical state of facts.

It is apparent, therefore, that declaratory judgments afford no relief in a large class of cases where relief is necessary to free the businessman from uncertainties which now hamper the proper conduct of his affairs. To remedy this condition, which is distressing to both the Government and the citizen, I propose a new procedure, one which will afford protection to everyone in the field covered by the amendment.

Heretofore the Treasury Department has, from time to time, attempted upon request to advise those having dealings with it concerning their liabilities in contemplated future transactions, but in so doing it necessarily indicated that under existing law it could not assure them that the later actual determination of liability to the Government would be in accord with the advice given in advance. In these circumstances, the result of the Treasury's efforts to be helpful by rendering advance rulings has not always been happy. Let me give an actual case:

A church in Philadelphia received a bequest of $20,000 to be used in ornamenting the church. It wished to purchase a particular type of tapestry to be made abroad in a particular factory in accordance with a design to be furnished by the church. In order that the church might know what charges would be imposed by the customs and accordingly how much of the bequest might be spent on the tapestry itself, all the details of the proposed transaction were communicated to customs officials, who advised that under the described circumstances the tapestry would be free of duty. The order for a tapestry was accordingly placed, the purchase price of which consumed practically the entire bequest. Three months later the tapestry was imported. In the meantime, and in connection with another matter, the customs officials had reexamined the law under which free entry was to have been granted and decided that the law did not apply to articles of the kind purchased by the church. Therefore, when the tapestry was imported, duty was assessed in the amount of $12,000. The assessment was protested, the Treasury Department ruled that it could grant no relief, and the assessment of duty was sustained in the customs courts.

My proposed amendment specifically authorizes administrative rulings conclusively declaring the law in such cases. The declaratory rulings will be binding upon both the Government and the importer subject, of course, to the latter's right to have any ruling reviewed by the customs courts in any case involving its application. I have limited the amendment to the customs field because in this form it is germane to the pending customs administrative bill. However, I favor the extension of the same principle to other fields and I should, for example, be glad to see an amendment of this character made to the revenue bill now pending before Congress. If it proves helpful in such fields (and I am confident that it will), I believe that it will be found advantageous to apply the principle to wider fields of governmental administration.

Briefly the amendment that I propose is as follows: It authorizes the Secretary of the Treasury to issue, either upon application of the importer or upon his own motion, declaratory rulings to determine any question within his jurisdiction arising in respect of any completed or contemplated act, transaction, or event, involving the application of the customs laws. Such a ruling would be issued by the Secretary only upon a full investigation of the details of the transaction involved.

A declaratory ruling would apply only to the persons or transactions described or specified in the ruling itself and then only if the transaction is consummated or occurs in substantial compliance with the terms of the ruling. A declaratory ruling will ordinarily apply to transactions occurring in the future but it may apply to past transactions as, for example, where goods have been imported but duties on them have not been finally determined. Except as to innocent parties, such a ruling will not be effective in any case where the Secretary of the Treasury finds that there has been fraud or misrepresentation of a material fact. Thus, for example, if an individual obtains the issuance of a ruling by fraud and innocent persons covered by the ruling rely upon it, the ruling would be effective as to them, though it would not be as to the guilty individual.

A declaratory ruling will be binding upon all nonjudicial officers of the United States. It may, however, be reviewed in a court of competent jurisdiction in any case involving its application. Questions of fact determined by the ruling would, in such a case, be binding upon the court if they were supported by substantial evidence.

Until its termination a declaratory ruling will be binding both upon the importer and the Government. The Secretary of the Treasury is authorized to terminate a declaratory ruling upon 30 days' notice, but he cannot terminate the ruling within 1 year after its issuance, or within such period of time after the date of issuance as the Secretary may find and state in the ruling itself is the period of time which normally elapses between the dates of order and importation with respect to the class of merchandise covered by the ruling. The latter alternative minimum period for

the life of the ruling is designed to permit an importer to obtain a ruling upon which he can rely with respect to merchandise which he will obtain on special order from abroad as contrasted with orders which are filled out of stock. These minimum limitations on the life of declaratory rulings will not apply, however, in cases where the Secretary finds that the ruling was procured by fraud or misrepresentation or is inconsistent with a subsequent act of Congress or with a final judicial decision rendered after the issuance of the ruling.

If a declaratory ruling is determined to be erroneous by a final court decision, the ruling thereupon ceases to be further effective for any purpose.

It is my considered opinion that the enactment of an authorization for declaratory rulings in customs matters will greatly benefit American businessmen who import merchandise from abroad by affording them assurance in advance as to what their duty and other liabilities will be. I believe that the declaratory ruling will prove so useful in this relatively limited field that its application will be soon extended to broader fields of Federal administration.

INVESTIGATION OF TENNESSEE VALLEY AUTHORITY—REFERENCE OF RESOLUTION

Mr. NORRIS. Mr. President, I ask unanimous consent that Senate Resolution 251, providing for a Senate investigation of the Tennessee Valley Authority, be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. KING. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. KING. That does not contemplate, of course, favorable or unfavorable action; but the resolution merely goes to the committee?

Mr. NORRIS. No. The Senator has heard the request I have made, but, Mr. President——

Mr. KING. I have no objection.

The VICE PRESIDENT. Is there objection to the request of the Senator from Nebraska that Senate Resolution 251 be referred to the Committee to Audit and Control the Contingent Expenses of the Senate?

Mr. McNARY. Mr. President, I think it is a proper request, but I do not believe it is necessary, as I think automatically all such resolutions requiring expenditure from the contingent fund go to the committee.

The VICE PRESIDENT. Is there objection to the request? The Chair hears none, and the resolution will be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

RECIPROCAL-TRADE AGREEMENTS

Mr. McKELLAR. Mr. President, I ask unanimous consent to have printed in the RECORD a very interesting and instructive letter from Hon. Cordell Hull, the Secretary of State, to 15 Republican Members of the House of Representatives in regard to the reciprocal-trade agreements, with particular reference to the importation of shoes from Czechoslovakia.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

Text of letter, March 14, 1938, from the Honorable Cordell Hull, Secretary of State, to the following Members of the House of Representatives: The Honorable Ralph Brewster, Maine; the Honorable James C. Oliver, Maine; the Honorable Clyde H. Smith, Maine; the Honorable George J. Bates, Massachusetts; the Honorable Charles R. Clason, Massachusetts; the Honorable Charles L. Gifford, Massachusetts; the Honorable Pehr G. Holmes, Massachusetts; the Honorable Robert Luce, Massachusetts; the Honorable Joseph W. Martin, Jr., Massachusetts; the Honorable Edith Nourse Rogers, Massachusetts; the Honorable George Holden Tinkham, Massachusetts; the Honorable Allen T. Treadway, Massachusetts; the Honorable R. B. Wigglesworth, Massachusetts; the Honorable Charles W. Tobey, New Hampshire; the Honorable Charles A. Plumley, Vermont

I have received the joint letter, signed by 15 Republican Members of Congress, including yourself, dated March 3, 1938, and delievered on March 7, urging that the negotiation of any further reciprocal trade agreements be deferred "until the cost of production is ascertained in the countries with which negotiations are contemplated." In this connection, the letter refers specifically to the negotiations with Czechoslovakia as affecting shoes, and to articles, to be considered in the trade-agreement negotiations with the United Kingdom, "which compete directly with our own manufactured products," and recommends that no action be taken on these items "until production costs are available."

With reference to that part of your communication relating to Czechoslovakia, as you, of course, know, the trade agreement with that country was signed on March 7, 1938, and the terms of the agreement have been made public. In regard to the action taken with respect to shoes, I need only say that cost data, as well as other relevant factors, were carefully considered in the course of the negotiations before the moderate concessions on certain types of shoes, with ample safeguards for the domestic shoe industry, were included in the agreement with Czechoslovakia.

To adopt the cost-of-production formula as the sole criterion in connection with further trade-agreement negotiations would, for all practical purposes, amount to a virtual suspension of the trade-agreements program. When the resolution to renew the Trade Agreements Act (H. J. Res. 96) was before Congress in February 1937, substantially the same proposal came before the Ways and Means Committee. Commenting on this proposal, that committee, in its report on the resolution, stated, in part, as follows:

"The committee has taken note of suggestions that the cost-of-production formula, whereby changes in duties would be made only on the basis of prior findings of the difference in cost of production here and abroad, be incorporated into the Trade Agreements Act. However plausible on its face, this formula, if introduced into the act, would, in the committee's opinion, so seriously impede the effective operation of the act as virtually to nullify it. The committee feels that adequate consideration is already given to cost data as part of the general body of information taken into account in administering the act, and that reliance upon the cost formula as the sole basis for tariff adjustments in the trade agreements would be wholly impracticable.

"The most immediate and vital objection to the use of this formula in connection with trade agreements is the fact that it would so delay and hamstring the conduct of the negotiations as to make the act virtually a dead letter. Experience in the administration of section 336 of the Tariff Act of 1930 (and the corresponding provision of the act of 1922) has conclusively shown that the investigations required to make such findings cannot be completed short of months, sometimes a year. In view of the many investigations that would have to be conducted simultaneously if every proposed change of duty in an agreement were to be predicated upon such an inquiry, it is obvious not only that the resources of the Government would be swamped but that any possibility of concluding an agreement would be indefinitely delayed."

The committee further called attention to the serious objections to the cost formula as the exclusive basis for determining tariff rates on grounds both of policy and of difficulties in administration.

In view of the foregoing considerations, the action recommended in your letter would amount not only to a "stay of negotiations," as your communication puts it, but to a complete suspension, a virtual abandonment, of the trade-agreements program.

Thus the real issue which your letter raises is whether it would be in the interest of this country to suspend or abandon the trade-agreements program. Surely you do not propose such a course of action.

From the standpoint both of our own economic well-being and of peace, suspension or abandonment of the trade-agreements program would be the worst possible blunder. It would be a mistake, moreover, the staggering costs of which would have to be shared by New England in common with the rest of the country.

A little more than a year ago, when the resolution to renew the Trade Agreements Act (H. J. Res. 96) was pending, the Ways and Means Committee, in its report to the House, stated its conclusions as follows:

"On the basis of careful study of the results of the trade-agreements program in its 2½ years of operation, and of the manner in which the act has been administered by the executive branch of our Government, the committee is convinced that—

"(1) The foreign-trade agreements have demonstrated their efficacy in reviving our foreign commerce and in safeguarding it from adverse discriminations abroad;

"(2) The provisions of the act have been administered with care and caution and with scrupulous regard to the best interests of the Nation and to the intent of the Congress in authorizing the Executive to negotiate foreign-trade agreements;

"(3) The policy pursued by our Government under the act has served to strengthen our influence in favor of establishing and maintaining the conditions of peace by helping to remove some of the most dangerous economic causes of war; and that

"(4) In the sphere of international economic relations there is a continuing urgent need of effective action along the lines so far followed with marked success in the application of the Trade Agreements Act.

"The committee concludes, therefore, that it is of imperative importance to our national interests that the authority for the continuance of the program embodied in the act of June 12, 1934, be extended in its present form for a further temporary period as provided by the accompanying resolution."

The urgency for stimulating international trade is even more obvious now than it was at that time. It is of the utmost importance that nothing be done at this time which will retard the restoration of foreign outlets for both agricultural and industrial products so necessary for our prosperity.

Consider for a moment the situation with respect to agriculture, and bear in mind that the prosperity of agriculture in this country vitally affects the prosperity of industry in New England and elsewhere. Agriculture, as a whole, is dependent on export outlets, and that dependence is reemphasized this year by the return of good crops. Since the trade-agreement program has been in effect, severe shortages of many agricultural commodities, resulting from

the unprecedented droughts of 1934 and 1936 have greatly reduced or entirely eliminated our exportable surpluses of important products. With high yields again in 1937 we are face to face with the problem of disposing in foreign markets of large surpluses of farm products over and above what can be readily absorbed in the domestic market. In years of favorable weather we invariably produce large surpluses of many of our most important crops. These surpluses, if not exported, weigh heavily upon the domestic market and force prices down to disastrous levels.

To discontinue the efforts to expand foreign outlets for farm products would evidence an indifference to the welfare of our farm population and a lack of understanding of the vital importance of a prosperous agriculture to our whole economy. We are now in process of negotiating a trade agreement with the United Kingdom. That country is of transcendent importance as a market for our farm produce, taking over a third of our total agricultural exports and about half of all agricultural exports other than cotton. Our exports of agricultural products to the United Kingdom in 1929 amounted to $445,000,000. In 1937 these sales, although they had recovered considerably from the low years of the depression, were still down to $259,000,000. Conclusion of a satisfactory trade agreement with the United Kingdom would obviously constitute an important contribution toward the solution of the problem of expanding market outlets for farm products. To suspend the operation of the Trade Agreements Act just at the time when an attempt is to be made to save and expand a market that takes one-third of our total agricultural exports would, in my opinion, be an inexcusable blunder.

Prosperity in industry likewise depends upon active foreign demand. In 1937 our exports of manufactured and semimanufactured products amounted to $2,300,000,000. Automobiles and tractors, office appliances, agricultural machinery, various types of industrial machinery, radio apparatus and various electrical household appliances, refined mineral oils, refined copper, various coal-tar products, these are but major categories in a vast range of industrial items the exportation and profitable sale of which mean the difference between prosperous and unprosperous conditions for a large proportion of our manufacturing industry. The prosperity of such industries is, moreover, of vital importance to other industries not themselves directly dependent upon foreign markets.

It was no blessing, disguised or otherwise, to our manufacturing industry, to the country as a whole, or to New England, when the value of our exports of manufactured and semimanufactured products fell—as it did between 1929 and 1932—from three and three-tenths billion dollars to eight-tenths billion. That was a situation to which our embargo tariff policy, reaching its climax in the Hawley-Smoot Act, greatly contributed; and it is precisely that situation which we are now endeavoring, through the Trade Agreements Act, to correct.

It cannot be a service to American industry or labor, or a contribution to the maintenance of American living standards, to become suddenly indifferent toward the preservation and expansion of foreign markets for the products of such industries. On the contrary, to suspend the trade-agreements program in the face of such a situation would be about the worst possible thing that could be done, from the standpoint both of industry and labor. It would deal a body blow to the efforts of the Government to increase industrial activity and employment in the United States through a healthy expansion of our foreign trade. Far from helping to maintain American living standards, it would definitely tend to lower them.

Let there be no illusion concerning New England's stake in this whole situation. Because New England produces a considerable range of manufactured products which are subject to actual or potential competition from imports, it is an easy but false jump to the conclusion that excessively high tariff duties are in its interest. That is most certainly a short-sighted and an erroneous view. Leaving entirely aside New England's direct interests in exports and in water-borne commerce, important as they are, and confining attention to the home market, the question which has to be squarely faced is this: What kind of a tariff policy is best calculated to promote a prosperous domestic market for New England products?

Surely it must be clear that an extreme protectionist policy does not do this. The virtually prohibitive tariff rates of the Hawley-Smoot Act did not prevent a decline in the value of manufactures produced in New England from six and four-tenths billion dollars in 1929 to three and one-tenth billion in 1933. Nor, for example, did they prevent factory pay rolls in the State of Massachusetts from declining to only 46 percent in 1932 of what they were in 1929. When the purchasing power of the other parts of the country, including regions directly and vitally dependent upon foreign markets, collapsed, New England's producers of textiles, shoes, and numerous other articles were direct sufferers along with the rest. New England's bread lines were no shorter than those elsewhere.

There could be no greater illusion than to suppose that New England's essential interests can be divorced in this matter from those of the rest of the country. No more than the rest of the country can New England profit from a narrow policy of embargo protectionism. Of that the experience under the Hawley-Smoot Act is proof abundant. And the reason New England cannot profit is because a policy of that sort leads inevitably to the ruination of the domestic, as well as the foreign, market for products of American industry.

A program which is designed to restore and promote the domestic as well as the foreign markets for American products, when it is administered, as is the trade-agreements program, with scrupulous and painstaking regard for the interests of the domestic producers, cannot fail to be of unquestionable benefit to New England and to every section of the country.

But New England's stake in this program does not end there. As I have stressed over and over again, this program is a constructive and a vital contribution to the cause of peace. It is the greatest single force today in bringing about a turning of the tide of international trade away from a tooth-and-claw struggle for vanishing trade opportunity toward a rebuilding of mutually profitable trade based on friendliness and fair dealing. It is thus helping to create conditions hospitable to peace and inhospitable to war. In a period when political tension has increased both in Europe and Asia, and danger of a world-wide conflagration has been ever present, the United States, through its trade-agreements program, has introduced an important stabilizing factor into international economic relations.

Abandonment of our liberal policy would signal a revival of economic warfare which would inevitably result in an increase of the political tension throughout the world. If we do not continue to move forward with the trade-agreements program, we shall not be standing still; we shall be going backward. Suspension or virtual nullification of the program would be the signal for further increases in trade barriers everywhere and new inroads into our reviving foreign trade. To turn aside from our carefully chosen course into a dead-end street that is still strewn with the wreckage of past tariff blunders would be worse than folly; it would be a great national tragedy. Rather we should continue to go forward with the program as vigorously as possible, on a broad nonpartisan basis, in the interest of our prosperity and of world peace.

Sincerely yours,

CORDELL HULL.

Text of letter from "Republican Members of Congress from the New England States" to the Secretary of State, dated March 3, 1938, delivered by the riding page to Secretary Hull's office at 3:45 p. m., March 7, 1938

MARCH 3, 1938.

The Honorable CORDELL HULL,
Secretary of State, Department of State, Washington, D. C.

MY DEAR MR. SECRETARY: This letter, which bears the signatures of the Republican Members of Congress from the New England States, is written to urge you to defer the negotiation of any further reciprocal trade agreements until the cost of production is ascertained in the countries with which negotiations are contemplated.

In the case of the proposed agreement with Czechoslovakia, the United States Tariff Commission is seeking this information concerning shoes. Nothing should be done until the data is available to you and to the Congress.

There are so many articles to be considered in the agreement with Great Britain which will compete directly with our own manufactured products it will be extremely unwise to negotiate until production costs are available.

This matter is of such vital importance to the workers of our section of the country, thousands of whom are at the present time unemployed, that we urge you most strongly to accede to our request for a stay of negotiations.

Very respectfully yours,

James C. Oliver, Maine; Ralph Brewster, Maine; Charles W. Tobey, New Hampshire; Charles A. Plumley, Vermont; George Holden Tinkham, Massachusetts; Edith Nourse Rogers, Massachusetts; Allen T. Treadway, Massachusetts; Charles L. Gifford, Massachusetts; R. B. Wigglesworth, Massachusetts; Charles R. Clason, Massachusetts; Robert Luce, Massachusetts; Clyde H. Smith, Maine; Joseph W. Martin, Jr., Massachusetts; George J. Bates, Massachusetts; Pehr G. Holmes, Massachusetts.

FAITH VERSUS BATTLESHIPS—ADDRESS BY SENATOR JOHNSON OF COLORADO

[Mr. LA FOLLETTE asked and obtained leave to have printed in the RECORD a radio address entitled "Faith Versus Battleships," delivered by Senator JOHNSON of Colorado on Tuesday evening, March 15, 1938, which appears in the Appendix.]

TAX IMMUNITY—OPINION OF THE SUPREME COURT

[Mr. ASHURST asked and obtained leave to have printed in the RECORD the majority and dissenting opinions of the Supreme Court of the United States in the case of Guy T. Helvering, Commissioner of Internal Revenue, petitioner, against Mountain Producers' Corporation.]

PROPOSED TRADE AGREEMENT WITH THE UNITED KINGDOM—STATEMENT OF EDWARD A. O'NEAL

[Mr. POPE asked and obtained leave to have printed in the RECORD the statement of Edward A. O'Neal, president of the American Farm Bureau Federation, to the Committee on Reciprocity Information, on March 15, 1938, with reference to the proposed trade agreement with the United Kingdom, which appears in the Appendix.]

TARIFF EQUALITY FOR AGRICULTURE—ADDRESS BY EDWARD A. O'NEAL

[Mr. POPE asked and obtained leave to have printed in the RECORD an address delivered by Edward A. O'Neal, president of the American Farm Bureau Federation, at Des Moines, Iowa, on February 19, 1938, on the subject "Conflicts and Communities of Interest of Industries and Agriculture in Foreign Trade," which appears in the Appendix.]

ATTITUDE OF AMERICA IN EUROPEAN CRISIS

[Mr. SMATHERS asked and obtained leave to have printed in the RECORD an editorial from the Bergen Evening Record of March 14, 1938, entitled "Don't Be a Sap Again, Uncle Sam," which appears in the Appendix.]

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

REORGANIZATION OF EXECUTIVE DEPARTMENT

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes.

Mr. WHEELER. Mr. President, I ask that when the amendment which I sent to the desk yesterday shall be read it be read as proposed to be modified by me.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. PITTMAN. Mr. President, I should hesitate to vote for any amendment which would provide that a proclamation by the President under this bill should be referred to the Senate and the House for action unless it was quite certain that it would not be subject to a filibuster, and that there would be expeditious action. For that reason I approve of that portion of the amendment of the Senator from Montana which provides that when the proclamation is sent to each House, each shall vote upon the matter within 10 days after the receipt of the proclamation, and the House which first passes on it shall message the joint resolution over to the other body, and in that body also there must be a final vote on the matter within 10 days.

There have been some suggestions that that is contrary to the Constitution, which authorizes each House to make its own rules and regulations.

That seems a strange proposition, in view of the fact that we have before us an instance, to which reference was made yesterday and today, in which the two houses heretofore, by statute, have limited their right to make rules. Certainly if they have the constitutional right to make rules they have the constitutional right to limit themselves by the rules or by statute.

As a matter of fact, in both sides we have in the rules limitations providing that the rules may not be set aside except on a day's notice and by a two-thirds vote. That, in itself, is a restriction upon the Members of each body. We find that on yesterday the Senator from Nebraska [Mr. NORRIS] asked unanimous consent for action on a resolution requiring the payment of money out of the contingent fund of the Senate without having the resolution referred to the Committee to Audit and Control the Contingent Expenses of the Senate. Each House has a rule, and I suppose has had such a rule for 100 years, requiring the reference of resolutions authorizing the payment of money from the contingent fund to the committee having control of the contingent fund; and yet 50 years ago both of these bodies were not satisfied with binding themselves solely by their own rules, because rules may be set aside on a day's notice or by unanimous consent. Therefore, in addition to binding themselves by rules, they bound themselves by a statute.

I will read the statute; but before doing so let me say that when the Senator from Nebraska asked unanimous consent to have his resolution referred to the Committee to Audit and Control the Contingent Expenses of the Senate the Senator from Oregon [Mr. MCNARY] rose and said that it was not necessary; that apparently the resolution went to that committee by virtue of the statute.

Here is the statute, the language of which I think is quite simple:

> Hereafter no payment shall be made from the contingent fund of the Senate unless sanctioned by the Committee to Audit and Control the Contingent Expenses of the Senate, or from the contingent fund of the House of Representatives unless sanctioned by the Committee on Accounts of the House of Representatives. And hereafter payments made upon vouchers approved by the aforesaid respective committees shall be deemed, held, and taken, and are hereby declared to be conclusive upon all the departments and officers of the Government; *Provided*, That no payment shall be made from said contingent funds as additional salary or compensation to any officer or employee of the Senate or House of Representatives.

That act has been on the statute books for 50 years and never has been questioned. It seems fundamental that a body having authority to make rules has equal authority to limit those rules, and limit its Members under the rules. Of course the Senate could not pass a Senate resolution limiting any rules of the House of Representatives, nor could the House of Representatives pass a House resolution limiting the acts of the Senate under its rules. Here, however, is a case in which both bodies acted concurrently and in harmony for the purpose of cooperation in a matter which they deemed of vital importance. The statute limits the rules. A body may by majority vote make at any time any rule it sees fit to make; and for the purpose of preventing that from being done in this respect the two Houses concurrently passed a statute which limited their actions under their rules.

Mr. CONNALLY. Mr. President, will the Senator yield for a question?

Mr. PITTMAN. I yield to the Senator from Texas.

Mr. CONNALLY. The real effect of that, though, is that by agreeing to the statute to that extent we modified our rules.

Mr. PITTMAN. That is true.

Mr. CONNALLY. That, however, does not take away from each body the constitutional power which it may exercise if it shall see fit. The Senate could, if it desired to do so, make a new rule, and set aside that statute, could it not?

Mr. PITTMAN. No; I do not think so. I do not think a statute can be repealed in that way.

Mr. CONNALLY. It would not be a case of repealing the statute, but the statute would not affect us in that situation, because the Constitution says each body shall make its own rules. If we desire to agree to a statute making joint rules, that is all right; that has the effect of making a new rule; but, under the Constitution, would not each body, if it should see fit, have a right to say, "That rule does not suit us any longer, and we will ignore it, and make our own rule which ignores it"?

The question may be academic, but I should like to have the Senator's view upon it.

Mr. PITTMAN. I will say to the Senator from Texas that I do not think so.

Mr. BARKLEY. Mr. President, in that connection, will the Senator yield?

Mr. PITTMAN. I yield to the Senator from Kentucky.

Mr. BARKLEY. We already have a rule on cloture, for instance, which requires that a petition be filed by a certain number of Senators, and voted on upon the second day, and requires a two-thirds vote, by which we may limit debate on any measure or any motion or anything which may be before the Senate. Is it the Senator's contention that if a different rule were prescribed by a majority vote of the two Houses in the enactment of a statute, the Senate could not immediately change that statute so as to conform to the present rule on limitation of debate, under the constitutional authority which each House has to fix its own rules? Does the Senator believe we could not do that?

Mr. PITTMAN. I think that if the Senate voted on a bill from the House which came in conflict with our so-called cloture rule, to that extent we would modify the cloture rule, and it would be done by our own vote on a bill in conjunction with the House of Representatives.

Mr. BARKLEY. Suppose that on the following day, or the following week, or the next year, the Senate should conclude that the Constitution gave it the right to make its own separate rules, and it should make a rule which would be in violation of the statute passed by both Houses regulating procedure; does the Senator think that the subsequent rule would be void simply because the statute had been passed by the two Houses?

Mr. PITTMAN. I think a body may make its rules in more than one way. It may make its rules by a vote on a rule, and, if a majority favor the rule, it is adopted. It may make a rule, if it sees fit, by an act of Congress. If the two bodies see fit to bind themselves by an act of Congress with regard to their procedure, it is binding until the act of Congress is repealed.

Mr. NORRIS. Mr. President——

Mr. PITTMAN. I yield to the Senator from Nebraska.

Mr. NORRIS. I desire to submit a question to the Senator; but before doing so I should like to say that, as I understand the Senator from Nevada, I agree with him 100 percent. It seems to me it is perfectly unreasonable to say that by a rule of the Senate or the House we may repeal or modify a statute. If we concede that we may make a rule that will modify or change or repeal a statute, we are contending that one body has greater power of legislation than both bodies and the President put together, for a joint resolution requires his signature.

Mr. PITTMAN. That is very true.

Mr. NORRIS. Now I desire to ask the Senator a question. He probably is more familiar than I am with the history of this matter.

The statute says that no money shall be paid out of the contingent fund of the Senate without the approval of the Committee to Audit and Control the Contingent Expenses of the Senate, or words to that effect. While the resolution in which I am interested has already gone, and I think it is proper that it should go, to the Committee to Audit and Control the Contingent Expenses of the Senate, nevertheless I can see no reason why, under such a resolution authorizing the expenditure of money out of the contingent fund, we could not go on without ever referring the resolution to the Committee to Audit and Control the Contingent Expenses of the Senate; but we never could have any expenses paid under the resolution unless the committee passed on the matter. In other words, I do not think the committee has to pass on it in advance, though that has been our custom, and I think it is pretty good practice. Technically, however, I believe we could go ahead with any investigation we wanted to make without ever referring the matter to the Committee to Audit and Control the Contingent Expenses of the Senate; but we would run against that committee when we wanted to use any money out of the contingent fund.

Mr. PITTMAN. There is no doubt that each House may regulate its own procedure. There is no requirement, however, that the rules of procedure in the Senate shall be exclusively adopted on this floor in the form of a Senate resolution.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. PITTMAN. Just a moment, until I finish this thought. There is nothing to compel a majority of this body to vote for a measure which fixes its procedure. If they do not like it, a majority does not have to adopt it. On the other hand, it may be very valuable for both Houses to have similar rules for certain procedure, and if that is the case, and each House wants to know that the other House is going to stand by the procedure, there is only one way to fix that procedure, and that is by statute. We have passed a statute which requires that all bills calling for the payment of money out of the contingent fund of the Senate and out of the contingent fund of the House shall be approved by the appropriate committee in each House. Either House could have refused to agree to that, but a majority liked that form of procedure and established it, and the procedure having been established by act of Congress, it is governed by that act, and cannot be set aside by either body separately. That is the whole situation.

I now yield to the Senator from Kentucky.

Mr. BARKLEY. There may be a statute limiting an appropriation or providing that an appropriation shall be made out of the Treasury under a certain condition; that is, that it must be approved by the Committee to Audit and Control the Contingent Expenses of the Senate. It seems to me that is quite different from a rule of procedure with respect to a limitation of debate in the Senate or in the House. If the Constitution had provided that the two Houses should jointly decide what their rules should be, there would be no question about it; but when it provides that each House separately, independent of the other, shall have the right to make its own rules of procedure—because the Constitution makers realized that the procedure could not be the same in both Houses, due to their make-up—it seems to me that even if we attempted to pass a statute providing for a limitation of debate, or any other matter of procedure, and either the Senate or the House later, following its constitutional right to make its own rules, made a rule which would be in violation of the rule of procedure already adopted, we would have to give precedence to the constitutional right rather than the statutory right.

Mr. PITTMAN. The statute deals with procedure in both Houses. It states that any bill requiring payment of money from the contingent fund must be first referred to a certain committee. That is procedure. It provides that it cannot be acted on until it is sanctioned by the committee. That is procedure. While the Constitution has allowed each body to make its own rules and regulations, there is no prohibition that I know of as to how they shall make their rules. There is no prohibition that they could not act in accord with each other. They can make their rules by statute, by resolution, or in any way they choose. They cannot be compelled to vote for an act which establishes procedure, but if a majority of the Senate vote for an act which establishes procedure, they are carrying out their constitutional privilege, and it is binding. Having seen fit to bind their procedure by act, they cannot set it aside except in accordance with law.

I wish to leave this subject, however, and discuss a matter which I consider of such vital importance to the Forest Service that I cannot remain silent.

Mr. President, I have watched the growth of the Forest Service throughout most of my life. There were not many forest reserves outside of the West until a very few years ago. There are some State forests now in the East and in the South, but very few. We have had large forest reserves throughout the West for fifty-odd years.

The Forest Service has had vast experience in the protection of the forests against fires, against insects, against death of the trees from the washing away of the soil which surrounds their roots. They have found that these great forest areas may be useful in the raising of livestock without injury to the forests; but they have also discovered that if the grazing is not properly regulated it can destroy forests.

I have seen on a mountainside an area 10 miles long, extending from the valley to a height of 5,000 feet, on which there is nothing but bare, glistening, slippery rocks where once great forests grew. What caused that? Before the forests were controlled with regard to grazing, those raising sheep, not being interested in the forests, really knowing nothing about the preservation of shrubs and plant life, drove across the sides of those mountains perhaps as many as 20,000 sheep. Moving side by side, digging trenches with their little, sharp hoofs, and dragging the very roots of the plants and the grass out of the ground, back and forward the sheep went, destroying plant life, digging up the soil, loosening it. Then came the heavy rains, the soil slipped down into the valleys, the roots of the trees and the plant life were uncovered to the sun and the frost, and today we see great, barren, slick, rocky mountainsides where once trees and plant life grew.

Much is said with regard to what may be the intent of the President with respect to forest reserves. I do not know what his intent is. I have not had the pleasure of conferring with him with regard to the pending bill or any part of the bill. I know it has come with considerable authority that he has no intention of taking the Forest Service from the Department of Agriculture and placing it in the Interior Department. That may be true. But I have equal authority and information which would lead me to believe that, while he will not place the Forest Service in the Department of the Interior, he will put certain functions of the Forest Service under the Secretary of the Interior.

What function has he in mind, if he has any in mind? There is only one I can think of, and that is the control of grazing. We can conceive of what would happen to a forest reserve with one organization trying to preserve plant life and increase its growth and another solely interested in the grazing of livestock on the forest reserve. It would be impossible for the Forest Service to protect plant life under such conditions. They would have no control over the grazing whatever. The thing is absurd on its face.

Even if it were possible for one department to have unlimited power over grazing while another department had the responsibility of preserving plant life, I say that the only department which should have control is the one which has had charge of that function for 50 years and which has made a success.

Even 30 years ago there was constant squabbling and quarreling between the stockmen of the West and the forest reserve officers. It took 8 or 10 years for some of the rangers who were sent out from the East, men who were educated in forestry but knew nothing about grazing, to learn what grazing involved, to learn how reasonably to regulate it, and how to get along with the stock raisers. For the last 25 years there has been perfect harmony of operation between the stock raisers, and the rangers and supervisors who look after the forest reserves.

Is it the intent now to put that organization under the Secretary of the Interior? If the Secretary of the Interior had such a character and such a disposition that he could listen to the advice of those who understood a subject, it might be possible that he would allow these experienced men in the Forest Service to go on in their own way. But the history of the Secretary is such that we know there is nothing on earth he does not want to meddle in. I think probably we ought to have an amendment in the bill preventing the Secretary of the Interior from taking over our foreign relations. However, while there may be no intention of turning the State Department over to Secretary Ickes, some functions of the State Department might be transferred to the Secretary of the Interior, for instance, the function of speaking in foreign countries with regard to our foreign policy and other diplomatic matters. That would only be transferring the function, and nothing else.

The Secretary of the Interior is in charge of grazing on the public lands outside of the forest reserves. He appointed in charge of it a very competent man, a Mr. Carpenter. Mr. Carpenter has been harassed more than anyone on earth by constant orders from Washington, containing contradictions and interferences with what he is trying to do in the field. The Grazing Act provides for giving a preference to men who own homesteads and water rights on the public lands to grazing areas around them sufficient to graze the cattle that they can take care of. Yet when Mr. Carpenter and the late First Assistant Secretary of the Interior were out in Nevada talking to a great assembly of stockmen who were trying to agree on the right distribution of the range, an order came from Washington, which was published in every newspaper in the State of Nevada, offering an area one-fourth the size of the State of Nevada for lease at auction to the highest and best bidder offering to lease it without limitation, to lease the land abutting right up against the homesteads, absolutely destroying people who had been on their homesteads, themselves and their ancestors, since the days of '49.

I telegraphed the Secretary and told him that he had no authority under the statute to make any such advertisement; that he had no authority under the statute to put that land up for public bidding. I did that because Mr. Carpenter was afraid to send the telegram, and because the late First Assistant Secretary was afraid to send the telegram. I received a reply telegram from Mr. Ickes saying that his intentions were good, that he had never intended to injure the little homesteaders, and that he was really trying to help them but that no harm had been done because no one had bid for the land, and in view of that he would not thereafter accept any bids.

The States have passed laws dealing with the matter of funds coming from grazing. Mr. Carpenter thinks that is altogether proper, and favors it, but Mr. Carpenter testified the other day that Secretary Ickes was opposed to the States having anything to do with it. Yet some of the functions of the Forest Service may be transferred to the Department of the Interior. There is really but one function which could be transferred, and that is the function of supervising grazing. I have already said to the Senate that the power of controlling grazing carries with it the power of destroying a forest, it carries with it the danger of soil erosion and plant destruction, it carries with it the danger of fires. The situation is an unreasonable and impossible one.

Of course, everyone who knows anything about the grazing of stock on the western plains knows that one department should have control of grazing, and not only in the forest reserves on the high mountains but on the public lands in the valleys. Why? Because practically all our forests are in the high mountains where the snow lies long in the spring and where springs of water flow. That is the summer range. The cattle go up there in the summertime, and when the heavy snow covers the range 3 or 4 or 5 or 6 feet the cattle then come down into the valleys off the forest reserves and there wait for the spring. So it is perfectly evident that we cannot have one department ordering the cattle off the forest reserves and another department prohibiting them from coming upon the other range. Every cattleman would then be between the devil and the deep sea. It is an impossible situation.

I come now to the question of submitting these Presidential proclamations to Congress for approval. As I have said, if there were any danger of there being no action, if there were any danger that a filibuster might prevent action by the Congress either in favor of or against the proclamation, I could not favor the amendment providing for a joint resolution, but I think it is now so clearly provided that in a short time after the proclamation reaches Congress there must be a decisive vote that I feel there is no danger of any delay.

I cannot believe the President would object seriously to this amendment providing for the passage of a joint resolution. I can understand that he would seriously object to it if it might result in a filibuster, because that might mean there would never be any action at any time. But it occurs to me that the President, having such a tremendous majority in the Senate and such a tremendous majority in the House, which certainly cannot be reduced much in the near future, and as the bill itself requires that his proclamation shall be made before 1940, can rely on the fact that during that period of time there will be a large majority of his supporters in both Houses of Congress. If a majority of this body today are willing to stand by him, as they are on this very revolutionary legislation, why should he or his supporters or friends be afraid that they would not stand by him when he sends his proclamation to Congress?

Personally I do not believe there is any other way to reorganize this Government except through the Chief Executive. If this body or the other House should attempt definitely to define the duties and powers of each department, I think we would become involved in a debate which would last forever. I think that one man must work it out and, having worked it out, send it to Congress for its approval. I think the President would like to get the approval of Congress. I believe that in ninety-nine cases out of one hundred we will

find that his work is good. But it is human to make mistakes.

There are many things that the President cannot know of personally. I know that the President does not know personally of the condition with respect to the forest reserves in the high mountains of the West and the effect of grazing on them. I do not think he understands that matter. He is a great forestry expert, it is true, he is a great conservationist, but he may make a mistake with regard to the very serious matter of the protection of the forest reserves of the West against overgrazing. He may take the advice of men who themselves know nothing of it. Such things sometimes happen. If such a mistake were made, then Congress would protect him against it by not ratifying the proclamation, and if it were a mistake the President should be glad, and I believe he will be glad, to have such protection.

Let me say that I have absolute confidence in the President. I realize that no man can work the hours he works and consider every problem personally. I know he has to depend upon someone for advice, and that advice may be right or it may be wrong. However, I do not wish to assume the attitude that the President of the United States does not have the same confidence in the Congress that we have in him. I do not want to lend aid and impetus to the charges that the President of the United States desires to be a dictator, because I do not believe anything of the kind.

Mr. WHEELER. Mr. President——

The PRESIDING OFFICER (Mr. LEE in the chair). Does the Senator from Nevada yield to the Senator from Montana?

Mr. PITTMAN. I yield.

Mr. WHEELER. The Senator, of course, realizes that practically everything he has said with reference to the Forest Service likewise applies, as it affects our Western States, to irrigation and reclamation, and it applies to the Packers Act, and it applies to the Office of Indian Affairs. As a matter of fact the actions of two or three of the departments in Washington apply with greater force to the western territory and the Western States than to any other section of the country. In view of some of the things that have taken place in certain departments, it seems to me it would be suicidal blindly to turn over the power to reorganize to the President and let him reorganize as he sees fit.

Mr. PITTMAN. If the Secretary of the Interior were a man who had been brought up in the environment of the West and were familiar with the forest reserves, the Reclamation Service, the mining industry, and the public lands, there would be less danger. I care not how great a lawyer a man may be or how great a progressive he may be; if he was born and raised in the Loop of Chicago I doubt his wisdom with regard to subjects having to do with the problems of the West. I do not believe there is a western Senator today who would be willing to trust Secretary Ickes with the forest reserves of this country.

In his testimony recently, which I shall have the pleasure of reading in a few days, Secretary Ickes admitted that he knows nothing about the West, but he said Mr. Burlew does know. He said Mr. Burlew knows much about the West, and that he advised with him with regard to matters affecting the West. Mr. Burlew is a distinguished Pennsylvanian, formerly a detective. He went out to San Francisco and back at one time. But Secretary Ickes relies upon the advice of Mr. Burlew as to all western matters.

Mr. WHEELER. The Solicitor of the Department of the Interior was born in New York.

Mr. PITTMAN. That is really nothing against him.

Mr. WHEELER. No; except that he does not know anything about the West.

Mr. BARKLEY. Perhaps he has learned much about the West, just as the Senator from Montana, who was born in Massachusetts, has learned a great deal about the West.

Mr. WHEELER. The trouble is that he has never been there, either before or since his appointment.

Mr. PITTMAN. Mr. President, I do not want to continue this discussion any longer, or we shall have the minority leader boasting that he was born in the West. [Laughter.]

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. PITTMAN. I yield.

Mr. BARKLEY. A moment ago the Senator mentioned the Reclamation Service, in which not only Members of the Senate from the West but all of us are interested, even though we do not come from the West. The Reclamation Service is now in the Department of the Interior.

Mr. PITTMAN. Yes.

Mr. BARKLEY. It is not the contention of the Senator, is it, that Members ought to vote for this amendment because they object to having the Forest Service transferred from Mr. Wallace to Mr. Ickes, and that they ought to vote for it also because they object to having the Reclamation Service transferred from Mr. Ickes to Mr. Wallace?

Mr. PITTMAN. I have not said that.

Mr. BARKLEY. I understand the Senator has not; but the intimation was made here that if this amendment is not adopted, the President might in some way interfere with the Reclamation Service, which is doing pretty well, even under the Interior Department.

Mr. PITTMAN. I should not object to having all the functions transferred from Mr. Ickes; so do not misunderstand me. I am not making the argument the Senator suggests.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. PITTMAN. Yes.

Mr. WHEELER. I mentioned the Reclamation Service because I should not want to see the Reclamation Service transferred to the Department of Agriculture. It is well known that the Secretary of Agriculture, at least at the outset, was very much opposed to irrigation and reclamation projects, simply because of his lack of understanding of the subject. He thought there should be no more irrigation and reclamation projects because the additional land put under cultivation would compete with the Iowa farmers. He did not realize, as a matter of fact, that the products which are raised in Montana, in Nevada, and in other Western States on irrigated lands, do not compete with the hogs and the corn which are raised in the State of Iowa.

It took us a long time to educate him to the proper point of view, and it took us a long time to educate some other officials of the Government in that respect.

Mr. BARKLEY. The Senator does admit, though, that the Secretary of Agriculture is susceptible to education?

Mr. WHEELER. The trouble is, it is necessary to educate some of these officials every few days.

Mr. BARKLEY. No doubt the Secretary of Agriculture has learned much since he became Secretary of Agriculture, just as I hope some of us have learned something since we came to the Senate. All of us have preconceived notions about things, due to no fault of our own, but due to our environment and our experience.

One test of a real public servant, it seems to me, is his willingness to accumulate experience and knowledge to such an extent as to dissipate any erroneous preconceptions he may have with reference to anything about which he may have formed an opinion.

Mr. WHEELER. I am not objecting. I agree entirely with the Senator from Nevada that some reorganization should be effected. But I say that those of us who have the responsibility under the Constitution of the United States to legislate upon such things ought at least to retain in our power some small voice in deciding whether or not these agencies, which every Senator from the West knows have made tremendous mistakes in dealing with our western problems in the past few years, shall be kicked around and put under departments which are unfriendly to the particular interests of our constituents. That is the reason why, when the Senator and others said they feared that reorganization would be subject to delays and filibusters, I offered my amendment, which would compel us to vote upon any projected reorganization within 10 days.

I do not know what the constituents of the Senator from Kentucky would think about it; but I know, as the Senator

from Nevada knows, and as every Senator from the Rocky Mountain States, who is familiar with the problems of those States knows, that we have had a great deal of trouble with the Interior Department because of the lack of understanding with respect to our problems on the part of the officials of that Department. We have had grave misunderstandings with the Agricultural Department because of the lack of understanding of our problems on the part of officials in the Agricultural Department.

The trouble with the Indian Service has been that persons who had never seen an Indian, except, as I said the other day, in a moving picture on Broadway, were sent out to uplift the Indians; and in some instances they were almost driven out because of the fact that they were dealing with the Indian problem as they would deal with a social problem in the slum districts of New York. All we are asking is the right to say that such agencies shall not be put under the head of a department who is unfriendly to the policies which have been laid down by the Congress of the United States.

I cannot conceive, for instance, of the Senator from Nebraska [Mr. NORRIS] wanting some President to place the Tennessee Valley Authority under any branch of the Government he saw fit. The point I am making is the same point which the Senator from Nebraska made yesterday. Why does not the Senator from Nebraska want the investigation of the T. V. A. to be conducted by the Committee on Commerce? Not because it is not a committee of the Senate, but because he is afraid the personnel of that particular committee would be unfriendly and would carry on an investigation which would not be fair. I agree with the Senator from Nebraska that the matter should not go to the Committee on Commerce. It ought to go to a special committee. The fears of the Senator from Nebraska in that connection are identical with the fears of those of us in the West with reference to shifting the various bureaus around without the Congress having something to say about it and putting them under personnel officers or Cabinet officers who would be unfriendly or who, if they were not unfriendly, might be totally ignorant of the problems confronting the people of the West.

Mr. PITTMAN. Mr. President, I have said all I desire to say, except that during the whole period of time this bill has been pending I have tried intensely and sincerely to ascertain the intent of the President with regard to our forest reserves. I have not been able to ascertain his intent. It is true I have not asked the President. I have not visited the White House. I have not discussed the bill with the President. But such information as seems to drift around through the air sometimes leads me to believe that the President does have an intention of placing the grazing under another department and that that department will be the Department of the Interior, under the theory that already the Secretary of the Interior has control of about three times as much public land as is embraced within the forest reserves.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. PITTMAN. I yield.

Mr. BARKLEY. I do not know whether it is the duty of Senators to take the initiative in ascertaining the views of the President about a matter of this sort or whether the President himself should take the initiative and communicate his views to Members of the Senate. We all realize that it is impossible for the President to know what any one Member of the Senate is thinking about any particular problem or bureau or agency unless he learns it directly from that Senator. But I believe it would be fairer to the President to ask his views about the matter or what his intentions are with reference to the Forest Service than to accept any rumors which may be floating around as to what he intends to do.

If the President were to tell the Senator from Nevada that he has no intention of touching the Forest Service in any respect, I am sure the Senator from Nevada would accept the word of the President on that subject.

Mr. PITTMAN. I certainly should. I should not accept the general statement, mind you, that he was not going to transfer the Forest Service to another department.

Mr. BARKLEY. I understand.

Mr. PITTMAN. Because functions may be transferred; and I am advised, just as authoritatively as the Senator has advised the Senate with regard to these matters, that a western Senator did go to the President and that the President stated that he would not transfer the Forest Service but that he might transfer some of its functions.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. PITTMAN. I yield.

Mr. CONNALLY. As I recall, the Senator from Idaho [Mr. POPE] made a statement on the floor of the Senate some 2 weeks ago, which I regarded as a statement based upon assurances from someone high in authority, to the effect that the Forest Service would not be transferred or moved from the Department of Agriculture. I do not see the Senator from Idaho present in the Chamber. I regret to comment upon the matter in his absence. He did not categorically say what the source of his authority was; but, to an innocent and unsuspecting mind like that of the Senator from Texas, it appeared that the Senator from Idaho was speaking on the basis of absolute authority from somebody who would have it in his power either to transfer the Forest Service or to leave it where it is.

Mr. BARKLEY. If the Senator will yield there, he understands, of course, how delicate it is for any Senator to quote the President or even to claim to represent him or to assume what his views are. But my question to the Senator from Nevada was based upon the assumption that the President not only did not intend to transfer the Foreign Service but did not intend to touch it, which would mean, of course, not to interfere with any of its functions. That information can be ascertained at first hand by any form of communication with the President that any Senator may wish to adopt in order to satisfy his own mind on the subject.

Mr. NORRIS. Mr. President, will the Senator from Nevada yield?

Mr. PITTMAN. I yield the floor; I have nothing further to say.

Mr. JOHNSON of California obtained the floor.

Mr. NORRIS. Then, Mr. President——

The PRESIDING OFFICER. The Senator from California had asked to be recognized.

Mr. NORRIS. Very well.

The PRESIDING OFFICER. Does the Senator from California yield to the Senator from Nebraska?

Mr. NORRIS. I did not know of that arrangement and I will not ask the Senator from California to yield.

Mr. JOHNSON of California. Mr. President, the contest that is being waged here at present, important though it is, is a replica of that which is age-old with Anglo-Saxon peoples. It first saw among our forbears its birth at Runnymede and then, some centuries later, in the historic battles of that period which were written in letters of blood during the contest between King and Parliament, cavalier and roundhead. In those days in Britain there were men who were stanch for the parliamentary cause, who, at the risk of their lives, stood for what they believed to be their freedom. We are not in that situation now, I concede, but we have been singularly fortunate in the last year in having a man stand for parliamentary government, for the Congress of the United States, and that man deserves the thanks of every Senator in this body. I refer to the junior Senator from Virginia [Mr. BYRD]. He has stood like a lion in the path during the last year, and he has contended for the rights of the Congress, rights that are kicked about today in such fashion that one would hardly believe that any considerable number of people entertained the idea that a Congress was necessary or a Congress could legislate.

But during the last year we have seen the strange spectacle presented of an attempt being made to whittle away the powers that exist in the Congress, and, doubtless in the best of faith—I am not questioning anyone's good

faith at this time—doubtless in the best of faith, they were always given to the President of the United States.

Today, Mr. President, I speak of the wickedness, if I may term it such, of the pending bill. I speak, sir, for retaining in the Congress the few powers that it yet has; I speak, sir, against giving to any authority all the rights and the powers and the duties of the Congress of the United States, no matter how highly I may regard that authority, and no matter who he may be. I speak, sir, for the common liberty of the common man and for the privileges, prerogatives, and obligations of the Congress of the United States.

An Englishman, during the time of the wars which were waged three centuries ago, said, "Give me the purse, and I will govern." How true that is—"Give me the purse, and I will govern." We have given away the purse of the Nation almost entirely. We want to retrieve a small part of it if it be possible; we want to retrieve, if we can, the right to say what shall be done, and how, in the matter of the transfer of the powers of various departments or bureaus of the Government. We want, indeed, to restore, to take back, and to have the Congress do its duty under the Constitution. And we want the time to be here now when the Congress shall, in accordance with its allotted duties and privileges, perform its allotted functions.

Think a moment of the first bill that was presented on the basis of the report that was rendered by the Brownlow-Gulick-Merriam committee. Senators may seek to minimize that bill as they see fit; that bill, they may assert, was never even considered by the committee; but they are in error there, for it was considered, and it was recommended by the President of the United States, and it came to the Committee on Reorganization as the measure of the President of the United States.

The report prepared by the three members of the so-called Brownlow committee is an able document. Its authors had had experience in municipal government, but none of them had had experience in State government; none of them had had experience in Federal Government. The report went into detail concerning the various matters that had to do with so-called reorganization. Its framework is the framework of the bill that is before us now. Its recommendations are not in the same manner set forth by the bill now before us, but its recommendations one can see running through all the bill that is before us.

One may read the report, as I have done, with some degree of pleasure and some degree of humor, but it will be found that the report is the basis of what we are acting upon today, and to it I, therefore, turn to ascertain the intent of those who presented the report and the bill when they first conceived the idea of so-called reorganization. In order that there may be no mistake in regard to what was said by the President in respect to that bill, and the report of his Commission, I wish to read what the junior Senator from Nebraska [Mr. BURKE] read the other day, and ask the Senate to reflect a moment upon it. The letter of the President, under date of January 21, 1937, with which all of us ought to be familiar, submitting this matter is in the President's own language. I read from it:

> The committee has now completed its work and I transmit to you its report, administrative management in the Government of the United States. I have examined this report carefully and thoughtfully, and am convinced that it is a great document of permanent importance. I think that the general program presented by the committee is adequate, reasonable, and practical, and that it furnishes the basis for immediate action. The broad facts are known; the need is clear; what is now required is action.

And that report was the basis of what we are doing today. So, going to that report in its original form, I read to the Senate the first of its recommendations, and that recommendation may enable the Senate to understand exactly what was the peculiar bent of mind of the gentlemen who constituted the Brownlow committee.

The first matter referred to is The White House staff. I do not propose to read all of the report on that subject, but I shall read sufficient of it to give you a fair understanding of what it is.

After saying that six new men should be appointed to assist the President, the report says:

> Their effectiveness in assisting the President will, we think, be directly proportional to their ability to discharge their functions with restraint.

You, Mr. President, may know what that means; I may guess at it; but when six men are to be employed, and their ability to discharge their functions with restraint is one of the chief tests of the adequate performance of their duty, we are a little in doubt as to what may be meant.

> They would remain in the background—

Just imagine, in this day, any man—Senator or Presidential Secretary—remaining in the background!

> Issue no orders, make no decisions, emit no public statements.

They would then be of that class of human beings who would emit no public statements. How could they subsist during the period of their employment if they were to remain in the background, issue no orders, make no decisions, emit no public statements?

> Men for these positions should be carefully chosen by the President from within and without the Government.

There is a concession by this report; men might be chosen from without the Government.

> They should be men in whom the President has personal confidence and whose character and attitude is such that they would not attempt to exercise power on their own account. They should be possessed of high competence, great physical vigor, and a passion for anonymity.

[Laughter.]

Mr. CLARK. Mr. President, will the Senator yield?

Mr. JOHNSON of California. I yield.

Mr. CLARK. Does the Senator find those qualifications set out in the bill?

Mr. JOHNSON of California. Oh, no; the bill does not set them out.

Mr. CLARK. Calling attention to the fact that the recommendations of the President's committee have been very unctuously followed by the recommendation of the Senate Committee on Reorganization, with the exception of the last sentence, it seems to me the recommendations of these two very eminent committees should be followed. I therefore have presented for printing an amendment which is now on the table, and which at the proper time I intend to offer, setting out in the bill, as qualifications, those which are set out in the reports of these two very eminent committees.

Mr. JOHNSON of California. A perfectly appropriate proceeding, and one which, of course, ought to be followed, because the gentlemen who constituted the committee were eminent in every way; but the difficulty with them was that they wrote a thesis from a schoolman's standpoint, and they wrote that thesis under directions of some sort—perhaps their own, perhaps those of somebody else—and the result of their labors thus appears.

I read that again, because all those within the sound of my voice who are aged or infirm, those who have passed the time when they have the vigor that is expected of them, should realize that the only men who could be employed under this dictum would be those who are—

> Possessed of high competence, great physical vigor, and a passion for anonymity.

[Laughter.]

If, Mr. President, you can recall a single individual in the employment of the United States today, anywhere, under any circumstances, who has a passion for anonymity, I shall be inclined to make the bet which the Senator from Kentucky [Mr. BARKLEY] was making the other day—although I should hate to lose my head—and bet it against the hole in the doughnut.

Mr. BARKLEY. Mr. President, I hope the Senator would not be subjected to the humorous criticism that the odds were not sufficient in the wager I made. [Laughter.]

Mr. JOHNSON of California. No.

Mr. BARKLEY. I was betting my head against the hole in the doughnut, and the Senator from Idaho [Mr. BORAH] said or intimated that that was unfair to the doughnut.

Mr. JOHNSON of California. Oh, I would not say that in relation to the Senator from Kentucky, anyway, under any circumstances.

Mr. BARKLEY. I appreciate that. I should not want the Senator from California to follow my example, whatever that example might be, if it in the remotest degree took any chances on the Senator losing his head.

Mr. JOHNSON of California. I would not lose it for the world. I might lose my legs; that is a different proposition; but I want to retain my head until the end. Yet I feel so certain of my position here that I should be almost willing to bet my head against the same doughnut which the Senator from Kentucky coveted that nobody in the Government of the United States has a passion for anonymity.

Mr. BARKLEY. Mr. President, will the Senator admit that if anybody had such a passion for anonymity, he might thereby be a very desirable and efficient servant of the public?

Mr. JOHNSON of California. Oh, yes, indeed; but he would be out at St. Elizabeths if he did that. [Laughter.]

Mr. BARKLEY. Then, in that case, he would have lost his head without betting it against the hole in the doughnut.

Mr. JOHNSON of California. That is correct. He would have kept his head, and the Senator would have kept his doughnut.

Seriously speaking, however, that is the beginning of the report which is the foundation of this bill; and that shows clearly, not anything to the detriment of the three distinguished gentlemen who wrote the report, but it clearly indicates a lack of a sense of realities, and of little understanding of the matters which they were investigating.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. JOHNSON of California. Yes; I yield; but do not make that bet again.

Mr. BARKLEY. No; I will not.

The Senator a moment ago suggested that this was a report made by three men who were more or less cloistered in the atmosphere of collegiate attainments and environments.

Mr. JOHNSON of California. No; I did not say that.

Mr. BARKLEY. It sounded like that; something on that order.

Mr. JOHNSON of California. Did it? I hope it was musical in the sound.

Mr. BARKLEY. It sounded well rhetorically, but it did not read logically. It was rhetorical but not logical. One of these distinguished gentlemen, who, I believe, was the chairman of the committee, has had very wide experience in public administration. So far as I know, he has never been a college professor, though he is a very highly educated man.

Mr. JOHNSON of California. I did not say anything about college professors.

Mr. BARKLEY. I thought the Senator intimated that this report was made by three men who dwelt in a sort of a rarefied atmosphere of intellectuality and not of experience in practicality. I thought he intimated that they had dwelt in the cloistered schoolroom or the atmosphere of colleges and universities, and therefore they could not be practical. I may have misunderstood the Senator.

Mr. JOHNSON of California. Perhaps the Senator could justify himself on that score. Perhaps my language lent itself to that interpretation.

Mr. BARKLEY. I received that impression from what the Senator said. I was simply trying to correct that impression. Of course, two of these gentlemen have been connected with universities, and probably are now connected with them. Mr. Gulick, I think, occupies a position in Columbia University or some other university in the East. Dr. Merriam, who at one time, at least, was a very enthusiastic follower of the Senator from California, is, I believe, connected with the University of Chicago.

Mr. JOHNSON of California. And the other?

Mr. BARKLEY. Mr. Brownlow was a Commissioner of the District of Columbia years ago.

Mr. JOHNSON of California. And the city manager of Knoxville, Tenn.

Mr. BARKLEY. And the city manager of Knoxville, Tenn., and Petersburg, Va., and other cities in the United States.

Mr. JOHNSON of California. They are all splendid men. Do not misunderstand me in that regard.

Mr. BARKLEY. But I did not want the impression to be left that these are impractical men whose only experience has been in the schoolroom.

Mr. JOHNSON of California. Oh, no!

Mr. BARKLEY. Even if that were largely their life work, in my judgment, it would not militate against them.

Mr. JOHNSON of California. No.

Mr. BARKLEY. But while they have had educational experience and professorial experience, and have stood before classes year after year in the capacity of teachers, in addition to that they have had wide practical experience in advising in matters of this sort. Mr. Gulick, though connected with a university, has for years been one of the outstanding advisers of State administrations and of Governors in formulating reorganizations within the States.

Mr. JOHNSON of California. What I said, I now recall, was that their experience came in municipalities. That, however, does not make any difference, and the Senator is quite right in saying that they are most excellent men. They made a splendid report. It was made in January 1937. During that year there went on the process of framing a reorganization bill.

I compliment the Senator from South Carolina [Mr. BYRNES] upon his perspicacity, his perseverance, his ability, and his shrewdness in making the requisite amendments that he deemed appropriate and that I deem appropriate to this measure. He has produced an infinitely better bill—a bad bill still, in my opinion, but it is a better bad bill—than the terrible bill which was the subject matter of discussion by the committee in the first place.

In this bill the only things which are shown in detail are civil service, the abolition of the Comptroller General, the welfare department, and one or two smaller things. They are shown in detail. There is no reason on earth why every single act of reshuffling and rejuggling should not be presented on this floor just as those things are presented.

If they are not presented, then there is every reason on earth for the adoption of the Wheeler amendment.

The bill presents the peculiar circumstances of the specific matters. It purports to go into them and them alone, and no living soul can tell what will be the result if the bill be enacted. No living soul knows what will be rejuggled, reshuffled, and finally fixed in some different fashion from what it is today.

Why should Congress sit here and permit that sort of thing? It is said Congress is not fit to do the job, though it is fit to do it as to one or two matters within the purview of the bill. With three or four, perhaps, Congress can deal in detail. Why can it not deal in detail with the 30 or 40 or 50 more which ought to be dealt with? If it does not deal with them in detail in the bill, then Congress should have the right to pass upon those matters subsequently when the President shall have made up his mind as to what he is going to do.

I repeat that, Mr. President, because we sit here content to take what is handed us and to do as we are told. We, sentient human beings, occupying the highest political office there is in this Union, take our orders and we do as we are bid. Why should we be that sort of Senators, and why should we permit that sort of thing to be rammed down the throat of the Senate of the United States?

There was opportunity, during the year or more which has elapsed, to designate exactly the mode in which reorganization should be brought about. There was opportunity, again and again, during the 2 or 3 years which have passed since this subject was first bruited; and yet in that time we have not seen fit to demand that there should be presented

to us a program showing exactly what is to be done and how it is to be done; and that, in my opinion, is the greatest objection that can be found to the pending measure.

Why should not those things be presented to us?

It is said there would be too great a lapse of time. A year or more was permitted to elapse before the bill was taken up. It is said that the Congress is unfit. There was a congressional committee dealing with the subject matter. It is said that the Chief Executive was so engaged that he could not attend to the matter during that period. During all the space of time when this subject has been a matter of great moment to the Congress of the United States and to the President, during every moment of that time there could have been presented a measure which showed in detail specifically just what was endeavored to be done; yet we sit here and are going to let pass a measure which touches but two or three of the subjects which are to be dealt with in the reorganization program.

The prime purpose of a bill of this sort is economy, secondarily, efficiency; or they may be twisted around in the reverse order if preferred. The two prime causes for a measure of this sort, however, are economy and efficiency. There is neither the one nor the other in the pending bill. Would economy result? Read the statement made by the junior Senator from Virginia [Mr. BYRD] upon that subject, and it will be seen that under the proposed law the operation of the Government will cost some hundreds of millions more than it now costs.

How will any efficiency be accomplished by this measure? I challenge contradiction of the statement that the bill is neither an economy bill nor an efficiency bill. What is it? It is a bill for delegation of power, to give away the power of the Congress and to lodge it some place where it ought not to be lodged. I care not where it is lodged, I care not who is the one who receives the power; I rebel against the notion of giving more power, under this or any other measure, to any man under any circumstances.

I spoke a moment ago of the control of the purse. We have not control of the purse any longer. God pity the country and the Congress that gives up its power over the purse. The power over the purse we no longer have, but there is a chance for us to take back a small portion of it in the part of the bill which deals with the abolition of the Comptroller General. We may take back a small part of it, only a small part, it is true, but we may, if we adopt the amendment which has been presented, take that part back; and that we ought to do.

I shall not enter into any detailed argument now, but the matter of the abolition of the Comptroller General's office may be posed thus: Shall Congress have an officer responsible only to Congress to see to it that when an appropriation is made such appropriation shall be expended in accordance with law, and who shall make the examination, so far as possible, before payment is made?

The point is that the Comptroller General is now the representative of the Congress. Call his function precontrol, preaudit, or what you will, the Comptroller General is today an officer of the Congress. We are asked to exchange that arrangement for one under which he would be an officer of the executive department.

I rebel against that. When in 1921 I voted for the establishment of the office of Comptroller General I did it with the express understanding that that officer was to be free of any control whatsoever, and that he was to represent the Congress of the United States in all expenditures.

I content myself on that score by reading an editorial which appeared recently in the Washington News entitled "Watchdog or Poodle," as follows:

The Senate is debating a proposal to fire the Treasury's "watchdog" and put a pet poodle in his place.

This proposal is, in our opinion, the most vital feature of the pending Government reorganization bill, and the one which most certainly should be rejected.

It would abolish the office of Comptroller General, created 17 years ago, because the World War era of big spending had convinced Congress of the need for an agency, independent of the Government's spending departments, to make certain that appropriations were spent only as Congress intended them to be spent.

It would give the power to approve or disapprove expenditures to the Budget Director, who is dependent for his job on the President, the head of all the spending departments. Then it would set up a new independent functionary—an auditor general—to audit expenditures, but only after the money has been paid out.

The Constitution holds Congress responsible for seeing that "no money shall be drawn from the Treasury but in consequence of appropriations made by law." Congress should not surrender this responsibility to any President. By adopting this proposal, Congress would do just that.

We are in another era of big spending. The need is to strengthen and improve the present device for holding spending within the letter of the laws of Congress.

The Comptroller General is independent of the spending departments because, although appointed by a President for a 15-year term, he can be removed from office only by Congress. President Roosevelt has seen fit not to appoint a successor to the first Comptroller General, whose term expired 20 months ago, and an Acting Comptroller is now on the job.

The Comptroller General has been too independent to be popular with the spenders, many of whom at various times have accused him of blocking or delaying their plans. Urged by the administration, Congress itself has weakened his authority by taking many Government agencies out of his jurisdiction.

But because he can say "no" without risking his job, he can save money and protect the Treasury against wild or unauthorized spending. If the spenders don't like one of his rulings, they can always ask Congress to change the law on which the ruling is based.

What is proposed is to substitute an official who would be under constant pressure to say "yes" to the spending plans of departments headed by the President, upon whose good will his job depends. The present Budget Director is a good man. We don't want to see him or any other man put on that sort of spot.

The Comptroller General's office has not been perfect, and many things might be done to increase its efficiency, speed up its rulings, and provide prompter remedies for any mistakes it may make.

One suggestion, which seems reasonable, is to give departments which object to decisions by the Comptroller General the right to appeal from them to the Federal Court of Claims.

But the present system is based upon a thoroughly sound principle. The thing to do is to improve the present system, not abandon the principle for one that seems unsound and extremely dangerous in its possibilities. Congress should keep its watchdog at the Treasury, and Congress should keep him independent of those who want to take money from the Treasury.

In my opinion, Mr. President, the editorial states the case so succinctly and so clearly that I rest upon it.

However, a hiatus of time has existed for a year or more since the expiration of the term of the Comptroller General, during which there has been no appointment to that office. The President, who has the power to appoint, has allowed nearly 2 years to pass without making an appointment to that office. There, Mr. President, is the nub of this bill. There is the reason for its existence. There is the real crux of the argument made in the Senate. If those who are the proponents of this measure could trade every other amendment to the bill for the amendment dealing with the Comptroller General, it is my opinion that they would jump at the opportunity, and they would make the trade without the slightest hesitation.

Something has been said about specific agencies that might be transferred and might be hidden, and there has been an exchange back and forth, as I understood the Senator from Kentucky and the Senator from Nevada as to what the President might have said. What he might have said does not make any difference. It does not alter the principle in the slightest degree. If there are agencies that he might have changed or he might change, then the rule remains as I have suggested it.

Mr. President, I do not mean to explain the Wheeler amendment, for this morning the Senator from Montana himself explained it so cogently and so well that we all ought to be familiar with it. It requires the presentation to the Congress of the United States of the various changes that may be made under this measure, and it gives the right to the Congress to say whether it wants those changes made or whether it does not. It precludes the possibility of long delay by placing a 10-day limitation upon the vote on that subject.

Mr. President, we are in the hands of the fates. They sit above us carving out our destiny, weaving the warp and woof of what this country may become. We see abroad, oh, so clearly, every single bit of freedom stamped out under the military heel. We look abroad and see nations that call

themselves democratic, with their idealism the same as ours, fearful of doing anything, and doing wrong accordingly.

Here we are confronted with a singular situation. For God's sake, let us preserve what democracy is left in this Nation!

Someone once said, "Democracy gives every man the right to be his own oppressor." Whether that be so or not, let us not be parties to oppressing ourselves or killing democracy.

The germ of just that sort of thing is in this bill. It may result in further transference of power to the President of the United States at the expense of the Congress. What sort of Congressmen are we that we sit here and permit that to be done? In the olden days of Hampden and Pym, men risked their lives for parliamentary freedom and for parliamentary right. We risk our offices only. Is there any man here who will be so small as to say that for the right, for parliamentary right, for opposing the giving of power to someone else, he will fear to risk his political life and fear to risk the office that he holds?

This is the time, sir, to strike and strike hard. This is the time, sir, when we should not be shilly-shallying around with relation to this matter, but we should in every way we can do what is possible to preserve the power of the Congress of the United States unsullied and in its pristine purity.

We have an obligation, sir. Some Senators on this side of the Chamber may not think so, and some Senators on the other side of the Chamber may not think so. We received a country which was a glorious country and is yet. We received it with an obligation upon us to pass it on to our posterity, to pass it on just as we received it. And I pray God the day will never come when a Congress will hesitate on that sort of proposition, but will do its duty, and do it wholly.

Mr. POPE. Mr. President, a few days ago I made a statement to the Senate during which I placed in the RECORD a press release issued by the Secretary of Agriculture bearing on the point which has been raised here of the possible transfer of the Forest Service from the Department of Agriculture. It will be recalled that the Senator from South Carolina yesterday reread a part of the statement made by the Secretary of Agriculture. At that time I stated to the Senate that if I thought there was any danger of the transfer of the Forest Service from the Department of Agriculture to any other department—and when I used the term "Forest Service" I meant all the services connected with forestry—that I should oppose this bill. I stated, however, that I had received assurances that there was absolutely no danger of such transfer being made.

Since I have been in the Senate I have looked for an opportunity to carry out one plank in the platform of the Democratic Party in 1932, and I shall read that plank to the Senate now:

> We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance.

Since then, because of the condition with which we have been faced we have gone on creating additional bureaus, boards, and commissions. I voted for most of the laws creating such commissions for the reason that I thought it was necessary for the welfare of the American people that those laws be passed, and necessarily they have to be administered. I have looked for the opportunity in the present Congress to vote to abolish some commissions and boards that were useless, those whose functions overlapped and duplicated other functions of the Government. I have observed in numerous ways that there is an overlapping of services by agencies of our Government, and I have looked for an opportunity to eliminate that sort of thing. So far there has been no opportunity to do so.

In the pending bill I see the opportunity to do that thing. I can see where the Executive could do the things that Congress either cannot or will not do.

The Senator from South Carolina a few days ago stated that whenever the Congress attempts to abolish any bureau or board or commission we in the Congress are besieged with requests from the employees of the affected bureau, board, or commission, and from our own people at home, not to abolish it. I have found that those who condemn bureaucracy most in this body and in the other House will, when it comes to the bureau in which they are particularly interested, stand up and fight for it. In other words, it seems that all Senators, and Representatives as well, have bureaus and boards in which they are particularly interested, and which they do not want to have abolished.

Therefore, I have come to the conclusion that the statement made by the Senator from South Carolina the other day was absolutely accurate. It has been my experience that we in Congress cannot abolish boards and bureaus.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. POPE. I yield.

Mr. CLARK. Does the Senator find anything in the Democratic platform of 1932, which he just read, and upon which he and I both ran, which recommends or sanctions in any way the abdication by the Congress of its legislative functions, and turning them over to the Executive?

Mr. POPE. I have read to the Senate all that I have found in the platform with reference to that matter.

Mr. CLARK. That is all that I myself find with reference to it in the platform, and yet I place a different construction on it than that placed on it by the Senator from Idaho.

One further question. Does the Senator recall that abdication of power, as was pointed out the other day by the Senator from South Carolina, did actually take place in the so-called Economy Act of 1933, against which I voted, a vote of which I am very proud? Does the Senator recall how many bureaus were abolished and consolidated during the period when the President had the authority to abolish and consolidate bureaus, and how many new bureaus were created during that period?

Mr. POPE. I found that the efforts of the President to bring about the economies provided in that bill, particularly with reference to veterans, could not be carried through. I observed that in the Senate there was a constant demand that we restore the benefits which were cut under the Economy Act.

Mr. CLARK. I am not speaking at the moment of the question of veterans' compensation, although I shall be very glad to discuss the merits of that matter with the Senator at an appropriate time. I am simply asking the Senator at this time, when this power was temporarily granted on a previous occasion, what consolidations under the Democratic platform were made by the President? How many economies were effected? During the same period how many new bureaus and activities were created?

Mr. POPE. My observation is that the new bureaus were created by the Congress itself from time to time as the laws were passed. It is true that consolidations were not made, because we were then in the position I have already indicated, in which we had to bring about recovery if we could. Laws were passed and commissions were created.

Mr. CLARK. Does the Senator think we are not now in a position where we ought to bring about recovery if we can?

Mr. POPE. Will the Senator permit me to finish?

Mr. CLARK. I beg the Senator's pardon.

Mr. POPE. The laws had to be administered, and we necessarily created boards and bureaus for their administration. Now, however, we do have an opportunity, as I see the matter, to give to someone who can act the power to abolish, or at least to consolidate, many of the boards and bureaus. I see no hope of bringing about such a result in the Congress of the United States.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. ELLENDER in the chair). Does the Senator from Idaho yield to the Senator from Michigan?

Mr. POPE. Just a moment.

With reference to the amendment of the Senator from Montana, if the evidence is not clear that consolidations cannot be brought about by referring the matter back to the

Congress of the United States, it seems to me it would be hard to produce evidence to that effect. Therefore, I do not approve of the Wheeler amendment. When the matter comes back to the Congress, we shall be in exactly the same position in which we are now—unable to abolish a board or bureau. Then pressure will be brought to bear upon the Members of Congress, and, as I see it, exactly the same situation will exist that now exists.

If we are to bring about any reorganization or any economy along the lines laid down by the Democratic platform of 1932—and I think we could find pledges of the same kind in the Republican platform as well—I ask the Members of this body how in the world we are going to do it except in the manner provided in the bill.

Mr. VANDENBERG and Mr. WHEELER addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Idaho yield, and if so, to whom?

Mr. POPE. I yield first to the Senator from Michigan.

Mr. VANDENBERG. Mr. President, the Senator referred to the fact that under the Economy Act veterans' allowances were heavily cut, and that subsequently Congress hastily retraced its steps.

Mr. POPE. Yes.

Mr. VANDENBERG. The Senator uses that circumstance as an indication of the difficulty of relying upon Congress for this sort of economy. I remind the Senator that when the Economy Act was passed we were given some very definite specifications and assurances as to what was to be done in respect to veterans' allowances, and the subsequent rules and regulations definitely violated those assurances. That is the reason why the act was promptly overtaken in many aspects. I submit that the exhibit offered, far from arguing in favor of the Senator's viewpoint, is an infinitely better argument against taking anything for granted in respect to assurances which we think we possess.

Mr. MINTON. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Indiana?

Mr. POPE. Just a moment. I think the Senator from Michigan is entitled to his opinion; but my observation was that just so soon as the benefits were cut, the veterans appealed to their Senators. Many of them appealed to me, as well as to every other Senator, to restore those benefits. The appeal became so powerful that we actually repealed the Economy Act. Due to group pressure, we voted to restore the benefits.

Day after day this group pressure comes. Every time we attempt to reduce an appropriation in a department, the group pressure comes not only from the department, of course, but from the friends of the department scattered over the country, and from the people at home who receive the benefits of the service.

I feel that it is a futile thing for Congress to attempt to make these reductions. I think I have voted as often as any other Senator has voted for the various measures creating boards and commissions to administer laws which have been enacted; but, notwithstanding that fact, I have felt a sincere desire to carry out in some measure the provisions of the Democratic platform of 1932, to remedy the situation which exists by reason of duplication, overlapping, and the existence of commissions which are useless, or almost useless. We desire to abolish such useless agencies. I cannot see any other way to do it than the way proposed by the bill.

With reference to the amendment of the Senator from Montana, if the reorganization plan is referred back to Congress we shall have exactly the same situation to face; and, frankly, with the evidence before us, I do not see how reorganization can be accomplished in that way. I think it would be futile to enact a law and refer the subject back to Congress, because if Congress could accomplish reorganization it would have done so before now. That is the basis of my objection to the amendment.

A question has been raised which is very vital to us from the West. My own colleague [Mr. BORAH] referred to it yesterday. The Senator from Montana [Mr. WHEELER] has referred to it. The Senator from Nevada [Mr. PITTMAN] today made a very strong plea against transferring the functions of the Forest Service to any other department.

What the Senator from Nevada said is absolutely true. Over a period of 25 years satisfactory relations have been established between the Forest Service and the people of my State. I desire to see those relations continued and improved; and I think the way to improve them is to allow the Forest Service to remain exactly where it is. If I thought there was any danger of the transfer of the Forest Service to any other department or any other Cabinet officer, I should oppose this bill as vigorously as I know how.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Texas?

Mr. POPE. Just a moment.

I am not convinced that there is any danger of the transfer of the Forest Service to another department. On the other hand, I am thoroughly convinced that there is no danger. I stated the other day that I had assurances from the very highest sources with respect to that matter. The question was again raised today. It was said that although the Forest Service might not be transferred from the Department of Agriculture to the Department of the Interior, perhaps the control of grazing on the forest reserves would be transferred. Since that time I have received renewed assurances that not only would the Forest Service itself not be transferred, but that no part of the Service would be transferred, and that the control of grazing on the forest reserves would not be transferred.

Believing as I do that it is desirable to consolidate these boards and bureaus and to eliminate them just as far as possible, and believing that the way provided in the bill is the only way in which to do it, I am faced with these questions: When I have the assurances to which I refer, should the possible danger, or the legal provision in the bill, that transfers may be made overcome my desire to do the thing which I think we have all advocated when talking to the people of our parts of the country? Should I be deterred from standing for the abolition or elimination of useless boards, bureaus, commissions, and offices which are found in the Government service?

As I said a few minutes ago, I will say to the Senator from Texas that at some points at which we contact the Government we find overlapping, we find duplication, we find one department trying to do the same thing as another department. They ought to be consolidated in the interest of efficiency and, I think, undoubted economy. That is an important matter. One of the most important questions Congress has ever confronted is the problem of bringing about efficiency and economy through the reorganization and abolition of unnecessary boards and bureaus. Inasmuch as I have absolute and complete assurance on the question which has been raised, I shall vote against the amendment of the Senator from Montana.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. POPE. I yield first to the Senator from Texas.

Mr. CONNALLY. Mr. President, I desire to say to the Senator from Idaho that the Senator from Texas probably erred today in making reference on the floor, in the absence of the Senator, to the statement which the Senator made on the floor some 2 weeks ago, as I recall, and which the Senator now confirms, to the effect that he had assurances from very high authority that the Forest Service would not be transferred. If that be true, I am wondering why the Senator does not now offer an amendment giving the rest of us the same assurance which the Senator has, that the transfer will not be made.

Mr. POPE. An amendment?

Mr. CONNALLY. Why not offer an amendment to the bill providing that jurisdiction of forestry and grazing shall be retained in the Department of Agriculture?

Mr. POPE. The answer to that question, it seems to me, is perfectly plain. The Senator from South Carolina a few days ago stated that if such a thing were done in this case it would establish a precedent for doing it in the next case, and in the next, and in the next, until the President would have no power to do the thing we are authorizing him to do.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. POPE. We ourselves cannot do it. It seems to me such an amendment would constitute a wide-open invitation to every Department which might be consolidated, or every agency which might be transferred or eliminated, to request exemption from any consideration by the President of the United States.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. POPE. I yield first to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, in connection with the question of the Senator from Texas, I think the matter came up in his absence yesterday. I am in the same position as the Senator from Idaho with reference to the assurances which he has. I have tried to convey such assurances without attempting to quote anybody. I think every Senator understands the delicate situation which exists under the circumstances.

Mr. CLARK. Mr. President, will the Senator yield at that point?

The PRESIDING OFFICER. The Senator from Idaho has the floor.

Mr. BARKLEY. If the Senator should offer an amendment exempting the Forest Service, which exemption I regard as unnecessary, I know, and the Senator from South Carolina and other Members of the Senate know, that at least half a dozen, or perhaps a dozen, other bureaus in other departments have been "on our necks" ever since we started with this bill in an effort to obtain exemption. One such bureau is the Bureau of Biological Survey. I was visited the other day by representatives of the Smithsonian Institution and of three or four other agencies desiring exemption. If we start by exempting one, it will be difficult to refuse to exempt others, and there is no telling how far we shall have to go.

Mr. CONNALLY, Mr. GLASS, and Mr. BYRNES addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Idaho yield, and, if so, to whom?

Mr. CONNALLY. Mr. President, may I reply to the Senator?

Mr. POPE. I yield to the Senator from Texas to reply.

Mr. CONNALLY. On the other hand, to the Senator from Texas that offers no difficulty. That is what we are here for. If we want to exempt the Forest Service, let us exempt it; if some other bureau or agency wants to be exempted, we have a right to vote on the question; and, if we do not want to exempt it, we do not have to do so. That is legislative procedure, as I understand it.

With reference to the question of overlapping agencies, I frankly am very pessimistic about it. There will be overlapping when we are all overlapping in the next world, because it is impossible altogether to prevent it. I do not attach a great deal of importance to it. Take a little bureau in a certain department, what difference does it make where it is put so long as it is going to retain the same functions it now has. I think there is more excitement about this bill on both sides and greater exaggeration than in connection with any bill I have ever seen come before the Senate.

Mr. GLASS and Mr. BYRNES addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Idaho yield, and if so, to whom?

Mr. POPE. I yield first to the Senator from Virginia.

Mr. GLASS. The Senator stated that all Senators have their pet bureaus. I desire to know if there is any more reason why the Senator from Idaho should receive assurances from high authority that his little bureau will not be touched than that some of the others of us should receive from high authority assurances that our little bureaus will not be touched? I should like to ask the Senator if my vote here is not as valuable as his?

Mr. POPE. No doubt it is much more valuable, I will say to the Senator.

Mr. GLASS. But I have not received any assurances.

Mr. POPE. I think, perhaps, the Senator has not taken steps to secure any.

Mr. BARKLEY. Perhaps the Senator from Virginia does not want any.

Mr. GLASS. No, I do not want any, and I do not think any Senator ought to want any or should receive any.

Mr. BYRNES. Mr. President——

Mr. POPE. I yield to the Senator from South Carolina.

Mr. BYRNES. I merely wish to state that an opportunity will be afforded to every Member of the Senate to offer any amendments after the pending amendment shall have been disposed of.

Mr. GLASS. I did not understand the Senator's statement.

Mr. BYRNES. I said the Senator from Texas is correct, for, of course, any Senator may offer any amendment exempting any agency of the Government.

Mr. GLASS. I am not proposing to exempt anything.

Mr. BYRNES. I appreciate the attitude of the Senator from Virginia, but I was referring to what the Senator from Texas said.

Mr. GLASS. And I have not received any assurances from high authority, either.

Mr. POPE. Of course, any Senator may offer an amendment. I want every assurance possible that this agency will not be transferred; but by offering an amendment, I can conceive that the whole purpose of the bill may be destroyed.

However, I do have the assurance, and I will say to the Senator from Virginia that I was sufficiently interested to obtain such assurance.

Mr. GLASS. Does not the Senator know perfectly well what was the basis of the assurance?

Mr. POPE. I do not know exactly what the Senator means.

Mr. BARKLEY. I do not think the word "assurance"——

The PRESIDING OFFICER. Does the Senator from Idaho yield; and if so, to whom?

Mr. POPE. I yield to the Senator from Kentucky.

Mr. BARKLEY. I do not think the word "assurance" is a happy word.

Mr. GLASS. Neither do I.

Mr. BARKLEY. Senators have sought in their own way to ascertain the intention with respect to this matter. It is quite a different matter to find out what an intention is and to obtain some assurance that carries with it the implication that there has been a promise made on the part of somebody to get someone else's vote.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. POPE. I will yield the floor unless the Senator from Texas wants to ask me a question.

Mr. CONNALLY. I want the Senator from Idaho to keep the floor.

Mr. POPE. Very well; I yield to the Senator from Texas.

Mr. CONNALLY. I should like very modestly to suggest that I think it is very bad practice for Senators and Members of the other House to rise on the floor when legislation is being considered and give some sort of "assurance" that they have obtained. I do not know how they get the assurances but they get them. I think that is very bad legislative and parliamentary practice. I regret to see my friend from Idaho, however much I may agree with his intentions, adopt that sort of policy. The Senator from Idaho has just stated that if he did not have those assurances he would vote against this bill.

Mr. POPE. No; I said if I thought there was any danger of a transfer of the Forest Service, I would vote against the bill.

Mr. WHEELER. And the Senator said he had assurances.

Mr. CONNALLY. The assurances remove the danger.

Mr. POPE. I am not quibbling about the word "assurances."

Mr. CONNALLY. I am not criticizing the Senator but I want to bring his attention to this point: Here is a great reorganization proposed of the bureaus of the Government and the Senator favors it; he thinks it is going to do something overnight that is going to work wonders and marvels in the matter of economy and efficiency.

Mr. POPE. I will say to the Senator that I have given up the idea of the bill doing marvels. I merely say that I think it will help to accomplish the purpose which it seeks to accomplish.

Mr. CONNALLY. Yet the Senator is willing to wreck the bill unless he gets this particular bureau, the Forest Service, kept where it is. So we come to the point that unless we get some secret assurances that other Senators cannot get, which are denied to other Senators, then we will go ahead and vote against the bill. I do not want to be critical. I have been away, I will say, and I have not heard all the debate. I am just trying to get a little light on the subject.

Mr. LEWIS. Mr. President, I think I can straighten this out, if Senators will allow me.

Mr. CONNALLY. I yield to the Senator from Illinois.

Mr. POPE. Mr. President, I have the floor.

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Illinois?

Mr. POPE. I yield to the Senator from Illinois.

Mr. LEWIS. If the able Senator will allow me, I am bold enough to assume that I can reconcile these discordances and what appears to be somewhat of a conflict of construction. What the Senator from Idaho says with reference to assurances can best be made plain by what I shall now reveal. I am the Member of this honorable body who tendered a bill placing the Department which is under the supervision of the now recognized Secretary of the Interior, Mr. Ickes, under what would be called the department of public works. But those who sought to have that Department amalgamated with the other department now no longer desire it, and make public announcement of no intention or effort in that direction. That is what I think the able Senator from Idaho alludes to.

Mr. POPE. I thank the Senator.

Mr. WHEELER. I am glad the Senator from Illinois has explained what the Senator from Idaho meant.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. POPE. I will be glad to yield the floor, unless the Senator wants to ask me a question.

Mr. CLARK. Then, I will claim the floor in my own right.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. CLARK. Mr. President, I agree very heartily with what has been said by the Senator from Virginia [Mr. GLASS] and the Senator from Texas [Mr. CONNALLY] with regard to the matter of "assurances." A few days ago the distinguished junior Senator from Idaho [Mr. POPE] arose in his place on this floor and said that he would not vote for this bill if he thought there was any danger that the Forest Service would be transferred or unless he was certain that the Forest Service would not be transferred from the Department of Agriculture to the Department of the Interior, and that he had assurances that that would not be done. He was asked by the junior Senator from Virginia from whom those assurances came, and he declined to state the source. It may be entirely proper for the Senator from Idaho to be actuated by matters within his own knowledge and by conversations which he has had and of which other Senators do not have knowledge, but he certainly cannot expect the ordinary, common "mine run" Senators to be convinced on important matters by assurances which he has had and which he refuses to disclose to the Senate. In my view, Mr. President, under the constitutional theory of the functions of the Congress and of the Executive of this country, assurances and declarations of policies which are to be made as affecting congressional action should be made to the Congress in the method provided by the Constitution.

Now, apparently others have had some other assurances in the matter of the transfer of the Forest Service from the Department of Agriculture to the Department of the Interior.

Let me say, in the first place, Mr. President, that I am not one of those who are particularly concerned about the status of the Forest Service. I am not one of those Senators who think that there is anything sacrosanct in the maintenance of the Forest Service in the Agricultural Department, although I recall that something over 25 years ago there arose a very serious scandal that wrecked the Taft administration at that time by reason of the administration of the Forestry Bureau by the Interior Department, and that the President saw fit to recommend—and Congress, in its wisdom, saw fit to adopt his suggestion—the transfer of that Bureau to the Department of Agriculture.

Mr. CONNALLY. Mr. President, will the Senator yield there?

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Texas?

Mr. CLARK. I yield.

Mr. CONNALLY. The trouble in that instance was not where the Forest Bureau was located; it was who was running it, was it not? It does not make any difference whether it is in one building or another building.

Mr. CLARK. It seemed to be located at that time in a department which Congress thought afforded an unhealthful atmosphere for it, and they saw fit to transfer it to the Department of Agriculture.

Mr. CONNALLY. If the same Cabinet officer had been at the head of the other department, the same condition would have resulted.

Mr. CLARK. As to that I do not desire at this time to enter into any argument.

Mr. CONNALLY. I do not want to argue anything. I agree with the Senator that it does not make much difference in which department a bureau is if an honest man is at the head of it.

Mr. CLARK. I will say to the Senator I am not one of those who are deeply concerned about the identification of the Forest Service with the Agricultural Department or with the Interior Department. As a matter of fact, I voted, as did, I think, every other Senator who was on the floor at the time, a couple of years ago, for a bill the essence of which was originally in this measure, to change the name of the Department of the Interior to the Department of Conservation, but which failed in the House. It is well recognized, by reason of the contrary lobbying activities around the Capitol of both the Department of the Interior and the Department of Agriculture, headed by the respective chiefs of both departments, that this measure was the forerunner of the transfer of the Forest Service to the Department of the Interior.

Mr. BONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Washington?

Mr. CLARK. I yield.

Mr. BONE. What objection, if any, has been registered against the transfer of the forestry activities to the Department of the Interior?

Mr. CLARK. If the Senator will read the hearings before the Reorganization Committee, and look in the files in his own office, he will find a vast volume of literature on both sides of that controversy. At the present moment, I do not desire to enter into that controversy, except as it illustrates the principle of power being granted under this bill unless the amendment of the Senator from Montana shall be adopted.

Mr. BONE. I am merely thinking that the controversy revolves around personalities rather than around principles.

Mr. CLARK. The point I am making is, if the Senator from Washington will permit me, that it is a matter which ought to be regulated by Congress. Since many Senators, many Members of the House of Representatives, and many large public organizations have very definite views on that subject, and since it is a matter of policy granted and en-

trusted under the Constitution to Congress, it ought to be settled by Congress.

So far as I am concerned, if Congress had taken up the subject of a transfer of the Forest Service from the Department of Agriculture to the Department of the Interior or Conservation or anything else, I should bring to the consideration of the problem an absolutely open mind; but the point I am making is that when Senators stand up on this floor and say that they would not vote for this bill if they thought there was any danger of the transfer of this particular bureau from one department to the other, they are making the strongest argument which can be made against writing a blank check and granting that power as to all other bureaus.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. WHEELER. I entirely agree with what the Senator from Missouri says. The Forest Service was used as an illustration; but if the Senator from Idaho [Mr. POPE] can get an assurance for the stockmen or for the sheepmen in his State that the Forest Service will not be transferred to the Interior Department, to which they object, why should not the veterans located all over the United States have an assurance from somebody that the Veterans' Administration will not be transferred from its present independent status and placed under some department of the Government?

Mr. CLARK. Mr. President, if the Senator from Montana will permit me to interrupt him right at that point, I have received requests from all over the United States, from veterans' organizations and individual veterans with whom I have been associated for many years—I suppose they wrote to me particularly because I happen to be a past national commander of the American Legion—begging me to offer on this floor an amendment to exempt the Veterans' Administration from transfer, and I refused to do it, because I told them one and all that I thought the principle of the abdication by Congress of its powers was wrong, and that to the extent that I or anybody else sought to secure assurances as to a particular bureau in which I might be interested, or some of my constituents or some of my associates might be interested, I should be giving my adherence to the principle of the abdication by Congress of its powers and responsibilities.

Mr. WHEELER. I desire to say to the Senator that persons interested in the transfer of the Forest Service came to me and wanted me to offer an amendment exempting the Forest Service. I took exactly the same position—that I would not come in here and ask for an exemption for the Forest Service, because, if I asked for it for the Forest Service, I ought to ask for it for the Reclamation Bureau, and I ought to ask for a similar assurance with reference to the Bureau of Public Roads.

Mr. CLARK. And the Biological Survey.

Mr. WHEELER. And I ought to ask for a similar assurance for the labor people, who do not want their division transferred and who have been up to see me, asking me for an exemption with reference to it. I said to all of them that I refused to seek assurances either from the President of the United States or from any of the departments, and I refused to help to put in exemptions by my vote. If that is the way we are going to legislate, if we are going to have private conversations with somebody in high authority in which we will be assured that a certain thing will not be done in order to get our votes, then we certainly have come down to a pretty low state in Congress.

Mr. CLARK. And we do not know how many of these assurances are out with regard to how many various bureaus or activities, and we do not know where the assurances came from. Both the Senator from Idaho [Mr. POPE] and the Senator from Kentucky [Mr. BARKLEY] have spoken here about assurances, but they have declined or failed to state from whom or whence the assurances came. In other words, other common, mine-run Senators are put in the position not of shaking the hand of Sullivan but of shaking the hand that shook the hand that shook the hand that shook the hand of Sullivan. [Laughter.]

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. CLARK. I yield to the Senator from Kentucky.

Mr. BARKLEY. I hope the Senator from Missouri is not going to do himself the injustice of putting himself among what are called the "common, mine run" Senators.

Mr. CLARK. I certainly have not had any assurances, and I have not asked for any.

Mr. BARKLEY. I deny that there is any such class of Senators. If the "ordinary, mine run" of Senators, as he describes them, means what we mean in the coal industry when we take the ordinary mine run of coal that comes out with slate and slack and stone and iron and everything else in it, I protest against the description of any Member of this body as belonging to any such mine-run class; and I am sure the Senator from Missouri himself does not belong to it.

Mr. CLARK. Of course, in the Senate we always speak of each other in very complimentary terms, as "the eminent Senator" So-and-So, or "the able Senator" from some State, or "the distinguished Senator" from some other State. I was referring to the ordinary mine run of Senator as one who has not received any assurances from anybody about this bill, and has not wanted any.

Now, Mr. President, let us see about some of these assurances. It seems that there are contradictory assurances out.

Mr. BURKE. Mr. President, will the Senator yield to me before he takes up that subject?

Mr. CLARK. I should yield first to the Senator from Wyoming [Mr. O'MAHONEY].

Mr. O'MAHONEY. I retire in favor of the Senator from Nebraska.

Mr. CLARK. I yield to the Senator from Nebraska.

Mr. BURKE. It distresses me to hear the Senator from Missouri still talk about assurances as coming from the lips of our leader, because I distinctly heard the Senator from Kentucky say a few moments ago that he thought the term "assurance," as used by the junior Senator from Idaho [Mr. POPE], was a very unfortunate term——

Mr. CLARK. I think that was a later thought on the part of the Senator from Kentucky. A little while before that he was talking about assurances which he had received.

Mr. BURKE. And that we ought, instead, to talk about intention. The question I desire to ask the Senator from Missouri is this: Assume that we make this substitution, and wipe out of our minds altogether the word "assurance," no matter whom or what department or where it may have come from, and talk about intention, if we say that somebody, some unknown person, now has said that there is no intention to transfer the Forest Service, how does that help us when we consider the fact that this measure by its own terms is to operate until July 1, 1940? Would a declaration now from anyone that there is no present intention to transfer the Forest Service from the Department of Agriculture to the Deartment of the Interior be in any way binding on the same person who now declares that intention 6 months from now, or a year from now, and prevent him from doing the very thing we are informed there is now no intention to do?

Mr. CLARK. It not only would not bind anybody, but it ought not to bind anybody. If the President of the United States at the present moment were to send to Congress a message stating that he had no intention of changing the Forest Service, or any function of the Forest Service, from the Department of Agriculture to the Department of the Interior or the Department of the Treasury or anywhere else he wanted to, I do not think that ought to be binding on the President of the United States under the sweeping powers we are giving him in this bill, because on complete reconsideration of the subject, on a study of it, on representations which undoubtedly would be made to him—because they certainly have been made to Congress over a period of about 20 years—he might change his mind, and

if he did change his mind then, under the tremendous power being granted him here, he ought not to be bound by statements of his intention prior to the passage of the act but ought to exercise his best judgment at the moment he acts.

Mr. VANDENBERG. Mr. President, if the Senator will permit me——

Mr. CLARK. I yield to the Senator from Michigan.

Mr. VANDENBERG. Furthermore, intentions may fail to materialize for reasons beyond the control of those who may have announced their intentions. For instance, for 4 or 5 years the President has announced his intention to balance the Budget, but that has not balanced the Budget.

Mr. CLARK. I agree with the Senator from Michigan. In the statement of the Democratic platform of 1932, which the Senator from Idaho read a little while ago, we announced intentions which we were not able to effectuate. But on the subject of assurances on this particular question—I use the Forest Service illustration only because it has been several times injected into the debate, and because it affords an excellent particular exemplification of what might be the operation of this bill—I wish to call attention to the testimony of the Assistant Solicitor of the Interior Department, Mr. Rufus G. Poole, given before the Committee on Public Lands of the House of Representatives last year, and reported on pages 204 and 205 of the hearings of that committee on a bill known as H. R. 5858, having to do with reforestation and public use of certain lands to be returned to the Government from certain abandoned railway companies and certain abandoned stage-coach companies. This was a bill which had been recommended to the Congress by the Department of Agriculture. In connection with it, Mr. Poole said:

> The draft of legislation which culminated in H. R. 5858 was submitted to the Bureau of the Budget by the Interior Department. After two conferences with the officials of the Bureau of the Budget and the Interior Department, the Department was advised by Mr. Bell that this legislation "is in accord with the program of the President." During the conferences mentioned the question of jurisdiction was considered and it was pointed out that in view of the President's reorganization recommendations the Department of the Interior was the proper agency to administer these public lands under a conservation program. The reorganization program recommended by the President, as you know, is set forth in the Brownlow report. On pages 31 to 33, inclusive, a plan of reorganization is projected. A part of that plan calls for the change of the name of the Department of the Interior to the Department of Conservation and provides that the Department shall have the following major purpose—
>
> "To advise the President with regard to the protection and use of the natural resources of the Nation and the public domain. To administer the public lands, parks, territories, and reservations and enforce the conservation laws with regard to public lands and mineral and water resources, except as otherwise assigned."

Then Mr. Poole goes on:

> This reorganization program is now pending before Congress and would lay the foundation for economy, greater governmental efficiency by avoiding conflicts in jurisdiction, and the elimination of duplication and contradictory policies.
>
> To transfer the jurisdiction of these lands to the Department of Agriculture only would add responsibilities to that Department which, under the recommendations of the President's reorganization plan, it would seem should be placed in a department of conservation. In my judgment, this jurisdictional question is one which cannot be solved by piecemeal legislation such as is suggested here by the Department of Agriculture's report. The Departments of Agriculture and Interior have duplicating functions in many fields of governmental activity, including grazing, mineral development, park and recreational activities, and game preservation.
>
> I regret that the question of jurisdiction has been injected by the witness from Agriculture. I had not the intention of raising that issue, as I believe it can only serve to delay the enactment of this important conservation measure. If, however, the question of jurisdiction over these lands—

These were lands which were to be returned to the Forest Service—

> in the judgment of the committee, is one which should be considered at this time and by this committee, it is my suggestion that the committee consider an amendment which I now offer for the transfer of the Forest Service to the Interior Department. Such an amendment is believed to be in furtherance and not in derogation of the President's reorganization recommendation.

Here is the amendment:

> The Forest Service and all the functions thereof, together with its personnel, records, files, supplies, office furniture, equipment and property of every kind, unexpended balances of appropriations, and/or allotments in the District of Columbia or elsewhere are transferred from the Department of Agriculture to the Department of the Interior; and all duties, powers, and authority now vested by law in the Secretary of Agriculture, performed, executed, or exercised by him through or in the administration of the Forest Service, are transferred to the Secretary of the Interior.

In the same hearings Mr. Poole qualified as to his authority and right to make official statements on behalf of the Department of the Interior before committees of Congress. Bear in mind, this seems to be another case of assurances. Mr. MOTT of the House committee said:

> Mr. MOTT. My recollection of his [Mr. Poole's] testimony was that he said that a consolidation, taking the Forest Service into the Interior Department, was contemplated by the President's reorganization plan.
>
> Mr. POOLE. That is correct.
>
> The CHAIRMAN. That is correct; and that it would probably take place.
>
> Question having been raised as to whether Mr. Poole was an expert in the matters under discussion and spoke for the whole Department of the Interior, the record was made clear by the following colloquy, reported on page 248 of the aforesaid hearings:
>
> Mr. CRAWFORD. It has always been the custom, or it has been the custom for years, at least, to have a man in your capacity to appear before this committee to represent the whole Department, rather than sending Tom, Dick, and Harry from the Department to present their views.
>
> Mr. POOLE. That is right. There is a departmental order which has delegated to me the onerous duty of appearing before all committees, or such persons as I may designate.
>
> Mr. CRAWFORD. And when you do come up here and submit definite information, which has been prepared by the experts of your Department, it is, in your opinion, the custom of this committee and other committees to accept that as expert testimony.
>
> Mr. POOLE. Yes, sir; they accept it as the considered opinion or recommendation of the Interior Department or of the administration.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. BARKLEY. Let us assume that the Department of the Interior wants to get the Forest Service; let us assume that one of the reasons why the name "department of conservation" was suggested was that every matter pertaining to all sorts of conservation was intended to be located in that department; does the Senator think that a statement made before a House committee by an assistant solicitor——

Mr. CLARK. The official representative of the Department.

Mr. BARKLEY. Yes; does the Senator think that the statement made before the House committee by an assistant solicitor, or by the solicitor, or even by the Secretary of the Interior himself, on another bill, although it referred to reorganization, has any binding force on the President of the United States?

Mr. CLARK. Mr. President, I have just stated that even a declaration by the President himself would have no binding effect on the President of the United States. I am not reflecting on the President in the slightest degree. I am not undertaking to tie the President's hands. If we give him this power, I do not think he ought to be bound by any public or private assurances. I mention this testimony for the reason that both the junior Senator from Idaho and the Senator from Kentucky himself have been talking about assurances. I have read this testimony to show that there may have been some assurances on the other side somewhere, or some statement that people could think they were taking as assurances.

I am not objecting to any statement anyone has made to the junior Senator from Idaho or to the Senator from Kentucky, the distinguished majority leader. What I am objecting to is asking the Congress, in discharging its own high constitutional function, to be influenced by some private conversation, or some assurance which the Senator from Kentucky or the Senator from Idaho or anyone else may have had.

Mr. BARKLEY. Mr. President, will the Senator yield further?

Mr. CLARK. I yield.

Mr. BARKLEY. There is nothing insidious or mysterious about anything to which we have referred. There is no objection so far as I know, to any Senator or any Member

of the other body going to any officer of the Government, whether it be the highest or the next to the highest or the lowest, and asking what his intention is with respect to a certain matter. Any Senator has that right, and I do not think it is an objectionable thing.

Mr. CLARK. No one has criticized either the Senator from Kentucky, or the Senator from Idaho, or Mr. Poole, or Secretary Ickes, or Secretary Wallace, or anyone else, for getting any information or assurances possible. The thing I am pointing out is that no Senator or anyone else ought to ask the Senate of the United States and the Congress of the United States to be governed in their official conduct by some sort of understanding someone else has had with some undisclosed party or parties.

Mr. BARKLEY. If any Member of either body who entertains any fears with respect to any particular bureau desires to confer in his official capacity with anyone having authority to do anything about it, and if the information which he receives is satisfactory to him, is there anything wrong about it, is there anything to be criticized about it?

Mr. CLARK. I think the whole Congress is entitled to all the information that is to be available on this subject. So far as I am concerned, it so happens that the one exception made in the bill, I believe, to the power of the President to make transfers, happens to be in regard to an agency for whose outstanding work I have very high respect and regard and in many of whose activities I have a very great interest. I refer to the Engineer Corps of the United States Army. I happen to know that at one time there was a serious intention in very high quarters of transferring the personnel and functions of the Army Engineer Corps to the Interior Department. That doubtless had something to do with the action of the committee in exempting the Army Engineer Corps from the operations of the bill. But, as much as I am interested in, and as much respect as I have for the Army engineers, and as much as I am interested in the great and meritorious work they do, I am opposed to exempting the Army engineers or anyone else from the operation of the proposed law, because every time we do that we weaken the objection to the viciousness of the abdication by Congress of its official functions.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. CHAVEZ. I was one of the Senators who had some fear that the Forest Service would be taken over by the Department of the Interior, and I took it upon myself to satisfy my own mind, anyway, as to whether or not there was such an intention; and I have some assurances, too—assurances based upon inquiry that was founded on apprehension. I have assurance that not only was there no such intention, but that the Forest Service would not be transferred to the Interior Department if this bill were to be enacted. I made inquiries, and the information which I received, which satisfied me, went not only to the extent of the function, but satisfied my own mind, anyway, that it would not be done under the President.

Mr. CLARK. Mr. President, any Senator who receives any assurance of any sort as to any governmental agency is entirely within his rights to be governed by the assurance he has received, either as to that agency or in voting for the bill; but he certainly has no occasion to expect other Senators to be controlled or even influenced in their action and in their votes on the bill by assurances of which they know nothing.

Mr. CHAVEZ. It was not the intention of the Senator from New Mexico to have his state of mind influence any other Senator, but it did satisfy the Senator from New Mexico as to that particular point.

Mr. CLARK. Mr. President, before I take my seat—and I do not desire to detain the Senate very long—I wish to say that the first time I had the honor of formally addressing the Senate of the United States, when I first came to the Senate, was on a bill which contained almost identically the same provision as to the grant of power the pending measure contains. I voted against the bill. I filed a minority report against it in the Committee on Finance. I was one of the 13 Senators who voted against the bill on its final passage. I regretted unspeakably at that time the abdication not only of its powers but its responsibility by the Congress of the United States—powers which come to us from generations of forefathers who fought and struggled, some of whom shed blood, and some of whom died as martyrs, not that we might as individuals enjoy this power, but that the legislative branch of the Government, as representatives of the American people, should have it, and pass it on to our successors as we inherited it from our predecessors.

I regretted the enactment of that measure, and I rejoiced when the President of the United States wisely and patriotically forbore to exercise the authority granted him under the act of 1933, and passed that power back to the Congress, where it belonged.

I do not wish to detain the Senate, but I intend to read a few observations from the speech I made when the bill to which I have referred was under consideration, on the 14th of March 1933, because they express my views as clearly and as concisely as I could possibly express them now. On that occasion I said:

> Mr. President, this bill embodies fundamental changes in our entire system of government which I cannot support, because they are abhorrent alike to my conscientious convictions, to my pledges to my constituents, and to the very oath to support and defend the Constitution of the United States which I took when I held up my hand and was sworn into this body. My opposition to the extraordinary grants of power to the Executive contained in this act has no faintest trace of lack of confidence in President Roosevelt. Holding the views of our constitutional government to which I adhere, I could not vote to confer these powers upon the Executive if George Washington, Thomas Jefferson, Andrew Jackson, and Abraham Lincoln could return to life, their great qualities of mind and heart be combined in one person, and he be the occupant of the Presidency.
>
> This bill, Mr. President, makes a definite, far-reaching, and fundamental change in our theory and organization of government. It is no less than the open proposal that Congress shall abdicate the duties and powers imposed upon it by the Constitution, delegate them to the Executive, and become in effect nothing but an aggregation of governmental supernumeraries, content to remain on the Federal pay roll to perform the perfunctory task of appropriating gross sums of money, in the specific expenditure of which they are to have no direction or control.
>
> In order that there may be no possible misconception of the purpose of this measure to effectuate a drastic and fundamental change in government I quote from the President's message of March 10, 1933:
>
> "The proper legislative function is to fix the amount of expenditure, the means by which it is to be raised, and the general principles under which the expenditures are to be made. The details of expenditure, particularly in view of the great present emergency, can be more wisely and equitably administered through the Executive."
>
> Mr. President, with all respect to the President of the United States, I cannot agree that the drastic change in our whole form of government contemplated in this measure is either desirable or constitutional. It may be taken as a rule of universal application that that government is a free government in which control of the purse strings is in the hands of a parliamentary body elected by the people, and that that government is not a free government in which control of finances and expenditures is in the hands of the Executive, free from parliamentary limitation and control.
>
> In my view, Mr. President, no transitory emergency, no degree of confidence in the integrity and disinterestedness of the present Chief Executive can justify such a revolutionary departure from the constitutional separation of powers provided by the framers of our basic law. If the time has come when Congress has become an anachronism, when the Members of the House and Senate have become incapable or unwilling to perform their constitutional functions, when the vesting of all essential functions in the Executive has become justifiable, then the radical change should be accomplished according to the orderly processes provided by the Constitution for changes in our fundamental structure of government.
>
> Speaking for myself, Mr. President, I recognize the necessity for drastic cuts in governmental expenditures. I am ready to vote for radical economies not only in veterans' appropriations and Federal salaries, but in consolidation and elimination of bureaus, departments, and activities upon the recommendation of the President. In casting those votes I would be as little intimidated by the propaganda of the organizations opposing the measures as by the propaganda of organizations which favor them. For the last 2 or 3 days we have all been flooded with telegrams which any experienced man can recognize as simply the outcome of propaganda, both pro and con, on measures pending before this session of Congress. My objection to the pending measure aside from matters of detail, is, in general principle, that it seeks to effect

economies by Executive order rather than by constitutional legislation.

It is idle to say that the President is to be charged with the determination of these matters. We all know that it simply means that these legislative matters are to be determined by appointive officers and clerks rather than by the elected representatives of the people. I am unwilling to agree that the mere fact of appointment by the Executive vests an officer with infallibility and renders his judgment superior to that of the Members of Congress elected by the people. For example, one of the administrative experts who appeared before the Finance Committee in its brief hearing on this bill made a mistake of nearly $100,000,000 as to the amount now being expended by one activity of the bureau of which he is the head.

I have no fear, Mr. President, that the extraordinary grants of power contained in this act will be abused by the present President of the United States; but it is precisely such inroads upon the functions and duties of the legislative branch, granted in times of stress to executives enjoying in a high degree the confidence of the people, which are taken as precedents for bringing about a permanent dislocation in the constitutional practice of government.

Mr. President, so far as the pending measure is concerned I insist with every bit of earnestness at my command that it is not necessary in order to bring about proper economy of government and the abolition or consolidation of useless bureaus, for Congress to abdicate its fundamental functions under the Constitution, and to say so, Mr. President, is not only a reflection on the character and membership of the Congress, but it is in contravention of the whole parliamentary history of the United States from the foundation of the Government down. Any real examination of the growth of these powers, of their original establishment, of their reaching out for enlargement of powers, any consideration of the estimates submitted by the Executive, either before or after the establishment of the Budget, and the action on it by congressional committees, will demonstrate that the responsibility for the expansion of bureaus, for the multiplication of bureaus, for the enormous growth in appropriations for the executive departments, has been due to the activities of the executive rather than the legislative branch.

In conclusion, Mr. President, I desire to make the suggestion that Congress was already well on its way to bring about an effective reorganization of Government, with a view to economy as well as efficiency, by the establishment of the Byrd committee, which was making a very effective start along the monumental job of governmental reorganization when the report of the Brownlow committee was sent to Congress, and another committee was superimposed on the Byrd committee, which effectively silenced the functions of that committee. And, I insist, Mr. President, that the provisions contained in the amendment of the Senator from Montana, which simply requires the Congress to pursue its constitutional function in passing on essential changes of government, cannot in any way be in derogation of any theory of economy or efficiency or reorganization advocated by anyone.

Mr. BYRNES. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Connally	Johnson, Calif.	O'Mahoney
Ashurst	Davis	Johnson, Colo.	Overton
Austin	Dieterich	King	Pittman
Bailey	Donahey	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Berry	George	Lodge	Reynolds
Bilbo	Gerry	Logan	Russell
Bone	Gibson	Lonergan	Schwartz
Borah	Gillette	Lundeen	Schwellenbach
Bridges	Glass	McAdoo	Shipstead
Brown, Mich.	Green	McCarran	Smathers
Brown, N. H.	Guffey	McKellar	Smith
Bulkley	Hale	McNary	Thomas, Utah
Bulow	Harrison	Maloney	Townsend
Burke	Hatch	Miller	Truman
Byrd	Hayden	Milton	Tydings
Byrnes	Herring	Minton	Vandenberg
Capper	Hill	Murray	Van Nuys
Caraway	Hitchcock	Neely	Walsh
Chavez	Holt	Norris	Wheeler
Clark	Hughes	Nye	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present.

DISTRICT OF COLUMBIA APPROPRIATIONS—CONFERENCE REPORT

Mr. GLASS submitted a conference report on the bill H. R. 9181) making appropriations for the District of Columbia, and for other purposes, which was ordered to lie on the table.

REORGANIZATION OF EXECUTIVE DEPARTMENTS

The Senate resumed the consideration of the bill (S. 3331) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a general auditing office and a department of welfare, and for other purposes.

Mr. O'MAHONEY. Mr. President, it seems to me that no one could have listened to the debate this afternoon without coming to the conclusion that a reorganization of the executive branch of the Government by congressional action alone would be impossible. The question which was debated back and forth for more than an hour was whether or not a particular bureau should or should not be transferred from one department to another; and Senators were taking contrary views with respect to the principle of reorganization solely upon the question as to whether or not this measure would effect the transfer of a single bureau. The actual work of the bureau, its significance as an agency of the Government, was not involved at all, indicating what would happen in the event the amendment offered by the Senator from Montana [Mr. WHEELER] were adopted, and every Executive order made by the President reorganizing the Government were to be catapulted back into both Houses of Congress, there to be discussed pro and con as to whether the transfer should be made.

No one, I venture to hope, is more jealous than I of the legislative function of the Congress. No one would more reluctantly than I surrender a purely and completely legislative power; that is to say, one which deals with substantial matters of public policy. But, as I read this bill and listen to the discussions, it is difficult for me to come to the conclusion that the question at issue is quite so important as some of the Senators have sought to make it appear.

There is no question of legislative policy with respect to any bureau or department of Government involved in this reorganization bill. There is no question of actual function involved in this bill. The passage of the reorganization bill and its signature by the President would not change a single law or curtail a single function of Government. The only question actually involved is that of the relation of the bureaus to one another. It is a question of personnel. That, it seems to me, was rather clearly indicated by all the controversy over what was going to happen to the Forest Service.

No intimation has ever been made that the functions of the Forest Service were to be altered in the slightest degree. There is nothing in the bill which would clothe the President with the power to make any alteration of its functions; and that is the situation with respect to every bureau. Not a single activity of government is to be suspended. But, as will be readily acknowledged, any real reorganization of the far-spreading bureaucracy which now exists in Washington would affect those who are employed in one degree or another. If every order were to be subject to review, the employees, fearful of the results of the order upon their individual positions, would inevitably rush to Congress to prevent it from becoming effective, just exactly as pressure has been brought to bear upon all Members of the Senate and Members of the House to prevent a transfer of the Forest Service from the Department of Agriculture to the Department of the Interior, a change which it was thought was in prospect. The result would almost certainly be that no reorganization of any kind would be effected.

When we consider the fact—which no one, it seems to me, can deny—that this reorganization bill, by its terms, does not repeal any law, does not change any policy, and does not alter any functions, the only question to be decided is whether or not proper safeguards have been set up in the bill, whether or not proper standards have been laid down,

to guide the President in framing his Executive orders. That the committee sought to do that, I think, is now generally recognized. Not only was that true of the deliberations which took place in committee, but it has also been evidenced by what has transpired upon the floor of the Senate.

When the question arose with respect to the power of the President to abolish functions or parts of functions, and it became clear that some Members of the Senate entertained the belief that the bill would give the President the power to cut off or suspend the operation of functions authorized by Congress, the committee very readily agreed to an amendment of the standard so as to make it clear that no such change would be or could be authorized.

When all is said and done, therefore, we come to the conclusion that what Congress is saying by this bill is that the President of the United States shall undertake the responsibility of reorganizing the executive bureaus, which are all under his control. In other words, we are dealing with a purely executive matter. The Constitution makes the President the Chief Executive. He is in direct charge of every agency affected. His leadership and his responsibility guide them all. What possible danger can there be in authorizing him to coordinate them? What actual abdication is contemplated, so long as no law can be changed, no policy of government altered? The President sees, as we see, the innumerable conflicts, and the great overlapping of one function upon another; and it is for him, under this bill, within the restrictions which we have laid down, to undertake the very difficult task of attempting to simplify and improve the executive functions.

What possible danger can be involved in such a power? It is not a power, let me repeat, to change any law. It is not a power to suspend any function of government which has been authorized by the Congress. It is solely a power to regroup and coordinate those functions; and I am frank to say, Mr. President, that it is difficult for me to understand how there can be so much fear as has been expressed with respect to the exercise of this power.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I shall be glad to yield to the Senator.

Mr. BYRNES. The Senator will recall that the same language contained in this bill was in the act of March 3, 1933, granting the same power. For 18 months that power was in the President, and there was no abuse of that power by the President. So there is really little justification for the fears which have been expressed on the floor of the Senate.

Mr. O'MAHONEY. It seems to me that is the conclusion which must be reached.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I shall be glad to yield.

Mr. GEORGE. I did not want to participate in this debate even to the extent of asking a question. Do not the Senator from Wyoming and the Senator from South Carolina realize that far vaster powers are now vested in bureaus of the Government than were lodged in the hands of any agency in 1933? Do not both the Senators realize that far vaster powers over the intimate affairs of every family in America have been vested in boards, bureaus, and agencies since 1933?

Mr. O'MAHONEY. Greater than before that time?

Mr. GEORGE. Yes.

Mr. O'MAHONEY. There can be no question about it.

Mr. GEORGE. Do not the Senators understand that that fact makes some difference in the situation at this time? For instance, where shall the activities under the Social Security Act be placed? Is it desirable to turn over the administration of social security to Mme. Perkins, without Congress having any right to say anything at all about it?

It seems to me the Senators are just begging the question. Our Government has undergone so many changes since 1930 that, it seems to me, there is no comparable base at all.

Mr. O'MAHONEY. May I say to the Senator from Georgia that I think the fear which he expresses upon this score is not well founded, when one considers that in this bill there is proposed to be established a department of public welfare? Social security is quite obviously a matter of public welfare; and, for my part, I should not entertain the slightest fear, if any order were made with respect to that bureau, that it would be transferred to any other department whatsoever except the department of public welfare.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. O'MAHONEY. Certainly.

Mr. BYRNES. Does not the Senator believe, too, that while under the provisions of this bill no order may be signed by the President after July 1, 1940, it is contemplated that consolidation would continue; and there is no justification for believing that those who now fill offices will be continued forever in charge of the Government or of any one department?

Mr. O'MAHONEY. It seems to me, Mr. President, it comes down to the very practical question of whether or not it is now desired by the Congress, in the interest of the public welfare, to have a reorganization of the executive branch of the Government. This does not in any degree whatsoever involve any question at all of Government policy. So that, when all is said and done, the fears which have been expressed here seem to me to be altogether without basis.

If it be worth while to reorganize, this is the way to do it. The only changes of policy and structure to be made are made by the bill itself. The fact that it sets up a department of welfare, establishes a resources board, and alters the accounting system is in itself proof that no substantial legislative power is abdicated. Those things the President could not do by Executive order. He cannot do anything similar. He is only authorized to improve housekeeping facilities.

The PRESIDING OFFICER. The question is on the amendment, as modified, of the Senator from Montana [Mr. WHEELER].

Mr. BORAH. Mr. President, I note that the Senator in charge of the amendment is not now present. Is the Senate ready for a vote?

Mr. BARKLEY. No; I do not think so.

Mr. BYRNES. Before the vote is taken, I desire to speak; but I understand that the Senator from Nebraska [Mr. NORRIS] desires to address the Senate, and that is why I do not ask for the floor at this time.

Mr. BARKLEY. Mr. President, inasmuch as the Senator from Nebraska is not present, and I understand he desires to address the Senate, I make the point of no quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Connally	Johnson, Calif.	O'Mahoney
Ashurst	Davis	Johnson, Colo.	Overton
Austin	Dieterich	King	Pittman
Bailey	Donahey	La Follette	Pope
Bankhead	Ellender	Lee	Radcliffe
Barkley	Frazier	Lewis	Reames
Berry	George	Lodge	Reynolds
Bilbo	Gerry	Logan	Russell
Bone	Gibson	Lonergan	Schwartz
Borah	Gillette	Lundeen	Schwellenbach
Bridges	Glass	McAdoo	Shipstead
Brown, Mich.	Green	McCarran	Smathers
Brown, N. H.	Guffey	McKellar	Smith
Bulkley	Hale	McNary	Thomas, Utah
Bulow	Harrison	Maloney	Townsend
Burke	Hatch	Miller	Truman
Byrd	Hayden	Milton	Tydings
Byrnes	Herring	Minton	Vandenberg
Capper	Hill	Murray	Van Nuys
Caraway	Hitchcock	Neely	Walsh
Chavez	Holt	Norris	Wheeler
Clark	Hughes	Nye	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present. The question is on the amendment, as modified, offered by the Senator from Montana [Mr. WHEELER].

Mr. NORRIS. Mr. President, for a great many years—in fact, practically during all the time I have been in Congress and have been familiar with the workings of the Departments—there has been an agitation in regard to the

transfer of the Forest Service from the Agricultural Department to the Interior Department. Sometimes it has gone so far as to take the form of an attempt; and the movement has excited not only a great deal of curiosity but of resistance on the part of Members of Congress, especially those from the West. I am speaking from memory only, but I think there were times when bills were introduced to bring about such a transfer. If my memory serves me aright, that agitation has continued more or less all during that time, although there were at least 4 years, and perhaps a longer period, when there was no such agitation.

I have always been opposed to the transfer of the Forest Service. I think most of the Members of the House and the Senate who are from the West or the Middle West have been opposed to it; but I think the opposition came mostly from knowledge, or what was thought to be knowledge, at the particular time when the agitation occurred that the Secretary of the Interior was not so friendly to the Forest Service as was the Secretary of Agriculture. Those who wanted to retain the Forest Service in the Agricultural Department were fearful if the transfer were made that the Forest Service would be placed in unfriendly hands, or, at least, from our point of view, we thought it would be placed in unfriendly hands. Sometimes I thought the agitation assumed rather violent proportions.

So far as I know, and certainly so far as my position is concerned, those who were opposed to the transfer were opposed for the reason to which I have just alluded, to wit, that the Forest Service would not be in as friendly hands if it were transferred as it would be if it were left in the Agricultural Department.

Mr. MINTON. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Indiana?

Mr. NORRIS. I yield.

Mr. MINTON. Was not the Forest Service at one time in the Department of the Interior?

Mr. NORRIS. Yes; I believe it was.

Mr. MINTON. Under the administration of Theodore Roosevelt, as I recall, it was transferred to the Agricultural Department.

Mr. NORRIS. I do not remember when it was done, but the Senator may be accurate as to the time.

Mr. MINTON. I think it was in 1905.

Mr. NORRIS. I cannot answer the question categorically.

Mr. CLARK. Mr. President, will the Senator from Nebraska yield to me?

Mr. NORRIS. I yield.

Mr. CLARK. The Senator will recall, of course, the row between the Interior Department and the Agricultural Department over the Forest Service during the time Secretary Ballinger was head of the Interior Department, and the Forester was Mr. Pinchot, which, as I recall, was the principal contributing factor to the wrecking of the Taft administration.

Mr. NORRIS. Yes. I am of the opinion that the transfer took place prior to the Ballinger investigation.

Mr. CLARK. The Senator remembers the Ballinger-Pinchot controversy?

Mr. NORRIS. Oh, yes; and, perhaps unfortunately for me, I participated in it more than was for my own good, probably. However, be that as it may, at least so far as it affected me, and I think the statement applies to others as well, it would have made but little difference whether the Forest Service was in the one Department or in the other if we had thought and believed it would be properly administered and administered by its friends. The agitation with reference to transferring the Forest Service has led Representatives and Senators to believe that there was something wrong without really formulating the reasons why they had reached that conclusion. The agitation always taking place between these two Departments has led Representatives and Senators to the belief that there was something wrong if an effort was made to take an activity from one Department and put it in another without really working out the reason why they had reached that conclusion.

As the two Departments now stand, I have no choice; I should be perfectly satisfied if the Forest Service were put under either one of the Departments; but tomorrow there may be installed a Secretary of Agriculture who is unfriendly to the Forest Service, and in that event I should want to have the Forest Service in the Interior Department. But if there were a friend of the Forest Service in the Agricultural Department, and there were an enemy of the Service, or a man whom I believed to be its enemy, or unfriendly to it—he might be honestly unfriendly to it—in the Interior Department, I should want the Forest Service to stay in the Agricultural Department.

Mr. President, I think the differences of opinion as to where the Forest Service ought to be have arisen from a jealousy, I may say, which has long existed, and we took one side or the other without thinking that in the future the entire picture may be reversed.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. WHEELER. Let me say to the Senator that that is not the reason. Rightly or wrongly—they may be wrong about it—because of experience which has been had with reference to some of the workings of some of the Departments, there is in my State, and there is generally throughout the mountain States, a very decided feeling on the part of many persons there that they do not want the Forest Service placed under the Interior Department.

I am not passing upon the question whether that feeling is right or wrong. All I am saying is that we ought to be given an opportunity to express our opinion upon the transfer after it has been made.

Mr. NORRIS. If it is made.

Mr. WHEELER. If it is made.

Mr. NORRIS. I am coming to that question before I conclude. If I forget to mention it, I shall be glad to be reminded of it.

Mr. WHEELER. I do not think any criticism could be made of people because of that fear. They may be wrong about it; but I am sure the Senator from Nebraska would not want to have the T. V. A. transferred to the Department of Commerce without Congress at least having a chance to vote upon the matter.

Mr. NORRIS. I will branch off from what I was about to say and take up that subject. I hope I can get back to my chain of thought later; but the Senator from Montana earlier in his remarks referred to that subject, and I was about to ask a question in regard to it when it seems that there was some misunderstanding. I did not expect to speak on the matter, but I might as well take it up now.

I do not believe the illustration which the Senator has given is applicable in this instance. I should be opposed to the Tennessee Valley Authority being attached to any Department, I care not what it is. The very theory of the Tennessee Valley Authority Act itself was to make the organization independent of any Department, independent of any President, independent of any political change which might come over the country by which we would go from one extreme to another, as the country often does; to put the Tennessee Valley Authority as nearly as possible upon a business basis, upon a permanent basis, so that it would be beyond the power of either party, if it came into power at some time, to overthrow the Tennessee Valley Authority before it would be possible to have a friendly administration in power.

I should be just as much opposed to putting the T. V. A. under the Agricultural Department as I should to putting it under the Interior Department, or the War Department, or any other Department. The heads of those Departments change. They change on political issues which are decided in a national election, when the particular activities of independent services or organizations or whatever we may call them, like the Interstate Commerce Commission, to give an example, are not in issue at all.

Mr. WHEELER. Or the Federal Trade Commission.

Mr. NORRIS. Or the Federal Trade Commission, or the Tennessee Valley Authority. In other words, the country

might switch over from one political party to the other, and all the heads of departments might be changed. If, for instance, the issue of the abolishment of the Interstate Commerce Commission were submitted to the people at that time, and were decided by the people at the election, I should concede that the Commission ought to be abolished, or strengthened, or handled just as the people had decided should be done. Usually, however, that is not the case. The people will elect a President probably on a tariff issue, or on a labor issue, or on a thousand other things that might be issues, in which the T. V. A. was not considered at all; and yet, by reason of some President going into office on that kind of an issue and appointing heads of Departments on that kind of an issue, he might, even without intending to do so, if a particular activity was in a Department, appoint someone at the head of the Department who would carry out the issues decided in the campaign, but, in addition, he might be an enemy of the particular independent bureau in question and might wipe it off the face of the earth by administration.

That is the reason, I will say to the Senator from Montana, why I do not believe his illustration applies here.

Mr. WHEELER. But it does apply, it seems to me, for this reason: Under this bill, for instance, as I understand it, the President could put the T. V. A. under the Agricultural Department, or the Interior Department, or the War Department.

Mr. NORRIS. No; I do not understand that he could.

Mr. WHEELER. I do understand that he could.

Mr. NORRIS. The Senator may be right.

Mr. WHEELER. There is not any doubt that he could.

Mr. NORRIS. Could the President wipe the Interstate Commerce Commission off the face of the earth?

Mr. WHEELER. No; but that was the intention when the bill was first introduced. It was framed so that the Interstate Commerce Commission or the Federal Trade Commission could be dealt with in that way.

Mr. NORRIS. I have always been opposed to any proposal of that kind.

Mr. WHEELER. All right; but we are now talking about the independent agencies. The Senator from Kentucky [Mr. BARKLEY] the other day said:

> There are a number of independent agencies floating around through the air that ought to be under some executive head.

Mr. NORRIS. No; if the Senator will examine the speech made by the Senator from Kentucky, I think it will be found that he was referring to bureaus. I heard what he said, and he was referring to bureaus. That is true to a great extent in regard to bureaus. In other words, I think it is generally conceded—I may be wrong in that statement, but it is my belief—that a very large majority of Members of Congress in both Houses concede that we ought to have a departmental reorganization, and most of them concede that we shall never be able to get it if Congress itself is required to do it.

Mr. WHEELER. Will the Senator let me call his attention to the language of the bill itself? I think that will clear up the dispute.

Mr. NORRIS. Yes.

Mr. WHEELER. I read from the bill:

> DEFINITIONS
>
> SEC. 5. When used in this act, unless the context otherwise requires—
>
> (1) The term "agency" means any executive Department, independent establishment, independent agency, commission, board, bureau, service, office, administration, authority, division, or activity in the executive branch of the Government, whether in the District of Columbia or elsewhere, and shall include the municipal government of the District of Columbia, and any corporation a majority of the stock of which is owned by the United States and any nonstock, nonprofit corporation organized by the United States or any agency thereof, of which no member of the board of directors is elected or appointed by private interests.

Now—

> (2) The term "independent establishment" means the legislative courts and the Board of Tax Appeals, the Federal Communications Commission, the Federal Power Commission, the Federal Trade Commission, the Interstate Commerce Commission, the National Bituminous Coal Commission, the National Labor Relations Board, the Securities and Exchange Commission, and the United States Maritime Commission.

At no place is the T. V. A. exempted under the language of the bill.

Mr. NORRIS. That includes it.

Mr. WHEELER. Where does it include it?

Mr. NORRIS. The Senator just read the list.

Mr. WHEELER. I will read it again. There is the Board of Tax Appeals, the Federal Communications Commission, the Federal Power Commission——

Mr. NORRIS. Those are the ones——

Mr. WHEELER. Which are exempted.

Mr. NORRIS. No.

Mr. WHEELER. Yes; these are the ones which are exempted. Then there are the Federal Trade Commission, the Interstate Commerce Commission, the National Bituminous Coal Commission, the National Labor Relations Board, the Securities and Exchange Commission, and the United States Martime Commission. The only ones exempted in the bill are the ones whose names I have read to the Senator.

Mr. NORRIS. If that be true——

Mr. WHEELER. Of course it is true.

Mr. NORRIS. If that be true, then the bill should be amended by including the Tennessee Valley Authority and, perhaps, some others in the exemptions.

Mr. WHEELER. The T. V. A. is not included. When my attention was first called to the bill, certain persons close to the administration called me up and asked me if I would favor it. I said I would not favor it if it included the Federal Trade Commission and the Interstate Commerce Commission. The purpose was to take the Interstate Commerce Commission and these other independent agencies and put them under some executive branch. The complaint has been that they ought to be put under some executive branch. When those proposing that could not succeed in it, then they exempted these particular boards, but the T. V. A. is not exempted.

Mr. NORRIS. It ought to be exempted. If the Senator's theory is correct, it ought to be.

Mr. WHEELER. There is no doubt about it. It is not my theory, it is the bill.

Mr. NORRIS. That has not anything to do with the amendment we are discussing.

Mr. WHEELER. Oh, yes, it has; for the reason that they could take the T. V. A. and put it under some Department.

Mr. NORRIS. I am coming to the Senator's particular amendment, and will state the reason why I think I cannot support it.

Mr. WHEELER. I understand that; but I wanted to point out to the Senator that he would not, as a matter of fact, support the bill if he felt that the administration could take the T. V. A. and put it under an executive Department.

Mr. NORRIS. I would not support the bill if I thought they could take the Interstate Commerce Commission and put it under some executive Department. The very theory is to have them independent.

Mr. WHEELER. Exactly, and that is true with reference to numerous other boards, and many people have come to me about it. Many of these boards were established as independent agencies, and were so established because Congress wanted to do exactly the thing which the Senator has expressed, and for the very reasons he has given. It is not possible to exclude one particular agency or another particular agency and have assurance from the White House that some other agency will not be included. Someone will call the White House and say, "I have assurance that such and such a thing will not be done." I offered the amendment so that the Congress itself may retain the right to say whether or not any of these independent agencies shall be put under the executive departments.

Mr. NORRIS. I shall discuss the Senator's amendment when I get through the preliminary remarks I am making. When the Senator first offered his amendment, before the

bill had been changed, I was inclined to support the amendment, and I would have voted for it if several corrections had not been made in the bill which I think make the Senator's amendment unnecessary.

I do not believe all this talk about seeing the President and being assured that this is not going to be done or that that is going to be done. I take those statements with several grains of salt. I would not ask the President what he was going to do in a matter of this kind. I believe that if I did he would not tell me. He should not tell me. He should not tell anyone, because if he does, at the very beginning we will get into the same difficulty that I am afraid the Senator's amendment would get us into afterward.

Mr. WHEELER. Mr. President, may I interrupt the Senator again?

Mr. NORRIS. Certainly.

Mr. WHEELER. I agree with the Senator entirely; I would not ask the President for any assurance, but on the floor of the Senate it has been stated on two different occasions, if not three, that certain Senators have received assurances.

Mr. NORRIS. I understand.

Mr. WHEELER. And that for that reason they have changed their minds. Are we going to legislate because Senators receive assurances?

Mr. NORRIS. No; but I have not heard anyone on the floor of the Senate state that he got any assurance from the President. One may get assurance from what the President said in the past, perhaps, when this was not an issue, as to what he thought ought to be done, and one might rely on that, and one has a perfect right to rely on the position he was taking then, and think that it would govern him in this matter. But I do not believe the President has given any assurance to anyone.

Mr. WHEELER. One Senator said on the floor of the Senate that he got an assurance, and then another Senator stated that he got an assurance.

Mr. NORRIS. Did they say where they got the assurance?

Mr. WHEELER. The Senator is not so naive as his question would indicate.

Mr. NORRIS. I am just that naive. I do not believe any Senator has received any definite assurance from the President as to what bureau he is going to put in any particular place or in any department.

Mr. WHEELER. I cannot argue that with the Senator.

Mr. NORRIS. The Senator can argue it with me, but it seems to me that if we are to proceed on the theory that every man with a pet bureau is going to be assured in advance that it will not be interfered with, we might just as well vote the bill down, and have no reorganization.

Mr. WHEELER. That is what is being done.

Mr. NORRIS. I do not think so.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. MINTON. It has been openly charged on the floor of the Senate, as I understand, not that the President, but that someone in some of the Departments was in favor of transferring the Forest Service from the Department of Agriculture to the Department of the Interior. That was supposed to be one of the devious, dark, deep purposes of the bill; they were going to assassinate the Forest Service, and put it in the Department of the Interior. That has been openly charged. Senators who are interested in that matter who live in the West have been bombarded with the propaganda which is getting well under way about the bill, to the effect that that was one of the purposes. They stirred up the people in the far West about the question of forestry until Senators became very much concerned about it, and of course contacted the Department to determine whether or not it was the intention and purpose to do the thing which it was said they were going to do.

Now we have it from at least two Senators—I have heard at least two Senators make the statement—that they had information that there was no intention to do this dastardly, cowardly, scuttling thing that was threatened to the Forest Service.

Mr. NORRIS. Mr. President, I do not believe any such information that is in circulation as to what the President is going to do with this bureau or that is founded on anything more than information someone may get in the way the Senator from Indiana has suggested. One might know how the President feels, he might know how he felt 10 years ago about a certain thing involving a certain bureau, and he could judge from that what he would do with it. But if this bill becomes law, probably after it becomes law, the President will study these various questions. Perhaps he has studied them already; I do not know. Perhaps he could send in an order the day after the bill became a law, though I do not believe it. Probably in a great many instances the President does not now know, probably in some instances does not have any idea, what he is going to do with this bureau or that bureau, or whether it is going to be possible to do anything.

I am laboring under the impression that many governmental bureaus and offices ought to be reorganized. I am of the belief that the proper body to reorganize them—if it could act intelligently—would be the Congress of the United States, which set them up. But I am of the opinion, and I think it is agreed to by practically everyone, that that would be an absolute impossibility.

We set up the Interstate Commerce Commission and delegated to them some authority. We have had the right to take up in Congress everything that has ever come before the Interstate Commerce Commission. We have had jurisdiction, and could have put in the form of law what they have done. But everyone knows it would be a physical impossibility for Congress to perform all those duties with any intelligence whatever. That is true of a good many other cases where Congress has delegated its authority.

Congress must delegate to someone its authority to reorganize governmental bureaus and offices. It seems to me that the best decision, the proper step, would be to delegate the power to the President. We might delegate it to some commission, or something of the kind, but it is not claimed that the President is going to abuse the power in any arbitrary way; it is not claimed that he has his mind made up now that he is going to ruin every bureau in the Government of the United States if he is given the power. He does not ask for the power particularly, but someone has to have the power if the action is to be taken, and if it is worth doing at all, we have to delegate the power to someone to do it.

Mr. WHEELER. I do not think anyone disagrees with the statement of the Senator. Certainly I do not. No one thinks the President is going to be guilty of any skullduggery. We are willing to delegate the power to him, but we want to say to him, before these important bureaus are transferred, that at least the Congress should have some little power to say whether or not our constituents and the people of the country generally are going to be injured because bureaus or agencies might be put under some department which would be adverse or unfriendly to them.

Mr. NORRIS. As I stated before, I had intended to take up that question, and I might as well take it up now.

Mr. MINTON. Mr. President, will the Senator yield to me a moment before he does that?

Mr. NORRIS. I yield.

Mr. MINTON. When we give to the Interstate Commerce Commission and the Federal Trade Commission, and all the other agencies, large legislative power—and that is all it is—we never ask them to resubmit to us for our approval the action taken by them before it becomes effective, do we?

Mr. NORRIS. No.

Mr. MINTON. Did the Senator ever think Congress was doing an improper thing in placing that kind of power in the hands of the Federal Trade Commission, or the Interstate Commerce Commission, to be exercised without their coming back to Congress for approval of their acts after they had decided on something?

Mr. NORRIS. With the theory of the Senator from Montana I do not disagree. It is a beautiful theory. But

if such a theory had been carried into effect it would have precluded the establishment of the Interstate Commerce Commission when that Commission was organized.

It is admitted, I think, to begin with, that Congress cannot effect reorganization and place the bureaus where they ought to be and properly divide up their functions. The amendment of the Senator from Montana contains some attractive features, I admit. I would gladly support it if it were not for the many amendments that have already been placed in the bill, and because of one which still remains to be acted upon, as I understand.

Mr. President, in all, there are over 150 bureaus and agencies that will be affected by reorganization. The orders which the President will send to the Congress will probably be strung out over the remainder of his term of office.

Incidentally, let me say that I would not give the proposed power to anyone permanently. I think it is necessary to delegate the power now in order to put the bureaus on a more businesslike basis. Even though the amendment of the Senator from Montana were agreed to, and the time within which the Congress could act were limited, yet, if the President sent in the orders required to bring about reorganization, Congress would not have time to do much else than to discuss the orders with respect to reorganization. We would have to take them up and pass upon them. I am not objecting to that provision. The orders ought to be taken up immediately after they are presented to Congress. However, I can see that it would mean the elimination of nearly all other business in Congress in order to act on those orders.

Mr. President, for sometime past the Senate has been engaged in discussions with reference to various bureaus. We have found that Senators disagree with respect to the effect of this measure on various bureaus. The same disagreement will be found to exist in the House with respect to almost every bureau in the Government. Suppose the Senator's amendment were agreed to, and under one of its provisions the Senate should take up 10 days in considering each order which came to us from the President. In the aggregate there will be from 150 to 200 such orders. If Congress were to give 20 days' time to discussion of each order, what could Congress accomplish in the way of consideration of any other legislation? I admit that I have given the extreme example. Probably as many orders as I referred to will be sent to Congress, but the full time of 10 days in each House will not be consumed with respect to each order. However, I know, judging from the disagreement which has already taken place, and the amount of debate we have had up to this time, that so much time would be spent in considering each order that practically all the time of Congress would be consumed in considering the President's orders.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. WHEELER. The Senator does not for one moment think that the present President in the remaining 3 years of his term is going to be able to reorganize the departments of Government on a Utopian basis, and that there will be no need for reorganization, in order to save money and in order to promote efficiency, during the next 10 or 15 years, does he? If Congress gives this power to one President why should Congress not grant the power permanently to the Executive, and after we have granted that power say, "We give you the power to go ahead and reorganize in any way you see fit." I would not do that if Mr. Hoover were President, and I do not think the Senator from Nebraska would.

Mr. NORRIS. No.

Mr. WHEELER. And I would not do it if Mr. Coolidge were President, or if Mr. Harding were President.

Mr. NORRIS. I should like to answer the Senator before he goes so far from his original question that I forget the point he is making. I shall ask the Senator to repeat the question.

Mr. WHEELER. I stated a moment ago that many persons have said that Congress is so busy it cannot take care of the proposed reorganization. Certainly the President of the United States is a very busy man. He is not going to be able to reorganize bureaus and agencies of Government and put them all on a utopian basis in the 3 years remaining of his term.

Mr. NORRIS. I have the Senator's question now. It may be that the President will make some mistake with respect to reorganization. However, Congress has not closed its doors. Suppose the President does make mistakes—and I assume he will make some—and do some things that I will not like and perhaps the majority of the Members of Congress will not like. It will be perfectly legal for us at any time to take a bureau that he transfers to one department, and by act of Congress place it in another department. Congress can do that if it wishes to. The President's action in that respect is not final.

Mr. WHEELER. No; but the President can veto the bill passed by Congress, and then Congress will be obliged to override the veto by two-thirds majority.

Mr. NORRIS. Of course, the same action will have to be taken with respect to it as with respect to any other law. But we have not foreclosed ourselves. We have not closed the doors to making any reform we may deem necessary to make in the future. As time goes on we shall no doubt establish many more independent bureaus, which we may wish to have consolidated at some time, and we can confer the power to do that upon the President, with such limitations as we may want to make, and as we are making in this bill. I think we ought not to proceed on the theory that what the President does, if he does anything under this measure, is final, and that whatever action he takes must forever remain the law, and that Congress will be helpless.

Mr. President, we established these bureaus in good faith. We put them in one department or in another department. In the judgment of Congress, we did what we thought was right. We have since found that the functions of various agencies are overlapping, and that all manner of confusion exists. We have found that a reorganization is required in order to place the various bureaus on a proper basis. It is my belief—I may be wrong in that belief—but it is my belief that as a practical proposition, if the Senator's amendment is adopted, we shall find that Congress will have all its time taken up in consideration of the orders sent in to Congress by the President. We shall find that all the time of Congress is taken up simply in considering those orders, to the detriment of appropriation bills and all other kinds of legislation.

One reason why the consideration of the President's orders would interfere with the other business of the Congress is that when the orders come in, under the amendment of the Senator—and I approve of that portion of the amendment—it is necessary, if we are to have effective action, to take action immediately. It will be impossible for Congress to attend to the regular order of business which ought to be attended to in the way of consideration of appropriation bills and other legislation.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BARKLEY. It has been stated, and it is true, of course, that in addition to all the bureaus that are already allocated in various departments, there are some 135 independent bureaus and agencies in the District of Columbia that are not in any department at all. It might be possible for the President in one comprehensive order to allocate all these bureaus to some department, but it is hardly conceivable that the President would do it in that way. So every week, beginning at the opening of the next session of Congress, or any session, the President might send to Congress a proclamation locating some of these independent bureaus in some department. Even under the amendment of the Senator from Montana, which requires a vote in one House within 10 days, and in the other House within 10 days later, making 20 days in all, if the President were to send a proclamation to Congress every week, allocating some of these bureaus separately to some departments, it is entirely possible that the whole session of a Congress might be taken up in arguing whether these bureaus are to be located where

he is putting them, or whether they ought to be located anywhere.

Mr. NORRIS. I think that is possible.

Mr. BARKLEY. And if the President should send all of them up in a single comprehensive order——

Mr. NORRIS. Then we would have a pork barrel.

Mr. BARKLEY. Then we would have a pork barrel, and under the amendment offered by the Senator from Montana we would have to vote on the order, up or down, without amendment, just as we do with regard to conference reports, so that a Member who was dissatisfied with the allocation of one single bureau, but satisfied with the allocation of all the other 134 bureaus, in order to defeat the transfer of the bureau in which he was particularly interested would have to vote against the whole proclamation in order to accomplish his purpose.

Mr. NORRIS. As I said, I do not think that will happen; but it could happen.

Mr. BARKLEY. I do not think it will, either, but it could happen.

Mr. NORRIS. If such a comprehensive order were made, it would be a good deal like one of the old river and harbor bills. It would be a good deal like a public-buildings bill. A majority of the Members of the Senate and the House would have to be satisfied with the President's order. Members would vote against the entire order unless they were satisfied with respect to some particular pet bureau they had in mind. That would be the only way they would have to express themselves. The order could not be amended. It would have to be voted up or voted down as a whole.

Mr. BYRNES. Mr. President, I certainly agree with the Senator that the language of the amendment is "a joint resolution specifically approving such Executive order."

I should like to ask the Senator whether he has given consideration to the question of the rules. The Constitution provides that each House "may determine the rules of its proceedings." When the House meets, it must establish rules governing its proceedings during the next Congress. If the Wheeler amendment were enacted, and if the House adopted a rule to the effect that joint resolutions, like bills, were open to amendment, could the action of the present Congress in passing this bill prevent the House from exercising its constitutional authority to adopt its own rules when the House meets for the next Congress?

Mr. NORRIS. As an abstract proposition, I should say not. I will say to the Senator, however, that I expressed my views about the rules when the Senator from Nevada [Mr. PITTMAN] had the floor earlier today. I do not believe either House of Congress may adopt a rule which conflicts with the law. The law must be observed by each House of Congress, so far as its rules are concerned.

Mr. BYRNES. Pursuant to constitutional authority, each House may "determine the rules of its proceedings."

Mr. NORRIS. Probably there are exceptions to it. Perhaps I ought to modify my statement. There is a constitutional provision to the effect that "each House shall be the judge of the * * * qualifications of its own Members." We may not pass any law, and we may not make any rule, which would violate that constitutional provision. A rule or a law would be in the same category. It seems to me we may not violate the constitutional provision.

Another constitutional provision is that one-fifth of the Members present in either House may demand a roll call. We may not pass a rule to avoid that provision. Neither may we pass a law to avoid it. The constitutional provision is higher than a rule or a statute.

Mr. BYRNES. In connection with cloture, I wonder if the Senator is of the opinion that Congress, by a simple majority vote, could provide that cloture could be applied in the Senate regardless of the rule of the Senate adopted pursuant to the constitutional provision.

Mr. NORRIS. I think it could. I think if Congress passed a law which provided that no one in the Senate or in the House should speak more than 1 hour on any question, it would be the law, and it could not be violated by a rule of the Senate. That is an offhand, "curbstone" opinion.

Mr. BYRNES. Let us assume that we should adopt such a rule pursuant to the constitutional provision. As I understand, the Senator does not believe that such action of the Senate pursuant to the constitutional provision would govern the proceedings of the Senate. I know the Senator says it is an offhand opinion.

Mr. NORRIS. I do not know that I care to argue it; but a while ago, when the Senator from Nevada [Mr. PITTMAN] had the floor, I expressed the opinion that if either House had the authority by rule to nullify the Constitution or a statute of the United States, it could repeal practically every statute on the statute books, and likewise could repeal nearly every provision of the Constitution, by a simple rule, on the ground that the Constitution gives us the authority to make our own rules.

Mr. BYRNES. I agree with the Senator; but I should say that any rule adopted by the Senate pursuant to the Constitution would be valid, and no statute could defeat the right of the Senate to adopt its own rules under the constitutional provision.

Mr. NORRIS. The Constitution gives us authority to adopt rules. The Constitution also gives us authority to be the judge of the qualifications of our own Members. That authority could not be taken away by statute. It exists by virtue of the Constitution.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. BARKLEY. If we could abrogate or nullify by statute the constitutional right of each House to adopt its own rules in a particular case, such as the joint resolution referred to in the amendment now pending, we could by statute enact a law which would bind both Houses with respect to all their rules of procedure on any sort of legislation. Could we not pass a law making the rules of the House and the Senate identical with respect to all matters?

Mr. NORRIS. Probably we could. Let us take the other side of the question. If we are to regulate the country by rule, could we not adopt a rule providing that when any bill comes to the Senate from the House it shall lie on the table for 30 days, then be referred to a committee, that the committee shall be powerless to report it for 30 days more, and that when the bill comes on the floor of the Senate it shall not be voted on for another 30 days, or 60 days, even though a statute fixed the procedure by which such matters should be considered?

Mr. BARKLEY. I suppose that when the Constitution provided that each House should fix its own rules of procedure it took the chance that the Senate or the House might be foolish in the determination of its rules.

Mr. NORRIS. No; I think it took the chance that it would not be foolish.

Mr. BARKLEY. That is just what I was about to say.

Mr. NORRIS. Yes.

Mr. BARKLEY. Of course it would be possible for the Senate to provide by rule that a bill coming over from the House shall not be referred to a committee for 30 days, but shall lie on the table; that it shall then be held in committee for 30 days; and then it shall not be passed for 30 days more. That, however, would be a ridiculous exercise of the constitutional authority to establish rules.

Mr. NORRIS. The same thing is true of any activity of Government. The Constitution makes the President the Commander in Chief of the Army and Navy. Everybody knows that with that power in his hands, in 30 days he could make war against all the world, or any part of the world. He could go so far that we could not get out of what he had done. Everybody knows that the Constitution says that we shall be the judge of the qualifications of our own Members. If a man came here who was a Democrat, we could say, "We will not take him in because he is a Democrat." We could keep him out because of his color or because of his nativity.

We could keep him out by reason of his age. We could do any ridiculous or foolish thing we chose to do; but it is impossible to put together a government on paper without having all those possibilities. If power is to be given to any-

body to do anything under a government, it is possible for him to misuse and abuse the power and make it disreputable and destructive.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Texas.

Mr. CONNALLY. I am very much interested in the Senator's discussion of the constitutional provision giving the Senate the power to make its own rules. That power is not in anywise limited or restricted. If the Senate should foolishly adopt a rule such as the one suggested by the Senator from Kentucky, providing that a bill shall lie on the table for 30 days, and then go to a committee for 30 days, no power on earth could prevent it.

Mr. NORRIS. I agree with the Senator.

Mr. CONNALLY. Any power which the Constitution gives to Congress, when properly exercised, is just as strong as the Constitution itself, is it not?

Mr. NORRIS. Yes.

Mr. CONNALLY. So if we should enact a statute providing the manner in which a bill should be considered, so long as the Senate observed the statute and did not adopt a rule contrary to it, of course, the statute would be a rule of this body. But if the Senate should decide, under its constitutional authority, to adopt such a rule, the Rules Committee could bring in a resolution providing the manner in which a bill should be considered, thus overturning the statute. Will not the Senator agree to that?

Mr. NORRIS. Yes.

Mr. CONNALLY. That is true, is it not?

Mr. NORRIS. That is true. There would be a conflict.

Mr. CONNALLY. And the constitutional provision would override the statute.

Mr. NORRIS. We cannot change the Constitution, so far as I know.

Mr. CONNALLY. Certainly not.

Mr. NORRIS. There is no provision in the Constitution giving any Federal official anything to do which we could not disregard if we wanted to do so. Suppose a Governor appointed somebody who was only 15 years old to fill a vacancy in the Senate. The Senate is the judge of the qualifications of its own Members. It is supreme. There is no appeal. When the Senate decides such a matter, it is ended. The Constitution plainly states what the age must be. But suppose the Senate, in passing on the question, should say, "We will accept this 15-year-old boy and make him a Senator." What power could change it? Is there anybody in our Government who could change it? The Senate would have decided it. Everybody might say, "The Senate itself has violated the Constitution." What of it? The Constitution gives the Senate authority to pass upon the qualifications of its own Members. When the Senate decides such a question, that is the end of it.

The Supreme Court is given certain authority under the Constitution. Suppose the Supreme Court should hold unconstitutional every act passed by the Congress. What could we do about it? It would be foolish, it would be silly; but the Supreme Court has the power to do it. So, in order to have power to perform the functions of their offices in a decent, methodical way, the Supreme Court must have power which, if abused, might make them and the country ridiculous.

Mr. President, I have been diverted from what I was saying to a discussion of the rules; but that, in my judgment, has not much to do with this question. While the amendment of the Senator from Montana has some good features, and if the bill in its original form was now under consideration, I would heartily support it; yet, in view of the amendments which have been adopted to the bill, it seems to me it is not necessary to run the chances of delay and of interference with the public business that I think would follow the inclusion of the amendment in the bill.

I felt before this bill was really whipped into shape by the committee that there were a good many things in the measure as it was originally drafted that I could not support. I said so frankly. The bill as it was originally introduced proposed to give power to the President to change functions; that is, to change laws. I do not think any President should have such authority under this kind of an arrangement, and I would have voted, if that provision had remained in the bill, for the amendment of the Senator from Montana. But, under the bill, if it should be enacted as it now stands, as I understand it, the President would have no authority to change any law.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. HATCH. The provision to which the Senator has just referred, and which he says would have given the President the authority to change the law, was even stronger than that, for it would have given the President absolute authority to repeal existing legislation.

Mr. NORRIS. Yes; I think it would.

Mr. HATCH. I merely observe that my thought had been until the change was made that, instead of voting for the amendment, I would have to vote against the bill, if that provision had remained in it, and to have tried to prevent its passage.

Mr. NORRIS. I did not understand the Senator's suggestion.

Mr. HATCH. It is immaterial, because of an amendment which has been adopted to the bill; but my thought was that the bill, with that provision in it, should have been entirely defeated.

Mr. NORRIS. Yes; I would have voted against the bill if that provision had remained in it, if there had not been placed in it also an amendment such as that of the Senator from Montana.

Mr. ELLENDER. Mr. President, I have been listening to the debate on the pending bill for the last several days and I fail to understand why there should be so much disagreement regarding it, in view of the fact that most Senators seem to feel that a bill providing for a method of reorganization of the executive and administrative departments of our Government should be enacted by the Congress. If we are to provide means so that the executive branch of our Government may place its house in order, then I contend that the Chief Executive should be afforded broad powers. The amendment of the Senator from Montana [Mr. WHEELER] would leave the Chief Executive at the mercy of either House of the Congress. A mere joint resolution passed by either branch of Congress against any proposed reorganization plan could thwart the President in his effort to provide better methods of administering the executive branch of our Government, of which he is the head. Let us not overlook the fact that under our form of government we have three distinct branches: one that enacts the laws; another that takes care that all laws are faithfully executed, and the third whose function is to judicially interpret them when they are contested.

It has been said by many Senators that if this bill should pass it would take away from the Congress much of its legislative powers. I cannot subscribe to that statement. There is no place in the Constitution which provides for a War Department; there is no place in the Constitution which provides for a Department of Agriculture, or for a Department of Commerce, or for a Department of the Interior, or, in fact, any other branch of our executive department. Yet the Congress has seen fit from the time it was organized until today to establish these various departments. Thus the departments are creations of Congress, and the President himself cannot exercise powers beyond those that are vested in him either by the Constitution or by the laws passed by Congress in the creating of executive branches and agencies of the executive department.

The Department of State, for instance, was organized in 1779. Then the Treasury Department was organized, then the War Department, then the Department of Justice, and then the Post Office Department, and so on. Why was it necessary to create those Departments? It is my understanding that they were created in order to relieve the President of the burden of the details of administration of the executive branch of our Government; that is all.

What does the pending bill propose to do? The President of the United States must, under our Constitution, take care that the laws passed by Congress be faithfully executed; he is the chief administrator of our Government. All that this bill proposes to do is to permit him to decide whether or not, under specific limitations, some of the bureaus or commissions or agencies of the Government shall be consolidated or reorganized or shall be placed under the jurisdiction of a particular department that is now in existence.

In any event the laws that have been passed by the Congress must be observed; they must be executed by whoever is at the head of the department. Whether the Forest Service, let us say, be transferred from the Department of Agriculture to the Department of the Interior, or to any other department, what difference does it make? Let us forget the person who will be designated to administer the law, and what have we left to argue about? It is certain that the President would not have the authority to change the laws pertaining to forestry, and whoever would have the actual administration of such laws would have to follow the strict letter of the laws as laid down by the Congress. In other words, no matter who administers the law, he must adhere to the recommendations of the Congress. That is how far any administrator or executive may go and no farther. I ask how can it be argued that the Congress is losing its powers to legislate? I contend that the Congress still retains its rights to legislate and it may enact the laws as it sees fit and the executive must administer them as laid down by the Congress.

I say to the Senate that if we forget the human element, that is, the person or persons who are to administer the laws, then, we can solve the problem, because the law is there to be administered; and whether it is administered by the Senator from Arizona [Mr. ASHURST] or the Senator from Indiana [Mr. MINTON] or the Senator from Wisconsin [Mr. LA FOLLETTE], or anyone else, still the administrator has to follow the dictates of Congress, and the Congress itself has the right to amend the law and specify what the administrator is to do.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield for a question.

Mr. MINTON. While the Senator was an officer of his own State and his own State legislature, did he not have some experience with the reorganization of his own State government? Will the Senator give us the benefit of his experience in that line?

Mr. ELLENDER. I may state to the Senator from Indiana that prior to the advent of Huey Long there was a great deal of dissension among the various departments of my State. The heads of the departments were elected by opposing factions. The secretary of state did not try to coordinate his work with that of the secretary of agriculture; the secretary of agriculture did not try to coordinate his work with that of the treasurer or the auditor; the treasurer did not try to coordinate his work with that of other departments. Thus the business of the State lagged. The departmental heads did not try to help each other. They were at odds. They were jealous of each other's rights. With practically the same amount of money being spent by the State of Louisiana, three times the amount of work is now being done by our chief departments of state.

I can remember, as a lawyer, going to Baton Rouge to try to locate a copy of an act of incorporation. I could not get that information from the secretary of state for 2 weeks. Today, such information can be obtained in less than 10 minutes. You can put your fingers on it at once. We now have efficiency in the various departments of the State of Louisiana, and the various officers cooperate with each other. They work together. I have never seen anything like it in the Federal Government. Today, in the Federal Government every departmental head is at the throat of every other departmental head. I found that out last year, in connection with the sugar bill. The Department of the Interior desired that we do a certain thing with reference to the sugar bill. The head of the Department was taking care of the Virgin Islands, the Hawaiian Islands, and Puerto Rico. Then we had the Department of State, Mr. Secretary Hull, who wanted a portion of the sugar quota to use as a football to trade with foreign governments; and we had the Department of Agriculture contending for something else. They were not trying to work for the benefit of the people of the 48 States, but they were trying to use the sugar issue to serve their respective departments. When all those contentions were bared and it was shown that the bill would redound to the good of the people of the United States, the President signed it. Before that, however, I really and truly believe the President was under a misapprehension and that misapprehension was caused by the fight which was being carried on by the various departments mentioned. There was no coordination at all.

In January 1936—stop and listen to this—we had 24 different map-making divisions of the United States Government. Think of that, 24 different little commissions, or boards, or what not, to make maps.

First, we had the Corps of Engineers, War Department.

Second, we had the United States Coast and Geodetic Survey, Department of Commerce, making maps.

Third, the United States Geological Survey, Department of the Interior.

Fourth, the General Land Office, Department of the Interior, the second such division of that Department.

Fifth, the Division of Topography, Post Office Department.

Sixth, the Bureau of Chemistry and Soils, Department of Agriculture.

If you will notice, not only did we have various departments that had to do with the drawing of maps, but we had various divisions in the same department. The Interior Department had two or three such divisions, the Agricultural Department had two or three, and other departments had two or three.

Seventh, the Bureau of Reclamation, Department of the Interior. That is the third one we had under this one department, and yet they were all separate little bureaus or divisions whose duty it was to draw maps. Some were drawing maps for reclamation projects, and others were drawing maps for roads, and others were drawing maps for this and that, when all of the map making could have been supervised under one head, and in that way duplication could have been avoided.

Eighth, the Bureau of Public Roads, Department of Agriculture, the second in that Department.

Ninth, the Office of Indian Affairs, Department of the Interior, the fourth in that Department.

Tenth, the Mississippi River Commission, War Department. That is the second division of the War Department which was engaged in drawing maps.

Eleventh, the United States Lake Survey, War Department. That is the third one in the War Department.

Twelfth, the International (Canada) Boundary Commission, Department of State, another little map-making commission.

Thirteenth, the Forest Service, Department of Agriculture, the third in that Department.

Fourteenth, the United States Hydrographic Office, Navy Department.

Fifteenth, the Military Intelligence Division, General Staff, War Department, the fourth in the War Department.

Sixteenth, the Federal Power Commission.

Seventeenth, the Air Corps, War Department. That is the fifth little map-making division in the War Department.

Eighteenth, the Bureau of Aeronautics, Navy Department, the second in that Department.

Nineteenth, the Bureau of Air Commerce, Department of Commerce, the second in that Department.

Twentieth, the Geographic Section, Department of State, the second in the State Department.

Twenty-first, the Division of Maps, Library of Congress.

Twenty-second, the Bureau of Lighthouses, Department of Commerce, the third in that Department.

Twenty-third, the Tennessee Valley Authority.

Twenty-fourth, the Soil Conservation Service, Department of Agriculture, and the fourth in that Department.

I repeat that we had 24 different divisions which had to do with drawing maps for various departments of the Federal Government, and even in the same department we had as many as five divisions that did the same thing. There is no doubt but that there was a lot of lost motion and by having this work under one head, much duplication was eliminated.

Mr. MALONEY. Mr. President——

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair). Does the Senator from Louisiana yield to the Senator from Connecticut?

Mr. ELLENDER. I yield for a question.

Mr. MALONEY. In view of the large number of investigating agencies that there are in the Federal Government, I wonder if the Senator feels that it would be wise to incorporate all of them under one head.

Mr. ELLENDER. Mr. President, does the Senator mean the agencies appointed by the Senate? Let me ask the Senator from Connecticut what investigating agencies he has in mind.

Mr. MALONEY. We have the Secret Service in the Treasury Department; we have the Bureau of Investigation in the Department of Justice; we have the Postal Inspector Service of the Post Office Department; we have the Inspection Service of the Department of the Interior, and ever so many other investigational services.

Mr. ELLENDER. I am not prepared to answer that question, but I can imagine, for instance, that the Bureau of Investigation in the Post Office Department would require men of different talents than, let us say, the Department of the Interior. In investigating certain mail frauds, or investigating charges made against certain persons, I can conceive that it may be necessary to have under certain departments the separate investigating bodies of which the Senator from Connecticut speaks. On the other hand, because of a great deal of work that may have to be done by a department, I can understand that it may be necessary to have special investigating bodies in that department. I think that statement would apply eminently to the Post Office Department, where complaints are received every day. As to other departments, I believe it may be possible to combine the investigating bodies; and under this bill, if we enact it, the President would have a right to do that.

Mr. MALONEY. Yes; I understand that the President would have a right to do it.

Mr. ELLENDER. I see no objection to it.

Mr. MALONEY. I am asking whether the Senator from Louisiana thinks it would be all right.

Mr. ELLENDER. I think so. I do not see why it would not work.

Mr. MALONEY. The Senator thinks it would be proper and safe, and probably a wise procedure, to delegate to one man the tremendous power of all these investigating police forces?

Mr. ELLENDER. Why not? I ask the Senator, why not?

Mr. MALONEY. I will answer that question in a moment.

Mr. ELLENDER. The question asked involves the same thing that was discussed here yesterday with reference to the Welsh amendment in regard to the Civil Service Commission, about which I propose to speak in a few minutes. It is my honest opinion that one man can do just as well as five men at the head of that Commission and carry on its work just as well.

Mr. MALONEY. I am fearful that he might do it better.

Mr. ELLENDER. I think so, too. I agree with the Senator.

Mr. MALONEY. The Senator is perfectly willing to see that sort of coordination and consolidation?

Mr. ELLENDER. Yes; certainly I am.

Mr. President, the President of the United States, as I pointed out, is the chief administrator of all the laws which the Congress passes that have to do with the operation of our Government. He has supervision of all such matters. On him rests the responsibility of carrying out the dictates of Congress. He has the power to appoint the Secretary of the Treasury, the Secretary of Commerce, and all the various other officers to administer the law. The only reason why that is done is because the President has not the time to go into all the details, and the Congress saw fit to establish the various Departments in order to relieve him of the task of handling the innumerable details of the work placed upon him; but who is finally responsible for the performance of the work? The President of the United States.

Mr. MALONEY. Does the Senator want to relieve Congress of all the responsibility?

Mr. ELLENDER. I am not seeking to relieve Congress of any of its responsibility, because the President has no authority to do anything except what the Constitution tells him he may do and what the Congress says he may do. In other words, let us consider the act establishing the War Department——

Mr. MALONEY. May I interrupt the Senator there?

Mr. ELLENDER. Just a moment. The act establishing the War Department does what? It sets out what the Secretary of War must do. The act establishing the Navy Department sets out what the Secretary of the Navy must do; and the same thing is true in the case of the various other departments. Those departments are creatures of the Congress, and they have no power beyond such authority as the Congress itself gives them. If we lose sight of the human element, what have we left to argue about?

Mr. MALONEY. The Senator from Louisiana seems to overlook the fact that by passing the bill in its present form we are authorizing the President to transfer some of the functions of the War Department, about which the Senator speaks, to the Navy Department.

Mr. ELLENDER. What difference will it make whether Secretary Swanson administers a law that the Congress passes or whether Secretary Woodring administers it? Certainly the Senator will not say that either Secretary Woodring or Secretary Swanson may go beyond the power that is vested in him by the Congress.

Mr. MALONEY. If the argument of the Senator were carried to its logical conclusion, of course, we should arrive at one-man control.

Mr. ELLENDER. We do that when we elect the President of the United States. All that the Congress has done in the past in establishing these various departments and bureaus is to relieve the President, not of responsibility but of the necessity of handling the details of the laws. That is all we have done. If the Senate would only forget the human element, it would take the props from under the whole debate.

Mr. MALONEY. Mr. President, the Senator has insisted two or three times that we should forget the human element. Does the Senator think the human element is of no account?

Mr. ELLENDER. It depends on the standpoint from which we view it. Politically it may make a great difference to some Senators. What I have in mind particularly is, What difference does it make to the people of the Nation whether Mr. Ickes, the Secretary of the Interior, or Mr. Wallace, the Secretary of Agriculture, administers the forest laws, or any other laws pertaining to their respective Departments? What difference does it make, when neither of those gentlemen can go beyond what the Congress says they can do? It does not make any difference who administers the law, does it?

Mr. MALONEY. I am not so much concerned with the Forest Service, of course, as are some other Senators.

Mr. ELLENDER. I refer to any service.

Mr. MALONEY. There are a number of Senators who have declared day after day that they were tremendously concerned as to which department would have charge of the Forest Service. The Senator asked me what difference it made to the people of the country which department administered the Forest Service. There are not many forests in my part of the country, but if my mail is any indication of

the mail that is coming to Senators from places where there are large forestry interests, the people of the country are vitally and tremendously concerned and exercised over which department will administer the affairs of the Forest Service.

Mr. ELLENDER. Mr. President, I may state to the Senator from Connecticut that I have received quite a few letters myself, but I feel that if I were to trace the authorship of those letters it would be found that they came from a large number of officeholders, whose deep concern was really their fear of losing their jobs, because they reason that if the President is given the right and the power to consolidate bureaus or commissions, a few hundred employees here and perhaps 50 there and 50 more some other place will not be retained in dual positions.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MINTON. The Senator will perhaps, upon a little closer analysis, find that a lot of the mail emanated from the propaganda organization of Mr. Frank Gannett, who is out saving the Nation and the Constitution.

Mr. ELLENDER. I do not know about that, but I can trace several letters I have received, and I know they emanated from either job seekers, or people trying to help others to keep their jobs.

The Senator from Indiana [Mr. MINTON] asked me a question a while ago pertaining to Louisiana, and recurring to that, I may say that I was a member of the convention which drafted the present constitution of Louisiana, and we made an earnest effort in that convention to consolidate bureaus and departments of State, and as it finally wound up, all we could do was to give the legislature the power to accomplish this upon a two-thirds vote. How was our effort blocked? It was blocked by a lot of officeholders and obstructionists who came to the convention and prevailed upon the members, knowing that through consolidation, or doing away with this department or that department, they would lose their positions.

The same condition prevails here today. Two hours ago I was asked by certain persons—though I shall not mention the names—if I thought that if the pending bill were passed such and such a department would be consolidated with another or would be done away with. Of course, I did not attempt to answer the question. They said that if the reorganization did not affect their department they would have no opposition to the pending bill. As I stated, the major opposition to the bill, I would say, comes from officeholders, and I think a good deal of it comes from the departments themselves. There is no question about that. They are afraid of losing the little power they now have. That is the sum and substance of the opposition.

I now wish to say a few words with reference to the Civil Service Commission. I am glad that on yesterday the Senate saw fit to vote down the Walsh amendment.

Mr. MALONEY. Mr. President, will the Senator yield to me for just a moment before he begins his statement on that subject?

Mr. ELLENDER. I yield.

Mr. MALONEY. I desire to make a very brief statement.

Mr. ELLENDER. I am glad to yield.

Mr. MALONEY. It appears to me that the speech the Senator is delivering this late in the afternoon is rather clearly an indication that we will not vote on the so-called Wheeler amendment today, and because I shall be compelled to be out of the city tomorrow, at which time there probably will be a vote, I am asking the Senator to let me state that were I able to be present tomorrow I would vote for the Wheeler amendment.

Mr. ELLENDER. Mr. President, reverting to the Civil Service Commission, I have pending before the Senate a resolution to investigate certain functions of civil service, not the Civil Service Commission itself, but the way the civil-service law is being administered by various departmental heads and their subordinates.

I am sure every Senator since he has been in office has received complaints from persons who are employed in the various departments of the Government as to the method of promotion, method of handing out salary increases, the method of punishment, the method of blackening the record, as it were, of some office worker who may not have been liked by his superior. I hope that in due time a committee of the Senate will be permitted to investigate the conditions that now prevail in the departments of our Government under civil service. I bow to no man in the Senate when it comes to the principle of promotion on merit. I should like to see every department of the Government under civil service. I should like to see every department under a merit system, with merit the real guiding factor in promotions, and not personal favoritism as is now shown in so many departments.

When the senior Senator from Massachusetts [Mr. WALSH] was discussing his amendment 2 or 3 days ago, he pointed out that without the Civil Service Commission, as now constituted, some poor girl or some poor boy would have no tribunal before which to plead his or her cause. I doubt if any poor boy or poor girl was ever permitted to go before the Commissioners in order to rectify a wrong which may have been done to him or her in retarding promotion or in rendering punishment. If any employees have ever been accorded this privilege, I have yet to run across them.

Do Senators know how promotions are made in the branches of our Government under civil service today? Here is a typical case of a Government employee who feels he deserves a promotion because of the length of time he has served in the department, or because of the work he has done. First, he is given an application to fill out. On that application it is necessary for him to outline a history of the work he has been doing in the department since first employed. Then there is a section of the application which must be filled out by the person who is the immediate superior of the applicant. Should the applicant not be liked by his immediate superior, or should he in the past have incurred his superior's displeasure, he stands a mighty slim chance of getting a rating consistent with his experience and ability.

When this application is forwarded to the Appeals Board through the proper channels, it is my understanding that the recommendation or condemnation of that immediate superior counts more in influencing judgment than anything that can be submitted to the Board of Appeals.

In the last 6 or 8 months I have had presented to me many cases dealing with the matter of civil service. In some, girls have been in the employ of the Government for as many as 19 years, and have had only one promotion. I feel that either those girls were incompetent, or something was wrong with the promoting authority. I say that that situation ought to be investigated. Provision should be made whereby promotion would be based on merit, and nothing else, and such promotion should not be dependent on the whims of a czar at the head of a department who has the authority to mark the record of the employees either up or down, and who decides whether or not they are entitled to promotion. Of course, I have no other proof but hearsay, but I have been told that in numerous cases promotions depend on the looks of the applicants. I do not have this in writing, but I have been informed that one department head has a fancy for red-headed girls, who are given preference over all others, and added privileges if they happen to be young and attractive. [Laughter.]

I will say to the Senator from Indiana [Mr. MINTON] that I have had cases presented to me showing that employees in some bureaus were asked by the heads of their divisions for loans of money, from a dime on up, and if they refused, or even showed they resented the imposition, it is easy for Senators to imagine what happened when their efficiency ratings were made out, or their applications for promotion acted upon. I have had a number of complaints of that nature.

Senators talk about a system of promotions based on ability. That is what we are supposed to get under civil service. But what we are actually getting is promotions

based on how well the various bureau chiefs and their favored assistants personally like the employees who are under them.

And let an employee who feels he has not been dealt with fairly appeal to his Senator or Congressman for help! Whenever a Senator or Congressman takes part in the controversy, and tries to help his constituent get a square deal, such "political influence" is resented by these little "czars," and is marked against the record of the employee.

As conditions exist now in the various departments, the Government employee has no one to whom he can turn. The Civil Service Commissioners will not help him. The Senators or Congressmen cannot help him. And he is left at the mercy of these little bureaucratic czars.

Mr. President, I assure the Senate that if we were to examine into this question we would find that the civil service is not handled on the basis of merit at all. I will say to the Senator from Oregon [Mr. REAMES] that so far as I am concerned, I would rather have the old spoils system back than to continue under the conditions which now prevail in some departments.

The Senate Committee on Civil Service investigating civil-service administration recently made a report to the Senate. Included in the report is a statement which I submitted to the committee. This is what the committee had to say:

The Senate Committee on Civil Service, to whom was referred the resolution (S. Res. 198) providing for the appointment of a special committee to make a full and complete investigation of the administration and operation of the civil-service laws and the Classification Act of 1923, as amended, having considered same, report favorably thereon, with amendments, and recommend that it do pass.

On page 1, line 1, strike out "three" and insert "five."

On page 2, line 15, insert after the dollar sign "10,000."

The purpose of this resolution is to provide for a thorough investigation of civil-service administration throughout the Federal Government with the view of submitting the committee's findings and recommendations to Congress.

Your committee believes that the desirability of an investigation of this nature will be readily apparent to the Members of Congress who are daily approached by civil-service employees who charge superiors with discrimination, favoritism, and other violations of the purpose and intent of the civil-service law.

Senators, as I said a while ago, I am not complaining of the civil-service laws that are on the statute books, but I am complaining of the administration of those laws. It may be, however, that some amendments may be in order. As I pointed out, when the Senator from Massachusetts [Mr. WALSH] stated that these boys and these girls who are employed by the Government would be denied the right to appear before the administrator, if one administrator were provided for, he is mistaken with respect to what has heretofore been the situation. Few, if any, employees are even given the privilege of knocking on the door of the Civil Service Commission, much less given the opportunity to come before the Commissioners and discuss their cases with them. They are indeed lucky if they even get to confide their troubles to the Commissioners' secretaries.

I call the attention of the Senator from Wisconsin [Mr. LA FOLLETTE] to the fact that I have received letters from civil-service employees complaining that the one who makes the charges against them becomes the judge and the prosecuting attorney, passes upon the cases, and those accused are not even given a chance to deny the charges or defend themselves. Many cases are handled in that way. What happens? Those accused are either suspended for 2 or 3 or 4 weeks, which, of course, results in a black mark being placed against their records, or they are transferred from one department to another and gradually eased out of the service altogether.

That is the reason why in some departments employees have worked for 16 or 17 years and received only one promotion. I am told that because of the worry of some of these men and women with respect to such matters, there are to be found in the insane asylums in Washington many patients who were formerly in the Government service, and who have gone insane because of their worries resulting from being spied upon or watched by this man or that man, or this girl or that girl, or even Negro porters, to see that what they did was done just according to Hoyle, and if it was not, a mark was placed against their record. Every means at their command is resorted to by some higher-ups in order to blacken the records of certain employees should they in any way be in disfavor with those higher-ups. I continue to read from the report:

These charges and the evidence submitted therewith indicate that there has grown up within the civil service a clique of "bureaucratic czars" who, while abhorring "party politics," have worked out a system of "personal politics" whereby personal promotions and salary increases are traded back and forth and their friends and relatives are appointed, transferred, and promoted in complete defiance of the civil-service laws. The worst enemy of effective government and a real merit system is a secret group of this kind responsible to no one and chiefly interested only in personal advancement.

That is the Senate Committee on Civil Service speaking.

If these charges are true, and the voluminous evidence presented to your committee convinces them that in a very large number of cases they are true, then steps should be taken to correct these practices if an effective and unbiased merit system is to be continued in our Government. If they are not true the shadow of suspicion which has been cast upon these officials charged with the administration of the civil-service law and Classification Act will be removed and the public and Congress can go forward with renewed confidence in the efficiency of the civil-service method.

Your committee believes that this proposed investigation is particularly timely. There is a great deal of agitation in Congress and throughout the Nation to extend the civil-service law upward and outward to include all but policy-forming positions within the Federal structure. If these charges of maladministration of the civil service and Classification Act by "bureaucratic czars" are true they should be exposed to the light of public opinion and corrective steps taken before all or any part of the more than 300,000 persons now outside the civil service are included under it. Furthermore, no thorough investigation of the civil-service administration in the several bureaus and departments has been made by any congressional committee in a number of years and with the increased scope of governmental activity and changes in personnel methods it is probable that revisions and amendments to the law are necessary in order that the merit system may be made to comply more closely with modern practices. A thorough investigation should bring to light the shortcomings of the present system and point the way to improvement.

Appended hereto is an excellent statement submitted by Senator ELLENDER, author of Senate Resolution 198, outlining his findings relative to this proposition:

Mr. President, it is not my purpose to delay the Senate by reading the recommendation, but I ask that my statement to the committee may be printed in the RECORD at this point in connection with my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ELLENDER's statement to the Committee on Civil Service is as follows:

Members of the Committee:

The majority of the complaints I have received to date bear against the following three practices in the Government classified civil service:

1. The method used in giving efficiency ratings: It seems that these ratings are meted out by the immediate superior of the worker, and then are subject to juggling either up or down, at the whim of the party next in command. Under this method, a worker has no appeal from the efficiency rating given him. True, he can appeal to his immediate superior, but this usually affords him no relief, as his superior may have been the one who marked him down in the first place, or if not, his superior will usually have to accede to the wishes of the party next above him. The worker may be discriminated against in two ways: First, his immediate superior may take a personal dislike to him, or have some grievance against him, and he can, without fear of contradiction, mark his efficiency rating down; or, second, a worker may receive an "excellent" or "very good" efficiency rating from his immediate superior, yet the man above can mark him down, without any reason whatsoever, and without even being familiar with the employee's work. I am informed that employees are marked down by their chiefs for personal reasons, or for the purpose of keeping down the number of persons who would be eligible for promotions.

2. The method used in awarding promotions: Recommendations for promotions must come from the bureau chiefs, through the immediate superior of the employee, and, therefore, unless a worker can get the "ear" of his immediate superior, he stands little chance of ever securing a promotion. Practically all complainants state that promotions are made "based on not what one knows, but who one knows." It appears that merit plays little part in promotions. Bureau chiefs build up their favorites by giving them high

efficiency ratings, or assigning them work that will lead to promotion by reclassification, and hold down those they have no personal interest in, or against whom there is some grievance, by giving them low efficiency ratings, or by never giving them an opportunity to do a higher class of work.

3. The method used in administering reprimands, demotions, or transfers: The accused are usually charged with some misdemeanor or minor offense, and then instructed to submit in writing their reasons why they should not be reprimanded or disciplined. Then the party who accused them is called before the chief of the bureau, and he presents his side of the case. He usually has the opportunity of passing on the defense submitted by the accused It is rather definitely proven that in most instances the accuser passes final judgment. The accused never gets a chance to refute the charges made against him, nor does he get an opportunity to present witnesses to prove his side of the case. He has no appeal once he has been reprimanded or disciplined. Workers who object to disciplinary measures, or who try to appeal the decision of the bureau chief, or who complain against treatment received from their superiors, are usually "blackballed," and never stand a chance of promotion in Government service. It is stated that these "blackballing" tactics are handed from one department to another, and follow the victim as long as he remains in the Government service.

In addition to the above three complaints, the following must receive consideration:

1. Methods of appointments under civil-service rules: Many have complained of gross mistreatment in this respect. Although at the head of the register for periods of as long as 2 years, and although numbers of appointments have been made from the register, still they have never been called.

2. The method of "blanketing in" employees under civil service: It is claimed that "fixed" examinations are held in many instances, so that a favored few can be sure to make the best grade and be selected, while those who are not in favor are dropped out. It is claimed that the questions are often designed to fit the individuals rather than to cover the requirements of the position in question. I am informed that in many instances the applicants who are taking the examination have aided in drawing up the questions, and also in correcting and grading them.

3. Method of transferring personnel from one department or bureau to another: This usually results in outsiders coming into the bureau and getting all of the good jobs, and thus not giving those in the bureau a chance for the promotion. This does not seem fair to those in the lower brackets, who are working hard and faithfully in the expectation of advancing to better positions. These transfers are usually made when the parties in question are "in" with the bureau chief, or because of political pressure.

4. Too much authority to burden chiefs, with reference to personnel: This results in personal persecutions and intimidations. In most instances, workers have to bow and scrape before their immediate superiors, for fear of losing their favor. Instances have been called to my attention where these superiors regularly call on their assistants for loans, or for personal favors, which of course have to be granted, if the worker desires to retain his chance for promotion.

5. Practice of raising salaries of bureau chiefs and their assistants, while workers in the bureau are denied salary increases due to "lack of funds": This practice seems to be prevalent throughout the departments. The bureau chiefs and their assistants have no hesitancy about raising their own salaries regularly, and seem always able to find funds for this purpose; but when approached by the lower-grade workers, they invariably offer the excuse that "Congress did not appropriate enough money to give you a raise." I have had cases called to my attention where workers have been in the Government service for as long as 17 years without being granted an increase in salary, while others have come into the service within recent years and have received salary increases and promotions in grade. Personal dislike of the immediate superior is the reason assigned for this discrimination.

Mr. ELLENDER. In that connection, Mr. President, I ask that Senate Resolution 198, to investigate the administration and operation of the civil-service laws and the Classification Act of 1923, as amended, be printed in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

Senate Resolution 198 is as follows:

Resolved, That a special committee of five Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation of the administration and operation of the civil-service laws and the Classification Act of 1923, as amended, with a view to determining, among other things, (1) the extent to which discrimination is practiced by appointing and supervisory officials with respect to appointments, promotions, transfers, reinstatements, disciplinary action, and allocation of positions in the Government service; and (2) the adequacy of the opportunity for impartial hearing given to employees who are discriminated against with regard to such matters. The committee so appointed shall report to the Senate, at the earliest practicable date, the results of its investigation, together with its recommendations.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate in the Seventy-fifth and succeeding Congresses, to employ such clerical and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $10,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

Mr. ELLENDER. Mr. President, it is not my purpose to go into minute details concerning the bill. I cannot, however, see how Congress is going to lose any of its powers if the pending measure is passed. I repeat that the various bureaus and departments that have been created by the Congress are now administered by certain persons or by certain commissions that are responsive to the President of the United States, and if we remove from the discussion the human element, there will be little left for argument, because it cannot make much difference who administers the laws passed by the Congress, since they must follow the law as enacted by Congress. Every bureau must be administered according to the law, according to the authority that the Congress itself imposes on those who have the right to administer it, and since the President of the United States is the head administrator, and is responsible for the proper execution of the law, I say that he should have the authority and the right to coordinate Government bureaus in such a way as he sees fit.

It is now 5 o'clock and I understand our majority leader desires to recess. I could further discuss the bill, but I can see no necessity for so doing.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Montana [Mr. WHEELER] as modified.

Mr. BARKLEY. Mr. President, I had hoped we might vote on the Wheeler amendment this afternoon, but it is now obvious that we cannot do so. I have consulted the Senator from Oregon [Mr. MCNARY] and others in an effort to see if we cannot vote at a definite time tomorrow. I do not want to shut off any Senator who desires to speak. I myself have no desire to speak. Although I might wish to make a 5- or 10-minute speech on the subject, I am willing to forego that privilege.

I ask unanimous consent, Mr. President, that tomorrow, not later than 2 o'clock, the Senate shall vote on the pending amendment and any amendments that may be offered thereto, without further debate.

Mr. MCNARY. Mr. President, I should like to refer that proposal to the Senator from Montana [Mr. WHEELER], who is just entering the Chamber.

Mr. BARKLEY. I will say to the Senator from Montana that I was just asking for a unanimous-consent agreement to vote not later than 2 o'clock tomorrow on the pending amendment and any amendment that may be proposed to it.

Mr. WHEELER. Mr. President, I should have been willing to vote tonight, or I should have been willing to vote at any time today, but I am unwilling at this time to agree to vote at a definite, specific time.

Mr. BARKLEY. The Senator will recall that yesterday I sought to obtain a unanimous-consent agreement to vote at a certain hour today.

Mr. WHEELER. I was perfectly willing to do so, but I shall have to object to the time being fixed.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

Mr. VAN NUYS, from the Committee on the Judiciary, reported favorably the nomination of Francis C. Canny to be United States attorney for the southern district of Ohio.

Mr. PITTMAN, from the Committee on Foreign Relations, reported favorably the following nominations:

Antonio C. Gonzalez, of New York, now Envoy Extraordinary and Minister Plenipotentiary to Ecuador, to be Envoy Extraordinary and Minister Plenipotentiary of the United States to Venezuela, vice Meredith Nicholson;

Meredith Nicholson, of Indiana, now Envoy Extraordinary and Minister Plenipotentiary to Venezuela, to be Envoy Extroardinary and Minister Plenipotentiary of the United States to Nicaragua, vice Boaz Long; and

Boaz Long, of New Mexico, now Envoy Extraordinary and Minister Plenipotentiary to Nicaragua, to be Envoy Extraordinary and Minister Plenipotentiary of the United States to Ecuador, vice Antonio C. Gonzalez.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state in their order the nominations on the calendar with the exception of the one passed over.

THE JUDICIARY

The legislative clerk read the nomination of Arthur G. Jaeger to be United States marshal for the eastern district of New York.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COLLECTOR OF CUSTOMS

The legislative clerk read the nomination of Margaret M. McQuilkin to be collector of customs for customs collection district No. 48, with headquarters at Salt Lake City, Utah.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

IN THE NAVY

The legislative clerk proceeded to read sundry nominations in the Navy.

Mr. BARKLEY. I ask that the nominations in the Navy be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations in the Navy are confirmed en bloc.

That concludes the calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 52 minutes p. m.) the Senate took a recess until tomorrow, Thursday, March 17, 1938, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 16 (legislative day of January 5), 1938

REGISTER OF THE LAND OFFICE

Loraine Rollins, of Wyoming, to be register of the land office at Evanston, Wyo. (Reappointment.)

POSTMASTERS

ALABAMA

Earle H. Smith to be postmaster at Greenville, Ala., in place of L. M. Lane, resigned.

Robert Rice Hairston to be postmaster at Hayneville, Ala., in place of L. A. Easterly, deceased.

ARIZONA

George C. Wright to be postmaster at Clifton, Ariz., in place of Peter Riley, resigned.

ARKANSAS

Herbert A. Whitley to be postmaster at Bradford, Ark., in place of H. A. Whitley. Incumbent's commission expired January 27, 1938.

Will H. Wardlaw to be postmaster at De Queen, Ark., in place of W. H. Wardlaw. Incumbent's commission expired February 28, 1938.

Earl E. Sterling to be postmaster at Mammoth Spring, Ark., in place of E. E. Sterling. Incumbent's commission expired February 15, 1938.

Don N. Matthews to be postmaster at Yellville, Ark., in place of D. N. Matthews. Incumbent's commission expired February 28, 1938.

CALIFORNIA

Harold V. Tallon to be postmaster at Jackson, Calif., in place of H. V. Tallon. Incumbent's commission expired February 5, 1938.

Alva A. Fields to be postmaster at Modesto, Calif., in place of A. A. Fields. Incumbent's commission expired February 5, 1938.

Albert LaVerne Swanson to be postmaster at Crows Landing, Calif., in place of I. M. Fink, deceased.

Adda B. Ruth to be postmaster at Mecca, Calif., in place of S. K. Fry, resigned.

James Joseph Britt to be postmaster at Monterey Park, Calif. Office established.

Knox Lofland to be postmaster at Yermo, Calif., in place of J. F. Wallahan, resigned.

COLORADO

Benjamin H. Snyder to be postmaster at Gunnison, Colo., in place of M. J. Schmitz, resigned.

Grace M. Crouse to be postmaster at La Veta, Colo., in place of G. M. Crouse. Incumbent's commission expired February 1, 1938.

Lulu C. Marold to be postmaster at Saguache, Colo., in place of L. C. Marold. Incumbent's commission expired February 1, 1938.

Ben B. Beshoar to be postmaster at Trinidad, Colo., in place of B. B. Beshoar. Incumbent's commission expired February 1, 1938.

Matthew W. Huber to be postmaster at Victor, Colo., in place of M. W. Huber. Incumbent's commission expired February 1, 1938.

CONNECTICUT

Samuel Morgan Bella to be postmaster at Centerbrook, Conn., in place of S. T. Platt, removed.

FLORIDA

Katherine S. Grey to be postmaster at Atlantic Beach, Fla. Office became Presidential July 1, 1936.

Jefferson Gaines to be postmaster at Bocagrande, Fla., in place of Jefferson Gaines. Incumbent's commission expired February 10, 1938.

Betsy R. Rives to be postmaster at Dunedin, Fla., in place of B. R. Rives. Incumbent's commission expired February 10, 1938.

Emma S. Fletcher to be postmaster at Havana, Fla., in place of E. S. Fletcher. Incumbent's commission expired February 10, 1938.

Morton O. Brawner to be postmaster at Pensacola, Fla., in place of M. O. Brawner. Incumbent's commission expired February 10, 1938.

GEORGIA

Marion C. Farrar to be postmaster at Avondale Estates, Ga., in place of M. C. Farrar. Incumbent's commission expired February 28, 1938.

Olin L. Spence to be postmaster at Carrollton, Ga., in place of O. L. Spence. Incumbent's commission expired February 28, 1938.

Ruth A. Redmond to be postmaster at Chatsworth, Ga., in place of R. A. Redmond. Incumbent's commission expired February 28, 1938.

John A. Walker to be postmaster at Cochran, Ga., in place of J. A. Walker. Incumbent's commission expired February 22, 1938.

Sara B. Green to be postmaster at Fairburn, Ga., in place of S. B. Green. Incumbent's commission expired January 30, 1938.

Fannie M. Vaughn to be postmaster at Jeffersonville, Ga., in place of F. M. Vaughn. Incumbent's commission expired January 30, 1938.

Jane M. Wilkes to be postmaster at Lincolnton, Ga., in place of J. M. Wilkes. Incumbent's commission expired January 30, 1938.

Arthur B. Caldwell to be postmaster at Smyrna, Ga., in place of A. B. Caldwell. Incumbent's commission expired January 30, 1938.

Mamie G. White to be postmaster at Stone Mountain, Ga., in place of M. G. White. Incumbent's commission expired January 30, 1938.

Bertha L. Boyd to be postmaster at Union Point, Ga., in place of B. L. Boyd. Incumbent's commission expired January 30, 1938.

Robert B. Bryan to be postmaster at Wrightsville, Ga., in place of R. B. Bryan. Incumbent's commission expired January 30, 1938.

Paul C. Sewell to be postmaster at Cave Spring, Ga., in place of F. J. Forbes, resigned.

HAWAII

Minoru Tanaka to be postmaster at Hana, Hawaii. Office became Presidential July 1, 1937.

Manuel R. Jardin to be postmaster at Kalaheo, Hawaii. Office became Presidential July 1, 1937.

ILLINOIS

George Racey to be postmaster at Cypress, Ill. Office became Presidential July 1, 1936.

Fabian F. Colgan to be postmaster at Dunlap, Ill. Office became Presidential July 1, 1937.

Clarence B. Muchmore to be postmaster at Charleston, Ill., in place of C. B. Muchmore. Incumbent's commission expired February 15, 1938.

Virginia D. Wall to be postmaster at Nebo, Ill., in place of V. D. Wall. Incumbent's commission expired January 31, 1938.

Ora C. Maze to be postmaster at Tower Hill, Ill., in place of O. C. Maze. Incumbent's commission expired February 15, 1938.

INDIANA

Frank Ulmer to be postmaster at Bluffton, Ind., in place of Frank Ulmer. Incumbent's commission expired February 20, 1938.

Irven V. Tyler to be postmaster at Georgetown, Ind., in place of I. V. Tyler. Incumbent's commission expired February 10, 1938.

Ernest R. Presser to be postmaster at Lapel, Ind., in place of E. R. Presser. Incumbent's commission expired January 31, 1938.

Henry Wyrick to be postmaster at Maywood, Ind., in place of Henry Wyrick. Incumbent's commission expired January 31, 1938.

IOWA

Bernard G. Remmes to be postmaster at Charter Oak, Iowa, in place of E. L. Glau, removed.

Lillian E. Wicks to be postmaster at Minburn, Iowa, in place of M. B. Henderson, resigned.

KANSAS

George O. Hunt to be postmaster at Belle Plaine, Kans., in place of G. O. Hunt. Incumbent's commission expired February 10, 1938.

KENTUCKY

Sara G. Friel to be postmaster at Ashland, Ky., in place of S. G. Friel. Incumbent's commission expired January 30, 1938.

Virginia C. Reynolds to be postmaster at Carlisle, Ky., in place of V. C. Reynolds. Incumbent's commission expired January 30, 1938.

Walter McKenzie to be postmaster at Eubank, Ky., in place of Walter McKenzie. Incumbent's commission expired January 30, 1938.

John S. Hollan to be postmaster at Jackson, Ky., in place of J. S. Hollan. Incumbent's commission expired February 15, 1938.

Robert L. Case to be postmaster at Mount Olivet, Ky., in place of R. L. Case. Incumbent's commission expired January 30, 1938.

Ollie M. Lyon to be postmaster at Olive Hill, Ky., in place of O. M. Lyon. Incumbent's commission expired January 30, 1938.

Fred Acker to be postmaster at Paducah, Ky., in place of Fred Acker. Incumbent's commission expired January 30, 1938.

Lula Sharp to be postmaster at Sharpsburg, Ky., in place of Lula Sharp. Incumbent's commission expired February 5, 1938.

LOUISIANA

Richard M. Almond to be postmaster at Tallulah, La., in place of J. A. Gilbert, deceased.

Blanche E. Tucker to be postmaster at Wisner, La., in place of E. A. Pennebaker, removed.

MAINE

Charles P. Lemaire to be postmaster at Lewiston, Maine, in place of C. P. Lemaire. Incumbent's commission expired January 30, 1938.

MARYLAND

Lewis H. Stoner to be postmaster at Emmitsburg, Md., in place of L. H. Stoner. Incumbent's commission expired February 10, 1938.

Helena R. Guyther to be postmaster at Mechanicsville, Md., in place of H. R. Guyther. Incumbent's commission expired February 10, 1938.

Charles W. Carney to be postmaster at Mount Savage, Md., in place of C. W. Carney. Incumbent's commission expired February 10, 1938.

MASSACHUSETTS

Winona G. Craig to be postmaster at Falmouth Heights, Mass., in place of W. G. Craig. Incumbent's commission expired December 16, 1933.

John E. Roche to be postmaster at Orange, Mass., in place of J. E. Roche. Incumbent's commission expired January 30, 1938.

Florence S. Roddan to be postmaster at Randolph, Mass., in place of F. S. Roddan. Incumbent's commission expired January 30, 1938.

Nellie G. McDonald to be postmaster at Ward Hill, Mass., in place of N. G. McDonald. Incumbent's commission expired January 30, 1938.

Anna A. Tufts to be postmaster at Pocasset, Mass., in place of M. H. Lumbert, resigned.

MICHIGAN

Janet C. White to be postmaster at Essexville, Mich., in place of L. J. Navarre, resigned.

Leo W. Arnestad to be postmaster at Marenisco, Mich., in place of Mayme Arnestad, removed.

Lyman Woodard to be postmaster at Peck, Mich., in place of Wallace Reynolds, deceased.

Bessie May Pomeroy to be postmaster at Sterling, Mich., in place of C. M. Pomeroy, deceased.

Glenn O. Donner to be postmaster at Garden City, Mich., in place of G. O. Donner. Incumbent's commission expired January 30, 1938.

Mary E. Devins to be postmaster at Michigamme, Mich., in place of M. E. Devlin. Incumbent's commission expired January 30, 1938.

George D. Mason to be postmaster at Montague, Mich., in place of G. D. Mason. Incumbent's commission expired January 30, 1938.

Peter Trudell, Jr., to be postmaster at Negaunee, Mich., in place of Peter Trudell, Jr., Incumbent's commission expired January 30, 1938.

Victoria Jesionowski to be postmaster at Posen, Mich., in place of Victoria Jesionowski. Incumbent's commission expired February 15, 1938.

Louis J. Braun to be postmaster at South Range, Mich., in place of L. J. Braun. Incumbent's commission expired January 30, 1938.

MINNESOTA

Mathias J. Olson to be postmaster at Wolverton, Minn., in place of M. J. Olson. Incumbent's commission expired January 31, 1938.

MISSISSIPPI

James M. Thames to be postmaster at Decatur, Miss., in place of J. M. Thames. Incumbent's commission expired January 30, 1938.

John B. Vinson to be postmaster at Magee, Miss., in place of J. B. Vinson. Incumbent's commission expired February 10, 1938.

MISSOURI

Lawrence W. Bartee to be postmaster at Holt, Mo., in place of A. C. Eby, deceased.

NEBRASKA

Glen B. Hill to be postmaster at Arapahoe, Nebr., in place of C. G. Magee, removed.

NEW JERSEY

Martin Kenneth Collins to be postmaster at Marlboro, N. J. Office became Presidential July 1, 1937.

NEW MEXICO

John A. Werner to be postmaster at Albuquerque, N. Mex., in place of R. L. Cook, resigned.

NEW YORK

Fred J. Burns, Jr., to be postmaster at Glenwood Landing, N. Y., in place of J. H. T. Smallwood, removed.

Loretta Patton to be postmaster at Harrison, N. Y., in place of M. A. Blazina. Removed without prejudice April 29, 1936.

James E. McWilliams to be postmaster at Prattsville, N. Y., in place of A. E. Hummel. Incumbent's commission expired April 29, 1936.

NORTH CAROLINA

James A. Bonner to be postmaster at Aurora, N. C., in place of J. A. Bonner. Incumbent's commission expired February 15, 1938.

G. Leslie Hensley to be postmaster at Burnsville, N. C., in place of G. L. Hensley. Incumbent's commission expired January 31, 1938.

Clinton E. Bolick to be postmaster at Conover, N. C., in place of C. E. Bolick. Incumbent's commission expired February 1, 1938.

Vivian T. Davis to be postmaster at Forest City, N. C., in place of V. T. Davis. Incumbent's commission expired February 1, 1938.

Newberry McDevitt to be postmaster at Marshall, N. C., in place of Newberry McDevitt. Incumbent's commission expired February 15, 1938.

Oscar L. Phillips to be postmaster at Matthews, N. C., in place of O. L. Phillips. Incumbent's commission expired January 31, 1938.

Columbus L. Biggerstaff to be postmaster at Rutherfordton, N. C., in place of C. L. Biggerstaff. Incumbent's commission expired February 1, 1938.

NORTH DAKOTA

William Texel to be postmaster at Ross, N. Dak., in place of E. J. McKinnon, removed.

OHIO

Edward V. Hartmann to be postmaster at Holland, Ohio, in place of H. E. Dunn. Appointee not commissioned.

Michael F. O'Donnell to be postmaster at Cleveland, Ohio, in place of M. F. O'Donnell. Incumbent's commission expired February 15, 1938.

Fred W. Justus to be postmaster at Massillon, Ohio, in place of F. W. Justus. Incumbent's commission expired January 30, 1938.

Howard A. Haber to be postmaster at New Lebanon, Ohio. Office became Presidential July 1, 1937.

John Maurer to be postmaster at New Philadelphia, Ohio, in place of John Maurer. Incumbent's commission expired January 30, 1938.

William E. Farmer to be postmaster at Piketon, Ohio, in place of W. E. Farmer. Incumbent's commission expired February 15, 1938.

Albert E. Beardmore to be postmaster at Salem, Ohio in place of A. E. Beardmore. Incumbent's commission expired February 1, 1938.

Theodore A. Lauber to be postmaster at Sandusky, Ohio, in place of T. A. Lauber. Incumbent's commission expired February 15, 1938.

Paul M. Keyser to be postmaster at Shadyside, Ohio, in place of P. M. Keyser. Incumbent's commission expired February 15, 1938.

OKLAHOMA

William J. Allen to be postmaster at Boynton, Okla., in place of E. L. Jacks, removed.

Frank H. Clark to be postmaster at Idabel, Okla., in place of A. A. Westbrook, resigned.

PENNSYLVANIA

Marvin F. Birely to be postmaster at Blue Ridge Summit, Pa., in place of M. F. Birely. Incumbent's commission expired February 1, 1938.

Marion S. Macomber to be postmaster at Delta, Pa., in place of M. S. Macomber. Incumbent's commission expired February 1, 1938.

Charles A. Williams to be postmaster at Gettysburg, Pa., in place of C. A. Williams. Incumbent's commission expired February 1, 1938.

Georgia E. Sweitzer to be postmaster at Newell, Pa. Office became Presidential July 1, 1937.

SOUTH CAROLINA

Thomas B. Hallman to be postmaster at Aiken, S. C., in place of T. B. Hallman. Incumbent's commission expired February 1, 1938.

William Clyde Coward to be postmaster at Cheraw, S. C., in place of W. C. Coward. Incumbent's commission expired February 20, 1938.

John B. O'Neal to be postmaster at Fairfax, S. C., in place of J. B. O'Neal. Incumbent's commission expired February 1, 1938.

Lorna M. Hutson to be postmaster at Hardeeville, S. C., in place of L. M. Hutson. Incumbent's commission expired February 10, 1938.

John W. Willis to be postmaster at Lynchburg, S. C., in place of J. W. Willis. Incumbent's commission expired February 1, 1938.

James M. Muirhead to be postmaster at Mount Pleasant, S. C., in place of J. M. Muirhead. Incumbent's commission expired February 1, 1938.

Lindsay C. McFadden to be postmaster at Rock Hill, S. C., in place of L. C. McFadden. Incumbent's commission expired February 1, 1938.

William S. Gibson to be postmaster at Sharon, S. C., in place of W. S. Gibson. Incumbent's commission expired February 20, 1938.

George C. Cartwright to be postmaster at York, S. C., in place of G. C. Cartwright. Incumbent's commission expired February 20, 1938.

Leamonde Avery Hall to be postmaster at Beaufort, S. C., in place of E. D. Raney, deceased.

SOUTH DAKOTA

Florence M. Langer to be postmaster at Olivet, S. Dak., in place of F. J. Foley, removed.

TENNESSEE

LeRoy J. Eldredge to be postmaster at Hixson, Tenn. Office became Presidential July 1, 1937.

Marvin McKnight to be postmaster at Bemis, Tenn., in place of Marvin McKnight. Incumbent's commission expired January 31, 1938.

John J. Parran to be postmaster at Bolivar, Tenn., in place of J. J. Parran. Incumbent's commission expired January 31, 1938.

James F. Anderson to be postmaster at Cleveland, Tenn., in place of J. F. Anderson. Incumbent's commission expired January 31, 1938.

Etoile Johnson to be postmaster at Doyle, Tenn., in place of Etoile Johnson. Incumbent's commission expired February 15, 1938.

Vola W. Mansfield to be postmaster at Dunlap, Tenn., in place of V. W. Mansfield. Incumbent's commission expired January 31, 1938.

Hugh C. McKellar to be postmaster at Memphis, Tenn., in place of H. C. McKellar. Incumbent's commission expired February 15, 1938.

James H. Davenport to be postmaster at Soddy, Tenn., in place of J. H. Davenport. Incumbent's commission expired February 15, 1938.

Lois McReynolds to be postmaster at South Pittsburg, Tenn., in place of Lois McReynolds. Incumbent's commission expired January 31, 1938.

James R. Hennessee to be postmaster at Sparta, Tenn., in place of J. R. Hennessee. Incumbent's commission expired February 15, 1938.

Raymond B. Gibson to be postmaster at Spring City, Tenn., in place of R. B. Gibson. Incumbent's commission expired January 31, 1938.

TEXAS

Edgar L. Watson to be postmaster at Athens, Tex., in place of E. L. Watson. Incumbent's commission expired February 10, 1938.

John R. Griffin to be postmaster at Blooming Grove, Tex., in place of J. R. Griffin. Incumbent's commission expired February 10, 1938.

Earl E. Frost to be postmaster at Bridgeport, Tex., in place of E. E. Frost. Incumbent's commission expired February 10, 1938.

Minnie P. Irving to be postmaster at Center Point, Tex., in place of M. P. Irving. Incumbent's commission expired February 10, 1938.

Carlos D. Berry to be postmaster at Dawson, Tex., in place of C. D. Berry. Incumbent's commission expired February 10, 1938.

Burwell W. McKenzie to be postmaster at Denton, Tex., in place of B. W. McKenzie. Incumbent's commission expired February 10, 1938.

David F. Stamps to be postmaster at Dime Box, Tex. Office became Presidential July 1, 1937.

Edgar W. Brooks to be postmaster at Eldorado, Tex., in place of E. W. Brooks. Incumbent's commission expired February 22, 1938.

Marie E. Parker to be postmaster at Anahuac, Tex., in place of A. D. Rawlinson, deceased.

Emory D. Cotton to be postmaster at Brownsboro, Tex. Office became Presidential July 1, 1937.

Gordon Keith Denman to be postmaster at Dumas, Tex., in place of Wiley Fox, resigned.

Julius D. Gibbs to be postmaster at Kingsville, Tex., in place of G. C. Hoffman. Incumbent's commission expired February 19, 1936.

Lizzie Faye Grissette to be postmaster at North Zulch, Tex., in place of W. E. Shannon, resigned.

Robert E. Spears to be postmaster at Tioga, Tex., in place of J. P. Sharp, deceased.

Gladys M. Waters to be postmaster at Grandview, Tex., in place of G. M. Waters. Incumbent's commission expired February 22, 1938.

Jennie W. Reynolds to be postmaster at Mason, Tex., in place of J. W. Reynolds. Incumbent's commission expired February 22, 1938.

Bennie H. Larsen to be postmaster at Pflugerville, Tex., Office became Presidential July 1, 1937.

Marcus E. Cannon to be postmaster at Thornton, Tex., in place of M. E. Cannon. Incumbent's commission expired February 10, 1938.

Walter J. Huff to be postmaster at Trenton, Tex., in place of W. J. Huff. Incumbent's commission expired February 10, 1938.

VIRGINIA

Ira D. Newcomb to be postmaster at Clarksville, Va., in place of I. D. Newcomb. Incumbent's commission expired February 10, 1938.

Henry C. Swanson to be postmaster at Danville, Va., in place of H. C. Swanson. Incumbent's commission expired February 10, 1938.

Burley M. Garner to be postmaster at Emporia, Va., in place of B. M. Garner. Incumbent's commission expired February 10, 1938.

James H. Ashby to be postmaster at Exmore, Va., in place of J. H. Ashby. Incumbent's commission expired February 20, 1938.

Wilbert D. R. Proffitt to be postmaster at Highland Springs, Va., in place of W. D. R. Proffitt. Incumbent's commission expired January 19, 1933.

Howard O. Rock to be postmaster at Irvington, Va., in place of H. O. Rock. Incumbent's commission expired February 20, 1938.

Edward L. Graham to be postmaster at Lexington, Va., in place of E. L. Graham. Incumbent's commission expired February 10, 1938.

Margaret H. Hardy to be postmaster at McKenney, Va., in place of M. H. Hardy. Incumbent's commission expired February 10, 1938.

Joseph W. Harvey to be postmaster at Montross, Va., in place of J. W. Harvey. Incumbent's commission expired February 10, 1938.

Leslie N. Ligon to be postmaster at Pamplin, Va., in place of L. N. Ligon. Incumbent's commission expired February 10, 1938.

John P. Mugler to be postmaster at Phoebus, Va., in place of J. P. Mugler. Incumbent's commission expired February 10, 1938.

James V. Lewis to be postmaster at Prospect, Va., in place of J. V. Lewis. Incumbent's commission expired February 10, 1938.

Joseph F. Judkins to be postmaster at Surry, Va., in place of J. F. Judkins. Incumbent's commission expired February 10, 1938.

Jesse F. West, Jr., to be postmaster at Waverly, Va., in place of J. F. West, Jr. Incumbent's commission expired February 10, 1938.

WASHINGTON

Clinton L. Byers to be postmaster at Longview, Wash., in place of L. C. Eastman, removed.

Mary E. Brown to be postmaster at Sequim, Wash., in place of J. K. Carr. Incumbent's commission expired March 29, 1936.

Grover C. Houtchens to be postmaster at Waitsburg, Wash., in place of G. C. Houtchens. Incumbent's commission expired February 15, 1938.

Joshua E. Leander to be postmaster at White Bluffs, Wash., in place of J. E. Leander. Incumbent's commission expired February 28, 1938.

WEST VIRGINIA

Marion L. Taylor to be postmaster at Ansted, W. Va., in place of M. L. Taylor. Incumbent's commission expired February 20, 1938.

Ada B. Steiner to be postmaster at Berkeley Springs, W. Va., in place of A. B. Steiner. Incumbent's commission expired February 28, 1938.

Eulalie B. Wheeler to be postmaster at Elkhorn, W. Va., in place of E. B. Wheeler. Incumbent's commission expired January 31, 1938.

WISCONSIN

Arthur G. Hoskins to be postmaster at Dodgeville, Wis., in place of A. G. Hoskins. Incumbent's commission expired January 30, 1938.

Thomas J. Burns to be postmaster at Oakfield, Wis., in place of T. J. Burns. Incumbent's commission expired February 10, 1938.

Nicholas Lucius, Jr., to be postmaster at Solon Springs, Wis., in place of Nicholas Lucius, Jr. Incumbent's commission expired January 30, 1938.

Martin J. Williams to be postmaster at Winneconne, Wis., in place of M. J. Williams. Incumbent's commission expired February 10, 1938.

C. Kenneth Peisker to be postmaster at Catawba, Wis., in place of F. S. Gruber, deceased.

WYOMING

Clyde M. Elbert to be postmaster at Ten Sleep, Wyo. Office made Presidential July 1, 1937.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 16 (legislative day of January 5), 1938

UNITED STATES MARSHAL

Arthur G. Jaeger to be United States marshal for the eastern district of New York.

COLLECTOR OF CUSTOMS

Margaret M. McQuilkin to be collector of customs for customs collection district No. 48, with headquarters at Salt Lake City, Utah.

PROMOTIONS IN THE NAVY

Jesse B. Oldendorf to be captain.
Walter S. Macaulay to be commander.
John A. Hollowell, Jr., to be lieutenant commander.
Edward R. Gardner, Jr., to be lieutenant commander.
William McC. Drane to be lieutenant.
Perceval S. Rossiter to be medical director.
Albert P. Kohlhas, Jr., to be passed assistant paymaster.
Fred W. Boettcher to be chief machinist.
Martin L. Lince to be chief machinist.
Menard Steltenkamp to be chief machinist.
Charles Henc to be chief machinist.
Edwin W. Streeter to be chief machinist.
Julious H. Ford to be chief machinist.
Miles A. Coslet to be chief machinist.
Ernest A. Koehler to be chief machinist.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MARCH 16, 1938

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Thou, O Lord, art a God full of compassion, gracious, long-suffering, plenteous in mercy and truth. Turn unto us and have mercy; give Thy strength to these Thy servants. Let us beware lest we forget the Lord and diligently keep His commandments and testimonies. Heavenly Father, by doing the things we know to be right and just, may this day yield benefit and subdue fear in our country. Help us to make our ideals come true, bright with cheerfulness and promise. Grant that the mists of doubt may be dispensed with in the light of vigorous, happy faith. Cleanse us from all disobedience and darkness; be our constant guide, and establish Thou the work of our hands. In the name of our blessed Lord and Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by inserting an address made by the Postmaster General.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. TREADWAY asked and was given permission to extend his own remarks in the RECORD.

PERMISSION TO ADDRESS THE HOUSE

Mr. SPARKMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. SPARKMAN. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks at this point in the RECORD and to include therein, or have printed in connection with my remarks, a concurrent resolution which I introduced.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. SPARKMAN. Mr. Speaker, on yesterday I introduced a concurrent resolution providing for an investigation of the T. V. A. by a special committee of five Senators and five Members of this House. The scope of the investigation would be substantially the same as called for in the resolution offered in the other body by Senator NORRIS. There is one additional matter in my resolution—the matter of the location of T. V. A. headquarters. Senator NORRIS is rightfully regarded as the father of the T. V. A. The people of my district nurtured the hope for long years that the Tennessee River would be developed. They welcomed the interest and leadership of Senator NORRIS and have confidence in his leadership at the present time. I have discussed this feature of my resolution with Senator NORRIS, and it is agreeable with him that it be included.

Let me say in the first place that I believe there should be an investigation. I represent the Muscle Shoals district—the original and rightful home of the T. V. A. I believe in the T. V. A., and the people whom I represent—the people among whom the T. V. A. has worked—believe in it. We feel that it has been honestly administered and that differences that have arisen have been honest differences of opinion. There has been no dishonesty or corruption. The internal dissension has been most unfortunate and has reached the stage where an investigation is a necessity.

No true friend of the T. V. A. fears an investigation. However, we want such investigation to be fair, impartial, and unbiased. It should not be simply a mud-slinging affair, a fishing campaign, nor should it be a whitewashing. We who believe in the T. V. A. want it to be complete. It should be held without delay, in order that the great program may continue unimpeded. Whatever house cleaning may be necessary, let us have it, but let us not hinder the program. We have faith in the outcome.

The T. V. A. is a legislative child of both Houses of Congress. I do not believe that the investigation should be conducted by either House alone. For that reason I have provided for a joint committee of an equal number from each House. I do not believe that anyone with a fixed and avowed opinion, either for or against the T. V. A., should be named to the committee but that men in whom the Nation has confidence, and whose findings the Nation will respect, should serve.

I should like to call your attention to the fact that my resolution calls for an investigation not only of the administration of the T. V. A. but also of the harassing activities of the Power Trust in its efforts to hamstring and block the T. V. A. in its program. Let us have all of the facts relating to the T. V. A. operations.

There is one provision of my resolution to which I should especially like to direct your attention. If I asked any one of you where the principal office of the T. V. A. is located, you would immediately tell me that it is at Knoxville, Tenn. From every practical viewpoint you would be correct. Yet, in the act setting up the T. V. A., it was plainly provided:

SEC. 8. (a) The Corporation shall maintain its principal office in the immediate vicinity of Muscle Shoals, Ala. * * *

By no stretch of the imagination could Knoxville, Tenn., be construed as being in the immediate vicinity of Muscle Shoals, Ala. It is 300 miles distant.

The T. V. A. has attempted to meet this requirement by placing a sign over the offices at Muscle Shoals designating one of them as the principal office and by leaving its corporate seal there. This cannot be a reasonable compliance

with the law. It might be a technical compliance with this provision if it stood alone, but there are other provisions that clearly show the intent. There is no ambiguity. It is provided in the same section:

The Corporation shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

It was intended that the T. V. A. would be domiciled in north Alabama—that the main offices, personnel, activities would be there where T. V. A. was born and in the very midst of the whole development.

But, to show further the intent as to the location of the offices, it was written into section 2 (e):

Each member of the Board, in addition to his salary, shall be permitted to occupy as his residence one of the dwelling houses owned by the Government in the vicinity of Muscle Shoals, Ala., the same to be designated by the President of the United States.

What could more clearly show that it was contemplated that the directors should live there and should carry on their work there?

When the T. V. A. program was started Norris Dam was the first big project. While this was in the process of construction we of the Muscle Shoals area did not protest vigorously the maintenance of offices in Knoxville, being told that it was a temporary arrangement because of the nearness to the center of activity. But Norris Dam has long since been completed. Construction started on it in October 1933. Its reservoir began filling March 4, 1936. Then came Wheeler Dam, only 15 miles upstream from Wilson Dam, first of them all. Wheeler Dam was completed June 10, 1937. The next project authorized was Pickwick Landing Dam, some 50 miles down the river from Wilson Dam. This was authorized November 19, 1934, and is now near completion. On November 27, 1935, Guntersville Dam, 74 miles upstream from Wheeler Dam, was authorized. This is still in process of construction. Chickamauga Dam, near Chattanooga, came next, being authorized on January 2, 1936. The sixth T. V. A. construction project was Hiwassee Dam, near Chattanooga, authorized January 10, 1936, and the next proposed project is the Gilbertsville Dam.

These projects are listed to show that any original justification that may have been claimed for placing the main offices at Knoxville, in the face of the very plain mandate of the law, has been removed ever since the Norris Reservoir started filling on March 4, 1936. Every project since that time has been far downstream from Knoxville. In fact, with the exception of Norris Dam, every single project is below Knoxville, the nearest being nearly 100 miles away.

Of the seven projects now completed or under construction, three are in Alabama within a total distance of 90 miles. Two others are just outside Alabama, one upstream and one downstream, and six are downstream from Knoxville. Evidently this situation convinced Congress in the beginning that the logical location for headquarters was in the immediate vicinity of Muscle Shoals, Ala.

The T. V. A. owns ample property there. It owns buildings, and, I am told, could maintain its offices there as intended in the act at an actual saving to the Government. I believe it should do so, and therefore have included it as a part of the matters to be investigated.

The concurrent resolution reads as follows:

Resolved by the House of Representatives (the Senate concurring), That a special committee consisting of five Senators, to be appointed by the Vice President, and five Members of the House of Representatives, to be appointed by the Speaker of the House, is hereby authorized and directed to make an investigation of the operations of the Tennessee Valley Authority, with a view of ascertaining—

(1) Whether said Authority is carrying out with reasonable economy and efficiency the provisions of the Tennessee Valley Authority Act, approved May 18, 1933, and the amendatory act, approved August 31, 1935.

(2) Whether the work of said Authority has been handicapped or interfered with in any way by any internal dissension among members of the Board of said Tennessee Valley Authority; if so, the cause, if any, of such dissension and what effect it has had upon the work of said Authority.

(3) Whether any member of said Board is holding office in violation of subsection H, section 2, of said act; and whether any member of said Board has given aid or assistance, either directly or indirectly, to private power companies in suits for injunctions instituted by said private power companies.

(4) What suits, if any, have been instigated by private power companies in State and Federal courts, praying for injunctions against the activities of said Board; what effect, if any, said injunctions have had upon the carrying out of said act according to its terms; what disposition has been made up to date of said injunction suits; what has been the expense to said Tennessee Valley Authority in defending said suits; what has been the disposition of said suits in the superior courts to which said cases have been appealed from the lower courts; and what has been the loss in revenue to said Authority on account of said suits.

(5) What has been the financial loss to the municipalities and farm organizations which have been prevented by said suits from purchasing electric power of said Authority.

(6) What has been the effect upon the personnel and the organization perfected by the Board under said act by the prosecution of said injunction suits or by the action of any member of said Board in giving aid or assistance to private power companies therein.

(7) What have been the activities, if any, of the private power companies, in attempting by the expenditure of money, the institution of legal proceedings, or other means and methods to prevent municipalities and farm organizations in the Tennessee Valley from buying electric power of said Authority.

(8) What efforts, if any, have been made by private power companies to prevent municipalities or farm organizations desiring to purchase power of said Authority from acquiring title to their distributing systems.

(9) To what extent, if any, have the public interests been injured or jeopardized by the activities of the private power companies in attempting to prevent the Board from carrying out the provisions of said act.

(10) Whether or not said Authority has complied with that part of subsection (a) of section 8 of such act, as amended, which requires that the principal office of the Authority be maintained in the immediate vicinity of Muscle Shoals, Ala.; and be it further

Resolved, That said committee is authorized and directed to make a full and complete investigation of all phases of the administration of the Tennessee Valley Authority Act of 1933, as amended, by the Tennessee Valley Authority. The committee shall report to the Senate and the House of Representatives as soon as practicable the results of its investigation, together with its recommendations, if any, for necessary legislation.

Said committee is hereby authorized, in the performance of its duties, to sit at such times and places, either in the District of Columbia, or elsewhere, as it deems necessary or proper. It is specifically authorized to require the attendance of witnesses by subpena or otherwise; to require the production of books, papers, and documents; and to employ counsel, experts, and clerical and other assistants; and to employ stenographers at a cost not exceeding 25 cents per 100 words.

Said committee is hereby specifically authorized to act through any subcommittee authorized to be appointed by said committee. The chairman of said committee or any member of any subcommittee may administer oaths to witnesses and sign subpenas for witnesses; and every person duly summoned before said committee, or any subcommittee thereof, who refuses or fails to obey the process of said committee or who appears and refuses to answer questions pertinent to said investigation shall be punished as prescribed by law.

The expenses of said investigation, not exceeding in the aggregate $500,000, shall be paid in equal amounts from the respective contingent funds of the Senate and House of Representatives on vouchers signed by the chairman of the committee or the chairman of any subcommittee.

All hearings before said committee shall be public, and all orders or decisions of the committee shall be public.

The committee shall make a full report to the Senate and House of Representatives as soon as possible.

CALL OF THE HOUSE

Mr. RICH. Mr. Speaker, I make the point of order there is not a quorum present.

The SPEAKER. Will the gentleman withhold that for a moment?

Mr. RICH. Mr. Speaker, I withdraw the point of no quorum.

PERMISSION TO ADDRESS THE HOUSE

Mr. PLUMLEY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. PLUMLEY. Mr. Speaker, yesterday the Governor of my State released for publication the report of the special milk investigational committee appointed by him by authority of the last legislature, and of which committee former Congressman Elbert S. Brigham was chairman.

This report states that Vermont dairymen cannot expect to sell all the milk they produce for export at Boston door-

steps; that Vermont farmers are getting less than butter value for surplus milk, which loss, it is suggested, could be turned to a profit if the farmers would go into the making of cream, butter, and cheese of the highest quality, rather than sending such quantities of surplus milk to a market from which there is practically no return.

This report is especially significant because of the composition of the special committee; as has been suggested, at its head is former Congressman Elbert S. Brigham, longtime commissioner of agriculture for the State of Vermont, now president of the National Life Insurance Co., and who, when he was in Congress, was recognized as one of the leaders in matters pertaining to agriculture and to the dairy industry, as the only New England member of the Committee on Agriculture of the House of Representatives, and under whose successful leadership the bill taxing oleomargarine was enacted.

Ralph E. Flanders, president of the Jones & Lamson Co., of Springfield, Vt., distinguished as an engineer, member of the Business Advisory and Planning Council of the United States Department of Commerce, and generally very well informed with respect to all matters affecting Vermont and its interests, and Hon. Matthew G. Leary, of Burlington, several times member of the Vermont Legislature, and now senator from Chittenden County, recognized as one of the best lawyers in the State of Vermont, are the other two members of the committee. All three members of which were born and raised on a farm.

The annual cash income, which under present conditions the dairy industry and the dairymen of Vermont are receiving, amounts to approximately $20,000,000, notwithstanding which the dairymen have had difficulty in maintaining fair profits, and have been searching for some solution of their problems.

This report, which contains 15,000 words, ought to be read by everybody who is interested in dairying, for the suggestions contained in it are valuable and of interest to all dairymen; for instance, the committee suggests uses for the surplus milk in Vermont which will yield a million dollars more revenue annually.

The report covers all phases of the present dairying problem in a pamphlet of some thirty-odd pages, full of illustrations and statistical tables, and copies of this pamphlet may be had by addressing the State librarian, Harrison J. Conant, Montpelier, Vt.

The report states that the committee feels strongly that the possible increase in farm income from the sale of fluid milk is limited by factors over which the dairymen of Vermont can exercise no permanent control. If producers were to take over the distributing end and gain this profit for themselves, we do not believe it would equal the gains they can make in other methods less difficult of adoption.

We recommend the appointment of a commission which shall include leading representatives of the farm organizations and the Extension Service to study the most practicable method of putting into effect these suggestions, and any others that may appear hopeful. From such a study we believe there can be developed a progressive program for Vermont agriculture ready for submission to you before the next legislature convenes, which will substantially increase the income of the Vermont dairyman.

HIGHLIGHTS OF REPORT

Obviously it is impossible to condense a 15,000-word report with satisfactory accuracy and emphasis, but the following paragraphs have been culled as interesting highlights of the documents:

Vermont contains only 4.4 percent of the people of New England, but it has 36 percent of the New England cows.

The Vermont cow produces an average of 5,200 pounds of milk a year, to a total of one and one-quarter billion pounds.

The total production of Vermont milk has not fluctuated widely over a 10-year period, except for seasonal influences.

Approximately 75 percent of Vermont milk production finds its market outside the State, not in the form of milk alone but also as manufactured products.

Vermont dairy farmers have been centering all their discussion on fluid milk, yet fluid milk sales account for not over 40 percent of the State's output.

In 3 years out of the past 10, the sums paid for dairy products other than fluid milk have exceeded the total paid for fluid products.

Sixty percent of the Vermont milk shipped as fluid goes to the Boston market, 30 percent to New York, and small amounts to secondary markets in Massachusetts and Rhode Island.

Truck shipments have increased, but only 17 percent of Vermont milk shipments in 1936 went by truck, while 83 percent went by rail.

The report lists 77 licensed Vermont dairy companies operating 132 plants.

PRODUCERS SHOULD SKIM ON FARM

Skim milk is estimated as worth at least 40 cents per hundredweight for feeding pigs or dairy heifers, and even more for feeding poultry, and the report emphasizes that the Vermont farmer should do more skimming himself rather than ship so much whole milk into an over-supplied market.

Vermont imported 5,620 dairy cows, costing half a million dollars, in 1936. These could be raised here, and large numbers in addition.

A program of utilizing more of Vermont milk for fine quality cheese, butter, and sweet cream, with skim milk fed on the farm would increase the annual income of Vermont dairymen by one to two million dollars.

VERMONT'S MILK HALF SURPLUS

The other methods suggested in the report have to do with uses of surplus milk, and the report states that more than half the milk produced in Vermont is sold as surplus and is used as cream, butter, and other dairy products. Under present conditions these products from Vermont milk, produced under expensive sanitary conditions necessary for table milk, receive no advantage in price over western dairy products made with no restrictions as to methods of production.

The suggestion of the committee is that the dairymen of Vermont try to secure a price advantage through manufacture of quality products, such as butter which can be advertised and sold as made from milk produced under board of health requirements, certified cream, and quality cheese. It is pointed out that Vermont's most successful creameries are now producing butter with a net adjusted milk price not far below the Boston composite price, and high above the class 2 price.

Other suggestions of the increased profits are through the sale of young dairy stock from improved herds with accessible records for sires, and also through developments of a reputation for milk-fed bacon hogs.

Lower cost of production is recommended through more general attention to cow testing, breeding for production, balanced production, raising more feeds on the farm, and keeping dairy-farm accounts.

PRODUCER'S WAY OUT

In conclusion the committee says:

The way out for the Vermont milk producer lies in a more practical attitude toward the fluid milk market and in a great expansion into quality products from his supply of surplus milk. There is no State in the Union today with which quality is associated in the public mind as it is with our State. It is proper and it is necessary that we turn this sentiment into profit for ourselves by furnishing on an increasing scale the high-grade products expected of us.

Extension courses. To effect such a thoroughgoing program of improvement as that outlined above, dairy farmers should organize into groups for the careful study of their problems, using all the resources of the Farm Bureau, the Grange, the State and Federal departments of agriculture, the State agricultural school, the State agricultural college, and the Univerity Extension Service.

It is true that the present method of straining milk into cans left at the door, cooling the milk, and leaving it for a truck to pick up, relieves the farmer of much work, but the return is unnecessarily low.

Vermont milk shipments to the Boston market have been falling off since 1932, while those from Maine and Massachusetts have been increasing, though Vermont continues to be the largest single contributor, in both milk and cream to Boston.

Cream shipped to Boston from Vermont is largely derived from surplus milk, made under the same rigid Board of Health requirements as milk used for fluid, yet this Vermont cream is sold on a price basis in competition with western cream, uninspected by the Boston Board of Health—as the cream market is almost unrestricted.

Of the hundred billion pounds of milk produced by the Nation's cows each year, it is startling that Vermont, as important as it is in dairying, produces 1 percent only of the total.

It requires 1,131 pounds of milk to supply the average Bostonian with dairy products for a year, but only about 26 percent of this is consumed in fluid form, while about 56 percent is consumed as butter, which may be shipped in without restrictions, and the cream requirements with only minor restrictions.

The competition of the Vermont dairy farmer is mistakenly being centered wholly on the 26-percent consumption of fluid milk in Boston, largely overlooking the cream, butter, and cheese market. But New England, as a whole, produces double the milk which its population will consume in fluid form.

As for New York City, it is estimated that in November 1937, the period of short production, there was a surplus of 100,000,000 pounds of milk in New York State above milk and cream requirements of the area—which supports the contention that Boston dealers can abandon their supply stations in Vermont and purchase their requirements from New York surplus.

Organization of dairy farmers to demand an excessive price of milk from Boston is futile because large volumes of outside milk may be attracted into this market and the price broken down.

MANUFACTURING THE SURPLUS

The Vermont Department of Agriculture estimates that 48 percent of the State's milk sold as fluid is now handled by cooperatives:

We believe these cooperatives should manufacture the surplus into high-quality cream, butter, cheese, etc.—that these plants should be owned by the farmers who patronize them, that these plants should be federated under an overhead organization to provide expert management, technical assistance, and advertising and selling facilities, all with the aim to give high quality and service.

At a cost of 25 cents per hundred or more, milk is now being trucked from remote farms into shipping stations within the State. Report questions whether these farmers would not be better off financially if they organized cooperative creameries to receive sweet cream, to sell as such, or as high-quality butter, and to keep skim milk at home to feed to cows, pigs, and poultry, and thereby save the present hauling charge.

HERD IMPROVEMENT

The report points to the need of reducing costs of milk production in Vermont by better breeding and feeding and praises the efficient leadership of the dairy herd improvement associations of E. H. Loveland, extension dairyman of the University of Vermont, and the report regrets that the last legislature failed to appropriate sufficient funds to extend this work.

The culling of low-producing cows, the feeding of good cows better, and the breeding for better production in the future are recommended, along with elimination of Bang's disease and mastitis.

Vermont farmers have received for approximately one-half of their milk, which was produced under conditions to meet city health requirements, a lower price than its value would be in the butter market.

The committee doubts that if producers took over the distribution of milk in the cities and gained this profit for themselves, they would equal the gains they can make by other methods.

We recognize that milk can be produced more cheaply in the West than here. We cannot compete in price but we can in quality. For instance, by advertising butter made from milk produced under city board of health requirements, the price of butter might be raised.

The same suggestion is made with reference to cream and cheese.

There is a good market in Vermont and elsewhere in New England for young dairy stock. A general improvement in our breeding and accessible records for sires should make a most profitable market for our skim milk in meeting the demand.

BACON AND SAUSAGE BUSINESS

The whole Nation of Denmark depends upon butter and milk-fed bacon for its main support. The demand for lean loin bacon and English-type streaky bacon is growing rapidly in this country. Canada is meeting the demand and we are importing tons of this new food annually from north of the border. Why not raise the bacon hog in Vermont on Vermont skim milk? And why not expand the country-sausage market?

The institution of cow testing must be expanded to cover all the commercial herds of the State; the 4,000-pound cow must be eliminated and be replaced with cows of a capacity of 6,000 pounds and up.

Cooperative buying is recommended to lower the cost of feed, fertilizer, and supplies; and a uniform system of dairy farm accounts, along lines developed by the United States Department of Agriculture, should be adopted by the dairymen of Vermont.

EXTENSION OF REMARKS

Mr. LORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include certain statements I made yesterday before the Tariff Commission.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. STEFAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein President Quezon's Rizal Day speech on proclamation on Philippine national language, together with a reprinted article on Philippine language problem by Mr. Villareal.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DONDERO. Mr. Speaker, I desire to call attention to the Members of the House and their friends to a preview showing in the Ways and Means Committee room, street floor, New House Office Building, tomorrow at 8 p. m., of a motion picture entitled "Materials." It requires less than 30 minutes. It is of special interest to every Member of this House. No matter what State or section of the Nation you represent, it concerns and affects your people.

From Maine to California, from Florida to Oregon and Washington, come materials; from forest, farm, and field; from mines and mountains, liquids and solids, from below the earth and above it, come materials—showing agriculture, business, and industry interwoven, interrelated, and dependent on each other. Materials combined and refined—affecting one in seven of our people. Materials fashioned, fabricated, and molded by science, skill, and invention. Materials contributing to the happiness, progress, prosperity, and comfort of the American people through the automobile industry.

The story of materials as told in sound motion picture is of deep interest to every individual Member of this body. I commend it to you.

You and your friends are cordially invited to see it.

Mr. SNELL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SNELL. Mr. Speaker, many of the Members on this side are very desirous of finding out definitely, if the majority leader can inform us, when it is expected a final vote will be had on the present naval bill, now under consideration? Some of the Members are desirous of going away over tomorrow and Saturday.

Mr. RAYBURN. A number of Members have spoken to me with reference to the same matter. Many Members have engagements on tomorrow, which is St. Patrick's Day, and they do not want to come back on Friday. Some of them will be far enough from Washington that to return will be inconvenient. After discussing this matter with the chairman of the Committee on Naval Affairs, who has the bill in charge, and after he in turn discussed the matter with his committee, it was decided to have the final vote on the bill on Monday.

Mr. SNELL. I thank the gentleman.

Mr. RAYBURN. I may say, Mr. Speaker, in further answer to the gentleman, that, of course, the bill will be read for amendment tomorrow and Friday.

Mr. SNELL. That is what I have understood.

Mr. RAYBURN. It is very important that those who can be here on tomorrow and Friday be present.

PERMISSION TO ADDRESS THE HOUSE

Mr. DINGELL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DINGELL. Mr. Speaker, may I add a few words to the remarks of my colleague the gentleman from Michigan [Mr. DONDERO] in regard to the sound picture to be shown in the committee room of the Committee on Ways and Means tonight at 8 o'clock. This picture is both educational and entertaining, and you can well afford to spend a half hour or a little more learning the extent to which the automobile industry affects every major industry in every congressional district in this country, especially farming. Bring along your wives, your friends, and your secretaries. I believe we can all benefit by spending at least a half hour studying and enjoying this preview on the importance of the world's largest and most important industry.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. Mr. Speaker, I am very much interested in what the two previous speakers have stated in regard to the preview to be given tonight for the benefit of the Members of Congress and their friends in the committee room of the Committee on Ways and Means. This is a marvelous production, and each of you who happens to see this picture tonight, as I am sure you will endeavor to do, will be proud of the State and the district you represent. This picture will graphically portray to you the tremendous potential resources of every State in the United States, and the relation of agriculture to industry. Further, you will have the opportunity to hear throughout the picture some of the finest music that has been produced in connection with any film anywhere at any time. I hope you will all be there.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. GIFFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on a matter relating to the discovery of the Pacific islands now claimed by the Government, and to include therein a brief article of explanation.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LAMNECK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement by Dr. Arthur E. Morgan, of the T. V. A.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. JARMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a recent radio address by Admiral Reginald R. Belknap, commander in chief of the Military Order of the World War, on the importance of naval preparedness.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point and include therein a letter I wrote yesterday to the Secretary of State regarding the reciprocal trade agreement hearings. I believe this letter will be of interest to all the Members, and I think they will agree with me.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, the letter is as follows:

MARCH 14, 1938.

MY DEAR MR. SECRETARY: I am writing to bring to your attention a matter of procedure in regard to the conduct of the public hearings held by the Committee for Reciprocity Information on the proposed reciprocal-trade treaty between the United States and the United Kingdom. These hearings began this morning.

It is my belief that this proposed treaty is extremely important and should receive very careful study as to the effects upon industrial production and employment throughout the many industries producing a large number of commodity articles involved. In order that all points of view as well as all facts involved might be brought before the State Department before any proposed treaty is signed, section 4 of section 350 of part III of the act to amend the Tariff Act of 1930 was approved by Congress on June 12, 1934. Section 4 is as here quoted:

"Before any foreign-trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from such other sources as he may deem appropriate."

In section 4 of the so-called Reciprocal Trade Act of 1934 the Congress provided an opportunity for any interested person to present to the President his or her views concerning any proposed treaty. The intention of the Congress was to obtain all possible facts both pro and con in regard to a proposed treaty and to permit every interested person a chance to be heard. By authority of this section, any interested person may appear as a matter of right, and not by permission or privilege, before the Committee for Reciprocity Information, which is the agency for the President. Certainly, a Member of Congress appears before this Committee as a matter of right and not by permission or privilege granted by the Committee.

In regard to the public hearings on the proposed treaty between the United States and the United Kingdom which opened this morning, I filed an application to be heard in due time and appeared as scheduled at 10 o'clock this morning, March 14, 1938, to present a statement of my views. I was appearing not only to express my own views but to register the protest of thousands of working people in my congressional district, the second largest district in the Commonwealth of Massachusetts. Without interruptions for questions, to present my statement required about 15 minutes. During the first part of my presentation the chairman of the committee interrupted me, requesting that I must not continue with the statistics I was presenting, as they were not pertinent to the treaty under consideration. As a matter of fact, they were extremely pertinent. He further requested that I be as brief as possible, since some of my colleagues were to follow, in spite of the fact section 4 does not limit the time of any

witness appearing before the agency of the President. In the chairman's own statement prior to the opening of the public hearings he stated that witnesses may have every opportunity to present their information and that the hearings shall continue for a sufficient period to hear adequately those listed for appearance. In consideration for my colleagues, for whom I have great respect, I asked the chairman to suggest another time when I could present my complete statement. He refused to do so, stating the committee did not have the time. In doing so he exceeded his power. According to section 4 of the so-called Reciprocal Trade Act, quoted in this letter, the chairman of the Committee for Reciprocity Information, which is the agency for the President, has no power to limit my statement, or to refuse me another time when I could present it completely. A Member of Congress has the right to appear and present views as long as the hearings are in progress. I respectfully request that right be recognized.

It was the intention of Congress for the President, through his agency, which is this committee, to gather information and not autocratically sit as a court of star chamber, passing their judgments on the material presented. I respectfully request that the intentions of Congress as stated in section 4 be complied with.

The Department of State has been given large appropriations to carry on the work of arranging trade treaties in accord with the so-called Reciprocal Trade Act. In addition, the Secretary of State has the advantage of having access to all of the statistical and informational services of the Government. The Department of State has the advantage of sending out speakers such as you, Mr. Sayre, Mr. Grady, Mr. Burke, and others, with all expenses paid, for the purpose of spreading the doctrine of trade agreements with foreign countries. While the Department of State has these advantages, Members of Congress, representatives of industry and the workers themselves must spend their own money to protect their interests before an autocratic committee in Washington. Hundreds of them are coming to Washington paying every cent of their expenses out of their own pockets, not the pockets of the taxpayers. Certainly this group should be permitted, having come at their own expense, to present their case in most minute detail.

When Members of Congress appear before any governmental agency or committee, they should be treated with courtesy and respect. It must be remembered that they represent thousands of persons in their districts and have a right to appear. Their argument and views should receive proper attention.

At the public hearings now in progress before the Committee for Reciprocity Information, the representatives of the United Kingdom are present. They have the opportunity to hear the views and facts presented by interested persons in this country. In their presence we put our cards on the table. On the contrary the hearings for the representatives of the United Kingdom before the Committee for Reciprocity Information, are secret and closed to the American public, and those persons directly and indirectly concerned with the proposed treaty. They are closed also to the Members of Congress. I respectfully request that these secret hearings be opened to the public and Members of Congress.

Again, I bring to your attention, Mr. Secretary, the fact that there are few officials sitting with the Committee for Reciprocity Information, who represent the United States in the final negotiation of this treaty. Interested persons as well as Members of Congress should have the opportunity to present their views directly to those officials who have final authority in making the agreement. It jeopardizes the case and weakens the facts to have them pass through a second party such as the present committee acting as a clearing house. I respectfully request again, that the Secretary of State and Assistant Secretary of State be present at these hearings.

In conclusion, I respectfully request that you inform the chairman of the Committee for Reciprocity Information to give every witness official or otherwise, appearing at these hearings, all of the time necessary to present his or her case. If the chairman is unwilling to cooperate in this way, I believe he should be replaced.

By way of contrast, in all of my direct relations with the Department of State and particularly from you, Mr. Secretary, I have received the most courteous consideration and cooperation. I am grateful.

With kindest regards,

Yours very sincerely,

EDITH NOURSE ROGERS.
(Mrs. JOHN JACOB ROGERS).

Hon. CORDELL HULL,
Secretary of State, Washington, D. C.

NAVAL AUTHORIZATION BILL

Mr. VINSON of Georgia. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 9218, with Mr. O'CONNOR of New York in the chair.

The Clerk read the title of the bill.

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. BACON].

Mr. BACON. Mr. Chairman, I have asked for this time under general debate to make a few observations in favor of the pending naval authorization bill. We are the only Nation in the world today that has a self-imposed top limitation on our own naval strength. The existing strength of our Navy is authorized by the Vinson-Trammell bill which resulted from, and put into effect the limitations imposed by, the London Treaty. This treaty is now scrapped. It no longer exists. Other nations who were party to this treaty are no longer bound by it. However, the United States is still bound by the treaty's limitations because the Vinson-Trammell Act giving effect to this treaty still remains on our statute books. Our Navy is self-limited by this law. No other country has a legislative limitation on its navy. No other nation requires an authorization act before its legislative body can make appropriations for the building of naval vessels. In the United States alone it is necessary to pass an authorization law before an appropriation bill can be passed to build the naval vessels previously authorized. It therefore requires two acts of Congress before a single warship can be built.

The result is that we are the only nation that is bound by a treaty that no longer exists. All other countries can and do appropriate money at will to increase their navies. All nations formerly signatories to the London Treaty have long since greatly exceeded the old limitations of that treaty—and there is no end to their building which is proceeding as fast as ships can be laid down.

This pending bill simply increases the authorized tonnage of the Vinson-Trammell Act. It adds 255,412 tons to our authorized naval strength that may eventually be appropriated for and built over a period of a minimum of 5 years.

Also it must be remembered that when this pending bill becomes law the United States will still be the only nation with a self-imposed legislative limitation on its own naval strength.

Contrast this, for example, with Italy. Only yesterday the International News Service published the following dispatch:

ITALY RUSHES NAVY BUILDING

ROME, March 15.—A new naval building program for Italy, involving the construction of 250,000 tons of new warships at a cost of $100,000,000 was announced to the Chamber of Deputies tonight by Admiral Cavagnaro, Under Secretary of the Navy. The funds already have been appropriated, Cavagnaro said, and most of the ships laid down.

Just think of it! An Italian admiral announces to the Chamber of Deputies a new naval program of 250,000 tons and tells this Italian Chamber of Deputies that the money has already been appropriated and most of the ships laid down.

And here we are arguing for and against a bill that merely authorizes the eventual building, over a period of not less than 5 years, of 255,412 tons of new warships—if they are also appropriated for by subsequent act.

In the face of this contrast our proposed authorized increase is certainly reasonable. In view of what is going on all over the world, the administration would have been remiss in not asking for the pending bill.

Opponents of this measure talk about a huge naval building program. It is modest compared to what we were doing in 1922. That was the year of the Washington Naval Disarmament Treaty.

Prior to the treaty we had built and were building 1,979,891 tons of warships. By the treaty we scrapped 30 warships built and building totaling 755,000 tons. Other nations mainly tore up blueprints.

In 1922 we scrapped 500,000 more tons of warships than the pending bill authorizes.

After the 30 warships built, and building, were destroyed we were left with a total tonnage of 1,224,891 tons.

Let us now suppose that all the warships authorized by the existing Vinson-Trammell Act are completed. This would give us a total naval tonnage of 1,262,068 tons. This is but 37,177 tons greater than we actually had in 1923 just after the Washington Treaty.

As I have said, the pending bill adds but 255,412 tons to our authorized strength. Thus, if this program is carried out, and all authorized warships are appropriated for, we will have, by around 1945 at the very earliest, a total of 1,517,480 naval tonnage.

If we had completed the program under way in 1922 we would have had over 10 years ago a Navy with a total tonnage of 1,979,891 tons. Thus, if we complete every warship authorized by existing law and every warship authorized by the pending bill, we will have, in 1945, a Navy of 463,411 less tonnage than we would have had in 1925, had we carried out our original program.

As under our procedure naval construction requires two steps: authorization and appropriation, let us not handicap ourselves in times like these, by self-imposing a limit which may prove inadequate when faced by the limitless construction of other countries.

In my opinion, this bill hardly provides for a minimum navy for the adequate defense of our Pacific coast alone.

The defense of our Pacific coast involves what is called the Pacific strategic triangle, involving great distances. It runs from the Panama Canal to Samoa to Hawaii to the Aleutian Islands off Alaska. Alaska and the Hawaiian Islands are a part of the United States and must be defended at all costs. Let us examine some of these distances in this defensive area.

From Panama to Samoa is 5,665 miles. From Samoa to Honolulu is 2,276 miles. From Honolulu to the Aleutian Islands is 2,185 miles, or a total outer defensive line of 10,126 miles.

Now let us see how far these defensive outposts are from our naval bases in California. From San Diego to Panama is 2,800 miles.

Honolulu is 2,278 miles from San Diego and 2,091 miles from San Francisco and 4,685 miles from the Panama Canal.

A fleet to defend this great strategic triangle must take to the sea and remain great distances from its bases. Long lines of communications must be kept open and patrolled. Huge areas must be continually scouted. An attacking enemy might strike at Panama, at Hawaii, or the Aleutian Islands and Alaska.

Our Pacific defense therefore presents a great problem, which can only be successfully solved by an adequate, well-rounded fleet that can take to the high seas and stay there. A purely defensive battle might be fought 3,000 miles from California. To meet an attack in the Pacific, our present Navy is inadequate, our Navy under the Vinson-Trammell Act is inadequate. Our Navy under this bill will be inadequate.

And the testimony is overwhelming that the navy authorized by this bill would never be sufficient for a successful offensive.

The defense of the United States depends on our Navy. As my colleague [Mr. WADSWORTH] so eloquenty told the House yesterday, we cannot rely on coast defenses to adequately defend the country. If our Navy is weak, to provide ourselves with an adequate defense we must rely on some friendly ally. If, however, we are to rely only on ourselves we must have a Navy completely adequate for defensive purposes. Our national policy, rightly or wrongly, seemingly, is one of isolation. We will have nothing to do with entangling alliances. Our people do not want partners in international affairs. Therefore, it is all the more important to be self-sustaining in taking care of our own defense. This means a strong navy. A weak navy is a waste of money. If it is overwhelmed all is lost. Navies cannot be improvised; warships cannot be built when once you are attacked. After all, our Navy serves two purposes. First, if it is adequate it prevents war. A strong navy discourages attack. Second, if we are attacked a strong navy must end the war and can end the war victoriously and as quickly as possible with a minimum loss of life and property.

Every one will agree that today the world is in a turmoil. Dictatorships are everywhere increasing their armed forces and their strength. Japan and her dependencies have 97,000,000 people today, armed, militarized, and mobilized. If and when they conquer and hold China they will be even more powerful. Germany today now has 75,000,000 people completely militarized, mobilized, and ready to go to war. Italy and her dependencies have 58,000,000 people armed and arming, and from the news this morning apparently Spain may soon fall into her lap. Russia has the largest peacetime army ever known.

Who knows where the world is going? Who can possibly foretell the future? I, for one, do not want to see the United States engulfed.

Democracies today are on trial. If they are going to survive they have got to be ready to defend themselves. This applies more to the United States than to any other democracy. We, as a nation, believe in peace; we do not want war. We believe in all things involved in democracies, such as the Bill of Rights, freedom of speech, freedom of religion, freedom of the press. Dictatorships believe in none of these things. In fact, in Russia, Germany, Japan, and Italy all have been suppressed. And dictators today are on the march. We have too much at stake to procrastinate. We have too much at stake to quibble over the adequacy of our defensive naval strength.

This bill serves as a partial notice to the world that the United States intends to stand on its own feet and look after itself. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, in considering this bill it seems to me we should have in mind the situation confronting us from the standpoint of present authorization. We should have in front of us a picture of the categories of ships that need supplementing, and we should have in front of us a picture of the categories that do not need supplementing insofar as authorization is concerned.

In my opinion, Congress will be prepared at any time to authorize any ships that are needed. The Congress will be prepared to appropriate for any ships that are needed for the protection of America and her possessions. But what is the picture? Personally, I stand for adequate national defense. I am opposed to fooling away the people's money. I am opposed to starting ships that we cannot build and build efficiently. What is the situation? With reference to battleships, we have two building, we have two carried in the Navy bill which are yet to be started, we have five authorized but not appropriated for, and, not in that bill, we have four more that will become authorized as a result of the operation of the over-age rule by 1942. This means that for each one of the fiscal years 1940, 1941, and 1942, we can carry three additional battleships in our appropriation bill without a drop of further authorization.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. May I ask the gentleman to state that those are replacement ships and not an addition to the tonnage?

Mr. TABER. After the gentleman has listened to what I shall have to say next, I should like to have him controvert it if he can.

Those three battleships each year, in my opinion, are all the yards and naval architectural force can design, properly supervise, and properly construct during those 3 years.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. TABER. I cannot yield at this time.

I do not think the Naval Affairs Committee ought to abrogate its function to the extent of going further than that at this time. I do not believe we can build good ships and go further than that, and I have in mind some of those ships that were laid down in 1918, 1919, and 1920, when almost 50 percent of those destroyers were bad, because we did not have available proper design and proper supervision of such

ships. I do not want to vote for any helter-skelter program that is going to result in our not having good ships to defend America. I want to keep the program within the bounds that we can build to, and build to rightly.

This is a position for national defense. A position that calls for more ships to be authorized than can be built properly is not a position for national defense, but a position for scuttling the Navy. This is the plain, common sense of the proposition we are confronting.

If in 1942 or 1941, 3 years away, it becomes apparent that more ships can be laid down, let us authorize them at that time when we have the entire picture in front of us or when we have some kind of picture of what we can really do.

I now want to talk a few moments about the rest of the program. The cruiser authorization, as I understand it, is all gone; that is, it is all appropriated for, and I believe that we should have more authorization. I believe what is in this bill is not more than it should be.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. VINSON of Georgia. The gentleman is somewhat confused. Everything in the act of 1934, oftentimes referred to as the Vinson-Trammell Act, can be replaced as they become over age, battleships, cruisers, and so forth.

Mr. TABER. There are no cruisers over age at the present time.

Mr. VINSON of Georgia. That is correct.

Mr. TABER. And there is none that is going to be over age so quickly so that you could today appropriate for the laying down of a cruiser.

Mr. VINSON of Georgia. You do not have to authorize it—it is already authorized.

Mr. TABER. But there is none available to lay down, and for that reason I think we should have that.

I think we have not as many aircraft carriers as we should have, and I believe we should go along with that.

With reference to the destroyers there is already authorized 50,000 tons, and that is as much as would normally be laid down in 3 years under any circumstances.

I think the authorization for a few more submarines is all right.

In a good many cases here, for instance, in section 6, some of the experimental work is good. The authorization for the small, experimental ships is good. Experimental work on surface craft and heavier-than-air and lighter-than-air craft and aerial bombs is probably good, but here is a thing in this experimental provision which I regard as a complete waste—$3,000,000 for a rigid airship.

We have had experience with these things. This experience has demonstrated that we do not make progress when we go into this. We just waste money and there is no evidence whatever that these things have any sort of military value. The only military value that these rigid airships may have would be for very small ones to hover over a little area outside of the Canal Zone to watch for submarines or outside of a port in weather that would permit them to do so. This is the only military value that they have. The rigid airship can only make about 60 to 80 miles an hour at best, or 25 or 30 percent of the speed that the heavier-than-air craft can make. They are absolutely defenseless against the kind of attack that the heavier-than-air craft can make.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. PHILLIPS. Would the gentleman suggest, in the progress of the manufacture of airplanes, that the art should be discontinued after four of them went down?

Mr. TABER. When it is demonstrated that they have not any military value, I would not fool away the money and the energy of the people on a thing of that sort. I would not go into things that are useless when we might better be spending the money on constructive work.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. VINSON of Georgia. Personally, I am glad to have the sentiment of the House determine whether or not we should go along with a lighter-than-air program. It is here. Let the House determine whether it should be carried out or rejected.

Mr. TABER. I make the point that it is not of military value. I believe, from the experience of all experts, that is a correct position.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. TABER. I do not think there is anything I care to yield for.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. TABER. Yes.

Mr. COLE of New York. Under the Vinson-Trammell Act of 1934, aircraft of sufficient number to meet our treaty strength in vessels is authorized. Our naval experts have testified no longer than 2 weeks ago that 2,000 airplanes are necessary for our naval ships. This bill authorizes an increase of 20 percent in our ships, but 50 percent increase in airships. I wonder if the gentleman can see any justification for that disproportionately large increase in airships, except as a lure to those Members of the House who are air-minded.

Mr. TABER. I can see some. I can see that there are a great many naval seaplanes, especially the heavier-than-air ships, that are ships rather than airplanes. I can see that we need to go ahead with that, without regard to what complements the ships might carry.

I do hope this bill might be amended to correct some of those defects that I have suggested. I believe it would be in the interest of national defense. [Applause.]

Mr. MAAS. Mr. Chairman, I yield now to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, this country is too much influenced by Great Britain. As diplomats the English have always been and now are the master performers. In the World War England decided to fight as long as there was a Frenchman left. When money was needed to carry on the World War, it was England that made arrangements in this country whereby we loaned and lost $12,000,000,000 by handing out money to England and her allies. It was British propaganda and British influence, more than anything else, that finally caused Congress to vote war.

At the present time it is England, and England alone, who is touching off the spark for a race in battleship building. This country would never have thought of the proposal if it had not been for British propaganda. There is no country in the world threatening us; no nation is so devoid of common sense as to believe they could cross the Atlantic or Pacific and invade this country with any possibility of success. With England the situation is entirely different. For centuries England has governed one-fourth of the earth's surface from a little island smaller than the State of Alabama, much smaller than the State of North Dakota, and one-fifth the size of Texas, and she has accomplished this by means of her great navy. While the power of battleships lasted the British Empire was invincible, but with the passing of the power of battleships England sees her colonial power threatened.

England's plan now is to have more and bigger battleships than anyone else, and knowing the friendship that exists between this country and herself, and knowing the power of this country, she believes that with the United States harnessed up with a big navy program, the two nations may continue the British Empire intact.

If England cannot keep intact her territory upon which the "sun never sets," it is her problem and not ours. We are not seeking new territory; the people of this country want to get rid of some of the territory we now have; the people of the United States do not want the Philippine Islands, and we have put in motion a plan by which we will get rid of them. We gained possession of the islands through events springing from war, but to always maintain them as a part of the territory of the United States at a distance from our shores of 7,164 miles is repugnant to American ideals. If England can maintain her vast empire beyond the seas, let her do so; we

have no interest in her territory, but we should not be weak-minded enough to pull the chestnuts out of the fire for Great Britain.

Stripped of British propaganda, there is no war scare anywhere that involves the United States. We do not need an increase in Navy appropriations for the protection of our own shores, and since we must admit that we do not want foreign territory, what reason have we for battleships more powerful than any afloat? By the program of more battleships, do we not admit that our policy is not defense, but aggression?

The people of the United States are too heavily burdened now with debts, interest, and unemployment to be forced under a heavier load of debt for the protection of any foreign country.

Even if we desired to enter into the obligation of maintaining the present boundaries of the British Empire against the nations of the earth, the plan to build more and bigger battleships does not make the undertaking secure. The reason is that a battleship, in view of new powers of destruction, is not the floating engine of destruction that it once was. While this country, through the Navy Department and the President, will not admit the comparative ease with which the most powerful battleship afloat can be destroyed, yet within the last few months we have witnessed the aero-destruction of the engines of war. The answer of the navy-minded is that other powers are now in operation or will soon be discovered that will prevent the overhead destruction of battleships. We must take facts as they happen and not the facts we might wish to happen. The fact is that battleships are being destroyed by air attacks. The Spanish battleship, the pride of the Spanish rebels, was sent to the bottom within the last few days by overhead attacks. It is entirely possible for a fleet of bombing planes to attack and destroy any battleship afloat within a few minutes at practically no expense. A battleship costing, when equipped, $70,000,000 is sent to the bottom, with the result that a debt of $70,000,000 and interest for the next half century is the bill the people pay.

If we are so spineless as to be controlled by British influence in the protection of the British Empire, let us not embark upon a foolish and hopeless plan of defense, but spend our money in the interests of the people of the United States and the western continent. Let us build the engines of destruction that can destroy battleships and transports and keep our enemies off these shores. This should be all this country demands.

The wars now in operation on the earth's surface and those now threatened are due, without any qualifications, to the economic pressure in those countries involved.

Countries like Japan and Italy either become overpopulated, or the ravages of unemployment and poverty of the lower classes create unrest and loss of confidence in the government, which cause, in either event, leads to war. Italy had to move against new territory or be consumed at home—the economic pressure demanded it. Japan took a similar course for similar reasons. Unrest is as dangerous as overpopulation, and large navy and army appropriations always follow in the wake of this unrest. The program gives employment, enlistments in war furnish employment, and carefully worked up patriotism, which war lords always superintend, brings back confidence in government.

I will venture this prediction, that in any country of the world where the mass of the people are employed and contented, that a war would be too unpopular to be supported. The economic conditions in this country are shaping themselves toward war. The first overt act to support this tendency would be to force upon the people of the United States a huge navy program. To some it means work; to others it means army and navy employment; to others it means we must have a further demonstration of worked-up patriotism in order to support and reestablish confidence in the administration of our Government and in the form of government itself.

With 12,000,000 people out of employment in this country we ought to see clearly that it is not battleships we want, but a program of employment. The people of the United States will defend this country if they are in a position, economically, to defend it. But what would be the attitude of the jobless in a land of plenty? What would be the attitude of a citizen with a family with no house, no job, and scanty food and clothing? Throughout the history of the world the last-ditch defense has always been made by men whose homes were in jeopardy. Anyone fighting for the possession of home and loved ones is always a dangerous antagonist. With those without homes and wandering nomads in search of work, the incentive to fight would not be there.

I have stated before in this House, and repeat it now, that if the people in this country had an equal opportunity, and special privilege was stamped out, the control of our finances turned over to the Government instead of profit-taking financial institutions, and our credit used to put into operation equal opportunities for all, we would be the most powerfully defended nation on earth. Today our weakness in defense does not lie in not having battleships enough, but in the fact that our employment system has utterly failed to meet the needs of the people.

The special privileged in the United States are well entrenched, but if the people remained united for 6 months the system would be done away with. The plan of special privilege is to get the opponents fighting among themselves over nonessential questions. They raise the Jewish question; they raise the religious question; they condemn this "ism" and that "ism"; but manage to keep the people in turmoil over nonessentials. In the United States a citizen has the constitutional right to believe in any religious sect he pleases, but whatever sect he may belong to, does that make him any less a fighter for the right? Are not the Jews out of employment the same as all other nationalities? Are not Catholics hungry and without homes; are not Protestants dispossessed and driven out of foreclosed homes? If that is true, why should these people who equally suffer the results of financial disaster through no fault of their own become divided on questions that are not material? Those who are the recipients of special privilege laugh to themselves over the turmoil stirred up among the people, for they know that as long as that situation continues they may remain unmolested.

What we need in this country today is absolute honesty of purpose. If it is wrong to allow private interests to use the Nation's credit for their own enrichment, it should be stopped. If interest is draining the substance of the people until they cannot make enough in 12 months to pay the annual interest charge, interest should be stopped. If boards of trade and chambers of commerce are operating gambling operations that rob the producers of millions, while a few enrich themselves, it should be stopped. If private employment does not give the laborers their fair share of the income, it should be righted at once, and the laborers rescued from the sweating process to accumulate the wealth of the Nation in a few hands. There should be no division among common sufferers in a common cause.

If the people of the United States will rouse themselves to the necessity of making the wrongs of this Government right, they can build in America a great democracy that shall be the dream of reformers for the last 4,000 years.

To start with, we now have a Government which guarantees more freedom to the individual than any government on earth. We should not permit it to be destroyed by either those who are selfish for profit, or by those who have rebelled against all government. We should move forward in one common mass, regardless of blind alleys of religion and racial differences, and make the United States the light of liberty for the entire world. We can do it if we will.

Some in Congress have expressed the idea that to have a large, powerful navy would be a great psychological defensive weapon, for such a navy would make us feared. In other words, other nations would be afraid of us—we would be the bully whom no one would dare to touch. That is an expression of the same dictatorial idea that the American people condemn in the dictatorships of Europe. Bluster and bluff has never been a part of the American make-up. We

have attended to our own business in the past, with the exception of the World War, and we are now paying tragically for our mistake then.

If we continue to attend to our own business and so shape our own economic structure that all shall have an opportunity to express their full worth, other nations will then know as we already know, that no combination of nations on the earth's surface, have the remotest chance of destroying such a nation. If we will change the slogan in our economic life to read that "all shall have some and not some have all," we will then be voting for the greatest defense weapon this Nation has ever had. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 7 minutes to the gentleman from Minnesota [Mr. BERNARD].

Mr. BERNARD. Mr. Chairman, the setting of this debate is historic. Fear stalks the peoples of Europe today. Swift as the radio flash bringing news of Austria's sudden and violent death, fear jumped the Atlantic to strike at the heart of America.

We have heard before, and we shall hear again in the course of this debate, the cry that our fear is unwarranted. We may even hear that our fear is hysterical, whipped up by administration propagandists and by the President himself for the purpose of getting votes for this bill, or for the purpose of diverting our attention from domestic difficulties, or for other more secret and sinister political ends. I take sharp issue with the administration on the question of this supernavy and I shall vote against the bill. But with equal sharpness I repudiate the slanders against the President of the United States uttered by his political enemies. In the face of the heavy responsibility for the defense of peace and of the democracy of our Nation which President Roosevelt must bear today, the suggestion that he contemplates foreign aggression is an infamous slander.

We have seen the flames of war break out in Ethiopia, in Spain, in China. We have watched the noose draw tight around the neck of a once independent Austria. The Austrian nation died without the letting of much blood and without the death rattle of gunfire. But Austria is nonetheless dead.

We have seen these things happen while the great and powerful democracies of the world, including our own, stood by acquiescent, accessories both before and after the facts. Why do the American people fear that the spreading horrors of war will soon engulf Czechoslovakia, Hungary, all of Europe, and finally sweep the United States into the maelstrom? Is it bitter fact or mere propaganda which gives rise to our fear?

With Hitler's triumphant entrance into Austria the world received a moral shock which may still prove our salvation. The policy of the world's Tories, and particularly the policy of Neville Chamberlain, was exposed in all its callous brutality, its criminal connivance at criminality. Theirs is no policy of peace. It is a policy of world submission to gangster rule, of tribute to the gangsters in return for doubtful protection to be bought at the price of heavier tributes.

What shocks and terrifies the American people today is the thought that international banditry can go unpunished and international murder unchecked. Unlike Austria, we do not fear national extinction. Unlike Czechoslovakia, we do not fear immediate invasion. But together with all the peace-loving peoples of the world we do fear the hazards of a life lived out in a world from which law and order are banished, and brute terror reigns supreme.

What will restore order to our world? What will renew our faith in treaties and international law, reestablish the fundamental decencies and secure peace?

I do not believe that a navy can be built large enough and strong enough to keep America out of war. That is one reason why I shall vote against this extraordinary naval appropriation. The way to peace in international life, like the way to order in domestic affairs, is through the organized cooperation of decent people and decent nations.

It has been said that this supernavy is designed to implement the policy laid down by President Roosevelt at Chicago. But if that policy had been put into effect, such implementation would not be necessary. Not arms, but conferences, not battleships, but joint economic action are the implements of the Chicago policy. A big navy is the implement of isolation, and the corollary of isolationist policy. My good friend the gentleman from California [Mr. SCOTT] has rightly called the big navy the bill rendered us by the isolationists. Unlike my friend from California, I refuse to O. K. the bill.

I refuse, first because I believe that payment will not insure our national safety. Long before the ships for which we are now asked to make appropriation can be built, the issue of peace or war will have been decided. We can still play our part in deciding for peace, and the decision will cost us not one penny, but will save us billions.

I refuse to O. K. the bill because it will be charged up to those Americans least able to pay. I cannot, in making my decision, divorce the Navy appropriation from the tax bill just passed by this House, a bill which once more left the coffers of the monopolists locked against taxation, and dug deep into the lean purses of the people. I cannot divorce the naval appropriation from the problem of a balanced Budget, so ardently advocated by some supporters of this super-Navy The Budget in which I am interested is further unbalanced by this $1,120,000,000 expenditure for battleships at a time when billions are needed for relief and work relief, for roads and schools, and the myriad immediate needs of our citizens.

In voting against this appropriation I do not feel that I am betraying my duty as a Representative to provide for the national defense. On the contrary, I firmly believe that the national defense urgently requires diplomatic and economic action. It does not require either war or battleships. The national defense is inseparable from the defense of world peace and world democracy. Today that defense can still be carried on by peaceful means. Tomorrow we shall be too late.

Not a day, scarcely an hour, passes now without new evidence of the fascist rush toward world conquest. The price of Italian permission for German soldiers to mass at the Brenner Pass is already being paid in Spain. Before Czechoslovakia, Spain has been placed upon the agenda. A Nazi-Fascist Spain menaces France and European peace. Japan, the third partner in the axis of death, looks across the Pacific to us.

And what do we do? We keep on our statute books a so-called neutrality act which bars effective action for peace.

German planes and German guns, Italian bombs and Italian artillery pound the flesh of peace in Spain. How many of those instruments of destruction were made in the United States of America? This monstrous neutrality of ours hastens the march to war by permitting us to sell to those noninterventionists, Hitler and Mussolini, and denies our legal commerce with the republican Government of Spain.

I wish I could stand here today and proclaim that I was wrong in voting against the Spanish embargo and against the Neutrality Act. How tragically have events proved the correctness my solitary "no." I want peace, as all our people want peace. And peace is not won by solo votes. I plead with all the Members of this House to make my "no" a mighty chorus against war. I oppose this bill, believing that navies cannot save the world from destruction. I urge the cause of peace upon you all. Peace can now be saved only by amending the Neutrality Act, anly by American embargoes against aggressors and war makers. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 15 minutes to the gentleman from Oregon [Mr. MOTT].

Mr. MOTT. Mr. Chairman, in the time allotted to me in this debate I shall try to confine my discussion to what I believe to be the real issues involved in this bill, H. R. 9218, the naval construction bill. I want to avoid, if possible, covering ground already covered, and I want to answer, if I can, some of the main arguments that have been made in opposition to the bill. I wish also to answer some of the principal questions that have been asked by Members who find themselves to be seriously and honestly in opposition to the bill. I have a great deal of respect for those opponents

and for the sincerity of their opposition. Their questions certainly are entitled to frank and open answers.

Now, let me say at the beginning that while I respect the good faith with which opponents criticize this bill, I am not able to agree with those opponents of the bill who contend that there is anything mysterious or complicated or ambiguous about the proposals made in the bill or about the issue involved in it. To me, both the proposal and the issue arising out of it seems to be perfectly plain. It is a very short, concise bill. The language is clear and definite.

The proposal in the bill is simply that we increase by approximately one-fifth the present authorized strength of the United States Navy as provided in the Vinson-Trammell bill which was enacted some 6 years ago, and which met with general approval throughout the country. The issue involved in the pending bill, H. R. 9218, and I think the only issue, is whether for the proper defense of the United States it is now necessary to increase the authorized strength of the Navy to the extent of 20 percent above that provided in the Vinson-Trammell Act.

It is that issue which I wish to discuss, and I wish to discuss it as calmly and as impassionately as I can. First, however, I would like to repeat some of the principal questions that have been asked by opponents in regard to this bill. I will state these questions and answer them categorically. Then if I have time I will endeavor to enlarge upon those answers in the hope of clearing up any misgivings there may be in the minds of the questioners as to the scope and purpose of this bill.

The first question, and the one most frequently asked, is this: "Is this increased Navy to be used for the purpose of carrying on a foreign war or for the purpose of policing the world or for the purpose of carrying out the policy of parallel action with other democracies against dictator nations?"

The answer to this question is "No." The President has no such intention, the Naval Affairs Committee has no such intention, and the Navy Department has no such intention, and the people of the United States would not tolerate the Navy being put to any such use even if the President and the Congress were in favor of it. In this connection let me say that a number of witnesses before the Naval Affairs Committee advanced this idea. Every one of them was thoroughly cross-examined upon that point for the purpose of ascertaining upon what evidence they based their ideas in this regard. As a member of the Naval Affairs Committee I examined all of these witnesses myself upon that point, because if there had been any evidence whatever to substantiate the views of those witnesses I would now be opposing this bill instead of supporting it.

I urge every Member of this House to read the hearings before our committee on this bill. The testimony covers nearly 3,000 pages. Three-fourths of the witnesses heard were in opposition to this bill. I not only heard all the testimony of all these witnesses but I also read all their testimony after the hearings were printed. I now challenge any opponent of the bill to find in any of the testimony one word of evidence that will support the contention that the President or anyone else intends to use this Navy for any purpose whatever except to protect the United States against invasion. The most outstanding opponents of this bill in the United States were witnesses at the hearings. Every one of them, without exception, who made the charge that this Navy was to be used for aggression, for patrolling the world, for parallel action, or for any other purpose than the defense of this country, admitted upon cross-examination that they had no evidence whatever upon which to base their opinions in this regard, except their own fears that the Navy could and might be used for these purposes. Most of them, I think, were sincere in their opinions; but I repeat that the record shows that all of them admitted that there was nothing tangible upon which they based their opinions.

The next most frequently asked question is, "If our Navy is to be used only for the protection of the United States against invasion, why is not the present authorized strength sufficient?"

The answer to that question is that, although we have the longest coast line to defend of any nation in the world with the possible exception of Great Britain, the present authorized strength of the United States Navy is the smallest of any great nation in the world except Germany. This statement has been denied by opponents of the bill, but the fact is that the authorized strength of the navies of the world, up until a few months ago, when Japan, Italy, and Germany refused to give out any further information, is a matter of public record. The tables are all contained in the printed hearings. In under-age ships, which are the only ships that are considered to be of real use in battle, the United States Navy is smaller than that of England, smaller than that of Japan, smaller than that of France, and smaller than that of Italy. If we have any use for a navy at all, this is a complete answer to the second question.

The third question most frequently asked is: What nation is likely to attack the United States?" Mr. Chairman, if I knew the answer to that question then the question of what size and strength of the Navy ought to be would be very easy of solution. It is because that question cannot be categorically answered that the question of the exact size the Navy ought to be is so difficult of solution. But we do know this. Throughout the history of the world every nation has from time to time been the object of attack from other nations. Who could have foretold in 1811 that in 1812 the United States would be invaded by Great Britain. Who, in 1913, ever predicted that in 1914 all of Europe would be engaged in war and that within the next 3 years the whole world would be embroiled in it. Whoever supposed a year before it happened that Italy would invade and subjugate Ethiopia? Did anybody predict even 6 months before it happened that Italy and Germany would send their legions into Spain to crush the Spanish Government and to bomb and murder the innocent women and children of that country? Did you ever hear anyone say a year ago that by this time Japan would have invaded and conquered half of China. What would you have thought even 1 month ago if someone had told you that by this 16th day of March 1938 Hitler would have invaded, conquered, and destroyed the independence of Austria? Did the expanse of the sea stop England from conquering India? Did the Atlantic Ocean prevent Napoleon III from attempting to establish a dictatorship in Mexico? By what authority does anyone say the United States is free from the danger of invasion? We will be free from the danger of invasion just as long as we have the naval and military strength to resist it. To contend otherwise is to contradict the experience of all history.

The next point I wish to discuss is the origin of the bill. All sorts of statements and all sorts of inferences have been made as to the authorship of and the responsibility for the bill. Some of the opponents have attributed its origin to the Navy Department. Some say that the munitions makers are responsible for it, and some say that the militarists are responsible for it. The fact is that the President of the United States and no one else is responsible for this bill. The President sent the bill in. The Navy had absolutely nothing to do with the making of it, except the drafting of the purely technical part of it. The Committee on Naval Affairs had nothing to do with the making of it. The committee simply called witnesses for the purpose of ascertaining whether it ought to report the bill, which the President in his message to Congress on that subject said he wanted. Those hearings covered 5 weeks, and the hearings were held daily. Most of the witnesses heard, as I have said, were in opposition to the bill. That was because the committee was particularly anxious to hear and consider every bit of evidence that was against the necessity for the bill.

I wish to make it clear, particularly in view of what some of the Democratic Members have stated, that the President and the President alone is responsible for this bill, and that after hearing all the evidence available on both sides of the question all but three of the Naval Affairs Committee, in reporting the bill out, found themselves in agreement with the President's views, and there are 25 members on that committee.

The question naturally arises, why do we need this particular increase of approximately one-fifth in the naval strength of the United States? The evidence presented to the committee was conclusive in the opinion of the great majority of the committee, that the reason we now need it is because since the 5–5–3 treaty was repudiated by Japan through her failure to renew it, and since every other nation signatory to that treaty has long since started an armament race, since every one of these nations has already expended, or has authorized the expenditure of much larger sums of money than we propose to authorize here; it is necessary for the United States also to increase its own naval strength. That is the entire purpose of the bill. I think no one has ever contended either in this debate or elsewhere that the Navy provided under the 5–5–3 treaty was too small or that the United States is not entitled to that ratio. This bill will do no more than give us that ratio. As a matter of fact the figures show that when and if all the ships authorized to be constructed under this bill are actually built, we will still not be quite up to the treaty ratio. The ratio even after the program is completed will not be 5–5–3, but it will be Great Britain, 5-plus; United States, 5; and Japan 4.

Had that 5–5–3 treaty, which was made in 1922 between the United States, Great Britain, France, Italy, and Japan, been kept, there would, of course, be no necessity for this bill. But the treaty was destroyed in 1936 when Japan refused to renew it and began construction of a navy beyond and above the treaty limit. Everybody knows what happened then. Every other nation following Japan's lead—all except the United States—began an armament race. England at the present time is spending $7,000,000,000 to increase her Navy, and Japan ever since 1936 has been increasing her Navy at a rate probably twice as fast as we are increasing ours. So is Italy. So is Germany. And, furthermore, at the present time Japan has under construction three 45,000-ton battleships, which is 10,000 tons larger than any battleship we have, and she has very bluntly told us that she intends to build whatever ships she wants, and that the size of her Navy is none of our business.

If a navy is necessary, if a navy is to do us any good in the unfortunate event of a war, all authorities agree that it must be at least equal to the strength and the size of the navy of any nation that is liable to attack us. That is just plain common sense. If you say that no nation is going to attack us, that it is not possible for any nation to invade the United States, then my answer is that it is not necessary to have any navy at all. It is not necessary to have any army, either, for that matter, or any other defensive establishment.

If we are sure that no nation is going to attack us, then I say we do not need either an army or a navy. But the Army and the Navy of the United States are established and maintained upon the theory that at some time some nation will attack us. That theory is based upon the experience of every nation in the world, including the United States. If we do not consider an invasion as even a remote probability, then there is absolutely no reason for spending a single dollar for an army or a navy. If, however, this is a probability, we must have an adequate navy, and we must build it in advance of the day we might have to use it, for we cannot build a navy overnight. This is the reason for the increase in the Navy as here proposed—to bring it up to the ratio strength it had while the treaty was in effect; and I think it is a fair answer to the questions that have been asked about it and the objections that have been made to it.

I find, however, that the principal objection made to this bill by those who have spoken in opposition to it here has not been the size of the Navy as such. It has not been the cost of this proposed increase. Those who have opposed the bill here seem to be of the opinion—and I think they are sincerely of the opinion—that having a navy as large as that contemplated by this bill may endanger us; that it may involve us in a war.

In fact, opponents who have spoken against the bill here have gone so far as very definitely to imply that the reason the President wants this bill is so that he can carry on an offensive war, a war of aggression; so that he can police the world, and so that he can bring all of the dictator nations to terms. These statements have been made here on the floor. They have been made in the committee. I want to call your attention again to the fact that if you will read the hearings you will find absolutely no justification, no foundation, and no evidence upon which such statements can be based.

Mr. Chairman, will the Chair advise me how much time I have remaining in order that I may know whether I will be able to read from the hearings or not at this point?

The CHAIRMAN. The gentleman from Oregon has 5 minutes remaining.

Mr. GIFFORD. Mr. Chairman, will not the gentleman talk about section 9 instead of reading from the hearings?

Mr. MOTT. I can hardly talk about section 9 in 5 minutes, and I am afraid I cannot read this testimony from the record in that time, either. I only want to point out again, because I think it is so important, that every witness who made the statement before the committee that the President wanted this Navy for the purpose of being able to carry on an aggressive war, finally admitted that he had no evidence upon which to base it.

Mr. LUCKEY of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Nebraska.

Mr. LUCKEY of Nebraska. What is the immediate need of rushing this bill through at this time when we have so many other vessels authorized and not even started?

Mr. MOTT. We are starting construction of those vessels in accordance with the regular naval-construction policy. These, of course—the vessels authorized under the pending bill—cannot be constructed immediately, but they will be the program, and in due time they will be built. However, this bill provides that if in the meantime the nations of the world enter into an arms limitation treaty, these ships shall not be constructed at all. I think that answers the gentleman's question sufficiently.

We have heard a great deal also about the President's foreign policy, and it has been subjected to a great deal of criticism. I believe the President's foreign policy as outlined in this bill is not properly subject to criticism because it is simply a declaration of the same foreign policy we have always had. I did not agree with the President's foreign policy prior to the time he sent this bill in. My opinion was, prior to that time, that the President wanted agreements and understandings with foreign nations for collective security. I believe that is clearly indicated in the President's Chicago speech. I can put no other construction upon that speech. It was a trial balloon which he sent up for the purpose of finding out what the people thought of that policy. Well, it did not take the President long to find out. After the first 24 hours of apparent approval the answer of the people of this country to the President's proposals in his Chicago speech was an emphatic "no." The answer of the dictator powers of Italy and of Germany was ridicule and derision of the President's proposal in the inspired press of those countries and a direct challenge to him to put those proposals into operation. And the answer of Japan to the President's proposal for parallel action with other nations was the blowing up of the *Panay*.

I think at that time the President changed his mind in regard to his foreign policy, immediately and as a direct result of the reaction to his speech. He knew then that the American people were isolationists; and I believe it is proper, and 90 percent of our people believe it is right that we should be isolationists. We always have been isolationists, I hope we always shall be. We want no entangling alliances with any nation. The President having at last understood that, he sent in this bill which is strictly and logically in line with our policy of isolation.

If we should get into a foreign war, we must protect ourselves; we cannot look for protection to any other country; and the only way we can protect ourselves is to have a navy big enough and strong enough to prevent any foreign power

even reaching our shores. That is the whole purpose of this bill. It is insurance against war and insurance for peace. It is the best insurance for peace and the cheapest insurance against war that we can possibly get.

Mr. GIFFORD. Will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. I am so sorry the gentleman will not talk about section 9. Do not stop until you define national integrity and the need for a navy to protect national integrity. What is it?

Mr. MOTT. The language in section 9 is clear. I may say to the gentleman from Massachusetts that the declaration in that section of the bill is not new. It is simply a declaration of the foreign policy of the United States as it has existed from the time this Government was established. There is absolutely nothing new in section 9. The reason for the section is simply to give an answer to those people throughout the country who state that we have no foreign policy. That is the only purpose of section 9.

Mr. GIFFORD. I asked the gentleman about national integrity.

Mr. MOTT. National integrity has always been a part of our foreign policy. Our foreign policy is contained in Washington's Farewell Address. It is further amplified by the declaration of President Monroe. That is our foreign policy and section 9 is a repetition of that foreign policy.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Washington for a short question.

Mr. LEAVY. I am still open-minded on this issue, representing, as the gentleman does, a district on the Pacific coast. I am deeply concerned with reference to the language in section 9, particularly that part in line 12, which reads—

To protect the commerce and citizens abroad.

I am wondering if we are laying down a legislative policy conferring a carte blanche authority upon the Executive, whoever he may be, to go wherever he wishes.

Mr. MOTT. I may say to the gentleman what I have just said to the gentleman from Massachusetts. That has always been our national policy. It has always been our foreign policy. There is no change.

Mr. LEAVY. Then why do we have to write it into law?

Mr. MOTT. We do not have to. So far as I am concerned, I would just as soon not have it written into the law, but I think I stated quite clearly, a moment ago, what the reason was for putting in this particular declaration.

Mr. Chairman, there is danger of aggression. There is danger of an attack upon this country. There is danger of an attack upon Central and South American countries and that, in the opinion of every one of us, would be the same thing as an attack upon the United States itself. We would have to meet such an attack if it should come, and common sense and patriotism, therefore, demands that we should be prepared if it comes.

Every gentleman here knows I hold no brief for the President. I have been obliged to oppose him on many major bills. But when he is right I do not like to see a wrong inference against the motives of the President on this bill left by Members of this House, particularly those on the Democratic side. May I say to the gentlemen who have made such statements in regard to the President's motives and intentions in connection with our foreign policy, that if I were a Democrat, as I am a Republican, and if I thought the same thing as you do about the President's reason for wanting this bill, then on my own responsibility as a Representative of the people in this Congress, I would impeach the President? I would have the courage of my convictions.

But I think he is right, so far as this bill is concerned, and because we are an isolationist nation, we must have a navy that is adequate to protect us. The purpose of this bill is to give the United States just that kind of a navy.

Mr. SNELL. Will the gentleman yield?

Mr. MOTT. I yield to the gentleman from New York.

Mr. SNELL. If our Navy is so gravely deficient—and the gentleman seems to think it is—why is it the gentleman's committee has not insisted before now upon starting the battleships that have been previously authorized under our present program?

Mr. MOTT. I thought I answered that question a while ago. The Committee on Naval Affairs would not have initiated this, the Navy Department would not have initiated this, and the President of the United States would not have initiated it unless the President had been convinced, as a result of the reaction to his Chicago speech, that the people of the country would not stand for carrying out what was then the President's collective-security policy.

When he became convinced of that he proposed a navy big enough to defend this country on both coasts, and that is what he should have done in the circumstances.

Mr. SNELL. Yes; but what excuse can the gentleman give to the country for not building the ships that are already authorized before asking for an additional authorization?

Mr. MOTT. The gentleman must surely have heard me answer that question twice. I do not see that that question is pertinent to this bill in any event. I do not see what it has to do with the bill.

Mr. SNELL. I think it is very pertinent, so far as I am individually concerned.

Mr. MOTT. Why does the gentleman think so?

Mr. SNELL. I am wondering what there is back of it. We have ships already authorized. There has been no definite move, so far as I can understand from the explanations that have been given on the floor, to start the construction of those ships.

Mr. MOTT. Does the gentleman believe the President wants this navy for the purpose of getting us into an aggressive war?

Mr. SNELL. I do not know what the President wants it for, but I am trying to find out.

Mr. MOTT. I have just told the gentleman what he wants it for. He wants it to protect the United States. That is what I want it for, and that is what the people of this country want it for. We want it as insurance against war, and I am convinced it will provide that insurance. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 5 minutes to the gentleman from Kentucky [Mr. ROBSION].

Mr. ROBSION of Kentucky. Mr. Chairman, ladies and gentlemen, we had a good Navy in 1934 when Congress passed an act authorizing the expenditure of $4,000,000,000 as the needs of the Navy might require. About $1,500,000,000 of that sum has been spent. The act provided for the construction of 11 battleships, cruisers, and other naval craft. Only two of these battleships have been started.

In January 1938 the Navy Department requested, and Congress appropriated $552,000,000 for the Navy for the fiscal year beginning July 1, 1938, and ending June 30, 1939. This sum is all they needed, so they said. That bill appropriated money for 2 more of the 11 battleships. The Navy would not be ready to begin the construction of these two battleships until sometime next year. No request has been made for an appropriation out of the four billion authorization to construct either one of the other seven battleships provided for in the 1934 act, and there is still available approximately two and a half billion of the four billion that was authorized, and Congress has since 1934 voted all the money that the Navy said it needed.

Now, with this big unexpended and unused authorization, the President about a week after we passed the $552,000,000 appropriation bill in January—the biggest in peacetime in the history of our country—calls on us to pass the bill now before us for a supernavy, providing an increase of $1,121,000,000.

No one could more strongly favor adequate national defense for our country on land, on the sea, in the air, and under the sea, than myself. We have a splendid Army and a splendid Navy, ably commanded. It is agreed by naval

experts that no nation could successfully attack and defeat our Navy in the Western Hemisphere. I am willing to vote all necessary money to provide a navy at all times able to defend our country and to meet the attack of the navy of any other country. This is likewise my feeling as to our air force, our Army, and our Marine Corps. I am unwilling, however, to vote one dollar for a navy, air corps, army, or marine corps for aggression, conquest, or to engage in any foreign war or be a cat's-paw to pull the chestnuts of England, France, China, or any other country out of the fire.

I am very much opposed to our country engaging in another foreign war. I favor strict adherence to our historic foreign policy of "friendship for all nations and entangling alliances with none."

Through false propaganda "to make the world safe for democracy" and "to keep us from being invaded by Germany" as we were then told, we departed from our safe and sane American policy and got into the World War. We were not neutral. We took sides. That war in the end will cost us a hundred billion dollars. It took the lives of hundreds of thousands of our young men, and crippled, maimed, and disabled hundreds of thousands of others, and made hundreds of thousands of widows and orphans, and we as a Nation are less free and there is less of democracy and more of dictatorships in the world than when we spent our first dollar and the first American boy gave his life.

The war lords of this and other countries, the shipbuilders and the munitions makers of this and other countries, with misrepresentations and false propaganda are stirring up fear and hate in the minds of the people. They are laying the groundwork to get us into another World War. The bill before us will not promote peace. It will in the end bring about another World War.

THIS HUGE SUM UNNECESSARY

The Secretary of War, Mr. Woodring, on yesterday, according to press reports, said:

> The United States is better prepared than at any time in its history for whatever happens * * *. There is small likelihood of the Nation becoming involved in any European situation arising from German possession of Austria.

Our National Guard is the best equipped it has ever been in its history. During the last 3 or 4 years we have enrolled and trained more than 1,000,000 young men in the C. C. C., at a cost of approximately $350,000,000 a year. We were told by the administration that these young men are 80 to 85 percent equipped and trained for military service. Our Navy is second to none in the world in the waters of the Western Hemisphere. It could here meet and defeat the Navy of Great Britain or any other country. The combined navies of Italy, France, and Germany would have no show against the American Navy on this continent. The Japanese Navy has only about two-thirds the strength of our Navy, and if it should come to American waters, it would only be about as 1 to 4 compared with the American Navy. No Japanese naval authority would for a moment think of putting the Japanese fleet up against the American Fleet in the Western Hemisphere. The American Navy could defeat the combined navies of Italy, Germany, and Japan should they come to American waters and attack us.

Of course, we do not have a navy and could not in many years build a navy that would enable us to police and dominate all the navies of all the nations of the seven seas of the world. We want a navy that is ample to defend our possessions and the Western Hemisphere. This it can do under the program adopted in 1934. Our naval program, if carried out, is equal to that of Great Britain and if we should adopt this additional $1,121,000,000 asked for by the President, we would lead the world in its mad race for naval armaments. We are the most favorably situated of any nation in the world. Great Britain must defend her possessions in the Atlantic, Pacific, and Indian Oceans and likewise in the Caribbean, Mediterranean, North Sea, and other seas in all continents.

Of the four billion authorized in 1934, there was appropriated the amount of $1,443,643,208 for 141 ships to be built and are now being built. The 72 now under construction will require an additional $586,107,367 to complete them. When they are completed we will still have approximately two billion of the four billion still available for new and other construction and seven battleships authorized, but none of which have yet been started.

Now, with that record, why should we pass this bill calling for 26 more fighting ships?

Under the act of 1934 the Navy Department can build these ships as large as they desire. They can build the biggest battleships in the world. The chief witness for the Navy Department and a man who knows stated if we authorized any new ships under this bill we could not start on any of them in less than 2 years. It takes 4 years to build a battleship, and the best authority is that, running at full blast, both the Government and private navy yards, it would require at least 6 or 8 years to build the battleships that were authorized under the act of 1934, and therefore it would be at least 6 years before any battleship could be started under the bill before us. It can be seen at once that this additional authorization of $1,121,000,000 is unnecessary.

DOMESTIC CONDITIONS HOLD JAPAN, GERMANY, AND ITALY

Japan is a small country with not as much productive land as the Philippine Islands. Her resources are limited. She has a powerful and well-armed enemy on her borders, Soviet Russia. Russia and China can and will take care of Japan. Japan is exhausting her resources in the present war and is trying to bring about a peace agreement with China. Russia is standing by armed to the teeth waiting until Japan has exhausted herself. Is there anyone foolish enough to believe that Japan will abandon her own country with a navy about two-thirds as large as that of the United States and travel thousands and thousands of miles to attack us? She knows that her navy that far from home would not be one-fourth as powerful or effective as our Navy. She knows that at the very moment she leaves her own land and attacks us she would be swallowed up by China and Russia. Why should we become hysterical and jittery over Japan?

The shipbuilders and munition makers try to alarm us over the recent occurrences between Germany and Austria. I am opposed to dictators whether in Russia, Japan, Italy, Germany, or any other place. I believe in a democracy. Germany has merely taken over a small devastated territory of 32,000 square miles, about three-fourths the size of Kentucky, with an impoverished population of 7,000,000 people. The union of Germany and the Germans of Austria was inevitable. We meddled in European affairs when we got into the World War and then after the war we helped to write the Versailles Treaty. Italy was then our ally and Germany was her enemy. In fixing up that treaty the allied governments dismembered the Austrian-Hungarian Empire and cut over several small countries including a little country made up almost entirely of Germans and gave it the name of Austria. This little country lies between Italy and Germany, and it was to be a buffer state to protect Italy from Germany. At that time, and ever since, these Austrian Germans desired to be a part of Germany. The Government of Austria has been controlled by a lot of dictators against the will of the majority of the Austrian people, through the power and influence of Mussolini. These dictators filled the jails with the working people and the common people of Austria. Hitler and Mussolini made up. Hitler is a German born in Austria. So the Germans of little Austria have united with the Germans of Germany. The Austrian Germans have exchanged their Austrian dictator for the German dictator, Hitler. World commentators told us that a million people met in the highway and along the streets of Vienna to welcome Hitler. The people cried and kissed each other for joy.

I am not commending the action of Hitler. This is a matter for the Austrian people themselves. Austria has no navy. Germany has a small navy. How could this action justify us in putting on the largest naval program of any country in the world? The Germans of Austria joining with the Germans of Germany, in my opinion, is no threat to the people of this country. It may be a threat to some other

countries in Europe. France, England, and Russia are sworn foes of Germany and Italy. These big nations far surpass Germany and Italy in naval and military resources and manpower. These three nations, together with Poland, Rumania, and Czechoslovakia, will be able to hold Germany and Italy. Who for a moment thinks that Germany or Italy will project a war against the United States in the face of her powerful and determined enemies, Russia, England, France, Rumania, Poland, and Czechoslovakia? We are in no danger unless we again forget our true American policy of neutrality and, armed with a big navy, undertake to police the seven seas of the world.

PRESIDENT VIOLATES NEUTRALITY ACT

We are urged to help create this super Navy under the theory that Japan, Italy, and Germany threaten the peace and security of this country.

Congress on May 1, 1937, passed the neutrality joint resolution, section 1 (a) of which provides:

Whenever the President shall find that there exists a state of war between, or among, two or more foreign states, the President shall proclaim such fact and it shall thereafter be unlawful to export, or attempt to export, or cause to be exported, arms, ammunition, or implements of war from any place in the United States to any belligerent state named in such proclamation, or to any neutral state for transshipment to, or for the cause of, any such belligerent state."

Section 1 (c) also provides:

Whenever the President shall find that a state of civil strife exists in a foreign state and that such civil strife is of a magnitude or is being conducted under such conditions that the export of arms, ammunition, or implements of war from the United States to such foreign state would threaten or endanger the peace of the United States, the President shall proclaim such fact and it shall thereafter be unlawful to export, or attempt to export, or cause to be exported arms, ammunition, or implements of war from any place in the United States to such foreign state, or to any neutral state for transshipment to, or for the use of, such foreign state.

That resolution was rushed through Congress to prevent a small number of used planes being shipped from a New Jersey port to the Loyalists in Spain. The President invoked the Neutrality Act as to those few used planes going to Spain. For nearly a year a bitter war has been waged between China and Japan. Seven hundred thousand men, innocent women and children have been killed and an untold amount of property destroyed. Wars have been carried on between Italy and Ethiopia. Italy, Germany, and Russia have been taking a hand in the war in Spain. We claim that our peace and security is threatened by Japan, Italy, and Germany, yet the President fails and refuses to invoke the power granted to him under the Neutrality Act. Our country has been stripped of scrap iron. Two million tons have been shipped to Japan and other millions of tons have been shipped to Italy, Germany, Russia, and other countries. We have also shipped large quantities of powder, explosives, shells, and other war materials to Japan, Italy, Germany and other countries. If Japan, Italy, and Germany are threats to the peace and security of the United States, why does the President permit these armaments and war materials to be shipped to these countries in violation of the Neutrality Act? It would be better to stop the shipment of these war materials to these countries than to put this $1,121,000,000 for a super-Navy on the back of this Nation. If the shipping of a few second-hand planes from this country to Spain threatened the peace and security of this country, how much more is our peace and security threatened by the millions and millions of dollars' worth of armaments, war materials, and war supplies shipped to Japan, Germany, and Italy.

Many of us know why the Neutrality Act is not invoked here. The reciprocal trade agreements caused such a great increase of imports from Japan and other countries as would create an unfavorable trade balance against the United States. So the President is permitting the Neutrality Act to be ignored in order to build up the exports from this country to foreign countries. We are fishing some more dollars as we did in the World War out of the blood and tears of the people of other countries.

DANGEROUS PROVISIONS

It is very clear that the real purpose in bringing up this bill for an authorization of an additional $1,121,000,000 is not the peace and security of this country. Not a ship provided under this bill could be started in less than 2 years, and it would require 4 years to build it. It can be seen at once that the passage of this bill would not help the unemployment situation, and it could not provide any ships if ships were needed now.

This bill, in my opinion, has two purposes. One is to talk about war and rumors of wars, and foreign policies to take the minds of the people off the panic we have in our country. The other is to give this administration the power to mix up in the affairs of foreign countries.

Section 9 provides "to protect our commerce and citizens abroad, to insure our national integrity, and to support our national policies." The President in his Chicago speech urged that this and other countries should quarantine nations like Japan; in other words, blockade them. Yes; we should get on the world's police force. This would mean war—a world war and a foreign war.

Our people are scattered everywhere throughout the world, and some of them are busy in stirring up strife. What citizens abroad will we protect and what commerce and what national policies? The Philippine Commissioner, McNutt, a friend to the President, said in a speech recently that we should give up the idea of getting out of the Philippine Islands, although Congress has so decreed, and the people of the Philippine Islands by a vote have approved our action. Commissioner McNutt says that we should stay in the Philippines so that we would be in a better position to take a hand in international affairs in the Far East.

The Standard Oil Co. desired to take three tankers of oil up the Yangtze Kiang River in China to be delivered to the Chinese Government, evidently to be used in the war between China and Japan. It was necessary for these oil tankers to pass right through the war zone in the war going on between China and Japan. The commander of our American gunboat *Panay* took upon himself the duty of convoying those three Standard Oil tankers up that river. The Japs sank the gunboat and the tankers. We were almost involved in another foreign war simply because a big concern engaged in world-wide commerce took the chance of that attack in order to make a few dollars of profit.

This bill provides "to support our national policies." Who is the present spokesman of our national policies? It is President Roosevelt. He proposed that we quarantine Japan and other nations. I am not overlooking the fact that Mr. Roosevelt was a strong advocate of our entry into the League of Nations. In fact, he was the nominee for Vice President on the Democratic ticket in 1920. Their platform urged our entry into the League of Nations, and President Roosevelt in many speeches urged that we take such action. His speech in Chicago in talking about quarantining other nations is in substance one of the provisions of the covenant of the League of Nations.

President Roosevelt is the Commander in Chief of the Navy. I cannot give to the present occupant of the White House—in fact, I would not give to any man in the White House—such dictatorial powers as to say when the American Navy should be used in our commerce or in behalf of our citizens abroad or in support of his policies. Under this bill the President, the captain or admiral of any American ship could, as did the commander of the *Panay* on the Yangtze Kiang River, involve us in another war.

DANGER HERE AND NOW—NOT IN ASIA AND EUROPE OR FUTURE

The great danger to your country and mine is not in Asia, Africa, and Europe. It is here in the United States. It is not on the seven seas of the world, but on dry land in our own country. Our great danger is not from without but from within. No great civilized nation has ever been destroyed from without. It first falls from within.

This administration is giving too much thought and attention to foreign affairs and too little attention to our home affairs. The Congress will spend weeks debating whether we will build more warships 2 years or 8 years hence, while

twelve to sixteen million unemployed walk the streets and highways of the Nation seeking work in vain—while the youth of the land parade the streets of the Nation's Capital and other cities demanding jobs and opportunity to work. We are spending our time talking about war and battleships instead of bread and jobs for the idle, hungry, and destitute of our own country. We are spending weeks talking about the reorganization bill giving the President dictatorial powers over the nearly 900,000 Government officers and workers.

I am not unmindful of the efforts that have been made in the last 3 or 4 years to regiment agriculture, labor, industry, and commerce in our own country. I am more interested in the form of government of the United States than I am in Austria, China, or any other country.

You say, "There you go, Mr. ROBSION, a Republican, criticizing the administration." I quote now the words of a speech made on March 15, 1938, by a man who has been one of the administration's most loyal, devoted, and active friends and supporters, Mr. John L. Lewis, C. I. O. leader and president of the United Mine Workers of America.

> Our consumer-goods industries began to slow down in June 1937, and by October of the same year our heavy industries began to feel the icy hand of the depression. * * *
>
> In the months that have ensued, neither industry nor Government has come forth with constructive proposals designed to meet the problems of the depression.
>
> The Federal Congress, lacking adequate or competent leadership, in continuous session for months past, has failed to devise or enact a single statute that would cause a glimmer of hope to penetrate the minds of millions of despairing Americans. * * *
>
> Meanwhile, the population suffers and a creeping paralysis progressively impairs its functions.
>
> What is to be done? Reason calls for a change. More rational policies are indicated. America is menaced, not by a foreign foe that would storm its battlements, but by the more fearful enemy of domestic strife and savagery.

Mr. Lewis says that industries "feel the icy hand of the depression." He continues:

> Government has come forth with no constructive proposals designed to meet the problems of the depression.

And he further says—

> Congress has failed to devise or enact a single statute that would cause a glimmer of hope to penetrate the minds of millions of despairing Americans.

And further—

> Meanwhile the population suffers and a creeping paralysis progressively impairs its functions.

He continues—

> Reason calls for a change. More rational policies are indicated.

Last but not least he emphasizes:

> America is menaced, not by a foreign foe that would storm its battlements, but by the more fearful enemy of domestic strife and savagery.

No one has made a more biting or constructive criticism of this administration than Mr. Lewis; neither has anyone pointed out more clearly that our country is not menaced by a foreign foe but by economic conditions. He says the Government has brought forth no constructive proposal designed to meet the problems of the depression; and here we are, spending weeks in the House and Senate talking about battleships that we may begin building 6 to 8 years from now.

President Roosevelt, in his prophetic speech at Pittsburgh on October 19, 1932, said:

> Taxes are paid in the sweat of every man who labors, and excessive taxes result in idle factories, widespread unemployment, and hordes of hungry people looking for jobs in vain.

He further said if we continued to spend more than we took in, the end is the poorhouse.

I have before me the official statement of the United States Treasury of March 12, 1938. It shows our national debt to be $37,814,477,017.69. This same statement shows our national debt on March 12, 1937, was $34,753,487,389.40. We have increased the national debt in the last year more than $3,060,000,000, and the House and Senate have been wrestling for weeks on how to find taxes to meet a part of the Government's expenses. Congress has already appropriated more than $9,500,000,000 for the fiscal year ending June 30, 1938, and more will follow. That will mean a deficit of perhaps $3,000,000,000 for the present fiscal year. The appropriations for the next fiscal year will be greater. Many able Democratic Senators have said over the air and elsewhere that the deficit for the next fiscal year will be somewhere between three billion and five billion dollars.

Yet with this condition staring us in the face, the President asks us to vote an additional $1,121,000,000 for a supernavy. The President has urged us to cut down our road-building program. He told the leaders of the youth congress the other day when they appealed to him for an appropriation to aid the youth of the land that we did not have the money. He opposes the pensions for the Spanish War veterans who need the regular aid and attendance of another person. He likewise opposes the bill granting pensions to the needy World War widows and orphans. Those measures only ask for a few million dollars. There are hundreds of thousands of disabled World War veterans and at least a million other World War veterans and their families in needy circumstances. We have nothing for them, but must have a supernavy.

These increased, unnecessary naval appropriations tell the people of the country that we are going to increase taxes and are going to increase deficits and debts. It discourages business investment and adds to our unemployment and economic distress.

Let the President and his advisers and the Congress devote their time to these domestic problems. Let us bring peace and security to our own country. Let us set our heads to solve this the greatest of all problems so far as our country is concerned—unemployment and the economic depression. As Mr. Lewis says, let us adopt "more rational policies" that may encourage agriculture, industry, and commerce and thereby bring peace and plenty, with assurances if our country is sound on the inside no one can break through from the outside. There can be no greater threat to this country than the millions of youths and hordes of idle men and women on the march throughout the Nation. Let us keep our feet on the ground and our heads cool and not join in the mad race for armaments. Let us not forget the lessons of 1917 and 1918.

I am opposed to this bill. It is unnecessary and it is dangerous. We now need bread and jobs in this country more than we need additional battleships and war machines.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a question?

Mr. ROBSION of Kentucky. I yield to the gentleman from Michigan.

Mr. DONDERO. Did the gentleman see the statement of the Secretary of War that this is the best-prepared country in the world?

Mr. ROBSION of Kentucky. The Secretary of War said at Miami, "This Nation is better prepared than at any other time in its history for whatever happens." [Applause.]

Mr. MAAS. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. HOFFMAN].

OPPRESSION ABROAD—AT HOME

Mr. HOFFMAN. Mr. Chairman, from the debate on this naval bill it is evident that if the ships already provided for by the preceding bill, which authorized the expenditure of some $4,000,000,000, are to be constructed we would not be able to enter upon their construction before 1947—9 years from this day.

Yet the bill is supposed to be founded upon an emergency, a great crisis, now confronting us as a nation. We have heard altogether too much in the last few years of emergencies and crises. Apparently, the domestic brand has been exhausted; we now look across the seas in an effort to find one to justify some pet plan.

This view is strengthened by the fact that the Navy Department, evidently realizing that the construction of these ships could not be commenced with our present facilities until 1947, after the bill was submitted to Congress and after hearings had been had, suggested that the bill contain a provision authorizing the acquirement of additional facilities.

The fact that the Navy Department realized that the ships could not be built in the immediate future, could not even

be commenced until 9 years had passed, and the fact that later it suggested that additional facilities would be needed, is proof sufficient that the present bill never originated in the Navy Department—rather, that it is another of those very convenient emergencies used to justify a desired course of action.

A great deal of indignation is being expressed throughout our country because of the conduct of Germany under Hitler's guidance. We hear talk and we read articles expressing in no uncertain terms disapproval of the destruction of Austria as an independent government. On that subject I make no comment.

I do, however, call the attention of the Members to the fact that before we as individuals or as representatives of our Government take exception to the action of any foreign nation or the people of any nation, we look well at our own domestic situation.

I will not enter upon any lengthy discussion at this time of what is happening in America, but I will cite one specific instance, typical of many, which shows that here in this land, which we were formerly pleased to call the land of the free, oppression, injustice, and deprivation of civil liberty exist by virtue of the Federal Government and its agencies.

As we all know, industrial trouble existed in the plants of Remington Rand, Inc. A case was brought by the National Labor Relations Board against Remington Rand, Inc., and various phases of the controversies have found their way in and out of Labor Board hearings and courtrooms.

On the merits of all of the phases of this extended litigation I express no opinion as between the position taken by the Board and that taken by the company. Certainly, I do not speak for or in behalf of the company. But note, if you will, how innocent working men and women have been caught in the controversy and how their rights are being ignored and disregarded by the methods employed by the N. L. R. B.

On or about May 26, 1936, certain employees in the Remington Rand plants, being dissatisfied, went on strike, and they remained on strike for many months. Some of them sought and obtained employment elsewhere; some later returned to their employment with the company.

In the meantime, approximately 4,000 men and women sought and obtained employment in the various plants of Remington Rand, accepting and taking the jobs of those who had gone on strike, of those who had sought and obtained employment in other plants and other cities.

These 4,000 men and women have continued to work for Remington Rand for almost 2 years. When the National Labor Relations Board sought the dissolution of the union which they had organized they intervened in the proceedings.

On March 13, 1937, the Labor Board made its order directing Remington Rand to offer a reinstatement to all persons who were on May 26, 1936, production and maintenance employees at seven of its plants who had not, on March 13, 1937, received regular and substantially equivalent employment elsewhere.

The order further required that such reinstatement should be made, if necessary, by dismissing those employed since May 26, 1936, and who were not employed on that date.

The United States Circuit Court of Appeals for the Second Circuit granted these employees, who faced dismissal because of the Board's order, the right to petition the Board for a hearing, and this these independent employees did, at considerable expense, filing their petition with the Board on Saturday, March 5, 1938.

Upon inquiry made of the Labor Board, I was advised that the Board, at an executive session, without the taking of testimony or the hearing of arguments, denied the petition of the employees, and this action was embodied in an order dated the 8th.

Note this appeal from these employees received in the mail today:

On behalf of the 3,000 members of our local independent union and 6,000 members in all Remington Rand plants, we respectfully demand your assistance in compelling the National Labor Relations Board to give us a square deal. The Board's order, as it now stands, if enforced, would penalize not the employer but the workers.

The Board's decision, which is now in the United States Circuit Court of Appeals, was based on biased, one-sided, distorted testimony. Our members were never asked or given the opportunity to testify. This fact was recognized by the court and 20 days allowed us in which to petition the Board. This we did at considerable expense. The Board turned us down flat. They are discriminating not only against the company but against the employee.

We have no quarrel with our fellow men. They chose to strike and quit their jobs. We chose to maintain our God-given "right to work."

We hold no brief for Remington Rand, Inc. We are not fighting their fight, but we are fighting for our fellow employees and for the jobs they hold.

Now, the Board, after almost 2 years' time, would throw many of us out on the streets and put back men who quit voluntarily. As citizens, voters, and taxpayers we earnestly and respectfully demand your help.

You, among other Members of the Senate and Congress, have studied and openly denounced this autocratic bureaucracy, the National Labor Relations Board.

Here is a specific example of their ruthless tactics. Any impartial investigation will prove that here in Ilion only 400 out of the 2,300 employees wanted a strike. The majority chose to work.

Please give us your wholehearted support and champion our rights to work or to strike as our conscience dictates. Thanking you in anticipation.

Enclosed is a copy of the petition from employees of Remington Rand, Inc., to the National Labor Relations Board.

The situation, especially in Middletown, Conn., and Syracuse, N. Y., is desperate.

An agreement was arrived at in the chambers of Judge Hand, in New York, whereby our attorney would be admitted into conference with attorneys for the National Labor Relations Board, Remington Rand, Inc., and the union. Today the attorney for the Board, Mr. Ingram, refused admission for our representative to be present.

If the Board is allowed to ride roughshod over 6,000 employees, there is a chance that the violence and disorder of 2 years ago might reoccur.

Please do all in your power to compel the Board to at least hear our petition. We have never had a chance to tell our side of this trouble.

Take notice, if you will, of how the National Labor Relations Board treated the petition of the employees for a hearing on the Board's order, which required approximately 4,000 of these workers—some 10,000 in all dependent upon them—to be discharged from their jobs.

DENIED WITHOUT A HEARING 3 DAYS AFTER IT WAS PRESENTED

Four thousand men and women, workers all, employed at wages and under circumstances that were satisfactory to them and to their employer, discharged by the order of a National Labor Relations Board made in a proceeding where the workers themselves had been denied their day in court, their opportunity to be heard.

Hitler's march into Austria and the imposition of his will upon the inhabitants of that country, his destruction of their Government, is no more arbitrary, dictatorial, than the action of this Board in decreeing that 4,000 men and women shall lose their right to work in order that others favored by the Board may take their jobs.

Notice that these workers filed their petition on March 5. The next day was Sunday, and on Tuesday this Board met and decreed that these men and women should no longer work in this plant.

What are they to do? Are they to be thrown upon the relief rolls or are they to be liquidated in true European fashion?

I am advised this morning by a representative of these workers that, although a representative of the Board agreed with their attorney in the chambers of Judge Hand to allow their representative to sit in on the hearings now being conducted in Middletown, Conn., discussing the reinstatement of strikers, that the Board absolutely ignores this agreement and ordered the representative's counsel out of the hearings.

Hitler arrests the Government officials of Austria and our people cry out in anger and in indignation. The National Labor Relations Board orders the economic execution of 4,000 American workers and the administration permits it to conduct its hearings at which those who are deprived of the right to work have no opportunity to be heard.

A big navy? A navy for national defense? Everyone agrees to that. What this country needs is the reestablishment of the workers' right to work here at home.

Police the world? Before we start policing foreign nations, let us set our own house in order.

Quarantine aggressor nations? Before we start on that task, why not quarantine those who are driving workers from the employment provided by businessmen? Quarantine the National Labor Relations Board, the La Follette committee, quarantine those who are levying tribute, collecting dues, and, in turn, making payments to the political organization of the Government in power.

The greatest blessing that could possibly come to the people of our Nation would be a realization of the extent of the persecution which the National Labor Relations Board and the Senate Civil Liberties Committee is now conducting, not only against business—big and little—but against all those who refuse to join the unions sponsored by these political lieutenants.

The salvation of the world is a laudable objective. The setting of our own house in order, the preservation of our own Government, and the liberties of its citizens is a more immediate and pressing task, which will require all of the energies and the ability of this administration.

Mr. VINSON of Georgia. Mr. Chairman, I yield 10 minutes to the gentleman from Oklahoma [Mr. MASSINGALE].

Mr. MASSINGALE. Mr. Chairman, it is a new role for me to stand in the well of the House and advocate the expenditure of a lot of money for the Navy. Since I have been here, I have consistently voted against appropriations for the Army or the Navy, until the beginning of this year. I feel very keenly that the Congress has failed this year to do its duty toward the working classes, including the farmers of America, and they are the kind of constituents I have. I do not like the idea that we have failed to do anything of consequence for the common run of mankind in America, for that is our responsibility. Of course, our people have a right either to keep us here or to keep us at home in consequence of that failure. At the same time, I am conscious that if democracy is not preserved for the common people, there is no hope for them. If we cannot build them up under a democracy, they are gone, and if a dictator comes along, they are gone forever.

I cannot discuss this matter fully in 10 minutes, but I want to give you a few facts that seem to me significant.

Just before the Washington Conference of 1921, the United States was the greatest naval power of the world. In that conference, the United States, Great Britain, France, Italy, and Japan made an agreement upon the maximum naval strength which they were not to exceed. As to the United States, Great Britain, and Japan, the ratio agreed upon was 5–5–3 as to battleships, and by the London Treaty of 1930 smaller ships were added. The purpose of the agreement was to so balance the naval strength of the three nations that no one of the three powers could attack another without serious danger of defeat of such attacking power. Had the treaties, Washington and London, been lived up to, the uncertainty of victory or defeat practically meant insurance against war between the signatories.

These conferences were held for the purpose of cutting down expenditures for naval armament and the ratio of the number of ships each should be allowed to have. The United States being the greatest naval power at the time scrapped 19 dreadnoughts, 7 battleships then in the process of being built, and 4 battle cruisers. The total tonnage scrapped by the United States in order to make compliance on its part with the treaties amounted to 755,380 tons.

Great Britain destroyed 16 dreadnoughts and 6 battle cruisers, amounting to 447,750 tons.

Japan destroyed 12 dreadnoughts and 1 battleship that was being built, amounting to 355,730 tons.

The tonnage destroyed by the United States pursuant to said treaties is about three times the combatant tonnage that this bill provides for constructing.

The Washington and London Treaties expired December 31, 1936, and Japan refused to extend or renew them. While the treaties were in force all powers except the United States proceeded to bring their navies up to the maximum limits and to maintain that limit. For about 14 years after the Washington conference the United States practically quit building warships, and it was not until the enactment of March 1934 that Congress authorized building warships again and demanded that sufficient ships be built to bring the Navy to treaty strength and to keep it there. My understanding is if we build all the ships authorized by the act of 1934 we will be thousands of tons short of treaty strength.

Since the expiration of the Washington and London Treaties the world has been free to do as it pleases in regard to building warships. Before the expiration of those treaties the signatories kept each other advised as to what ships were being built; now they are secretly constructing ships of whatever size they please, mounted by any number and size of guns, and they refuse to disclose what they are now doing or are planning to do. Where does this leave us? It leaves us absolutely in the dark, yet we are responsible for the greatest Government on earth and responsible for the protection of the people under this Government. As far as I am concerned, I am going to give them protection. [Applause.]

Secretary Hull sent a note to Japan asking what size ships and guns she was building. Japan answered that she would not tell, but added that she is very strong for self-defense, is not warlike, and advised us not to build a Navy because of her hatred of war and bloodshed, and that she would be glad to enter into another treaty with us. When Japan made this jest I feel certain that she knew no business person would consider it, after our former experience, but thought that perhaps there might be some Members of Congress who would fall for it. Some Members do want to try another peace conference or limitation agreement with Japan and other nations.

Do we need a navy? I have more confidence in the ability of the gentleman from California [Mr. IZAC] to analyze and correctly estimate the situation existing in the Navy than I have in the ability of any other man in the House to do so, because he is a graduate of the Naval Academy and has given special study to the conditions confronting us at this time. His statement is found in the Appendix of the RECORD, page 822. His statement is as follows:

> But I'll give you some figures that should be food for thought, because they spell reality. Here is the actual number of underage ships that could take their place in the battle line tonight—not a year ago, not next year, but tonight—and the ships on which might depend the security of the Western Hemisphere: Great Britain, 181; France, 169; Italy, 164; Japan, 157; and the United States, 88.

We are dealing with America now, not partisan politics. I do not care whether or not you like President Roosevelt and Secretary Hull, but this is a statement of fact. If you as an American citizen want to protect this country in case of war from being overrun by the bunch of maniacs who are in control in Europe, why do you not consider these facts? Why do you want to consider partisan politics and lambaste the President of the United States and say on the floor of the House you are inclined to believe that Secretary Hull told a lie when he stated that the United States had entered into no alliance with England or any other country and did not propose to do so. Now, let us forget partisanship and face the facts.

Think of 88 fighting ships for the United States as against the known 164 fighting ships for Italy, the known 157 fighting ships for Japan, and the unknown fighting ships for Germany, and then talk about waiting a few years to see what might happen. It may be they will let us alone. Admiral Leahy says we can hold our own, ship for ship, with any power. I am sure of that, for the American Navy seeks no fighting alliances, is willing to do her own fighting, but she wants us to give her something like an even break. It is unfair and beneath the dignity of a great nation to send 88 effective fighting ships, manned by red-blooded Americans, against a combined fleet of approximately 450 effective fighting ships. I use the term "combined fleet" because that is about the size of the combined fleets of Japan, Italy, and Germany. Under the military agreement of these three, to offend one of them is to invite the ill will and attack of the other two.

Within the space of a few years Japan has waged several wars of self-defense in China. Korea and Manchukuo have been taken from China, and now the last of that vast Em-

pire is under the iron heel of Japan. Italy, in her self-defense, subjugated the poor and defenseless Ethiopians. Italy and Germany have sponsored the Spanish rebellion, and radio announcers last night flashed the news that Spain is another victim of the murderous coalition. Within the week Austria, mother of the arts and sciences, abjectly surrendered to Hitler, who proclaimed himself the vicegerent of God, divinely commissioned to lead the nations of the world from darkness to light. This last episode was immediately occasioned by the fact that Schuschnigg announced last Thursday that he would call a plebiscite of his people to let them vote on the Sunday following as to whether they preferred to remain Austrians or become subjects of Hitler. This was an insult to the vicegerent, and he marched his legions to the boundary line of Austria and forthwith demanded unconditional surrender under threat of invasion within 3 hours unless Schuschnigg complied. Schuschnigg had no choice. Now Hitler is going to hold his plebiscite in his own peculiar way—the way of one who imagines himself anointed of the Lord. What a world!

I really wonder how many Members of Congress would take any stock in a treaty made with any member of the world's triumvirate of arch criminals. They are not respecters of treaties and contracts; they are devoid of any sense of human right; they are of the kind that send swift-flying planes in the nighttime over cities where helpless babies and old folks are sleeping and, without warning, rain down bombs upon them, then exchange congratulatory telegrams next morning on the accuracy of their marksmanship. Oh, what a world!

Today another news flash. Czechoslovakia is warned to embrace naziism if she hopes to escape invasion and probable destruction. Of course, no one can tell what may be in the demands of this maniac for tomorrow. Shall we complacently sit back and ask that he honor (?) this Nation by making a treaty with us? His is the type of morality that first proclaimed to the world that a solemn treaty is only a scrap of paper. Yet some respectable Members of Congress are willing to enter into another agreement with him. His respect for any nation is measured by the caliber of the guns and the effective range of the shells used by such nation. You talk about the size of the ships and say the composition of the Navy is not what it ought to be. You say our Navy will be top-heavy with battleships if this bill passes. Japan has them, Italy has them, and Germany has them.

Oceans give some protection to us, and I thank God for the oceans. It may be a controversial matter as to the proper composition of the United States Navy. It may be that our Navy will be top-heavy with battleships, but we are not informed as to what other countries are building. We do know that the battleship is the most effective single unit of fighting craft. It will require several years at best to build them up to treaty strength and, if between now and then, we learn that modern science demands that we substitute something more effective, we can stop building any more of them. The fact that we know other nations are using battleships makes it imperative that we also have battleships. Even though battleships are not regarded by some as the type of ship we need in the American Navy, we must have them in order to compete with their known effectiveness when used by other nations. I may illustrate this thought by an unauthentic story told of Robert Toombs. It was said that during the time of the Civil War, Toombs, being a most forceful orator and an intense southerner, while addressing a war meeting at Atlanta, urged the southern people to rally to the support of the Confederacy. He made the statement that he felt authorized in saying there could be no possible doubt as to the success of the Confederacy in that war, because knowing conditions as well as he knew them, it was his opinion that the Confederates could whip the damn Yankees with broomsticks. Several years after the war, Toombs was a guest speaker in Philadelphia and was introduced by Henry Ward Beecher. Beecher remembered the speech that Toombs had made at Atlanta, and as a part of the introduction, Beecher told the audience that Toombs was a very learned man but was a poor prophet, and twitted Toombs by quoting that part of the speech wherein Toombs had made the statement that the Confederates had nothing to fear because they could whip the damn Yankees with broomsticks. When Toombs arose, he admitted the statement Beecher had quoted, but denied that he was necessarily a poor prophet. He said he really believed he was right when he made the statement, and that he thought the Confederates would have won the war as he prophesied, but that the damn Yankees would not fight with broomsticks.

Surely the wildest-eyed pacifist in America cannot work himself up to the point where he can envision any nation at war with us beaching its battleships and coming at us with broomsticks. Whether or not we favor battleships, their known effectiveness makes it necessary that we have them under existing conditions. We would certainly not be so foolish as to wait for war to come before preparing for it. If there should be among us any who now believe in the value of treaties, I wonder if there can be found among us one who would be so gullible as to believe, after an outbreak of war between this and some other country, that the other country would be willing to declare an armistice for a time long enough to enable us to prepare for the battle.

Some of our colleagues have gone to the extent of trying to prove by several admirals that the United States needs no greater navy than it now has for national defense. Doubtless Admirals Bristol, Howe, and others whose testimony was quoted on the floor during this debate, were correct in their viewpoint at the time they testified. Conditions 8 years ago are too far back to be of much evidential value in this day. Furthermore, the admirals testifying 8 years ago had not been advised that a military alliance had been recently made between Germany, Italy, and Japan, and for that reason, it matters not how strong may have been the argument nor how correct these admirals may have been 8 years ago when testifying as to the ability of the United States Navy to cope with any other one power, the fact remains that if we fight now we must not fight one but we must fight three nations at least.

Mr. Chairman, one thing has developed in this debate that has caused me to wonder more than ever before how America has managed to continue as a democracy. Until I came to Congress, I did not have the remotest idea that partisan politics would be carried to the dangerous extreme of jeopardizing the safety of this country in order to accomplish the defeat of another political party or of weakening the influence of the President of the United States before the people. The debate on this bill has been marked by violent assault on the President of the United States and the Secretary of State. Members opposed to this program have stated emphatically on the floor that they prefer to take newspaper statements and to rely upon their own suspicions rather than to take the expressed pronouncements of President Roosevelt and Secretary Hull in regard to the foreign policy of the United States. I do not see where there is any room for partisanship in the discussion of this bill—either we have a sufficient Navy to guarantee to us that security which the Government owes to the people of this Union, or we have not a navy of that strength. Both the President and the Secretary have repeatedly stated that we have no military alliance or understanding with England or any other foreign country. Yet it is charged by the bitter partisans that they do not speak the truth.

Strange to say, some of the most virulent of the opposition weave into their speeches the statement that they believe we ought to stop and make another treaty with Japan, and the burden of their argument is "Why do we not wait and confer?" Some of them have completely changed front by now, contending that China is not worth a war. Whereas a few months ago the administration was lambasted because we did not send more ships into the Whangpoo River. Now it is suggested by them that a prudent citizen does not lose caste by leaving Donny Brook Fair when trouble starts. A more pertinent question would be, Are you going to run away from your home when a rapist and a murderer is coming in at the front gate with the announced intention of

starting trouble? We have the first right to the ownership and enjoyment of the Government of the United States as a democracy. We are not disposed to run away and let some maniac take it away from us.

The passage of this bill does not mean that a man supporting it is in favor of war. I am not in favor of war. I signed the Ludlow resolution and voted for its consideration on the floor of the House. I would have voted for its adoption, and I believe it would have been of great value to America and to the world had it been adopted. It was not adopted. Mistakes may have been made by the President and Secretary Hull in conducting and forming our negotiations and dealings with foreign nations. I am sure that the Congress of the United States has not started to do its duty toward the great farming and laboring elements of our population. I believe that had we devoted ourselves assiduously to the task of bringing about better living conditions and better economics our domestic troubles would not seriously concern us, but I do not feel that I should take any chance with the survival of democracy and the continuance of the Government of the United States simply because the Congress has not done what I think it imperative that it should have done in the interests of the people I represent.

The object of this bill is to make it so certain that any nation or group of nations will meet disaster if they undertake to interfere with America or American ideals; that even though they feel they have a divine commission to lead the balance of the world, they will let America alone. I am convinced that the only way to bring about that feeling on the part of the divinely commissioned is to let them know that we are ready for them if and only if we are attacked by them. I believe I know this Congress well enough to say that there could hardly arise provocation sufficient to justify a declaration of war that would require the sending of our young men on a war of aggression. It is well-nigh ridiculous for any Member of Congress to talk about aggressive warfare, and I do not believe there is any reason at all for such expressions as that the passage of this bill means we are going into war. I am perfectly willing to trust the President of the United States and the Secretary of State to so guide this Nation that there will be no war. I believe them sincerely when they make the statement that they are doing that thing.

The argument made by some that we are going to spend so much money on useless battleships that we can never balance the Budget does not alarm me. I think we are as far from a balanced Budget as we are from a balanced economic plane upon which all of our people are entitled to live.

So far as I am personally concerned, the first major task of this Congress is to make sure that the Government of the United States shall be preserved in any event.

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 7 minutes to the gentleman from Missouri [Mr. SHANNON].

Mr. SHANNON. Mr. Chairman, during the discussion of a naval appropriation bill in this House on March 3, 1913, an eminent statesman from Alabama, Oscar Underwood, stated his position in these words:

> The gentleman from Illinois says he appeals to the American flag, to the American sentiment. My friends, the gentleman from Illinois may appeal to the sentiment of war, but I appeal to the sentiment of peace.

[Applause.]

I stand today right where Mr. Underwood stood in 1913, contributing my mite against war. And in my remarks I appeal to the sentiment of peace.

On January 21, 1938, the House of Representatives passed the Navy Department appropriation bill for 1939, containing the largest peacetime naval appropriation in the history of this country.

Under the Vinson-Trammell Act of 1934, a $4,000,000,000 program of naval building was authorized, and that program today lags far behind. It was estimated by witnesses before the House Naval Affairs Committee that approximately 2 years more would be required for the completion of the program authorized under that act of 1934.

Why, then, the haste to put this measure on the books? Why not give the people an opportunity to study its provisions and determine whether it is a wise proposal?

Billions have been spent in educating our people; and I believe, with Jefferson, that whenever the masses are well informed they may safely be trusted to form a correct judgment, especially on a question directly involving the welfare of the family circle.

Within a few months the people will be privileged to elect a new Congress. No man in Congress today was elected on the platform that he was going to give the United States a supernavy. There were all kinds of issues in the last election, but a giant navy was not one of them. Why not postpone for a few months action on this bill and let it be an issue in the November elections? Congressional candidates will then have an opportunity to take the issue directly to the people, and the people, through their selection of representatives, will say what their sentiment is on the subject. The elected Members of the next Congress will thereby be in a position to so vote on the measure as to correctly reflect the wishes of those whom they represent.

This short delay would in no way retard the proposed program, in view of the fact it could not be commenced for some 2 years, anyway.

Have the people a right to feel uneasy on the subject of this country's foreign policy? I say yes. They have a right to feel uneasy so long as they are kept in ignorance of secret understandings or alliances with foreign powers.

WILSON AGAINST SECRET TREATIES

The late Woodrow Wilson learned too late that secret treaties are "the most dangerous instruments of international intrigue and disturbance." He tried to save America from future mistakes through the instrumentalities of secret agreements by insisting upon the incorporation, in the peace settlement following the World War, of point I of his 14 points, which provided that—

> Open covenants of peace, openly arrived at, after which there shall be no private international understandings of any kind, but diplomacy shall proceed always frankly and in the public view.

That was a sound doctrine then, and it is a sound doctrine today. However, it has become increasingly obvious in recent months that secret international agreements are still in operation. In any event, charges to that effect have been openly made and, to my knowledge, have not been officially denied.

In a book, Powerful America, by Eugene J. Young, of the New York Times, there is brought to light another series of secret agreements involving this country. Mr. Young makes public a number of memoranda left by Adolph S. Ochs, late publisher of the New York Times, which reveal that the Washington Arms Conference of 1921, called by Harding, was inspired by England, and that secret agreements were entered into during that conference whereunder America and Britain divided police power on the seas—America to police the Pacific Ocean and England the Atlantic and European waters.

Mr. Young also gives a bit of interesting information concerning the reaction of the Japanese people to the settlements agreed to by their delegates at the Washington Conference. He says:

> The Japanese delegates went home to be met with a riotous demonstration of patriots who believed they had betrayed their country. They became marked men, the targets of the nationalists, militarists, and navalists, who refused to accept the settlements as binding in the future and regarded them as arrangements to be upset as soon as Japan could make itself strong enough to defy Britain and America.

A LITTLE TREATY ON THE SIDE

Mr. Young states that on April 22, 1921, Mr. Ochs took breakfast with the then Prime Minister of England, Lloyd George; that during the meal Mr. Ochs received a note from Lord Lee of Fareham, then the First Lord of the British Admiralty, asking for an interview; that Ochs agreed to the interview; that in the ensuing conference of the two men, Lord Lee advanced the proposition that the United States concentrate its Navy in the Pacific Ocean while England policed and patrolled the Atlantic Ocean, Lord Lee proposing further that England would abandon its then

existing alliance with Japan and agree to naval equality with the United States.

In a memorandum giving an account of the meeting Mr. Ochs wrote:

He (Lord Lee) thereupon told me that he thought it would be a crime against civilization and humanity for the United States and Great Britain to become rivals in the building of warships; and then startled me by making the statement that, recognizing this fact, the English Government would wish to have it unofficially communicated to Washington that they were prepared to abandon their traditional policy of a two-power navy and enter into an agreement with the United States for equality.

He discussed the fear of the United States of a possible conflict with Japan. He thought the fear of such a conflict was a needless alarm, but as long as public opinion in the United States was that way, under such an arrangement as he proposed, the United States could, if it thought necessary, concentrate its Navy in the Pacific Ocean and the English Navy could be relied on for protection in the Atlantic Ocean.

Mr. Och's memorandum explained that Lord Lee was encouraged to speak freely and confidentially to him—

Because of the well-known attitude of the New York Times toward the cause of friendly relations between the United States and Great Britain; that the attitude of the New York Times had pleased all Englishmen greatly and was regarded as most helpful.

And, of course, the New York Times is still the champion of internationalism.

Then, Mr. Young continues, Mr. Ochs had Lord Lee's message delivered to Washington by Mr. Ernest Marshall, an English subject who was London correspondent of the New York Times. The American Secretary of the Navy, Edwin Denby, received the message in a sympathetic and approving spirit, and this was followed by the calling of the disarmament conference held in Washington in November 1921.

OUR "BRITISH AID" NAVY

Mr. Young concludes his account of the behind-the-scenes negotiations attending the disarmament conference by saying:

Other revelations on the secret negotiations attending the conference will come in time. Whatever these later revelations may be, however, the outcome of the conference itself shows clearly the success of the British initiative and the American response to it. These were the chief results of that gathering:

An agreement for equality of the British and American fleets was reached and the building race between these two nations stopped, as Lord Lee had suggested. Though no formal accord was announced, the main American fleet was soon afterward moved into the Pacific and we took upon ourselves the policing of that ocean and its littoral, while the British depleted their far eastern fleet and concentrated their strength in Atlantic and European waters * * *.

If Mr. Young's recital is correct, have not the people a right to assume that there is danger that some foreign nation or nations are interested at this time in our building a supernavy, such as is proposed in the bill before us?

This, of course, gives rise to the question, Why the haste in acting on this measure? The only answer that occurs to me is that certain forces want to commit our Government to a definite policy of shipbuilding, knowing full well that, once the authorization is made, it is extremely unlikely that it will be revoked.

The question also presents itself, in the consideration of this bill, as to the relative advantages of battleships or aircraft. Pertaining to this phase of the subject, we read most startling news messages from Great Britain. The dispatches inform us that Great Britain is calling for 1,000,000 civilian volunteers—not to man her army, not to man her fleet, but to man her air-raid protection services.

Let me supplement this information by quoting from a man who was an eminent British commander during the World War, the late Brig. Gen. F. P. Crozier. In his amazing book, The Men I Killed, General Crozier said that after a lifetime of professional soldiering he had been brought, by painful ways, to the realization that all war is wrong and is senseless. He said:

They talk of defense when they know that the word is a travesty of the truth and that there is no such thing as defense. They know, as Mr. Baldwin has admitted, that "the bomber will always get through." They know, as Sir William Beveridge wrote recently in the Times, that: "In the last war families waited for bad news about their fighting men in the trenches; in a new war fighting men may wait for bad news about their families at home."

General Crozier also said this:

Capt. Liddell Hart, noted military writer, tells us with all sincerity in the columns of that weathercock of political views, the Times (London), that in all probability when war breaks out on the Continent, the cooperation of the English forces with the continental would have to be limited to long-range air bombing of back areas, from bases in this country (England), simply because a wise enemy would not permit the embarkation or disembarkation of the British expeditionary force on either side of the English Channel. This statement I believe.

Great Britain's call for volunteers for her air-raid protection services bears out the truth of General Crozier's predictions.

SAVE AMERICA FROM THE PROFITEERS

The United States of America knows that things are not right in the world and also feels that they are not right here. Peace-loving Americans cannot condone the activities of the profit seekers within her borders who are engaged in gathering and exporting instrumentalities of war for use in war zones. Our hands are not clean when we permit large quantities of materials convertible into implements of war to be shipped from this country into countries engaged in murderous pursuits.

A member of the House Naval Affairs Committee saw in the American Panama Canal Zone a whole shipload of junk, and he saw United States Government ships pull aside to permit the loading of this junk for shipment to Japan, where—God forbid!—it may be used to kill Chinese women and children.

If such shipments are permitted to continue, the profiteers should at least be required to plainly label each package sent to war zones with the admonition that the contents must under no circumstances be used to kill women and children.

Compare the policy which permits such exports to warring nations with George Washington's idea of neutrality. In the face of a popular upheaval against him, he caused to be invoked his Neutrality Act of 1794 in indicting and convicting violators of that act whose overt acts were in behalf of France and against England. Washington stood firm in his position that this country should take no part in the quarrels and wars of foreign countries.

A naturalized American citizen, testifying before the Naval Affairs Committee, said:

I felt that this country was the last and only real haven in the world where a man might pursue life, liberty, and happiness—in other words, a sanctuary from the disillusion, the bitterness, and the oppression of the Old World.

Let us hope that the affairs of this country will be so handled that it may continue to be a haven where our citizens might pursue life, liberty, and happiness without being constantly tortured with the fear of that horrible ordeal—war.

In opening my remarks I quoted from a great statesman. In closing I will quote from the supreme American statesman, Thomas Jefferson, whose teachings in government can always be relied on as sound.

In 1823 Jefferson wrote to President Monroe:

During the ascendency of Bonaparte the word among the herd of kings was sauve qui peut. Each shifted for himself and left his brethren to squander and do the same as they could. After the Battle of Waterloo and the military possession of France, they rallied and combined in common cause to maintain each other against any similar and future danger. And in this alliance Louis, now avowedly, and George, secretly but solidly, were of the contracting parties; and there can be no doubt that the allies are bound by treaty to aid England with their armies, should insurrection take place among her people. The coquetry she is now playing off between her people and her allies is perfectly understood by the latter, and accordingly gives no apprehensions to France, to whom it is all explained. The diplomatic correspondence she is now displaying, these double papers fabricated merely for exhibition, in which she makes herself talk of morals and principle, as if her qualms of conscience would not permit her to go all lengths with her holy allies, are all to gull her own people. It is a theatrical farce, in which the five powers are the actors, England the Tartuffe, and her people the dupes.

It will be recalled that the Holy Alliance referred to by Jefferson was formed by Russia, Austria, and Prussia in 1815 to regulate the affairs of Europe after the fall of Napoleon "by the principles of Christian charity." History relates

that the league was joined by all the European sovereigns except those of England and Turkey, and the Pope. Jefferson, however, asserted that George of England "secretly but solidly" was of the contracting parties. The secret alliance has long done duty as Great Britain's ace-in-the-hole.

In the present unsettled world conditions, we care not which nation portrays the wily Tartuffe, but let America see to it that she be not made the dupe. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 5 minutes to the gentleman from New Hampshire [Mr. JENKS].

Mr. JENKS of New Hampshire. Mr. Chairman, I have listened with much interest to the arguments presented for and against this naval building bill, and I am not at all in sympathy with the contention of those who believe that this program is intended for aggressive purposes; rather, I believe that we must be practical and take into account the kind of a world in which we are living. Certainly world conditions, over which we have no control, are not to our liking, but, in my opinion, it behooves us to face the fact that we are living in a period of turmoil and aggression that only recently caused the Prime Minister of England to warn his countrymen of the necessity of "facing might with might."

So far as I am concerned, I would not send one man or one dollar into a foreign conflict, but at the same time I am willing to support a national-defense program of sufficient strength to protect and patrol both coasts of this entire hemisphere. There can be no doubt but that foreign influences are at work in South America now and the possibilities there are something that we, as a nation, cannot safely ignore. If a strong Navy is what it takes to back up our determination to maintain peace on this hemisphere, then, as I see it, we have no alternative in the matter. For that reason I am supporting this bill.

There are those who insist that preparation for war makes war, but, in my opinion, that contention is wholly refuted by the plight of China and more recently by what has happened in Austria during the course of the past week.

I am on the minority side of this House, but the safety of our country is not a partisan issue—it is a matter that concerns one and all alike. I am opposed to unnecessary and extravagant expenditures, and if I did not believe this plan for additional protection to be absolutely necessary, I would not support it.

I view with regret conditions in the Orient and in Europe but the affairs across the Atlantic and across the Pacific cannot be our problem. I am concerned only with the safety of our own hemisphere, which concern I believe is shared by every informed and right-thinking American. The effectiveness of our diplomatic negotiations is limited to the power behind them, and if we are to remain a world power and a nation to be reckoned with and respected we must have the equipment it requires to make ourselves heard in an aggressive and strife-torn world.

I am hopeful that ways and means will be found to bring about a disarmament conference but until that can be brought to pass we must endeavor to cope with the situation as it exists. Let peace in our own sphere be our objective and let us take the means at hand to maintain it. [Applause.]

Mr. BREWSTER. Mr. Chairman, I yield 7 minutes to the gentleman from Michigan [Mr. SHAFER].

Mr. SHAFER of Michigan. Mr. Chairman, after a careful study of both majority and minority reports, I have decided to vote against this naval appropriation bill.

In casting this negative vote, however, I desire to make my position clear. I want it distinctly understood that I am not a pacifist. I unalterably favor an entirely adequate national defense capable of meeting any exigencies that might arise insofar as national defense is actually concerned.

I am not in favor of armament that would promote the aspirations of any who desire to see the United States involved in any foreign war. Nor am I in favor of armament greater than is necessary for adequate national defense and which, because of its excessiveness, would promote and accelerate an armament race between the nations of the world, which could end only in financial exhaustion for all nations involved, including ourselves.

There is an important and fundamental point stressed in the minority views of the Naval Affairs Committee which has not been logically disposed of either in the majority report or in the debate on this important matter. This one point, in my opinion, makes unnecessary this stupendous armament expenditure during the present session of Congress.

The point is that under the Vinson-Trammell Act of 1934 a $4,000,000,000 program of naval building was authorized. At no time since that act was passed has the Navy Department found it advisable to keep its construction up to that authorization. Today it lags far behind.

This condition of affairs makes it apparent to anyone who will but pause a moment to consider it, that if the Navy Department started right now to build up to its authorized strength, it could scarcely get started before the opening of Congress next January.

Therefore, to further delay appropriations for additional naval construction until that time could not and would not produce a moment's delay in the creation of an adequate national defense. And, in the meantime, world conditions may become so clarified as to render unnecessary a great part of the proposed expenditure.

We must not forget that since this naval appropriation bill was proposed, a vast change in world policy has occurred. When the present bill was proposed we were operating, insofar as Congress was concerned, under President Roosevelt's declaration in Chicago, October 5, 1937, that aggressor nations must be quarantined and his clearly implied belief that the United States would follow a policy parallel to that of Great Britain.

With the resignation of Anthony Eden, the British Foreign Secretary, and the adoption by the British Government of the Chamberlain policy of conciliation toward the dictatorships of Hitler and Mussolini, which in turn rendered necessary a softening of the British policy toward Japan, all of the fundamental world conditions which apparently were activating our foreign policy were changed. And they remain changed so far as this Nation is concerned.

Germany's absorption of Austria has not changed the situation in the least, insofar as the United States in concerned.

The proponents of this big-navy program have seized upon this change of conditions in Europe to argue that more than ever we need a greatly augmented navy, such as proposed in this bill. Their argument is not valid and their premise is not logical, because the fact still remains that under the appropriations authorized in the Vinson-Trammell Act of 1934 the Navy Department could begin building today and could not possibly by the next session of Congress get under way the number of craft authorized by that act.

The present Appropriations Act is being urged under a propaganda of war fear. It is not a relief measure nor is it claimed by proponents to be such. Propaganda of war fear is being used to obtain passage of this measure. It should not be considered.

To bear out this statement, permit me to quote a portion of a press dispatch from Miami, Fla., printed in this morning's newspapers, in which Secretary of War Woodring stated that the United States "is better prepared than at any time in history for whatever happens."

Mr. Woodring was further quoted as having said that "America will never engage in any but a defensive war," and added, "there is small likelihood of the United States becoming involved in any European situation arising out of Germany's possession of Austria."

The fact that Secretary Woodring is now in Florida, enjoying the balmy ocean breezes with Postmaster General Farley and other "princes of privilege," is ample evidence that he is not worried over the present conditions in Europe and that there is no reason for the rest of us to get excited.

There are Members of Congress, like myself, who are heartily in favor of an adequate national defense and who believe that not the slightest harm can result from giving this question longer study. There are many who believe that world conditions may be such by next January as to make such a naval policy, with its consequent burdens upon the already overburdened taxpayers, unnecessary.

If on the other hand conditions throughout the world are to develop with such rapidity as to make such a greatly augmented navy a necessity before the next Congress, it is perfectly obvious that this legislation could be of no help because the Navy Department, in such a situation, could proceed to its utmost efforts, to increase the size of the Navy under the Vinson-Trammell Act.

There are Members of Congress who believe the present act would operate to frighten other nations and to cause them to engage in a naval armament race with us. Whether or not this is true, it is impossible for me to discern where any harm can come from delaying enactment for a few months.

If it is a psychological reaction which is sought by the administration on other countries that might have some vague aggressive intentions toward us, that psychological effect has already been achieved by the almost unanimous declaration by Members of Congress that they are in favor of a national defense adequate to meet any possible national emergency.

It is perfectly clear to every nation that the United States has the money, the men, the capacity, and the determination to defend herself against any aggression by any nation or combination of nations.

There are those whose judgment is worthy of careful consideration who have maintained without successful contradiction that as we stand today it would be impossible for any combination of nations to successfully invade this country.

Therefore, in view of these facts and conditions, and under the conviction that to delay the enactment of this appropriation bill until the next congressional session could not possibly operate adversely to our national interests, I find myself compelled to cast a negative vote. [Applause.]

Mr. MAAS. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I wish to use part of my time to make an uninterrupted statement in an effort to answer in an orderly way the questions that have been raised about this bill, and then I shall devote the rest of my time to answering direct questions of the Members from the floor.

I shall be frank and open about this discussion.

When the bill was first presented to the Naval Affairs Committee I was very apprehensive about it and had the same doubts and fears in my mind that have been expressed upon the floor. I was inclined to be hostile to the bill, for I saw no need for it and feared an ulterior purpose.

But as the committee went deeply and thoroughly into every phase of the subject my questions were answered.

To start with, I wanted to know why the sudden decision to substantially boost our Navy. I wanted to know why, if the matter were so urgent, the bill was not presented in the special session before the naval appropriation bill was acted upon. I wanted to know why the President was asking this 20-percent increase, when he had not even asked for the money to construct anywhere near all of the vessels already authorized under the Vinson-Trammel Act.

I wanted to know how our national security was endangered, and by whom. I asked whom we were to fight, and why. I wanted to know what our foreign policy was, and whether we were to police the world. I wanted to know if this big increase in the Navy was to be used to start quarantining Japan.

I wanted to know why we need a 5–5–3 ratio, why Japan was not entitled to parity with us. I wanted to know why more battleships were needed in the face of reports that airplanes had made battleships obsolete. So, during the hearings on the bill, I asked these questions. Let me tell you the answers.

If I do not cover all of these questions, or any others that trouble any of the Members of the House, I shall endeavor to do so in reply to direct questions when I conclude my statement.

It may be but a short day until we alone may have to preserve democracy for the future, by preserving the integrity of the United States. We are practically the only real democracy left in the world. England is a democracy, but the British Empire can hardly be said to be a democracy. The same is true of France. And who knows tomorrow what the form of government may be or the international alliances of either England or France.

To remain free and independent, we must be prepared to rely solely upon ourselves to protect and preserve our democracy.

There is no surer way of losing democracy and being forced to accept dictatorship than by being unprepared to successfully and swiftly resist a war against our security.

Certainly losing such a war would mean the end of all the social progress we have painfully made.

But even to win a war, forced upon us by our apparent weakness, will mean sacrificing democracy for a complete mobilization of the Nation, its wealth, resources, and manpower under military necessity and control.

This bill proposes only a reasonable naval defense. An ideal one would be a navy of two complete fleets, one upon the Atlantic and one upon the Pacific. We are in both oceans, and have coasts to defend in both the Atlantic and Pacific. But this bill does not propose such a navy. It asks only that our accepted formula of naval defense be maintained. If the United States went to war today, we could put into the battle line fewer modern, underage combatant ships than any other naval power, except Germany.

The facts are that Japan has more actual underage ships than we have, and is only slightly under us in known underage tonnage. Here are the actual figures.

Limitations of naval armaments may be the best way to maintain peace and avoid war. If this is true, then, in the name of Heaven, pass this bill. The only way to get a naval-limitations conference is for us to show the world that to protect our security we will build ship for ship and gun for gun with any nation on earth. We can do it. When nations less able to bear the burdens of such a race see that we mean business, they will themselves ask for a conference. When they do they will be ready to offer substantial reductions or limitations. If we have authorized this expansion, which will still leave us slightly under a 5–5–3 ratio, we will be able to sit in a conference with a nearly equal number of ships. Other nations will be willing to talk terms. But if we ask for the conference and do so while our Navy is under size, what have we to offer to the naval powers of the world that will induce them to reduce or limit their navies? We would lose such a conference before it was ever held.

The one way to avoid a war, if it can be avoided, is for us to have a navy adequate to win any war anyone else starts against us. If a war cannot be avoided, then, in heaven's name, let us have a navy that can win the war for us.

It is treason to provide less than a navy capable of defending us successfully; the naval experts—and we must rely upon them for technical advice, as we do upon doctors for medical advice—warn us that our present Navy will not be able to defend us against the expanding navies of other nations.

An adequate navy may eliminate even the necessity of mobilizing the Army. If an enemy can be prevented from reaching our shores, the war is over.

The United States spends less of its tax dollar for defense purposes than any modern nation in the world. Judged by any standard, per capita cost, percentage of national income, or percentage of national wealth, we spend but a fraction of the expenditures of other nations for war preparation. Only 10 to 12 cents of our tax dollar goes for national defense. Other nations spend from 45 to 70 percent of their taxes for war preparation.

Let me calm the fears of those who fear a foreign policy of aggression upon our part. A navy is not the military instrument of aggression. The world need have no fear of our foreign policy until we start to mobilize a huge expeditionary army. We cannot invade nor occupy a country with a navy. Japan is not invading China with a navy but with an army.

This "peace at any price" attitude, so manifest now in this country, is doing incalculable harm. It does not represent the true nor fundamental attitude of Americans. But it fools others, leads to depredations against us that result in

forcing us into war, with the consequent terrible price in lives and money.

It is no patriotic service to keep us out of war by making it impossible to conduct a war of defense, for this means surrender and conquest for us.

Aggressor nations are on the march. Aggression feeds upon aggression, until it meets effective resistance. We must see that rampant aggression stops when it reaches this hemisphere. Only an adequate navy can assure that.

For a second best navy is usually one at the bottom of the ocean. To be second best in a battle is to be defeated.

Remember, we can be defeated and conquered without military conquest of continental United States.

A successful blockade of our ports, shutting us off from absolutely essential imports, can in a short time crush us.

Combined naval and naval air raids, without actual attack in great force, can so cripple our industrial sections, which are almost all in coastal areas, that further defense may be made impossible, and surrender made ultimately necessary.

The United States consumes 800,000 tons of manganese ore per year. During a war period we would probably consume 1,000,000 tons per year. Domestic production last year was approximately 40,000 tons. Cuba produced approximately 150,000 tons.

Military and naval operations that so threaten our industrial existence as to make our ultimate capitulation inevitable, such as closing all avenues of import to us, by blockading our ports, or the ports from which we import essential raw materials might easily force us to accept drastic terms to avoid complete collapse or certain military invasion.

One such possibility as a condition precedent to peace might very easily be the repeal of our immigration restrictions. Should this bar to orientals be removed the pressure of migration from heavily overpopulated oriental countries might easily in a generation effectively conquer our country, as American labor could not survive in direct competition with low-standard oriental labor. Soon the United States, for all practical purposes, would become a far-eastern colony.

No law is stronger than the ability to enforce it, even an immigration law.

War, as horrible as it is, should it ever be forced upon us, is better than military conquest or economic slavery.

The sacrifices would be heavy for one generation, but the benefits would accrue to many generations for centuries to come.

But, as George Washington so wisely said:

> To be prepared for war is one of the most effectual means of preserving peace.

There is a way for us to have peace. That is to pledge to the peoples of the world that we will never acquire territory by aggression, and at the same time to serve notice upon the governments of the world, by providing ourselves with adequate defenses, that we will never tolerate invasion of the Americas nor of our possessions. This policy means peace, but it requires an adequate navy.

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. MAAS. Certainly.

Mr. TERRY. I notice in section 3 of the bill that authorization is given to bring the number of useful naval airplanes to a total of 3,000. I do not know whether by the use of the term "useful," the bill means projected planes or not. Does the gentleman know the number of planes the Navy has at the present time and also the number that is in the program for the Navy?

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman permit me to answer that?

Mr. MAAS. Certainly.

Mr. VINSON of Georgia. The Navy has at the present time 1,950 planes, and this bill provides for an additional 950.

Mr. TERRY. They have at present 1,950 planes?

Mr. VINSON of Georgia. They have contract authorization and in existence 1,950 planes and this bill calls for 950 more.

Mr. MAAS. Mr. Chairman, when the bill is being read under the 5-minute rule I shall offer an amendment to that section to bring the planes up to not less than 3,000, and not place a top limit upon it at all. It was the desire of our committee that we should have not less than 3,000 active planes. It was not intended to put a top limit on planes at all.

Mr. BREWSTER. I am sure that the chairman of this committee does not mean to intimate that there is any limit on the number of airplanes at this time. This bill for the first time imposes a numerical limit upon the number of airplanes that the United States Navy can have.

Mr. MAAS. The question asked was how many we have now, not how many we could have.

Mr. VINSON of Georgia. Everyone knows that there is no limit upon the number of airplanes, so far as I am concerned.

Mr. BREWSTER. Then who wrote the bill? There is a limit in there now.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. MAAS. Yes.

Mr. DONDERO. Can the gentleman inform the House how long it would be before these ships could be under construction if the bill were passed and made a law?

Mr. MAAS. Frankly the shipbuilding facilities will have to be augmented to build this program or even to carry out the present Vinson-Trammell Act in an orderly way. If we pass this bill it is expected that at least two battleships will be asked for in the coming fiscal year and that the plans will be started for those two ships and probably two destroyers immediately.

Mr. DONDERO. I understand the gentleman from New York [Mr. COLE] to make the statement that we could not start one of these battleships for at least 9 years.

Mr. MAAS. Oh, no; that is not correct.

Mr. COLE of New York. My statement was that we could not start any of these battleships until 1947 without greater facilities.

Mr. MAAS. The bill provides greater facilities.

Mr. DONDERO. One more question, if the gentleman will permit, What does the gentleman think of the statement made yesterday by the Secretary of War that America is better prepared now than she has been at any time in her history?

Mr. MAAS. That is not saying much; we have never been adequately prepared at any time.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. MAAS. Yes; I yield for a question.

Mr. BREWSTER. If this bill is chiefly predicated on 43,000-ton battleships, why does the bill limit the three new battleships to 35,000 tons?

Mr. MAAS. The gentleman knows the answer as well as I do.

Mr. BREWSTER. No; I do not.

Mr. MAAS. At the present time the treaty limits us to 35,000-ton ships until or unless one of the countries serves notice that it will use the escalator clause. The pending bill provides that we shall continue the 35,000-ton ships so long as other nations do, but that we may build 43,000- or 45,000-ton ships if the escalator clause is invoked.

Mr. BREWSTER. Why should we continue the 35,000-ton ships when there is all this immediate fear of Japan? It is beyond me to understand.

Mr. MAAS. I will say frankly to the gentleman from Maine that I think these battleships when laid down will be laid down as 43,000-ton ships. That is my own opinion.

Mr. TOBEY. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield.

Mr. TOBEY. Assuming they were laid down as 45,000-ton ships, would the Panama Canal be wide enough to accommodate them?

Mr MAAS. Yes.

Mr. TOBEY. There is no question about that?

Mr. MAAS. There is no question about it. A ship of even 55,000 tons could go through the Panama Canal.

Mr. TOBEY. As presently constructed?

Mr. MAAS. Yes.

Mr. COLE of New York. Mr Chairman, will the gentleman yield?

Mr MAAS. I yield.

Mr. COLE of New York. This bill authorizes an increase of 20 percent in water vessels.

Mr. MAAS. Yes.

Mr. COLE of New York. And an increase of 50 percent in airplanes?

Mr. MAAS. The gentleman is correct.

Mr. COLE of New York. The Navy Department heretofore has said that 2,000 planes were sufficient with our present surface vessels. I wonder if the gentleman has any explanation for the disproportionate increase of aircraft over surface craft.

Mr. MAAS. Yes. When the Vinson-Trammell Act was passed the best formula among naval and aeronautical experts was that 2,000 airplanes would be the proper complement for the Navy of the treaty size; but there has been such a rapid development in aircraft, particularly in long-range patrol planes, that since it is not a static relationship it has changed. Tomorrow it may be 4,000 planes.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield.

Mr. COLE of New York. Admiral Cook, Chief of the Bureau of Aeronautics, before our committee not more than 3 weeks ago, testified that right now it was estimated that 2,000 planes were sufficient.

Mr. MAAS. Those are the planes for the ships, but the gentleman must remember that we are now developing a long-range patrol plane that is not ship based.

Mr. COLE of New York. These 900 planes, then, are not for the ships?

Mr. MAAS. Some are planes for the ships, some are training planes. Many of these are for spare planes and some of them at least will be the new long-range patrol planes.

Mr. BIGELOW. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield.

Mr. BIGELOW. Did I understand the gentleman to say that if this bill passed there would probably be a request for an appropriation for two battleships?

Mr. MAAS. Yes.

Mr. BIGELOW. Could not that be done whether this bill passes or not?

Mr. MAAS. We could request two additional battleships as replacements; but these provided in the bill are in addition to existing ships, and are not replacements.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield further?

Mr. MAAS. I yield.

Mr. BREWSTER. How does the gentleman distinguish the category, and what does it matter under which guise we build the battleships? Because we do not decommission any or do not in any way make impossible of use our present battleships.

Mr. MAAS. If we were to lay down two additional battleships this year on the replacement program—and it could be done—we would have an illogical progression of construction in the following years. If you laid down the two provided in this bill, you can have an orderly progression of construction, two each year; and it is much cheaper to build two at a time than it is to build one at a time.

Now I want to make a few statements about the minority report. It is a very well-worded report, it is a very fine report except for the simple fact that every paragraph in it is wrong and every figure quoted is in error. [Laughter.]

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield myself 10 additional minutes.

I am going to make an analysis of the minority report, section by section, for the RECORD. I shall refer to it now just enough to show you that I am not merely making a rhetorical statement. I shall take up the first two paragraphs and analyze them for you to support the statement I have made. No. 1 asks: "Why should Congress authorize three more $75,000,000 battleships when the Navy is not ready to build three battleships that are already authorized?"

This very introduction to the minority report is wrong as only two are authorized, not three.

The next paragraph states:

In the next 5 years there is authorization to build nine battleships.

This statement is doubly incorrect. As a matter of fact there will be authorization in the next 5 years, but there is not now; and it will not be for 9, it will be for 8.

The report is replete with such errors. I think every figure in the report is in error.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. MAAS. Yes; I yield to one of the authors of the minority report.

Mr. COLE of New York. That is the purpose of my rising at this time. During the fiscal year 1939 we will have had seven battleships become over-age.

Mr. MAAS. No.

Mr. COLE of New York. Is it not true one battleship became over-age, so far as replacement purposes are concerned, in 1935, two in 1937, and four will become over-age in 1939?

Mr. MAAS. No.

Mr. COLE of New York. Making a total of seven.

Mr. MAAS. No. The gentleman is in error. Three in 1939.

Mr. COLE of New York. No.

Mr. MAAS. One is in the fiscal year, but not the calendar year.

Mr. Chairman, I am going to analyze for the RECORD the complete minority report.

I. Two battleships are provided for in 1939 appropriation bill. There are two additional battleships now authorized by Vinson-Trammell Act. Navy is ready to build all four.

II. What is meant "as large and powerful as the naval experts deem necessary to defend America?" The naval experts are now negotiating to obtain modifications of the treaty to permit building larger and more powerful ships which they deem necessary. Even if such negotiations result in decisions to build larger ships than 35,000 tons, further congressional authorization will be necessary, as the Vinson-Trammell Act limits the size of battleships to 35,000 tons and to 16-inch guns. Congress will have to change this before the Navy can start larger ships. (Note: The corrected figure of eight battleships in next 5 years besides the two now building—includes both the two provided for in the 1939 bill and the two already referred to in I above.)

IV. The figure of 4,000,000,000 is meaningless. The Vinsen-Trammell Act is a continuing act and the cost is entirely dependent on how long it remains in effect. The Navy Department did not, of course, ask Congress for money to put it in effect all in 1 year. Its requests for replacement ships have been guided by the financial policy of the President and Congress.

V. During the life of the various naval treaties, 1922–36, there were no replacements but every signatory spent large sums to adapt their old battleships to modern conditions—conditions created by new means of attack, guns, torpedoes, bombs, whose development was not arrested by the treaties. To say that no old ship need be scrapped is equivalent to saying that a 1910—the date of design of our oldest battleships—model automobile could be overhauled and adapted to the conditions of modern automotive transport. So long as no other nation laid down new battleships the United States could also refrain from laying down new ships. This condition no longer existed after 1936. The United States did not lay down any new battleships until other nations had already done so. Now the United States cannot entrust its defense to battleships designed between 1910 and 1916, no matter how often they have been adapted or readapted to modern conditions, when other nations will soon possess battleships designed in 1938. Otherwise, as soon expect a trucking concern with 1910 trucks to compete successfully against a fleet of 1938 trucks.

VI. In explanation of the corrected figures, note the following:

1. Under-age destroyers Dec. 31, 1937, including 3 which will become over age in 1938	35
2. New destroyers under construction and not yet reported as completed	49
3. Proposed in 1939 appropriation bill	8
4. Number of 1,630-ton destroyers which could be laid down in 1939 under Vinson-Trammell Act, including 3 which become over age in 1938	30
	122
Deduct three destroyers included in both 1 and 4 above	3
Total destroyers built, building, and authorized	119

I–VII. In these paragraphs the report lays stress on the fact that additional battleships, destroyers, and submarines could have been built under the provisions of the Vinson-Trammell Act, but passes over in silence the fact that no cruisers, other than the two provided for in the 1939 appropriation bill, could be built without new legislation.

VIII. The 1939 appropriation bill, as passed by the House, carries a total of $549,195,494 and for new construction $138,063,150. The figures as reported by the Senate committee differ slightly.

IX. Only 74 ships have been laid down under the Vinson-Trammell bill. The figure of 141 appears to have been arrived at as follows:

Ships laid down since March 1934:	
Authorized by act of—	
Aug. 29, 1916 (war act)	4
Feb. 13, 1929 (cruiser bill)	7
June 16, 1933 (N. I. R. A.)	32
Mar. 27, 1934 (Vinson-Trammell)	74
July 30, 1937 (auxiliary bill)	2
Total laid down under all authorizations	119
Ships provided for in 1939 appropriation bill as passed by the House but not yet laid down:	
Authorized by act of—	
Mar. 27, 1934 (Vinson-Trammell)	18
July 30, 1937 (auxiliary bill)	4
	22
Grand total laid down and proposed	141

The statement that additional ships "already authorized" will cost more than $2,000,000,000 is either very much in error or is meaningless. If reference is made to the two battleships, 30 destroyers, and 9 submarines which are now authorized, in addition to the ships in the 1939 appropriation bill, the cost on present bases will be about $456,000,000. If reference is made to all ships which will be authorized in future years by the Vinson-Trammell Act, the statement is meaningless, as pointed out above under IV.

It is difficult to check just what is meant by the statement that the 11 battleships will cost "in excess of $1,000,000,000 at the present rate of increased cost." The report previously refers to the additional battleships which would be authorized by the Vinson-Trammell Act in the next 5 years. As pointed out above, there will be only eight such ships, including the two provided for in the 1939 bill. The six not provided for—the report includes the two 1939 battleships in the first paragraph of this section—would cost only $423,000,000 for ships of the present size and at present prices. On the other hand, if the "11 battleships" refers to those which will be authorized by the Vinson-Trammell Act during the next 10 years—a basis not used elsewhere in the report—the cost at present price would be about $775,000,000.

X–XII. There is some confusion in the report between the "Western Hemisphere" and "American waters." It should be noted that the Argentine, the small River Plate countries, and the southern and richest parts of Brazil are about as close to Europe as to the United States. Unless the Monroe Doctrine is to be ignored, the whole argument of these sections falls down.

XIX. Here again is confusion between the "continental isolation of the United States" and the "American continent." It is notable that in the entire report there is only one mention of the Monroe Doctrine (p. 12), where it is dismissed in one short paragraph in the discussion of the relative merits of battleships and aircraft; it is indicated that the recent flight of six Army planes to the Argentine casts doubt on the necessity of battleships to defend this historical American doctrine.

I. Page 7. The report at this and other points lays great stress on the fact that the Navy Department in its requests for appropriations in the 1939 bill did not ask for funds for additional battleships, and refers to this as "the defense plans of the Navy Department as independently formulated." This is, of course, entirely misleading; the requests for appropriations by the Navy are dictated and strictly limited by the financial and other policies of the President. This is the proper procedure both under the constitutional powers of the President and under the congressional enactment establishing the Bureau of the Budget. The naval building program submitted in any year is the President's program.

I want to impress upon the Members of the House the seriousness of this situation. May I say that so far as politics are concerned, particularly for the Members on my side of the aisle, no matter who might be President today this same bill word for word and dollar for dollar would be before this House. Be the President Republican or Democrat, this identical bill would be here just the same. If Mr. Hoover were in the White House today he would be the sponsor of this bill because it is absolutely essential to our security and to the maintenance of the independence of this country.

Mr. WOODRUFF. Will the gentleman yield?

Mr. MAAS. I yield to the gentleman from Michigan.

Mr. WOODRUFF. I think the gentleman has made a very definite statement. I am one of the Members of the House who feel their responsibility. I would appreciate very much indeed if the gentleman would give the House the facts upon which he bases that statement.

Mr. MAAS. I will give the gentleman the facts.

Under a Republican administration at a time when the world was weary and sick of war, an international conference was called to limit naval armament, this conference being sponsored by the United States Government under a Republican President. The conference was held in the city of Washington. At that time we had built and building the most powerful Navy in the world. In a sincere desire for peace, we sacrificed voluntarily the most powerful Navy in the world and brought ourselves down to parity with England in an effort to bring about limitation of armament. We made one of the grandest sacrifices, although perhaps it was a mistake. But nevertheless it showed our intention. At that conference the greatest naval and diplomatic experts of the world sat. They arrived at a formula which was five ships for England, five ships for the United States, and three ships for Japan.

This actually gave Japan a considerably stronger relationship to our Navy than they had up to that time. We made a sacrifice and permitted the Japanese Navy to become stronger relatively in relation to our Navy than heretofore.

Mr. Chairman, the foundation for that formula was defense. Remember, the world was sick of war. They devised a formula at that time which they hoped would make war unnecessary and impossible. The naval experts agreed upon the navies that were necessary to protect each of the nations in their home waters. So that three ships for Japan, with a very much smaller coast line than ours, with naval bases or potential bases scattered all over the Pacific, were the equal in the Pacific of our five ships. We had no right to go so far in such an agreement, in my opinion. We matched every ship and every gun we had with those of the Japanese on the basis of 5 to 3. All we had the right to match were the ships in the Pacific Ocean, because we could not depend on the Panama Canal, but we made the sacrifice, as great as it was. Everyone conceded that Japan with a ratio of 3 to 5 was impregnable in Japan. Everybody agreed it was impossible for the United States to invade Japan and it was also impossible for England to invade Japan. That was a Republican doctrine, accepted by the Republican Party. That treaty was ratified and we destroyed part of our Navy to bring it down to the treaty.

Now, if this formula is a good foundation for defense and defense alone, when that relationship is upset, when Japan gets 4 to our 5 or 5 to our 5, it is no longer proper defense of this country. It is no longer mere defense for Japan. It becomes another question and the only answer must be

aggression. It must be overseas aggression because Japan needs no larger navy to complete her conquest of China. No nation, even Russia, is going to invade Japan unprovoked. It is a mistake to say that because we need three times the increase, as provided in this bill, to carry on an aggressive war against Japan, Japan therefore needs twice as big a navy as we do to invade the United States. That sounds like simple arithmetic, but it is not the fact.

Mr. WOODRUFF. Will the gentleman yield?

Mr. MAAS. I yield to the gentleman from Michigan.

Mr. WOODRUFF. Is the gentleman trying to convince the Members of the Committee that Japan with a navy equal in strength to ours could come to this country and successfully use its navy in our waters?

Mr. MAAS. I am not trying to convince the gentleman of anything but the facts.

Mr. WOODRUFF. That does not answer the question.

Mr. MAAS. I will answer the gentleman's question. In the first place, the matter of ship for ship is not the relationship that must be considered in battle strength. There is also the question of bases and the range, of coast line to be defended. We are a power in both the Atlantic and Pacific, and we have coasts bordering both oceans that must be defended.

Mr. WOODRUFF. Will the gentleman yield further?

Mr. MAAS. I yield to the gentleman from Michigan.

Mr. WOODRUFF. I think the gentleman will agree that for many years practically every bit of our fighting strength, so far as the Navy is concerned, has been in the Pacific.

Mr. MAAS. That is not true. The gentleman is in error.

Mr. WOODRUFF. Oh, we have had some obsolete ships in the Atlantic, yes, but the great battle fleet has been in the Pacific for many years, as the gentleman well knows.

Mr. MAAS. I grant that; but the gentleman makes a mistake when he thinks the only way the United States can be conquered is by military conquest or invasion. There the gentleman falls into a common error. I do not believe any navy is going to attempt a direct frontal invasion of the United States. I do not believe any nation will be able to bring over hordes of troops in transports and land them on our shores, but the United States can be defeated and crushed without one foreign soldier setting foot on our shores. If our Navy is unable to defend our coast we can be blockaded. While we may be willing to sacrifice our exports, the United States could not live 6 months in time of peace even without essential imports. If our ports were closed I venture to say that in 2 weeks we would begin to feel the effect on the industries in this country and within 6 months we would be reduced to almost complete destitution.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield myself 10 additional minutes.

Mr. BREWSTER, Mr. WOODRUFF, and Mr. TERRY rose.

Mr. MAAS. I yield to the gentleman from Maine.

Mr. BREWSTER. The gentleman is in entire disagreement with the evidence of Lieutenant Commander Talbot, who, in an article in the United States Naval Institute, states the Western Hemisphere could be absolutely self-sufficient.

Mr. MAAS. I am not saying the Western Hemisphere could not be absolutely self-sufficient.

Mr. BREWSTER. Will the gentleman answer that question first? Does the gentleman admit the Western Hemisphere can be self-sufficient?

Mr. MAAS. I do admit it could be self-sufficient; yes.

Mr. BREWSTER. Then will the gentleman answer this question? Is the gentleman in disagreement with Admiral Jones, who has been chairman of our Naval Board, that if Japan undertook to come across the Pacific her Navy would lose one-half its effectiveness?

Mr. MAAS. That would be true until and unless they took the Hawaiian Islands or Alaska and had a base over here from which to operate, or established a base in Mexico, which is a great possibility.

Mr. BREWSTER. The gentleman is a member of the Committee on Naval Affairs?

Mr. MAAS. The gentleman is correct.

Mr. BREWSTER. Does the gentleman mean to stand on this floor and say that, ship for ship and man for man, the American Navy is not the equal of the Japanese Navy?

Mr. MAAS. Ship for ship and man for man, the American Navy is the superior of any other navy on earth. [Applause.]

Mr. BREWSTER. With the Hawaiian base, why is the gentleman afraid to face Japan on an equality?

Mr. MAAS. Because what the gentleman calls equality is not equality; it is superiority for Japan.

Mr. BREWSTER. Does the gentleman say the Battle Fleet will ever be divided?

Mr. MAAS. I do not know. I do not run the Navy.

Mr. BREWSTER. What did Admiral Leahy say?

Mr. MAAS. He said he would not like to divide it.

Mr. BREWSTER. He said he would not divide the fleet and that he could conceive of no conditions that would warrant it. The gentleman would not anchor a battleship every 1,000 miles off our coast?

Mr. MAAS. No; the gentleman is correct.

Mr. BREWSTER. If the purpose of our Navy is defense, why did we accord Japan parity in submarines?

Mr. MAAS. Because submarines are presumably a local defense weapon.

Mr. BREWSTER. If we have such a long coast line to defend as compared with Japan, how can we afford to give Japan parity in the one coast defense weapon we have?

Mr. MAAS. We afforded Japan parity because a submarine is a coast-defense weapon, but when they want to upset the parity in battleships, that is for another purpose.

I want to state the facts right, because there has been much misinformation stated on this floor. I wish to discuss under-age tonnage and this is what counts, because you can no more compare a 1910 battleship with a 1938 battleship than you can compare a 1910 Ford with a 1938 Lincoln. We do not want to have to defend this country with a 1910 battleship. Let me impress upon you the fact that the United States has fewer under-age ships it could put into a battle line today than any naval power in the world except Germany.

May I read these figures of under-age vessels that could go into a battle line today. Great Britain, 188; France, 169; Italy, 166; Japan, 158; and the United States, 102. The only country having fewer such ships is Germany with 67.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield to the gentleman from New York.

Mr. COLE of New York. The gentleman has emphasized the large number of over-age vessels this country now has. Is it not true there is right now authority of law to replace every single one of these vessels?

Mr. MAAS. No; that is not true at all. The law that makes them replaceable makes them replaceable in definite increments year by year. If over-age ships are not available, the authorization is not available, not until by law a ship becomes over age, which is 26 years.

Mr. COLE of New York. Is that the basis upon which the gentleman now says they are over age?

Mr. MAAS. The gentleman cannot say we are entitled to build 15 more battleships now.

Mr. COLE of New York. The gentleman mentioned the amount of tonnage that is over age, but I defy him to deny there is authority of law to replace every ton that is over age.

Mr. MAAS. There will be authority, but there is not now authority. The authority becomes automatic as ships become over age.

Mr. MOTT, Mr. DONDERO, and Mr. TERRY rose.

Mr. MAAS. I yield to a member of the committee, the gentleman from Oregon.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield myself 2 additional minutes.

Mr. MOTT. Considerable has been said here about our being able to meet Japan on equal terms. I know the gentleman is a military as well as a naval authority.

Mr. MAAS. I thank the gentleman.

Mr. MOTT. I believe his ability is recognized by everybody. May I ask the gentleman if it is not contrary to all military and naval policy to prepare one's self simply to meet the enemy on equal terms? This is not the way battles are won.

Mr. MAAS. No. You are absolutely correct. That is not good military strategy.

Mr. MOTT. I do not know whether or not the gentleman is of the same opinion I am, but it seems to me the principal objection that has been raised to this bill is not whether this large increase in the Navy is absolutely necessary, because I believe most people are willing to take the judgment of the members of the committee who have studied the question in regard to that; neither is it the initial cost we will have to incur. My impression is that the principal objection that has been raised to the bill is the fear that we will be led into an aggressive war with this big Navy.

Mr. MAAS. I would like to answer the gentleman.

Mr. MOTT. Before the gentleman answers, I want to ask this further question, which, I may say, is the burden of nine-tenths of the letters I receive from my district in opposition to the bill.

Mr. MAAS. Yes.

Mr. MOTT. I know that as a member of the committee the gentleman from Minnesota has listened carefully to all the testimony of every witness and has read all that testimony carefully and has studied it. We examined in that committee more than a dozen of the outstanding opponents of this bill and men who claim to entertain this opinion, and I want to ask the gentleman if, in his opinion, any testimony or evidence whatever was produced in the committee by these witnesses that would give members of the committee any reason to believe that the purpose of this Navy is to lead us into a war?

Mr. MAAS. I will answer the gentleman by stating that not only was there not one iota of evidence to lead them to believe that, but not the slightest foundation was laid for any of them to make such a charge.

Let us consider the facts. The testimony of the naval experts, and there was not one word in contravention of this testimony offered by anyone, was that it would require three times this proposed increase to even be in a position to carry on an aggressive war overseas.

Mr. SNELL and Mr. WOODRUFF rose.

Mr. MAAS. I yield first to the gentleman from New York.

Mr. SNELL. In line with what my friend from Oregon has had to say, does the gentleman think that any naval expert would ever go before a legislative committee of the Congress and advise additional naval equipment for the purpose of carrying on a foreign or aggressive war?

Mr. MAAS. I may say to the able minority leader that the naval experts when they come before our committee express no opinion as to what it is to be used for. Their job is to carry out the national policy as the President and the Congress determine it. We told them what we wanted them to do and they advised us what they would have to do it with.

Mr. SNELL. I suspect the gentleman is, perhaps, right, but I doubt if any naval expert would ever advise any such thing before a committee of Congress. Does the gentleman think he would?

Mr. MAAS. I asked them that question myself, and they said if it were determined to be the national policy that we were to carry on an aggressive war, they would come in and tell us what they needed, which would be three times what is carried in this bill.

Mr. SNELL. Now, will the gentleman answer another question, which I have asked several times and to which I have never received a satisfactory answer? If our Navy is so deficient at the present time, as a number of you gentlemen seem to think it is, why has not the Naval Affairs Committee of this House, that is responsible for the Navy, insisted on a more rapid building up of the Navy?

Mr. MAAS. In the first place, let me say to the gentleman that the Naval Affairs Committee of the House, in common with this administration, as well as previous Republican administrations, has hoped constantly that there would be further limitations and that we would not have to build these ships that have been authorized. We have hoped all along that the other nations would not start a naval race, and we did not want to build more ships and sink them again. As to the rapidity with which the ships we have already authorized have been built, that is a matter in the control of the Appropriations Committee.

Mr. SNELL. This is a very important matter and I am quite serious about it, and I would like to ask the gentleman this further question: Have you made any demand on the Appropriations Committee for more money to carry out this program?

Mr. MAAS. I have every year that I have been a member of this committee.

Mr. SNELL. Has your committee?

Mr. MAAS. The committee, as a committee, has not. We have not any function of that sort.

Mr. SNELL. The Naval Affairs Committee is the one that makes up the program.

Mr. MAAS. And we have authorized the ships.

Mr. SNELL. If you will tell me why you do not hurry up the program already authorized before you authorize any further new program, you will give me some valuable information.

Mr. MAAS. I have tried to explain to the gentleman, in the first place, it has been the sincere hope that we would not have to build these additional ships, and then the reason a bill was not brought in during the special session so that it could be included in the regular appropriation bill was because the information upon which this bill is based, and the necessity for it, is based on facts that have come to light since the Budget was made up for this year. The Budget is prepared in the summer, while these facts came to light in the last few months of 1937.

Mr. SNELL. You have that bill over in another body; have you made any demand on that body in view of all the additional information you have?

Mr. MAAS. We have not passed this authorization yet, so we could not do it now. There is $140,000,000 in the appropriation bill for construction.

Mr. SNELL. But why do you not ask for $100,000,000 more to carry out what is authorized?

Mr. MAAS. Oh, that will be done. As soon as this bill is passed another $100,000,000 will be asked, I expect and I hope.

Mr. TOBEY. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield.

Mr. TOBEY. In answer to the distinguished minority leader, the gentleman said that these facts were not available until a few months ago and that this whole bill is based upon those facts. What are the facts? Give us a categorical list of the facts.

Mr. MAAS. The facts are that the other nations of the world have begun to increase their naval strength beyond the limits of the 5–5–3 ratio.

Mr. TOBEY. Is that all?

Mr. MAAS. Is not that enough?

Mr. TOBEY. No; not in my judgment.

Mr. MAAS. If 5–5–3 was a proper foundation for the defense of this country and someone upsets that ratio, then we are derelict in our duty and we are failing to comply with our oath if we do not provide a sufficient Navy to meet that situation.

Mr. TOBEY. That was known before this bill was brought in.

Mr. MAAS. It was not known before this bill was brought in.

Mr. TOBEY. It was known before that, in my judgment.

Mr. MAAS. If you knew it, you were derelict in your duty in not informing the Government.

Mr. TOBEY. I am told on good authority it was.

Mr. MAAS. Why did not the gentleman advise the committee if he knew it?

Mr. DONDERO rose.

Mr. MAAS. Mr. Chairman, I yield to the gentleman from Michigan.

Mr. DONDERO. Mr. Chairman, the gentleman made a statement that America could be crushed without having a single soldier landed on her shores. Why did not Japan employ that same principle in attacking China?

Mr. MAAS. Oh, that is a different situation. I did not say that any country could be crushed. I said the United States could be conquered without a military conquest. Does the gentleman realize, with our fleet in the Pacific and no navy in the Atlantic, naval raids from allies of Japan, if Japan were the country with which we were at war, could run to our northeastern coast and send their planes off their airplane carriers and destroy our only two airplane-engine manufactories, and thereby crush further national defense in the air, for instance?

Mr. DONDERO. But would not Japan have to increase her navy 100 percent to do that under present conditions?

The CHAIRMAN. The time of the gentleman from Minnesota has again expired.

Mr. MAAS. I shall take 5 minutes more.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield?

Mr. MAAS. Yes.

Mr. WOODRUFF. The gentleman stated a moment ago that ship for ship and man for man the American Navy was better than or as good as any navy in the world.

Mr. MAAS. That is correct.

Mr. WOODRUFF. And he has just made the statement that the testimony before his committee from the high ranking naval officials of this country was to the effect that we would need a navy three times the strength of that of Japan to carry on an aggressive war in Japanese waters.

Mr. MAAS. That is not correct. I said three times the present proposed increase.

Mr. WOODRUFF. How does the gentleman justify the statement that he made that Japan with a navy equal to ours can move just as far in reaching these waters as we would have to go if we were to reach Japanese waters to carry on a destructive war against us in these waters?

Mr. MAAS. Oh, the gentleman is mistaken in his facts. Unfortunately it is not just a matter of simple arithmetic as the gentleman thinks, because it is not just as far from Japan to the United States as from the United States to Japan from a military standpoint.

Mr. WOODRUFF. Oh, it is exactly.

Mr. MAAS. Oh, no. Our nearest naval base to Japan is 8,000 miles away and the nearest Japanese naval base to the territory of the United States, and I do not mean the Philippine Islands, is comparatively close, only a few hundred miles away, and if the Japanese were to take that undefended portion of the United States and establish a hostile naval base there the situation would be quite different.

Mr. WOODRUFF. I suppose the gentleman is referring to the Aleutian Islands?

Mr. MAAS. I am.

Mr. WOODRUFF. And just where would Japan establish a naval base and get away with it with our Navy in the Pacific?

Mr. MAAS. But if our Navy were protecting the Hawaiian Islands or the Panama Canal, it could not also be at the Aleutian Islands at the same time.

Mr. WOODRUFF. The gentleman knows that I was a member of the Naval Affairs Committee for 10 years.

Mr. MAAS. Yes.

Mr. WOODRUFF. I hope I was a worthy member of that committee, and had proper regard for the national defense of this country, and one of the things that I learned—and I take this information from practically every capable high-ranking naval official that appeared before that committee and testified to these things—was that as long as we hold the Hawaiian Islands, Japan will never move east of that line north to south, in force.

Mr. MAAS. But they have learned a lot since that testimony was given. Mr. Chairman, I want now to conclude my statement with another reason to the distinguished minority leader and to other Members of the House, as to why we should pass this bill now in the interest of peace, and in the hope that we may have a further limitation, if limitation of armament is a successful means of maintaining peace.

Mr. WOODRUFF. Mr. Chairman, will the gentleman indulge me for one other question?

Mr. MAAS. No; I am sorry I cannot.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. MAAS. No; I want to finish my statement.

Mr. MOTT. Will the gentleman yield then?

Mr. MAAS. If I get through in time. It is very unwise for the United States to initiate the call for a naval conference at this time. Our Navy today is not up to recognized strength of the accepted formula. We are below both England and Japan on a comparative basis at the present time. If we were to call a conference the burden of that conference would be upon us, and we would have to initiate a proposal to the conference. We have nothing to offer.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. MAAS. On the other hand, the best way in my opinion to get a naval conference is for the United States to immediately take steps to go ahead and build its Navy up to strength and convince the world that we mean business, and not merely on paper. [Applause.]

When the world realizes that we mean business and that here is one nation of the world that can outbuild them, if it has to be done, they will ask for the conference; and when they ask for it they will have to offer something. We learned our lesson. We offered in the 1922 conference, and we sank ships against blueprints. If we were now to go into a conference which we ourselves sponsored with a navy that is undersized, we would have to offer promises and sacrifices that would put us at a still greater disparity. If, however, the world knows we are going to build to win a naval race, if it be a naval race, they will ask for the conference. If it be a naval race, let us win it. [Applause.] No nation with a superior navy has ever been attacked. [Applause.]

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield myself 1 additional minute.

Mr. Chairman, I yield to the gentleman from New York [Mr. COLE].

Mr. COLE of New York. The gentleman's idea with reference to a disarmament conference is that we should build ships in order that we might later get together with other nations to scrap them?

Mr. MAAS. Oh, no; to get together with other nations to keep them from building more. They will come to us before these ships are built, or if they do not, then we had better get them built, and as soon as possible.

I want to repeat just this one thought, and I am going to close this time for good—I want to leave a warning: There is a way for the United States to have peace, and that is to assure the peoples of the world that we will never acquire a single foot of territory by aggression, but that we serve notice upon the rulers of the world and the governments of the world, that no hostile soldier shall ever step foot upon our shores. Then we shall have peace. It seems to me it is all resolved into this one principle, Mr. Chairman: It is better to have it and not need it, than to need it and not have it. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. IZAC].

Mr. IZAC. Mr. Chairman, I believe I can safely say that I agree with something everybody has said but do not agree with everything that anybody has said. In the first place, I believe everybody is more interested in what the President really means by this request for additional naval strength than in any other question with which we are faced today. Why do you suppose the President said:

I would like to have 20 percent more than the present authorization.

He said that simply because after the 5–5–3 ratio was a thing of the past he found that Japan and other nations were building beyond the 5–5–3 ratio; and even during the time the 5–5–3 ratio was in effect, these other nations were observing that ratio only in capital ships. In order to get them to agree to anything in 1930 we had to permit Japan a parity in submarines. From the time of the 1922 conference until the 1930 conference what happened in those lighter categories? We laid down 34 ships, Japan 112. We were the only Navy that was not building in those days. That is the reason we fell so far behind. As soon as this administration came into power they called another conference but could not get anywhere. Finally 1936 came along and we found that no one would continue the 5–5–3 ratio with us except England and France. That necessitated our inquiring of other navies what they planned to do. Let me tell you what they have been doing and then maybe from that we can judge what they plan to do. In that space of time we had built 89 ships, Japan had built 144. Even Italy had built 123. The President then saw that we were going to have to build to keep up with the race of the nations. I do not expect him to say that Japan's or England's or Germany's is the navy that we are going to fight, but I do expect him to gather all the information he can on all the navies of the world and never permit this Nation to fall behind a place somewhere near the leaders in this race.

I hate to see an armament race go on, but I see only one way of stopping it. The need of this Nation is only what is forced on it by other nations. Certainly if they would all sink their navies the only need we would have would be for a few Coast Guard cutters perhaps, nothing else; but as long as they build, as long as they have been building, and as they give promise of building in the future, we are going to require a Navy somewhere comparable with theirs. If we adopt the suggestions of the President—even if we build all of these ships that gentlemen say cannot be built, and Mr. Chairman, you can build all these ships; just lay out the money and see how fast ways are laid down on the Delaware River and in other parts of the country—I say if we go through with this program and complete it by 1942, even counting all of the ships of other navies we know about—and we do not know all of the ships that Germany, Italy, and Japan are building because they will not tell us any more, although they know what we are building—we shall have 227 ships under age that can go into the battle line, the British will have 284, and Japan will have 174, provided she does no more building.

Therefore why do we give this authorization to the President today? Simply because if Japan does build more, if Germany does build more, if Italy does build more, the President can say, "We need appropriations for additional ships." That is the only reason. I do not expect, except in case of emergency, to see the President send down a message to us requesting additional appropriations unless he knows other navies are building likewise. That is the only reason, the only justification for it. This authorization is only an increase of 20 percent over what we have at the present time.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. IZAC. I yield.

Mr. COLE of New York. Is not that figure 20 percent over what we might have at the present time?

Mr. IZAC. That is right; over what we might build up to, and since 1934 have been building up to as rapidly as seemed consistent; because you know it costs money to rehabilitate these shipyards which have been idle so long. [Applause.]

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 3 minutes to the gentleman from Maine [Mr. BREWSTER].

Mr. BREWSTER. Mr. Chairman, I am extremely sorry that at this late hour in the debate we should have stated by a member of the committee such a challenge as was uttered by the ranking minority member when he questioned every statement in the minority report. That is certainly a sweeping indictment. I assume that he selected the two strongest illustrations he had. That is a fair assumption.

He took the first two statements regarding the number of battleships now authorized. No member of this committee needs to be dependent upon the word of anyone. By turning to page 2003 of the hearings before the Committee on Naval Affairs the Members will find the age of all our battleships. If they can carry out the simple process of addition of 23 years to the year there shown they will find the number of battleships now authorized. They will find that in the year 1939 there are seven ships which will become authorized for construction exactly as is stated in the minority report. The gentleman at the end sought to justify his very extreme statement on the distinction between a calendar year and a fiscal year. I submit that for so sweeping a challenge as he issued that is a rather feeble foundation.

So far as the statement of the minority that 9 battleships are now authorized to be built in the next 5 years is concerned, if we are strictly accurate, we will find it is not 9 nor 10 but 11, including the 2 now being built, rather than the 8 the gentleman mentioned.

If you will turn to page 16 of the majority report it will be found that there is authorized a navy for the United States, if we would now build it, of 1,268,000 tons of under-age ships as compared with the existing 733,000 tons for Japan—2–1, practically. If we cannot keep up with the Japanese in a naval race when we are supplying them with millions of tons of scrap iron with which to build naval vessels, we deserve whatever fate may befall us.

BATTLESHIPS VERSUS BLUEPRINTS

The difference in this House seems to be between those who believe in battleships and those who believe in blueprints. I cannot picture a foreign foe running away from a blueprint. Why not build the three battleships now authorized instead of indulging in the vain fancy of authorizing and blueprinting three more?

We cannot possibly commence or carry on the construction of more than six battleships this next year. Even the President and the gentlemen from Georgia and Minnesota propose no more than that. For that purpose no authorization is required. Next January we may know more than we do now and may be able to legislate authorizations more wisely. Meanwhile no time will have been lost.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota [Mr. JOHNSON].

Mr. JOHNSON of Minnesota. Mr. Chairman, when a roll call comes on this naval bill every Member will vote his honest convictions and the vote will be cast with the defense of this Nation in mind. The Members of this House will be voting with the best interests of this Nation at heart. After all, it is the country we love and will defend. But the question in my mind is, Does this bill meet the crisis as we have been led to believe by press stories and speeches that such a crisis exists? In the last few days we have seen the swallowing of Austria by an international small-nation gormandizer. This international gormandizing act is only one of a series in Ethiopia and China accomplished by as many swaggering bullies who seem to take all the world for their province.

The second question that arises in our mind is, that, if this is a crisis in which movements are rapid and the portents of war are imminent, will the crisis be met from the standpoint of defense of our shores by building superbattleships which cannot be completed in the span of 5 years necessary for construction and fitting? Or will it rather be met by a great program of armaments for the coasts of our country mobile in nature which can be massed to repel any fleet should our own fleet be defeated? Should we not also have a great increase in the size of our air force which can be built speedily in the atmosphere of crisis and does not have to wait completion until 1942 and 1943? In other words, if there is a crisis should we not be meeting it in terms of "now" rather than a period half a decade later. These are the questions that are in the minds of the American people today as we vote on this super-Navy bill.

If the international saber rattlers mean to attack us will they wait until we can complete armaments as outlined in this bill or are we a little off the track? If we are to arm in terms of crisis should we not fortify the coasts and enlarge an air force which can help our Navy sink any approaching navy desiring to bomb our cities along our coasts preparatory to inland advance?

Remembering meanwhile we are now building already four new superbattleships, the gentlemen seeking to pass this bill infer that we have no national defense. They also infer that we are a big, fat, indolent, wealthy Uncle Sam who is fast asleep at the switch. These are not the facts. This is the Seventy-fifth Congress. By some it is called the diamond anniversary session of the Congresses since our Constitution was signed. But as far as national defense is concerned it can be called the golden Congress because without passing this supernaval bill the Seventy-fifth Congress has already appropriated nearly two billion dollars for defense. Last year we appropriated $526,000,000 for the Navy for the year 1938 and then appropriated $427,000,000 for the Army. This year we are appropriating for 1939 the sum of $556,000,000 for the Navy and $427,000,000 for the Army. These are staggering sums but they go to the establishment that is already a going concern. This amounts to $1,936,000,000 for the Army and Navy for the duration of the Seventy-fifth Congress. It is the greatest peacetime program in the history of the United States. And yet we are being led to believe that if we vote against this bill we are voting to disarm the United States.

On the other hand, the feeling is general that this supernavy means a change in our international policy. Not necessarily a change by the present President of the United States, because the superbattleships contemplated by the bill will not be completed until after his second term has expired. But these ships will be under the Commander in Chief or his successor, and that new President is unknown at the present time. That President through the completion of this program will be independent of Congress in a naval way. He will have the means of policing the world, for these great new ships will be clearly the accouterments of an aggressive policy. By the passage of this bill we will be strengthening the hand of some future Executive that he may do the naval aggressive acts in foreign waters which will force this country into war, and Congress will have nothing to say.

We must remember that this Congress has been considering favorably in its committees some strange delegations of powers to the Executive. For instance, there is a bill before us to give the President dictatorial powers over our people in case of war without further action by Congress. If this May-Sheppard-Hill bill is passed, the President becomes a dictator, and only he, under the terms of the bill, can suspend the powers after the war is over. Who knows that a future President would ever fully restore democratic rights? This bill was favorably reported for passage to the House of Representatives just the other day by the Committee on Military Affairs. By this great navy bill we are again giving the President, whoever he may be, too much independence from Congress. This is a great reason, in my mind, to look under the bed before voting for it.

I would not be speaking thus if we had not already authorized approximately $2,000,000,000 in this Congress for war and defense. I am afraid that if we pass this bill we commit ourselves to an aggressive foreign policy of helping police the world that will surely entangle us in the next war. If our big battleships are cruising the seas of the world, they are a cinch to get into trouble.

Washington gave us some advice about avoiding foreign entanglements that ought to be hung over every bedpost in the country so that it would be the last thing we read at night and the first thing to strike our eye in the morning. If we keep away from foreign embroglios, we still stay out of war. But if we hang around the corner where the war is going on, we are apt more than not to get into the mess. I do not think any amount of foreign trade is worth a war. They who desire to trade abroad should do so at their own risk and not ask that American blood be spent to protect their foreign holdings.

We had to go several thousand miles to get into the World War. We had to cross the Atlantic. The Atlantic is still there. And on the other side is the Pacific. The Creator gave us a natural defense of the Nation that no other nation in the world can buy. We only got into the last one because we had pursued a policy of profit instead of heeding the Father of his Country's sage advice.

We have a great domestic problem at home. Millions of our people are unemployed. The problem has staggered the country for a decade. If we do not conquer that problem our democracy will be far more jeopardized from internal attack than from external attack. We must not forget that our greatest duty as a nation is the welfare of all its citizens. Up to this time we have rather botched the job of taking care of our own. I admit they have been fed but that is all, and that, at the price of a staggering increase of the public debt. But there has been no solution of the problem and it yet faces the Nation. But during this war hysteria there has been no reference to this problem of our Nation. We appropriated another $250,000,000 for relief and then turned away from the problem. With a tremendous relief load plus a staggering military load I wonder where we are headed for. I wonder if as the years pass we are not letting a national cancer devour us while we consume opiates to ease the pain without attempting to remove the cause of the malignancy.

I could go on for hours in the discussion of this problem. But I believe that my interrogatories have not been answered by the proponents of this bill and believe that it is not the approach to a crisis. I think that the answer to the defense problem is to manufacture the defense weapons of the Nation under the supervision and control of the Army and Navy engineers. I intend to offer an amendment to establish this nationalization at the proper time in the reading of the bill. I see a dangerous profiteering side to this bill and will seek to eliminate it. If we are to live in an armed world let us take the profits out of war and amend this bill to accomplish that purpose. Let us remove the profiteer from the picture before we surrender to his domination. We are truly at our national crossroads in this respect. Let us not put our children into the same kind of military machines that they have in Europe where they take the bread from babes and instead give them the goose step. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. FERGUSON].

THE MONROE DOCTRINE—A DOCTRINE OF SELF-PRESERVATION

Mr. FERGUSON. Mr. Chairman, world events in the last few weeks have made a material increase in our Navy necessary. Every American reads the newspapers, listens to the radio. We are in constant touch with events all over the world. The last few days we have followed breathlessly the events in Europe—Hitler's entry into Austria accompanied by German troops. The Japanese-Chinese War and the war in Spain hold our constant attention. Anthony Eden's resignation as Foreign Minister of England was a household topic of coversation. We are still separated from the world by the broad Atlantic and the Pacific, but we as a nation are vitally interested in world events. We follow them with the interest of the most rabid baseball fan following the sports column. We have our favorites in these world contests. Most of us are with the weaker nations.

We cannot follow this turbulent panorama in the world today without asking ourselves, How soon will some nation move in on North or South America? There was no warning when Hitler occupied Austria. There will be no warning when some nation moves in on some country in North or South America. Treaties, diplomacy, declaration of war are old-fashioned and out of date with dictator-led nations. Will we be ready to tell any nation that attempts to move in on the American Continent to move out? Will we be prepared to preserve the Monroe Doctrine, or will we have to "eat" it? There will be no warning, and a nation that will attempt to gain a foothold on the American Continent will

not move out because we send notes nor hesitate to move in because we send notes. The one guaranty of the sanctity of the American Continent is a navy large enough to enforce the Monroe Doctrine. When we are called on to enforce the Monroe Doctrine it will not be sufficient to be a "good neighbor" to South America. We will have to be a "strong neighbor," and as a "good, strong neighbor" we must have a strong navy. That is why I am supporting this bill today to increase our Navy 20 percent.

I have mentioned the Monroe Doctrine. The world situation that brought the Monroe Doctrine into existence was very similar to the world today. The dictators of Europe were grouped together in a "holy alliance." Czar Nicholas of Russia was at the height of his power. The Bourbons had been restored to France and Spain. The powerful monarchs hoped to restore Spain's colonies in South America and to crush democracies in the world. England had a capable foreign minister, Mr. Canning. The restoration of Spain's colonies meant a loss of English trade. So the English Foreign Minister proposed that America and England declare to the world that North and South America was forever closed to foreign powers establishing colonies. The United States had no navy, so President Monroe was tempted to join with England. Secretary of State Adams, however, realized the danger of such an alliance. If the Monroe Doctrine was jointly declared, it would have the effect of preventing the further expansion of the United States on this continent. So, without a navy, President Monroe promulgated his famous doctrine, forever closing the Americas to any foreign power.

The best interpretation of the Monroe Doctrine is that of Theodore S. Woolsey, who says:

> The Monroe Doctrine is based upon the right of self defense. This is the first law of nations as of individuals.

Mr. Elihu Root, when he was a Member of the United States Senate, said of the Monroe Doctrine:

> The doctrine is not international law, but it rests upon the right of self-protection. It is well understood that the exercise of the right of self-protection may and frequently does extend in its effect beyond the limits of the territorial jurisdiction of the state exercising it.

In other words, any foreign nation that becomes established in any country in the two American continents jeopardizes our national existence. The presence of an armed force, which might conceivably enter some nation on the North or South American Continent without resistance, means that to preserve our own Nation we must meet the presence of that force with force. This bill is necessary to provide a navy strong enough for such an emergency.

HOW DID THIS NATION REACH ITS PRESENT SIZE?

The Monroe Doctrine did not keep this country from expanding to its present size. The United States issued it alone and, therefore, could interpret it alone. It would have been embarrassing to be tied with England. At the time the Monroe Doctrine was issued the United States consisted, as you know, of a small territory, 13 States on the Atlantic seaboard. We realized that to fulfill our "manifest destiny," as it was called in the fifties, sooner or later we would occupy the territory between the two coasts. We had already purchased Louisiana and were constantly looking westward. Our history is full of martial phrases, "54-40 or fight," "manifest destiny," and others. Our citizens poured into Texas, rebelled against Mexico and created a State that was later annexed. The Nueces River was recognized by Mexico as the boundary. Texas claimed the Rio Grande. Between these two rivers the armed forces of the United States and Mexico clashed. Abraham Lincoln was later known as "Spot" Lincoln because he wanted to know the spot where American blood was shed, doubting an actual conflict. Nevertheless, in 1846, President Polk sent a message to Congress saying that a state of war existed between this country and Mexico. I read the debate in the United States Senate on the declaration of war. Congress was asked for an appropriation to accompany this declaration. I was amused to read what Senator Clayton had to say because the Congress proposed to vote $10,000,000 as an appropriation. Ten million dollars seems trivial to us today. Listen to Senator Clayton in 1846, "And yet did any man ever behold a more sweeping appropriation than this $10,000,000 without a single specification." Congress took its duty very seriously in those days, of specifying how the money should be spent. "Manifest destiny," the slogan for western expansion, demanded our possession of California. President Polk wrote in his diary, "We must be in possession of California before the war is ended." He dispatched troops. We were in possession of California and when the Mexican War ended, the Treaty of Guadalupe Hidalgo ceded California and recognized our acquisition of Texas. And so we acquired by one means or another this Nation and used this Nation to a better advantage than the people who held it before. We were driven on by a great national spirit that might be compared with the spirit of the nations that are expanding today. Probably no nation was ever more set on acquiring territory than we were on acquiring Cuba. That nationalistic spirit is exemplified by the Ostend Manifesto in 1854. I want to refer to the correspondence between Pierre Soulé, the United States Minister to Spain who had been appointed to that position to secure the purchase of Cuba, and our Secretary of State, Mr. Marcy, on October 20, 1854:

UNITED STATES LEGATION TO SPAIN,
London, October 20, 1854.

Hon. WILLIAM L. MARCY,
Secretary of State.

SIR: Herewith I have the honor to transmit to you a joint communication from Mr. Buchanan, Mr. Mason, and myself, embodying the result of our deliberations on the subject about which we have been desired to confer together * * *.

The question of the acquisition of Cuba by us is gaining ground as it grows to be more seriously agitated and considered. Now is the moment for us to be done with it; for if we delay its solution, we will certainly repent that we let escape the fairest opportunity we could ever be furnished with of bringing it to a decisive test * * *.

Neither England nor France would be likely to interfere with us. England could not bear to be suddenly shut out of our market and see her manufactures paralyzed, even by a temporary suspension of her intercourse with us.

And France, with the heavy task now on her hands, and when she so eagerly aspires to take her seat as the acknowledged chief of the European family, would have no inducement to assume the burden of another war, nor any motive to repine at seeing that we took in our keeping the destinies of the New World, as she will soon have those of the Old * * *.

Respectfully yours,

PIERRE SOULÉ.

Note that phrase, "Neither England nor France would be likely to interfere with us." Japan thought the same thing when she acquired Manchukuo. Mussolini had the same idea when he took Ethiopia.

Following this correspondence came the famous Ostend Manifesto, which Pierre Soulé issued in conjunction with Mr. Buchanan and Mr. Mason, the Ministers to England and France:

AIX LA CHAPPELLE, *October 18, 1854.*

SIR: * * *.

Indeed, the Union can never enjoy repose, nor possess reliable security, as long as Cuba is not embraced within its boundaries.

Considerations exist which render delay in the acquisition of this island exceedingly dangerous to the United States. * * *

Self-preservation is the first law of Nature, with states as well as with individuals. All nations have, at different periods, acted upon this maxim. Although it has been made the pretext for committing flagrant injustice, yet the principle itself, though often abused, has always been recognized. * * *

Yours very respectfully,

JAMES BUCHANAN.
J. Y. MASON.
PIERRE SOULÉ.

Hon. WILLIAM L. MARCY,
Secretary of State.

Notice the phrase, "Self-preservation is the first law of Nature, with states as well as with individuals." While, of course, the Ostend Manifesto was repudiated by the President and the State Department, and Cuba was never made a part of the Republic, the desire and intention existed. Our eventual war with Spain gave Cuba her freedom under our protection. We acquired the Philippines. National spirit ran high.

And then in 1903 this nationalistic spirit of ours brought about the Panama incident. It is a historical treat to read

the correspondence between the American consul in Panama and the Secretary of State preceding the Panamanian Revolution. The gist of the wires from the Secretary of State to the consul were, "Has the revolution occurred yet?" and for several days the answers "Not yet, but everything is set and we expect a revolution any day." When the revolution, which was financed by United States capital, occurred, the battleship *Nashville* was at Colon. Of course, the Panamanians had no troops to land. Colombia threatened to send troops and did send troops. In an effort to be neutral the Secretary of the Navy wired the battleship *Nashville*, "Prevent any armed force of either side from landing at Colon, Porto Bello, or vicinity." The revolution took place November 4, 1903. November 18, 1903, we signed a treaty authorizing us to construct the Panama Canal. This Nation could not live without the Panama Canal. Present world trade could not exist without the Panama Canal.

I went into this review of our history to paint a back drop as to how this Nation grew from 13 small States to the greatest nation in the world. I do not censure this Nation for acquiring the land that was necessary for her very existence. We took what we needed, and from the Thirteen Original States came the greatest nation in the world.

STORM SIGNALS—A GOOD NEIGHBOR IS A STRONG NEIGHBOR

What is the picture today? Japan is rearranging the Orient. Mussolini is rearranging Africa. Hitler is rearranging Europe. Consistently we hear reports from South America. Some of these reports we may discount as propaganda. We know that Mexico has a new law recently enacted by which she is empowered to appropriate property of foreigners. The law provides for payment of property acquired. Although $6,600,000 worth of American-owned land has been appropriated, no payments have been made. All the American oil companies in Mexico have been ordered by the Mexican court to increase the salaries to their employees ₱26,000,000 annually. The companies say they are unable to meet this increase. Undoubtely the companies could not meet the increase, because failure to meet it means that the Mexican Government will appoint an intervenor, a receivership, so to speak, to operate the companies. Undoubtedly the oil companies would have met the pay increase rather than have their properties taken over by the Mexican Government. This is not propaganda. The Mexican Government demanded a show-down yesterday. The American-owned companies pleaded inability to meet the ₱26,000,000 annual increase. The next few days will in all probability see every American-owned oil company in Mexico operated by the Mexican Government.

Why is this dangerous? you may say. Let Mexico develop her own resources. So far Mexico has been unable to do this. If American capital is driven from Mexico, it will in all probability be replaced by the capital of an unfriendly foreign nation. This would be dangerous. A constant stream of information comes from South America that Germany and Italy are selling arms and munitions on long-term credits, setting a foothold in South America. Japan is credited with seeking a harbor on the west coast of Mexico. Part of it is undoubtedly propaganda, but enough of it is true to give us warning as to what may happen.

We are going to be called on to enforce the Monroe Doctrine. We must go our way alone. The future of North and South America depends on the strength of our Navy.

We cannot ignore, in considering a bill for this greatly enlarged Navy, that only the last few months have demonstrated the inability of the English Fleet to leave European waters. Strong nations are dominating the world. We do not want to dominate South America. We want to be a "good neighbor," a "good, strong neighbor," and protect the American Continents. We must have a navy large enough to defend the Americas. We must have a navy large enough to enforce the Monroe Doctrine, because the Monroe Doctrine now, or when created, is nothing more than a doctrine of our own self-preservation, "the first law of nations, as of individuals."

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. McCLELLAN].

Mr. McCLELLAN. Mr. Chairman, the most profound duty and the highest obligation of the President of the United States, of the Secretary of State, and the Diplomatic Corps, and also of the Congress, is to promote and maintain peace. All other official responsibilities lie in a category of lesser importance. No other problem of government involves such tragic consequences. No catastrophe known to man has ever produced human misery and suffering, destruction and death in proportions comparable to the horrors of war. To escape the ghastly murder, wreckage, plunder, and devastation of war is not only the paramount aim and objective of the Chief Executive and the official personnel of this Nation, but it is the constant hope and daily prayer of millions of American fathers and mothers who, individually, collectively, and as a government, represent and constitute the highest and best in social and material attainments of the twentieth century civilization.

There is no controversy among the American people with respect to peace. Sentiment against war is more crystallized and stronger today possibly than ever before in the history of the Nation. We hate war. We despise and condemn those in a position of rule and authority who promote, compel, and prosecute wars of invasion and conquest. We regard as public enemies those in this country—few in number, we trust—who would or do disseminate false or distorted information and spread poisonous propaganda which is calculated to produce resentment, stir our passions, and build up sentiment for war. We desire to walk in the paths of righteous endeavor and peaceful progress. We seek not by aggression, invasion, or otherwise, to acquire the territory and possessions of other nations. We respect their boundaries and their right to adopt and administer a system of government suitable to their needs and in conformity to their will and judgment. We grant to them all freedom with respect to their laws, rules of conduct, policies, and principles of government within their own boundaries. So long as they accord to us the same privilege, our attitude toward all other nations will always remain friendly and peaceful.

Desire for peace and hatred for war, noble and commendable as they may be, are not bulwarks of strength within themselves sufficient to insure our national safety. If it were merely a matter of our hopes, wishes, and ambitions or if it were within our power to prevent it, this Government and the American people would so completely outlaw and so far and forever remove the menace of war that it would no longer constitute a blight and threat to civilization and an obstruction to the peace, prosperity, and happiness of the whole world.

Mr. Chairman, we as a nation cannot insure the safety of nor guarantee peace for all other countries. Our responsibility is not that great or extended. We will be foolish if we ever try it. We would be lifting a load too heavy for us to carry, and it would be an undertaking doomed from the beginning to end in failure and disaster.

Our own security is what we are now concerned about. World conditions which involve the greatest array of military weapons and armaments the world has ever known; the greatest number of trained standing armies and other trained personnel in reserve and ready to be mobilized; the abrogation by leading nations of existing treaties between them that were designed to promote peace; the numerous acts of invasion and conquest by fear and superior military force of larger and stronger governments over smaller and weaker defenseless countries that have transpired during the past 2 or 3 years; the continuous struggle and conflict for supremacy between autocratic powers and democracies; the spirit of conquest and expansion that has seized and now grips and dominates the dictators of Europe and their covetuous desire to acquire and bring under their dominion additional lands possessing large quantities of raw materials and natural resources; together with the increased danger to our shores by reason of sweeping advancements and miraculous

scientific developments that have been made with respect to equipment and implements of aggressive warfare; these, with many other reasons based on indisputable facts that could be assigned, constitute a potential definite menace, if not an imminent dangerous threat, to our national security. So grave are world conditions that before this bill shall be finally enacted, a major war between foreign countries may be in progress.

In the light of these conditions and the increasing strong probability of a European war, in the consideration of the pending bill for naval expansion the question naturally arises, "If the war is to be in Europe, why should we, if this country is free from foreign entanglements and alliances, spend a billion dollars on an emergency naval construction program?" I think that is a fair question. It goes right to the heart of this controversy in which we are now engaged with respect to the pending bill. The answer we make, a correct answer based on facts, truth, and logic to sustain it, will determine whether this bill should be passed and how we should vote.

Mr. Chairman and my colleagues, I now give to you and the American people my answer to that question.

War, like fire, spreads and becomes uncontrollable. Therefore we of America, across the Atlantic, want to have the sense and good judgment this time to remain over here while they do their own fighting over there. Not only do we want to remain over here but we want to make sure the autocrats, dictators, and war lords of Europe stay in Europe to do their fighting. We want none of it in the Western Hemisphere. [Applause.]

But what we want and what we get may be just the difference between the peace we so much desire and the war that we so greatly despise. Being able to keep pace and prevent war depends in a large measure, and possibly altogether, on our ability for immediate and adequate defense. Begging for peace and protesting against and denouncing war afford us no vestige of security. We are compelled to employ more drastic means for protection. In the conduct of international affairs, with dictators and war lords drunk with power and hell-bent on wars of aggression and conquest, we cannot "say it with flowers." The only language they understand is that contained in the noise of the biggest guns, in the roaring motors of the swiftest airplanes, and in the imposing array displayed by the largest battleships.

So, my colleagues, as much as I dislike to, and I sorely regret the occasion and conditions that make it necessary, I am compelled to support this bill. I am afraid not to. We must be prepared to speak the only language they will listen to when our peace and safety are involved. I hope, Mr. Chairman, if we are ever to engage in another war, that we can force it to be fought by our Navy on the sea, and in the air over the sea, and thus save from bombardment our large cities and the deaths of thousands of our defenseless women and children.

The Monroe Doctrine must be maintained and enforced. We cannot keep war in Europe from spreading to this continent and involving us if we are so unprepared as to be unprotected. Sparks from any major war in Europe will fly in this direction. Our foreign commerce may immediately become a target for the submarines, airplanes, and warships of any belligerent that regards us as unsympathetic to their cause. The only possible way for us to escape from such exposure to attack would be to withdraw from participation in the commerce of the world which would mean isolation and in some respect desolation. The freedom of the seas will be an issue again in the next major war. We will have to face it squarely. We cannot avoid it. What we shall do or should do when that times comes, I shall not attempt to say now, but this I know, Mr. Chairman, if we do not have an adequate Navy, if we are not fully prepared for self-defense, we will not be requested, but will be told to vacate the seas and keep our ships in port. You and I know that would mean war.

If, however, we are prepared and our Navy and air force are sufficiently strong to command and compel respect, there will be fewer insults to our flag and less danger of attack at any point and from any source.

There are many lessons to be learned from the World War, but there are none so important or impressive to me as these two, namely, that we failed in that war to "make the world safe for democracy," and we should never undertake to do that again; and, next, we learned that unpreparedness invites war. We are no longer interested in trying to "make the world safe for democracy," but we are gravely concerned and determined to protect and preserve our own democracy. [Applause.]

Had we been adequately prepared in 1917 the Kaiser would have been less careless and more discreet in the use of submarines, and war with Germany might have been averted. Be that as it may, of this we are certain—had we been better prepared, thousands of American lives could have been saved and the conflict ended much quicker. It is better to spend this billion for prevention than to pay the unlimited and never-ending cost of war. I am convinced that the price of peace is adequate preparation to preserve it by compelling others by force, if necessary, to respect it.

Were I to follow my own inclination and judgment I would take off some of the ships this bill provides for and with the same expenditure increase the number of airplanes. After all, that is a matter of military judgment and I yield to the recommendations of those whose business and responsibility it is to know.

Mr. Chairman, I was reluctant to come to the conclusion that I have announced. I much preferred and sought a different decision. But there is no other alternative, except to incur a risk, the responsibility of which I am unwilling to assume or share with those who will vote against this measure. America is being driven to this course by compelling necessity. Momentous world events are transpiring with such rapidity as to alarm and disturb the peace of the world. Civilization trembles in fear and dread of the impending catastrophe. The map of Europe has recently changed overnight. Its face is being lifted by the force of autocratic power. We must save our face. World powers are mobilizing and squaring off for a death struggle. We want none of it. We intend to stay over here and we are equally determined to keep the war over there and away from our shores. Therefore I believe it the duty of this Government to build a navy through which our enemies cannot pass and an air fleet from which they cannot escape. With an abiding conviction that I perform my solemn duty and render a service to my country and the American people, I am going to vote for this bill, and I hope its passage will be sufficient warning to those who would dare attempt to violate our sovereignty or invade our shores. [Applause.]

Mr. CHURCH. Mr. Chairman, I make the point of order a quorum is not present.

The CHAIRMAN (Mr. O'NEAL of Kentucky). The Chair will count. [After counting.] One hundred and twenty Members are present, a quorum.

Mr. MAAS. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas [Mr. LAMBERTSON].

Mr. BREWSTER. I will take the time.

Mr. MAAS. I did not yield to the gentleman from Maine. I yielded to the gentleman from Kansas.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield 1 minute to me?

Mr. LAMBERTSON. I yield 1 minute to the gentleman.

Mr. PHILLIPS. Mr. Chairman, I make the point of order the gentleman from Minnesota yielded to the gentleman from Kansas, who cannot yield to the gentleman from Maine.

The CHAIRMAN. The gentleman from Kansas was recognized and yielded to the gentleman from Maine for a question.

Mr. LAMBERTSON. I yield to the gentleman for a question.

Mr. PHILLIPS. State the question.

Mr. BREWSTER. All right, I will state the question. So far we have had a very peaceful time through all our hearings.

Mr. PHILLIPS. Mr. Chairman, a question is not being asked and I insist that a question be asked.

The regular order was demanded.

The CHAIRMAN. The gentleman from Maine will proceed in order.

Mr. BREWSTER. We have used up all but 10 minutes of our time on this side in opposition to this measure, and the chairman has 60 minutes remaining.

Mr. VINSON of Georgia. Oh, no.

Mr. BREWSTER. How many?

Mr. VINSON of Georgia. Fifty-two minutes.

Mr. BREWSTER. How much time remaining has the gentleman from Minnesota?

Mr. MAAS. One hour and 2 minutes.

Mr. BREWSTER. They have 2 hours left and we have 10 minutes. They now demand that we close. Are they so fearful of their case they will not permit us time to conclude? They violate every principle of decency and procedure.

Mr. PHILLIPS. Mr. Chairman, I demand the regular order.

Mr. BREWSTER. I decline to take any more time at the sufferance of either of the gentlemen, who cannot play the game on the square. They must be very fearful of their case. Do the gentlemen require 2 hours to close their case and erase the impression that has been made as to the vulnerability of this bill? Will 10 minutes near the close before possibly the full House on Thursday so completely wreck their case? That may be considered fair play in Georgia or Minnesota but it is not so considered in the State of Maine.

Mr. LAMBERTSON. Mr. Chairman, I have thought for the last 3 days I was going to be allotted 15 minutes, but now I have only 1 minute, so I guess I will not make a speech. [Laughter.] Seriously, I was going to propose that nothing would be lost if we postponed this program until January. I had four points I was going to emphasize, and I will state them:

First. Half the Members really do not know yet how they want to vote, although they have heard both sides of the matter discussed on the floor.

Second. The building of the 72 ships now under construction will be continued, occupying our full capacity.

Third. During the months before the next session we can have a chance to hold an economic or disarmament conference, or both.

Fourth. Above everything, we will have an election next November, which can be a referendum, and nothing will be lost if we postpone this program until then. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from Alabama [Mr. HOBBS].

Mr. MAAS. Mr. Chairman, will the gentleman withhold that while I yield myself 1 minute?

Mr. VINSON of Georgia. No; not now.

Mr. HOBBS. Mr. Chairman, I regret exceedingly that some of the distinguished and able gentlemen of this body seem to have lost their tempers. I am sure nothing need be feared from anything that may be said by the opposition to this bill. On the other hand, nothing that may be said by the proponents of this bill need be feared by the opposition. The debate should be full and free. No other purpose is apparent.

In the brief time that has been allotted me I desire to do just two things, if I may. First, I wish to acknowledge out of the fullness of my heart and in the utmost sincerity, the debt of gratitude I feel I owe as an American citizen to the great Committee on Naval Affairs of the House and to the distinguished chairman of that committee for the work that has been done on this monumental piece of legislation they have brought in. This work has been done both by the majority and the minority in sentiment. The thanks of all are due to every member of the committee, and to every witness and adviser.

I commend to you for careful reading the opening speech made in this debate by the distinguished chairman of the Naval Affairs Committee, the gentleman from Georgia [Mr. VINSON]. How anyone can read that statement carefully, thoughtfully, and dispassionately and not reach the conclusion that this legislation should be passed, I cannot see. There have been other excellent speeches.

It seems to me the issue is clear—dollars now or blood later.

In the second place, in answer to the distinguished gentleman from Maine [Mr. BREWSTER], when a few moments ago he asked the gentleman from Minnesota [Mr. MAAS] if he feared for us to meet Japan in battle on even terms, if I might be so bold, I would suggest that the distinguished gentleman has missed the whole point of this legislation and of this debate, and I mean this very kindly. I would say to the distinguished gentleman that the purpose of this legislation is to insure that we shall never have to meet Japan or any other nation in naval battle, on even terms, or otherwise. [Applause.] What we wish, and what this bill does, as I see it, is to provide us with an armament that will prevent war.

I cannot help thinking in this connection of a joke that is still current down in my home State, Alabama. When General Morgan, after 4 years of war, came home to Selma, and they twitted him by recalling remarks he made in speeches before the war that "we could whip the Yankees with pop guns," he said, "Yes; but the trouble was they wouldn't fight with those things." [Laughter.]

Now, Mr. Chairman, we cannot depend upon our friends across the water to fight us, if war should come, with weapons with which we can triumph. What we need to do now is wisely to authorize the expenditure of as little of the people's money as possible, to discharge our constitutional duty "to provide for the common defense," and "to provide and maintain a navy" which shall be adequate to cause our rights to be respected, to discourage attack upon us, and thereby to prevent the shedding of a drop of American blood. [Applause.]

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield the gentleman from Alabama 2 additional minutes.

Mr. HOBBS. There are at least two or three men who are perfectly safe from any attack by me. One of them is Joe Louis—he is prepared to defend himself, and more, if necessary—and even though Jack Dempsey may be classed as a "has-been," I still have great respect for his prowess and "preparedness." He has nothing to fear from me. Similarly, if we prepare our Navy personnel skillfully to man our warships in water and air as we do by the splendid training which we give our boys at Annapolis and in the service, and then give them adequate equipment, the respect which I have physically for these men who know their business in self-defense will be felt by other nations for ours and for our ability to defend ourselves and our children and our children's children.

The issue, gentlemen, is wise expenditure of dollars now, to save the blood of your sons and their sons. [Applause.]

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, I simply want to explain to the House the situation that exists in regard to the distribution of time. The gentleman from Maine has made some statements about being unfair and not playing the game with him.

The Rules Committee allotted me 6 hours on this bill. I voluntarily gave the gentleman from Maine [Mr. BREWSTER] the privilege of submitting to me requests for allocation of 3 of those hours. As a matter of fact, I have permitted him to consume over three of those hours already. He has had more than one-half of my time to use in opposition. In addition to this, I have given at least 20 minutes gratuitously to those in opposition to this bill. So I do not think he has been unfairly treated at all.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. MAAS. I yield.

Mr. VINSON of Georgia. And I may state to the gentleman from Minnesota that with respect to the 6 hours that

the Rules Committee gave me, I have given 3 hours to the opposition and they have used all of it except 2 minutes.

Mr. BREWSTER. Will the gentlemen both add that they have now reserved another 30 or 40 minutes with which to close and propose to choke me into using the last 10 minutes now?

Mr. VINSON of Georgia. I have made no request that the gentleman use his time.

Mr. BREWSTER. The gentleman asked me to use it and said he would not allow us to have any time tomorrow when he proposes to close.

Mr. MAAS. Mr. Chairman, there has been no desire or intention to choke off anybody. We have been very liberal. We let you consume 3 out of the 5 weeks of hearings on the bill, and we have given you over one-half of the time on the floor here. As a matter of fact, the gentleman agreed to furnish me with a complete list of the proposed speakers and he has not done so yet.

Mr. BREWSTER. And the wisdom of my refusal is well illustrated by the way both of you gentlemen have assigned the parties who are in opposition.

Mr. MAAS. The gentleman judges others by himself.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. BATES].

NAVY CONSTRUCTION BILL CAREFULLY CONSIDERED

Mr. BATES. Mr. Chairman, in supporting this bill today I do so after the most careful thought and consideration. The Committee on Naval Affairs, of which I have the honor to be a member, sat for 26 days listening to the evidence, pro and con, on this very important bill. There was an opportunity given to everyone desiring to be heard, so that there could be no charge made that haste was being unnecessarily taken; and I want at this point to compliment the chairman of the committee for the fairness that he showed during the entire proceedings of the committee and the efficiency with which he presided over the meetings.

WASHINGTON DISARMAMENT CONFERENCE—1922

The real question involved in this bill is whether or not the authority that is asked is necessary for our national defense and whether or not we should maintain the 5–5–3 ratio that was established as the result of the Washington Conference held in 1922 and presided over by the Honorable Charles Evans Hughes, now Chief Justice of the United States Supreme Court.

This conference resulted in one of the greatest contributions ever made to the cause of peace in modern history. The best naval talent of the powers who sat in an advisory capacity to the members of that conference agreed in their report that it was essential to our national safety, and to the safety of the other signatories, that a 5–5–3 ratio should be adopted. This ratio was determined because it was felt that by so doing sufficient defense would be established in the form of naval armaments to protect all countries concerned from aggressions.

The real result of that conference, however, was that an agreement was entered into that placed a limit on the total tonnage of battleships and aircraft carriers of the signatories of the treaty. The tonnage of each battleship was limited to 35,000 tons, and no further aircraft carrier was to exceed 27,000 tons.

This provision did not apply to aircraft carriers already built or then under construction. The agreement carried a further provision that no other single ship except capital ships—battleships and aircraft carriers—shall have a tonnage in excess of 10,000 tons, nor carry a gun in excess of 8-inch caliber. Unfortunately, no agreement was reached as to the total tonnage of the vessels of the lower classification—such as cruisers, destroyers, and submarines. The result was that while each ship in the lower classification was limited to 10,000 tons, there was no limit, however, as to the number of such ships or the total tonnage that could be built. Subsequently, some of the nations embarked on a program of building many cruisers, destroyers, and submarines.

GENEVA CONFERENCE—1927

This increased building program by other nations resulted in the calling of the Geneva Conference by President Coolidge in 1927. He realized that unless this increased program of cruisers and destroyers entered into by those other nations was stopped, this country in order to maintain the 5–5–3 ratio would find it necessary to embark on a similar program. This conference was called for the purpose of placing a limit on the building of the ships of this lower classification, similar to the agreement made in the Washington Treaty, which limited the tonnage only of battleships and aircraft carriers.

The conferees of the Geneva Conference apparently could not agree as to this additional limit and the conference broke up on August 4, 1937, without results. Thereafter, Congress passed an authorization bill which was signed by President Coolidge on February 13, 1929, which provided for the construction of 15 cruisers, no single ship to exceed 10,000 tons. Appropriations were soon made for five of these ships. There was a provision in this bill, however, that the keels of five of these ships should be laid each year.

LONDON CONFERENCE—1930

In October of the same year, the British Government, with whose officials our representatives could not get into agreement at the Geneva Conference, apparently became uneasy because of that authorization bill relating to the building of cruisers.

They sent an invitation to the signatories of the Washington Treaty to meet in a conference in London for the purpose of discussing further the question of limitation of armaments. This conference met on January 21, 1930, and completed its work on April 22, 1930. The results of this conference justified its calling, and an agreement was entered into which extended the limitation of the Washington conference so as to include cruisers, destroyers, and submarines, and which were not limited by the Washington Treaty. Under this so-called London treaty the 5–5–3 ratio applying to all types of ships was still retained.

SECOND LONDON CONFERENCE—1936

That agreement was maintained until 1936, when another conference was held in London for the purpose of discussing further the extension of the previous agreements. Japan withdrew from this conference when her request for parity was rejected. Great Britain and France and the United States then agreed among themselves to extend the provisions of their former treaty.

This agreement, however, contained an escape clause which permitted any of the signatories to withdraw from the agreement if they felt that they were placed in jeopardy by external or other conditions. They could do this merely by notifying the members of the agreement that they were to take advantage of the escape clause.

Great Britain, under the escape clause, has now embarked upon a large program of rearmament. Japan, since December 31, 1936, has not been bound by any form of naval limitation, and would not even enter into an agreement to exchange information regarding her naval program, as is now being exchanged between the United States, the British Commonwealth of Nations, and France. The only information available in regard to what Japan is now doing is contained only in unofficial records. According to a dispatch from a Paris newspaper, the French naval authorities are quoted as saying that Japan is building a 46,000-ton battleship at the present time. The United States has no battleship that exceeds 35,000 tons. Italy, which helped to frame the treaty of 1936, is also withholding information regarding her naval construction.

It is well known that Germany, Italy, and Japan have entered into an anticommunistic protocol, and under this protocol each signatory must report to the others, all activities, not only of the comintern, but also to communicate construction and defense measures to one another. The complete break-down of the international agreement as to the limitation of armaments and the development of a powerful armament block cannot be questioned.

HUGHES APPROVES 5–5–3 RATIO

The bill that we have before us today authorizes the construction of sufficient naval armaments, which, when completed, will not bring us quite up to the 5–5–3 ratio agreed to at the Washington Conference, and that is the real issue in this bill. This ratio was agreed to after a very careful study was made of all the facts pertinent to the needs of our national defense by the naval talent of the naval powers of the world.

Hon. Charles Evans Hughes, who was then Secretary of State, said in October 1922:

> This Government has taken the lead in securing the reduction of naval armaments, but the Navy that we retain, under the agreement, should be maintained with sufficient personnel and pride in the service. It is essential that we should maintain the relative naval strength of the United States. That in my judgment is the way to peace and security.

That principle of ratio was further ratified at the London Conference in 1930.

The members of the Naval Affairs Committee have given great thought and study to this proposed legislation. It is their firm conviction that in the interests of self-preservation this bill ought to be enacted into law. It is not a bill designed to build a supernavy or to invade a foreign nation.

President Roosevelt says it is necessary. Secretary Cordell Hull concurs in that statement, and Admiral Leahy, who is Chief of Naval Operations, further states that, in his opinion, it is necessary for the proper protection of the shores of this country. He states also that a Navy for aggression would require three times the amount of ships that are being asked for in this bill. It is clear to us, therefore, that this bill is for defensive purposes alone; and Admiral Leahy further states that with this increase of 20 percent, as proposed in this bill, the Navy would still not be large enough to protect both coasts at the same time.

WITH THIS BILL NAVY WOULD BE 75 PERCENT SIZE OF 1922

We have heard something said about the supernavy we are building. Let us examine the facts in this respect. At the time of the Washington Conference in 1922, the authorized strength of the American Navy then built, and building, was 1,979,890 tons, or nearly 2,000,000 tons. The present authorized strength, under the Vinson-Trammell Act, is 1,262,068 tons. This bill will add 255,412 tons, or, make a 20 percent increase which will give us a complete authorized strength of about 1,517,480 tons, which is 462,410 tons less than the authorized strength of 1922, or in other words, the navy with this bill will be only 75 percent as large as the navy of that date.

There would be no need of this additional tonnage if the other nations of the world had not embarked on a naval expansion program. It is in the interests of self-defense, and that alone, that this bill should be approved. We must keep in mind that we have built no battleships in this country since 1923. Some of these ships are now over age and are being replaced.

In the determination of the 5–5–3 ratio in 1922, the authorities must have given great consideration to the extent of the defense coast lines of the principal naval powers of the world. In that respect, let me call to the attention of the Members of the House the relative defense coast lines that must be defended among those naval powers:

	Miles
United States	3,800
Great Britain	1,800
Japan	1,440
France	1,100
Italy	1,380
Germany	720

Therefore, as these other nations are expanding their naval armaments, it is necessary that we do likewise in order to maintain the ratio that was stated to be necessary in the interests of our national defense.

RELATIVE STRENGTH OF NAVIES OF UNITED STATES, GREAT BRITAIN, AND JAPAN

I herewith submit figures to show the relative strength of the navies of the United States, Great Britain, and Japan:

Relative strength of navies of United States, Great Britain, and Japan

(1)	(2) Treaty limits			(3) Naval strength Feb. 16, 1938			(4) Replacement vessels building, appropriated for, authorized, or projected			(5) Additional vessels reported projected (includes information from unofficial sources)			(6) Increase proposed in the bill H. R. 9218	(7) Resulting totals			(8) Resulting ratios		
Types	United States	Great Britain	Japan	United States	Great Britain	Japan	United States	Great Britain	Japan	United States	Great Britain	Japan	United States	United States	Great Britain	Japan	United States	Great Britain	Japan
Capital ships:																			
Number	15	15	9	15	15	10	4	5	7	0	5	4	3	18	20	14			
Ratio	5	5	3														9	10	7
Tons	525,000	525,000	315,000	464,300	474,750	301,400	140,000	175,000	?	0	175,000	140,000	105,060	630,000	700,000	455,000			
Aircraft carriers:																			
Number				3	6	5	3	3	1	0	2	4	2	5	8	9			
Ratio	5	5	3														8	8	7
Tons	135,000	135,000	81,000	80,500	115,350	78,420	45,000	45,000	15,000	0	30,000	60,000	30,000	165,000	165,000	138,420			
Cruisers (A):																			
Number	18	15	12	17	15	12	1	0	0	0	0	0	9	18	15	12			
Ratio	6	5	4														6	5	4
Tons	180,000	146,800	108,400	161,200	144,220	107,800	10,000	0	0	0	0	0	.....	180,000	146,800	108,400			
Cruisers (B):																			
Number				10	25	14	13	17	2	0	8	7	.....	22	33	21			
Ratio	8	9	5														8	9	5
Tons	143,500	192,200	100,450	70,500	175,830	83,495	130,000	170,000	20,000	0	80,000	70,000	(68,754	232,524	265,830	153,495			
Destroyers:																			
Number				35	88	76	57	41	9	0	25	43	23	80	113	119			
Ratio	3	3	2														2.5	3	3
Tons	150,000	150,000	105,500	53,080	118,654	102,933	.....	.....	.....	.....	.....	.....	38,000	228,000	267,000	274,800			
Submarines:																			
Number	(1)	(1)	(1)	22	39	41	22	18	3	0	12	8	9	31	51	49			
Ratio	(1)	(1)	(1)														3	5	5
Tons	52,700	52,700	52,700	32,580	47,319	59,512	.....	.....	.....	.....	.....	.....	13,658	81,956	136,200	134,400			
Totals:																			
Tons	1,186,200	1,201,700	763,050	862,160	1,076,123	733,560	.....	.....	.....	.....	.....	.....	255,412	1,517,480	1,689,830	1,264,515			
Ratio	3	3	2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5	5+	4	5	5+	4

[1] Equality.

Source: U. S. Navy Department, Office of Judge Advocate General.

This table shows the nature of additional ships that can be constructed under the provisions of this bill. Another column denotes the authorized total strength of the Navy, if this bill becomes the law, with the relative strength of the other powers. The last column shows the relative ratio that would exist when this proposed program would be completed. This information I have received only this morning from the Navy Department, Office of the Judge Advocate General, who has made a complete and exhaustive study of all such information, some of which, of course, is unofficial because of the unwillingness of certain of the powers to let it be known what they are doing. It is clear from these facts that if this bill is enacted into law, we will still be under the 5–5–3 ratio.

Everyone will agree that our armaments should be adequate, the question being, What is adequate? Until recently this question had its temporary quantitative answer in the naval armaments limitation treaty, in which the principal naval powers agreed on equitable ratios of naval strength. Unfortunately, as I have shown, these treaties are no longer in effect, and the nations of the world are busy augmenting their naval strength without restraint in accordance with individual tastes, and beyond former treaty limitations. The United States, however, is still circumscribed in its legal naval strength by the self-imposed limitations of the Vinson-Trammell Act, which still limits our naval construction in accordance with treaties that are no longer binding on other nations.

AUTHORIZATION NECESSARY AS PEACE AND SAFETY STEP

The bill now before us proposes to provide elasticity by raising the self-imposed limitation by 20 percent. It appropriates no money for ships or aircraft, but simply authorizes construction, within its limits, of such vessels and aircraft for which the Congress may hereafter decide to make necessary appropriations. It simply recognizes the fact that the limits we had placed on our naval construction under treaties that have expired are inadequate to meet the existing situation. Unless we decide to abandon our traditional policy of avoiding entangling alliances—and I feel sure we do not want to do that—it is essential that we authorize naval construction commensurate with the construction contemplated and already in progress in other countries. Such authorization will permit executive authority to plan a more orderly program over a period of years. Without this authorization, no program can be laid out.

In such a situation as we find ourselves today, I deem it the just duty of every patriotic American citizen to avoid the possibility of erring on the wrong side. The overwhelming desire of the United States is for peace, as all the world knows; and so long as the United States has the ready power to implement its desire, that desire will be accorded respect by even the most belligerent people; but once let the potency of that power become questionable, the peaceful desire of the United States will be accorded the contempt that the strong disturber has always shown for the complacent and the weak.

I believe it to be the duty of this Congress to take such steps as may be necessary toward national preparedness to help the United States to protect its independence of action, keep its form of government intact, guard its shores from aggression, and assure the peace and safety of its citizens. [Applause.]

Mr. MAGNUSON. Mr. Chairman, will the gentleman yield?

Mr. BATES. Yes.

Mr. MAGNUSON. The gentleman read some ratio figures as between Japan and the United States and Great Britain.

Mr. BATES. I read figures of the comparable strength of the Japanese, United States, and the British Navies when this bill shall have been enacted into law.

Mr. MAGNUSON. I wonder if the gentleman would not point out to the House that these figures are the known national strength, but they have not told us what they are building now.

Mr. BATES. These figures are from the Navy Department and do show what construction work is now being carried on by the three nations concerned. The reports pertaining to Japan, however, are from unofficial sources, inasmuch as that country will not divulge what she is doing on naval armament.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. BATES. Yes.

Mr. COLE of New York. Did I understand the gentleman to say that including the three battleships authorized in this measure we would have a total of 18 ships?

Mr. BATES. Yes; 18 ships under age. The gentleman knows, of course, that having a treaty to conform to, we intend to conform to it; and, after all, under the 1922 treaty a battleship became over age after 20 years. In the 1930 conference in London that age limit was increased to 26 years, but these figures that I have submitted all pertain to under-age craft.

Mr. COLE of New York. Is there anything in the treaty that requires us to scrap our ships when they become over age?

Mr. BATES. Under the treaty limitations of the Washington Conference, and also the London Conference there was a limitation, only on under-age ships. If we want to maintain a lot of junk as a first line of defense, we can do so; but these figures that I have submitted all pertain to under-age craft.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. FADDIS].

Mr. MAAS. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania.

Mr. FADDIS. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FADDIS. Mr. Chairman, many years ago Von Verdy du Vernois, who was the leading authority on military affairs of his time, wrote:

> Every innovation, as soon as it proves of actual value, gains, at least at the start, an importance far beyond its intrinsic worth.

Although the truth of this statement has been consistently established throughout military history, every army in every age has produced its share of enthusiastic young visionaries who have insisted upon disregarding it. The endorsement of a few professional soldiers too often arouses, among those who are also interested in military matters, a tendency to overrate the value of any innovation. The more spectacular the arm in question, the more the danger of its being overrated. Those trained in the ways of war find that these arguments are difficult to combat, because it is always difficult and often impossible to bring the facts concerning the matter before the public.

Those who advocate these new agencies of war claim that they are different from former innovations and maintain they are so different that they cannot be compared with former ones, which were once hailed with similar enthusiasm. As a matter of fact, the airplane is by no means as revolutionary as have been many others.

Within the last 30 years there existed the school of thought which maintained that because of the development of long-range quick-firing artillery, the infantry would cease to exist, as wars would be fought by armies of artillery which would never see each other. Artillery has developed beyond the hopes of its most optimistic supporters, but the infantry still remains. Since the infantry is the only branch of the service which can take and hold ground, the mission of the infantry is the mission of all of the other arms of the service, which arms exist solely to further the mission of the infantry.

Undoubtedly planes, as well as other mechanization, favor the offensive application of mobility, striking power, and surprise. But it should be borne in mind that, as a usual thing, the enemy will also possess these means and will utilize them for counter defensive moves. Even in Ethiopia, where the Italians were highly mechanized and the Ethiopians not at all, the impossibility of tanks and planes occupying and holding the ground gained was universally recognized. Had the Italians not recognized this, they would have occupied the key positions with their planes and tanks without bringing up their infantry. They realized, however, that such a move would be disastrous. They knew it was necessary to protect the advance of these auxiliaries step by step or they would, so to speak, get them out on a limb, where they would starve for want of food, fuel, and ammunition. They knew the importance of protecting their own lines of communication, as well as the importance of severing those of the enemy. If there ever were or ever will be an opportunity to operate mechanization to the fullest extent of its ability, it was in Ethiopia, where the forces of mechanization were so predominantly on one side.

Will these overardent airplane enthusiasts be willing to compare its effectiveness with that of the submarine? It was freely prophesied that the development of the submarine would spell the end of great battle fleets. Instead the battleship has grown larger, stronger, and more numerous, but the naval strength of every nation is still measured by ships of the line and not in terms of submarines.

Think of the sensation the advent of the ironclad *Merrimac* created by its attack on the wooden ships of war in Hampton Roads. Its onslaughts were irresistible for a day. Panic prevailed throughout the Union forces as visions of the blockade of the Confederate ports being broken arose. The next day the *Monitor* appeared on the scene and as a result the *Merrimac* retired to its berth to fight no more.

The most of us can remember the consternation among the Allies when the Germans used gas at Ypres on April 22, 1915. But the use of gas had no definite bearing upon the general result, as within a few days a defense was being used against it.

The spear, sling, bow and arrow, crossbow, armor, elephants, chariots, cavalry, rifle, cannon, fortifications, armor plate, machine guns, instruments to calculate ranges and provide for indirect fire, gas, and tanks were all innovations, as important for their time as is the airplane at present. Each of them in turn captured the imaginative mind and produced numerous self-appointed experts, who maintained that their advent had completely revolutionized methods of warfare. Any nation which gave to any of them undue importance in relation to national defense has passed from the picture.

It is true, of course, that all of these mechanical advances did produce some changes, but all of the changes produced were of the nature of defense, either by mechanical means or by changes in the disposition of units. Throughout all of the years the infantry has remained the mainstay of the ground troops and the battleship the backbone of the Navy. The mission of these two components has always been the basis of any plan of battle, and the furtherance of their mission has always been the mission of the auxiliary components.

Those experienced in the practical handling of armament have always borne in mind the axiom: "For every action there is an equal and contrary reaction." In other words, for every offense there is a defense. The layman sees only the theoretical and spectacular side; only the offense based upon demonstrations, not under battle conditions; only the destructive possibilities and none of their limitations in actual application. The fact that any arm, either of offense or defense, must be capable of self-sustentation, capable of striking rapidly and repeatedly, capable of driving its blows home and steadily and surely pressing whatever advantage may be gained, is lost sight of. The professional sees both sides and includes in his calculations such factors as difficulties of maintenance and supply, the ranging possibilities, adaptability to conditions of weather, terrain and visibility, the human factors involved in operation as well as defense against them both counteroffensive and protection by armor, concealment or movement, also to what extent the effectiveness of the defensive weapons used to combat them is keeping pace with the development of the innovation of the time. They realize that a weapon may be very effective when used for scouting, reconnaissance, or observation, harassing interdiction, or demolition, where it will not be subject to concentrated fire and where speed and surprise are important factors, but would be almost valueless where it is subjected to heavy fire and not capable of prolonged effort because of its inability to sustain itself. They know full well that of all the means of self-protection, fire power is the most effective.

Let us consider, in the face of actual facts, how a bomb dropped from an airplane will effect a battleship or heavy cruiser. To begin with, an airplane bomb is a projectile, but a weak one at best, since it is dropped from a height and not fired from a gun. Having only the impetus of gravity and none of that of the propelling charge of a projectile fired from a gun, it cannot attain the velocity necessary to effect penetration. Therefore, an airplane bomb must depend for its effectiveness upon carrying a high explosive charge. This charge must explode against the heavily armored decks. The vulnerable sections of battleships are protected and a projectile, in order to reach them, must be able to penetrate them and then by means of a delayed-action fuse to explode. Only projectiles fired from guns, because of their thick walls, weight, and high velocity, are able to accomplish this. To illustrate this, every one familiar with shotguns knows that it is possible to shoot a paper wad from a shotgun through an inch of oak. The same result cannot be obtained by dropping this same paper wad from any height whatever. The wad will only flatten on the board.

The most recent naval engagement of any consequence was the battle of Jutland, May 31 and June 1, 1916. In this battle the German battleship *Konig* was struck by 15 heavy projectiles. In spite of the fact that she was badly penetrated and partly submerged she continued in action throughout the engagement and returned to her home port following the engagement.

The German battle cruiser *Seydlitz* was struck by 27 projectiles and in addition was torpedoed on the starboard side. Half of her crew was killed, yet she continued to fight and returned to her home port. Both of these ships were in service again in less than 3 months' time.

Now, to compare their punishment with that which might have been inflicted by aero bombs. An aero bomb weighs from 25 pounds to 2,000 pounds. The projectiles which struck these ships weighed from 700 pounds to 2,000 pounds—and remember, in addition had the power of penetration and the consequent destructive delayed-action possibilities. Remember, also, that the explosive area of aero bombs are, because of their range, confined to the decks or to explosion in the waters alongside.

The average weight of these shells was 1,325 pounds, a total of 28½ tons, or the equivalent to 28 hits from 1-ton aerial bombs. If we would allow planes dropping these bombs an accuracy of 25 percent, which is exceedingly generous, this same number of hits would require the dropping of 114 tons of bombs. To carry this tonnage would require 114 heavy bombers carrying 1 ton of bombs each for each ship in a hostile fleet. Remember that these ships were neither sunk or put out of action by hits from projectiles having greater destructive power than these bombs could have. If we would calculate the number of battleships in an engagement as 10, then we see that 1,140 bombers would be necessary to partially cripple these 10 battleships. That is more than three times as many as three modern airplane carriers can carry.

Now, can we for one minute imagine that a fleet is going to remain idle, wallowing in the waves, while these bombers are swooping down upon them. These ships will have mounted upon their decks antiaircraft weapons ranging from machine guns to 5-inch guns. The battleship is not within range of the bomb until the plane is above the battleship. This is not true of the plane. They are within range from any quarter and are subject to the cross-fire from several ships. Then, too, they are subject to attack in the air by the friendly planes. Bombers are cumbersome, slow-flying aircraft and are particularly vulnerable to attack by the agile little scout planes.

The destructiveness of the airplane depends upon the load it can carry and the frequency with which it can reload. It has no magazine and is not capable of delivering its fire by salvos, as is a battleship. When it reloads it must return to the carrier to do so. This takes time and adds to the exhaustion of its personnel and mechanism. When it is calculated down to a reality the volume of fire capable of being launched by the planes from three of our largest carriers is about equal to one salvo from 15 battleships. The destructiveness of this fire is much less and it has no possibilities of being sustained for any length of time. Sustained action, not sporadic dashes, is the force which wins battles.

In connection with the cruising range of airplanes, it must be remembered that, as far as being capable of carrying a load for combat purposes, the ability of an airplane is far below that of any other means of transportation. The cruising range of an airplane is dependent upon the load of fuel which it can carry. When its full capacity is curtailed to enable it to carry bombs, its cruising range is decreased accordingly; therefore, the longer its cruising range, the less effective is its destructive possibilities at the point of contact. The China Clippers which are the most efficient weight-carrying, long-distance planes, in addition to their 3 tons of passengers and mail, have a cruising range of less than 1,500 miles, because they can carry fuel for less than 3,000 miles, and a speed of 130 miles per hour. Replace this load by three 1-ton aerial bombs and compare its effectiveness to that of a battleship. Calculated upon the basis of fire power, it would require 160 such planes as the China Clippers to replace one battleship. The cost of these 160 planes would be $40,000,000, as compared to $75,000,000 for a battleship. It would then require at least three plane carriers, costing $90,000,000, to carry them. We would then have a total of planes and carriers of $130,000,000 as against $75,000,000 for a battleship. Then, the carrier cannot be left undefended or the enemy planes will destroy it. These carriers, because of their construction, lack of armor, and necessary lack of guns, are particularly vulnerable to aerial attack. Where, now, is the argument for economy? Let it be remembered also that when a plane is hit by a projectile it is gone to the ocean floor. It has no such chance of returning to the carrier as a battleship has of returning to port. Also remember, because of its infinitely more delicate mechanism, the life of a plane is only about one-fifth that of a battleship at the best. Let us not be deceived that in replacing battleships with planes we would be receiving something for nothing.

There is, of course, a useful place for airplanes in naval combat. They are for the same purpose as are cruisers, destroyers, and submarines. All of these auxiliaries are the interference in this fooball game for the man with the ball—the battleship. Since they are the units with longest range and highest speed, they will be utilized first and the most often; and for that reason will be the first expended. May the day never arrive when the Air Corps of either the Army or the Navy faces the necessity of making good the promises and expectations of their over-enthusiastic supporters.

The weather is a factor which cannot be controlled. The sea may become so rough that battleships and cruisers cannot catapult or recover their planes and plane carriers cannot operate. Fog, rain, or clouds may destroy visibility. The muggy weather prevailing during the battle of Jutland prevented the use of airplanes for reconnaissance and the result was a surprise meeting engagement. A pilot must be able to see his target before he can hit it, as an air bomb cannot be employed in indirect fire. Without visibility they are useless. Certainly, winter with its resultant ice, will seriously hamper both the operation of airplanes and their discharge or recovery from the mother ships.

It is generally believed that the speed and maneuverability of airplanes have increased to a point where they are invulnerable to fire from ground weapons. This is not true, as antiaircraft weapons and the technique of their operation has advanced just as rapidly. During the World War five airplanes were brought down by hostile planes for every plane brought down by ground fire. It is now reported from the result of operations in Spain that these figures are reversed. Aviation has proved to be a powerful offensive weapon against congested motor columns on both sides, but it has only contributed to the general success as one of the combined arms. Although the few Spanish cruisers have been repeatedly bombed by Franco's planes, none of them have been sunk—but each of them have brought down several planes.

Because of the weight involved the protection of airplanes by armor is impossible. Their mechnical appliances are so delicate and so concentrated that small projectiles can easily disable them. Their fuel tanks are particularly vulnerable to incendiary bullets. Their own fire power is of little protection to them against fire from ground units. Their concealment is zero, even at night, if within striking distance. Data concerning their operations in Spain and China show that they are being successfully combated from the ground.

There is one place where our system of naval defense is very vulnerable from airplane attack—the Panama Canal. Because of its making possible the movements of our fleet from one ocean to another in less time than if it should go around South America it lulls us into believing that our Navy, for practical purposes, is twice as large as it is. I believe that this is a weak assumption and one for which we may some day suffer severely. I believe that because of their fixed location the locks and dams would be easy targets for aerial bombs and that some day because of this fact we may be robbed of our Navy in the defense of one or the other of our coasts.

The combat value of airplanes in the next war will be mainly in the air. Airplanes will attack airplanes in an endeavor to prevent those of the enemy from accomplishing their missions of observation and reconnaissance. The slow-moving cumbersome bomber will be a mark for the smaller, swifter, and more agile fighting plane. Individual deeds of heroism will be performed in spectacular dog fights in the air—but the issue will be decided by those components capable of self sustentation, striking repeated dogged blows, able to close with the enemy and thus seize and hold the advantage gained. In no other way can the hostile will to wage combat be crushed and the war brought to a successful conclusion. This is an axiom of warfare, as old as warfare itself, which those entrusted with the maintenance and operation of our various components of national defense know full well.

These professionals are not old fogies, as they are often accused of being, but men highly trained in the technique of their profession, open-minded and subject to conviction. They are charged with the national defense of the Nation and to them the various arms are but the tools of their profession. They know their needs and their tools as no layman can know them. To charge them with being partial or prejudiced against any certain arm is to impeach their ability, professional knowledge, and their patriotism. If at times they are not free to disclose all the information at their command, it must be rememberd that certain vital facts involved must be kept secret for the safety of the Nation and they hold this knowledge in trust for the Nation, not for

their own personal benefit. If they demand the acid test of actual battle conditions to demonstrate the effectiveness of innovations, that fact certainly recommends them as men who are sound and practical thinkers, not theorists. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 3 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. MAAS. Mr. Chairman, I yield 3 minutes to the gentleman from Oklahoma [Mr. DISNEY].

The CHAIRMAN. The gentleman from Oklahoma is recognized for 6 minutes.

Mr. DISNEY. Mr. Chairman, as in 1914, when Mars hurled his thunderbolts of war, and a peace-loving world stood aghast at the consequences, now the peoples of the earth gasp at the fearful possibilities of the immediate future. Forward-looking men ask each other the half-prophetic question: "What will the harvest be?" Men's hearts quail within them at the thought of another holocaust of war.

In the middle of our national life, a great peace-loving American who had been compelled to resort to force to settle a civil conflict, wondered whether government by the people, of the people, and for the people might not perish from the earth. Now, the world-wide issue is whether democracy, the rule of the people, by the people, and for the people is in immediate danger of perishing from the earth. Self-satisfied complaisance and isolation might be a temporary answer, but since modern civilization has made every worldling our neighbor, the time will come, and may be here now, when the issue must be settled. In the past it has often been determined by force of arms.

No people ever achieved and maintained democracy without fighting for it. English-speaking opinion has been a great exponent of democracy in the world, and that democracy has been achieved not only in the channels of free moral thinking and in domestic and international diplomacy, but on such historic fields as Runnymede, Waterloo, and Gettysburg.

In all the history of mankind, Britain and America have best typified democracy. If that democracy is to be maintained, it must be maintained at all costs, even at all necessities. In the long history of English-speaking development, each time the test has been met in the chancelleries of civil diplomacy, and on both domestic and foreign fields. Conceivably, the test may arise again in the immediate future.

There is no physical reason or excuse for the British Empire. Democratic thinking has made her what she is. The solidarity of British opinion has made possible the fact that the sun never sets on the British flag, and the slogan that Great Britain goes to the far ends of the earth to aid and protect the lowliest British subject against aggression. But England has always "expected every man to do his duty."

For centuries Britain has maintained world respect, and been a great force for democracy in the world, by maintaining her reputation as a maritime power. For centuries the British fleet has made certain the power of England. Secure in that respect, English public opinion has ripened into a world-wide democracy, different from, but comparable to our own. But for her fleet, there would be no British Empire and the far-flung English Jack would be a myth, and the British Isles would be the puppet states of some power-mad continental European dictator.

I repeat, a great navy has maintained Great Britain, and made possible the British Empire, and made her a force for freedom and liberty throughout the world, and for centuries past.

The rule of force is rampant in the world. The cruel invasion of Ethiopia was without excuse or justification. It came because England was temporarily unprepared to call a halt, and the doctrine of dictatorship was bloated into egotism. The audacious taking over of Austria by Hitler was by the dictatorship of physical force. The rule of force alone justifies Japan's unwarranted invasion of China. The rule of force is behind the current cruel inquisitions in Russia. Diplomacy has been compelled to yield to force.

Reason, charity, and brotherly love, while of course they still remain in the hearts and minds of the average man, seem to have no place in the thinking of the rulers of nations under the doctrine of dictatorship as against democracy.

Since mankind first began to prescribe rules of conduct for itself en masse, the common law of man implies the necessary force to vindicate the law, to control the mob, and to defeat the whims, caprices, and viciousness of dictators. International law carries the same implication—that it shall be enforced, either by physical force or by the rule of reason.

There is no international tribunal with authority to enforce its edicts. The dream of Woodrow Wilson to date has failed, but we may take consolation in that "truth crushed to earth shall rise again."

There has grown up a sentiment in America, largely on account of our impatience with foreign nations in their failure to pay the war debts, to the effect that the entrance of this nation into the World War was unjustified. Even his partisans have fallen into the erroneous habit of apologizing for the great apostle of peace, Woodrow Wilson. Let me remind you that now, in the spring of 1938, if the Central Powers had won the World War—which they would have done without our entrance—Germany would now be in charge of the British Isles and that great democracy, the British Empire, would have passed into history. Visualize Hitler, or someone of his ilk, in saber-rattling charge of world affairs in Europe, with no Great Britain. Men in America would be calling upon each other to know what to do. Imagine a German fleet sailing the seven seas, with the British Empire in its charge and a military madman as is now invading Austria and Czechoslovakia, at the helm of state. No, America was right. Her part in the World War was simply another step in the cause of democracy, which America typifies.

Why have England and France, our sister democracies, been hesitant? Because they have been currently unprepared. Except for France's indecision and England's unpreparedness, Mussolini's invasion of Ethiopia would never have transpired, to the destruction of a free nation among the Ethiopians. Japan would have hesitated in an undeclared war on China, and the brazen audacity in Spain, where Italian soldiers fight on an alien field, would have been stayed.

Except for that unpreparedness Hitler would never have invaded Austria in the face of a plebiscite proposed to determine the free and untrammeled will of the Austrian nation.

In my opinion America's surest way to avoid entangling alliances is the maintenance of the Monroe Doctrine. When the rule of force attempts to assert itself in the Western Hemisphere that intangible policy, the Monroe Doctrine, that denies the entrance of European national greed in the Western Hemisphere, stands as a bulwark to the liberty of the people of all the western world. Without the ability and the courage to meet force with force, the Monroe Doctrine could easily become an iridescent dream, laid aside and abandoned by a nation not virile enough to face realities. While democracy primarily rests in the spiritual thinking of the people, it must be maintained by force, if force be necessary. If restraint be not practiced by those nations who are under the spell of dictatorship, it must be imposed upon them.

Under the Monroe Doctrine the shore line of South America is the shore line of the United States, to be defended at all hazards against European aggression. The Monroe Doctrine is the individual American's pride, for which he will lay aside all personal considerations. If it takes the extension of force to achieve this objective, then let such means be employed.

Even the opponents of this measure admit that we must have an adequate navy. What constitutes an adequate navy is not a question of opinion but of realities, based upon present-day conditions and the purposes of the enemies of

democracy. The Navy that could have defended the Monroe Doctrine a hundred years ago would be scoffed at now.

Respect for law is based upon enforcement of the law. When there is power to enforce the law, observance of the law follows. Temporizing destroys national and individual opinion. When there is force in the Western Hemisphere sufficient to make the Monroe Doctrine a stern reality, its violation will not even be attempted. Should America become supine, that would invite its violation.

It has been said in this debate that the South American countries ought to help. The answer is that the Monroe Doctrine has never been a call upon South America. No; in world opinion it is a stern warning to all European aggression—a defiance to absolutism in all its horrid forms.

Dictatorship is the rule of brute force, and democracy is the expression of the sovereign will of the people, where individual rights flourish and individual liberties are safe and secure. So democracy is worth having. Democracy is worth fighting for. Democracy is worth the preparation it takes to save her. Democracy is the highest expression of good. Reason, charity, and brotherly love are democracy's handmaidens. So if it takes fleets, let us have fleets; if armies are necessary, let us have armies, hoping that their use may never be necessary but that their presence may be democracy's assurance. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. STACK].

Mr. STACK. Mr. Chairman, ladies and gentlemen of the Committee, I am going to support the legislation proposed in H. R. 9218. After listening to the entire testimony, pro and con, in the Naval Committee hearings, I was and am convinced that the authorization asked for in this bill is purely and solely for defense purposes and that in order to adequately protect our shores and uphold the Monroe Doctrine we need such a Navy.

Candidly let me tell you that I was a "doubting Thomas" when the hearings first began. Two questions concerning the proposed bill had to be answered for me; that is, Was this authorization needed and what was the Navy's policy. The testimony of experts, such as Admiral William D. Leahy, Chief of Naval Operations; Rear Admiral Arthur B. Cook, Chief of the Bureau of Aeronautics; and Mr. Glenn L. Martin, as to the needs of the Navy cleared up my doubts. I placed a lot of confidence in these gentlemen's opinions because I felt that their business, their training, and their Americanism were worthy of my confidence and respect, and I felt they always had the interest of our country uppermost in their minds and judgments. The second question was completely answered for me by each and every member of our committee when we substituted to the original bill the following section:

> It is declared to be the fundamental naval policy of the United States to maintain a navy in sufficient strength to guarantee our national security, not for aggression, but to guard the continental United States by affording naval protection to the coast line, in both oceans at one and the same time; to protect the Panama Canal, Alaska, Hawaii, and our insular possessions; to protect our commerce and citizens abroad, to insure our national integrity, and to support our national policies.

It is further declared to be the policy of the United States that an adequate naval defense means not only the protection of the Canal Zone, Alaska, Hawaii, and our insular possessions, but also a defense that will keep any potential enemy many hundred miles away from our continental limits. In other words, it was shown to me, at least, that we had not and were not now contemplating any alliance with any other country for the purpose of policing the world, and that the authorization asked for in this bill is purely one for defense and not of aggression. [Applause.]

As a World War veteran, who felt the enemy shell over there, I know what the lack of preparedness cost us in human lives and I do not want my country and your country to be unprepared when your sons and my sons, in an emergency may have to defend the country, as you and I did when the country needed us.

I am for this bill because of the human equation, that all things being equal, if we are well prepared and stay in our own backyard none of the war-mad countries will be willing to fight it out with us. [Applause.]

Mr. Chairman, ladies and gentlemen of the Committee, I am also interested in other legislation which in my humble judgment is needed because of this bill or a necessary complement to this bill.

First, I want to see the recommendation of the War Department concerning a deeper channel in the Delaware River authorized by Congress and money appropriated for it immediately. This will be an absolute necessity for carrying out the program called for in H. R. 9218 if, as is likely, battleships will be increased in size to over 41,000 tons, because such vessels could not be floated down the present seaway.

Second, the average age of World War veterans today is 45 years.

In the Philadelphia area of the Veterans' Administration, which comprises Delaware, Maryland, eastern Pennsylvania, and New Jersey, we have facilities in the naval hospital in Philadelphia to take care of only 550 war veterans who need hospitalization. At this moment we have on the waiting list 400 human wrecks of all wars and with the necessary increase in the personnel of the Navy, that this bill of necessity will bring about the facilities that we now have for veterans in the Naval Hospital will be denied the Veterans' Administration, because the Navy will need the beds to take care of its own increased Navy personnel.

Today I introduced a bill to authorize the construction of a United States veterans' hospital in the city of Philadelphia, Pa., and I hope you ladies and gentlemen of the Committee will support this bill, because of its absolute necessity and because of the debt we owe our sick and disabled buddies of all wars.

Recently I read an article in one of our metropolitan newspapers concerning the recruiting of a larger army and navy in the British Isles, and was shocked to see therein the difficulty England was running up against in trying to recruit her manpower. Statistics, I think, showed that over 90 percent of those who applied for enlistment, both in the Army and Navy, were underweight because of undernourishment due to the fact that their fathers were unemployed or, if employed, were working for sweatshop and starvation wages. The same condition confronts us here in the United States unless a fair minimum-wage and maximum-hour bill is enacted into law this session. Such a bill, H. R. 9628, has been introduced and sponsored by the American Federation of Labor, who, in my humble judgment, are experts in that type of legislation, just the same as Admiral Leahy, Rear Admiral Cook, and Mr. Martin are experts in legislation concerning national defense.

You and I here in the House, the Representatives of the one-third of our population who are ill-housed, ill-clad, and ill-fed can, will, and must do something for those 40,000,000 Americans. You and I can pass this legislation in this session, and when we do pass it do not forget that we will have to protect our own wage earner from competition from the cheap-wage earner of Europe and Asia, by providing adequate tariff protection.

Right here in the Capitol today the Committee on Reciprocal Tariffs is now holding hearings with Great Britain on tariff agreements. Let us see to it that our British friends do not put anything over on us. This is our country, the workers in it are all nephews and nieces of Uncle Sam and, as far as I am concerned, I want the American wage earners to get their pound of flesh with all the blood when we make any tariff agreements with our British cousins. [Applause.]

Mr. MAAS. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. WHITE].

Mr. WHITE of Ohio. Mr. Chairman, there are Members on both sides of this discussion for whom I have the most wholesome respect. I believe the sincerity of their convictions is beyond question. When it comes to my own beliefs I can say they have been formed with deliberation, because

I am in disagreement with the foreign policy that has been followed by the administration.

It seems to me that when the President declared Japan to be the aggressor in the far eastern crisis, he tossed the Neutrality Act out of the window and took the first step on the road to enforced action; that he took a hand in the poker game of foreign diplomacy and intrigue. To my way of thinking, we should abide by the neutrality law or take it off the statute books. I have wondered why we should not make its provisions mandatory. If we learned anything out of the World War it should have been to mind our own business and keep this Nation out of foreign entanglements.

With this background of thought, there has been a very marked question in my mind as to what my position should be with relation to the pending Navy bill. With this feeling I would naturally have no small amount of hesitancy in supporting a program of naval enlargement which might be misused even though I have always believed in adequate national defense as a means of preserving peace. Two factors have brought about the decision I have reached.

The first of these revolves around the question whether or not this naval program may be used for aggression. As one who disagrees with the foreign policy now in effect, many of my fears have involved that point. I think the foreign policy the United States has been following might easily involve us in trouble. Recent events seem to indicate that this policy has been eased somewhat in the course of the last few weeks. I hope this means we are getting back in the role of a neutral; the role of a nation that is going to look after its own affairs and keep out of European troubles.

On the question of whether or not this naval building program is likely to be used for aggression, it seems to me we have no means to determine the matter, except through the assurances of the President or of responsible Members of this House, who have time and time again during the course of the debate assured us that they can guarantee it would be purely a weapon of defense and would not in any way, shape, or form be used as an aggressive measure. I feel that I have no choice but to accept these assurances. I do not know of any other way of finding the answer to the question; therefore, I have to accept the assurances that have been given to us that the naval building program will be used purely for defensive purposes.

[Here the gavel fell.]

Mr. MAAS. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. WHITE of Ohio. Mr. Chairman, I accept these assurances, as I stated, as my guarantee on this particular point.

Along with these assurances there is one other vital thing that has determined my stand in this matter, and I refer to the menacing developments in Europe during the past week. Those developments have determined the decision for me. They are filled with dangers which I hope can be avoided. Those conditions do not permit us to take chances. They have led me to the belief that I must support this bill, for the full program if necessary, although I would prefer a smaller amount.

Mr. JOHNSON of Oklahoma. Will the gentleman yield?

Mr. WHITE of Ohio. I yield to the gentleman from Oklahoma.

Mr. JOHNSON of Oklahoma. I was interested in the gentleman's statement that he had been given assurances by Members of the House that the Navy proposed by this bill would not be used for aggressive purposes. The gentleman does not mean to tell this House that any Member thereof can give assurances to anyone as to what the Navy will be used for?

Mr. WHITE of Ohio. The chairman of the committee has repeatedly stated he can assure the Members of the House it will not be for anything but defense. The chairman of the Committee on Naval Affairs has been in consultation with those officials who would control policy, and therefore he ought to be sufficiently enlightened on that matter to be able to give the assurances he has voiced.

Mr. BATES. Will the gentleman yield?

Mr. WHITE of Ohio. I yield to the gentleman from Massachusetts.

Mr. BATES. The gentleman, of course, realizes this is not an appropriation?

Mr. WHITE of Ohio. Yes. That is exactly right.

Mr. BATES. It is nothing but an authorization bill.

Mr. WHITE of Ohio. Yes. Not a piece of this defense equipment can be constructed until Congress appropriates the money to do the job. This legislation merely outlines the construction plan in event the appropriations follow.

Mr. BATES. Furthermore, the Navy cannot be used for aggressive action or purposes unless this Congress authorizes it?

Mr. WHITE of Ohio. I think that is very largely true, but the President is Commander in Chief of our military forces and assurances of his policy have been needed to forestall the trouble we hope to avoid.

[Here the gavel fell.]

Mr. CHURCH. Mr. Chairman, it is now 4 o'clock. I am obliged to raise the question that a quorum is not present.

Mr. VINSON of Georgia. Will the gentleman withhold that and permit me to use 10 minutes of my time?

Mr. CHURCH. Yes; if the gentleman on this side does not want to yield more time.

Mr. VINSON of Georgia. I may say to the gentleman that as soon as I use 10 minutes I will move that the Committee rise.

Mr. CHURCH. Mr. Chairman, I withhold the point of order for the present.

Mr. VINSON of Georgia. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mr. PHILLIPS].

Mr. PHILLIPS. Mr. Chairman, I wish I had more than 5 minutes to present to you a few points for your consideration. First of all, I take the liberty of calling your attention to this headline in today's newspaper:

> Major Fey, who was Dollfus' aide, kills himself and family.
> Austrian anti-Nazis today turned to suicide as the only escape from their enemies.
> Maj. Emil Fey, 52, former Minister of Public Security and Vice Chancellor, killed his wife and their 19-year-old son.

Why? Simply because he believed everything was gone, that his country had been conquered, and no liberty was left to anybody.

I wonder if you know about the trip of the German Zeppelin up through New England during the 1936 political campaign then waging in this country? Do you know that ship flew over every single munitions-making plant on its way up through New England from the New York line, and circled over those plants again and again so you could almost reach up and touch it, and, no doubt, with telephoto lenses on their cameras, clicking very effectively, recording everything viewed below for future reference if needed? Do you wonder that we from the seacoast want an adequate navy, world conditions being as they are today?

I hold in my hand a document I wish you would read. It is entitled "German Submarine Activities on the Atlantic Coast of the United States and Canada." This is an official publication of our Navy Department. I call your attention particularly to page 54, wherein it is stated that German submarines actually dropped shells on Cape Cod during the war and that thousands of eyewitnesses viewed with amazement an attack of a German U-boat on an American tug off the coast of Massachusetts.

All I can do in the few minutes I have at my disposal is give you the mosaic of the picture. I do not have time to fill in the plastic and paint it. I will simply confine myself to some of the remarks that have been made regarding this bill.

First, if we build the ships authorized in this bill, it will do no more than give us a 5–3 ratio with Japan.

Two or three Members have spoken of the beautiful dream, which I wish might come true, of sinking all the battleships, a shirt-sleeve defense, if you please. A shirt-sleeve defense, unfortunately, according to history, has been more often a shirt-tail route. Where is the shirt-sleeve defense going to

be made? We do not want to have to defend our homes in Connecticut. You people from Oregon, California, and the west coast generally must decide if you believe in a policy of onshore defense, where your wives and children are in danger, or a policy of offshore defense, where our towns cannot be bombed and our cities cannot be destroyed by long-range gunfire and by bombs dropped from planes brought to our shores by aircraft carriers. Do you believe in offshore defense or do you believe in a defense right in your own homes, where your wives and children will be involved.

May I now turn my attention to the remarks other gentlemen have made? With reference to the so-called Kniffin defense line, I respect the gentleman's views and wish his idea were practical, but it is not. It throws a serious strategic impediment in the way of the operation of the Navy; it withdraws all American troops immediately from China, and this might seriously harm us diplomatically at this time; and last, but not least, it restates the Monroe Doctrine. Without a restatement of the Monroe Doctrine the passage of the Kniffin amendment would be very dangerous to the United States of America because it might then be assumed by other nations of the world, including South America, that we had abandoned the Monroe Doctrine. On the other hand, a restatement of the Monroe Doctrine might be serious to us now in its effect on our international policy. The Monroe Doctrine has always been hated by South America as a cloak, so it has been alleged, for "Yankee imperialism," for land grabbing in Central and South America on the part of the United States—for an extension, ever southward, of territorial United States of America. More recently the President has built up the so-called good neighbor policy in South America to the point where it now, fortunately, overshadows the Monroe Doctrine as a national policy. Therefore, a restatement of the Monroe Doctrine now might be disastrous to us in all of our Central American and South American relationships, and might now lose us friends in this hemisphere, which friends we sadly need at this juncture in world affairs. At any rate, you must agree that these arguments must be considered and that they raise serious questions of doubt as to the wisdom of the Kniffin defense line policy. A homely philosophy which works well in other places in life might, it seems to me, be applied here, "When in doubt, do not do it."

A disarmament conference is a good idea if we can have the conference, but what nation will keep its word? Then, let us have a navy large enough so we may have something to trade with. Let us not trade from inferiority but from superiority.

The gentleman from West Virginia [Mr. RANDOLPH] the other day mentioned the headlines in the British press about a million men being called out for defense against aircraft. Do you want to call out people for such defense, or do you want to have us strong enough so the fight is kept away from our shores?

In closing allow me to present a few comparative coast-line figures of the United States and Japan, indicating our need for a greater navy for defense than Japan should need:

Approximate lengths of coast lines (miles)

United States of America:		
Atlantic coast	2,660	
Pacific coast	1,200	
		3,860
Puerto Rico	360	
Alaska	3,880	
Hawaii	1,500	
		5,740
Total		9,600
Mexico:		
West coast	2,010	
East coast	900	
	2,910	
Central America	1,830	
South America:		
West coast	4,800	
East coast	7,100	
	11,900	
		15,640
Grand total		25,240

Approximate lengths of coast lines (miles)—Continued

RECAPITULATION

United States coast lines	3,880
Possessions of the United States, coast lines	5,740
Mexico, Central America, and South America coast lines (to be considered because of our Monroe Doctrine policy)	15,640
Total	25,240

Above mileage figures are approximately straight-line coast totals. They do not include harbors, small bays, inlets, etc.

Japan coast lines (miles)

Japan proper	2,640
Japan proper plus Kuril Islands	3,270
Japan proper plus Kuril, Taiwan, and Nansei Islands	4,190

In this connection, I call the attention of the Members of the House to the speech made today by our colleague, Hon. GEORGE J. BATES, of Massachusetts, who has presented a table very plainly showing that after this authorized Navy has been built and after the contemplated British and Japanese Navies have been built, we will be in a somewhat worse ratio than 5-4 to Japan, despite the fact that it has been clearly pointed out that we stand in jeopardy of an attack by Japan if our naval ratio is less than United States 5 to Japan 3.

I also wish to call your attention to the testimony before the Naval Affairs Committee by the celebrated airplane builder, Mr. Glenn Martin, of Baltimore, wherein he stated that he is for this bill as also for adequate air defense, because, in his opinion, naval and air defense supplement each other. Mr. Martin also testified that he would not grant naval parity with us to Japan. We know that Japan will not agree to a naval conference with us, looking toward the limitation of naval armament, unless in advance we agree to grant that nation naval parity with the United States.

It also should be emphasized that testimony before the Naval Affairs Committee shows that there are only two important manufacturers of airplane engines in the whole United States, one in Hartford, Conn., and one in Paterson, N. J., and that these, presumably, would be the first object of attack by an enemy on our eastern seaboard in case of hostilities. Further testimony gave evidence to the fact that were these two airplane manufacturing plants to be destroyed, we would be paralyzed for a long time to come in the building of our air defense. It was also testified before the Naval Affairs Committee that the New England coast would probably be an early object of enemy attack, too, because of the great concentration of manufacturing plants in that area, these plants capable of making munitions and other ordnance in time of war.

I ask the opposition, do you want to leave us so exposed to hostile attack? Or at least do you wish us to adopt a policy so doubtful that it may leave us exposed to hostile attack right on our own shores and in our own homes? Do you want people wearing gas masks to protect themselves anywhere in America? Do you want them wearing gas masks to protect themselves along the coast of Maine? Do you want American citizens, including women and children, struck down in their homes in actual defense of American soil?

As an advocate of peace and opposing aggression in any way, shape, or form, permit me to voice the hope that we will adopt a strong policy of offshore, not onshore, defense, and that this defense will keep war away from our homes and from the free land of America.

Let us pass this naval authorization bill. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. GRAY].

Mr. GRAY of Pennsylvania. Mr. Chairman, in this business of legislation we seem to be possessed of the unhappy faculty of tangling ourselves into almost inextricable difficulties. It has come to be something of a habit. That circumstance keeps the House membership more or less at sea. That of itself would not be so bad, but the effect on our constituencies, the resultant uncertainty, uneasiness, and disturbance among the people as to what we might do next is most assuredly not helpful to the country.

For instance, let us take this bill. The people and this Congress had been all set in the idea of peace. Every last person, at least on the surface, was an advocate of the cause of peace. We considered neutrality legislation, and the only

difference of opinion on the subject in this House and throughout the Nation was of the method which would be most effective and most practicable. President Roosevelt made a speech at Buffalo and in ringing tones declared his hatred of war. All approved; all acclaimed; all applauded when he said, "I hate war."

It was not so very long after that we heard what was considered to be a very different kind of thinking. At Chicago the President projected us into the international picture of a new proposal to quarantine certain parts of the earth's surface. Exactly what he had in mind is not so easy to determine, but we know the effect on the public thought. There was immediate popular uneasiness and alarm, a clamor for explanation of aims and purposes.

At that time the Ludlow peace referendum resolution was resting innocuously on the Speaker's table. Congress reconvened in the middle of November of 1937. Came the *Panay* incident. What an uproar!

Notwithstanding that our nationals had been asked long before to evacuate the troubled zone in China, the *Panay* sinking shook the vaults of heaven. The United States Government immediately protested. Japan immediately promised full investigation, payment of reparations, and nonrecurrence. All that any government or Nation could do Japan did. But the drums of war had started to roll and beat. Every metropolitan newspaper screamed in 3-inch headlines in every edition from sunrise to sunset and into the darkness of the night, and from mountaintop and valley. Every radio newscaster, not for days, not for once, but for weeks on weeks, at every newscasting period rent the air about the international crisis erupting out of the *Panay* sinking. Moving pictures, most likely faked for the purpose, were hurled into the propaganda offensive. Our ears were hammered with such disgusting frequency that one wished only that he might be deaf, and blind as well. No surcease of alarm was allowed even for a brief interval. Every act or imaginary circumstance was enlarged upon, developed, intensified beyond all rhyme or reason.

Letters started flowing into congressional offices. The people at home became anxious and worried. The first question put to one on trips back to the district, and the last, were "Are we going to get into war?" When so questioned I had this invariable reply, "Not with my assent."

Sufficient signers brought the Ludlow resolution to the floor. The pressure to defeat it became terrific. Some who have shown no more respect for a Congressman's views than for the wag of a dog's tail, suddenly developed a high regard for constitutional government, and the integrity, intelligence, and capacity of the Members of this House. But, probably, the less said about that the better.

Then came the vote to consider the Ludlow peace resolution. By a change of 11 votes in this House and the motion to consider would have been carried. But its failure to carry, as it turned out, was relatively unimportant.

The vital point is that the vote in favor of considering that resolution at once killed the *Panay* incident completely and entirely. The headlines disappeared, the newscasters quit casting, the motion pictures stopped moving. The *Panay* incident was over—sunk, dead. It did not die a-lingering. It died instantly, without even time for a death-bed repentance. It took the membership of this House to sink the sinking of the *Panay*. A most commendable and most thorough job was done.

Now comes this second Navy bill, this billion dollar-plus Navy expansion bill. One cannot help wondering for just what purpose. Some Members appear to want to take over the ordering of the life upon this globe. Others seem to want to wish the whole load of the Western Hemisphere on the shoulders of our people. Certainly some are protracting their anxieties and fears into the next century. They want in 1938 to prepare for some imaginary circumstance drawn from the realm of excitable hallucinations that might confront us in the year 2050.

The self-righteous attitude of some people, the all-knowing, all-wise, all-holy assumption of virtue and greatness on our part as opposed to all others, is not merely unfounded, but comic. Hitler and Germany this; Mussolini and Italy that; Emperor Hirohito and Japan something other; General Franco and Spain something else again. I am not so sure that the way some talk about other leading countries of the world is not a disgrace to whatever degree of civilization we profess to have attained. It is not necessary that one should be in agreement with the policies of any of these countries, but if the high officials and members of the great legislative bodies of other nations talked about the United States as they are talked about, we would begin to wonder not only about their common decency, but also about their sanity.

Other nations have their own internal and external problems. Great as our difficulties are, certainly theirs are greater. Our own efforts to better our own conditions, since the turn of the century, are not so very much to brag about. Internal economic distresses evolved Mussolini. Similar troubles, and Germany copied Italy. Japan in self-defense against Russianism, coupled with her economic conditions, seems to be driven to try to save herself. The one abomination in the matter of world government today is the intrigue and murderous destructionism of Russian internationalism. An idealogy insidiously propagated in our own country today, to our great detriment and possible dissolution.

I believe in adequate defense, at the time, for the requirements, whatever they may be, with a reasonable look into the future. I do not believe in projecting our defense mechanism into the twenty-fifth century. I am inclined to think that this expansion plan could be cut in half, at this time, without losing a single item of our needs. If that were done, one's vote in favor of it would in a measure follow the rational processes of practical thinking. [Applause.]

Mr. VINSON of Georgia. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HARLAN, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 9218) to establish the composition of the United States Navy, to authorize the construction of certain naval vessels, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. MILLS and Mr. LUDLOW asked and were given permission to revise and extend their own remarks in the RECORD.

Mr. KNIFFIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a short resolution.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. CITRON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including two speeches I recently made.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. BATES. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made in committee and include therein a table I have received from the Navy Department.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BACON. Mr. Speaker, in this morning's paper Miss Dorothy Thompson has an interesting analysis of the present international situation in Europe, and I ask unanimous consent to extend my remarks in the RECORD by including this article.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an answer that a constituent of mine made to an editorial in the Boston Herald.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a resolution adopted by the barbers union of the State of Oklahoma.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, Mr. GRAY of Indiana was granted leave of absence for 3 days, on account of illness.

ADJOURNMENT

Mr. VINSON of Georgia. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 10 minutes p. m.) the House adjourned until tomorrow, Thursday, March 17, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON BANKING AND CURRENCY

There will be a meeting of the Committee on Banking and Currency of the House at 10:30 a. m., Thursday, March 17, 1938, to resume hearings on H. R. 7230.

COMMITTEE ON THE POST OFFICE AND POST ROADS

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10:30 a. m., Tuesday, March 22, 1938, on bills in behalf of post-office substitutes. Room 213, House Office Building.

There will be a hearing before Subcommittee No. 1 of the Committee on the Post Office and Post Roads at 10 a. m., Wednesday, April 6, 1938, on bills in behalf of custodial employees in the Postal Service. Room 213, House Office Building.

COMMITTEE ON PATENTS

The subcommittee to consider H. R. 9041, on trade-marks, will hold hearings in the caucus room of the House Office Building at 10:15 a. m. each morning of March 17 and 18, 1938, Chairman LANHAM presiding.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

The Committee on Interstate and Foreign Commerce will resume hearings on S. 69, train-limit bill, on March 17, 1938. Rebuttal witnesses.

There will be a meeting of Mr. MALONEY's subcommittee of the Committee on Interstate and Foreign Commerce, at 10 a. m., Tuesday, April 5, 1938. Business to be considered: Continuation of hearing on S. 1261—through routes.

There will be a meeting of Mr. BULWINKLE's subcommittee of the Committee on Interstate and Foreign Commerce at 10 a. m., Tuesday, April 5, 1938. Business to be considered: Hearings on H. R. 8738 and H. R. 9073—to extend services of Inland Waterways Corporation to Pensacola, Fla., and the Cape Fear River, respectively.

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Tuesday, April 12, 1938. Business to be considered: Hearing on H. R. 9047—control of venereal diseases, and other kindred bills.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold hearings at 10 a. m. in room 219, House Office Building, on the following bills on the dates indicated:

Thursday, March 17, 1938:

H. R. 9577. To amend section 402 of the Merchant Marine Act, 1936, to further provide for the settlement of ocean-mail contract claims.

Wednesday, March 23, 1938:

S. 992. To make electricians licensed officers after an examination.

Thursday, March 24, 1938:

H. R. 6745. To require a uniform manning scale for merchant vessels and an 8-hour day for all seamen.

H. R. 8774. To amend the Seamen Act of March 4, 1915, as amended and extended, with respect to its application to tug towing vessel firemen, linemen, and oilers.

H. R. 9588. To provide for an 8-hour day on tugs on the Great Lakes.

Wednesday, March 30, 1938:

H. R. 8840. To amend section 6 of the act approved May 27, 1936 (49 Stat. L. 1380).

S. 1273. To adopt regulations for preventing collisions at sea.

Tuesday, April 5, 1938:

S. 2580. To amend existing laws so as to promote safety at sea by requiring the proper design, construction, maintenance, inspection, and operation of ships; to give effect to the Convention for Promoting Safety of Life at Sea, 1929; and for other purposes.

Tuesday, April 12, 1938:

H. R. 6797. To provide for the establishment, operation, and maintenance of one or more fish-cultural stations in each of the States of Oregon, Washington, and Idaho.

H. R. 8956. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements, and stocking operations for these purposes.

S. 2307. To provide for the conservation of the fishery resources of the Columbia River; establishment, operation, and maintenance of one or more stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, and stream improvements and stocking operations for these purposes.

Thursday, April 14, 1938:

H. R. 8533. To amend section 4370 of the Revised Statutes of the United States (U. S. C., 1934 edition, title 46, sec. 316).

Tuesday, April 19, 1938:

H. R. 5629. To exempt motorboats less than 21 feet in length not carrying passengers for hire from the act of June 9, 1910, regulating the equipment of motorboats.

H. R. 7089. To require examinations for issuance of motorboat operators' license.

H. R. 8839. To amend laws for preventing collisions of vessels, to regulate equipment of motorboats on the navigable waters of the United States, to regulate inspection and manning of certain motorboats which are not used exclusively for pleasure and those which are not engaged exclusively in the fisheries on inland waters of the United States, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1134. A letter from the Secretary of the Interior transmitting a resolution passed on February 10 by the Municipal Council of St. Thomas and St. John, Virgin Islands; to the Committee on Insular Affairs.

1135. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated March 4, 1938, submitting a report, together with accompanying papers and illustrations, on further investigation of Denison Reservoir, Tex., with a view to flood control and development of hydroelectric power, authorized by the Flood Control Act approved June 22, 1936 (H. Doc. No. 541); to the Committee on Flood Control and ordered to be printed, with four illustrations.

1136. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 24, 1938, submitting a report, together with accompanying papers and illustration, on reexamination of Mystic River, Mass., requested by resolution of the Committee on Rivers and Harbors, House of Representatives, adopted January 4, 1937 (H. Doc. No. 542); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

1137. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army,

dated February 24, 1938, submitting a report, together with accompanying papers and illustration, on a preliminary examination and survey of Unalaska (Iliuliuk) Harbor, Alaska, authorized by the River and Harbor Act approved August 30, 1935 (H. Doc. No. 543); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

1138. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated March 4, 1938, submitting a report, together with accompanying papers and illustrations, on examinations of, and review of reports on Willamette River and tributaries, Oregon, authorized by the Flood Control Act approved June 22, 1936, act of Congress approved June 13, 1934, River and Harbor Act approved August 30, 1935, and requested by resolution of the Committee on Commerce of the United States Senate, adopted September 27, 1933 (H. Doc. No. 544); to the Committee on Flood Control and ordered to be printed, with five illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. LANHAM: Committee on Public Buildings and Grounds. S. 2339. An act to amend the act entitled "An act to provide for the construction of certain public buildings, and for other purposes," approved May 25, 1926 (44 Stat. 630), as amended; without amendment (Rept. No. 1952). Referred to the Committee of the Whole House on the state of the Union.

Mr. BLAND: Committee on Merchant Marine and Fisheries. House Joint Resolution 613. Joint resolution to provide for the temporary operation by the United States of certain steamships, and for other purposes; with amendment (Rept. No. 1956). Referred to the Committee of the Whole House on the state of the Union.

Mr. DIMOND: Committee on Merchant Marine and Fisheries. H. R. 8982. A bill to amend Public Law No. 282, Seventy-fifth Congress, relative to the fisheries of Alaska; without amendment (Rept. No. 1957). Referred to the Committee of the Whole House on the state of the Union.

Mr. BLAND: Committee on Merchant Marine and Fisheries. H. R. 9882. A bill to permit the issuance of certain certificates under the shipping laws by inspectors of hulls, inspectors of boilers, and designated assistant inspectors; without amendment (Rept. No. 1958). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. MASON: Committee on Immigration and Naturalization. H. R. 8898. A bill for the relief of Quirino G. Polanco; without amendment (Rept. No. 1951). Referred to the Committee of the Whole House.

Mr. GILDEA: Committee on Immigration and Naturalization. H. R. 5059. A bill for the relief of John Bodrog; without amendment (Rept. No. 1953). Referred to the Committee of the Whole House.

Mr. GILDEA: Committee on Immigration and Naturalization. H. R. 6820. A bill for the relief of Elizabeth Vresh (Yalga Vres), her son Frederick Vresh, and her daughter Sylvia Vresh Bronowitz; without amendment (Rept. No. 1954). Referred to the Committee of the Whole House.

Mr. GILDEA: Committee on Immigration and Naturalization. H. R. 8275. A bill for the relief of Stanley Kolitzoff and Marie Kolitzoff; without amendment (Rept. No. 1955). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GAMBRILL of Maryland: A bill (H. R. 9893) to constitute the master-at-arms force and the guards (watchmen) force at the United States Naval Academy the "United States Naval Academy Police," to fix their compensation, and for other purposes; to the Committee on Naval Affairs.

By Mr. HOBBS: A bill (H. R. 9894) to amend section 2 of the act entitled "An act relative to the naturalization and citizenship of married women," approved September 22, 1922, as amended; to the Committee on Immigration and Naturalization.

By Mr. GAMBRILL of Maryland: A bill (H. R. 9895) to constitute the watchmen in the National Zoological Park the National Zoological Park Police, and for other purposes; to the Committee on the District of Columbia.

By Mr. LEMKE: A bill (H. R. 9896) to relieve the existing national economic emergency by postalizing transportation rates; to provide for the coordination, equalization, and reduction of transportation fares and charges for the purpose of inducing the increased use and employment of railroad facilities; to provide emergency relief with respect to such coordination, equalization, and reduction of transportation fares and charges; to provide for the incorporation of the Railroad Postalized Fare Guaranty Corporation in order to allot and apportion just and equitable indemnification to the railroad carriers; to provide an appropriation for extraordinary expenses incurred by reason of such emergency; to provide for the orderly application of such emergency relief; and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. STACK: A bill (H. R. 9897) to authorize the construction of a United States Veterans' Administration hospital in the city of Philadelphia, Pa.; to the Committee on World War Veterans' Legislation.

By Mr. LEA: A bill (H. R. 9898) to prohibit the use of communication facilities for criminal purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. WARREN: A bill (H. R. 9899) to amend the Agricultural Adjustment Act, as amended, by including peanuts as a commodity to which orders under such act are applicable; to the Committee on Agriculture.

By Mr. BLAND: Resolution (H. Res. 443) for the consideration of House Joint Resolution 613; to the Committee on Rules.

By Mr. McFARLANE: Resolution (H. Res. 444) to employ certain persons; to the Committee on Accounts.

By Mr. BELL: Joint resolution (H. J. Res. 621) authorizing the issuance of a special stamp commemorating the one hundredth anniversary of the settlement of Saxon pilgrims in the West and establishment there of first Lutheran Church; to the Committee on the Post Office and Post Roads.

By Mr. McLAUGHLIN: Joint resolution (H. J. Res. 622) authorizing the President of the United States of America to proclaim October 11, 1938, General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; to the Committee on the Judiciary.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of New Jersey, memorializing the President and the Congress of the United States to consider their resolution dated February 21, 1938, with reference to Home Owners' Loan Corporation; to the Committee on Banking and Currency.

Also, memorial of the Legislature of the State of Massachusetts, memorializing the President and the Congress of the United States to consider their resolution, for action to promote interstate cooperation, in respect to the removal of industrial establishments from one State to another; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Massachusetts, memorializing the President and the Congress of the United States to consider their resolution to have the name of the company manufacturing shoes in foreign countries stamped on the outer soles thereof; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. COLLINS: A bill (H. R. 9900) for the relief of J. D. Austin; to the Committee on Claims.

By Mr. CUMMINGS: A bill (H. R. 9901) for the relief of Mr. and Mrs. John C. Johnson; to the Committee on Claims.

By Mr. McGRANERY: A bill (H. R. 9902) granting a pension to Esther Bingham; to the Committee on Invalid Pensions.

By Mr. PACE: A bill (H. R. 9903) to extend the time within which Hattie V. Crews may reinstitute suit on the war-risk insurance contract of Arthur Allen Crews (T-788243) under section 19 of the World War Veterans' Act, 1924, as amended; to the Committee on Claims.

By Mr. TEIGAN: A bill (H. R. 9904) for the relief of Grace Campbell; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4459. By Mr. CLASON: Memorial of the General Court of Massachusetts, favoring legislation by Congress requiring all shoes imported from foreign countries to have the name of the country of manufacture stamped on the outer soles thereof; to the Committee on Ways and Means.

4460. Also, memorial of the General Court of Massachusetts, favoring legislation and action of Congress to promote interstate cooperation, in respect to the removal of industrial establishments from one State to another; to the Committee on Interstate and Foreign Commerce.

4461. By Mr. CURLEY: Petition of the New York County Lawyers' Association, New York City, recommending disapproval of House bills 9046 and 9049, amending section 112 of the Revenue Act of 1936 in relation to the allowance of losses to a bank which was reorganized after January 1, 1933, at the time when its assets were placed in trust for liquidation of its liabilities and without awaiting the final liquidation of the assets; to the Committee on Ways and Means.

4462. Also, petition of the New York County Lawyers' Association, urging disapproval of House Joint Resolution 527, which would change the basis upon which embargoes under neutrality legislation would come into effect; to the Committee on the Judiciary.

4463. By Mr. BOYLAN of New York: Resolution unanimously adopted at the sixth annual meeting of the Association of Towns, Albany, N. Y., opposing the Parsons bill (H. R. 8327) or any other legislation that would permit the waters of the Great Lakes to be diverted and thus materially affect the natural flow into the Niagara River, the Falls, and the St. Lawrence River; to the Committee on Rivers and Harbors.

4464. By Mr. CLUETT: Resolution of the Association of Towns of the State of New York, opposing House bill 8327, or any other act or legislation that would permit the waters of the Great Lakes to be diverted and thus materially affect the natural flow thereof into the Niagara River, the Falls, and the St. Lawrence River; to the Committee on Rivers and Harbors.

4465. By Mr. FORAND: Petition of the General Welfare Association of Rhode Island, Inc., signed by Leicester R. F. Watts, president, and others, urging the enactment into law of House bill 4199, the General Welfare Act; to the Committee on Ways and Means.

4466. Also, petition of the executive committee of the General Welfare Club of Rhode Island, No. 1, signed by Francis W. Post, chairman, and others, urging the enactment into law of House bill 4199, the General Welfare Act; to the Committee on Ways and Means.

4467. By Mr. LUTHER A. JOHNSON: Petition of Steve Collins, J. J. Rogers, Joe Tom Hinson, and Grady A. French, all of Mart, and A. A. Allison, of Corsicana, State of Texas, favoring amendment of the Wagner-Peyser Act, in order for the United States Employment Service to be in a position to request adequate appropriations to enable it to supervise State employment offices, and to operate the Veterans' Placement Service and the Farm Placement Service; to the Committee on Labor.

4468. By Mr. LAMNECK: Resolution of Jack C. Meyer, secretary-treasurer, the Ohio Bottlers' Association, Columbus, Ohio, urging the repeal of the undistributed-profits and surplus-profits tax; to the Committee on Ways and Means.

4469. By Mr. LEWIS of Maryland: Petition of Rev. H. M. Strickland and 57 others of the Pentecostal Assembly of God, Cumberland, Md., favoring a direct vote of the people before entering or engaging in a foreign war; to the Committee on the Judiciary.

4470. By Mr. LUCE: Memorial of the General Court of Massachusetts, favoring legislation that will promote interstate cooperation in respect to removal of industrial establishments from one State to another; to the Committee on Interstate and Foreign Commerce.

4471. Also, memorial of the General Court of Massachusetts, favoring legislation to require all shoes imported to have name of country of origin stamped thereon; to the Committee on Ways and Means.

4472. By Mrs. NORTON: Petition of members of the Veterans of Foreign Wars, Panama City, Republic of Panama, protesting against employment of aliens on Panama Canal and Panama Railroad while they, American citizens and veterans, are unable to secure employment; to the Committee on Labor.

4473. By Mr. O'NEILL of New Jersey: Petition of the House of Assembly, State of New Jersey, requesting Congress to favorably consider legislation to reduce the interest rate on mortgages held by the Home Owners' Loan Corporation from 5 percent to 3 or 3½ percent and to extend the amortization period for said mortgages from 15 years to 20 or 25 years; to the Committee on Banking and Currency.

4474. Also, petition of the House of Assembly, State of New Jersey, protesting against any lowering of tariff on textile goods in the reciprocal trade agreement between the United States and the United Kingdom; to the Committee on Ways and Means.

4475. Also, petition of the New Jersey Industrial Traffic League, requesting that there be established a mediation tribunal analogous to that now in use by the railroads in complement to other amendments to the Merchant Marine Act of 1936; to the Committee on Merchant Marine and Fisheries.

4476. Also, petition of the Orange Storage Warehouses, East Orange, N. J., to amend the Social Security Act; to the Committee on Ways and Means.

4477. By Mr. PFEIFER: Petition of the Dykes Lumber Co., New York City, concerning the Borah-O'Mahoney Federal licensing bill; to the Committee on the Judiciary.

4478. Also, petition of the Long Island Surf Fishing Club, Inc., Long Island City, N. Y., concerning the Cummings bill, known as the National Firearms Act; to the Committee on Interstate and Foreign Commerce.

4479. Also, petition of the Babcock & Wilcox Co., New York City, concerning the compulsory licensing bill (H. R. 9259); to the Committee on Patents.

4480. By Mr. THOMASON of Texas: Petition of the El Paso County Farm Bureau, urging equitable proration of expense of sterilizing cotton; to the Committee on Agriculture.

4481. By the SPEAKER: Petition of the Regular Veterans' Association, Department of Tennessee, petitioning consideration of their resolution with reference to increased pay for the enlisted men of the Regular Establishment; to the Committee on Military Affairs.

4482. Also, petition of the Regular Veterans' Association, Department of New Hampshire, with reference to House bills 8782 and 8948, concerning pensions; to the Committee on Military Affairs.

4483. Also, petition of the Regular Veterans' Association, Department of California, Los Angeles, Calif., with reference to House bills 8782 and 8948, concerning pensions; to the Committee on Military Affairs.